



IUPUI

INDIANA UNIVERSITY
Lilly Family School of Philanthropy

The 2022 Global Philanthropy Environment Index Region Report: Latin America

Regional Reviewer: Van C. Evans

Institutional Affiliation: President, Generations Humanitarian

Edited by the Indiana University Lilly Family School of Philanthropy

SUMMARY

This report includes all sovereign countries of South America, except Paraguay, Guyana, and Suriname. Although technically part of North America, this report continues to include Mexico, and for the first time, the Central American nation of Costa Rica. Taken altogether, these 11 countries contain approximately 89 percent of the population of the entire Latin American region.

We see a few countries actively promoting greater ease of operating and improved political and socio-cultural environments for the philanthropic sector, which result in an overall regional slight increase in these areas. The improved indicators would be much higher over the past three years were it not for a few countries where these areas have deteriorated immensely, such as Venezuela and Argentina.

There has also been an increased hostility in the region over cross-border flows, both coming and going. Increased regulations on outflows due to concerns of national interests as well as money laundering and trafficking have been adopted in more countries. Incoming flows are also more regulated, as governments increasingly see POs as adversaries.

Trends Observed at the Regional Level between 2014-2017 and 2018-2020

Ease of Operating	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall
Slight increase	Stable	Significant decrease	Slight increase	Mixed	Slight decrease	Slight decrease

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

KEY FINDINGS

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

To what extent can individuals form and incorporate the organizations defined?
 To what extent are POs free to operate without excessive government interference?
 To what extent is there government discretion in shutting down POs?

Overall, the freedom to form and operate philanthropic organizations (POs) in all subsectors is very high in the entire region (with the notable exception of Venezuela). For example, Ecuador recently eliminated a minimum asset requirement of up to USD 4,000 for launching a new PO, encouraging more grassroots efforts to organize. Peru also removed certain renewal procedures in government registries, now giving POs an indeterminate duration. Such climates cultivate a tradition of both philanthropic giving and volunteering. Furthermore, while the formation process can vary from less than a month to more than 90 days, the cost to do so is usually affordable in these countries (between USD 50 and USD 300 in most cases). Costa Rica, an outlier, has the highest cost, where the amount of up to USD 1,500 to register a PO is undoubtedly prohibitive to many.

II. Domestic Tax and Fiscal Issues

To what extent is the tax system favorable to making charitable donations?
 To what extent is the tax system favorable to POs in receiving charitable donations?

The tax system, on the other hand, is less favorable to both making charitable donations and for POs receiving charitable donations. In most countries in the region, there is usually a low ceiling on the amount that can be donated and deducted, or there is no deduction whatsoever. In Ecuador, for example, the legislation does not provide tax incentives for donations at all. In Mexico, new ways of taxation and stricter rules of operation have been imposed on POs and some of their service provisions are now taxable.

III. Cross-Border Philanthropic Flows

To what extent is the legal regulatory environment favorable to sending cross-border donations?
 To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Cross-border flows fare only slightly better. Brazil does not permit tax-immune organizations to donate outside its borders for education, health, or social services, but informal groups circumvent the law. In Argentina, cross-border charitable donations are significantly impeded with high costs or not permitted, due to severe foreign exchange controls implemented by the new government since the beginning of its mandate in December 2019. We see a similar trend in Uruguay, where the new government that came to power in early 2020 has shown a less-than-friendly stance regarding the POs in this area. Costa Rica considered cross-border donations as “risk” jurisdictions. There is no provision in the articles of Mexican tax laws to allow charitable donations out of the country that would be deductible for the donor. This makes cross-border donations from Mexico very difficult or almost impossible. Ecuador, however, has made strides in eliminating restrictions that apply to cross-border transfers (*Decreto 193*) and Colombia has no legal limitation on the receipt of donations in-kind or money in cross-border flows.

IV. Political Environment

To what extent is the political environment favorable for philanthropy?

To what extent are public policies and practices favorable for philanthropy?

