



Telebriefing:
LATIN AMERICA: TRENDS, CHALLENGES AND STRATEGIES FOR HUMAN RIGHTS FUNDERS
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Speakers:

[Laura Garcia](#), Executive Director, Semillas: Sociedad Mexicana Pro Derechos de la Mujer (Mexico)

[Lucia Carrasco Scherer](#), Program Officer, International Network of Women's Funds (INWF)

[Mariela Puga](#), Executive Director, Fondo de Mujeres del Sur (Argentina)

[Katherine Zavala](#), Program Manager, Grassroots Alliances, International Development Exchange (IDEX) (Moderator)

In recent years, the rise of emerging economies in Latin America has shifted the human rights funding landscape. What are some of the current trends and challenges that human rights funders and grantee partners face, and how can grantmakers – local and global – address them? How have these obstacles impacted the sustainability of local civil society organizations?

Katherine Zavala, Program Manager, Grassroots Alliances, International Development Exchange

Katherine Zavala provided background information and analysis on the funding landscape throughout Latin America:

- Aid from foreign governments fund about 50 percent of Latin America's civil society. The rest is made up of money from international NGOs and private donors.
- International government contributions are drying up. Between 2005 and 2008, contributions to NGOs in Latin America grew an average of 37 percent. From 2008 to 2011, the donations grew just 3 percent, well below the average regional inflation of 6.1 percent for 2012.

Reasons for this trend:

- Financial crisis' impact on U.S. and Spain, two biggest international funders.
- Rethinking on the global scale about effectiveness of aid has led international agencies to narrow their scope and target issues and countries they consider most in need.
- Many Latin American nations are now considered middle-income countries (per capita gross national income between \$1,006 and \$12,275), though many areas continue to suffer.

Challenges:

- Local NGOs that challenge policy issues such as mining security and human rights need funding independent of the government, since this work is likely to be controversial
- There has been a call for corporate responsibility, but this push has been disorganized.



- Companies and government are likely to stick to non-controversial issues like education and hunger

Lucia Carrasco Scherer, Program Officer, International Network of Women's Funds

Lucia Carrasco Scherer discussed trends in Latin America both for Women's funds and civil society organizations in general:

- One of women's funds' priorities is to foster a culture of philanthropy within their context. Through that, they seek to build a critical mass of individuals committed to women's and girl's rights, but also to develop a local source of funding that will guarantee long-term sustainability of funds.
- The current landscape across Latin America has seen new restrictions put in place.
- The right to access funding is a key component of right of freedom of association.
- If members can't access international funding in a timely manner, or are unable to consolidate a network of donors, the survival of the organization is jeopardized.
- A misinterpretation and mistrust of work done by NGOs has created tension and impeded their work.
 - Some organizations have trouble getting legally registered because of this.
 - Governments impose discriminatory regulations and controls.
 - All of these relatively new forms of control affect the scope of action of local NGOs and women's funds.

Overview of Mexico:

- It has been widely documented that there is a deficit of local NGOs. Of the 40,000 orgs in Mexico, less than 22,000 are legally registered. There's a series of obstacles in place to accessing funding from local or international donors.
- Of the registered NGOs, only 16% have tax-exempt status. The rest can't build an individual or corporate donor network.
- Registered organizations have to process individual donations within 3 days. Within this time frame, they have to notify the Department of Treasury of the grant and get approval before they can cash it in.
- This affects the daily functioning of institutions by driving up administrative costs.
- New systems are necessary to support women's rights and girl's rights in the region.

Argentina:

- How can we develop strategies to counter restrictions and maximize opportunities for NGOs?
 - In middle income countries, there are great chances to develop a local philanthropic culture.



- What is the future of these organizations if they can't get and gather support from local bases?
- How can we provide different strategies to help them be more efficient and counter these restrictions?

