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# The sustainability of Latin American CSOs: historical patterns and new funding sources

Inés M. Pousadela and Anabel Cruz

## ABSTRACT

As an increasingly consolidated middle-income region, Latin America's position within the international aid architecture has shifted. Funding for civil society has decreased as a result of economic growth, crises affecting bilateral donors, and operational and financial restrictions stemming from political polarisation and increasing government hostility in various countries. Based on a current and historical literature review as well as informal consultations with CSO sources, this article summarises the results of a research project focused on civil society's funding mechanisms in Latin America and accounts for recent CSO efforts to explore novel funding alternatives.

La position de l'Amérique latine, en tant que région s'imposant de plus en plus comme une région à revenu intermédiaire, au sein de l'architecture internationale de l'aide a évolué. Les financements destinés à la société civile ont diminué suite à la croissance économique, aux crises touchant les bailleurs de fonds bilatéraux et aux restrictions opérationnelles et financières dues à la polarisation politique et à l'hostilité croissante des gouvernements dans divers pays. Sur la base d'une revue documentaire actuelle et historique, ainsi que de consultations informelles avec des OSC sources, cet article résume les résultats d'un projet de recherche axé sur les mécanismes de financement de la société civile en Amérique latine et présente un compte rendu des efforts récents des OSC pour examiner des alternatives de financement originales.

A medida que América Latina se consolida como una región de ingresos medios, su situación en el ámbito de la ayuda internacional se ha modificado. Debido al crecimiento económico, a las crisis que han incidido en los donantes bilaterales, a las restricciones operativas y financieras provocadas por la polarización política y a la creciente hostilidad gubernamental en varios países, se redujo el financiamiento para la sociedad civil. A partir de una revisión de estudios actuales e históricos, así como de consultas informales a varias OSC, el presente artículo sintetiza los resultados de un proyecto de investigación centrado en los mecanismos de financiación utilizados por la sociedad civil en América Latina, dando cuenta de los recientes esfuerzos de las OSC por explorar nuevas alternativas en este sentido.

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## Introduction

As an increasingly consolidated middle-income region, Latin America's position has shifted within the international aid architecture.<sup>1</sup> Along with the crises and recessions that have severely hit many traditional bilateral donors, this has increased funding restrictions for civil society (OECD 2012). The

impact has been especially hard on a subset of countries that are highly dependent on foreign aid and where international cooperation has played a prominent role in civil society's growth in post-conflict and/or post-transitional contexts. Additionally, civil society organisations (CSOs) in some countries are currently experiencing further restrictions, both operational and financial, as a result of political polarisation and increasing government hostility against CSOs in general, and against those focused on democratic governance, human rights, citizen participation, and government accountability in particular.<sup>2</sup>

This article summarises the results of a research project focused on civil society's funding mechanisms in Latin America and the ongoing efforts of CSOs in the region to secure new funding sources. It is based on a current and historical literature review, the analysis of the latest available information on international cooperation fluxes produced by international organisations and donor countries' cooperation agencies, and the systematisation of the findings yielded by three recent sub-regional reports on CSO funding covering eighteen Latin American countries (Sinergia 2014; ICD 2014a; ICD 2014b; Morales López 2014).

After briefly discussing the methodology, the article assesses the various national and international funding sources currently available to CSOs in Latin America. It then identifies the three (unequal) angles of the funding triangle – international cooperation, the state, and the private sector – and describes the most recent changes undergone by each, as well as the restrictions and challenges that CSOs face as a result.

On the basis of country-level data, three prevalent funding patterns are identified: persistently high dependence on international cooperation funds; growing reliance on government contracts; and mixed funding with growing – but still minority – private sector participation (Stoianova 2013). The consequences of the consolidation of these funding patterns are explored in terms of internal civil society role differentiation, fragmentation, and CSO lifespan and rotation; differential impact on organisations focused on advocacy and service delivery; and the potential erosion of CSO autonomy and advocacy capacity. The article also accounts for recent CSO efforts to turn challenges into opportunities by exploring and experimenting with novel funding alternatives.

## Methodology

This article is based on secondary sources, including statistical databases, press releases, and qualitative studies, as well as on primary data from an online CSO survey administered in one of the sub-regions and a series of semi-structured interviews and informal consultations with key civil society informants throughout the region. These included, but were not limited to, leaders of national NGO associations, members of regional networks and collective platforms, and several advocacy CSOs. While the interviews do not provide systematic data at a macro level, they contribute to corroborate some of the outlined trends.

