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The 2022 Global Philanthropy Environment Index Chile

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Corporation, Foundation, Trade Associations, Professional Associations, Labor Unions

Five main social issues addressed by these organizations: Arts and Culture, Early Childhood Education through High School, Housing and Economic Development, Sports and Recreation

Average time established by law to register a philanthropic organization: 31–60 days

Average cost for registering a philanthropic organization: USD 50

The reform of Law No. 20.500 came into force in 2011 and with it, an improvement in the time and costs to acquire legal personality. The regulatory requirements now do not depend on an authority to give the concession, as required before. The registration process is clear, albeit with some bureaucratic barriers, minor legal fees, and time constraints that can become limited obstacles. Civil society organizations (CSO) must submit and register their acts and bylaws in their municipality and subsequently register with the Civil Registry and Identification Service, with minor differences in requirements for corporations and foundations. The bylaws of an association must determine the rights and responsibilities of its members, the incorporation conditions, and the means and motives for exclusion. The bylaws of a foundation must define the assets contributed by the founder to its equity, as well as the basic rules for the use of resources in compliance with the foundation's purposes, and for the determination of its beneficiaries.

Government levels primarily regulating the incorporation of philanthropic organizations: Local 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	4.63	3.40	3.75	3.90	4.00	4.30	4.00
2018 GPEI	4.70	3.15	3.85	3.90	N.A.	4.30	3.98

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: 4.7

The right of freedom of association—established in the Chilean Constitution—guarantees the right to associate without prior permission. It acknowledges “intermediate groups” and guarantees their autonomy for accomplishing their own purposes. As such, POs do not need to have a legal personality to exist, making individuals free to act collectively through unregistered groups. This constitutional freedom enables the creation of entities that group people to seek “lawful purposes,” namely those that are not “contrary to the moral, public order and State security,” and gives them autonomy to take collective action.

Although there are no restrictions on the objectives a CSO can pursue, they do have to be nonprofit entities. No minimum amounts of capital or assets are required to establish a CSO. In the particular case of foundations—since their constitution is founded on the use of assets towards a specified purpose—they must specify the capital or assets they are designating for the organization. This provision is not likely to deter the formation of a foundation.

The acquisition of a legal personality grants CSOs a distinct identity with legal rights and obligations under the law. The reform of Law No. 20.500 came into force in 2011, along with the fact that the regulatory requirements do not depend on an authority to give the concession anymore. The only restriction on founders of CSOs is regarding foreigners who do not reside in Chile and people who have a criminal record.

The registration process is clear, albeit with some bureaucratic barriers, minor legal fees, and time constraints that can become obstacles. The governing body, while apolitical, is somewhat inconsistent as it is spread throughout 346 municipalities, all with different budgets and capacities to process the registrations. Furthermore, Law 20.500 established special mandates for the government to promote and support public interest organizations and to guarantee their full autonomy.

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

Score: 4.5

In Chile, POs are required to have a specific governing and administrative structure, which differs slightly depending on the type of organization. Corporations and associations must have a general assembly as the main operating body, while foundations must be overseen by a board of directors of at least three people. This legal requirement does not interfere with determining the purpose of

their activities. POs can pursue a wide range of activities with the exception of political, unionized, or for-profit activities, which are regulated under other legal frameworks. The Constitution prohibits associations from acting against the morale, public order, or national security, in a regulation perceived compatible with the right of free assembly.

POs that have legal personality must comply with certain obligations regarding its administration and the transparency of its finances. This translates into up-to-date bookkeeping, an annual report, and a balance sheet approved by the assembly or the board of directors. These documents must be presented annually to the Ministry of Justice and Human Rights—the regulatory entity—which only verifies compliance of the records confidentially, with no further bureaucracy.

There is an additional burden for legal entities whose assets exceed a limit of USD 5.7 million or whose annual income is higher than USD 2.8 million: they must present their financial statements and balance sheets to independent auditors for assessment. Although there is clarity on the reports that must be submitted (annual report describing activities and balance sheet), there is no standard format to be filled out for these, and the government entity that receives these (Ministry of Justice and Human Rights) does not publish any type of report or summary in relation to this. Furthermore, in practice, compliance and oversight of report submission is poor.

Chilean POs are not restricted to cooperate with all sectors in the country, as long as they are not involved in illicit activities, and are free to participate in networks with national or international public, nonprofit, or corporate entities. Moreover, POs are free to use and access the Internet, social media, and any other media channels, as well as to cooperate with any individual or organization.

