

## LEADERSHIP CASE ESPERANZA

"Urban revitalization is in my blood," says KC Hardin. "I grew up in neighborhoods that were either declining or revitalizing. I feel like I lived that process so many times. It was just natural that the first time in my professional life I came across a place that was in that transition, I was drawn to doing it."

KC, formerly a lawyer in New York City, had moved to Panama City and settled in Casco Viejo, a World Heritage Site, in the

degraded inner city. Tuned in as he was to the ebb and flow of urban neighborhoods since childhood, KC looked at his new home, which had a reputation as one of the most violent neighborhoods in Panama City, and developed a charismatic vision that involved sustainable, inclusive urban revitalization. He found a business partner who shared his vision, and formed a property development company, Conservatorio.

Many of Conservatorio's projects are familiar facets of real estate development. Some are tourism-supporting developments like hotels, others involve commercial spaces and apartments across the spectrum of affordability. But Conservatorio has a particular approach: "We approach projects with the intention of getting all the great stuff that urban revitalization brings, without going too far," says KC, "and containing the negative externalities of displacement and cultural homogenization" that often go alongside regeneration projects. In other words, Conservatorio revitalizes an area in such a way that retains both its human and architectural heritage.

**“THERE’S A PERCEPTION THAT GANG MEMBERS ARE BY NATURE SOCIOPATHS. BUT THEY’RE PROBABLY THE MOST MARGINALIZED PEOPLE IN SOCIETY—DEEP DOWN, THEY WANT AN OPPORTUNITY.”**

It's a difficult balancing act, and Conservatorio approaches each project in a spirit of co-creation. "We ask: 'What problem can this piece of land solve for people in this area?', and we enlist the community to co-create with us, taking a design thinking approach to arrive at a solution that offers the best fit for their needs."

The venture has been highly successful, not only in its own right as a business, but also in terms of maintaining its integrity, and fulfilling its intended contribution to the urban environment and community.

However, KC and his colleagues were soon wrestling with how to respond to one of the big problems of the inner city: street gangs.

## ABOUT KC

Built a \$50 million B Corp Certified real estate development company, Conservatorio SA focused on revitalizing the historic city center.

**A 2016 McNulty Prize Laureate.**

Left life as a New York corporate lawyer and settled with his Panamanian wife in the historic center of Panama City, Casco Viejo.

Co-founded Esperanza in 2013.

**A Central American Leadership Initiative (CALI) Fellow of the Aspen Global Leadership Network.**

"Twice in the year after our first hotel opened we got bullets through the window," says KC. "A tourist was caught in crossfire about a block away."

"When we were getting ready to open another hotel, I found out that a gang had been extorting money from the contractor throughout the construction period. I wondered how things would work when the hotel opened, and when we had guests."

For KC, this became personal. "An eight-year-old kid, Kevin, was shot right in front of where I live, by a rival gang looking for his big brother. It was completely senseless. Kevin was a great kid, everyone's favorite.

"We buried him, and at the church I realized the priest, although he was speaking to a whole neighborhood of people crying, was just not able to inspire any kind of shift in community tensions."

“ WE TAKE THE GANG’S NATURAL  
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It was a pivotal moment for KC. As long as gangs held sway, and as long as mainstream society believed that the only way to deal with gang members was to "use the hard hand"—to imprison or chase them away—the community was caught between a rock and a hard place. Life and work would be compromised, not only for himself and his family, but for all who lived in the richly diverse society.

Knowing there must be a different way, KC revisited an early project, run by the Panamanian government, which was based on the theory that gangs and their territories could be integrated into society. The project itself had failed, but it generated some important contacts within those communities. A grant from the Massachusetts Institute of Technology allowed KC to start building a stronger and more relevant methodology, and to start developing a case.

But still, he says, "the commitment and risk seemed too great, and the odds too long."

It was during his immersion in the introspection and conversations of the CALI Fellowship of the Aspen Global Leadership Network that KC pivoted from thinking: "how can I?" to "how can I not?" Without having answers for the risks this would involve, or for the long odds, he could no longer postpone taking action.

So, KC began to assemble a technical team. He put in his own money and raised additional funds. His neighbor in Casco Viejo, Matt Landau, came on board as co-founder. Esperanza was born. It had a theory of change, some connections, and it was ready to take its first tentative steps.