Our main secondary sources are three sub-regional reports on funding mechanisms in Central America and Mexico (Morales López 2014), the Andes (Sinergia 2014), and the Southern Cone (ICD 2014a), commissioned in 2013 by Mesa de Articulación, a coordinating body for national NGO organisations and regional networks in Latin America and the Caribbean. An earlier version of this article was published by the Instituto de Comunicación y Desarrollo (Institute for Communication and Development) as a regional report (ICD 2014b). Overall, 18 Latin American countries are covered in these reports: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

In putting together the three documents' findings, we aim at identifying common features and distinctive patterns and challenges within and across sub-regions in order to contribute to the ongoing discussion regarding Latin American CSOs' quest for fresh funding allowing them to fulfil their missions within rapidly changing and increasingly complex environments. The main shortcoming to be acknowledged concerns the reports' limited comparative potential, which did not allow us

to safely move beyond pointing to broad trends and into the realm of hard quantitative evidence of the relative dimension and weight of the described phenomena.

### Civil society and Latin America's dual transition

Latin America and the Caribbean is a middle-income region, and most of its countries fall into the middle-income category.<sup>3</sup> It is, however, highly heterogeneous, with countries ranging from the Western Hemisphere's only low-income country, Haiti, to high-income economies such as Chile; from heavily indebted countries such as Bolivia or Nicaragua, to rising powers like Brazil, the world's seventh largest economy. Most countries, including those with the highest incomes, are also internally heterogeneous and highly unequal.<sup>4</sup> In fact, despite over the past decade experiencing its highest economic growth rates since the 1960s and achieving impressive declines in poverty and significant declines in inequality, the region is still the most unequal – although by no means the poorest – in the world (López-Calva and Lustig 2010; UNDP 2014).

All the countries under study regularly hold reasonably free and fair elections. Many, however, still bear the marks of the chronic political stability endured throughout the twentieth century, and are burdened by the legacy of authoritarian regimes (typically led by the military) that ruled them in the 1960s and 1970s (and in some cases, well into the 1990s). The region took part in the so-called "third wave" of democratic transitions (Huntington 1991), with countries (re)democratising as early as 1979 (Ecuador) and as late as 1993 (Paraguay) and 2000 (Mexico). Despite a few short-lived interruptions over the decades that followed, democracy has eventually prevailed in the region, with CSOs and social movements playing prominent roles in the opposition to several dictatorships and the subsequent restoration of democracies (Domike 2008).

Partially overlapping with the democratic transition processes, since the late 1980s and early 1990s the region also experienced a transition towards market economies, guided by the principles of the so-called Washington Consensus. Democracy, therefore, has survived in environments typically characterised by deep social inequalities disproportionately affecting women, youth, indigenous peoples, rural populations, and Afro-descendants; high social conflict; and mounting citizen security issues. As a result, fear of authoritarian reversals has been largely replaced with concern with the quality of democratic governance (Diamond and Morlino 2005; Levine and Molina 2011). The democratic experience has fallen short of citizens' expectations and human rights violations have persisted even in democratic contexts, as a result of actions by both state agents (the military and police) and private entities (criminal organisations and paramilitary groups) (Méndez, Pinheiro, and O'Donnell 1999; Brinks and Botero 2010).

Throughout the region, CSOs have played relevant roles within this dual transition process and in the flawed democratic contexts that ensued, both as human rights advocates and promoters of better democratic practices (transparency, accountability, citizen participation, gender equality, and so on), and by complementing state action and even stepping in when the state retracted in key areas, notably health, education, poverty reduction, and community and rural development (Risley 2015). Regardless of the widely differing baselines, relative sizes, and levels of dynamism, the so-called non-profit, civil society, or third sector (named and defined differently from one country to the next) has notably increased in size and complexity in every country in the region. Reliable numbers are difficult to come by, but civil society mapping efforts are currently being undertaken in a number of Latin American countries, and their results all point to the same direction. In Chile, for instance, more than 240,000 CSOs were counted in the most recent survey (Centro UC 2016). Having more than doubled in size in the past decade, Chile's not-for-profit sector has become one of the biggest relative to the country's population (although various analyses appear to show declines in advocacy capacity). This is by no means an exception in the region, although it is possibly one of the most extreme manifestations of a phenomenon resulting from recent shifts in funding patterns for the sector. In Brazil, there were more than 290,000 not-for-profit organisations in 2010, including religious organisations (28.5%), trade and professional associations

(15.5%), and advocacy CSOs (14.6%). More than 54,000 were active in the fields of health, education, research, and social services. The sector grew by 8.8% between 2006 and 2010, but its expansion appears to have decelerated in recent years (IBGE 2012).

