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**DEFINING THE NONPROFIT SECTOR:  
ARGENTINA**

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## PREFACE

This is one in a series of Working Papers produced by The Johns Hopkins Comparative Nonprofit Sector Project, a collaborative effort by scholars in over twenty countries to understand the scope, structure, and role of the nonprofit sector using a common framework and approach.

The Working Papers provide a vehicle for the initial dissemination of the work of the Project to an international audience of scholars, practitioners and policy analysts interested in the social and economic role played by nonprofit organizations in different countries, and in the comparative analysis of these important, but often neglected, institutions.

Working Papers are intermediary products, and they are released in the interest of timely distribution of Project results to stimulate scholarly discussion, and to inform policy debates. A full list of these papers is provided on the inside of the back cover.

The production of these Working Papers owes much to the devoted efforts of our project staff, in particular Regina Rippetoe, as the program manager, and Wendell Phipps, the project's secretary. We also want to express our deep gratitude to our colleagues on this project, to the International Advisory Committee that is helping to guide our work, and to the many sponsors of the project listed at the end of this paper.

The views and opinions expressed in these papers are those of the authors and do not necessarily represent the views or opinions of The Johns Hopkins University, its Institute for Policy Studies, or any of its officers or supporters, or the series' editors.

We are delighted to be able to make the early results of this project available in this form and welcome comments and inquiries either about this paper or the project as a whole.

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# DEFINING THE NONPROFIT SECTOR: ARGENTINA<sup>1</sup>

## Introduction

The presence of private nonprofit organizations in Argentina can be traced back to the turn of the 20<sup>th</sup> century when the central state was consolidated, but also even before, to the colonial period and the independence wars. In those times, many institutions dedicated to the public good were created in the social, political, and cultural fields, but mainly in the field of charity.

However, the visibility of these associations as a sector is relatively recent. Only in the last decade this sector has reached the public sphere under different denominations –e.g., nonprofit sector, third sector, voluntary sector– and has become an object of academic research. Nevertheless, several obstacles remain for achieving the visibility and strengthening of the nonprofit sector: (a) the absence of quantitative information on the sector as a whole; (b) the overlap and heterogeneity both of the terms and the legal norms referring to the different types of nonprofit organizations; and (c) the limited number of studies delving into the structure and development of the sector that take into account the specific historical, cultural, and political features of Argentina.

In this paper we outline the historical and structural characteristics of the Argentine nonprofit sector. To advance these objectives, we first present a brief historical survey, reviewing some of the turning points and general tendencies in the development of voluntary institutions that will allow us to put into context the emergence and development of what recently has become the third sector. We begin by reviewing the assistance services carried out by the Catholic Church, the charitable organizations run by the upper classes, and the development of community organizations fostered by the immigrants that arrived in Argentina since the end of the 19<sup>th</sup> century. Since the 1940s, the development of the welfare state and the massive extension of social rights are crucial facts to understand the evolution of the third sector. Another relevant issue concerns the long period of political instability that began in 1955 and was marked by several coups d'état, the extreme politicization of society and the spread of political violence, and that culminated in 1976 with a bloody military dictatorship. Throughout this period a general tendency seemed to prevail: the absence of a clear differentiation among the state, the market, and the civil society, or in other words, the continuous fusion –and confusion– between the private and public spheres.

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In the 1980s, concurrent with the democratic transition, civil society organizations appeared as unquestionable actors both in a differentiated and even opposing position to public powers. This tendency was evident in the decisive role played by human and civil rights organizations denouncing state violence, and in the emergence of advocacy organizations promoting citizen participation and the control of public powers. Though it is still early to draw definite conclusions, a new period seems to be opening up, marked by a more autonomous civil society within a stable political context and the consolidation of democratic institutions. At the same time, the market has acquired greater autonomy due to the structural reforms initiated in the 1990s, consisting of deregulation measures intended to boost the liberal economy and accompanied by the withdrawal of the state from its welfare functions.

These tendencies towards a greater differentiation among the market, state, and civil society place Argentina in a stage of transition and allow a clearer view of nonprofit organizations as a sector with specific functions and characteristics. In the second section of this paper, we concentrate on the sector's structure, examining the main types of organizations that comprise it. To this end we have considered both the legal definition as well as the "social definition," i.e., the different ways in which these organizations are named and recognized in the public sphere. Such a distinction seemed necessary due to the fact that both dimensions, which do not always exhibit a similar structure, are important to understand idiosyncratic features of the Argentine third sector.

Once a map of the sector has been drawn, in the third section we analyze it on the basis of the concepts developed by the Johns Hopkins Comparative Nonprofit Sector Project. First, we consider the structural-operational definition devised by Salamon and Anheier (1992) in the Argentine context. Second, we analyze the Argentine case in light of the theory of social origins (Salamon and Anheier, 1996), which establishes four models resulting from the relationship between public social spending, the dimension and scope of the third sector and a specific constellation of social forces.

Finally, we conclude by highlighting the current transitional character of the Argentine case, which seems to be moving towards a model of greater autonomy among the spheres of market, state and civil society, within the stable context of democracy.

### **Historical Aspects**

The origins of the nonprofit sector can be traced back to colonial times, when Argentina was part of the viceroyalty of the Rio de la Plata, which belonged to the Spanish crown. The Catholic Church played a crucial role in Spanish colonization, for both its influence on government and its centrality to colonial social life. Thus, not only were the first initiatives of public good linked to the model of Christian charity, but also the first organizations engaged in such endeavors actually sprouted from within the Catholic Church. Apart from the widespread activity undertaken by religious orders –e.g., Jesuits, Dominicans, Franciscans– it is possible to distinguish several institutions of public good<sup>2</sup> that exhibited relative independence from church authorities, stimulated primarily lay action, and were active mainly in the assistance field. The most important of these

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<sup>2</sup> These institutions were mainly *capellanías*, confraternities and brotherhoods. They helped to maintain the Catholic cult, founded monasteries and churches, took care of cemeteries, and assisted the poor and the needy.

organizations, the *Hermandad de la Santa Caridad* (Holy Charity Brotherhood), fulfilled a significant function, managing a hospital for women (*Hospital de Mujeres*), an orphanage for girls (*Casa de Huérfanas*), and another one for boys (*Casa de Niños Expósitos*).

