

# Comparative Nonprofit Sector Project CHILE

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# EXECUTIVE SUMMARY

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The Comparative Nonprofit Sector Project is the first of its kind in Chile to measure the economic size of the institutions that take part in this sector, to compare it with the situation of other developed and developing countries.

## **The following may be mentioned among the principal findings:**

### **• The nonprofit sector is an important actor in Chilean Economy**

According to the estimations made, the Chilean nonprofit sector engages over 303 thousand full-time equivalent (FTE)<sup>1</sup> individuals in paid and voluntary jobs. Paid employment alone represents 2.6% of the economically active population. In other words, Chilean civil society employs over three times the workforce of the mining sector (1.3%) or accounts for two thirds of the employment provided by construction (8.1%). Another way of expressing the sector's relative size is in terms of expenses, nonprofit organizations represent 1.5% of GDP in expenses

### **• The largest nonprofit sector in Latin America**

When the size of the nonprofit sector is expressed in terms of total employment as a share of the economically active population, we see that the sector's relative size in Chile more than doubles the size of the nonprofit sector in Brazil or Colombia.

If the size of the nonprofit sector is measured only in terms of paid employment, in the Latin American context Chile comes immediately after Argentina as relative size. However, it is placed a considerable distance from the continent's other countries considered in the study, such as Peru, Colombia, Brazil and Mexico.

### **• Chile, country of volunteers**

During 2004, an average of 7% of the adult Chilean population contributed part of their time to volunteer work. By adding the partial dedication of volunteers and translating it into FTE, we can estimate that volunteers contribute 143 thousand additional full-time jobs, equivalent to 2.3% of the economically active population.

47% of total Civil Society employment is made up of volunteer workers, making Chile the country with the highest volunteer participation in Latin America, even outranking developed countries.

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<sup>1</sup> Corresponds to the number of hours worked by part-time employees, divided by the average number of hours worked by full-time employees in this sector.

- **Significant participation in Service Organizations**

Two thirds of the Nonprofit Sector's total workforce (paid staff plus volunteers) concentrates in four activity fields: health care, education, social services, and community development, which are called service functions in international terms. The expression function, in turn, absorbs 38% of employment.

- **Government, the main financier**

In Chile, public sector subsidies and reimbursements constitute the primary revenue source, accounting for 45%. This is much higher than in other transitional countries, especially in Latin America, and is in closer resemblance to Western Europe countries.

The importance of the government as the sector's financier responds to the significant presence of the nonprofit sector in subsidized education.

- **Heterogeneous and diverse civil society**

In terms of number of organizations, labor-related and recreational associativity, especially including sports clubs, are the sector's most relevant areas. However, when it is measured in terms of resource availability, one observes that 44% of the total concentrates in institutions involved in education. On the other hand, volunteers converge strongly in culture and recreation, community development and the environment. In every one of them volunteer work represents over 75% of the area's total work.

**Furthermore, in terms of the challenges posed for civil society development, the study identifies four relevant issues:**

- **Legal framework strengthening**

Nonprofit sector organizations are interested in improving their legal framework. There is a bill that embraces some of the sector's concerns such as freedom of association, the principle of participation and the identification of public interest organizations as a special type of organizations. However, the project creates other mechanisms such as the volunteer statute and a registration system that could add unnecessary complexity to the operation of this kind of institution.

- **Flexibilization of finance mechanisms**

The discussion in this field refers to two core ideas. On the one hand there is concern for the considerable amount of resources that the State transfers to NPOs to execute different programs and projects. In this regard, an agency problem could be taking shape, with the likely "taking over" by the State of nonprofit institutions that become its service providers, jeopardizing the fulfillment of their initial missions.

On the other hand, the recent approval of changes to donation tax benefits has been perceived by NPOs as a limitation to corporations' willingness to donate. This could lead to make NPOs even more dependent on traditional finance sources.

- **Volunteer empowerment**

The greater relative presence of volunteers in Chile as compared to other

Latin American countries indicates an important challenge with regard to further progress in this aspect. Based on the reality of developed countries, volunteer work could be expected to grow even more in Chile. Thus the challenge consists in preparing the nonprofit sector to channel this probable growth.

- **Competition and Associativity among NPOs**

For NPOs that do not have significant assets of their own, access to financing is a competitive process, regardless of whether it is public sector financing or philanthropic donations. Thus, nonprofit institutions that seek to become positioned and to stand out in their own niche as a way to attract larger and more secure contributions, tend to move toward increasing thematic specialization. This situation puts the associativity element that has traditionally characterized this sector at stake.





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# FOREWORD

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The Comparative Nonprofit Sector Project in Chile seeks to quantify the nonprofit sector in Chile and thus contribute to positioning this sector as a relevant actor in society.

This objective motivated various private and public institutions that are constantly interacting with the sector or have an interest in its development, to provide the funds to finance the study. Hence the Administration Council created by Fundación Minera Escondida, Fundación Andes, Telefónica CTC Chile, the United Nations Development Programme, Servicio de Cooperación Técnica (SERCOTEC) and Instituto de Desarrollo Agropecuario (INDAP) transcended mere formalism and economic contribution, leading up to a genuine space for exchange and commitment in the execution of the study. Furthermore, the formation of an Advisory Committee composed by leading figures from the nonprofit sector, universities, research centers and related State institutions also proved to be a valuable, broad and diverse contribution to steering the research team's work. Many of these advisors pledged their personal commitment by contributing viewpoints and base information to the study. In brief, the congregation of these work teams reflects the very essence of the nonprofit sector - concern for public interest and a genuine willingness to cooperate.

This study was possible thanks to the effort of a broad group of researchers who committed to its development either by their involvement in specific stages or throughout the research process. It is also necessary to acknowledge the important and ongoing conceptual and methodological support provided by the Johns Hopkins Center for Civil Society Studies work team.

Upon delivering the findings of this study, it is our hope that the different private, public and nonprofit sector actors will embrace this information and use it as groundwork for their future development projects and strategies.

José Miguel Ojeda  
Administration Council Chairman  
Comparative Nonprofit Sector Project.

Antofagasta, April 2006.



# INTRODUCTION

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The beginnings of civil society in Chile date back to the colonial period, at which time charity organizations, many of them promoted by the Catholic Church and in charge of various charity and solidarity initiatives, already existed. At the outset of its independent life, the Chilean State focused primarily on the nation's political and economic consolidation, delegating assistance and charity tasks to goodwill institutions. In the second half of the 19th Century, nonprofit institutions received legal recognition. In the 20th Century the sector's institutions experienced a wide-ranging diversification, going beyond its assistance-related scope, including voluntary organizations, workers and guild organizations, political groups and others. Finally, the second half of the 20th Century, and dawning of the new century, witnessed the consolidation of new actors such as grassroots organizations and Non-Governmental Organizations.

This continuous, yet not linear evolution of the nonprofit sector in Chile shows us that this sector has been a permanent actor in the country's development, which highlights the need for systematic information to account for the scope and intensity of its involvement. In this sense, this study makes it possible— for the first time – to have a comprehensive assessment of Chile's nonprofit sector institutions. In addition, since the Chilean study forms part of a series of similar studies in other countries throughout the world, the country's national reality can be compared with other countries. This will provide interesting hypotheses and conclusions regarding how the patterns observed in our country measure up to developed countries, and to countries with socio-economic situations that resemble Chile's.

This report presents the main findings of the Comparative Nonprofit Sector Project in Chile. The research was carried out following the methodology defined by the Johns Hopkins Center for Civil Society Studies, which has been implemented in 40 countries. This methodology contemplated three primary research stages on the definition of the country's nonprofit sector, the compilation of statistical information and the generation of data through surveys and the processing and analysis of this data. In addition, methodology also considered, in other four stages, the analysis of the institutional context in which each country's nonprofit sector develops, including a study of the sector's legal framework, an historical analysis of civil society, a review of the relationship between public policies and civil society and, lastly, a bibliographical systematization. The study's final stage consisted in preparing the final report presented herewith. Corresponding progress reports were written up for each of these eight stages for review by the Johns Hopkins University team, presentation to the Administration Council and discussion by Advising Committee members.

This report is organized into six chapters. The first chapter examines the Non-profit Sector's concepts and definitions, providing an account of the application of the John Hopkins University's international definitions to Chilean reality. The second chapter provides information on the methodology and information sources used in the study, and the third chapter presents the study's main quantitative findings, constituting the report's core. The historical overview on the nonprofit sector in Chile is presented in the fourth chapter. The fifth chapter discusses the key issues for civil society development in Chile, which relate to the need for a new legal framework and financing form. Finally, the sixth chapter is a summarized presentation of the study's conclusions, challenges and implications.

# I. NONPROFIT CONCEPTS AND DEFINITIONS

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## Introduction

As is common in many countries, the concept of civil society as a unified sector is not fully recognized in popular perceptions in Chile. Rather, different types of organizations, such as NGOs, universities, hospitals, human service organizations, labor unions, or business associations have their own separate “collective identities” rather than being seen as a part of a larger civil society sector.

With the purpose of taking into account the wide range of concepts, the Johns Hopkins University (JHU) Comparative Nonprofit Sector Project Team, has worked all over the world to find a “core” definition of this sector. This definition was built to be ample enough to include the diversity of organizations considered part of the sector in different countries, but also narrow enough to differentiate these organizations from those of the private profitable sector and those which are part of the State.

To this end, the Johns Hopkins University designed a conceptual and methodological framework, which has been already used in over 40 countries, six of them in Latin America. For purposes of comparison with the other countries, Chile applied this methodological approach in all of the research stages.

A brief description follows of the operational definitions established by the Center of Civil Society Studies of the Johns Hopkins University, for its Comparative Nonprofit Sector Project (CNP). Subsequently, application of these concepts in the case of Chile is explained.

## A. Structural-Operational Definition by Johns Hopkins University

According to the structural operational definition provided by Salamon and Anheier<sup>2</sup> of the Johns Hopkins University, nonprofit organizations share five features: they are organized, private, not profit distributing, self-governing, and voluntary.

### a. Organized

To be organized, institutions have an internal structure, established objectives, organizational limits and an incorporation document. According to this

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<sup>2</sup> Salamon, Lester M. and Helmut K. Anheier, “In Search of the Nonprofit Sector: The Question of Definition” in Lester M. Salamon and Helmut K. Anheier (eds.), “Defining the Nonprofit Sector: A Cross-national Analysis. Manchester University Press. Manchester, U.K. (1997)



definition, the group's formality (having some legal status) is not a requirement to be considered an organization.

#### **b. Private**

These institutions must be separately existing entities with respect to any government branch, i.e., they must have a separate structure from state organizations, and not exercise any public authority. Furthermore, they cannot be an instrumental part of the government, nor can they undertake activities that are financially accounted for in government finances. Notwithstanding, institutions may receive public income or contributions, or have public officials among their Directors.

#### **c. Not profit-distributing**

Institutions that do not distribute profits among their members or administrators are considered to be "nonprofit organizations". They are not motivated by business interests.

It should be noted that these entities may accrue a surplus in a particular exercise, however, it must be re-invested in the entity's basic purposes.

#### **d. Self-governing**

This feature points to the fact that these organizations control their own activities, have their own internal governance procedures, and benefit from a significant level of autonomy.

#### **e. Voluntary**

This characteristic refers to the fact that any participation, membership and contribution –whether in time or money- to this type of institution must not be mandatory or stipulated by law.

These five conditions embrace a large number of institutions of heterogeneous origins and purposes. In consideration of this fact, this set of definitions that is common to all the institutions was complemented by a classification scheme that was especially formulated for CNP. It is the International Classification of Nonprofit Organizations (ICNPO), which differentiates twelve categories of organizations according to their activity. This classification was formulated on the basis of the International Standard Industrial Classification (ISIC).

Clasificación Internacional de las Organizaciones Sin Fines de Lucro (ICNPO)	
1	Culture and Recreation
2	Education
3	Health
4	Social Services
5	Environment
6	Community Development
7	Civic and Advocacy and Political Parties
8	Financer Foundations
9	International Organizations
10	Religion
11	Guild Associations and Trade Unions
12	Others

\* For a broader view of this classification, see Appendix 1.

In addition, within the organizations that comprise the nonprofit sector, the Johns Hopkins University differentiates a second typology according to the role that organizations fulfill in society.

- Organizations that deal within the Expressive Role: Advocacy; Civic activities; Culture and Recreation activities, among others.
- Organizations that deal within the Service Role: Education, Health Care Services, and Charitable, among others.

## **B. Application of the Structural-Operational Definition in the Chilean Context**

To assess the application of the structural operational definition in the Chilean case, one must take into consideration two approaches. One is the legal form, in terms of how the different types of organizations are defined according to law, which provides important directives in terms of discriminating organizations that are conceived as not forming part of the study's scope. The second approach is sociological and deals with the identity recognized in Chile for the nonprofit sector, regardless of its legal form, which was addressed based on the opinion of a group of experts and the revision of specialized literature. We were able to identify different perspectives or points of view to look at the types of civil society organizations in Chile: the academic perspective, the citizens' one, the perception that actors have of themselves and the institutional one<sup>3</sup>.

Thus, five elements of the operational-structural definition were reviewed to determine the inclusion or exclusion of the different types of organizations in the study's universe. Complementarily, the study's international context was also taken into consideration, with a view to include or exclude certain organizations that have been part of the studies carried out in most countries.

A description follows of how the concepts included in the structural-operational definition were assumed in the Chilean context:

### **a. Organizations**

In the Chilean case, a series of organizations are identified as institutionalized from a legal standpoint since they have legal personality and comply with the requirements established by law.