### Shifts in international cooperation

Overall, official development aid (ODA) from OECD to the countries of Latin America and the Caribbean (LAC) has increased exponentially in absolute terms since the 1960s, although its growth seems to be currently decelerating. In relative terms, the region's share of global aid has decreased from 20.6% in 1960 to 12.2% in 2011 (after reaching its lowest point in the 1980s and somewhat increasing in the 1990s).<sup>5</sup> As elsewhere, the bulk of international cooperation funds in LAC flow towards governments; an extremely small proportion goes directly to domestic CSOs. The situation is no different within newer forms of development cooperation, including South-South initiatives.

According to a number of civil society sources, international cooperation funds allocated directly to CSOs are usually small, involve complex procedures, and tend to lack continuity. Whenever bigger amounts are involved, they are typically concentrated in a handful of organisations that are not necessarily representative of the wider spectrum of CSOs. During the 1980s and 1990s much of the aid was channelled through INGOs located in OECD countries; today many INGOs manage their own programmes in recipient countries, consequently reducing access to funding by local CSOs. In fact, approximately 150 such INGOs operate in the Andean sub-region alone (Sinergia 2014). In other cases, particularly in the Southern Cone, international cooperation funds are increasingly channelled through local and federal governments, which in turn sub-contract with CSOs to deliver social programmes (ICD 2014b).

International funding typically takes the form of projects supported by donor countries' embassies or government agencies (such as the Spanish AECID, Japanese JICA, Swedish SIDA, and American USAID), foundations from donor countries (sometimes linked to political parties), and special programmes funded by multilateral organisations (the United Nations system, the European Union, the Inter-American Development Bank, and the World Bank). Faith-based organisations are also supported by their international affiliates, the Catholic Church and US-based religious networks being two of the most common sources. Although each cooperation agency follows their own procedures and has its own thematic (as well as geographic) funding targets, much of the available resources end up being directed towards service delivery and emergency assistance for poor populations, as well as capacity development for local actors.

CSOs in many LAC countries have recently experienced discontinuities in funding due to both structural processes and critical junctures. First and foremost, the region has grown and, despite maintaining huge inequalities, many of its countries are now treated as a middle – or even high – income, with funds disproportionately flowing towards the remaining low and lower middle-income countries. Second, many OECD countries, such as the Nordic ones, are starting to prioritise funding to other regions of the developing world and therefore designing exit strategies from countries such as Nicaragua, El Salvador, and Guatemala (Castán 2011).<sup>6</sup> Third, the economic recession that recently hit some important bilateral donors, especially Spain, has also resulted in the closure of operations in several countries and decreased transfers towards the rest (Daguerra et al. 2012). Reductions in European bilateral aid have had a particularly strong impact on CSOs and networks promoting human rights and democratisation. Last but not least, whatever funding is still directed towards the third sector in the region, the number of CSOs currently pushing for their share is many times higher than it used to be just a couple of decades ago, accounting for what various CSO sources describe as merciless competition for scarce resources.

Not surprisingly, many CSOs, particularly in upper middle- and high-income countries, reveal that while they used to receive most funding from international cooperation agencies, they currently depend to about the same extent on state funding. Although international cooperation continues to be the main source of funding for civil society in the region as a whole, levels of dependence

appear to be lowest in the Southern Cone and highest in the Andes, Central America, and parts of the Caribbean. As analysed below, Latin American CSOs have also increasingly become recipients of domestic government funds – a portion of which comes from international aid sources as well – a trend that seems to be deepest in countries where international cooperation has traditionally been lowest. CSOs in Latin America are also funded in small but increasing proportions by contributions from private companies and corporate foundations, both international and domestic (Villar Gómez 2015). National legal frameworks, however, differ widely regarding the provision of incentives for private donations – as does the readiness of CSOs to request and receive contributions from the private sector.

### **Patterns of CSO funding**

Shifts in funding are currently a major cause of concern for CSOs in Latin America. Despite the fact that international cooperation remains the main source of funding overall, distinct sub-regional patterns have emerged depending on the relative weight of foreign assistance, government funds, and private donors on CSO resources.