### **Independence Period**

At the beginning of the 19<sup>th</sup> century, after independence from the Spanish Crown, two main transformations brought about changes in the situation of voluntary organizations. On the one hand, there was a long period of political anarchy and internal struggles that lasted until 1880. During this period there was neither a central state nor a central authority, but only different alliances among the provinces, within which the province of Buenos Aires played a dominant role. On the other hand, there was a wave of secularization to limit the power and attributions of the Catholic Church. Among other things, the charity institutions –e.g., hospitals, orphanages– were wrested from the Church’s control, and some of the main organizations related to the Church, such as the *Hermandad de la Santa Caridad*, were dissolved.

However, as mentioned, these secular reforms were performed during a period of political anarchy and absence of a central government. Consequently, they were not accompanied by the constitution and consolidation of a secular power that, among other things, could have administered the charity institutions that until that moment were managed by the Catholic Church or by institutions related to it. Given this situation, in 1823 the Minister of Government of the Province of Buenos Aires convoked a group of high society ladies in order to create an association –the *Sociedad de Beneficencia* (Society of Beneficence)– in charge of administering the charity institutions. Even though the *Sociedad de Beneficencia* was created as an administrative organ subordinated to the public power, from the very beginning it showed great autonomy, made its own decisions, and developed its own strategies in order to raise funds. The creation of the *Sociedad de Beneficencia* can be thought as a landmark in the history of the Argentine nonprofit sector. Not only did the society carry out essential work in the health and welfare areas until its dissolution in 1946, but also it maintained an ambiguous position between the public and the private spheres constituting a clear example of the fluid borders between the state and the third sector.

### **Consolidation of the State and Emergence of Civil Society**

By 1880 the period of political anarchy and internal struggles had ended, a central state was consolidated, and a national market was organized according to an economic model that privileged the exportation of primary goods. In spite of these transformations, several features of the colonial society persisted: the centralization of the state, the strong presence of traditional elites who were the main beneficiaries of the economic model, and the strong presence of the Catholic Church. The concept of patrimonial state (Weber, 1994; Portantiero, 1992) seems to be the most appropriate to apply to this period. The concept refers to a social system in which the borders between the public and the private spheres are blurred, owing to the prevalence of the traditional elites’ personal criteria in the organization of political power.

However, as mentioned before, this political organization mounted on traditional structures was combined with the economic insertion of Argentina in the international market. Argentina’s

market insertion was followed immediately by an accelerated economic expansion and by the arrival of large numbers of immigrants.<sup>3</sup>

Concerning the nonprofit sector, the consequences of this coexistence of traditional social and political structures, and accelerated economic and social changes, can be summarized into two main tendencies:

- Regarding traditional structures, the *Sociedad de Beneficencia* acquired a central role in health and charity functions.<sup>4</sup> Moreover, a great number of similar organizations were developed, the majority of them linked to high society ladies and the Catholic Church.<sup>5</sup> These organizations were partially funded by state subsidies, which, consistent with the previously mentioned patrimonial order, were granted based mainly on social and personal relationships.<sup>6</sup>
- Regarding the changes produced by the economic expansion, immigrants and the working class created a great quantity and variety of organizations, e.g., mutual benefit associations, social and sport clubs, schools, and libraries. Such organizations operated separately from the state and the restricted political system of that period.

In 1912 there was a major shift, due to the broadening of the political system by means of a law that guaranteed secret and obligatory voting, which led four years later to the triumph of the Radical Party. Even though this situation was abruptly interrupted in 1930 by a coup d'état, a much more fluid relationship between the state and the civil society organizations created by the immigrants and the working class began during this period. On the one hand, state regulations were developed for institutions that, in the past, were ignored or treated as domestic security concerns, i.e., trade unions and their related mutual benefit associations. The latter also started to demand state

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<sup>3</sup> Foreign immigration was fostered by the national government. Gallo and Cortés Conde (1986) point out that between 1881 and 1890 almost a million people arrived in Argentina from Europe. As a consequence, not only did the total population double but also its composition changed fundamentally.

<sup>4</sup> According to Passanante (1987), by 1920 this society administered eight hospitals and six asylums, and it was also in charge of the majority of social charitable events.

<sup>5</sup> Information in the 1912 national budget (Ministerio de Relaciones Exteriores, Culto y Beneficencia, 1912) concerning the province of Buenos Aires and the Federal District shows the main role of these private institutions, stating that they assisted 69% of the total assisted people. The rest was shared between national and municipal institutions (17%) and the *Sociedad de Beneficencia* itself (14%).

<sup>6</sup> At those times, analyzing the relations between public assistance and private charity, a writer critically stated that "...we are still in times in which public affairs are carried on by the Argentine upper and wealthy class (...) Societies of beneficence, composed also by upper class ladies, soon obtain their subsidies, and once the money is given, nobody controls the way in which they are used (...) Part of the state budget for social assistance is decided in meetings and parties." (Coll, 1911:16. Our translation). The same writer pointed out that just a few societies of beneficence enjoyed legal status, while the majority of them operated without legal responsibility, without this being an obstacle to their receiving state subsidies.

regulations and promotion, because they considered that those were the first steps towards reaching the final objective of a national social security system.

On the other hand, the widening of the political system also led to fluid relationships between political parties and civil society, which were mainly institutionalized through neighborhood organizations, called *comités de base* (base committees). These *comités* were created by the Radical Party and were usually controlled by a neighborhood *caudillo* (political broker) that offered a great variety of services –from giving food and housing to the provision of medical services– to attract supporters.<sup>7</sup> The Socialist Party created its own centers, which had mainly a cultural and educational profile. In these centers, where neighbors could find libraries and attend different types of courses, socialist leaders promoted cooperativism and fought against what they considered the main social problems of those times, i.e., alcoholism, gambling and prostitution.

This period was also marked by significant urban development –mainly in the Federal District and the suburbs– caused not by foreign immigration, which had already reached its greatest momentum towards the end of the 19<sup>th</sup> century, but by internal migration from rural areas to the cities. This urban development was accompanied by the mushrooming of neighborhood associations, often created to deal with the necessities of new and suburban neighborhoods, that is, utilities –electric power, gas, water, etc.–, and social, educational, and recreational spaces.

After the 1930 coup d'état a restricted and fraudulent political system was established, known as the *década infame* (the “infamous decade”). From the point of view of nonprofit institutions, this *década infame* was concurrent with the further development of neighborhood associations, the organization of mutual benefit associations into networks aiming to achieve a national social security system, and the continued existence of the charities linked to the Catholic Church and high society ladies. The state for its part gradually started to expand its interventionist and regulatory activities not only in the social assistance fields, but also in industry, which had experienced tremendous development in those years.