A second group of organizations is composed of those that having specific objectives, a certain degree of continuity in time and an internal structure are not legally constituted. This is the case of some artistic and cultural groups, student centers in educational establishments, student or university federations, neighbors' committees, sports clubs and others. In these cases, the study's inclusion criterion is sociological, in the sense that they have all the characteristics pertaining to an organization, and in actual reality they

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<sup>3</sup> For further discussion regarding the Nonprofit Sector definition in Chile, see: Ignacio Irrarázaval, Irene Azócar, Francine Nualart (2006), "Defining the Nonprofit Sector: Chile", Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project, No.44 (Baltimore: The Johns Hopkins Center for Civil Society Studies).

exist as such, therefore their existence as an organization is undeniable, even when they have not assumed a legal form.

Lastly, the group of organizations that were not included in the study because they do not comply with the requirement of continuity in time. They are those formed to pursue concrete objectives within a specific period of time, such as some groups originating in public programs that require the constitution of groups or consortiums, but once the benefit is obtained or they reach the objective they pursued, they cease to exist. Among these are PROFOs (Associative Promotion Projects), transitional organizations derived from temporary agreements of The Fund for Solidarity and Social Investment, FOSIS, and some informal networks without institutional status or continuity in time.

### **b. Private**

From a legal viewpoint, Corporations and Foundations regulated by the Civil Code are defined as nonprofit legal persons governed by private law. The fact that the law defines them within private law makes it possible to differentiate them from public law organizations such as Municipalities or political parties. The latter are in turn subject to a series of legal restrictions that limit their field of action, and they have their own institutional mechanism to function independently from civil society organizations. Despite this and other legal restrictions and the non-recognition from a sociological perspective of these organizations as part of the civil society identity, political parties are included in the study for purposes of comparing these research results with the results of other countries.

Community and functional organizations, guild associations and others regulated by special laws are considered as governed by private law inasmuch as they do not form part of the government apparatus. These organizations often receive State financing, and benefit from subsidies, participation in contestable funds or even permanent money transfers by some Ministry or the municipality itself. However, this financing does not turn them into instrumental units of the government, but into mere private executors of its policies.

Another complex case is that of Universities. Two basic categories are found here: traditional and non-traditional universities. The latter will be dealt within the “nonprofit” characteristic. Traditional universities constituted under public or private law reveal a clear difference: whether they are state-owned or not. The oftentimes-called “public state” universities<sup>4</sup> have the particularity that they are presided by rectors appointed by the President of the Republic, their officials are subject to the Administrative Statute and they cannot incur in debt except by a special law. In actual fact, their operation makes them appear as public entities rather than private institutions, which is why they were not included in the study, even though they are occasionally constituted under the private law modality<sup>5</sup>. The other traditional universities, occasionally referred to as “public non-state” given their public function, that, as already mentioned, can either be considered within public or private law, are conceived under pontifical decrees or others, and despite receiving State funds, they do not comply with the properties of the universities described above, which is why they are included in the study.

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<sup>4</sup> Both “Base” and “Derived” universities in DFL (Decree with Force of Law) No.1 dated 1981

<sup>5</sup> Universidad de Chile is a Public Right Corporation, while Universidad de Concepción is a Private Law one.

This is also the case of Municipal Corporations, organizations created in 1980, with the aim to administrate the education and health care services transferred from Ministries to Municipalities. Despite taking the legal form of nonprofit private law institutions, i.e., their institutional status sets them apart from the State, in actual fact they present various features that differentiate them from private organizations as such and in turn, bring them closer to a public organization. In first place, they are presided by the Mayor who, as the Municipality's maximum authority, is a public officer who has the authority to designate the corporation's executive staff. In second place, they are responsible for administering, developing and managing the educational, health care and cemetery services in the communities where they have been constituted, which is carried out under a direct, single and irrevocable mandate by the Municipality itself. These characteristics proved to be reason enough to not include them in the study.

### **c. Not profit-distributing among members**

From a legal standpoint, the law defines what type of institutions should be declared to be nonprofit, however it is important to assert that the "nonprofit" concept itself is somewhat ambiguous, which is why its use sometimes presents problems.

One case is indigenous associations that are subject to a special law. This law allows them, among other actions, to undertake productive activities in benefit of their members, which is why they were not included in the study, inasmuch as it would be impossible to differentiate, on a case-to-case basis, whether an indigenous association carries out productive activities or not. The case of indigenous communities is different, since they do not have this faculty, and were thus incorporated in the study.

On the other hand, other types of institutions despite having a "nonprofit" legal status, under the form of corporation, are in practice institutions that operate in the commercial sphere, behave as profit-generating institutions or even openly compete with it. For example, professional soccer sports clubs subscribe advertising and marketing contracts that are characteristic of commercial institutions, and a new law allows them to become corporations.

A similar case is that posed by mutualist associations, that are nonprofit corporations created by entrepreneurial groups aimed to distribute welfare among the workers of affiliated companies. Therefore, their main objective is not to serve third parties, but to reduce casualties in affiliated workers. Moreover, the law establishes that entrepreneurs are co-responsible for the obligations that mutualist associations can engage in. With this background information one might conclude that mutualist associations cannot be considered to be part of the Chilean nonprofit sector. Nowadays they operate in the commercial sphere and have the intent to broaden their scope of action as private health care providers (ISAPRES, Private Health Insurance Institutions).

Another complex situation comes up as regards non-traditional universities, mentioned above, which were created in the 80's. The law establishes that these universities must be constituted as private nonprofit corporations. However, in many cases, these corporations are linked to investment or real estate societies that lease or provide services to the corporations, generating profit for the services rendered. Considering this aspect, it was decided to exclude them from the study, since no generic criterion was detected to

differentiate the ones that have profit-generating mechanisms from those that do not.

#### **d. Autonomous**

There is no doubt that many of these civil society organizations are not entirely independent, as they are in some way related to government organizations or companies. However, since they control their own affairs and operations and have autonomy, they have been included in the study. In this regard, it should be borne in mind that one of our country's distinctive particularities is the fact that corporations and foundations are required by law to request authorization from the President of the Republic both to obtain legal personality and for their dissolution, which would in a way attempt against their autonomy. However, this situation has been considered simply as a legal limitation, since it is a universal requirement for all the institutions.

The difficulties involved in applying the "autonomy" characteristic are similar to those observed in the "private" characteristic for Universities and Municipal Corporations. The functions of Municipal Corporations within the municipal territory are carried out in the name of the public apparatus, and being its own right, and thus an instrument of the Municipal government, which despite having a certain degree of autonomy, is also a government instrument in various aspects.

Lastly, it should be noted that organizations under the form of nonprofit private law corporations that share the generic particularities described for Municipal Corporations, were excluded, or at least reviewed, according to the same criteria applied to Municipal Corporations both from their "private" and "autonomous" nature perspectives.

#### **e. Voluntary**

This characteristic of civil society organizations refers to two aspects: on the one hand, it considers the existence of people who voluntarily contribute time and money for the development of their activities and affairs; and on the other, to the fact that participation in them is voluntary and not mandatory or stipulated by law.

The first aspect, although present in many nonprofit organizations in Chile, does not constitute a requirement for inclusion in the study, since many of the organizations do not necessarily have volunteers.

With regard to the second aspect, there are no laws in our country that oblige people to form part of any type of organization since, the constitution establishes that the right to association is also a constitutional freedom inasmuch as everyone has the right to association, but no one can be obliged to belong to an association.

### **C. National Concept – International Concept of Civil Society Organizations**

As we see in the prior section the JHU's structural-operational definition works good enough in the Chilean case, with some considerable exceptions.

The widespread notion in Chile in regard to a charity and volunteer sector comprises only a fraction of the organizations considered in this project. There are some organizations that are included in the international definition which are not usually considered as part of civil society in Chile, such as, universities (public non-state), political parties, trade unions and religious institutions. Nonetheless, they have been considered in the study for comparison purposes.

To avoid any possible confusion originating in the dissonance between the popular conception of civil society and the definitions included in this project, it was determined that the incorporation of a nonprofit organization sector categorization closer to the Chilean identity would prove more convenient than a broader categorization considered for the international reality. (See Table 1)

Thus, the study's results are shown for the International Definition, a category that allows comparison with other countries that take part in the study, and are also shown for the National Definition, that corresponds to the Chilean civil society identity, that is to say, the core of the nonprofit sector as understood by Chilean society.

**Table 1**  
**Civil Society**  
**National Concept v/s International Concept**

<b>National Definition</b>	<b>International Definition</b>
Education Organizations (Not Universities)	All the organizations included in the national definition
Community-based Organizations	Universities (public non-State)
Social Service Organizations	Political parties
Environmental Organizations	Religious institutions
Civic Advocate Organizations	Trade unions
Cultural and Artistic Organizations	Guild Associations
Sports Organizations	
Health Organizations (Non-state)	

It is important to acknowledge that, although the differences presented in Table 1 are relevant in a conceptual level, because they reflect a diverse composition of civil society in Chile and worldwide, in a practical level- as it is shown in the Principal Findings chapter of this report-, the weight of the civil society sector, in terms of workforce, differs only in 20% when we compare the national and the international definition.



## II. METHODOLOGY AND DATA SOURCES

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The methodology applied in this study followed the Field Guides prepared by the Johns Hopkins Comparative Nonprofit Sector Project. Each stage has a specific Field Guide, namely a Definitions Field Guide, a Historical Analysis Field Guide, and a Public Policy Analysis Field Guide, among others.

Field guide work is standardized for all countries participating in the study. Below is a description of the data collection process, which is specific to our country, although in general terms it follows the Johns Hopkins University methodology.

Considering that this is a pioneer study in our country, the primary and secondary data collection stages were crucial for the achievement of its findings.

In first place, a data base consisting of secondary information sources was created containing the total number of NPOs that appeared registered in any of the consulted institutions' files or documents<sup>6</sup>. The final database consists in 106,880 organization registrations.

Secondly, a representative NPO sample was selected from this database, and a survey was applied to obtain information on the study's relevant parameters. The data obtained through this instrument relates, for the most part, to the economic resources managed by nonprofit organizations (Revenue, Expenses, Revenue Sources, and other aspects) and the sector's paid and voluntary employment (number of persons, hours worked, worker profiles and other aspects).

Lastly, other data on NPOs was obtained from other institutions, especially the Internal Revenue Service, called continuous statistics because it is information that is obtained regularly over time. This data was contrasted with the data obtained in the surveys, so as to complement and backup the Study's findings.

For more information on the three stages that make up the methodology used in this study, see Appendix 3.

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<sup>6</sup> For purposes of this study 2004 was used as the research base year.





### III. PRINCIPAL FINDINGS

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Chile is the 39th country to carry out the Johns Hopkins Comparative Nonprofit Sector Project. This offers a widespread range of information to compare the results obtained in Chile. The project has been executed since the beginning of 2004, and the obtained data corresponds to this base year. This section presents the analysis of findings for Chile and their comparison with the rest of the countries<sup>7</sup>.

#### 1. Important Actor in the Economy

Civil society in Chile is undoubtedly socially and politically important but the public perception is that, in terms of the economy, its presence is weak. However, Table 2 shows that after analyzing the data, it is evident that civil society accounts for an important part of national employment and expenditure.

Table 2  
**Nonprofit Organizations in Chile, 2004**

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<b>303.883 Total full-time equivalent jobs</b>	160.259 Full-time equivalent paid jobs 143.624 Full-time equivalent volunteers 4,89% of the economically active population
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<b>US\$ 1.408,9 million in expenses</b>	1,5 % of GDP
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Source: The Johns Hopkins Comparative Nonprofit Sector Project.

- **A significant employer.** The Chilean nonprofit sector engages over 303 thousand full-time equivalent individuals (FTE) in paid and voluntary jobs, representing 4.9% of the economically active population. Paid employment alone represents 2.6% of the economically active population. In other words, Chilean civil society employs over three

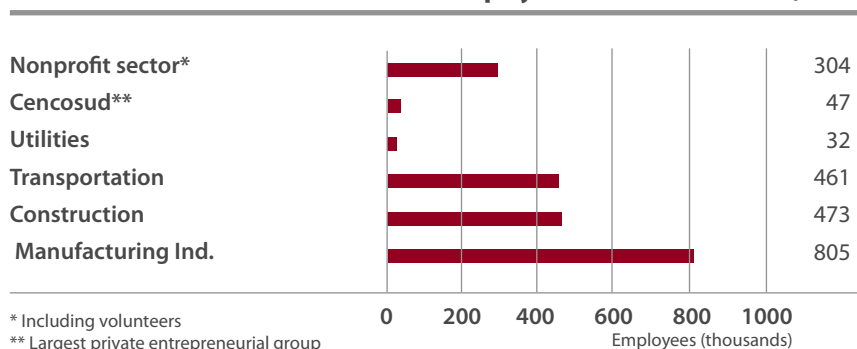
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<sup>7</sup> Statistics for Nonprofit Institutions used for comparative purposes in this chapter do not include religious groups, which consist in worship-related activities. This is due to the difficulty involved – in Chile and the rest of the countries – in collecting quality information in the category. However, some organizations that belong to the Church and provide services such as children's homes, dining halls, among others, were included.

times the workforce of the mining sector (1.3%) or accounts for two thirds of the employment provided by construction (8.1%) (See graph 1). Under another perspective, if compared to CENCOSUD<sup>8</sup>, Chile's largest enterprise in terms of workforce, the entire sector, including paid and voluntary work, is equal to 6 companies the size of CENCOSUD.