#### ***Privileged relationships with the state***

While state funds still represent a small contribution to CSO resources in countries that retain priority status for international cooperation agencies, they have become a major source of income for CSOs in the Southern Cone, particularly in Chile and Uruguay, which receive the lowest proportions of international cooperation funds. Unlike traditional international cooperation, domestic states tend to focus their links with CSOs on social services delivery. Typically, the trend towards the delegation of basic state functions on CSOs started decades ago, when cooperation agencies resorted to CSOs to implement social projects in view of states' failures in that regard; nowadays, paradoxically, the process has deepened as a result of the retraction of international cooperation (ICD 2014b).

The trend is probably strongest in Chile, where it began more than two decades ago, when international cooperation agencies started redirecting funding towards the government as the country transitioned to democracy. As a result, early on CSOs started partnering with the public sector to implement social programmes. According to available estimates, Chilean CSOs now receive about 70% their funding from the national, regional, or municipal governments, mostly for their contribution to government projects, 20% from international donors, and a meagre 10% from private companies (Morales López 2014, 111). Most government funding is earmarked for social projects in the areas of health or poverty alleviation, and/or targeted at children, youth, or women. The situation is similar in Uruguay, where the decrease in foreign cooperation has been countered by an increase in government funds, especially in the form of contracts to implement public policies in social areas. This trend has deepened since 2005, as the newly elected left-wing coalition national government implemented new social programmes and established novel mechanisms for civil society participation in public policy (ICD 2014b).

The relationship with the state not as a donor but as provider of opportunities for consultancy, technical advice, and policy implementation has a number of consequences. First, it tends to reward CSOs that adjust their roles to provide social services and implement public policy (typically without having a say in its conception and design) to the detriment of more vocal advocacy CSOs and networks. Second, this sort of link is usually based on ad hoc contracts that (as was also the case with international cooperation funds) rarely include resources for institutional strengthening and capacity building. As a result, the phenomenon of poor organisations managing rich projects is relatively common. Third, this relationship exposes CSOs to some of the state's worst vices: cumbersome procedures, opaque allocation criteria, and ideological discrimination. Fourth, delegation of functions on CSOs puts the state in the position of a controller, a role that it frequently has no adequate tools to perform, and that it tends to focus on the fulfilment of formal and financial requirements rather than

on the evaluation of results and impacts, therefore distorting CSOs' use of their institutional resources. Fifth, excessive administrative requirements result in the concentration of funding on organisations that are bigger, more experienced, and better connected, as well as in the spread of suspicion regarding the will and ability of the sector to perform in a transparent and accountable way. Sixth, increased dependence on state funds makes CSOs more vulnerable to changes in the country's political climate, as CSO–government relationships usually fluctuate in both magnitude and format as the government changes. In short, dependence on the state as a funding source tends to reduce the autonomy of civil society to play its vital role of advocating for rights and criticising, denouncing, and forcing the powerful to account for their actions, either because CSOs tend to align ideologically with the hand that feeds them (or are overlooked if they do not), or because they are driven to unilaterally emphasise technical knowhow and compete for government contracts with other CSOs (and even with private companies).

### ***Reliance on international funding***

Most countries in Central America and the Andes, as well as Paraguay in the Southern Cone, still receive considerable international cooperation funds, some of which are channelled through local CSOs. By some estimates, about 95% of CSOs in the sub-region of Central America plus Mexico have some access to international funding (Morales López 2014, 144). According to a survey of 48 NGOs in five Andean countries, 70% have access to funding from INGOs, accounting for 20% of their budget, while 43% receive aid from multilateral donors and 33% do so from bilateral ones. Overall, international funding accounts for 44% of CSO budgets, while domestic funding – including self-generated income – accounts for 56%. Seventy per cent of surveyed NGOs produce some kind of income, amounting to 21% of their budgets, while 48% receive funding from the government (14% of budgets) and 65% declare some sort of contribution by private domestic companies (19% of budgets). There is no claim, however, that these numbers are representative of the civil society landscape in the Andes (Sinergia 2014, 39).

Along with the United Nations and international financial institutions, the European Commission offers the most opportunities to CSOs in Central America, particularly benefitting CSOs in Nicaragua, Honduras, Guatemala, and El Salvador, which retain priority status. Funding applies mostly to projects on democratic governance, human rights, food security, emergency response, poverty alleviation, education, health, and the environment.<sup>7</sup> According to CSOs in those countries, however, the process to obtain such funding is complex and involves technical, administrative, and financial requirements that many do not meet. Spanish aid used to stand out among bilateral cooperation funds in the 2000s, but recently dropped by 70–75% in only three years (compared to its 2008–09 levels) due to the country's deep recession. Northern European cooperation agencies also began to reduce their operations a few years ago, mostly as a result of priority changes.

