



IUPUI

INDIANA UNIVERSITY
Lilly Family School of Philanthropy

The 2022 Global Philanthropy Environment Index Argentina

Expert: Guillermo Canova

Institutional Affiliation: Universidad Austral, Argentina

Edited by the Indiana University Lilly Family School of Philanthropy

QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Foundation

Five main social issues addressed by these organizations: Basic Needs, Early Childhood Education through High School, Health and Medical Research, Housing and Economic Development

Average time established by law to register a philanthropic organization: More than 90 days

Average cost for registering a philanthropic organization: USD 100

Government levels primarily regulating the incorporation of philanthropic organizations: State Government

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	4.00	3.00	1.50	2.50	1.50	3.30	2.63
2018 GPEI	4.00	2.75	3.75	3.50	N.A.	3.50	3.50

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)

The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.

Question One: To what extent can individuals form and incorporate the organizations defined?

Score: 3.5

The National Civil Law, the governing law for philanthropic organizations (POs), is relatively benign; but in some jurisdictions (provinces), the procedures to register are somewhat onerous and demand more time.

Question Two: To what extent are POs free to operate without excessive government interference?

Score: 4.0

The law allows for sufficient discretion in setting the structure and governance of the PO, and there are almost no legal restrictions on the purpose of a PO's activities. However, some activities such as performing commercial activities or buying company shares that may help the sustainability of POs are restricted or not allowed.

Question Three: To what extent is there government discretion in shutting down POs?

Score: 4.5

All POs are able to voluntarily terminate their activities, but in some jurisdictions the process requires somewhat onerous reporting. For example, in some provinces, the application forms and other documents need to be filed or legalized before a public notary. Involuntary termination occurs only during severe violation situations. Clear and reasonable legal regulations exist to guide the involuntary dissolution of an organization, and such cases have been very rare.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question Four: To what extent is the tax system favorable to making charitable donations?

Score: 3.0

Individuals and/or corporations have access to tax deductions and credits, but the ceiling on such donations is very low, significantly restricting the size of donations. All individual and corporate donors are allowed to deduct only up to 5 percent of their adjusted gross incomes, and the activities eligible are still very few. The types of activities that are eligible for tax deductions have not changed since 2018. The

process of receiving a tax benefit is clear, but somewhat onerous, requiring time and resources, and the type of activities eligible for such benefits are very narrow.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 3.0

Organizations receive some tax exemptions. The process to obtain the tax exemption status is somewhat onerous, and there are strict limitations on the types of organizations that qualify for tax benefits. Organizations are able to raise some funds from private sources.

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

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

Score: 1.5

Cross-border charitable donations are significantly impeded due to high costs or not being permitted. This is a result of the severe foreign exchange control, including restrictions for obtaining foreign currency implemented by the new Fernández administration since the beginning of its mandate in December 2019.

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

Score: 1.5

Due to foreign exchange control implemented by the new government, cross-border charitable donations can be received with a significant additional cost. When receiving cross-border donations, all foreign currency is retained by the Central Bank of Argentina, and the operating bank pays to the receiver the value of the donation in Argentine peso at the official exchange rate, which is nowadays less than 50 percent of the free market value. The process to receive charitable donations from abroad is inconsistent and one

IV. Political Environment

The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 2.5

There are almost no instances of collaboration between the actual government and the philanthropic sector. With the previous government, there was more collaboration and public-private articulation in implementing public programs. The political conditions are unstable and an obstacle for the success of philanthropy.

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

Score: 2.5

The actual government does not promote philanthropic values and does not facilitate access to national and international resources and opportunities. On the other hand, according to the World Economic Forum (2020), Argentina has one of the highest rates of taxation burden in the world, so there are fewer and fewer donors, and those who want to donate have hardly any to do so.

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 1.5

The actual economic conditions are unstable and an obstacle for the success of philanthropy. Unfortunately, the current government is making the situation worse: it does not cultivate openness of the country's economy and foundations for economic growth. Public spending is very high but at the same time is very inefficient; there is also a high level of corruption, lack of economic freedom, and increasing tax pressure. These conditions not only discourage private investment and the growth of the economy, but also generate more poverty and erode individual and institutional philanthropy. Therefore, the economic outlook is very much unfavorable for the development of philanthropy.

VI. Socio-Cultural Environment

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

Score: 3.3

The immigration process at the beginning of the 20th century developed strong philanthropic traditions and social values which encouraged giving, the creation of POs, and voluntary work. The faith of people in POs is still good and, in general, they recognize that POs play an important role in society; therefore, there are no social or cultural restrictions to engage in philanthropic activities. However, accumulated social and human capital barely provide the conditions for the development of the sector and few philanthropy infrastructure organizations are in place.