If only the national definition for the nonprofit sector is considered, paid and voluntary FTE jobs are reduced to 80% of the aforementioned total, that is to say, to 241,874 FTE jobs, which represents 3.9% of the economically active population. 54% of this total corresponds to paid employment (132,922 FTE) and the rest corresponds to volunteers (108,952 FTE).

Graph 1  
Total employment in NPOs in context, Chile



Source: The Johns Hopkins Comparative Nonprofit Sector Project.

- **A sector that accounts for 1.5% of GDP.** Chilean Nonprofit Organizations represent 1.5 % of GDP in expenses, corresponding to 1.4 billion dollars (858,731 million pesos)<sup>9</sup>. In the national definition, expenses are reduced to 75%, representing 1.12% of GDP (642,864 million pesos)

### The largest nonprofit sector in Latin America

The Chilean nonprofit sector is not only significantly large as compared to domestic industry, such as mining, but also in regard to neighboring countries and the world.

- **Variations in employment.** In Chile, the Nonprofit Sector is an important economic force in terms of employment generation; however this varies considerably among the region's countries. When expressed as a percentage of the economically active population, paid and volunteer work in Chile's civil society more than doubles Brazil's or Colombia's in size. As shown in Graph 2,

<sup>8</sup> Considering the employees at main office and all the companies in the Group.

<sup>9</sup> The estimation made by the Central Bank of Chile for nonprofit private institutions which serve households, corresponds to a perspective of institutional sectors level, according to the National Account methodology. This study adopts a satellite vision, i.e. it considers every nonprofit institution, regardless of the institutional sector to which each one belongs. This is why the figures presented by the Central Bank are smaller than those presented here. Nonetheless, they have been compared in several stages of the investigation, finding great convergence between the figures corresponding to the common groups to both definitions.

excluding religion, since not all countries have available data, paid and volunteer workforce in the nonprofit sector varies from 14.4% of the Economically Active Population in Netherlands to 0.4% in Mexico, with a general average of 4.5%. The Chilean sector accounts for 4.9%, distancing itself from the rest of Latin America. Furthermore, Chile more than doubles the average of developing countries.

If the nonprofit sector's size is measured only in terms of paid employment, in relative size in the Latin American context, Chile comes immediately after Argentina, but is at a considerable distance from the continent's other countries considered in the study, such as Peru, Colombia, Brazil and Mexico.

An explanation for the significant share of paid employment in the Chilean nonprofit sector has to do with Chile's educational sector. As of 1981, the Education Subsidy Law<sup>10</sup> facilitated the development of subsidized private schools, which in 2004 accounted for 41% of total enrollment in the Chilean school system. Approximately one third of Chilean educational establishments are sustained by nonprofit institutions.

## 2. Chile, a country of volunteers

Unlike other sectors of the economy, the nonprofit sector is characterized by the significant number of people who work in unpaid jobs. Ordinary means of measuring employment do not consider voluntary work, because it would not make much sense, however it is very relevant for this sector. In the study's survey, employment was explored in a comprehensive way, i.e., covering both paid and voluntary work in nonprofit organizations, thus obtaining information on the number of people who work at NPOs in paid or voluntary activities as well as the number of hours they dedicate to these tasks.

- **Significant volunteer participation.** In Chile, during 2004, an average of 7% of the adult population contributed part of their time to volunteer work. Each volunteer worker dedicated an average of one fourth of a full workday to the Nonprofit Sector. This translates into 143 thousand additional full-time jobs, equivalent to 2.3% of the economically active population, representing a significant contribution to the development and permanence of Chilean Civil Society.

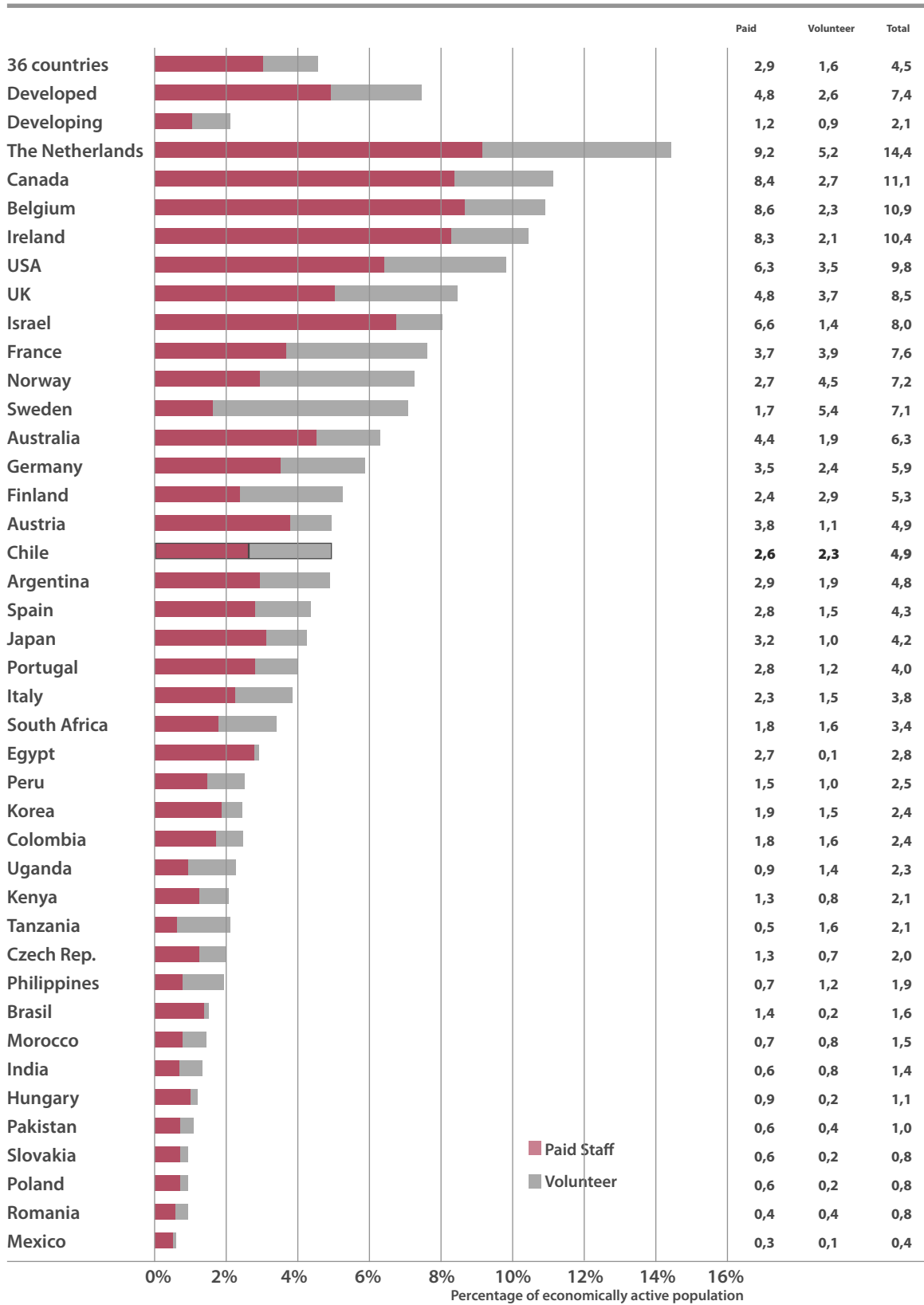
- **Volunteers as share of employment in Chile is higher than in most countries.** 47% of total employment in Civil Society is made up of volunteer workers (See Graph 3), thus Chile is by far the country with the highest volunteer participation in Latin America, even outranking developed countries. In turn, participation of volunteers as a share of the economically active population (which amounts to 2.3% in Chile) more than three-folds the average recorded in transitional countries (which amounts to 0.8%) and is slightly below the average in developed countries (2.6%).

This finding contests the information provided by other studies such as the "Citizen Participation Index"<sup>11</sup>, which shows that Chile's participation

<sup>11</sup> Citizen Participation Index in 7 countries in the region. "Red Interamericana para la Democracia" (2004).

<sup>10</sup> The Subsidies Law established a payment or subsidy (voucher type) for each child attending the school.

Graph 2  
**Total Employment in NPOs as Percentage of Economically Active Population, by country**



Source: Johns Hopkins Comparative Nonprofit Sector Project

rate in charity or volunteer activities more than doubles those observed in Argentina, Brazil, Costa Rica, Peru and Dominican Republic.

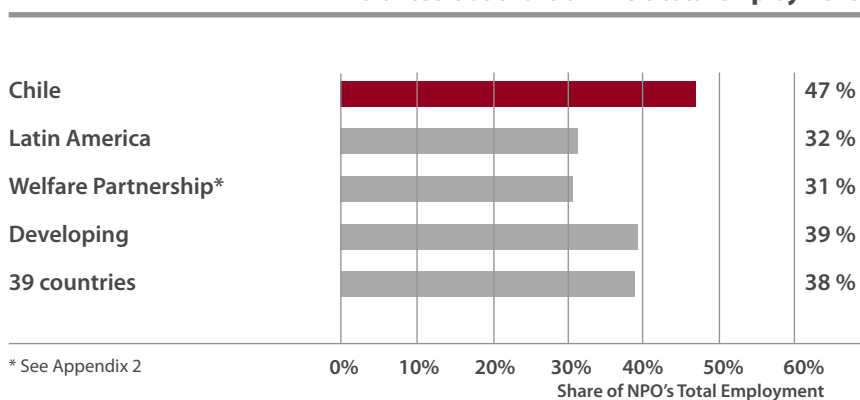
The significant presence of volunteers in Chile is also consistent with the findings of the “Research on Social Conversation and Public Opinion on Volunteers in Chile”.<sup>12</sup> According to this study, 42% of interviewed individuals state that they have participated at some time in their life in “some organization or group carrying out some kind of volunteer work”. It also concludes that most people believe that volunteer activities have expanded in the country and will continue to follow an upward trend. Furthermore, according to this research, Chilean society has a positive opinion of volunteer work, viewing it as a duty of citizens. For some this stems from the need to pay back what they have – higher education or better economic situation; for others, from a need to be benevolent.

### 3. Important Participation of Service Providing Organizations

Civil Society Organizations are not only places of work. Their relevance lies in the great number of activities they perform<sup>13</sup>. These organizations deliver a wide-ranging variety of human services, from health care and education to social and community development services. Another important area is advocacy, which identifies unaddressed problems and brings them up for discussion and public attention, protecting basic human rights and giving voice to a wide assortment of social, political, environmental and community interests and concerns.

Underlying political interests, the sector also performs an extensive expressive function, providing the vehicles through which a large amount of impulses and sentiments, - artistic, spiritual, cultural, social and recreational – also find expression.

**Graph 3**  
**Volunteers as share of NPO’s total employment**



Source: Johns Hopkins Comparative Nonprofit Sector Project

<sup>12</sup> Flacco-Chile, MORI y CERC, 2002.

<sup>13</sup> Lester M. Salamon, America’s Nonprofit Sector: A Primer, Second Edition (New York: the Foundation Center, 1999) pages 15-17.

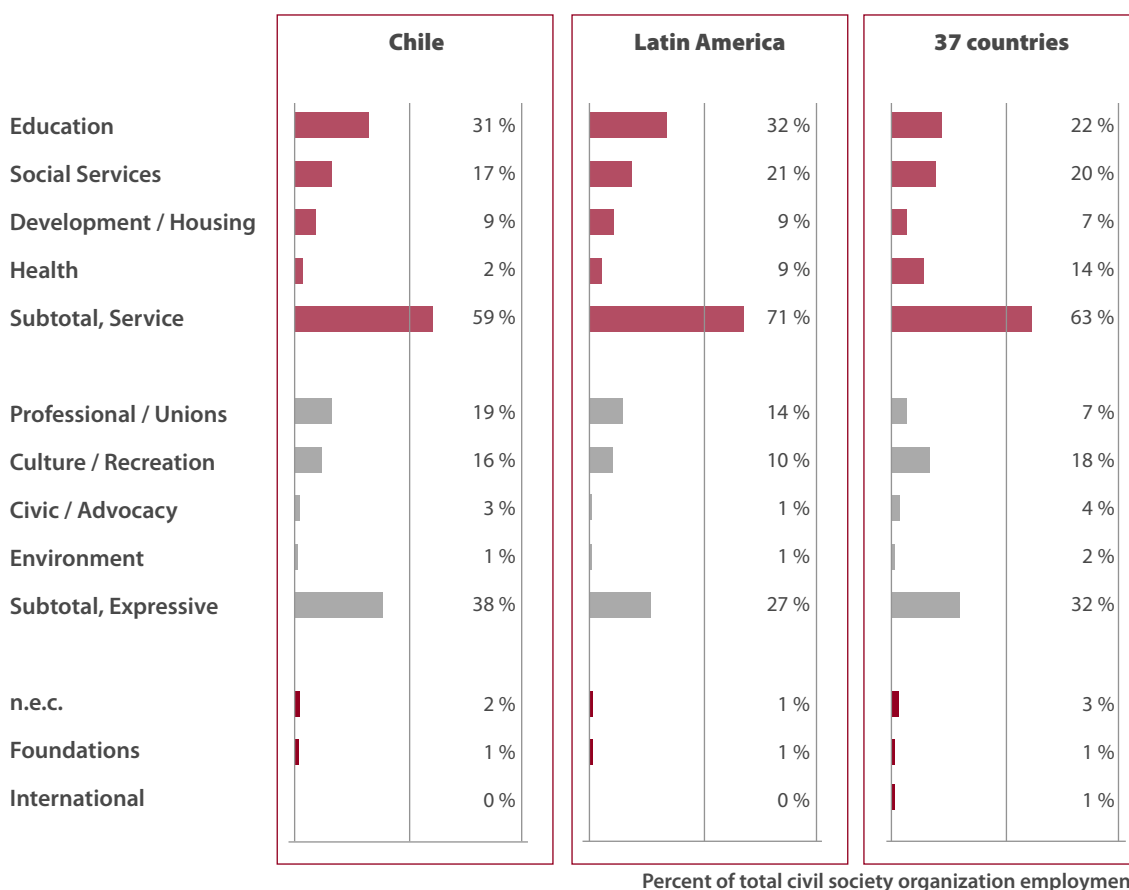
Finally, Nonprofit Institutions have also been created with the contribution of what experts are starting to call “social capital”, this bond of trust and reciprocity that is crucial for a democracy and market economy to function effectively. Establishing connections among individuals and involvement in associations teaches norms of cooperation that carry over in the political and economic life<sup>14</sup>.