With the notable exceptions of Colombia (until the 1990s) and Venezuela (until today), international funding has also been key for the development of civil society in the Andean countries, where CSOs are still highly dependent on it. Interviewed representatives of local CSOs, however, state either that those funds are already declining (given that although a very high proportion of CSOs still have access to them, they nonetheless make up a declining fraction of their budgets) or that they predict that they will in the near future. They also note that international cooperation funds have for some time now been channelled towards narrower social areas, harming CSOs with broader aims that had to either downsize or shut their operations, and benefiting those that run the specific kind of health, education, and social promotion programmes favoured by international cooperation agencies.

Bolivia, the biggest per capita development aid recipient in the Andes, provides a good illustration of the ongoing changes. Bolivian CSOs were historically highly dependent on foreign aid, and they mushroomed – and their dependence increased – in the 1980s, when neo-liberal reforms reduced the role of government in social service delivery, which came to be supplemented by CSOs (Arellano

López and Petras 1994). Administrative decentralisation in the 1990s and the promotion of social participation by a newly elected leftist government in the 2000s provided further opportunities for civil society involvement, but rapid political and administrative change also resulted in high CSO turnover, translating in an unusually high proportion of young organisations (Freiberg 2011). Although the country, South America's poorest, retains priority status with international cooperation agencies, Bolivian CSOs do not necessarily enjoy priority treatment. On the contrary, as the Bolivian government obtained international aid to implement its National Development Plan in 2008, many bilateral cooperation resources that used to flow directly towards CSOs began instead to be channelled through the central government (Sinergia 2014).

In Paraguay, the Southern Cone country where CSO–government links are newest and weakest (partly due to its late transition to democracy), civil society gets most funding from international sources. Funding sources, however, vary widely: while advocacy CSOs and those working on democracy and development issues receive most funding from international cooperation agencies, a growing number of CSOs focused on social service delivery – particularly in health and education, where they virtually replace the state – subsist mostly on government allocations (ICD 2014a).

Generally speaking, international cooperation agencies fund CSO activities in areas that domestic states do not, and its concentration on fewer issues – including democratic governance, rights advocacy, and rural development – translates into high impact. Cooperation agencies also tend to support CSOs that do not have any access to government funds because their governments either ideologically discriminate against them or view them as competitors for international funding rather than potential allies. However, excessive reliance on international flows makes CSOs dependent on increasingly fluctuating and unpredictable sources, as seen in the aftermath of the recent European crisis and recession. Sudden reductions of financial support by traditional cooperating agencies are currently threatening the survival of the civil society institutional framework built around international aid flows.

### ***Hybrid scenarios and the private sector***

The call for private collaboration to fund development had a global milestone in the 2000 launch of the United Nations' Global Compact, further strengthened by the G20 decision to enlist corporate social responsibility (CSR) towards the achievement of the Millennium Development Goals. By 2009 more than 6,200 private companies and 400 corporate associations in 135 countries were part of the Global Compact initiative, focused on four areas: human rights, labour, anticorruption, and the environment.<sup>8</sup> Since then, collaboration between CSOs and private companies has increased, and it has not been uncommon, even in Latin America, for CSOs to promote the adoption of CSR codes among private companies. This development is striking in view of the region's history of reciprocal mistrust, and particularly of civil society hostility towards private companies, whose predatory practices many CSOs have long systematically denounced. It is however a budding process, as suspicions persist and many CSOs maintain a critical position and only under very specific conditions accept the idea of corporate funding.

The penetration of private funding of CSOs is highly uneven in the region. It is generally still very low, with the exception of a few countries like Colombia and Venezuela, where foreign funding has traditionally been very limited and domestic funding from private sources was established earlier. In Ecuador, for example, only 7% of CSR initiatives are implemented by CSOs, while 42% are managed directly by the donors themselves and 10% are channelled through churches (Torresano 2012, 47).

The situation is different in Colombia and Venezuela, where only a very small minority of CSOs do not maintain any link at all with private companies or corporate foundations. In Colombia, civil society grew slowly and late as a result of scarce foreign aid, which also made CSOs more dependent on domestic funding, originated in both the government and the private sector. Several corporate foundations were established in the country as early as the 1960s, when international cooperation was under US\$3 per capita and reached a limited number of CSOs (but was significant for organisations