Laura Garcia, Executive Director, Semillas: Sociedad Mexicana Pro Derechos de la Mujer

Laura Garcia responded to the question, "What fiscal obstacles do Mexican organizations like Semillas face?" with an answer outlining new funding limitations in Mexico:

- The laws are restricting and suffocating to most organizations in Mexico. One example of this is the tax exemption law is out of step with the law that governs CSO registration: When you go through the process to register as a civil society organization, you don't automatically earn the tax exempt status. This is done by different ministries of government.
 - 6,000 Mexican organizations have tax exempt status, and of these, 2,000 are based in Mexico City. As a result, rural regions feel the effects of these laws even more acutely.
 - Organizations with tax exempt status can allocate no more than 5% of their expenditures on administrative costs. This fixing of a percentage is arbitrary.
 - By law, they can't get general support grants from funders.
- Last year, the Mexican Treasury Department passed a law to process donations electronically.
 - Tax exempt NGOs must buy this expensive new system.
 - Organizations with a network of individual donors often face hardships processing donations one at a time, to have them filed within 3 days.
- Organizations with tax exempt status can only provide grants to other tax exempt organizations.
 - The great majority of women's and girls' NGOs in Mexico don't have this status.
 - Only one of Semillas' partners had this status, but due to restrictions, lost it in less than a year.
- Mexican civil society organizations have found some ways to cope with these restrictions.
 - Instead of providing grant fiscally, funders can get money to unregistered NGOs by providing a contract to leader of the organization. However, this is also limiting; it is a way to survive despite of the challenges of the fiscal law.
 - Semillas has been using Mama Cash's support to train administrative staff of about how to use the new electronic system. Their administrative assistant is almost 100% dedicated to processing donations.
- The result of Mexico's restrictive policies is that less and less NGOs get tax exempt status.
- A new fiscal reform imposed by executive branch includes some provisions that benefit NGOs, and others that impede them.
 - One change for the better is that organizations can get tax exempt status while doing advocacy work, which they can't do under current law.



- One change for the worse is very low caps for individual donations. The maximum amount an individual donor could give would be \$3000. This means that organizations can no longer acquire large individual donations, or corporate donations.
- Historically, in Latin America, civil society has been repressed; governments can't explicitly do that now, but the current laws are another way of censoring and limiting their type of work.
- Funders should take interest and be aware of these issues, since the consequences could be dire if the fiscal law passes.

Mariela Puga, Executive Director, Fondo de Mujeres del Sur

Mariela Puga discussed strategies and perspectives for donors interested in funding in Argentina:

- Donors should be aware that in the past two years, a couple new policies regarding money laundering, international regulation, and anti-terrorism, have been implemented in Argentina, and have made civil society work difficult.
- Last year, the Argentine government restricted the purchase of foreign currency. Fondo de Mujeres del Sur supports projects in Paraguay and Uruguay, and needs to make transfers in foreign currency.
 - The Foreign Trade Department should allow them to purchase dollars or euros, but the new policy prevents this type of transaction.
 - Now, many organizations can't make international transfers.
 - It has become a nightmare to organize any event that involves foreign speakers.
 - Many organizations have issued formal complaints, with no response.
- One loophole that Fondo de Mujeres del Sur has discovered is that private banks in Argentina can transfer \$5000/month if they say it's to pay for services abroad. In these cases, the government doesn't require much documentation.
- Fondo de Mujeres del Sur also recently received recognition as a legal organization in Paraguay, so they can now receive money and give money from there where law is different. Donors can now split their donation into two parts: one to Paraguay, and one to Argentina.
- Now, there's a new policy: For grants, contributions, etc. coming from a foreign country, signature needs to be certified by the government at the address of donor (Apostille).
 - This process takes a week, costs around \$200.
 - In order to file with the government, the organization must show original document, and also a Spanish version translated by an official translator.
 - This stresses operational capacity of some organizations, particularly small ones.
 - The Fondo de Mujeres del Sur was driven to decentralize their administrative processes, splitting them between Paraguay and Argentina.



- The Fondo de Mujeres del Sur has also been asked for help from another Argentine women's organization, which needed fiscal sponsorship.
- A couple months ago, we submitted a legal claim against the policy explaining how these restrictions are hindering civil society. So far, judges have been reluctant to intervene. The president of the Argentina Civil Society Organization wrote an article about the restrictions in a newspaper article, which is getting talked about by the public. Hopefully, this will lead to greater understanding.

Question-and-Answer Session:

I hear that organizations in Mexico must undergo an official audit in order to keep tax-exempt status. Is this the case, and how has this affected you?

Laura: Yes, we must do this every year. Sometimes it gets quite expensive. We must gather information from certain institutional donors, as well. This causes administrative confusion. We must place our auditing results on our webpage. I'm not opposed to this, because I want to promote transparency in civil society, but some companies that do audits charge a lot. Some organizations that Semillas works with find tax exempt status a hindrance, since it includes a lot of other costs that might suffocate them financially.