### **Populism and Social Rights**

In 1946 Juan Domingo Perón was elected president in fair elections, and governed until 1955, when he was overthrown by another coup d'état. During that decade, under *peronism*, Argentina went through great social, economic and institutional transformations that included the enactment of a new Constitution in 1949. The central mechanism for these transformations was the extension of social rights –e.g., health, educational, social welfare– by means of the generalization of social security for the working class, in the context of an economic model that promoted industrial development. The central actors of these transformations were the state in conjunction with trade unions and small and medium-scale industrial enterprises. Social scientists have conceptualized this model of relationship between state and society, common to several Latin American countries since the early 1940s, as populism.

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<sup>7</sup> This practice of political clientelism, which had precedent in the conservative parties of the previous period, opened a main chapter of Argentine politics, directly involving civil society and its organizations. See Auyero, 1996.



In this period the mentioned blurring between the borders of the spheres of state, market and civil society experienced an essential modification, as the significant regulatory and interventionist role of the state developed. Regarding third sector institutions, a great number of them were regulated by the state in accordance with the idea of integrating them into national systems.

- Small trade unions organized within the different industrial corporations were replaced by large trade unions that gathered all workers of the same activity branch –e.g., railroad employees, metal workers, etc. In turn, these large trade unions joined into a single confederation, the *Confederación General del Trabajo* or *CGT* (General Labor Confederation).<sup>8</sup>
- Mutual benefit associations related to trade unions constituted the origin of the *obras sociales* (workers’ medical insurance organizations), institutions that were the basis for the national health system articulated by the state. This system provided egalitarian and integral health services for all workers.
- The *Sociedad de Beneficencia* was dissolved, and for the first time the traditional link between the state and upper class philanthropy was severed. At the same time, the *Fundación Eva Perón* (Eva Perón Foundation), was established to provide social services to the population excluded from the labor market and, consequently, from the national security and health systems. This Foundation maintained the same ambiguous place between the public and the private realms inaugurated by the *Sociedad de Beneficencia*. It was legally defined as a “private institution fulfilling public functions and concerned with national problems,” and in a couple of years its activity was greater than that of the public office in charge of social assistance. Furthermore, the *Fundación Eva Perón* became a symbol of the Peronist state.

Peronism also reformulated the relationship between political parties and civil society initiated by *comités radicales* and socialist centers. At the grassroots level, peronism was structured into an institutional network composed of *unidades básicas* (basic units), neighborhood organizations established in all cities and towns throughout the country. These organizations functioned as the social base of the Peronist movement, and at the same time, as the places where neighbors could participate actively in public affairs. Even though the *comités radicales* and socialist centers remained, the *unidades básicas* played a more prominent role owing to their privileged relationship with governmental institutions and the consequent advantages they had at the time of meeting the needs of the neighborhoods. On the other hand, given the fact that peronism was a political movement and not only a political party, the *unidades básicas* operated beyond the party system, incarnating a direct linkage between political identity and civil society.

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<sup>8</sup> Trade union legislation recognized only one general labor confederation. However, after Perón was overthrown in 1955, political confrontations led to the existence of two confederations.

## Political Proscription and Social Conflicts

In 1955 the Peronist government was overthrown by a coup d'état, which was followed by a long period of institutional instability. Military interventions, an extreme politicization of the whole society, and the generalization of political violence characterized this period. Peronism was proscribed, except for a brief period between 1973 and 1976 in which Juan Perón was re-elected president. In 1976 there was another coup d'état that initiated the bloody dictatorship known as the *Proceso de Reorganización Nacional* (National Reorganization Process).

Regarding nonprofit institutions, several of them supported the military governments while some others were havens for the political opposition. The *unidades básicas* seemed to have been spaces for the proscribed Peronism. The Eva Perón Foundation was dissolved immediately after the 1955 coup d'état. Trade unions maintained and increased their power, becoming major pressure groups. As one result of such power, in 1970 a law was enacted for the *obras sociales*, organizing them into a national system that covered all paid workers.

Also, many scientists and intellectuals, who were forced to leave public universities because of political persecution, created a large number of research centers and foundations.<sup>9</sup> Several civil and human rights organizations, which later were essential for the democratic transition of 1983, were also created in this period.

## Transition and Consolidation of Democracy

Since the 1980s, in the context of institutional stability and democracy, two processes should be highlighted to understand the relationship between the state, the market, and the third sector. First, there has been a greater autonomy of civil society guaranteed by democratic stability and constitutional liberties. In this sense, civil society has begun to fulfill new functions, such as the control of public powers, the denouncement of governmental corruption, and the promotion of the independence of the judiciary.

Second, since 1989, after the economic crisis marked by hyperinflation, profound reforms of the economy and the state have been undertaken. These processes have brought economic stability under free market conditions, and they also have been the cause of the state withdrawal from welfare functions. Such rolling back of the state has opened a space for the activity of civil society organizations.

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<sup>9</sup> In 1958 the Institute of Sociology Gino Germani and the Di Tella Institute were established. The former was very important in the social sciences field, and the latter in the cultural and artistic fields. (González Bombal y Vacchieri, 1986).

On the whole, it is possible to conclude that since the 1980s the third sector has begun to be more autonomous in Argentina. From the point of view of society, nonprofit institutions are well appreciated as they foster the re-establishment of linkages of cooperation, solidarity and organization, and also for their potential role in social integration. From the economic point of view and taking into account the crisis of the welfare state, third sector organizations are considered as effective partners for public policies, owing to their insertion in the community. Furthermore, economic reforms have prompted a leading role for the business sector and, as a consequence, the idea of corporate social responsibility has started to circulate in Argentina, including civil society organizations as recipients of funds or as strategic allies in the implementation of community programs. From the political point of view, third sector organizations are considered as spaces for citizens' participation and as devices to monitor public powers. And finally, multilateral institutions—such as the World Bank or the Inter-American Development Bank—highlight the efficient and participatory role developed by nonprofit institutions in the implementation of social programs.<sup>10</sup>

Despite these current tendencies, it is still too early to draw definite conclusions, and a careful evaluation of the way in which nonprofit institutions will integrate into this new development model is needed. Bustelo (1996) describes two possible scenarios for this novel relationship between the state, the market, and the civil society:

- A “mortal embrace,” meaning that democracy would be suffocated or diminished by a market-driven society, due to the withdrawal of the state from its welfare functions and the concentration of economic resources. In this scenario, civil society organizations would be inserted into clientelistic relations strongly dependent on the government.
- A “vital embrace,” meaning that a market-driven society would face the concerns brought about by democracy, and would promote new social relations based on the existence of a public sphere and the full respect of citizenship rights and duties.