As a way to simplify the functions performed by Nonprofit Organizations, they may be grouped into two main categories: a) service role and (b) expressive role.

a) **Service Role.** Involve the delivery of direct services, such as education, health care, social and community development and the like. Includes the following groups: Education, Health Care, Social Services and Community Development.

b) **Expressive Role.** Involve activities that provide ways for cultural, spiritual, professional, political expression, as well as the expression of values, interests

**Graph 4**  
**Composition of the civil society organization workforce, Chile, Latin America, and 37-country average**



Source: Johns Hopkins Comparative Nonprofit Sector Project

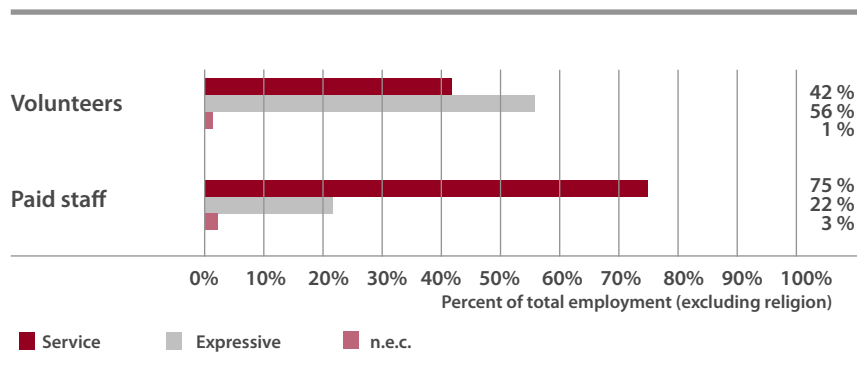
<sup>14</sup> James S. Coleman, Foundations of Social Theory (Cambridge, MA: Harvard University Press, 1990). Robert Putnam, Making Democracy Work: Civic Traditions in Modern Italy (Princeton, NJ: Princeton University Press, 1993)

and beliefs. The groups included here are: Culture and Recreation, Environment, Advocacy and Politics; and Trade Unions and Professional Associations.

- **Service Role Dominates Total Employment.** As shown in Graph 4, in Chile two thirds (59%) of the Nonprofit Sector’s total workforce (paid staff plus volunteers) participate in four activity fields which are traditionally linked to social welfare: education, social services, community development and health care. This pattern tends to be similar in most countries in the study, where 64% of the workforce is involved in service activities, while Latin America exhibits even greater concentration of employment in services, absorbing 71%. In Chile and in Latin America the service sector is dominated by education and social services, such as care for the young, the elderly and humanitarian aid in general. In turn, the expressive role in Chile accounts for 38% of total employment, exceeding the figure observed in Latin America.

- **Volunteer employment concentrates in Expressive Role.** The picture of employment distribution changes considerably when paid staff and volunteers are examined separately. As observed in Graph 5, in the service sector, two thirds of total employment corresponds to paid work. Conversely, in expressive role organizations, almost 70% of total employment is voluntary. This may respond to the fact that service role activities – that are linked to social welfare benefits - tend to be more formal in Chile. This favors the engagement of highly professionalized staff, especially in education, and in social services.

**Graph 5**  
**Distribution of paid employees and volunteers between service and expressive activities in**



Source: Johns Hopkins Comparative Nonprofit Sector Project

For its part, the Chilean expressive function sector operates basically at volunteer level, particularly in labor-related groups such as trade unions and in recreational institutions, such as neighborhood sports clubs, which in general do not have an administrative staff structure. They function on the basis of the personal commitment of their members and collaborators. In this regard, it should be noted that trade unions and sports clubs account for almost two thirds of the total number of institutions that classify under the expressive role.



#### 4. Government, the Main Financer

Chile's Civil Society revenues are obtained from different sources. For purposes of the classification proposed for this study, they fall into three categories: earned income, which includes sale of goods and service fees, membership dues and investment returns; income from private philanthropy which includes sale of goods and individual and corporate giving; and income from government, which includes subsidies, payment for contracts or agreements, transfers and contestable funds. Contrary to what might be assumed, the revenue structure is not determined by philanthropy.

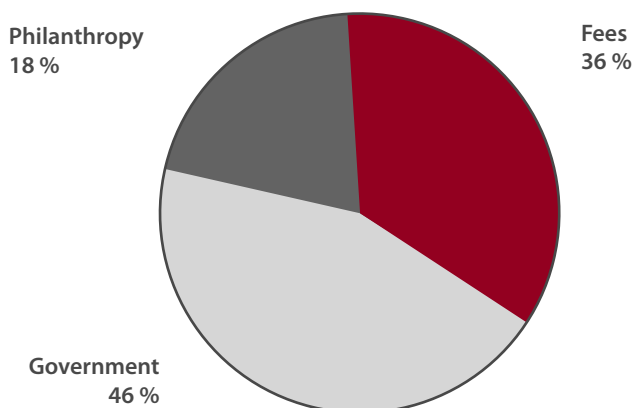
- **Public Sector Predominance.** In Chile, public sector subsidies and reimbursements constitute the primary revenue source, accounting for 46% of total revenues (See Graph 6). This is twice as high as in developing countries (23%) and is in closer resemblance to European-style welfare partnership type countries (55%).

As mentioned above, the significant presence of government contribution is due to the State's transfers through the educational subvention system. NPO's income through educational subsidies account for almost 60% of total state allocation to nonprofit institutions.

Subsidies targeted to education, contestable fund, and other specific state subsidies allocated to NPOs are characterized for being formal contracts for the delivery of certain services subject to quality and quantity standards. In these cases, nonprofit institutions operate more as service providers for the State, rather than as autonomous entities that wish to collaborate from their own perspective toward the development of groups or people.

- **Significant earned income.** Revenues from membership dues and reimbursement for services are an important source of revenue, accounting for 36% of the total. In general terms this is the main source of financing in Latin America, reaching an average of 68% (See Graph7).

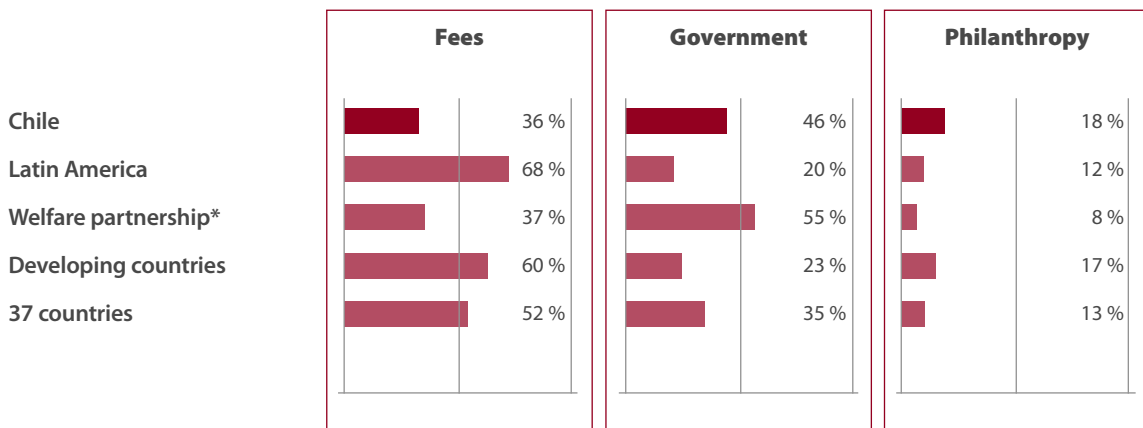
Graph 6  
Sources of civil society organization revenue in



• **Limited philanthropy financing.** Private philanthropy is not the chief revenue source in the nonprofit sector in any country or region. In Chile, personal and corporate giving accounts for 18% of the sector's income, which resembles the average of developed countries (17%), and is significantly higher than the rest of Latin America (12%), the average in European-style welfare partnership countries (8%), and the average for the 37 countries (13%).

Unlike developed countries, philanthropy in Chile does not operate on the basis of financing foundations, except in specific cases. Philanthropy materializes through corporate or personal giving and contributions by nonprofit institution members. In 2004, the introduction of legal changes to the donation system that was subject to tax benefits stirred up public debate. In the opinion of NPOs, from there on, these changes caused the reduction of these donations.

**Graph 7**  
**Sources of civil society organization revenue,**



\* See Appendix 2

Percent of total civil society organization revenue

Source: Johns Hopkins Comparative Nonprofit Sector Project

### 5. Heterogeneous and diverse civil society

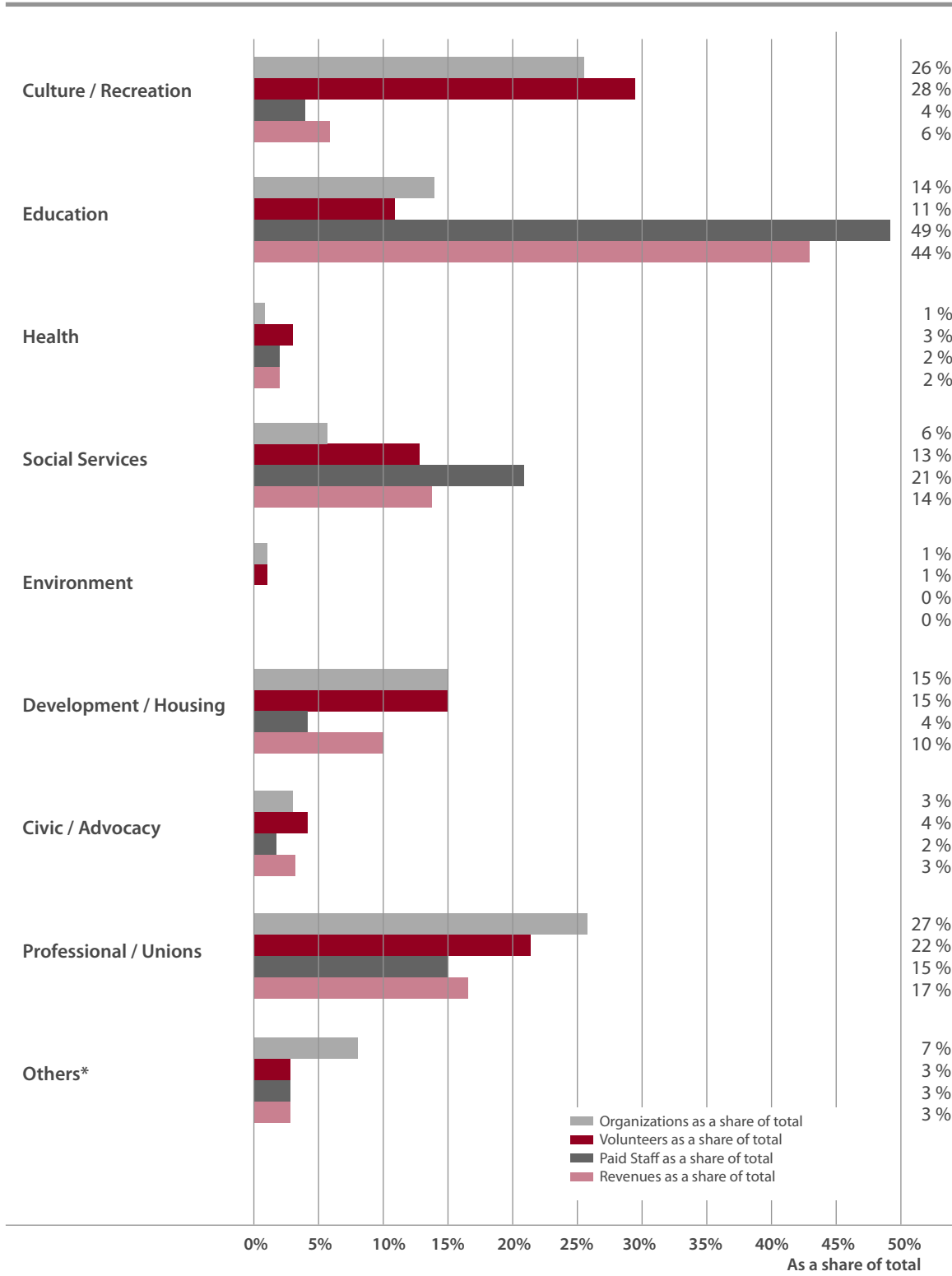
Chilean civil society exhibits great diversity in all the classification categories by type of activity (ICNPO), both in terms of revenue and in employment<sup>15</sup>.