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

Score: 4.7

A PO's governing body has the power to voluntarily dissolve the organization and terminate its activities. However, in the specific case of foundations, their boards of directors can only dissolve or modify their bylaws once they receive approval from the Ministry of Justice and Human Rights, and that is only achieved when the modification responds to the original foundation's interest.

The dissolution of POs is regulated by law. POs can be legally dissolved only if:

1. The PO's term has expired; general assembly decides to; or
2. If a court ruling establishes that (a) their activities are prohibited in the Constitution, the law, or infringes the PO's bylaws severely; (b) has completely fulfilled its goals or the goals have become impossible to accomplish; or (c) regarding expected causes established in its bylaws and laws. Foundations in particular can terminate if the assets destined to maintain it are destroyed.

Involuntary dissolution only operates through a resolution from the judiciary. In fact, for an organization to be forcibly terminated, the Ministry of Justice and Human Rights must issue an inquiry, followed by a trial at the request of the Chilean State Defense Council (CDE)—and only then can there be a court ruling on the forced dissolution. This process provides safeguards for the proper defense of the affected PO.

If a PO is involuntarily or voluntarily dissolved, its assets are distributed based on the provisions established in its original bylaws. Since 2011, through Law 20.500, to legally constitute a nonprofit entity, the bylaws must explicitly identify another nonprofit entity as the beneficiary of its assets in the event of dissolution. If this was not foreseen, the assets are transferred to the state, who must use them in the fulfillment of goals similar to the PO's purposes.

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: 3.5

In Chile, private donations are taxed unless they adhere to one of the legal provisions that establish tax incentives for charitable giving or adhere to the tax exemption regulated under Law No. 16.271. This law makes donations tax-exempt when giving to religious worship, dissemination of instruction, and science or charitable organizations.

Organizations devoted to the public good can also be tax-exempt only when declared by the President of Chile. There are 60 existing legal provisions that regulate incentives (such as tax credits or tax expenses) for private giving, with 10 of these policies representing the primary or most frequently used legal provisions. Every law has incentives, upper thresholds, forms of donation, and participants (both donors and recipients) that differ from each other. This legal framework shows the absence of a comprehensive public policy to incentivize private contributions to social welfare. These policies respond to opportunities or preferential treatment for certain areas—such as culture and poverty relief—leaving behind other important ones like health care, environmental conservation, civil society, human rights, humanitarian aid (abroad), religion, animal protection, or other public affairs that may become important in time. This legal dispersion and overlapping of legislation produces inconsistencies between laws and a sense of uncertainty for both donors and beneficiaries, who may need legal assessment to donate or fundraise and avoid penalties.

Academic research shows that registered donations are highly concentrated in major companies that do not always use tax credits, despite being eligible for it. A general law regulating donations establishes a taxpayer's limit for the total amount of donations given to different areas at 5 percent of their income (also expressed in Monthly Tax Units), which go up to USD 1 million (USD 1.5 million for donations with cultural purposes and no restriction for disasters); however additional restrictions may occur. The ceiling donation for individual taxpayers goes up to approximately USD 22,000, and some legislation has incorporated a tax incentive for dependent workers and hereditary successions. In 2014, as part of the first government of President Sebastián Piñera, a bill was sent to the legislature (with no further progress) to unify the legal framework, consolidate the types of tax incentives for different taxpayers, and reinforce the simplicity and transparency of the system.

Although this project made no progress in the subsequent government, given the difficulties for donations in the field of health that were exposed in the COVID-19 pandemic and the impact of the sanitary and economic crisis on CSO operations, diverse think tanks and CSOs pushed for a legal

change to facilitate donations. The second government of President Sebastián Piñera activated and expanded the donation law in case of catastrophes as a temporary measure, and to date has shown interest in modernizing the donation system comprehensively and receiving related proposals from think tanks and CSOs.

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

Score: 3.3

In general, income tax law does not heed the nature or purpose of the organization to impose or be exempt from taxes. POs are thereby treated within the same tax framework as other taxpayers, especially when it comes to income taxes and value added tax (VAT) that apply when POs own assets or carry out activities likely to generate an income increase.