## ABOUT ESPERANZA

- Esperanza works with **individuals, gangs and the wider community** to reintegrate gang members and create a safer and more resilient society.
- Conventional gang reintegration programs focus on giving individual members a path into society when they are ready to leave the group, assuming that while individuals can change, the group exists only for criminal purposes.
- **Esperanza achieved a breakthrough** in rehabilitating gangs after realizing efforts to "break up" groups could be counter-productive. Instead, **Esperanza embraces and leverages the group's strengths** until the gang is ready for self-dissolution and re-integration.
- Esperanza employs a **team of psychologists, social workers and capacity developers** who help graduates integrate into the formal economy. They support graduates with counseling, and train them on business development, pitching, fundraising and management.
- **20% of the city-center's gang population has graduated** from Esperanza, and **over 70% of graduates are employed**. Several gangs have fully demobilized, and are in the process of removal from the national gang registry.

Many tried to talk KC and Matt out of it, arguing that the society which gave rise to gangs was intrinsically dysfunctional. But Esperanza persisted, because they held a fundamentally different perspective. "There's a perception that gang members are sociopaths by nature, that they're predators. Our experience is that they are probably the most marginalized people in our society. Their social connections are their mothers, their fellow gang members, maybe the clergy. Other than that, they don't know anyone.

"Joining a gang is one of the most sensible things you can do as a young man growing up in a chaotic environment where you're threatened on all sides. Where your chance for social mobility is almost nil. Where your only possession is this particular notion of respect which constitutes gang currency. It just makes sense to join a group of guys who offer you the ability to have some status and more of this mythical, objective respect."

Gang members thus tend to live in two modes, says KC: mostly, they are in victim-mode, feeling victimized by the police and by general society; they occasionally switch into aggressor mode, "where they lash out because of that victimization. That always leads to feeling victimized again when there are repressive police operations, or they go to prison again."

Essentially, Esperanza sets out to move people from that victim-

aggressor cycle to feeling responsible for their own lives. Change happens when people feel they have the tools and capabilities to change their lives, those of their families, and the state of their communities. "What they really want is to be part of society," says KC. By engaging gangs and their leaders through the prism of their individual strengths, their street smarts and charisma could be seen as an asset rather than a threat. "We interview them afterwards and they say things like, 'People used to fear me. Now they respect me. I know important people, I have a picture of myself with the President, so who can say I'm nobody?'"

It is a source of pride to KC that at almost every graduation, former gang members say they are motivated to become leaders and examples to society. Though many graduates retain "one foot in the shadow," there is an aspirational path ahead, and there is immediate success. "We don't turn them into angels. But we have stopped the violence. Guys, especially really young ones, sometimes go back to prison but go straight when they come out because they tell us they had a lot of time to reflect on what they learned in the program," he says.

Social integration, however, is a two-way street. There needs to be will on both sides—on the gang's side there needs to be the will to change; on the community's side, the will to enable change and enable the formerly rejected gang members to be part of their society.

It's in the latter part of that equation that the major challenge lies. The gangs, KC says, want to be part of a society that for the most part doesn't want them. "You have to work at it from the side of society towards the marginalized population, and not expect the marginalized population to start doing everything society requires of them before you reach out and help them come in."

So, how does Esperanza approach it?

In part, the success of the program lies in its demands that members step up: "We believe completely in their human potential. We don't allow the guys to make excuses. It's very important that we hold them to a high standard, and we don't fall into the trap of seeing them as the victims they sometimes see themselves as."

Failure is when a community lets its members fall to the margins. Esperanza consciously works against that. As a result, crime has dramatically reduced: "There hasn't been a gunfight since we started," says KC. Employment has increased: at any one time about 70% of Esperanza's graduates are employed or have their own business. Recidivism has decreased to below 10%; long-standing gang rivalries have been neutralized; and a highly marginalized population has been integrated into mainstream society. "We measure individual social capital increase in order to measure social integration," explains KC. "The more networks grow, the more integrated they are."

These are all excellent outcomes. But "on a more profound level," says KC, "we have begun to change the way our society is looking to address violence." He's speaking in terms both of the formal legal system, and the mores of street justice. "Gangs are a highly localized problem requiring locally tailored solutions, but at its

core it is an issue of social integration, something pervasive across Central America and the world. We hope to work with Panamanian authorities and international organizations to provide training and replicate Esperanza's methodology elsewhere."