A participant, Lourdes Inga of the Christenson Fund, mentioned a resource prepared by the Department of State's Global Philanthropy Working Group, in conjunction with the Council on Foundations (CoF) and the International Center for Not-for-Profit Law (ICNL) regarding laws for international funding. The result of this, United States International Grantmaking, can be accessed [here](#).

How can funders in the global north support work in Argentina or Mexico?

Lucia: I think one of the main things is to start talking about it, opening up spaces for exchange, and developing strategies to deal with restrictive policies. Mexico has a very strong movement within civil society that is organizing to counter some of the new restrictions. Argentina's restrictions are a little more recent, so broad mobilization is just beginning. This speaks to the urgency and relevancy of funders understanding and being more flexible in supporting their counterparts in these countries. The question is, how can we come together and work toward supporting these organizations? Some of these strategies that I have mentioned can be replicated throughout the region.

Laura: We are currently working with an organization that is launching and directing a governmental strategy (Alternativas y Capacidades). Right now, they are very worried about new fiscal reform suggested by president; it will be very hurtful for their network of individual donors and local philanthropy. International donors who make grants perhaps should get engaged with what's happening legally and fiscally with local organizations. It is crucial that we get the needs of donor in harmony with requirements of government. It could be helpful to learn more about these types of restrictions. While



working with the Ford Foundation, we have noticed how troublesome it is to pass money to NGOs that don't have registered status. It is difficult for international organizations to give funding to emerging grassroots organizations.

Mariela: I want to highlight understanding and flexibility. We need to think about the specifics of the international regulation of philanthropy. We should engage in a deep discussion: Is this law something the government needs? It is the responsibility of civil society in Argentina to think seriously and find standards on fiscal responsibility and regulation. That could be a good start to stand up to these regulations.

In other countries, there are NGO/foundation consortiums that can do advocacy work and lobbying. I got the sense that some civil society organizations are trying to deal with these restrictions through court cases. Are there consortiums like this to represent your interests as a bloc and push the government as united force?

Laura: There's an institution called Cemefi—it's the equivalent of this type of consortium, but has not been very engaged in promoting things that are of interest to civil organizations. With fiscal reform, it is mobilizing resources and a lot of support; it is able to mobilize a force that can keep the law from being accepted. However, Cemefi is more inclined to protect interest of entrepreneurial donors who set up their own corporate social responsibility sectors. It has yet to legitimize itself with other civil society orgs in Mexico. It is a helpful force, though, and we should take advantage of the fact that Cemefi is already there. They have money, support, and a large network, so there are some opportunities.

Mariela: These consortiums exist [in Argentina], but don't have a specific agenda: for example, la Confederacion de la Sociedad Civil. It is present in the public debate, including on this subject and in this movement, but it is still a recent issue. There is no agenda of concrete proposals as of yet.

If an organization doesn't register with the government, and a donor gives them money, is there a penalty involved for the organization?

Laura: If you're a donor, you won't get a tax deduction, but you can send money to whoever you want. However, if you are registered formally (without tax exemption), you do need be transparent with the government and declare what you receive annually. As a registered organization, even one without tax-exempt status, you are obligated to provide annual reports about what you do.

How do you foresee the future with these restrictions?

Mariela: The future is uncertain, but what I've seen is that organizations that are funding make collective claims against the government. In Paraguay, there are these antiterrorism regulations that serve as an excuse for the government to impose restrictions. This is not a case of misleading, or a lack of sensitivity; the governments have an interest on some level in Latin America to restrict money coming



in from abroad. If this is the situation, and civil society makes the government more sensitive to their needs, we will survive for a while.

Laura: I don't actually know if fiscal reform will pass because it is quite unpopular. However, the new government is powerful and has been effective at getting laws through congress. The movement in civil society organizations is to push and raise voice and prevent trends from limiting them. Semillas is trying to understand and learn about alternatives in order to survive and actively participate in the movement to change policy. We would like to achieve a place where having tax exemption doesn't mean suffocating administrative and financial requirements. We will be able to raise a voice soon!

Katherine: Mexico is relevant to the trends in Latin America. We as a network of Women's Funds will define the course of action. We hope that the new fiscal reform law doesn't pass, and would like for civil society to have a role in shaping laws. The academic sector has been very involved, as well, and is suggesting other ways of changing proposal. Hopefully the final law won't prove too detrimental to local NGOs.

Listen to the recording [here](#).