Analysis of Graph 8 identifies some shared characteristics of NPOs according to their main type of activity:

• **Organizations with strong relative presence of volunteers and strong institutional presence.** About two thirds of NPO's total volunteer work

<sup>15</sup> Financing Groups and International Organizations are included in all graphs and tables, however, since they represent a relative small size, they are excluded in the trend analysis and their numerical estimations must be analyzed cautiously.

Graph 8  
Profile of NPOs by field (ICNPO)



\*Others corresponds to Philanthropic Intermediaries (0.18% of the total number of organizations), International Organizations (0.027% of the total number of organizations) and Others (6.9% of the total number of organizations).

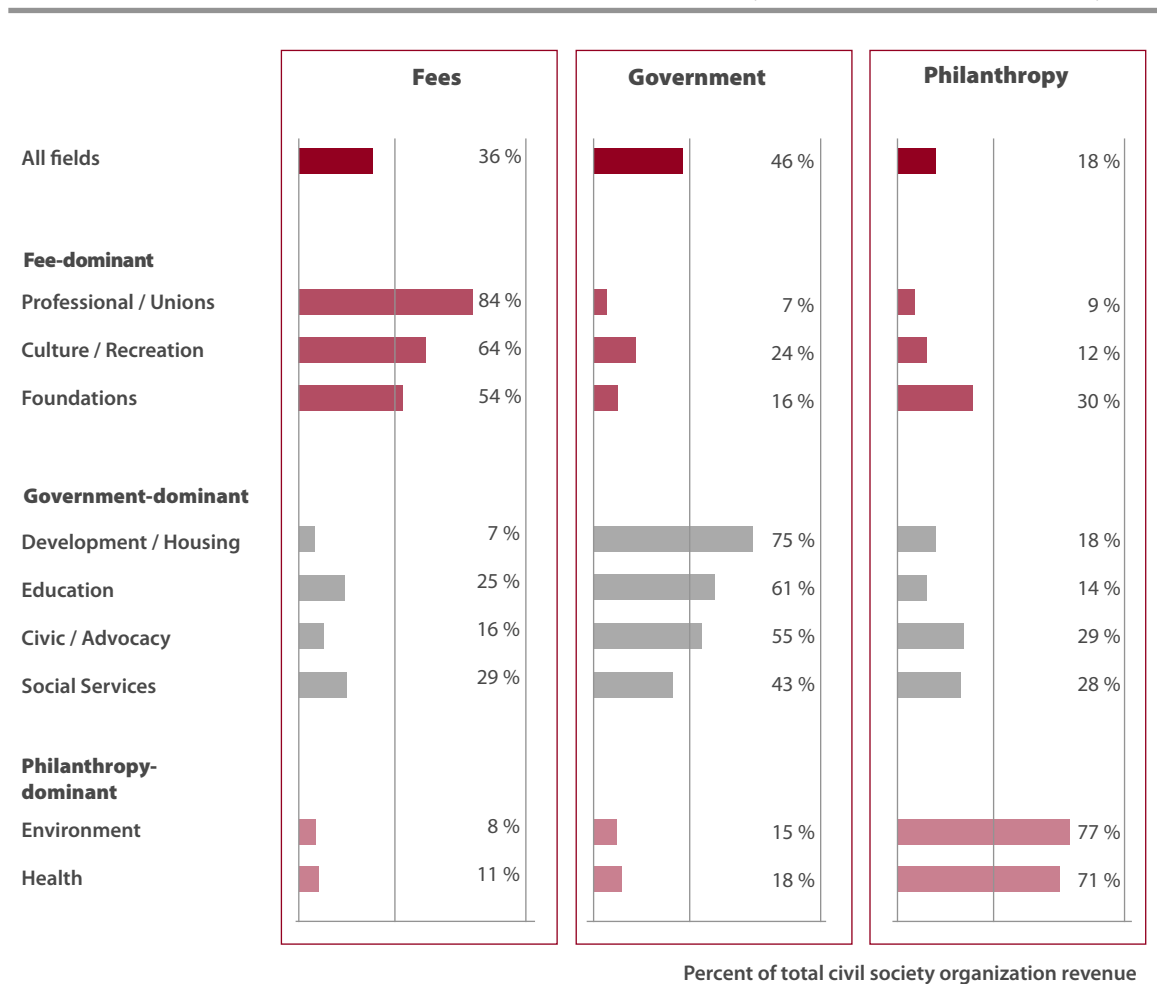
in Chile concentrates in three types of activities; Culture and recreation, strongly represented by sports clubs, clubs for women and the elderly, among other similar ones; Labor-related associations, with strong presence of trade unions; and Social Development, including neighbors' associations and community based organizations.

With regard to the number of organizations, these three activities represent 67% of the country's total NPOs. However, their participation in income and paid work is much lower than the percentages described, which amount to approximately one third.

Overall, the organizations classified under these three groups of activities have a strong volunteer presence, hardly any paid staff and a low share of the NPO system revenues.

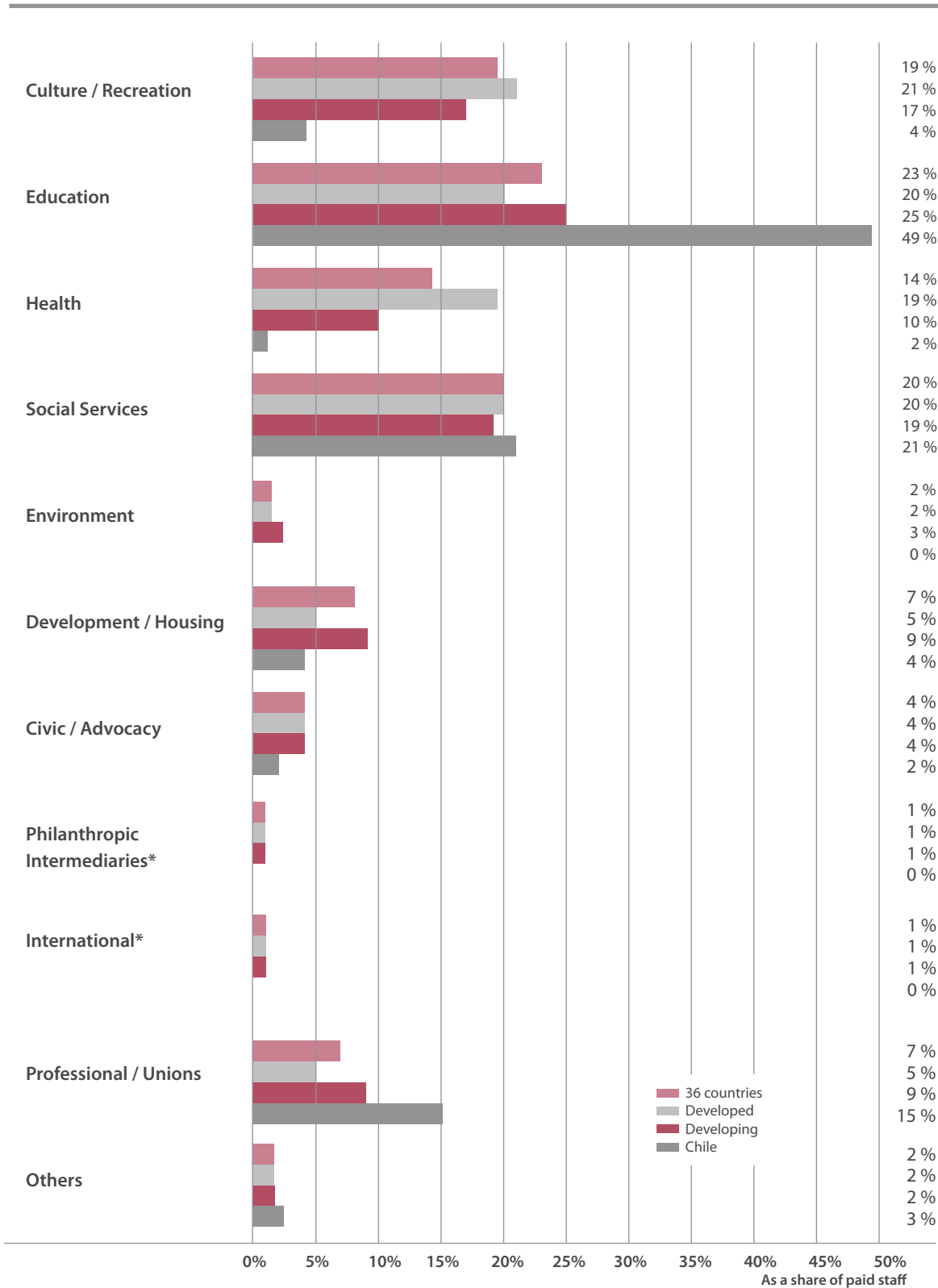
• **Organizations with high paid employment and high concentration of total revenues.** As observed in Graph 8, NPOs involved in education and social services absorb 70% of the sector's paid workforce, and 57%

Graph 9  
Sources of civil society organization revenue, Chile, by field



Source: Johns Hopkins Comparative Nonprofit Sector Project

Graph 10  
Civil Society sector workforce by field



\* Corresponds to relatively small groups.

of the sector's total revenues. However, in terms of the total number of organizations, they account for 20% of the total of NPOs in the country, with a slightly higher volunteer share. Overall, they are professionalized organizations that mobilize an important volume of resources.

- **Organizations with low institutional presence and resources.** Graph 8 shows that organizations primarily engaged in health care, environmental and civic/advocacy activities do not have a significant participation in the context of the country's NPOs either in terms of the income they administrate, or their paid or volunteer staff. Therefore these are areas that have not as yet become consolidated in Chile's nonprofit sector.

- **Uneven allocation and attainment of income.** With regard to income sources (See Graph 9) government contributions to the education and community development sectors constitute a significant support for these sectors and their main source of financing. A different situation is observed in the Culture and Professional groups, in which revenue is dominated by earned income.

- **Chilean Nonprofit Sector Activities in the International Context.** Graph 10 clearly shows that education dominates employment in Chile's Nonprofit Sector, accounting for 49% of the sector's total employment. Although this activity is predominant in most country clusters observed, in the Chilean case it goes significantly over the average. Conversely, for culture/recreation and health, the relative size of the sector's activity in Chile is pretty small as compared to observations in the other countries under study. Lastly, in the case of social services, the sector's size, measured in terms of paid employment, is relatively similar to other country clusters.

Overall, the nonprofit sector's paid employment structure in Chile shares some elements with the structure observed in other developing countries, such as predominance in education and social services; and low participation in environmental and Rights and Politics activities. However, some differences stand out, such as the slight participation in health care activities. This is the case of some highly specialized nonprofit institutions that have a significant repercussion in specific spheres, such as the treatment of burned children or rehabilitation of people with disabilities, among others.

## 6. Differences in Nonprofit Organizations in Chile

The Nonprofit Sector is said to adopt similar tendencies in different countries, and to have characteristic structures. However, this structure reveals some differences, even within the same country. The presence of nonprofit organizations can be analyzed at national level using the results obtained for 5 macrozones. These have been defined as follows:

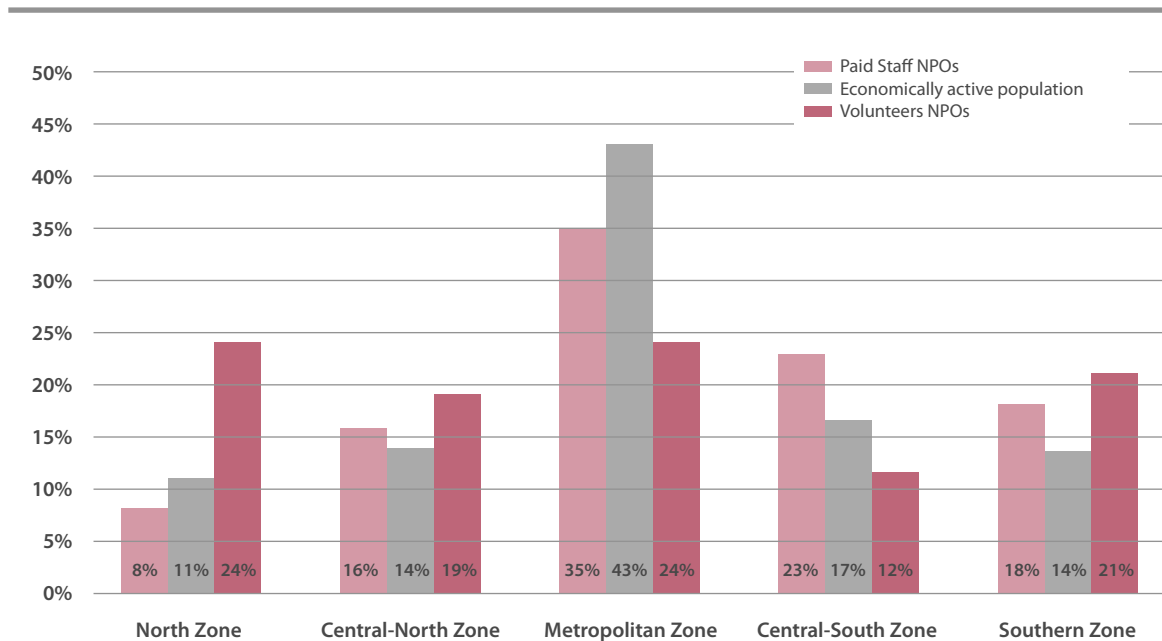
Table 3  
Chile: Macrozones

Macrozone	Regions
North Zone	01 Tarapacá Region 02 Antofagasta Region 03 Atacama Region 04 Coquimbo Region
Central-North Zone	05 Valparaíso Region 06 Libertador Bernardo O'Higgins Region
Metropolitan Zone	13 Santiago Metropolitan Region
Central-South Zone	07 Maule Region 08 Biobío Region
Southern Zone	09 Araucanía Region 10 Los Lagos Region 11 Aisén del General Carlos Ibáñez del Campo Region 12 Magallanes and the Chilean Antarctic Region

- **Employment less concentrated.** Chile is a country that features great centralization in terms of population, employment and economic activity (See graph 11). In all these aspects, the Metropolitan Region accounts for approximately 50% of the country's total. However, nonprofit institutions are less concentrated. The Metropolitan Region accounts for 35% of paid employment and 43% of the economically active population<sup>16</sup> (or workforce). The other macrozones in turn exhibit a greater relative employment share in Nonprofit Organizations. Volunteer figures exhibit greater similarity among the zones, which clearly reveals that, except for the Central-South Zone, volunteers concentrate in regions more than the capital city. One explanation for the stronger presence of Civil Society institutions in regions could be that Chile's high public centralization at decision-making and resource levels, has conduced people to channel their concerns and needs through local civil organizations that render them more expeditious and adequate solutions, services and benefits for their regional needs.