Notwithstanding, there are some specific exemptions for POs determined in different laws related to VAT, city permit fees, inheritance, and income taxes. Law No. 825 establishes specific VAT exemptions for POs around ticket sales for artistic, scientific, or cultural shows sponsored by the Ministry of Education and for educational institutions. POs devoted to charitable activities, religious worship, cultural or sports activities, or the promotion of grassroots interests get an exemption from municipal patent fees. Similarly, there is a legal provision in which the president has the faculty to exempt taxes for donations or inheritances aimed at charitable purposes, instruction, and science. The executive branch may also authorize income tax exemption on a case-by-case application from POs. Income Tax Law (Art.40, No. 4) establishes that this exemption may only be granted to nonprofit organizations (NPOs) whose main purpose is to provide free goods to people in need. The fact that this purpose must be established in a PO's bylaws before applying for the benefit draws attention to the restrictive nature of the tax benefits related to income taxes.

POs that can raise funds from private sources can operate in an enabling environment, but the rules and regulation affecting the POs' work are scattered in various laws regulating tax incentives for private giving. NPOs, foundations, universities, museums, and different kinds of institutions can receive support from private donors using case-by-case laws that establish tax benefits. Despite this, some POs develop their work in areas that are not covered at all by the legal framework, undermining the role of civil society in social welfare. In these cases, POs that receive donations must pay a blanket donation tax (enforced under Art. 52 Decree with force of law No. 1) and the donor must request legal authorization to make the donation.

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: 3.5

Cross-border donations have not been explicitly taken into account in Chilean legislation, and donations that enter the country as well as those leaving it fall into a sort of legal loophole. For donations made by Chileans to entities abroad, there is no law that specifically regulates this type of donation. Therefore, the legislation assumes that these donations are covered by the current Chilean legal system, and donors are bound by a limit on the total monetary resources given. This limit is called the Absolute Global Limit, as established in Law No. 19.885. The Absolute Global Limit establishes that donations from taxpayers in the first category (companies) may not exceed 5 percent of the Net Taxable Income (NTI) or other equivalent amounts that involve taxpayers who are in a tax loss situation. For individuals, the limit is calculated as whichever is the lower of the following values: 20 percent of the NTI or 320 Monthly Tax Units (*Unidades Tributarias Mensuales* (UTM)), at the moment the balance sheet is issued.

Tax benefits do not apply to these kinds of donations or organizations outside the country, though there are no restrictions on cross-border charitable donations, country of destination, or types of activities to support, when these are legal activities and do not contribute in any way to financing terrorism or asset laundering. Chile is part of the Financial Action Group of Latin America (*Grupo de Acción Financiera de Latinoamérica* (GAFILAT)), a regional inter-governmental organization that promotes the implementation of policies to fight asset laundering and financing terrorism.

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

Score: 4.0

Cross-border donations have not been explicitly considered in Chilean legislation, and donations that enter the country as well as those leaving it fall into a sort of legal loophole. Given the aforementioned factors, cross-border donations are currently subject to the official rulings of the Chilean Tax Administration (Servicio de Impuestos Internos (SII)), an entity that oversees everything related to taxation and donations. Due to the lack of legislation on the subject, these rulings may change over the course of time and are subject to the interpretation of the authority in office. However, according to the general interpretation of the SII, donations received from abroad by a philanthropic organization in Chile are not subject to income tax, blanket donation tax, or VAT. The tax service establishes a series of requirements that must be met to determine that a donation is international:

1. The donor is foreign, with no domicile or residence in Chile;
2. The recipient has residence in Chile;
3. The donation falls to goods located abroad (the donation must come from resources or goods generated abroad); and
4. The donation is carried out with funds from a foreign donor source (i.e., the donated property has not been acquired with, or does not originate from, resources from Chile).

The recipient must be a legally constituted nonprofit organization that can issue a certificate for the donation received, in compliance with the donation reporting procedure outlined by the tax service.

There are no restrictions regarding donor countries or type of activities. In addition, only foreign donors with commercial activity in Chile are subjected to tax incentives when donating to cultural

initiatives, receiving a 35 percent credit on the amount of the donation with a ceiling of 2 percent taxable income. When donating to post-disaster reconstruction, the same 35 percent credit from the amount of the donation, with no ceiling, also applies. Foreign in-kind donations will also be VAT-free according to the law that regulates taxes for sales and services. Free trade agreements facilitate goods internment when donated, excluding them from customs tariffs. Beneficiaries of foreign in-kind donations can apply to the National Custom Service to be exempt from VAT for the donation of goods processed as imports.