These and other scenarios must be subjected to reflection, owing to the transitional character of the matrix in which the third sector is currently developing in Argentina. Consequently, the dimension of change is essential for the study of this case, since it is situated in the context of the redefinition of the borders among the state, the market, and the civil society.

### **Main Types of Nonprofit Organizations**

It is necessary to clarify certain issues before describing the different types of organizations that make up the nonprofit sector in Argentina. The first is related to the fact that, in spite of the existence of a great variety of organizations, they generally are not aware of “belonging” to a sector, or of being included within a category that defines them and differentiates them from the state and the business sector. At the same time, the term “nonprofit sector” is relatively new in Argentina and

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<sup>10</sup> Among the social programs that enjoy financing from multilateral development banks, we can mention the FOPAR (“Participatory Investment Fund”), which includes the participation of grassroots organizations in the design and implementation stages of projects and programs. This program, which has been in operation for two years, has exhibited positive results.

academic research in this area is also a new phenomenon.

The second issue is related to the criteria by which to classify the different types of nonprofit organizations. For the Argentine case, we have chosen to combine two criteria: a legal definition emerging from the categories set by law; and a “social definition,” that is, the way in which the different organizations name themselves and are identified in the public sphere. This decision seems to be justified in that the law has not always accompanied the evolution and dynamics of the associative sector; and the legal definition refers to a broad, heterogeneous universe that does not have a socially visible identity.

From the legal point of view, the main terms established by the Civil Code concerning private law entities without profit aims are “civil association” and “foundation.” However, as we have mentioned, the provisions and definitions of the Civil Code are very general and turn out to be inadequate in the face of the complex reality and dynamics of civil society organizations. As a consequence, there is a wide range of rules stemming from jurisprudence, administrative or judicial sources, as well as a series of resolutions and specific regulations by public agencies. Hence, there are nonprofit organizations that, despite being considered civil associations in the broad sense, also receive special legal denominations and are subjected to their own regulations and regulatory agencies. Mainly, this is the case of mutual benefit associations, cooperatives, *obras sociales*, and trade unions.

Besides, there is another legal term, “public good entity” which is a generic denomination granted to all institutions registered with the National Registry of Public Good Entities. To be registered, institutions must have already obtained legal status under any denomination eligible to be considered public good organizations, e.g., civil association, foundation, mutual benefit association, etc. Even though the acquisition of the status of public good entity is not compulsory, it is convenient for nonprofit institutions as several grant-making institutions and most state agencies demand it when making grants or subsidies. However, as this is a second-degree qualification, we consider it more appropriate to exclude it from our classification, as its inclusion would generate some overlap.

From the point of view of the “social definition” there are several terms that outline different types of organizations exhibiting diverse features, and most are legally constituted as civil associations or foundations. Even though the borders among these types of organizations are not always clear-cut, it seems plausible to distinguish cooperators (parent-teacher associations and hospital auxiliaries); immigrant-based organizations; neighborhood associations; popular libraries; national academies and research centers; non-governmental organizations; and grassroots organizations.

## Civil Associations

From a juridical perspective, Article 33 of the Argentine Civil Code<sup>11</sup> refers to nonprofit

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<sup>11</sup> Article 33 in its original version of 1869 did not distinguish, within the category “private organizations,” between for-profit and nonprofit institutions. Such distinction, and therefore the definition used in this article, was made in 1968 when the Civil Code was reformed.

organizations as “civil associations” and “foundations.” Both types of institutions are defined as “organizations emerging from the union of ideas and efforts of a group of people aiming at achieving a common good task, which operate under the control of the General Justice Inspection,” and they must fulfill the following conditions:

- common good objective;
- nonprofit distribution purpose;
- own patrimony;
- power to acquire rights and obligations;
- state authorization to operate;
- not to subsist exclusively on public funds.

Apart from the general provisions of the Civil Code, there is no specific law regulating civil associations in Argentina. Consequently, the public regulatory agency at the national level, the General Justice Inspection, has assumed this role and legislates its own norms, which have been followed generally by local authorities.

Regarding tax exemptions, Income Tax Law 20.628<sup>12</sup> considers civil associations and foundations as capital societies, that would be subject to a 30 percent tax rate. However, owing to their nonprofit character<sup>13</sup> they do not have to pay income tax as long as they fulfill the following requirements:

- governmental authorization and legal status;
- objectives of social assistance, public health, charity, education and training, sciences, culture, sports and recreation, or trade unionism;
- to assign income and social capital to the aims for which they were created;
- not to distribute, in any case or under any condition, income or social capital among the members of the administrative board or among the associates;
- not to obtain economic resources from public shows, gambling, horse races or similar activities. The mention of any of these activities in the bylaws automatically excludes the organization from the tax-exempt status.

Futhermore, the law establishes that the income of nonprofit organizations is taxed when their managers or board members withdraw for any reason –including representation expenses– amounts 50 percent over the annual average of the three highest salaries paid to the administrative staff; or when bylaws prohibit such payments and they are made anyhow.<sup>14</sup>

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<sup>12</sup> Even though there were some preceding regulations, the Income Tax Law was enacted in 1973.

<sup>13</sup> Apart from civil associations and foundations, the Income Tax Law considers as nonprofit organizations all charities and social service, health, and education institutions, as well as mutual benefit associations, cooperatives and trade unions.

<sup>14</sup> This provision aims at ensuring the nonprofit character of the institution, reflected in the fact that the members of the board are not paid for their services.

While the law grants tax exemption to nonprofit organizations, the national tax bureau (*Dirección General Impositiva* or DGI) is in charge of ascertaining that these requirements are properly fulfilled. Consequently, the granting of the tax exemption by law is not permanent, but it expires as soon as the DGI finds any anomaly or violation of the established legal conditions.