Public policies and the general political environment for POs vary across the region. A few countries have a long tradition of the government respecting the philanthropic sector. Chile, Colombia, Costa Rica, and Uruguay all have environments that have trustworthy electoral systems and a high level of political stability that is favorable for the success of philanthropy. Colombia, for example, requires the government to contract with POs in areas of health and education on the department level, so the political and PO sectors are intertwined extensively. Ecuador, especially, has seen an improved political environment over the last four years (2017–2020). The regulatory reform (Decree 193) is a clear example of the policy of opening up and the reduction of restrictions that affect the operation of the PO. Overall, however, governments do not partner with or encourage the philanthropic sector. Some see POs as adversarial and a threat to their control. Nowhere is this more evident than in Venezuela, now considered a failed state. PO registration authorities are corrupt and inconsistent, requiring high non-legal fees (bribes) to register or avoid scrutiny. Involuntary dissolution of POs does not honor due process and recourse of such is limited. The Maduro government criminalizes POs that receive cross-border donations and has hacked PO activists' social media accounts and regularly spies on them. In several publicized instances, POs that defend human rights or provide foodstuffs have had their staff and volunteers arrested and tortured (e.g., *Caritas*, *Asociación Civil Convite*, *Azul Positivo*). Venezuela has suffered hyperinflation and economic contraction for the past seven years, and 94 percent of the population lives in poverty with 64 percent in extreme poverty, yet the government has blocked food and medicine donations from NGOs.

V. Economic Environment

To what extent is the economic context favorable for philanthropy?

Finally, economic conditions in the region generally favor philanthropy. Brazil has seen growth in impact investing, Peru has legalized hybrid organizations, and Chile has approved the creation of B corporations. As Internet technology has increased its reach, so have philanthropic instruments such as crowdfunding and online giving.

VI. Socio-Cultural Environment

To what extent are socio-cultural values and practices favorable for philanthropy?

Philanthropy has been an integral part of Latin America since the conquistadores arrived on the shores of the New World. From 1492 onward, the efficient systems of social capital and civil responsibility in the ancient empires of Mesoamerica and the Andean region were replaced with administrative functions used at that time in Spain and Portugal, with deference to the Catholic Church for public welfare. Facilitated by the Church and the crown, hospitals, orphanages, asylums, guilds, and other services established their way into colonial Latin America for more than 300 years.

A wave of independence swept over Latin America in the early 19th century, and a new type of secular philanthropy emerged, evolving in each new nation according to the culture and politics of

the times. That evolution continues to this day, which explains the vast disparity in today's countries' scores, although derived from a singular history. Colombia has the highest levels of volunteerism in the region, mainly because strong civic traditions are passed down generation after generation (Rice and Feldman, 1997). Peru and Mexico were the centers of Pre-Colombian empires that possessed high levels of social capital and civic engagement. These structures were destroyed during the conquest, and Peru and Mexico to this day have the lowest rates of volunteering and philanthropic donations as a share of Gross Domestic Product. Southern Cone countries generally boast higher levels of philanthropic giving and volunteering due to historical patterns of settlement by western Europeans.

VII. Future of Philanthropy

Summary of the future development trends in the philanthropic landscape

Despite political intrigue and pandemic reactions, there is a clear number of developmental trends in philanthropy in Latin America. There is a growing trend toward POs as well as hybrid corporations. Laws and attitudes have changed to encourage the growth of these entities. Funders have responded with a positive trend toward impact investing across the sector, especially in Brazil, Chile, Costa Rica, and Mexico. Individuals have responded with crowdfunding and other online donation instruments (including blockchain). On the negative side, the political environment for POs is increasingly difficult, as new governments increasingly see the philanthropic sector as adversarial.

Key recommendations to improve the environment for philanthropy in the region

While individual countries have specific recommendations to improve giving and volunteering in the region, a general pattern is evident across the region:

1. Reform tax laws to provide comprehensive tax incentives to individuals to donate. This must be available to all citizens, and provided in a simple and clear manner.
2. Provide comprehensive tax exemption and other privileges to POs across all sub-sectors. Eliminate preferential treatment to some sub-sectors. Establish uniform and transparent criteria for state funding to provide equal access of POs to state contracts.
3. Political, corporate, media, philanthropic, and individual actors need to work together to present and portray the philanthropic sector in a favorable light, and work to change cultural impediments to giving and volunteering.