Other kinds of procedures apply for foreign donations. The Compendium of Foreign Exchange Norms of the Central Bank of Chile oversees the incoming flow of foreign credits, donations, deposit investments, and donations. Thus, foreign transactions must be processed through formal exchange markets, which consist of authorized banks and foreign exchange houses, and fulfill information reporting requirements designed to combat and prevent money laundering.

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: 4.3

As a member of the Organization for Economic Co-operation and Development (OECD), Chile looks toward achieving developing country standards, moving from coverage of public goods towards quality of them and establishing a social safety net, especially for the emerging middle class. However, while social organizations are relevant in the social welfare agenda, philanthropic giving has not been a truly relevant actor.

The legal framework has facilitated the emergence of NPOs. In fact, NPOs have doubled in number over the last decade (totaling 319,819 registered organizations), playing an important role in the provision of social goods and advocacy of certain issues, but this growth has not been matched with an effective structure for their development and funding. In fact, it is not hard to form a PO in Chile, but the challenge lies in maintaining one. Indeed, academic research has raised the alarm of excessive dependency of third sector CSOs from public funding, as CSOs are suppliers for public policies or funded through public subsidies. In addition to this is the legislative dispersion regarding donations and the exclusion of important social purposes, making the continuity of the work of some POs uncertain. These trends may threaten the role of an independent civil society in social development.

Economic growth and disasters have proven to be crucial in strengthening private giving. While donations and the number of donors have increased greatly, available data shows a potential to increase private giving when correlating it to wealth growth. Current donations, mainly from corporations and philanthropic foundations, are estimated to represent 0.14 percent of the gross domestic product (GDP).

Different governments have shown diverse views towards POs and philanthropic giving in their policies, though collaboration in public policies is still rare. Although several areas of the Chilean state have outsourced their provision of social policies to POs, those who provide and implement these services and their role in the design or improvement of the programs and services they implement is still limited. Moreover, there is a weakness in terms of sector data, a precise national registry of CSOs, and a comprehensive public policy vision that takes responsibility for promoting POs.

Chile is undergoing a process of constitutional change, and the role of POs and civil society in general, both during the pandemic and in the process of institutional change, has enabled the creation of a more favorable political environment for philanthropy as of late. The COVID-19 pandemic has highlighted the importance of the sector in meeting the most pressing needs of the population, but also its weaknesses in terms of financial sustainability.

An important discussion has also arisen regarding the deficiencies of the current legal framework. The interest of the government in driving change in the legal framework for donations shows hope for the future strengthening of POs in this area, including the promotion of donations and including relevant cause areas, such as health and environmental conversation.

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

Score: 3.5

Although donors are free to support whatever causes they choose with no pressure or prohibition from the government, it is important to emphasize that in Chile there is a blanket donation tax, which must be paid by the recipient and is only exempt under certain specific donation laws. Therefore, the existing legislative dispersion, resulting from the creation of contingency-based special laws for certain purposes at the exclusion of certain sectors (health, environment, and human rights among others) means that there is no single state entity responsible for POs and philanthropy. Moreover, each law allows for different types of donors and beneficiaries and have different rules, information transparency requirements, and types of tax incentives. Each of these laws report to different ministries. This results in a complex system, where the available information and platforms once again vary per law and POs must face different rules and different public agencies. This constitutes an entry barrier for medium or small territorial organizations. Given these factors, POs usually require assistance from lawyers and accountants to understand the donation system and use it correctly. The absence of a comprehensive, simple, and transparent donation policy that is easy to understand and has similar conditions for different types of donors and recipients means that the government lacks the capacity or tools necessary to support and oversee POs globally.

The COVID-19 pandemic revealed the deficient legal framework in place (especially due to the exclusion of health) and showed the rapid response of POs to serve the common good and mitigate the consequences of the pandemic among the population. However, the pandemic also led to a significant lack of resources for POs, revealing the fragility of many of these organizations.

In response, the government decided to activate and expand the interpretation of the donation law for catastrophes for a one-year period to facilitate short-term financing for POs. A series of proposals were presented by think tanks, academics, and CSOs in an effort to find a more in-depth medium-

term solution to create a new integrated donation framework. In this regard, the government has shown interest in modernizing the legal framework, considering principles such as simplifying the system to facilitate the participation of POs, using OECD standards, and utilizing digital platforms as a registration mechanism for entities. It remains to be seen whether this will translate into a bill before the end of the current government.

