VIVA Trust Case Studies
A new series of VIVA Trust publications

With this Case Study, VIVA Trust launches a new series of publications. The series will describe different projects that have demonstrated outstanding impacts in terms of the sustainable development of society or business. In particular, the roles that the Fundación AVINA and the company GrupoNueva played to add to the success of the projects will be analyzed.

This Case Study is about one of the first big projects undertaken by Stephan Schmidheiny and AVINA. Therefore it is my special pleasure to announce that our founder, Stephan Schmidheiny, has agreed to write the foreword. I hope that the narrative will inspire you all.

Peter Fuchs
Chairman
VIVA Trust
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Foreword

The INCAE Experience
Stephan Schmidheiny
When I was invited to give the commencement speech at the 1993 graduation ceremony of INCAE Business School, I chose the then largely unknown topics of sustainable development, eco-efficiency, and social responsibility to convey a challenging message to the graduates, to business leaders, and indeed to the region’s institutions. I said that I foresaw a rapidly changing business and social environment to which we all would have to respond and adapt. The response I got was beyond my best expectations: INCAE started to build on its strengths in management, particularly on its commitment to natural resources, and rapidly made sustainable development a core subject of its MBA program, which has become one the very best of its kind in the world today.

In late 1995 I was invited to attend a meeting at Harvard Business School of INCAE professors and business leaders with the presidents of Central American countries. On that occasion it became clear to me that the region needed a think tank that could develop socio-economic models to provide new ideas and guidelines for business, government, and Non-Governmental Organization (NGO) decision makers against the backdrop of a fast-changing, globalizing, and increasingly resource-constrained world. Again, INCAE’s response was fast, creative, and entrepreneurial. With my financial support, the Latin American Center for Competitiveness and Sustainable Development (LACCS&D) was founded and quickly became a source of innovation and practical change. Dozens of government policies, hundreds of projects, and thousands of individual entrepreneurs and leaders, public and private, have benefited from the catalytic impulses generated by INCAE-LACCS&D.

The net result to date is that INCAE has improved its rating to become the best business school in Latin America and to position itself among the ten best in the world, while Central America has worked on a growing number of clusters of new, more competitive and eco-efficient businesses, just in time for the USA-Central America Free Trade Agreement, which will expose these relatively small national economies to unfettered global competition. AVINA and I have seen a major investment of personal efforts and grant funds produce impressive results. After five years of substantial startup support, in agreement with INCAE authorities, our financial contribution was gradually reduced over subsequent years. The AVINA support has been effectively replaced by the think tank’s income-generating projects and highly successful fundraising activities, allowing LACCS&D to achieve independent financial and operational sustainability.

The AVINA-INCAE partnership became a true win-win story for those directly involved as well as for the people in the region and the markets of INCAE. In the ten years of joint activities INCAE’s reach grew beyond Central America to include projects in every country from Mexico to Argentina. Working with INCAE over these years has in many ways been one of my most interesting experiences I had in Latin America since I first came to the region more than 30 years ago. I received ample reward for my philanthropic effort since, I became a member of the organization and its leadership networks and was able to contribute to the definition of values and strategy and thus participate in their growing success.

Stephan Schmidheiny
San José - Costa Rica
January 2007
Case Study
Dr. Roberto Artavia Loría
Rector of INCAE Business School
Alajuela, Costa Rica
AVINA-INCAE
A Partnership for Sustainable Development in Latin America
Introduction

Map of Central America, primary region for the work of INCAE-LACCSD

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On October 25, 1995, Swiss entrepreneur and industrialist Stephan Schmidheiny participated in a summit of Central American presidents at the Harvard Business School. After this event, INCAE Business School (Central American Institute of Business Administration) proposed the creation of a new venture: a center for research, dissemination of knowledge, and promotion of the key ideas of competitiveness and sustainability among the leaders of the region. This new venture would later, in mid 1996, become the Latin American Center for Competitiveness and Sustainable Development (LACCS). From the beginning, Dr. Schmidheiny was a key partner for INCAE and the new venture, first in his personal capacity and later through his newly launched Fundación AVINA (AVINA). This report analyzes the results of this partnership over a decade.

Dr. Stephan Schmidheiny during his speech in the “Symposium on Entrepreneurship, Philanthropy, and Development: Walking the Talk”, held at INCAE on October 9, 2003
Key Outcomes
New development mindset

The most important outcome of the partnership is the new mindset with which leaders analyze development in Central America today. A development process that does not focus attention on productivity, competitiveness and sustainability is no longer acceptable to them. From analyses based fundamentally on macroeconomics, influenced by the Washington Consensus and International Monetary Fund (IMF) policies, the INCAE-LACCSD initiative has introduced conceptual and analytical frameworks more in tune with the microeconomic, social, and environmental realities of the region and its countries.