that opposed the government and were therefore denied public funding). Although they began with a markedly philanthropic orientation, they later turned their attention to areas such as job training, education, microcredit, the promotion of family businesses, and the establishment of not-for-profit social enterprises offering health, recreation, and housing services. Volunteerism has also increased since the 1960s. The density of corporate foundations in Colombia is currently among the highest in the region: according to a study by the Ford Foundation, there are 97 such entities, compared with 50 in Argentina, 28 in Chile, and 10 in Peru. Many run their own social and economic development programmes, including several focused on supporting micro-enterprises (Rojas 2000; Gutiérrez et al. 2006). In other areas, such as peacebuilding, many Colombian organisations receive private sector support. The steep increase in official development aid that took place since 1999, which quadrupled previous amounts, has not substantially altered the scenario described above. Indeed, most of the new flow of international funds went straight to the Plan Colombia, overwhelmingly focused on spraying coca and opium crops and fighting drug-trafficking guerrillas (Shifter 2012).

In turn, the history of Venezuelan CSOs is linked to the development of the oil economy, particularly since 1973–74, when the increase in crude prices and the nationalisation of oil companies turned the state into the main (but not necessarily the more efficient) economic actor and the country into a rich (albeit not more integrated) country. CSOs took the lead in subsequent poverty alleviation efforts in a country that, given its high per capita GDP, barely received any development aid. Today, international cooperation in Venezuela is still relatively small and concentrates on just a few issues, such as human rights, gender, and the environment. CSOs were therefore driven to seek either government contracts or private sector donations to fund their activities. The first federation of corporate entities and several corporate philanthropic foundations were established earlier than 1950, and before 1960 the country was home to several domestic as well as foreign corporate foundations. After the guerrillas made their appearance in the 1960s and human rights organisations multiplied, the corporate perspective shifted from charity towards social development, leading to involvement with, and funding of, community participation, popular housing, and education initiatives. Private companies currently perform their development aid duty within the CSR framework; the amount of their contribution, however, has decreased as industry took a hard blow and the number of active companies in the country abruptly dropped. Interviewed organisations claim that the situation is increasingly difficult for the non-profit sector as private donations have diminished and the government actively discriminates against independent CSOs (Sinergia 2014).

Lastly, in countries like Argentina, Brazil, and Mexico, CSO funding is more mixed. In the latter, for example, CSOs have long acquired experience in collaborating with the state, aided by a legal framework that grants them some role in policy-making. They also maintain ties with several corporate foundations both foreign (and especially from the United States) and domestic (such as those established by Carlos Slim, Telmex, Televisa, and Azteca). Similar entities have been established by big companies in the services and agricultural exporting sectors in Guatemala, El Salvador, Honduras, and Nicaragua; they differ from Mexico's however in that the relative weight of their contributions is incommensurate with that of international cooperation in those countries (Morales López 2014).

In Brazil, the funding situation is harder to elucidate. According to the Brazilian Institute of Geography and Statistics, only about 10,000 of the country's private foundations and CSOs in the country receive funds from the federal government (IBGE 2012). Nevertheless, as noted by the Centre of Studies on Information and Communication Technologies (CETIC), in 2012 66% had access to some sort of government funds, either at the local, state, or federal level, and these were the main source of income for 24% of 3,546 surveyed organisations (ICD 2014a). Government funding, however, is not prevalent, as members' contributions are the main resource for about one-fourth of surveyed CSOs, and corporate funding is also relevant and growing, fuelled by several recently established foundations (Banco Itaú, Gerdau, Vale, Roberto Marinho, and Odebrecht, among others). Nevertheless, according to the most recent study by Brazil's Grupo de Institutos, Fundações e Empresas (GIFE 2015), only 18% of the surveyed organisations were donors (defined as organisations that donate more than 90% of their resources) and they contributed a meagre 7% to the

total amount of social investment in 2014, while 37% were executing organisations (defined as those that invest more than 90% on their own projects), and 45% were hybrid ones. Hybrid and executing organisations accounted for 45% and 50% of the invested funds, respectively. In short, donations to third parties are a key investment strategy for just a small minority of private foundations and companies in Brazil.

Private funding is also on the rise, but still lower, in neighbouring Argentina. For instance, even though 72% of the 89 organisations that make up the HelpArgentina network declare support by private companies and corporate foundations, for 35% of them such contributions represent less than 20% of their budget, and for one-fourth it represents between 20 and 40% (RACI 2010).

### Closing reflections on CSO sustainability in Latin America

Interviews and informal consultations throughout the region support the notion that financial sustainability is currently one of, if not *the* main challenge facing civil society in Latin America. Traditional funding sources – bilateral and multilateral North–South cooperation agencies, as well as domestic governments that not only sub-contract with CSOs but also manage the bulk of international cooperation funds – are undergoing processes of change. CSO feelings of vulnerability increase at the sight of the withdrawal of cooperation agencies that played relevant roles in their countries' democratic transitions or peace processes. Ironically, the ensuing struggle for survival takes place while CSOs are for the first time ever officially recognised as relevant development actors and are therefore subject to growing demands in terms of efficiency, transparency, and accountability.