V. Economic Environment

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

Score: 4.0

The economic conditions in Chile over the last four decades have been stable, with gross domestic product (GDP) growth over time. Average GDP growth over the last decade (2010-2019) was 3.3 percent, which is lower than the first decade of the 21st century. Chile is characterized by an open, free market economy and free enterprise, which looks favorably on foreign investment, with a central bank that is independent from the executive branch and a legal apparatus that enforces compliance with the legislation in force. The legal framework has strengthened the regulation to prevent and prosecute corruption between private parties (Law No. 21.121 and Law No. 20.393 on penal responsibility of legal entities), asset laundering (Law No. 21.163), and conflicts of interest.

Although the economic conditions in Chile have been favorable, the lack of equality in access to essential goods and income is a relevant factor. The differences on a social level and in access to essential goods, together with the need for institutional change, grew manifest during the social unrest in October 2019. This unrest kicked off a roadmap towards a new constitution for the creation of a new constitutional framework that will mark the political, economic, and social development over the years to come. The unrest and feeling of political and institutional instability had an economic impact in Chile. This was exacerbated by the effects of the sanitary crisis provoked by the COVID-19 pandemic, which caused greater demands on public spending, not only in 2020 but also in 2021. It is expected that the increase in unemployment in the country, the political and institutional changes, and the rhythm of economic recovery will have an effect on donations.

Between 2009 and 2015, donations registered by the tax agency show significant growth in terms of the amount of donations, similar to the growth experienced in Chile in its GDP. However, since 2015 the moderation of economic growth was also reflected in the stabilization of the maximum amounts donated with tax incentives. Studies on donations have also made it possible to map unregistered donation amounts, which reveal a growth of informal donations, especially from individuals, thus demonstrating a greater willingness to donate towards issues of high public interest, such as health.

The COVID-19 pandemic has had an effect on donations. In 2020, a series of collaborative initiatives, both from neighbors in vulnerable sectors through community food kitchens or between the business sector and POs, mobilized donations to meet pressing needs, such as health care supplies, food boxes, assistance with ongoing education, or support for senior citizens. The activation of the donation law for catastrophes facilitated the provision of donations, especially considering the disparate and tedious legal framework in Chile, where donations to the health area not only have no tax incentives but are actually taxed.

Although in 2021 it's expected that this special legislation for catastrophes will remain in effect with a broader interpretation, the economic impacts of the pandemic and the mitigation of the sense of urgency of basic needs may result in a reduction in the peak of donations generated in 2020. A permanent comprehensive legal framework that is easy to use and establishes donation incentives would enable the expansion of the donor base and generate a counter-cyclical effect in the face of a more restrictive economy.

VI. Socio-Cultural Environment

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

Score: 4.3

In Chile, philanthropic tradition is mostly related to social leaders who have advocated and established organizations aimed at relevant social needs, such as poverty alleviation, disability, health care, education, and disaster relief, among others. Philanthropic giving has traditionally been an anonymous practice linked to Catholic tradition, even though philanthropy is showing signs of change towards a more public and institutionalized practice. It has also incorporated new practices such as impact investing and crowdfunding.

In Chile, the term philanthropy and its description are still little-known concepts in a broader sense, and tend to be associated with high net worth individuals or large corporations. However, there is a tradition of solidarity in the face of adversity, which becomes evident during natural catastrophes. Societal values such as solidarity and giving back to the community support philanthropic activities, though the role of philanthropic engagement as a space for building cooperation networks and social trust is still not acknowledged in its full dimension.

NGOs are trusted as organizations truly looking out for social welfare. A few leading CSOs are perceived as relevant actors and mobilizers toward solidarity, volunteering, and private giving, traditionally in areas of social need. Recently, there has been a new emergence of relevant advocacy organizations in diverse areas such as childhood, sexual rights, feminism, and democratic participation. These leading CSOs are trusted, but smaller POs do not have the same reputation of accountability. In fact, although the business sector tends to value their social expertise, POs are perceived as not efficient on resource management. This helps explain why 42 percent of philanthropic foundations are exclusively operators of their own programs, and only 16 percent act exclusively as donors to existing organizations.