VII. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

Argentina's civil society sector had a rich history, from colonial times until the second half of the 20th century. In this period, philanthropy was very well organized, and some rich donors made important contributions, mainly for the founding of private schools and health centers. However, at the end of the 20th century and especially from the beginning of the 21st, philanthropy has become more informal and non-institutional. There are some prominent private groups, but very few of them support civil society organizations (CSOs), and CSOs are increasingly supported mainly by government financing.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

1. A new government that started its mandate in December 2019: the new administration gives more importance to state financing as a way to increase its political influence, rather than promoting private donations and POs;
2. The increasing of taxes and the lack of confidence in the local economy demotivate prominent private groups or individuals to donate; and
3. Increasing inflation is impacting the poorest people and the middle class, affecting this group's capacity to make donations in cash.

Future development trends in the philanthropic landscape

The civil society sector is trying in many ways not only to survive but also to promote a more favorable environment, for the sector and for philanthropy. Many organizations are working together towards this goal, working to establish networks and ties between them and with donors. POs are also trying new forms of philanthropy, like crowdfunding initiatives and new financial tools.

Three key recommendations to improve the environment for philanthropy

- In the short term: strengthen PO and CSO networks and strongly advocate before the government and legislators for a more favorable regulatory framework to promote donations;
- In the medium term: launch an advocacy campaign before the media and the political parties in order to reduce inflation and high taxation; and
- In the long term: consistently promote in schools, media and any social activity, such as sports, entertainment, religious activities, business forums, and business schools, a greater appreciation of the culture of donating and the volunteer work.

VIII. Philanthropic Response to COVID-19

These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

In the short term, the philanthropic sector needs to strengthen networks of CSOs and POs and strongly advocate before the government and legislators for a more favorable regulatory framework to promote donations.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

- New ways of raising money for social causes through the Internet, such as online fundraising music festivals, "meals," and shows of all types, among others; and
- Online meetings have become more normalized, and this will help POs to interact with different stakeholders more efficiently, including interactions with a potential donor, a person with influence in the media, or with public representatives.

Impact of COVID-19 on the philanthropic environment

In the first months of the COVID-19 pandemic, many activities were cancelled or postponed because of the strict lockdown imposed by the government. This resulted a very negative impact in the environment of philanthropy: such as canceling board meetings, meetings with potential donors, or with public officials or legislators. In the next months, however, more meetings and encounters were held online, or in-person.

Anticipated impact of COVID-19 on the philanthropic environment in 2021

The expectation is that the impact will not be so negative as it was in 2020, because practitioners all have learned how to do much of the work online. However, the best thing would be that the majority of the population receives the vaccine before May, when autumn begins in Argentina.

References

- Bucari, E. (2020). Voluntariado. ¿Por Qué el 2020 Fue un Año Récord? *La Nacion*. Available at : <https://www.lanacion.com.ar/comunidad/voluntariado-estar-donde-y-cuando-hace-falta-nid20122020/>
- Donovan, F., & Rebossio, A. (2010). Cuánto Se Dona. El Aporte de los argentinos Ricos. *La Nacion*. Available at : <https://www.lanacion.com.ar/economia/cuanto-se-dona-el-aporte-de-los-argentinos-ricos-nid1294811/>
- Información Legislativa (InfoLEG), Ministerio de Justicia y Derechos Humanos, Presidencia de la Nación. (2014). Civil and Commercial National Code. Ley 26.994. (Articles. 141 to 224). Available at: <http://servicios.infoleg.gob.ar/infolegInternet/anexos/235000-239999/235975/norma.htm>
- Información Legislativa (InfoLEG), Ministerio de Justicia y Derechos Humanos, Presidencia de la Nación. (2019). National Income Tax Law. Decreto 824/2019. (Articles 20f and 81c). Available at: <http://servicios.infoleg.gob.ar/infolegInternet/anexos/330000-334999/332890/texact.htm>
- Thompson, A., & Campbella, A. (1995). *El Tercer Sector en la Historia Argentina*. Centro de Estudios de Estado y Sociedad (CEDES). Available at: <http://repositorio.cedes.org/handle/123456789/3412>
- Voices ! & Qendar (2020). *Los Argentinos y las Donaciones en Dinero*. Available at: <https://www.voicesconsultancy.com/Prensa/Pobreza-educacion-y-animales-las-causas-a-las-que-donan-los-millennials>
- World Economic Forum. (2020). *The Global Competitiveness Report: Special Edition 2020*. Available at: https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2020.pdf