Broadly speaking, one classic source of CSO funding – foreign bilateral and multilateral donors – is currently receding in the region as a whole, while two other sources, government agencies at every level, and private companies and corporate foundations, appear to be on the rise. Although ODA has exponentially grown in absolute terms during the past decades, Latin America's share has decreased, some countries in the region have “graduated” as aid recipients, bilateral donors have undergone crises and recessions and, more fundamentally, their priorities have shifted. In addition, most funding keeps flowing toward governments rather than CSOs, and whatever trickles down to civil society is to be allocated among a swelling number of organisations. Lack of proportion between supply and demand of funding is apparent in the exceedingly low approval rates of the typical call for projects (3% for the World Bank's Global Partnership for Social Accountability in 2013–14, with only 10% of all approved projects allocated to Latin American CSOs) (ICD 2014a). Actual or feared reductions of international CSO funding are leading CSOs to explore new sources that were practically unthinkable in several countries a few years back, including but not limited to the establishment of relationships with governments and the private sector.

Changes in funding patterns are causing further role differentiation within civil society. Where state funding is prevalent or on the rise as the government is stepping in to supplement or replace shrunken international cooperation resources, many CSOs are morphing into (or being created as) service providers and therefore foregoing advocacy work. In other contexts where the market appears more promising than the state as a source of income, many CSOs start following the social enterprise model or microfinance. Either way, they risk relegating the non-market aspects of their activities and losing sight of the mission and character that used to make them distinct from for-profit entities.

As well as causing sudden and uncontrollable changes in resource flows that can seal the fate of a CSO, reliance on specific funding sources appears to draw CSOs towards specific roles. Indeed, while governments tend to earmark funding for service provision, corporate foundations tend to focus on social venture projects, and bilateral and multilateral internationals are increasingly moving towards service provision in areas such as health, education, and housing while still supporting – in some countries more than others – the advancement of rights, political participation, and democratic governance. As a result, advocacy CSOs – typically organisations that are more politically vulnerable and have less access to domestic funding – are reliant on a faltering source of support, namely North–

South international cooperation. Meanwhile, countless CSOs dedicated to service delivery prosper by establishing links with local, provincial, or federal state agencies (which are usually the ones handling the bulk of international cooperation money).

While the complexities of CSO–state relationships are better known and have already been referred to, there are also downsides to the other main alternative, namely the search for funding from private companies and corporate foundations. First, such funding is difficult to obtain; problems may reside not just in the conditions and constraints resulting from such links, but also in the inability to establish them in the first place. Indeed, the surge of CSR initiatives has not necessarily resulted in a stronger flow of private funds towards CSOs. Regardless of each country's density of private or corporate foundations and their involvement in social development projects, it is relatively common across the region for private foundations to run their own programmes and projects, sometimes in partnership with governments, other companies, or even community organisations, rather than funding CSO activities and structures.

Interviewed CSO leaders across the region speculate that this may be due to the fact that businesses have low confidence in CSOs' abilities to efficiently carry out their missions; companies' and corporate foundations' preference for aligning their social investment with their or their respective companies' businesses; and/or the fact that investors have better access to information to decide on and control their investments when they place them into their own rather than third parties' projects (see also ABONG 2013). It follows that it is to a great extent up to CSOs to change prevailing perceptions, encourage priority changes, and promote a better understanding with the private sector.

When corporate foundations do make their social investment by funding CSO activities, one shortcoming that interviewed CSO actors frequently point out is that they tend to concentrate donations – not necessarily in cash but also in kind – in narrow areas depending on their company's priorities (which is also one reason they often prefer to operate their own projects). They also tend to favour direct social aid to the detriment of long-term development projects. Additionally, not unlike much of international cooperation funding, they are unlikely to devote resources to institutional strengthening or collective learning processes.