Chile shows one of the lowest positions in the OECD's social trust index. In this context, private giving is frequently affected by a mantle of doubt from the public opinion, which tends to be suspicious of the donor's intentions, especially when it comes from companies. This distrust may inhibit new participants in the field, as well as prevent donors from being more active and effective. The lack of a public registry of private giving, an integrated legislation with clear requirement for accountability, as well as deficient practices from donors on transparency and public dissemination, work against philanthropic development.

However, both the social unrest and wave of protests in October 2019 seeking changes in the political and economic system and the social effects of the pandemic have mobilized cross-cutting practices of philanthropy. In high net worth families, there has been a growing interest in formalizing their philanthropic giving. Chile stands out in the region as one of the countries with more family foundations than corporate foundations. Likewise, practices of solidarity between communities with different income levels and crowdfunding have given rise to more collaborative initiatives around a single social objective.

As part of these changes, philanthropy infrastructure organizations have been playing a greater role, as well as academic centers aimed at studying and promoting philanthropy, associations of POs that work in the same area (such as poverty or environmental action), and the growing interest of think tanks in participating in the public policy debate on the development of philanthropy.

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

Over the last few years, legislative changes have facilitated the establishment of CSOs and with it, the formalization of the field and the creation of new POs, with a clear framework for their organization and dissolution. Nevertheless, citizen participation and the conscience of the value this contributes to social cohesion in the philanthropic field is in a process of understanding. The new constitution process and the role played by CSOs in the pandemic have shone greater light on the relevance of the sector for society.

Chilean citizens value CSOs that provide social services the most valued by the citizens. Such CSOs usually have valued leadership and good track record, and they are able to mobilize volunteers, and charitable donations as well. There are also many innovations in social intervention models that have even been exported and installed in other countries in Latin America or Africa. It is in natural disaster situations (i.e., earthquakes or wildfires) when the field and its contribution is especially visible, through effective and timely tending to victims through private giving. Still, the challenge of building public-private cooperation and creating a permanent giving habit from these catastrophe initiatives remains. This challenge is even more significant considering the change in legislation introduced in 2011, which facilitated the establishment of CSOs. However there is a financial dependency among CSOs to operate from the public sector and their primary challenge lies in financial sustainability, which in many cases is highly dependent on public funds.

Philanthropy emerges as a necessary element that must be facilitated and advocated for. Philanthropic resources have multiplied tenfold between 2005 and 2015, giving signs of a transition scenario towards the strengthening of the philanthropic field and civil society. Subsequent to this, the growth in donations has come primarily from informal donations from individuals, and from the growth in institutional philanthropy. Many CSOs have been included institutional philanthropy in their medium-term vision, including cross-sectoral collaboration and for the new challenges of measuring the impact of their initiatives. The issue of monitoring the social impact of initiatives has been

increasing its relevance in the ecosystem, but there is still a gap in tools and capacities to integrate these into the practice of the POs.

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

1. Activation of the donation law for catastrophes in response to the COVID-19 pandemic in 2020 and its extension to 2021: The social and economic effects of the pandemic had a mobilizing effect on philanthropic giving among grassroots groups (community kitchens), philanthropic foundations, and the corporate sector. This quick and significant mobilization of contributions was the result of both the activation of a special temporary standard for catastrophes and its interpretation by the tax agency that facilitated the giving process and provided a broad interpretation in terms of beneficiaries and donors.
2. Interest by the government in unifying and simplifying the legislation that regulates donations: The sanitary crisis and its economic and social effects also significantly affected CSOs. In this area, the advocacy work of CSOs, 16 think tanks, and academic centers, including Centro de Filantropía e Inversiones Sociales (CEFIS), sparked government interest in revisiting the initiative to create a structural change in the donation system, unifying it, and creating general giving conditions, which is expected to be reflected in the submission of a bill during 2021. This is complemented by the modifications included in the tax reform enacted in 2020, which introduced standards to facilitate in-kind donations to meet basic needs and simplified the limits on donation amounts and donation-related taxes.
3. Cooperation as a philanthropic practice: In the diverse donor segment and through both traditional campaigns and new digital channels, the last few years have seen a multiplication of collaborative initiatives between donors. This has been seen in both private foundations with diverse purposes (such as foster care or support for grassroots initiatives in the pandemic) and in the corporate sector to meet basic needs in the pandemic. These collective initiatives have driven new social investment models, such as the initial development of the social impact bond model.