From the “social definition” perspective, the term civil association covers a wide range of organizations, which can be grouped as follows:

**Cooperators.** This term refers to institutions organized by clients of hospitals and schools in order to contribute to their maintenance and activities. They organize fund-raising activities, such as raffles, sale of “contribution certificates,” and voluntary contributions. They also are granted state subsidies and manage the provision of public services, such as the case of parent-teacher cooperators through which the state distributes meals for primary school pupils. Cooperators are defined legally as associations in the broad sense, and therefore the General Justice Inspection regulates them. In the case of parent-teacher cooperators, they are also registered in and controlled by other local regulatory agencies –e.g., in the Federal District, the General Bureau of Parent-Teacher Cooperators. Cooperators are usually created within public institutions –such as schools or hospitals– and receive public subsidies. Thus, they maintain a close relation with the state, complementing its social functions and are crucial for the better provision of public health and education functions.

**Immigrant-based organizations.** These organizations have played a critical role in the constitution of Argentine nonprofit sector, owing to the strong influence of immigration in the building of Argentine society. Most associations stem from the immigration waves that reached Argentina at the turn of the 20<sup>th</sup> century, mainly composed by Italians and Spaniards, but also by Jewish, French, German, Armenian, and other Western European immigrants. The majority of these associations are legally civil associations or mutual benefit associations, and they undertake cultural, sports, social, and charitable activities. It should also be mentioned that the hospitals created by these immigrant-based organizations –mainly originated as health clinics– have become important institutions that nowadays provide high quality services without distinguishing national origins.

**Neighborhood associations.** The origins of these societies can be traced back to the 1920s with urban expansion and suburban development. In this context, neighborhood associations emerged to provide basic needs such as utilities –electric power, gas, water, etc.– or to create spaces for social life and education. They currently carry out several activities, e.g., demands to the government for the improvement of urban infrastructure; establishment of artistic or educational workshops; organization of sports or recreational events, etc. Neighborhood associations are legally defined as civil associations in the broad sense, and therefore the General Justice Inspection controls them at the national level. However, as they are linked to the corresponding neighborhood, they are also subject to municipal legislation, as established by the Organic Law of Municipalities.<sup>15</sup> Hence, the corresponding municipality authorizes each neighborhood organization to act in a geographically limited area, and delegates to them a wide range of functions. On the other hand, as each municipality determines its own regulations, there is no general law for neighborhood associations. These organizations maintain a close relationship with the state, and they remain as the main

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<sup>15</sup> This law was enacted in 1958 and updated in 1982.

connection between the state and the community. From this perspective, it is common to refer to them as intermediate entities or community organizations.

**Popular libraries.** Their origin, as in the case of neighborhood associations, can be traced back to the 1920s and is related to urban development. They are usually created within public schools or neighborhood organizations. They are regulated by the National Bureau for the Protection of Popular Libraries, which has a special fund granted by law and composed of a percentage of the income of gambling games, excluding horse races. As in the case of cooperators, popular libraries have a complementary-subsidiary relation with the state.

**National academies and research centers.** These terms refer to private, independent institutions, whose legal status is usually that of civil association, engaged in the study and research of science, literature and art. National academies are older and cover a broader range of topics. Research centers are usually formed by social scientists, and they emerged in the 1960s, the majority of them supported by international cooperation. Their creation and development was closely linked to the political situation of the time. Thus, for example, the state's intervention in the public university in 1966 made these centers important places for debate and refuge for expelled professors. Again in the 1970s the centers expanded, and from 1976, the expulsion of academics for political reasons and the military dictatorship's widespread repression turned these centers into crucial havens for academics. Since the re-establishment of democracy in the 1980s, these centers have played an important role in the debate on social problems. Apart from research, they engage in consulting, teaching and advocacy. For the state, some of these centers now constitute sources for recruiting and collaboration.

**Non-governmental organizations (NGOs).** This term refers to organizations engaged in social development and civil and human rights advocacy, which emerged in the 1970s supported by international cooperation. NGOs lend social services, provide technical assistance, or advocate in fields such as environment, human and civil rights, minority rights, etc. In some cases they have been the institutional basis of social movements, as in the case of the human rights movement that played a central role in the democratic transition in the 1980s. Generally NGOs assume a "watchdog" role towards the government, from whom they demand public accountability, transparency and the respect of civil rights; and towards the business sector, from which they demand respect for the environment and equal working conditions for minorities. They also have a close relationship with the mass media, which are essential for the social visibility of NGOs. Even though NGOs are legally defined as civil associations –or foundations–, they are a clear-cut universe, insofar as they exert pressure and presence in the public sphere, and they identify with each other gathering in networks and forums of relative importance and continuity.

**Grassroots organizations.** This term refers to poor people's associations, which usually emerge within slums (*villas*) or settlements (*asentamientos*). This feature, together with fact that they usually remain as informal organizations –without acquiring legal status, mainly owing to its cost– distinguishes grassroots organizations from neighborhoods associations. Moreover, grassroots organizations tend to enjoy technical assistance provided by NGOs. They can have objectives aiming to improve the immediate situation of their members –as in the case of those that pressure the government in order to obtain land or houses– or carry out activities such as educational support, child care and soup kitchens.

## Foundations

As mentioned in the previous section, the Civil Code refers to nonprofit organizations as civil associations and foundations. Therefore, foundations are also defined as “organizations emerging from the union of ideas and efforts of a group of people aiming at achieving a common good task, which operate under the control of the General Justice Inspection.” Likewise, they must fulfill the same conditions as civil associations.

The differences between civil associations and foundations can be summarized as follows:

- Associations exhibit what is legally defined as a “subjective basis,” i.e., their members. Foundations, on the other hand, are capital endowments managed by legal entities or individuals. Hence, they have an “objective basis,” i.e., the patrimony, as neither the founders nor the members of the board are part of the foundation but merely third parties who, in the first case, originate it and, in the second case, manage it.
- The objectives of associations are not fixed, as they can change according to the will of the majority of the members. The objectives of foundations are set according to what its founder has established in the bylaws.
- Associations can have charitable, cultural, scientific, research, or sporting objectives, which can be carried out for their own members’ benefit. Foundations must have altruistic objectives, that is, directed towards the common good.

Contrary to the case of civil associations, there is a specific law regulating foundations. Law 19836, enacted in 1972, defines foundations in Article 1 as “juridical persons constituted with a common good objective, without profit aims, through the capital contribution of one or more persons.” This contribution has to be enough to allow the achievement of the proposed objective. Furthermore, foundations are also subject to the provisions set by the General Justice Inspection, as long as such provisions are compatible with the mentioned law.