Evidence of this shift in the mindset of leaders can be found in their speeches and policies. The work programs and agendas of the region’s most important institutions and organizations today include the topics introduced and promoted by INCAE-LACCSD. These institutions include:

- Governments (national and local)
- Key think tanks in the region
- Companies
- Major universities and executive training centers
- Productive sectors associations
- International Financial Institutions (IFIs) for the region and its countries

The key ideas of national and industry competitiveness, improved business climate, industry clusters, Corporate Social Responsibility (CSR), investment attraction, and many others have been widely adopted by the region’s leaders thanks to the intensive work of dissemination carried out by INCAE-LACCSD.

Pamela Cox, Vice-president of the World Bank for Latin America stated:

“…Central America has advanced significantly, leading the way in many areas linked to the business climate and national competitiveness. There are many regional and national programs under way, as well as many institutions contributing to this process. Let me give you some important examples: 1) the pioneering work of INCAE’s Latin American Center for Competitiveness and Sustainable Development on competitiveness and its impact on the development of new business leaders…”
Critical mass and network of leaders

The second important outcome, crucial for the sustainability of the effort, has been the creation of a critical mass of leaders, institutions, academics, and politicians who understand and consistently use the frameworks and knowledge created by INCAE-LACCSO.

More than 6,000 individuals, from a wide variety of sectors, industries, and political positions, have been integrated into the INCAE-LACCSO network, having received at least basic training in one or more of the frameworks of competitiveness and sustainability, currently receiving a periodical newsletter on the important issues in the region, and/or participating in local, national, and/or regional networks in their fields of interest and expertise.

The existence of such a network creates conditions in which innovations related to competitiveness and sustainability are disseminated more efficiently and are more quickly adopted by the leaders and key institutions of the region. The network itself becomes an advantage for the adoption and implementation of the new ideas, frameworks and initiatives.

As an example, in the recent worldwide energy crisis, provoked by the rapid rise in oil prices, it was very easy for INCAE-LACCSO to convene work groups and task forces in the countries to disseminate information, new ideas, and technological alternatives throughout the region, thanks to the existing networks of leaders. This same type of dynamics can and have been achieved for other important topics, making INCAE-LACCSO an important source of new initiatives around key topics for the sustainable development of the region.

Figure 1
A schematic view of the INCAE-LACCSO regional network of leaders. The number in each box indicates the leaders who formally participated in initiatives in each of the categories.
Strategic alliances and other networks

An important part of INCAE’s LACCSRD work - and an important outcome in itself - is the establishment of many strategic alliances between institutions brought together by the INCAE-LACCSRD dynamics. Many of these alliances now operate outside, or parallel to, the original INCAE network: a sign of their maturity, commitment, and sustainability.

INCAE-LACCSRD has also established strategic alliances important to its own sustainability, as they allow it to remain connected to key agendas and programs in each of the countries and in the region itself. For example, a network of economic and investment-promotion think tanks has been developed, and INCAE-LACCSRD maintains bilateral programs with each of them. These institutions are:

- FUNDESA and PronaCom, Guatemala
- FUSADES and ANEP, El Salvador
- FIDE and COHEP, Honduras
- ProNicaragua
- CINDE and ProComer, Costa Rica
- Compite Panamá
- Consejo Nacional de Competitividad, Ecuador

Emmanuel Seidner, Executive Director of PronaCom, Guatemala, explains:

“In Central America the public sector, business, academia, and civil society share a common language thanks to the efforts of INCAE since 1995... INCAE has aided us since the design and launching of our competitiveness agenda in 1997... and in 2005 they were central to the design and presentation of the National Competitiveness Agenda 2005-2015, which now presents a more integral approach to development, including initiatives for a better educated and healthier population; for institutional development and modernization; environmental balance and sustainability, government decentralization; improvement of logistics and technological infrastructure; and the promotion and diversification of exports... all of which is helping us achieve a more prosperous, equitable, and sustainable Guatemala.”
Just as in the case of the competitiveness and investment attraction network, INCAE-LACCSD has become a key analytical and research resource for institutions in areas of sustainability. INCAE-LACCSD, and AVINA as well, were central to the creation of national organizations for the promotion of Corporate Social Responsibility (CSR) and in the integration of a regional network of these institutions. For example, in the launching event of CentraRSE in Guatemala (the World Business Council for Sustainable Development – WBCSD counterpart) Stephan Schmidheiny was keynote speaker; INCAE’s rector was also invited as one of the main speakers, and INCAE-LACCSD held a regional meeting of its network of social and environmental NGOs in parallel to the CentraRSE event, to provide it with a critical mass of experts and organizations at this initial effort. The result was a great success and added credibility for the initial efforts of CentraRSE. The members of the regional network are:

- CentraRSE, Guatemala
- Fundemás, El Salvador
- CEDES, Honduras
- UniRSE, Nicaragua
- AED, Costa Rica
- IntegraRSE, Panamá

There are many other networks in areas as diverse as business education, renewable energy, and young leaders for sustainability. These groupings include the national Business Councils on Sustainable Development, the Central American Leadership Initiative (CALI), the Youth Encounter on Sustainability (YES) of the Swiss Federal Institute of Technology, Zurich (ETH) and the AVINA partner network, among many others.
Promoting leadership

INCAE-LACCSD has also become an important center for the education and training of leaders for sustainable development. Value-centered leadership is part of INCAE’s historical mission, as it is of AVINA’s. The partnership between the two has created many opportunities to promote leadership for sustainable development, many of them in alliance with other institutions that share values with INCAE and AVINA.

One of the best examples is the network of young leaders (under 44) called the Central American Leadership Initiative (CALI), recently formed by INCAE, the Aspen Institute, Fundemás, and Technoserve. This group of institutions was attracted to INCAE partly due to its leadership in promoting equity and sustainability, as well as competitiveness and wealth creation.

INCAE has served as a training center for the AVINA partner network on two occasions and has hosted international, groundbreaking events with other leading institutions in the field, for example:

- **Alliance for Global Sustainability (MIT, ETH Zurich, University of Tokyo, and Chalmers University)**
- **Symposium on Entrepreneurship, Philanthropy, and Development at which the VIVA Trust was formally launched and presented**
- **Symposium on Business at the Bottom of the Pyramid, in an alliance with WBCSD and its Latin American partners**

Speakers at the “Symposium on Entrepreneurship, Philanthropy, and Development: Walking the Talk”, October, 2003. In order from left to right: Brizio Biondi-Morra, President of the Fundación AVINA; Roberto Artavia Loria, Rector of INCAE; Hernando de Soto, President of the Instituto de Libertad y Democracia; Oscar Arias Sánchez, Nobel Peace Prize Laureate and President of Costa Rica; María Emilia Correa, Vicepresident of GrupoNueva; Stephan Schmidheiny; Sushmita Ghosh, President of Ashoka; James Wolfensohn, President of the World Bank; Björn Stigson, President of the WBCSD; and Peter Fuchs, President of VIVA Trust
All INCAE MBA students today take compulsory courses on the principles of sustainable development, eco-efficiency management, and Corporate Social Responsibility (CSR), and they can take a five-course concentration on sustainable development. Most of the materials used in these courses result from the LACCSD research process, making effective use of its outputs to create a generation of business leaders with a different framework for understanding the process of development.

Jorge Gronda, Argentina’s social entrepreneur of the year in 2005, AVINA partner, and INCAE alumnus said:

"...INCAE provided me with the tools to achieve the objective of trying to improve the quality of life in the region in which I live. In deeper analysis I realize that INCAE, more than a business school, is a place for personal growth. It would be useless to understand competitiveness, clusters, business systems, and value chains if they are not sustained by values such as humility, tolerance, respect for one another, honesty. No one can deny the congruence between what INCAE preaches and what it does. We have seen it firsthand at the institutional level and also in the conduct of its people, whether we were interacting with the rector or with the person in charge of program logistics..."
Flexibility and innovation

One of the most salient characteristics of the AVINA support for INCAE-LACCSD was its willingness to let it experiment and innovate in terms of ways to promote sustainability in the region.

The result of this flexibility has been a high degree of innovative projects, new organizational structures, and the response and adaptation capabilities that have characterized LACCSD’s programs in Central America. A group that started by promoting business competitiveness very quickly recognized that this factor, although very important, constituted only one element of the complete framework that would be needed to promote sustainability in the region.

Once LACCSD started analyzing other topics, it became engaged in processes that dealt with highly diversified subjects, becoming a key analytical asset for many sectors in the region that had never before considered entering into an alliance with a business school; these included social ministries of government, civil society organizations, environmental NGOs, and others.