Future development trends in the philanthropic landscape

Over the last few years, new ways of private giving with positive social impact have emerged. Chile is the country where the biggest number of social enterprises per capita have arisen, a phenomenon that is accompanied by the local creation of certifying institutions for B Corporations for Latin America. This is paired with a series of new actors that have generated several spaces for diffusion and channeling instruments for the hybrid model between investments and philanthropy, called impact investing. On the other hand, the quick attention to natural catastrophes and the pandemic has created not only a strong citizen mobilization, but also growing collaborative structures between philanthropic donors that have generated incipient coordination efforts to channel resources and attention to people in need. These actions can be read like the early stages of exercises of collective impact that must be strengthened.

The emergence of a large number of formal CSOs and a willingness of more spaces for citizen participation in public institutions and public policies have given greater new visibility to POs and their capacity to mobilize volunteers, advocate for causes, and provide social services. The sector's nonprofit alignment has resulted in a better standard in social trust. Public and academic discussion

and early-stage donor associations have emerged, Public discussion has also an important role to strengthen the nonprofit sector's development, including reforming the legal framework for philanthropy.

Wealth growth in Chile, the internationalization of national corporations, and the emergence of a group of high net worth businessmen that have been incorporating the vision of strategic philanthropy in their wealth management related to family offices are some of the current trends in the philanthropic environment. Notably, the surge of family foundations that seek to institutionalize philanthropy with an intergenerational view has given the field a new dynamic. Although these changes have been underway over the last five years, both the social unrest in Chile in 2019 and the strong social and economic effects of the pandemic have accelerated the mobilization of philanthropic support, resulting in more collaborations between stakeholders and a willingness to give with a more intentional focus on results and impact.

Three key recommendations to improve the environment for philanthropy

- **Legal change:** Although the attainment of a legal entity status has been facilitated and regulated for new organizations, a priority recommendation to improve the philanthropic environment in the country is a redefinition of the legislation that regulates CSOs and incentivizes private participation in social welfare. This requires the need to recognize the value of the third sector in social welfare through the development of better mechanisms of interaction with the public sector and its participation in public policies and public funding. In addition, there is the need to redefine the regulation and incentive system for donations, such as limiting taxes on donations and unifying and simplifying the incentive system for different sectors of social welfare with a broad and inclusive perspective. Chile needs a single unified donation law that is implemented gradually to integrate the sectors that already have their own incentives. There is a willingness from the executive branch to present a bill on the issue based on recommendations from both think tanks and POs.
- **Registration, data collection, transparency and research:** It is necessary to strengthen a unique CSO public registry that allows the fulfillment of the current regulation, reinforcement of PO's transparency, and the strengthening of data collecting and related research of the field, as to analyze PO support to social welfare, identify barriers for development, and create public policy proposals based on evidence and research. Strengthening data practice will allow not only for the reinforcement of the field, but also to grow the social confidence that transparency practices help to build.
- **Drive the community model:** community foundations can be strengthened in Chile as a strategy to build up local philanthropy, decentralize donations, and generate opportunities for collaboration between different stakeholders in their own community. Given the social and sanitary crisis in the country, it has become critical to drive spontaneous solidarity between people, companies, and other stakeholders arose with renewed vigor in 2019 and 2020 through new models of interaction with a horizontal approach and respect for the identity of each territory, like the community foundations model. The incorporation of this model as a new form of engagement and understanding for a community and its different members can contribute to the general welfare of the territories, as it is the inhabitants themselves who can propose solutions for the impacts left by the COVID-19 crisis.

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

The philanthropic sector, corporate and individual giving, and POs have played a role in multiple areas, with expedite and comprehensive contributions to the communities most affected by the pandemic. These contributions include:

- Health: provision of protective kits for the general population (with a focus on children and senior citizens), psychological and socio-emotional support for infants, senior citizens and health workers, communication devices, support for people with disabilities, personal protective equipment for health workers, emergency dental assistance, donation of ventilators, polymerase chain reaction (PCR) reagents and contributions for the purchase of vaccines, among others;
- Education: creating content generation for remote learning, provision of computers, tablets or other types of technological support for remote learning, providing in-person support in rural areas, and creating program content for television transmission, among others
- Food and shelter: providing food boxes distributed throughout the country, new measures in homeless shelters, hygiene and sanitation kits for shelters and residences, cold weather kits, food for community kitchens, and migrant housing;
- Prisons and detained people: personal hygiene kits;
- Humanitarian flights home for migrants from Chile to their countries of origin such as Haiti, Dominican Republic, Colombia, Ecuador, Venezuela, and Cuba;
- Senior citizens: provision of food kits and a mobile phone especially designed for senior citizens to facilitate communication with families and assistance networks, especially for senior citizens who live alone; and
- Financial support for solidarity initiatives in vulnerable grassroots communities.