As foundations are nonprofit organizations, Income Tax Law 20.628 exempts them from tax payment. For such exemptions they have to fulfill the same requirements set for civil associations. On the other hand, Article 8 of the Income Tax Law states that donations made to foundations can be deducted by the donor, up to 5 percent of the net income of the corresponding fiscal year.

From the perspective of the “social definition,” foundations appear as such in the public space and they constitute a clear-cut universe. It is possible to distinguish several sub-groups:

- **Political foundations**, also known as “think tanks,” are linked to political parties or leaders and emerged mostly in the 1990s. They are engaged in research and advocacy, but differ from research centers because of their direct link to political parties or political leaders.
- **Cultural foundations** support artistic exhibitions, theaters, or give grants and scholarships for cultural purposes.



- **Educational foundations** include all private universities, as they are legally compelled to be organized as foundations. This rule was established in the 1960s, and from then on private universities widely expanded as a result of state subsidies.
- **Health foundations** provide health assistance, promote medical research and develop prevention campaigns. Large hospital cooperators usually organize themselves as foundations in order to carry out more properly their fund-raising activities.
- **Social assistance foundations** support schools in poor areas, organizations of low-income neighborhoods, etc.

A great many of these foundations –with the exception of political ones– are supported by the business sector or are set up by individual business people. This feature is related to the phenomenon of corporate philanthropy, which has notably expanded in the 1990s in Argentina. A study by Roitter (1996) points out that these foundations are very heterogeneous regarding their size, and consequently regarding their resources. The study also indicates that most of these foundations operate their own programs and also make grants to other institutions. Hence, it is possible to include them within the category of “grant-makers.” On the other hand, it can be said that foundations not linked to the business sector typically fall into the category of “grant-seekers.”

### **Mutual Benefit Associations**

Mutual benefit associations were originally linked to the European immigration that arrived in Argentina beginning at the end of the 19<sup>th</sup> century. They emerged mainly to provide their members insurance, health care, and social services, as well as temporary lodging, recreation centers, dining halls, child care, and homes for the elderly.

Towards the mid-1940s, concurrent with the expansion of the welfare state under a populist regime, those mutual associations related to labor unions were the origin of the *obras sociales*, workers’ medical insurance organizations that in turn became the basis of a nationally coordinated health system. In spite of the inclusion of many mutual associations into such system, a large number of organizations continued to operate independently. Furthermore, new ones were created in different activity branches, becoming the channels through which wide sectors of the population self-organized in order to satisfy their needs.

In 1945, two years after the Third Argentine Congress on Mutual Benefit Associations took place, the first law on mutual benefit associations was enacted. After such precedent, in 1971 the National Institute of Mutual Action (INAM) was created, with the aim to promote the development of mutual organizations as well as to register and regulate them. Finally, in 1973 the current Organic Law of Mutual Benefit Associations was enacted, aiming at “expanding mutual benefit associations as they constitute efficient community-based organizations, in order to solve, with a lower social cost, problems that are of state interest.” This law defines mutual benefit associations as “nonprofit organizations freely constituted by people inspired in solidarity, with the aim to help each other to face eventual risks, or to attend to their welfare by means of periodic contributions.” The law also withdrew mutual associations from the control of the General Justice Inspection, and it designated the INAM as the only national public agency dealing with mutual benefit associations and therefore

capable of granting them legal status. It also established legal exemptions regarding mutual associations, stating that they are exempt from all taxes concerning their goods or activities and taxes relating to the import of machinery, medical instruments, drugs or any other element they may use when providing their services. Likewise, the interest on the associates' contributions is exempt from income taxes.

Currently there are more than 6,000 mutual associations, with a membership of approximately 5 million, and lending different kind of social services to their communities. Most of them operate in the insurance, social security, credit, housing, health care and consumption fields.

## Cooperatives

Cooperatives also emerged at the end of the 19<sup>th</sup> century, alongside immigration, expansion of the working class and economic development. If mutual organizations were an urban phenomenon, cooperatives started as a rural phenomenon by which settlers and farmers organized their agricultural activity. Gradually, cooperatives expanded beyond agriculture to other fields such as credit, insurance, housing and employment. Above all, they developed in the provinces to provide basic needs, such as utilities, in areas that were unattractive for profit-seeking businesses.

The current Law on Cooperatives was enacted in 1973, after a precedent set in 1926 when the first law on cooperative societies was enacted. As in the case of mutual benefit societies, the Law of 1973 withdrew cooperatives from the control of the General Justice Inspection, establishing the National Institute of Cooperative Action (INAC)<sup>16</sup> as the only national public agency dealing with cooperatives and capable of granting them legal status.

While the Organic Law of Mutual Associations literally defines them as nonprofit organizations, further clarifications and stipulations need to be made with regards to cooperatives.

The Law on Cooperatives primarily defines them as “legal entities founded on mutual effort and mutual help to organize and lend services.” Hence, in the first place the law highlights the service function performed by these institutions. Likewise, the cooperative act is defined as “an act that does not imply profitable exchange but the provision of a social service.” And finally, when defining the social objective of cooperatives, the Law states that it consists in “the organization and provision of a community service for the benefit of all the associates.”

That being said, the most complex issue concerning the definition of cooperatives as nonprofit organizations is the actual possibility of distributing benefits among the associates. Regarding this issue, we must take into account the specific nature of cooperatives –i.e., the fact that they belong to what is called *economie sociale* (social economy or solidarity economy)– that establishes some particularities regarding the definition of surplus and the way in which it can be distributed.

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<sup>16</sup> In 1996 the INAM and the INAC merged, constituting the INACyM, as the only national public agency that regulates cooperatives and mutual benefit associations.

According to experts in this field, cooperatives can not be considered for-profit organizations as they do not distribute benefits the way for-profits do. Since the objective of cooperatives is to organize and lend services, it is considered that the distributable surplus is that which stems from the difference between the cost and the price of the service lent. Thus, the origin of this surplus is defined as “an excess in the estimate of the cost of the service provided.”

If it is the case that this surplus is generated, 5 percent has to be deposited in a reserve account, 5 percent in an assistance and work fund, and 5 percent in an education and training fund. Regarding interest on capital, it can be paid only if the bylaws allow for it.<sup>17</sup> Once these deductions have been made, the remaining surplus can be distributed among the associates under the concept of *retorno* (return), and in proportion to their use of the social service provided by the cooperative.