Participants at INCAE’s new Sustainability Management Program visiting the rain forest of Costa Rica. Such field trips are a key part of the program
Two examples of innovative initiatives which received support from AVINA-INCAE are:

- The Sustainable Markets Intelligence Center (CIMS), founded by a group of leaders invited by INCAE-LACCSD, is an organization designed to link environmentally friendly agribusiness producers in Latin America with environmentally and socially conscious buyers in the developed world.

- The Ecobanking Project is a joint venture of INCAE-LACCSD, AVINA, the Internationale Weiterbildung und Entwicklung GMBH (InWent), and UNEP (United Nations Environment Programme), established to assist the financial sector of Latin America create value for its clients and for the region itself through better environmental analysis, management, and performance.

INCAE-LACCSD, with support from AVINA, managed to create change processes in many of these areas and subjects, researched and documented these processes, created networks of leaders, transferred technology, and brought the leaders to the forefront of sustainable development thinking, just as it had done with the issue of business competitiveness in partnership with Harvard Business School Professor Michael Porter. As part of this effort, INCAE introduced new courses on sustainability in its MBA curriculum as well as new executive training courses, most of them unique in their content and focus.
Dissemination of knowledge

One outcome of this flexibility and innovation was the development of a number of frameworks to analyze the issues of sustainable development. The general framework used to integrate all the parts is shown in figure 2.

Figure 2
Schematic view of the sustainable development framework introduced by INCAE-LACCSD

This framework combines the current areas in which LACCSD works. This framework, designed by LACCSD, allows decision-makers and policy-makers to do their work understanding the influence and trade-offs with other areas of sustainable development.

In each of these five areas there is (or has been in previous years) significant change taking place in the region through research; through the dissemination of information, knowledge, and conceptual frameworks; through the promotion of inter and intra-sectoral dialogue; and the formulation of strategies, projects, and programs. The following topics are addressed in each area.

Wealth creation
National, cluster and industry competitiveness; business climate (infrastructure, regulatory environment, rule of law, etc.); trade policy and free trade agreements; availability of qualified human capital; investment attraction; national innovation systems; entrepreneurship and new business ventures; Small and Medium Enterprise (SME) competitiveness, and business at the bottom of the pyramid.

Environmental balance
Topics analyzed in this area include sustainable markets and fair trade; industry and cluster productive and competitive sustainability; water management in areas of relative scarcity; renewable energy;
eco-banking; and reduction and mitigation of environmental and economic vulnerability to natural disasters.

**Macroeconomic stability**
A framework to ascertain the correct alignment of fiscal, trade, monetary, and social policies was developed and disseminated. Extensive work was done in capital markets development and supervision.

**Institutional innovation and development**
INCAE-LACCSD worked to strengthen key institutions in each country and the region, promoted the establishment of new institutions that were needed (mostly related to productivity, innovation, trade, research and science, and investment attraction), promoted business incubators and accelerators (including its own in Nicaragua), supported innovative organizations and social entrepreneurs that were responding creatively to existing problems, documented case studies of many of these innovators, and promoted alliances among new and innovative organizations. Many of the networks mentioned above result from this process.

**Human development**
INCAE-LACCSD established a process to document the best practices in the reduction of poverty; supported educational policy initiatives; helped educate and train social entrepreneurs who were responding with innovation to development challenges; and promoted alliances and cross-fertilization across successful projects and programs.

The many conceptual frameworks and innovations generated by these processes were widely disseminated among the leaders in the INCAE-LACCSD and AVINA networks through hundreds of meetings, seminars, presentations, and dialogue events in all countries of the region. The following table shows the number of events and sponsored work meetings held in the region between 2000 and 2005, divided into three categories:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>ICP</th>
<th>ET</th>
<th>ISD</th>
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<tbody>
<tr>
<td>2000</td>
<td>59</td>
<td>35</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td>2001</td>
<td>171</td>
<td>119</td>
<td>25</td>
<td>27</td>
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<tr>
<td>2002</td>
<td>169</td>
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<td>2004</td>
<td>138</td>
<td>95</td>
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<td>2005</td>
<td>79</td>
<td>35</td>
<td>5</td>
<td>39</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>726</strong></td>
<td><strong>453</strong></td>
<td><strong>88</strong></td>
<td><strong>185</strong></td>
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This intensive process of informing, introducing new conceptual and analytical frameworks, educating and training, and fostering exchange, dialogue and cross-fertilization among leaders changes mindsets.