<sup>16</sup> Source: "Data for 15 years and over population by workforce situation", INE (National Statistics Institute) 2004

**Graph 11**  
**Paid staff and volunteers in NPOs and economically active population by zone**



Source: Johns Hopkins Comparative Nonprofit Sector Project

## 7. Legal Status of Organizations

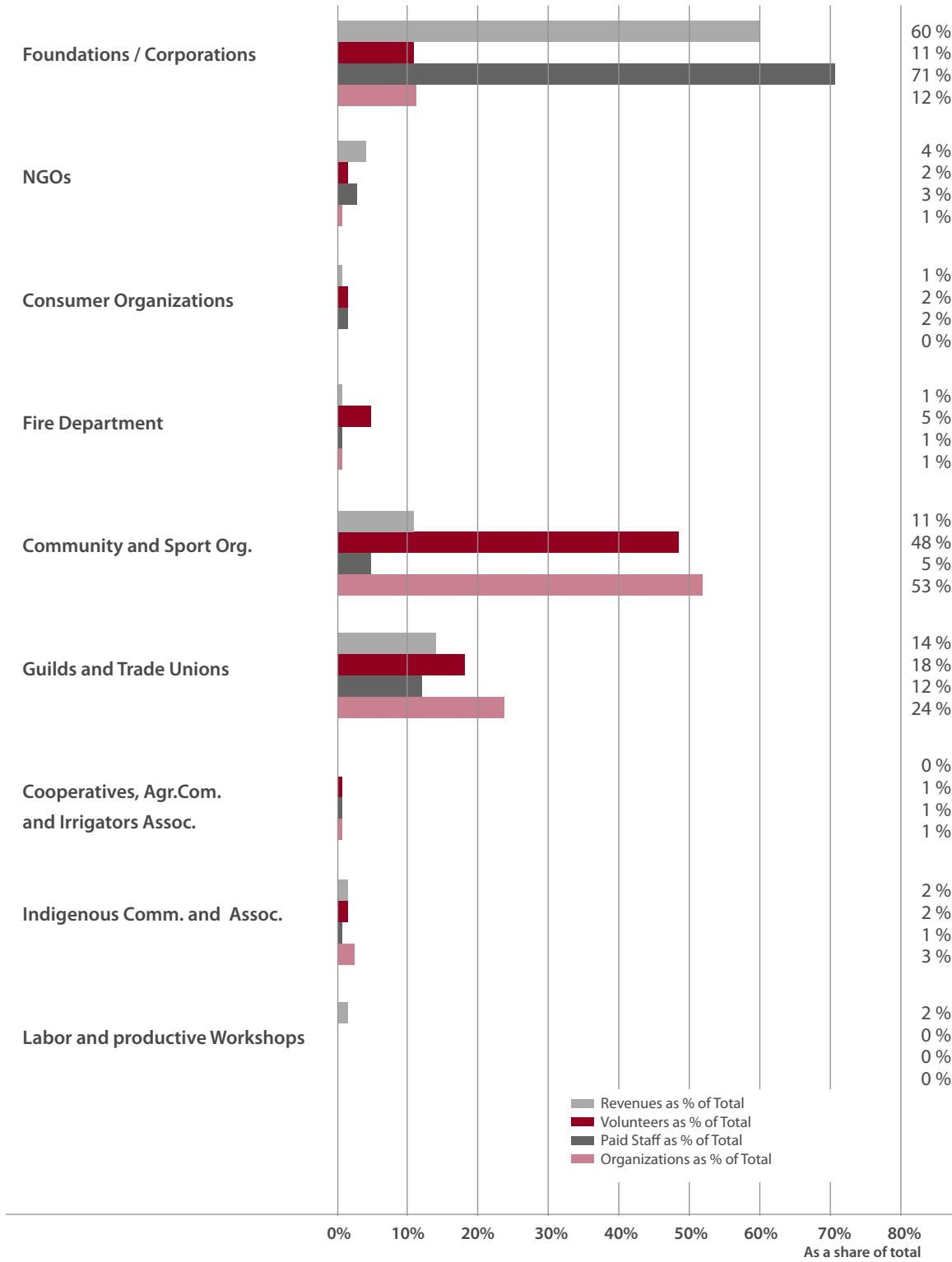
In addition to the Classification by type of Activity (ICNPO), a country's Non-profit Organizations can be classified in various ways. One of them is by their legal status, which is used very frequently in Chile. Thus, the organizations examined in this study have been re-classified in conformity with their stated legal category. Categories have been arranged into 10 groups: Foundations and/or Corporations; Non-Governmental Organizations (NGOs); Consumer Organizations; Fire Department; Community and Sport Organizations; Guilds (Professional Associations) and Trade Unions; Cooperatives; Agricultural Communities and Irrigators' Associations; Indigenous Communities and Associations; Labor and productive Workshops. Another category was defined to assemble all the institutions that did not classify in the previous categories. However, frequency is insignificant in relative terms, which is why it was not considered in the corresponding graph.

The following may be concluded from the analysis of the data presented in Graph 12:

- **Foundations and Corporations dominant in revenue and paid employment.** Paid workforce in this legal status amounts to 117 thousand FTE individuals, corresponding to 71% of total employees in the Nonprofit Sector. Likewise, these organizations contribute 60% of the sector's revenue, (they manage revenues amounting to 1.2 billion dollars), however in terms of number of institutions they only represent 12% of the total and their share of



Graph 12  
**Profile of NPOs by legal status of the organizations**



Source: Johns Hopkins Comparative Nonprofit Sector Project

volunteers amounts to 11%. This indicates that this segment corresponds to organizations with a larger, more formal and solid structure, thus only a few can have high representation in the total.

- **Grassroots Organizations are majority and capture most volunteers.** On the other end, we find grassroots organizations (such as neighbourhood organizations, pavement, sewage and electricity committees, sports clubs, etc), which have a strong presence in a number of institutions, accounting for 53% of the total, but with a small structure as regards resources and paid employment. Thus, maintaining these organizations requires a significant share of volunteers; 48% of them are in this category (63 thousand FTE individuals).



## IV. HISTORICAL OVERVIEW OF THE NONPROFIT SECTOR'S DEVELOPMENT IN CHILE

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In order to understand the characteristics of civil society in Chile, we need to review its various periods of development and the actors or historic processes that triggered it.

The nonprofit sector was forged before the structuring of the State-Nation; during the colonial period, charity organizations promoted by the Catholic Church, as well as some secular organizations, such as confraternities and craftspeople guilds, already existed. However, the real beginning and spreading out of civil society organizations began with Chile's Independence from the Spanish Crown and the birth of the Nation-State early in the 19th Century.

### **Civil Society and Catholicism**

*(First Half of 19th Century)*

At the outset of its independent life, the Chilean State focused on consolidating both politically and economically, delegating to charity the solution of and assistance to social needs, which were met essentially by the aristocracy and religious orders.

The impact of the Catholic Church in the civil society sector in Chile resides in the concept of Christian charity that it encouraged and spread, which was strongly reflected in the Catholic laity (aristocracy) that played a fundamental role by creating charity associations that sought to assist, educate, provide with morals, evangelize and encourage "... the habit of saving, order, dedication to honest work and security for the future"<sup>17</sup> in people. Charity associations included, among others: hostels, asylums, savings banks for craftspeople, hospitals, and schools.

In addition to this type of assistance and charity organizations, by mid-19th Century, others of a voluntary nature emerged, such as: fire brigades, political parties, Masonic lodges and some private association that sought to foster industry, trade, agriculture, education, training for workers and craftspeople, and also to let the government know their constructive, critical or reformist stand. These, like the workers and craftspeople organizations created in the

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<sup>17</sup> Salinas, Maximiliano. "El laicado católico de la Sociedad Chilena de Agricultura y Beneficencia" (1838- 1849). Universidad Católica de Chile. Santiago 1980. Page 58.

period, were unable to achieve a significant development due to the strong control exercised by the the State authority and also because they were few in numbers and therefore not very representative.

These organizations subsisted economically mainly through the income obtained from private contributions from philanthropists, their self-generated resources and from State contributions, which essentially took the form of tax exemptions to charity organizations and financial subsidies to social assistance institutions such as the fire brigades, asylums, schools, among others.<sup>18</sup>

### **Social Issue”<sup>19</sup> Mutualism And Solidarity**

*(Second half of 19th and Beginning of 20th Centuries)*

The second half of the 19th Century started out with key events for the development of civil society organizations. First, the legal recognition of Foundations and Corporations as Nonprofit Organizations.<sup>20</sup> Second, the acknowledgment by the State of the “freedom of association and assembly” (1874); and third, the nitrate (saltpeter) mining boom and the incipient development of the national industry. The latter gave rise to a massive migration of peasants to mining and industrial enclaves, and to the cities, increasing urban population by almost 100%<sup>21</sup>. This generated a noticeable social polarization and a great agglomeration of the popular classes in the cities, with precarious housing and sanitary conditions. Furthermore, this was the period when the definitive separation between Church and State took place. This secularization generated a tension that, in one way or another, prompted new activities on the part of the church in the civil society sector.

The workers’ unfavorable living and working conditions, together with the lack of legislation in the matter, and the total absence of public services to meet the most basic needs, brought the “Social Issue” up for discussion. However, the leading class did not want to assume the existence of this problem in Chile. This gave rise to strong political tension between government parties and the opposition, being the latter essential in the fight for social vindication. This scenario –triggered even more by the financial instability of the mining industry- gave way to the emergence of workers’ organizations and movements. Their fundamental objectives were to fight for their rights, achieve the passing of labor legislation and the legalization of their organizations. In their turn, solidarity associations emerged based on mutual help as a safety measure, in case of death, employment loss or accidents. In addition, they organized a mutualist system for health care, education, cultural development, and other aspects.

Not having legal existence, these organizations required representatives that could present their petitions to the government. They found such

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<sup>18</sup> See in: “Colección de Ordenanzas, reglamentos i decretos supremos referentes a los establecimientos de beneficencia. 1832-1874”, Imprenta el Independiente, Santiago 1874. Pages 10 and 11.

<sup>19</sup> The “Social Issue” concept is used to denominate the situation that the proletariat was undergoing at the end of the 19th and beginning of the 20th Centuries. It refers to this social class’ precarious conditions of labor, health, housing and education.

<sup>20</sup> This is established in the Civil Code of 1855.

<sup>21</sup> Grez, Sergio. “Cuestión social en Chile.” Ideas y debates precursores (1804- 1902). DIBAM. Santiago. Page 97.

representatives in political parties and in the Catholic Church. The latter, following the new orientation of social Catholicism -post *Rerum Novarum* (1891)<sup>22</sup>, was the promoter and coordinator of mutualist associations of Catholic workers. The workers' situation also promoted the creation of lay nonprofit associations, searching for a solution to the housing problem and not only to provide a home, but "... to grant a life style"<sup>23</sup> requesting deeper changes and modifying the type of charity -(mainly assistance) that had operated during the past century.

The newly existent legal framework, economic development and the great social inequalities, provided a propitious environment for the development of nonprofit private associations, devoted to fostering industry and culture in the country<sup>24</sup>. The relationship between these associations and the State was mainly one of cooperation, in some occasions exercising pressure on the government to intervene or legislate on some issues related to socio-economic matters.

The different civil society organizations, together with the incipient professional middle class, at the end of the 19th and beginning of the 20th Centuries, started to demand or express the latent need for the State to be active in social matters.

However, the tension between the liberal-conservative class<sup>25</sup> and the State, hindered the State from meeting said demands, and this prompted the beginning of a politically unstable period, military "juntas" and, in the end, of deep reforms, such as the 1925 Constitution and the enactment of a series of laws<sup>26</sup>, such as: the "Ley de Sindicalización Obrera y Profesional" (Law on Unionizing of Workers and Professionals).

Thus, a new period commenced in which the State undertook issues that used to be solely under the charge of private organizations or of the Church. This period implied great changes for private social assistance organizations, as they had to play an auxiliary role to the State, as opposed to the role they had during the 19th Century, when the State played an auxiliary role with respect to them.<sup>27</sup>

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<sup>22</sup> Encyclical promulgated in 1892 by Pope Leo XIII, that initiates the Catholic Church's social concern in modern age.