VIII. Philanthropic Response to COVID-19

What are the areas where the nonprofit sector and philanthropy play a role in responding to COVID-19 in the region?

What are the innovations and new trends in the nonprofit sector and philanthropy related to COVID-19 responses?

What have been the main impacts of COVID-19 on the philanthropic environment in the region?

What are the anticipated impacts of COVID-19 on the philanthropic environment in 2021?

The COVID-19 pandemic appears to have permanently altered the philanthropic landscape in the region. Many Latin Americans suffered greatly due to lockdowns, losing their livelihoods, savings, and access to food and other basic necessities. Philanthropic organizations became creative in their approaches to provide aid and other services. During the pandemic, Ecuadorians increased their

giving through online crowdsourcing rather than foodstuffs. In Uruguay, cash transfers instead of food baskets to families living in small, faraway towns of the country's interior mitigated the impact of the pandemic. This also occurred in Brazil, as POs were the first ones to create strategies to support the health system and the most vulnerable communities in the country, through cash transfer programs and basic supplies delivery. Although the pandemic has failed to change the point of view of the federal government on the performance of the POs, the work done by the philanthropic sector and the success of partnerships with government naturally created a more favorable political environment. A few countries such as Peru, Colombia, and Ecuador, did see legislative benefits during the pandemic, albeit temporary. In Peru, at the end of the year 2020, the income tax exemption was extended only for three years, but the social objectives of associations or foundations exempted have not been expanded. COVID-19 brought out the best in Colombians. People draped red flags out of their windows to indicate they had no food in the house and individuals and POs organized food basket distribution in conjunction with the police. In addition, Colombia temporarily waived the Value Added Tax (*Decreto 530*) for purchases that help at-risk populations during the lockdown.

In Mexico, many Individuals lost income and find it difficult to participate in fund drives, although the nationally televised fund drive for TELETON in December 2020 broke its own all-time fundraising record. While it is unknown if people are giving more overall or that the TELETON is a more accessible form of fundraising during the pandemic, remains to be seen.

Costa Rica has a universal health care system, and therefore, anyone infected with COVID-19 has access to medical treatment, so there has not been a notable increase in POs but there has been an increase in initiatives such as food, face masks, and basic needs for vulnerable groups. Perhaps out of political fears of loss of control or power, tax benefits granted to nonprofit organizations become more restrictive even as public resources become more limited or spread thin during the COVID-19 pandemic.

Chilean citizens and POs stepped up to provide innovative and valuable long-term interventions. POs provided medical assistance and equipment for COVID-19 patients, such as personal protective equipment for health workers, ventilators, and contributions for the purchase of vaccines. Senior citizens who lived alone were provided food kits and a mobile phone especially designed for senior citizens to facilitate communication with their families and assistance networks. Prisoners were given personal hygiene kits, and food, sanitation, and cold-weather kits were distributed throughout shelters and migrant housing. Education saw rapid responses, as well, with increased content providers for remote learning and provision of computers, tablets or other types of technological support for remote learning. This collaboration between POs and the general population revealed the value of civil society more than ever, and helped soften the hearts of corporate donors who also joined in the efforts. Chile also enacted Law No. 16.282 on donations for catastrophes and this facilitated increased donations related to COVID-19.

References

- Gómez, S. (2011). *Civil Society Organizations in Latin America as a Democratic Anchor for Long-Term Social Development*. Working Paper.
- Klesner, J. (2007). Social Capital and Political Participation in Latin America: Evidence from Argentina, Chile, Mexico, and Peru. *Latin American Research Review*, 42(2), 1-32.
- Rice, Tom W., & Feldman, J. L. (1997). Civic Culture and Democracy from Europe to America. *The Journal of Politics*, 59(4), 1143–1172.
- Watson, T. (2008). *Global Philanthropy, Part 2: Philanthropy in Latin America: Past Traditions, Future innovations*.