Part of the collection of books and working papers produced by INCAE-LACCS

The published research body of INCAE-LACCS includes:

- 15 books
- 238 formally published working papers
- 62 case studies
  and
- 812 press items
  (in newspapers, magazines, and journals)
Deployment of experts in the region

INCAE-LACCSD attracted to Central America a number of leading international leaders and experts who would not otherwise have devoted their time to such a small region of the world. These included, among many others:

James Wolfensohn (World Bank)
Michael E. Porter (Harvard’s Institute for Competitiveness and Strategy)
Jeffrey Sachs (Harvard’s Institute for International Development and the Earth Institute at Columbia University)
Theo Panayotou (Harvard’s Institute for International Development)
John Bruton (Former Prime Minister of Ireland)
Björn Stigson (World Business Council for Sustainable Development)
James E. Austin (Harvard Business School and Social Enterprise Knowledge Network)
Hernando de Soto (Instituto de Libertad y Democracia)
Over time and as it conducted research, INCAE developed its own team of experts in subjects such as:

<table>
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<td>Arturo Condo</td>
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<tr>
<td>Niels Ketelhohn</td>
<td>Roy Zúñiga</td>
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<tr>
<td>Luis Reyes</td>
<td>Juan Carlos Barahona</td>
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<tr>
<td>Luis Figueroa</td>
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<tr>
<td>René Castro</td>
<td>Luis Noel Alfaro</td>
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<tr>
<td>Felipe Pérez</td>
<td>Francisco Leguízamón</td>
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<tr>
<td>Lawrence Pratt</td>
<td>Carlos Salas</td>
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<td>Sarah Cordero</td>
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<table>
<thead>
<tr>
<th>Trade</th>
<th>Institutional development</th>
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<tbody>
<tr>
<td>Alberto Trejos</td>
<td>Forrest Colburn</td>
</tr>
<tr>
<td>Anabel González</td>
<td>Arturo Cruz</td>
</tr>
<tr>
<td></td>
<td>Fernando Sánchez</td>
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<table>
<thead>
<tr>
<th>Corporate Social Responsibility (CSR)</th>
<th>Poverty</th>
</tr>
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<tbody>
<tr>
<td>Enrique Ogliasti</td>
<td>Simone Bunse</td>
</tr>
<tr>
<td>John Ickis</td>
<td>Alvaro Ramos</td>
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</table>

and many others
Impact on INCAE

The Stephan Schmidheiny Building, home to the Latin American Center for Competitiveness and Sustainable Development (LACSD), inaugurated in June of 1999
The partnership between INCAE-LACCSD and AVINA has had an enormous impact on INCAE itself.

When the alliance began, INCAE was a widely recognized and successful business school operating in Central America and parts of the Andean region. The decade of LACCSD work has made INCAE the center of analysis and innovation for the development process in the Central American region. It has become the meeting center for the region’s leaders, who are confident that at INCAE-LACCSD they will find quality analysis, innovative proposals, political neutrality, long-term vision, and space for open dialogue. It has provided INCAE-LACCSD with a facility of its own, the Stephan Schmidheiny Building, which allows LACCSD and INCAE to act as the meeting point for many key groups and networks in the region.

Thus INCAE’s convening power has increased locally, regionally, and internationally. In the past decade, seven presidential summits have been held at INCAE on aspects of the regional competitiveness and sustainability agendas. The June 1999 summit involved eight presidents and business leaders from throughout the region and beyond. There the Central American Agenda for the XXI Century was presented by Michael E. Porter, Jeffrey Sachs, and then LACCSD Director Eduardo Doryan (recruited from that post to become Vice President of Human Development at the World Bank).

In all, more than 12,000 leaders have participated in INCAE-LACCSD events, with more than 6,000 of them remaining connected in some form to the processes in which they participated. This convening power stretched outside the region, and INCAE-LACCSD became a key center of research and knowledge for Latin America.
Institutional positioning

The reputations of both the school and the center increased in step with one another, due mainly to the strong institutional commitment to the linking of competitiveness and sustainable development. This allowed for institutional positioning based on reputations for building sustainable competitiveness in the region; corporate responsibility and social entrepreneurship; open multi-sector dialogue; regional integration, and leadership and the creation of networks. This has allowed INCAE to attract international academic symposia; educational exchange proposals, interns, and foreign students from throughout the Americas and beyond. The impacts of this positioning have included:

Achievement for four consecutive years of the ranking as the best business school in Latin America (América Economía ranking)

as the 10th-ranked international business school in the world (Wall Street Journal, 2005 and 2006)

and as the fourth-ranked business school in the emerging world (Financial Times, 2006)

Attraction of international symposia such as
- Alliance for Global Sustainability
- Society for Economic Dynamics
- International Academy of Management
- International Academy of Strategy
- Symposium on Entrepreneurship, Philanthropy, and Development
- Symposium on Doing Business with the Poor