<sup>23</sup> Hidalgo, Rodrigo; Tomás Errázuriz, Rodrigo Booth. "Las Viviendas de la Beneficencia Católica en Santiago. Instituciones Constructoras y efectos urbanos (1890-1920). *Revista Historia*. Nº 38. Vol. II. 2005.

<sup>24</sup> Among them: SOFOFA (Federation of Chilean Industry). SNA (National Agricultural Association, Sociedad de Instrucción Primaria (National Primary Education Association) etc.

<sup>25</sup> Liberal in political and economic issues and conservative in social ones.

<sup>26</sup> Laws on work-related accidents, workers and professionals' unions, work contracts, social insurance funds, among others, were passed.

<sup>27</sup> Teixidó, Soledad and Reinaldina Chavarri. (Edit) "Mapeando las Fundaciones en Chile". Características y desafíos para el siglo XXI. PRO humana. 2001. Page 53

## **“Welfare State” And Democratization**

*(20th Century up to 1973)*

Following the social, political and economic instability of the previous period, a new order was established in the 1930s, which maintained its stability until the beginning of the 1970s. The newly established order represented a significant socio-political change. On the one hand, there was a State that, for the first time, had a public education system, health care, housing, and other social services. And on the other hand, an “inward looking” protectionist economic system based on industrialization by means of Import Substitution<sup>28</sup>.

Marked, in addition, by the democratization of the electoral system and the definitive incorporation of the middle classes to the country’s socio-political organizations; being no longer a territory that belonged almost exclusively to the wealthy sectors. This consolidated a democratization process in the organizations that had originated towards the late 19th Century. This implied the incorporation of new prerogatives and approaches to the nonprofit sector.

This new socio-political system provided the right conditions for an ample development of civil society; and in particular, for the development of unions, student organizations, peasants and community-related organizations. As a way to win adherents or to put pressure on the government, political parties and the Church motivated these organizations to carry out social movements, motivating most of all the peasants, to organize and demand not only better living conditions, but also the legal recognition of their organizations.

In the early 60s, the Chilean State finds itself restricted<sup>29</sup> in its public resources for social policies in a context of growing demand, which will be undertaken by charity organizations, community organizations, and by those organized by political parties. The two latter types of organizations were characterized by working with the sectors living in poverty conditions, not only assisting them, but promoting deeper development programs, through training, education, health prevention, among other aspects.

During this period there was an extension of social services by the State, in addition to significant legislation pertaining to the civil society sector; a great number of organizations were legalized, such as the Neighbors’ Associations 1967, and other community organizations such as the Mothers’ Centers, Sports Clubs, etc., and most importantly, the peasants’ unions (1967). Thus legal existence was granted to organizations that had been operating for decades without it. Therefore, this period witnessed the consolidation of the organizations that currently channel the greatest part of the country’s volunteers.

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<sup>28</sup> Economic Policy promoted in Latin America by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC-UN) in the mid 20th century which consisted in State intervention to protect domestic industry and stimulate the domestic market, following the global economic crisis of 1930.

<sup>29</sup> The State’s economic restrictions in this period are caused by the need to rebuild part of the territory that endured one of the most devastating earthquakes in the nation’s history, and the fact that the growing political instability led the government to take on fiscal commitments that exceeded its financing capacity.

<sup>30</sup> Group of Left-wing parties that brought Socialist Salvador Allende to power by democratic means in 1970; he governed until 1973.

In 1970, during the “Unidad Popular” administration<sup>30</sup> a great number of socio-political movements emerged and powerful confrontation between the (socialist) government and the opposition was aroused. This confrontational environment culminated in the Coup d’Etat by the Armed Forces in 1973, thus ending the “Welfare State”.

### **Democratic Breakdown** (1973-1990)

The democratic institutional breakdown led to a breakdown of the organization of the political, economic and social system that had been in force for the past 50 years, thus initiating a period of deep socio-political transformations.

The role that the State had undertaken in social matters during the previous period came to an end, going from a welfare to subsidiary one, and thus assuming less responsibility in social matters, targeting its action to poverty segments and replacing the existing economic model for an “outward-looking” model, i.e., based on exports and foreign investment in the country. This generated a great impact on society and in the development rhythm that civil society organizations had achieved during the past few decades.

During this period various civil society organizations were intervened and under surveillance. Although most community organizations were maintained, they lost their autonomy, their leaders were designated and their powers and action potential reduced; something very similar occurred with guild associations and trade unions. Therefore, in the 1970s there was a substantial reduction in the number of nonprofit sector organizations, due to the features implied by a democratic breakdown. For example, the number of grassroots organizations was reduced by approximately 30%, in relation to those existing in the late 1960s<sup>31</sup>.

The only place for development and action that civil society organizations had during the initial years of the military government was under the protection of the Catholic Church. There, innumerable organizations arose, aimed at the defense of the Human Rights of those who appeared as victims of the military regime. Among these organizations emerged, for example, the CPOs (Community Participation Organizations), which had a practical and promotional orientation towards the community’s social problems. Their drive was decisive for the generation of a civil society that was autonomous and independent from the official State apparatus.<sup>32</sup>

The economic crisis of 1980 (debt crisis) generated an increase in the demand for social services, and having a liberal and subsidiary State in social matters, there was a space for the emergence of new organizations. The economic crisis, plus a relative reduction of State control, generated the conditions for the emergence of new non-governmental organizations (NGOs), mainly

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<sup>31</sup> See in: Statistical Yearbooks 1960-1980.

<sup>32</sup> Irarrázaval, I. L.Pardo and others Organizaciones de Participación comunitaria: Su lucha contra la pobreza en Chile. Working Documents, IDB. 1993.



characterized by seeking acknowledgement of human, civil and economic rights; extending their field of action, in relation to previous periods, to children, women, the environment, indigenous peoples and promotion of re-democratization.

The new actors of this “re-emergence” of civil society were mainly middle class professionals and technicians, together with the leaders of the various grassroots organizations, with different kinds of assistance from international pro-democracy organizations.

NGOs in the 1980s were characterized by the fact that they did not identify directly with political parties- which were banned by those years-, emphasizing technical assistance, self-organization, and self-expression of grassroots organizations in popular sectors. Thus, distanced from the political system, an active civil society begins to recompose itself and later it became an important means of social mobilization. In this sense, it is important to note that based on the information provided in this study, NGO’s do not represent a significant segment of NPOs, measured in terms of the sector’s income or paid employment. However, they do exert a considerable level of social influence.

In the area of volunteer work, two main approaches emerged. On the one side, one of a civic-military character, linked to the government and assistance-oriented. On the other, a solidarity-oriented one, articulated by NGOs and the Catholic Church. The latter, in addition to supporting, defending and protecting human rights, carried out activities in education, health care, training, employment programs, provision of food, and others.

Thus, a re-democratization process gradually began to take shape in organizations, in particular community-related ones that were once again able to elect their leaders and express their prerogatives. Finally, the return to the democratic system in 1990, introduced considerable changes in the situation of civil society, which were intensified by the end of the 20th and the onset of the 21st Century.

## V. KEY ISSUES FACING CIVIL SOCIETY DEVELOPMENT IN CHILE

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The return to democracy in Chile re-established relations between the State and all civil society sectors. During the military dictatorship these relations were broken, spaces for participation were shut down and civil society was left on the fringes of legality, weakened and fragmented. In this scenario, new forms of organizations emerged linked to human rights and social services, promoted by the Catholic Church and supported by international organizations.

Since the beginning of the 1990s, democratic governments started to take steps to strengthen civil society as part of the process of consolidating democracy, assigning priority to social issues, increasing social expenditure, fortifying institutionality and expanding the provision of programs. Throughout this process several meetings were held with civil society representatives, agreements were reached and political commitments were established. However, and despite the efforts and initiatives in favor of civil society, many of these commitments are still pending from the transition to democracy period. Notwithstanding the above, as shown in this study's findings, the State is still NPO's main financier, but focused on the sector's "traditional" segment, such as the organizations that provide Government services through educational subsidies and others.

Likewise, the formulation of a national public policy aimed to strengthen civil society was initiated in this period, which finally took shape in the past administration, and focused on citizen participation in public management. This policy was a joint endeavor by public organisms and civil society organizations, and among other things, it addresses the changes made in the sector's legal framework, generating significant expectations that have not been fully accomplished to date.

Some topics that have been crucial for the development of the sector in Chile are addressed below, such as the formulation of a National Policy on Citizen Participation and Civil Society Strengthening; the legal framework that is still pending for civil society organizations; the finance mechanisms the State promotes for the sector; and the nature of the relationship that has emerged between the State and Civil Society in this country.

### **Citizen Participation at the Core of Public Policy**

In the past decades, changes have taken place throughout the world vis-a-vis growing citizen demand for participation in public affairs as a requirement

for modern democracies. In Chile, governments have placed special emphasis on civil society's participation and strengthening as a fundamental pillar in the restitution of democracy. This process has witnessed the promotion of Citizen Participation as a core issue in this challenge, sustained on that it is the ethical responsibility of the State toward its citizens and an effective and necessary measure to build up democracy.

In this framework, the creation of a Citizen Participation Public Policy was proposed "to foster citizen participation in the design and assessment of social programs; the development and strengthening of the third sector and a permanent connection between the State and Civil Society, aside from generating a new style of relationship between the government and citizens, strengthening regional and local links in the promotion of citizen rights"<sup>33</sup>.

The principles underlying and fostering this national policy are based primarily on the recognition of diverse civil society expressions, the incorporation of the concepts of citizen association and participation in the formulation of public policies and programs; the creation of a legal framework for the development of civil society; and technical and financial support for its organizations.

After a long process of discussions, consultations and agreements among civil society organizations and public sector representatives, a Policy on Citizen Participation and Civil Society Strengthening (2000)<sup>34</sup> was formulated in the past administration, based on Presidential Instructions on Citizen Participation and the formulation of a Plan to Strengthen Civil Society. The preparation and implementation of this policy was possible thanks to a cooperation agreement between the Chilean State and the Inter American Development Bank executed in 2001, amounting to 14.5 million dollars. This provided the means to finance the "Program for the Strengthening of Alliances between Civil Society and the State", giving rise to the public policy.

This policy's effectiveness is currently being followed-up by an especially designed computer system and surveys aimed to verify government commitments and objectives regarding the incorporation of citizen participation in Public Management. Furthermore, citizens' perception of citizen participation in public policies involves citizens who participate, who are informed of public policies and programs, offer their views on their implementation, and contribute volunteer work in their execution.

### **Strengthening the Legal Framework: An Pending Issue**

As part of the Civil Society Strengthening Policy, the Citizen Participation Policy included modifying and strengthening the regulatory legal framework of Civil Society Organizations. For this purpose, in 2004 a Bill on citizen Associations and Participation in Public Management was submitted to the National Congress. This project was prepared after a pre legislative three-year

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<sup>33</sup> General Government Secretariat Ministry, Social Organization Division. "Gobernar con las Personas. La Política de Participación Ciudadana". Annual Report 2000-2005. Page 14.

<sup>34</sup> "National and Transversal Policy for Citizen Participation", Ministry of Government Affairs, 2001.

discussion period, with the participation of relevant social players of Chile's public sector and civil society.

The Bill is based mainly on Freedom of Association and the Participative Principle, and aims to overcome bureaucratic obstacles in the process of the State's legal recognition of civil society organizations and facilitating and promoting their emergence and development. Secondly, the Project proposes the recognition of nonprofit and public interest organizations as a special type of organization, promoting the constitution of a single registry for these organizations and the creation of a specific finance fund for civil society organizations through contestable funds. In addition, the Project contemplates the legal documentation of volunteers' bylaws as a minimum regulatory framework for this type of organizations, and establishes that it is the obligation of the State to facilitate these activities.

Although this Project has not yet become a Law in Chile (this is seen as a debt from the State to Civil Society, within a modernization process towards democracy strengthening), it should be noted that its legislative formulation process has been characterized by widespread participation, incorporating the proposals of civil society and its representatives. However, there is a possibility that this process may take longer, since various civil society organizations have expressed their apprehensions in terms that the project would introduce unnecessary complexity to some operational aspects of NPO's.

### **State Financing Mechanisms for Civil Society**

Worldwide Comparative Studies on the Nonprofit Sector indicate that the strengthening of civil society and state financing are directly related. This contribution by the State can be delivered directly, through public fund transfers or contestable funds, or indirectly through tax credits for donations to the sector.

Although the Latin American experience demonstrates that the inception of civil society organizations is primarily state-related, since they are the main suppliers of the State's specific services, the State has apparently not taken on an active role in the transfer of resources. Indeed, most civil society organizations in the continent are financed to a great extent through their own funds.

As an exception, most Civil Society organizations in Chile get their income from the State, accounting for 46% of this sector's income, and there are at present various Fiscal Policy Finance Instruments targeted to the nonprofit sector.

With regard to directly transferred State contributions, three public income sources are currently targeted to civil society. Firstly, Targeted Fiscal Contributions representing a yearly share of the public budget that is transferred directly to specific organizations, following the particular administration's priority issues or historic allocation criteria. In Chile, some Foundations and Corporations receive direct contributions and in the past few decades these contributions have been basically allocated to poverty reduction, support to the handicapped and education. Despite the fact that many organizations that benefit from this type of direct State transfer carry out a significant social task, this type of contribution has been subject to increasing debate because of its discretionary nature.