In other words, the surplus generated by cooperative activity can be appropriated by the associates, once the deductions described are made, and bearing in mind the principle that the amounts to be distributed as *retornos* are mere “excesses in the estimate of the price of the service provided.” Likewise, the surplus stemming from the provision of services to non-associates and from extraordinary economic operations, together with the mentioned 5 percent, has to be placed in a reserve account which cannot be distributed for any reason. Cooperative doctrine has denominated this non-distributional condition of reserves as “altruistic allocation of the patrimony,” which is founded on the rigorous principle of preventing any associate from obtaining profits at any other person’s expense –associate or non-associate–within the cooperative. If the cooperative is dissolved, the state is the only heir for this reserve account.

Therefore, a crucial difference between cooperatives and for-profit organizations is that cooperatives have limited possibilities of increasing their capital, owing to the fact that it does not increase according to the profits obtained. That is, the capital is a means provided by the associates to allow the cooperative to deliver efficient services for themselves. Moreover, the capital is constituted by social contributions that adopt the form of equal value nominative shares, which are not divisible and grant the same rights to all the associates. Another crucial difference lies in the concept of *retorno* and its distribution according to the use of social services made by each associate and not in proportion to their capital contribution. And finally, there is the reserve account of non-distributional character, which is made up by the surplus generated by cooperative operations outside of the lending of services to the associates.

In conclusion, according to the experts and bearing in mind the specificity of cooperative doctrine, we think it would be legitimate to consider cooperatives as nonprofit organizations. In this sense, experts on the *economie sociale* share this consideration, and describe cooperatives as institutions with the following features: nonprofit aim, democratic administration, and independence from the state (Hengstenberg and Cracogna, 1988).

However, it is necessary to distinguish the different types of cooperatives that exist nowadays in Argentina, as it is true that not all of them fully meet the criteria to be considered nonprofit

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<sup>17</sup> On the other hand, if it is the case that such interest is paid, it is limited by the law to a rate lower than that paid by the National Bank.

organizations. There are currently almost 12,400 cooperatives distributed as follows: 34 percent workers' cooperatives, 20 percent housing cooperatives, 15 percent in the agricultural and livestock field, 14 percent in the provision of utilities, and the rest in the credit, consumption and insurance fields.

According to the criteria set by the Johns Hopkins Comparative Nonprofit Sector Project, we will consider only three types of cooperatives within the core coverage: workers', agricultural and livestock,<sup>18</sup> and utilities. The rest—i.e. commercial, industrial, banks and insurance—will be counted and reported on separately, since, although they are important in the Argentine context, they operate similarly to for-profit organizations.

### **Obras Sociales (Workers' Medical Care Organizations)**

The *obras sociales* emerged from the mutual benefit associations created at the end of the 19<sup>th</sup> century. Since the development of the welfare state in the mid-1940s, several mutual associations related to trade unions were integrated within a national health care system, and started to operate closely related to the trade union legally recognized by the state in each activity branch.

In 1970 a first Law on *Obras Sociales* was enacted, requiring workers' compulsory affiliation, and therefore, workers' compulsory contribution. This contribution, together with employers' compulsory contribution stipulated during Perón's government, constituted the organizations' income. The law also created the National Institute of *Obras Sociales* (*INOS*) as the public agency in charge of coordinating the services provided by these organizations within the national health care system.

The integral coverage provided by the *obras sociales* makes them a peculiar system that fulfills the principles of national health care systems—i.e., universal coverage and services—even to a greater extent than other Latin American systems especially created to this end. This has led experts to compare the *obras sociales* with a real national health care insurance (Hengstenberg and Cracogna, 1988).

This system is currently being modified, but this modification is gradual because of the diversity of interests involved in it. A large number of difficulties laying ahead for the final sanction of the labor reform that is currently discussed in Argentina are related to the system of *obras sociales*. They are a central piece of the bargaining power held by trade unions in their negotiations with the state and the business sector, and they hold a captured market to which private for-profit health corporations want to have access. A recent modification introduced in 1996 was the elimination of compulsory affiliation to the *obra social* of the corresponding trade union, thus allowing workers to choose freely among the spectrum of the existing *obras sociales*—that is, not including private for-profit corporations.

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<sup>18</sup> Most of the cooperatives defined as agricultural and livestock cooperatives are small organizations set up in the provinces that meet the definition of nonprofit organizations. There are a few cases of large cooperatives in the agricultural field, but they fall into the category of industrial cooperatives and they are consequently excluded from the core coverage.

The legal status of *obras sociales* is a controversial topic, owing to the current reforms as well as to the great heterogeneity of institutions it encompasses. Generally speaking, *obras sociales* are considered associations in the broad sense, that is, they enjoy the legal status of private nonprofit persons, and thus, they are under the control of the General Justice Inspection. However, they are also regulated by a specific law, the revised Law on *Obras Sociales*, passed in 1988 and enacted in 1989, which defines them as agents of the National System of Health Insurance and establishes that they are under the control of the Health and Social Assistance Ministry. The Law clearly expresses the heterogeneity of the universe of *obras sociales*, distinguishing eight types: those related to trade unions; those of professional business and corporate managers' associations; those created by agreement with the business sector; those created by national laws; the ones related to the state bureaucracy; those of state-owned enterprises; those related to the security forces; and any others not included in the previous categories. Hereinafter we will refer only to the first three types, which are private entities, unlike the rest which are public, non-state entities.

The inclusion of these three types of *obras sociales* within the nonprofit sector is a debatable issue<sup>19</sup> due to the particular development of these organizations, specifically their close relation to trade unions and the compulsory nature of their affiliation. We will consider them as hybrid cases, bearing in mind their essential role in the provision of health services for wide sectors of the population, the absence of profit objectives, and the current processes of deregulation that will define their future and definite status.

## Trade Unions

The origin of trade unions can be also traced back to the mutual benefit associations created in the 19<sup>th</sup> century, particularly those created on the basis of the trade of their members. Under Peronism important transformations took place, which included the expansion of state intervention and the central role of trade unions.

Trade unions are currently considered as associations in the broad sense, i.e., they enjoy the legal status of private nonprofit persons and thus they are under the control of the General Justice Inspection. At their specific level they are regulated by the Law of Workers Trade Unions No. 23551 –enacted in 1988– and they are under the control of the National Ministry of Labor and Social Security. This Law guarantees trade union freedom –to both create and join them– and the constitution of trade unions for activity branches, trade or corporations. However, it also establishes the status of *personería gremial* (trade union legally recognized by the state), which is acquired only by the trade union that is the most representative in its activity branch.