Establishment of INCAE as the partner institution of the World Economic Forum (WEF) for all Central American nations, Ecuador, and Bolivia

Permanent partner of the Youth Encounter on Sustainability (YES/ETH Zurich)

Permanent annual seminar for
- MBA students at the University of Minnesota and
- Rotterdam School of Management of Erasmus University
- Deans of Latin American Universities for Sustainable Development

Attraction of NGO and civil society leaders
- Two AVINA partner annual meetings
- Social Entrepreneurs supported by the Kellogg Foundation
The ranking below, a mix of European, North American and Central American schools, is based on how recruiters rated each school on 21 attributes, their future plans to recruit there, and the number of companies hiring a high percentage of the school’s graduates for jobs outside U.S. Because of a methodology change, the 2006 ranking cannot be compared with the 2005 results.

<table>
<thead>
<tr>
<th>Rank</th>
<th>University (Business School)</th>
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<tr>
<td>1</td>
<td>ESADE</td>
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<td>2</td>
<td>IMD</td>
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<tr>
<td>3</td>
<td>IPADE</td>
</tr>
<tr>
<td>4</td>
<td>London Business School</td>
</tr>
<tr>
<td>5</td>
<td>Thunderbird (Garvin)</td>
</tr>
<tr>
<td>6</td>
<td>Columbia University</td>
</tr>
<tr>
<td>7</td>
<td>Tecnológico de Monterrey</td>
</tr>
<tr>
<td>8</td>
<td>Massachusetts Institute of Technology (Sloan)</td>
</tr>
<tr>
<td>9</td>
<td>University of Western Ontario (Ivey)</td>
</tr>
<tr>
<td>10</td>
<td>INCAE Business School</td>
</tr>
<tr>
<td>11</td>
<td>University of California, Berkeley (Haas)</td>
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<tr>
<td>12</td>
<td>Instituto de Empresa</td>
</tr>
<tr>
<td>13</td>
<td>York University (Schulich)</td>
</tr>
<tr>
<td>14</td>
<td>University of Chicago</td>
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<td>15</td>
<td>IESE</td>
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<td>16</td>
<td>HEC Paris</td>
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<td>17</td>
<td>University of Pennsylvania (Wharton)</td>
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<td>18</td>
<td>Insead</td>
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<td>19</td>
<td>Erasmus University (Rotterdam)</td>
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<td>20</td>
<td>Harvard University</td>
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<td>21</td>
<td>Bocconi University</td>
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<td>22</td>
<td>University of Toronto (Rotman)</td>
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<td>23</td>
<td>New York University (Stern)</td>
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<tr>
<td>24</td>
<td>Stanford University</td>
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</table>
Technology transfer

Thanks to the combination of its convening power, research capabilities, international alliances, and educational and training abilities, INCAE-LACCSD has become an important center of technological transfer to and from the region.

From the basic frameworks on competitiveness of Michael E. Porter, to the latest in renewable energy sources or corporate social responsibility, INCAE-LACCSD offers the Central American region privileged access to leading knowledge. This access to technology and ability to transfer it are added values with an incredibly high multiplier effect for the countries and leaders of the region.

Geographical expansion of INCAE-LACCSD

One of the most impressive outcomes of the INCAE-LACCSD process has been the expansion of its ideas, frameworks, and knowledge beyond the borders of the region. The process, catalyzed by LACCSD projects and research, has expanded quickly to the Andean region, parts of Mexico and northwestern Argentina, as well as in one or two subjects to Paraguay, Chile, and Peru.

INCAE-LACCSD experts have been invited for both short and long-term processes to places as far away from the region as Croatia (where INCAE has been working for almost five years); Sri Lanka (the Tea Growers Association), Thailand (training in competitiveness with sustainable development for government and business leaders of Cambodia, Vietnam, Thailand, Philippines, Sri Lanka, and Indonesia); Spain (Instituto de Empresa in Madrid), and Switzerland (where INCAE supports the emerging economies portion of the Youth Encounter for Sustainability of the Swiss Federal Institute of Technology, Zurich, or ETH).
New international alliances

INCAE-LACCSD has become a preferred Latin American partner for leading universities of the world. In addition to a growing number of exchanges that include universities in the United States, Germany, Holland, Spain, Taiwan, and Australia, INCAE has strong partnerships in key areas of development with:

**Tecnológico de Monterrey**
the leading university in Mexico

**Media Lab**
the social and technological innovation center of MIT

**ETH**
in Zurich for YES

**University of Minnesota**
on subjects of sustainability

**Rotterdam School of Management**
on subjects of sustainability

**Leipzig University**
for internships

**Bergen University**
in the area of systems dynamics
Financial Partnership
There have been many and varied results of the financial partnership between INCAE and AVINA, many of them important to the future of the Central American region and of INCAE as an institution.