A second state-financing instrument is made up of Subsidies and reimbursement for services. These state resources are transferred to civil society organizations for social services provided, in conformity with the number of beneficiaries they serve. Unlike Targeted State contributions, subsidies or payment for services rendered are transfers for services that are clearly identified and demandable by the State. In terms of volume, subsidies are the most important state-financing instrument for civil society in Chile. These transfers are allocated mainly to the educational sector and the care of children in vulnerable situations. Although a wide scope of NPOs are financed by subsidies or the reimbursement of services from the State, there is concern on the part of organizations because in their opinion they are becoming mere service providers for the government, in disregard for the original mission that motivated their foundation.

In third place are Contestable Funds, a mechanism through which the State externalizes its services by encouraging competition among different private entities, among them Civil Society organizations, for access to public resources. Thus, the government plans state actions and allocates resources, but it is the private parties who actually execute these public programs and projects. This poses the risk of restricting the autonomy of civil society organizations, because their economic subsistence compels them to conform to State objectives and not their own proposals for action.

With regard to indirect state contribution mechanisms, Tax benefits are fiscal instruments that support the sector, consisting of income tax rebates for nonprofit organizations and tax credits for private donations to this type of institution.

Tax credits in Chile focus mainly on donations by legal persons to cultural, educational and sports-oriented nonprofit organizations, which were later extended to poverty and handicapped-related organizations and have significantly triggered the development of nonprofit organizations, encouraging private donations. However, often the effective use of these incentives imply bureaucratic procedures that do little to facilitate their application, coupled with preferences for certain thematic areas. In this sense, the State should empower this mechanism to strengthen, sustain and provide autonomy for nonprofit organizations.

In brief, even when in the Chilean case State allocations to civil society are considerable in magnitude and diversity as compared to the Latin American context, there is concern on the part of NPOs because these resources are increasingly limited to the provision of specific services for the Government, under its own terms of reference. This puts a strain on NPOs in terms of appearing as mere State agents or acting in conformity with their own original institutional mandate.

### **Are the State and Civil Society Interdependent?**

The trajectory of civil society organizations in Chile illustrates the importance of state action at the core of the State-Civil Society relationship. Indeed, unlike other countries in the Latin American Region, the Chilean State is the nonprofit sector's chief financier. Nonetheless, this relationship is ambivalent in the extent that this situation has not enhanced the development of Chile's civil society.

Even though this relationship between the State and Civil society has improved considerably with Chile's democratic reconstruction, in which the different administrations engaged in several efforts to acknowledge the sector and invigorate it by means of a public policy aimed to strengthen civil society, the relationship between both actors is still ambivalent. Various initiatives have been carried out, but most of these actions have been fragmented, and these efforts have remained as parts of political speeches instead of becoming concrete facts, leaving civil society in its role as provider of social services that the public administration cannot supply. Hence, this has become a rather instrumental relation between the State and civil society.

In this sense, two large segments may be identified within civil society, on the one hand, organizations that are relatively content in their role as service providers to the State, such as those undertaking activities in subsidized education, with children in social risk and other spheres. However, another important segment of NPOs, such as grassroots organizations, expressive sector organizations, NGOs, and others, that intend to develop within their own and initial scope, believe that the Government - in this case - does not provide them sufficient support to fulfill their objectives. These two segments have interacted differently with the State, the first within a more institutional and legalist scope and the latter within an attempt to achieve greater flexibility.

Within the possible theories that explain the inception of civil society, it could be asserted that Chile's civil society ascribes to the interdependence theory, which asseverates the existence of a cooperation link between both sectors aimed at the solution of public affairs. However, this cooperation relationship creates a tension that has not been resolved and generates ambiguity and distrust among both sectors, since civil society is in an intermediate position - being promoted by the State while at the same time it plays an instrumental role as the State's social service supplier.

To move forward to a greater consolidation of democracy in Chile, it is imperative to grant civil society the autonomy that is its constitutive essence and empower its capacity to address issues of public relevance and common interest. This way, the State and civil society will converge in a relationship or true cooperation and interdependence.



## VI. CONCLUSIONS

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The Comparative Nonprofit Sector Project is the first study in Chile to make a comprehensive quantification of the economic size and associated employment of the institutions that make up civil society. This research was possible thanks to an effective collaboration endeavor by many institutions and persons who provided the research team with information and their knowledge on the topic. In this sense, one of the study's important achievements is simply to have aroused the support of a diversity of interests and concerns for the purpose of obtaining base data to spread knowledge on the scope of the work of nonprofit institutions in Chile.

A second conclusion relates to the data obtained in the study describing the nonprofit sector in Chile. In brief, the 160,259 (Full-time Equivalent) jobs that the sector reports, added to the 143,624 (FTE) volunteers that are mobilized, account for a significant number of persons who are formally involved in civil society. This information positions the sector as a relevant actor in the country, thus based on this information, the sector must become more visible and progressively attain greater involvement in the definition of public policies within their spheres of work.

An important aspect that stems from the above refers to acquiring knowledge on the sector's dynamic behavior. Various questions were identified in the course of the study that this first approximation could unfortunately not answer. For example: How does the nonprofit sector evolve in time? To what extent is its behavior countercyclical? What sector areas emerge more rapidly, expressive or service sector institutions? How does the volunteer sector evolve? To answer these and other questions, the Johns Hopkins University has developed a construction methodology in a Satellite Account for the Nonprofit Sector, within the National Accounts methodology. Thus a challenge is opening up to devise a more permanent estimation on the sector's extent.

Finally, it should be noted that this research enabled the development of analytical capacities on the subject matter, generated an exchange of views, and contributions were received from diverse contexts. The study also contributed to the identification of data sources that were relevant to quantify the reality of civil society in Chile, making it possible to continue on this path of analysis in future.





# APPENDIX 1: INTERNATIONAL CLASIFICACION OF NONPROFIT ORGANIZATIONS (ICNPO)

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## Group 1: Culture and Recreation

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### *1100 Culture and Art*

Media and Communications, production and dissemination of information; Visual arts, architecture, ceramic art; performing arts; Historical, literary and humanistic societies; museums; Zoo and aquariums.

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### *1200 Sports*

Provision of amateur sport, training, physical fitness and sport competition services and events; includes fitness and wellness centers.

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### *1300 Other Recreation and Social Clubs*

Recreation and social clubs, provision of recreation facilities and services to individual and communities; Service clubs, organizations providing services to members and local communities.

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## Group 2: Education and Research

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### *2100 Primary and Secondary Education*

Elementary, primary and secondary education.

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### *2200 Higher Education*

Higher education, providing academic degrees.

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### *2300 Other Education*

Vocational/Technical schools; Adult/continuing education.

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### *2400 Research*

Medical research; Science and technology; Social Science, policy studies.

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## Group 3: Health

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### *3100 Hospitals and Rehabilitation*

Hospitals; Rehabilitation, includes care and rehabilitative therapy to individuals.

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### *3200 Nursing Homes*

Inpatient convalescent care, residential care, as well as primary health care services.

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### *3300 Mental Health and Crisis Intervention*

Psychiatric hospitals; Mental Health treatment and crisis intervention.

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### *3400 Other Health Services*

Public health and wellness education; Health treatment, primarily outpatient; Rehabilitative medical services; Emergency medical services.

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#### **Group 4: Social Services**

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##### *4100 Social Services*

Child welfare, child services and day care; Youth services and youth welfare; Family services; Services for the handicapped; Services for the elderly; Self-help and other personal social services.

##### *4200 Emergency and Relief*

Disaster/emergency prevention and control; Temporary shelters; Refugee assistance.

##### *4300 Income Support and Maintenance*

Organizations providing cash assistance and other form of direct services; Material assistance.

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#### **Group 5: Environment**

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##### *5100 Environment*

Pollution abatement and control; Natural Resources conservation and protection; Environmental beautification and open spaces.

##### *5200 Animal Protection*

Animal Protection and welfare; Wildlife preservation and protection; Veterinary services.

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#### **Group 6: Development and Housing**

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##### *6100 Economic, Social and Community Development*

Community and neighborhood organizations; Economic development.

##### *6200 Housing*

Housing associations; Housing assistance

##### *6300 Employment and Training*

Job training programs; Vocational counseling and guidance; Vocational rehabilitation and sheltered workshops.

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#### **Group 7: Law, Advocacy and Politics**

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##### *7100 Civic and Advocacy Organizations*

Organizations that protect the rights and promote the interests of specific groups; Civil rights associations; Ethnic associations; Civic associations.

##### *7200 Law and Legal Services.*

Legal services; Crime prevention and public policy; Rehabilitation of offenders; Victim support; Consumer protection associations.

##### *7300 Political Organizations*

Political parties and organizations.

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#### **Group 8: Philanthropic Intermediaries and Voluntarism Promotion**

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##### *8100 Philanthropic Intermediaries*

Grant-making foundations.

##### *8200 Voluntarism Promotion*

Volunteerism promotion and support.

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#### **Group 9: International**

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##### *9100 International Activities*

Exchange/friendship/cultural programs; Development assistance associations; International disaster and relief organizations; International human rights and peace organizations.

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**Group 10: Religion**

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*10100 Religious Congregations and Associations*

Congregations includes Churches, synagogues, temples, mosques, shrines, monasteries, seminaries and similar; Associations of congregations.

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**Group 11: Business and Professional Associations and Unions**

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*11100 Business Associations*

Organizations that work to promote, regulate and safeguard the interest of special branches of business.

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*11200 Professional Associations*

Organizations that work to promote, regulate and protecting professional interest.

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*11300 Labor Unions*

Organizations that work to promote, regulate and protecting the rights and interest of employees

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**Group 12: Not elsewhere classified**

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*12100 n.e.c.*

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## APPENDIX 2: COUNTRY CLUSTERS

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### Anglo-Saxon

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Australia  
The United Kingdom  
The United States

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### Nordic Welfare States

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Finland  
Norway  
Sweden

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### European-style

#### Welfare Partnership

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Austria  
Belgium  
Canada  
France  
Germany  
Ireland  
Israel  
Italy  
The Netherlands  
Portugal  
Spain

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### Asian Industrialized

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Japan  
Republic of Korea

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### Latin America

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Argentina  
Brazil  
Chile  
Colombia  
Mexico  
Peru

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### Africa

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Kenya  
South Africa  
Tanzania  
Uganda

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### Central and Eastern Europe

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Czech Republic  
Hungary  
Poland  
Romania  
Slovakia

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### Other Developing

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Egypt  
India  
Morocco  
Pakistan  
The Philippines

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## APPENDIX 3: METHODOLOGY SPECIFICATIONS

### Three stages of data collection:

#### Database

The objectives involved in collecting all nonprofit organizations (NPOs) that operate in our country into a single database were, on the one hand, to register all these institutions so as to obtain information on the scope of the Non-profit Sector in Chile (their numbers, where they are found, and if possible, their activities). On the other hand, this list would serve as a universe from which to select the sample to be surveyed.

The only way to achieve this in a reasonable time frame was to look into secondary information sources, i.e., to collect databases of institutions that had compiled, for various reasons, organized lists of NPOs at some time.<sup>35</sup>

For this purpose, 485 files/documents containing information on nonprofit organizations were supplied by 114 public and private sector institutions. From these files, 115 contained usable information, free from duplications and organizations that did not comply with JHU criteria in defining a “non-profit organization”. From these, only parameters that could be useful for the Study were selected (geographic location, telephone/ e-mail contact, among others).

Finally, a total of 106,880 nonprofit organization records was obtained and classified<sup>36</sup> following the ICNPO (International Classification of Nonprofit Organizations) activity code.

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<sup>35</sup> This effort had already been made by UNDP in 2000 for their Human Development Report which served as reference for this new data systematization.

<sup>36</sup> This was pre-coded and later reviewed, with the survey.

Although it was not possible to have a large amount of parameters for these NPOs, 98% of the database did have the “region” describer. This information was crucial in localizing organizations to implement the survey.

## Survey

Using data from the ICNPO and the region where the NPOs were located<sup>37</sup>, 1,002 organizations were surveyed to obtain basic parameters for the research and to acquire information on other topics to better describe NPOs in Chile.

The applied survey was designed on the basis of the form contained in JHU methodology. Fieldwork was carried out between March 28 and May 13, 2005, at a nationwide scope.

More institutions were contacted to achieve the number of surveyed organizations, because it was not possible to locate some organizations and in other cases directing staff did not accept interviews. Some institutions had also disappeared or had ceased activities. There was also another small percentage that did not comply with the Study’s definition of nonprofit organization. This data was used to adjust the nonprofit organization Universe and thus correct the possible errors that could be derived from working with secondary source data. A corrected total of 86,723 NPOs was achieved. Surveyed data was expanded using this corrected universe.

## Continuous Statistics

Simultaneously to carrying out the survey, definite numbers were compared with continuous statistics provided by the Internal Revenue Service – (“Servicio de Impuestos Internos”, SII in Spanish). This data corresponds to the organizations that file their tax returns at the SII, which in number account for approximately 2% of the NPOs registered in the Study. However, it could be assumed that this number includes larger institutions, which manage more resources than average.

This comparison shows that the income that NPOs report to the SII represent 64% of the total revenues obtained from expanding the survey’s data. In turn, total SII operational expenditures represent 80% of the expanded data.

SII employment data correspond to 83% of total employment reported for the nonprofit sector.

These comparisons will make it possible to determine the sector’s scope in the future without having to resort to fieldwork of the magnitude required for a study of this nature.

It should be noted that the SII is currently striving to reach the largest number of NPOs possible through the Income Tax Operation, which could mean that in the future SII figures could be more representative of the sector’s total figures.

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<sup>37</sup> The country’s 13 Regions were grouped into 5 macrozones with statistic representation in the selected sample