Differential access to funding is increasing civil society fragmentation beyond the already mentioned differentiation between advocacy CSOs and service providers, or between organisations that rely on the commitment of activists and those that depend on voluntary work. CSOs that are slower to adapt to environmental change experience more drastic reductions in staff and coverage, while those more open to partnerships with a wider variety of private and public, domestic and international actors, and to modify their structure in response to environmental restrictions, are more able to funnel the resources they need to grow. Diversified organisational formats ensue: as described in Sinergia (2014) for the Andean region, the new landscape comprises compact organisations (small, with limited scope and reach, whose directors are also members of their work teams); organisations with centralised leadership and operational regionalisation; decentralised CSOs with a “mother” organisation that establishes regional offices and thematic programmes that eventually become separate organisations under a shared institutional umbrella, or creates new organisations, including for-profit ones to support the work related to the main organisation's original mission; franchised organisations that replicate successful models of social entrepreneurship in a way that is very similar to that of commercial franchises; networks aimed at extending the capacities of member organisations; and CSOs that function as the local chapters of international organisations. Efforts to adapt to funding fluctuations have also produced a new species that a Colombian CSO key informant defined as “*accordions that expand or retract depending on project funding*”. As a result, labour relations usually become sensitive, inasmuch as CSOs resort to more flexible contracts and reorganise themselves as a series of concentric circles, with a small core of permanent staff surrounded by layers of volunteers and employees hired for short-term projects. This not only results in friction with organised labour but also negatively affects CSOs' ability to capitalise on accumulated experience and institutional memory.

Surveyed CSOs throughout the region agree that funding sources should be as diverse as possible in order to offset the disadvantages of each funding alternative, protect them against contingencies, and preserve their autonomy to dissent and their watchdog role (a particularly pressing issue wherever the state has become too prevalent a funding source). Accordingly, CSO informants typically state that no potential source – international donations, including the novel South-South cooperation model, state contracts, and alliances with private companies and corporate foundations – should be overlooked. They also recognise the need to strengthen and modernise management structures, promote volunteer work, establish alliances with institutions such as universities, and develop fundraising activities among the wider public, including the use of online tools. Additionally, many CSOs even contemplate the possibility of offering professional services and undertaking other for-profit activities to generate independent income.

Beyond the issue of the origin of the resources, CSOs typically express preference for any funding form that preserves their ability to set the course of action rather than turning them into passive aid recipients. In contexts where CSOs with government contracts have specialised in service delivery and social policy implementation, for instance, this means negotiating a seat at the table where the programmes that they contribute to implement are designed and evaluated. It also means, for the sake of future sustainability, seeking stability beyond partisan change with the public administration and securing funding that covers not just programme activities but also operational costs and investment on institutional development.

Discussion of any such strategy needs to take place within a broader framework. Debate regarding where much-needed additional or alternative funding could come from should not overshadow the more fundamental discussion regarding the reasons why civil society organisations of all actors should be on the receiving end of such flow. In other words, beyond discussion of the amount of resources civil society needs, serious conversations need to take place regarding what civil society needs those resources for, and what the world would look like if poorly equipped civil society actors were unable to do their job. It is at this point that other, non-financial dimensions of both CSO sustainability and civil society endeavours – the quality of the surrounding civic space, transparency and accountability practices and the trust they elicit among their fellow citizens, to name just a few – need to be brought into the equation.

## Notes

1. The expression “international aid architecture” refers to “a system of institutions, rules, norms, and practices that govern the transfer of concessional resources for development” (Bräutigam 2010, 8).
2. See “Foreign Funding of NGOs – Donors: Keep Out”, *The Economist*, 13 September 2014: [www.economist.com/news/international/21616969-more-and-more-autocrats-are-stifling-criticism-barring-non-governmental-organisations](http://www.economist.com/news/international/21616969-more-and-more-autocrats-are-stifling-criticism-barring-non-governmental-organisations).
3. Average annual GDP per capita for Latin America and the Caribbean is US\$9846. See ECLAC, CEPALSTAT: Databases and Statistical Publications, <http://statistics.eclac.org>.
4. According to the World Bank classification, six of the countries included in this study – Bolivia, El Salvador, Guatemala, Honduras, Nicaragua, and Paraguay – are lower middle-income economies, while nine – Argentina, Brazil, Colombia, Costa Rica, Ecuador, Mexico, Panama, Peru, and Venezuela – are upper middle-income economies. The remaining two (Chile and Uruguay) are high-income economies.
5. See <http://datos.bancomundial.org>.
6. See also “Exit Project Nicaragua, background”: [www.exitnicaragua.net/es/content/exit-project-nicaragua-background-english](http://www.exitnicaragua.net/es/content/exit-project-nicaragua-background-english).
7. See <https://ec.europa.eu/europeaid/node/7432>.
8. See [www.unglobalcompact.org](http://www.unglobalcompact.org).

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No potential conflict of interest was reported by the authors.

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