This partnership was started as a personal relationship with Stephan Schmidheiny, who made his first significant donation to the center in 1996. This allowed INCAE to expand what was planned as a center for competitiveness into a center for competitiveness and sustainable development.

In the ten years since the relationship began, Stephan Schmidheiny has contributed personally or through AVINA a total of US$ 16,500,543 to LACCSD. The Center has leveraged these resources and raised an additional US$ 18.7 million to reach a total operational budget of US$ 35.2 million over ten years. The contributions of Stephan Schmidheiny and AVINA represented 46.9 percent of the total budget until 2006, when these contributions stopped, as had been mutually agreed in 1999.

The 1999 plan indicated that over six years AVINA’s portion of the budget would shrink, pushing LACCSD to become more effective in fundraising and in its ability to attract other partners and investors. This point was reached in March of 2006, when AVINA effectively stopped contributing, in financial terms, to LACCSD. It continues to be a partner in networking and the deployment of programs and ideas. Stephan Schmidheiny’s and AVINA’s financial contributions are summarized in the table below:

<table>
<thead>
<tr>
<th>LACCSD</th>
<th>US$ 16,500,543</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training of AVINA partners</td>
<td>118,108</td>
</tr>
<tr>
<td>Social Enterprise Knowledge Network (SEKN)</td>
<td>598,306</td>
</tr>
<tr>
<td>Young Leaders for Sustainable Development (PLEDS)</td>
<td>726,762</td>
</tr>
<tr>
<td>Symposium on Entrepreneurship, Philanthropy and Development</td>
<td>224,493</td>
</tr>
<tr>
<td>Galápagos Project</td>
<td>152,000</td>
</tr>
<tr>
<td>Symposium on Business at the Bottom of the Pyramid</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>US$ 18,370,212</strong></td>
</tr>
</tbody>
</table>
The grant strategy was successful in that it kept LACCSD going while at the same time encouraging it and INCAE to improve their fundraising skills. INCAE-LACCSD became better fundraisers by:

1. better defining their value proposition to potential donors and partners
2. improving their performance evaluation, accountability and audit procedures
3. increasing the visibility of their output and outcomes to media, partners and other stakeholders
4. targeting and asking for financial and/or strategic support from prospective donors and partners

As a result of this process, the level of donations to INCAE, not counting the contributions to LACCSD, rose almost ten-fold, from an average of US$ 250,000 a year to more than US$ 2.3 million a year, including more long-term donors and partners, and in areas as diversified as infrastructure development; technological improvement and enhancement; scholarships, and research funds.

A significant portion of the new resources went to support the programs that were brought to INCAE by LACCSD, AVINA, and the concept of sustainable development. For example, five of the most successful activities in terms of establishing new partnerships, new research, and new projects have been:

View of the graduation of an MBA class at INCAE, held at the Luis Poma Forum, a new installation built thanks to the growing business philanthropy encouraged by INCAE-LACCSD
Leadership based on values, in alliance with the Aspen Institute, Fundemás, and Technoserve
(six years, US$ 2 million, funded by Central American business leaders)

Best institutional innovations to overcome poverty,
in alliance with the Poma Foundation
(four years, US$250,000)

Best practices in CSR and social entrepreneurship,
in alliance with BAT-Caribbean & Central America
(five years, US$ 488,000)

The Pellas Fund Leadership Scholarships
(ten years, US$ 2.5 million)

Infrastructural construction programs worth US$ 2.5 million
from a diverse number of donors
(including business leaders in the region such as
Carlos Pellas, Ricardo Poma, Stanley Motta, Xavier Argüello,
F. Alfredo Pellas, Silvio Solórzano, Rodolfo Jiménez,
Enrico Giordano, and André Garnier, among many others)

Thus the AVINA-INCAE partnership has promoted long term philanthropy in Central America and the sustainability of the key ideas the funding was meant to reach, through this new style of support.
Twelve Achievements of LACCSD
LACSD has run more than 150 projects over ten years. Not all of them were successful in changing their sector or fostering new leadership, but all of them generated knowledge, lessons that are documented, and processes that changed the level of discussion of their subject, in the region, forever. Rather than list all projects, this final section comments on twelve key achievements of the overall LACSD process:

1. Created national and regional competitiveness programs in all Central American countries, Ecuador, northwestern Argentina, southern Bolivia, and Croatia.