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

As with other natural catastrophes, COVID-19 quickly mobilized spontaneous help from anonymous people from all socioeconomic levels who were willing to provide assistance, both to neighbors organizing community kitchens or people in need, such as senior citizens, migrants, students, young people, and children. However, the magnitude and multiple dimensions of this crisis led to a broad and cross-cutting mobilization of people and institutions to help those most in need. The difference between this and the response to other catastrophes was the adaptation capacity and a new collaborative approach.

The adaptation capacity was especially relevant between charities that had to revisit their priorities and aims to attend to the basic needs of their beneficiaries or rather change to operate digitally and with smaller amounts of resources available, despite the additional costs brought on by new sanitary regulations. This had the effect of showing the value of civil society in expeditiously attending to the needs of the most affected population. Likewise, many entities were able to accelerate the digitalization of several services and new ways to operate, which could lead to a greater efficiency of resources, such as in the implementation of educational support programs.

The collaborative strategy was evident in donors. The magnitude and uncertainty of the pandemic quickly mobilized the corporate sector, not just to create a shared substantial pot of resources, but also to manage the provision of basic supplies based on sanitary needs (for example, direct importation of mechanical ventilators or masks at the outset of the pandemic), showing a deftness and efficiency in giving. Other emerging initiatives soon joined these: studies of treatments, contributions to the purchase and study of vaccines, and providing for other basic needs. Later these were joined by other initiatives from private foundations to fund solidarity initiatives in vulnerable grassroots communities.

Collaboration also mobilized the creation of other collective fundraising initiatives, which provided visibility to common causes rather than individual organizations, by creating shared platforms and campaigns to support basic assistance to different people affected by the crisis.

Impact of COVID-19 on the philanthropic environment

The pandemic once again showed the significant spirit of solidarity in the country during a crisis, where a critical mass of people who don't normally donate regularly became involved in supporting in different areas. It also came to deepen the consequences of the social crisis in Chile since the social unrest of October 2019. Therefore, although both POs and corporations gave from their respective areas to reduce the effects of the sanitary crisis, they were also affected by the pandemic. Specifically, there is a strong concern among CSOs regarding the continuity of their activities due to lack of funds, increase in sanitary expenses, and difficulty in continuing operations.

On the other hand, the pandemic shed light on and generated discussion around the need to strengthen the legal framework regarding donations in Chile, expanding approved donation purposes and facilitating the giving process. This was especially pressing, considering that health is one of the areas excluded from the donation incentives system and one in which POs must pay a blanket donation tax. Although the activation of Law No. 16.282 on donations for catastrophes has temporarily facilitated donations related to COVID-19 and the sanitary crisis, the relevance of POs in providing comprehensive assistance to donations and the influence of think tanks and CSO networks have all put the spotlight back on this discussion. Proposals have been generated to improve and integrate the legal framework on treatment of donations, its tax benefits, and participants.

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

COVID-19 and its sanitary and economic consequences are likely to extend throughout most of 2021, affecting the welfare of families and communities. Although Chile has a vaccination plan and foresees the beginnings of economic recovery in the second half of the year, it also foresees additional consequences on multiple fronts: including increases in unemployment, informal labor, and school dropout rates. In responding to these challenges, POs have a fundamental role to fulfill. However, it is possible that the same economic uncertainty, the significant effort of donations made in 2020, and a lack of awareness among individuals and corporations regarding the urgency of the needs, may lead to a decreased mobilization of resources. This, added to the effects of the pandemic on POs, will require a greater effort in reducing expenses, prioritizing programs, digitizing processes,

and developing new strategies to mobilize donors. The lack of direct support for the PO sector for their sustainability may lead to a significant number of POs reducing or closing down operations.

There is an expectation that the special donation law for catastrophes will remain in force and that the discussion on modernizing the legal framework for donations makes concrete progress to improve the giving system.

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