At the level of street justice, a critical challenge at this stage in the program is that of restorative justice. To get killers—like the man who shot and killed 8-year-old Kevin—to ask for forgiveness from the families of the victims, and to have those apologies witnessed by the community and truly accepted, would eliminate another generation of violence. "Hopefully, if the restorative justice process works, little by little what you have is a big zone of peace where ex-rivals no longer see each other as threats. That zone of peace can extend indefinitely."

Esperanza is now scaling outside its initial scope in Casco Viejo, into adjoining districts where bigger and even more notorious gangs who have heard of the success of the program are asking for "their turn."

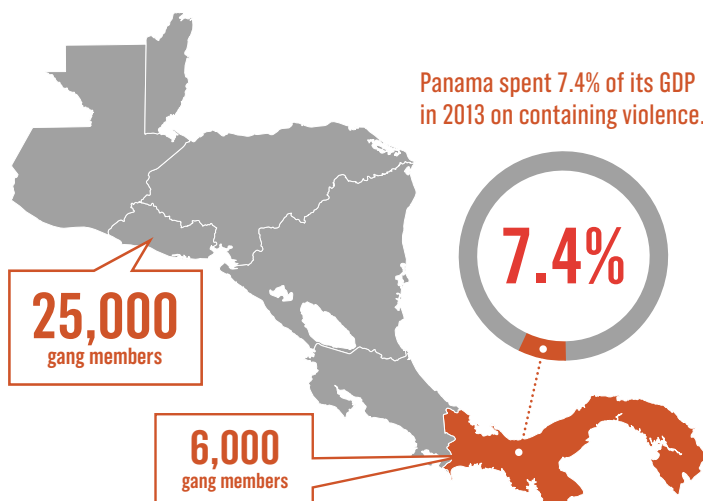
Esperanza also sees a wider role for itself. "We think Esperanza can provide hope and inspiration to people in other communities that want to try something similar." Those who have observed the work of Conservatorio and Esperanza would agree. "[Casco Viejo] has been totally transformed from a war zone into a jewel," said one McNulty Prize jury member. "It is a signal to the entire continent that this problem can be solved."



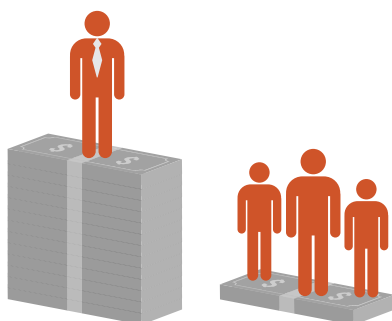


# ABOUT GANGS IN PANAMA

There are an estimated 6,000 gang members in Panama, and the issue is even more pervasive in other Central American countries. El Salvador, for example, has approximately 25,000 active gang members.



Panama has one of the world's highest levels of inequality, with little interaction between the wealthy and the poor.



**Concentrated poverty produces marginalization.**

"Some of the guys have never left their territory which is often smaller than eight blocks. They can't think of getting a job outside. Their world is incredibly small," says KC.

**Gang activity is a vicious cycle.**

It scares away investors, and makes social services hard to deliver. Family members (and their income) are lost to violence or jail, leading to more broken families and reasons to join a gang for protection and income.



## IN HIS OWN WORDS: WHAT KC HAS LEARNED

### **Sometimes a whole system needs deconstructing.**

"Sometimes our success leaves a segment of the former gang without leadership. We've seen guys come out of prison and try to take hold of those remnants. We've learned that we have to reach into the prisons so that before somebody is released, they're already prepared for the changes that have happened."

### **Social integration—and recognition—is critical.**

"The first graduation was amazing. The police came, and somebody from the US Embassy; people were cheering and hugging the former gang members. That's when the guys realized

the community was rooting for them. That's also when I really understood how important it is that this is something a community does together."

### **A rising tide only lifts people who have boats.**

"We take the concept of equity very seriously. The peace dividend for the neighborhood is economic growth. That rising tide can either be a force that pushes the guys out, or it can be something they can navigate. For Esperanza, it's very important they understand the concept of building their own boat and navigating this rising tide that they're helping to create."