2. Changed the investment and competitive strategies in key productive sectors in those same countries, as well as in Venezuela, Colombia, Peru, and Sri Lanka.

3. Helped design and/or change key laws and regulations related to the productivity of the business climate in the Central American countries and Ecuador.

4. Promoted and advanced regional integration in Central America by designing projects and building trust and dialogue among leaders in the region.

5. Helped in the aftermath of hurricane Mitch and created a lessons-learned document that has already helped in the management of other national and regional emergencies.

6. Established and fostered regional networks of leaders and institutions in key topics of its interest (competitiveness, CSR, tourism, etc.).

7. Became a channel for bringing to the region the programs, ideas, and knowledge of leading universities and think tanks around the world.

8. Introduced an integral framework, and supporting area frameworks, in the key subjects of competitiveness, sustainability, and regional integration.

9. Became a center for innovation and change for the countries' productive and non-profit sectors.

10. Disseminated knowledge among thousands of students, executives, social entrepreneurs, and business leaders in the subjects of competitiveness, sustainability, and regional integration.

11. Helped start a culture and practice of academic philanthropy among the business leaders in the region.

12. Built a cluster of academics, business, and civil society leaders that will provide continuity to the process of promoting sustainable development throughout the region.
Conclusion
Although difficult to show in quantitative terms, a positive transformation has taken place in Central America. There are now many leaders in this region committed to sustainable development and all that it entails. Important changes are taking place in the business environment, in productive sectors, in civil society organizations, in the ways governments define and measure development, in the management of critical resources, and in many other areas that are being, or have been, addressed by the INCAE-LACCSD process in their partnership with AVINA.

The style and level of contribution established by Stephan Schmidheiny has resulted in a process that is unique in its ability to be formal and creative; respectful of culture but at the same time innovative; and a promoter of changes both at the level of the implementing organizations and their target sectors. This style of support has enabled INCAE-LACCSD to generate important conceptual, methodological, and real innovations to face the challenges of development in a significant region of the emerging world.

The overall result is a sustainable process of change, both in the region and within INCAE, thanks to the commitment of many leaders in support of the process that was started by this exemplary effort that included Stephan Schmidheiny’s financial support as well as his participation on the Board of INCAE Business School, in the Steering Committee of LACCSD, and in many of the meetings and dialogues that took place over the years.
Web sites of institutions mentioned in the report

Key partners:
Stephan Schmidheiny www.stephanschmidheiny.net
INCAE-LACCSD www.incae.edu
VIVA Trust www.vivatrust.com
Fundación AVINA www.avina.net

INCAE-LACCSD allies mentioned in the text (in the order they are mentioned)
FUNDESA www.fundesa.org.gt
FUSADES www.fusades.com.sv
ANEP www.anep.org.sv
COHEP www.cohep.com
FIDE www.hondurasinfo.hn
ProNicaragua www.pronicaragua.org
Cinde www.cinde.org
Compete Panamá www.competepanama.com
Consejo de Competitividad de Ecuador www.ecuadorcompite.gov.ec
CentraRSE www.centrarse.org
FUNDENAS www.fundenas.org
CEDES www.cedes.org.sv
UniRSE www.unirse.org
AED www.aedcr.com
IntegraRSE www.integrase.org.pa
Alliance for Global Sustainability www.global-sustainability.org
World Business Council for Sustainable Development www.wbcsd.org
Harvard Business School www.hbs.edu
Harvard Institute of Strategy and Competitiveness www.isc.hbs.edu
Earth Institute www.earth.columbia.edu
Social Enterprise Knowledge Network www.sekn.org
World Economic Forum www.weforum.org
Croatian Competitiveness Council www.konkurentnost.hr
Tecnológico de Monterrey www.itesm.mx
Media Lab www.media.mit.edu
Instituto de Empresa www.ie.edu
Rotterdam School of Management www.rsm.nl
Leipzig University www.uni-leipzig.de
Bergen University www.uib.no

Media listed in the text:
Wall Street Journal www.wsj.com
América Economía www.americaeconomia.com
Financial Times www.ft.com
Further publications by VIVA Trust

“Crisis and Opportunities – Thoughts and Lessons”, January 2004
Available in Spanish, English and Portuguese

“VIVA’s Early Experiences – Dialogue, Bridges, Alliances”, June 2004
Available in Spanish, English and Portuguese

“Liderazgo, Liderança, Leadership – Testimonials”, January 2005
Available in Spanish, English and Portuguese

“Cultura y Transformación Social”, December 2005
Available in Spanish

By Stephan Schmidheiny
Available in Spanish, English and Portuguese

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