According to Article 25, the most representative association in its territorial and personal coverage will obtain the status of *personería gremial*, as long as it fulfills the following requirements: (a) to be registered according to the law and in operation for not less than six months;

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<sup>19</sup> In this regard, it is worth mentioning that *obras sociales* are excluded from the *economie sociale*, due to the fact that they are not self-administered organizations. The main arguments are that the capital is constituted by funds provided by the beneficiaries –the workers– but also by non-beneficiaries –the employers–; that the state strongly regulates and intervenes in the national health care system in which these entities are included; and that they are administered by the related labor union (Hengstenberg and Cracogna, 1988).

and (b) to affiliate more than 20 percent of the workers it intends to represent. Once the *personería gremial* is granted, the public agency has to specify the territorial and personal coverage of its representation. If it is the case that the pretended coverage overlaps with that of another trade union enjoying the status of *personería gremial*, both of them have to be compared in order to establish which is the most representative one.

Only those trade unions granted the status of *personería gremial* are the legitimate representatives of workers' individual and collective interests before the state and the employers. Hence, the results of their negotiations with both sectors are imposed on the whole of the representation, i.e., all the workers of the respective trade, whether they are affiliated or not. Furthermore, the status of *personería gremial* grants the right to participate in planning institutions and collective labor negotiations,<sup>20</sup> to supervise the fulfillment of labor regulations and social security, to contribute with the state to the study and solution of workers' problems, to build endowments with the same rights mutual benefit associations and cooperatives enjoy, and to administer their own *obras sociales*.

The special attributions granted by the status of *personería gremial* have reinforced the tendencies inaugurated by Peronism, that is, a strong trade union movement organized in a quasi-corporate way, and mainly composed by large trade unions for activity branches. These tendencies are gradually being modified by the labor reform that is currently taking place in Argentina, and which is subjecting trade unions to a complicated process of reorganization.

### **The Structural-Operational Definition in Argentina**

In general terms, the five criteria set by the structural-operational definition of nonprofit organizations (Salamon and Anheier, 1992) are applicable to the characteristics adopted by the nonprofit sector in Argentina. However, there are some particularities that we would like to point out.

#### **Organized**

As previously mentioned, the Argentine Constitution guarantees through Article 14 the right of free association. Furthermore, Article 46 of the Civil Code establishes the legal status of simple association for those organizations that do not have legal personality. Such organizations are considered as subjects of law (*sujetos de derecho*), as long as the constitution act and the appointment of authorities are accredited by public notices or through a private instrument certified by a public notary. In case they operate without these requirements, all the members are considered equally responsible for the entity's actions.

Pursuant to this, there is an undetermined number of nonprofit organizations operating without legal personality. Thus, in order to apply the criterion of "structured" to such organizations

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<sup>20</sup> These negotiations are set among trade unions of a specific trade and the respective employers, in order to establish salaries and working conditions. The state participates as arbiter.

it would be necessary to know their level of formalization and duration. Information provided by the database of the National Center of Community Organizations<sup>21</sup> shows that most grassroots organizations are simple associations regardless of the length of time they have been operating. This feature is attributed to the high costs implied by the process of obtaining legal personality (CENOC, 1996).

### **Non-profit Distributing**

Regarding this criterion it is worth remembering what has been mentioned above about cooperatives, as they are the only type of organization exhibiting particular features. As noted, even though the Law on Cooperatives does not define such institutions as nonprofits, it states that their first objective is the provision of services to their associates. Following the cooperative doctrine, the Law defines the distributable surplus as “an excess in the estimate of the cost of the service provided,” and establishes its distribution among the associates in proportion to their use of that service –and not in proportion to their capital contribution. Moreover, such distribution is limited by previous and obligatory deductions –5 percent destined to a non-distributable reserve account, 5 percent to an assistance and work fund, 5 percent to an education and training fund–, and by placing all the surplus produced by extraordinary operations, such as the provision of services to non-associates, in the non-distributable reserve account.

Taking into account these particular features, we believe the “non-profit distribution” criterion can be applied to many organizations formed as cooperatives in the Argentine case.

### **Private**

Concerning this criterion, it is necessary to take into account the distinctive features Argentina exhibits when compared to the liberal-democratic model, in which the state is limited and its legitimacy is based on its role as the preserver of individual rights and autonomy of pre-existing social ties. On the contrary, as shown in the historical background, in Argentina the state was first the means by which the nation was built and the population was integrated into civil citizenship. By the 1940s, when the welfare state developed under a populist regime, it was the means by which the majority of the population was integrated into social citizenship.

However, the centrality of the state did not impede the development of a rich and vast nonprofit sector but resulted in the establishment of particular cooperative relationships between the two sectors. Such relationships supposed very flexible borders and sometimes the fusion between the private and the public spheres. This feature, which is currently being modified, can be traced in

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<sup>21</sup> This agency belongs to the National Social Development Secretariat, and it specifically deals with community organizations.

several of the described organizations, such as the *obras sociales* and trade unions with the status of *personería gremial*.

The criterion of “private” also shows particularities in the case of the Catholic Church. In Argentina the Catholic Church is the only church that shares with the state, the municipalities and the provinces the legal status of public law entity. In addition, the National Constitution establishes its economic support by the federal government. However, these features are not enough to conclude that the criterion of “private” is not applicable. In the first place, the Catholic Church is administratively independent. In the second place, there is a wide range of non-sacramental organizations related to it that are almost totally independent from the state regarding their economic support. Such institutions provide assistance services in partnership with the state, but also lend services autonomously, supporting them through diverse fund-raising strategies. Finally, the government and the Church itself are currently discussing the above-mentioned economic dependence established in the National Constitution. Fostering this discussion are the current process of economic adjustment and the initiative of some Church sectors that believe the economic independence of the Church also would allow it greater political autonomy.

### **Self-governed and Voluntary**

Regarding these criteria, we must mention again the particularities of the *obras sociales*, especially those related to trade unions. In the first place, the authorities of these organizations are designated by the respective trade unions, though it should be noted that the trade union authorities are in turn elected by the workers. In the second place, despite the current process of reorganization and deregulation, the workers’ affiliation to an *obra social* is still compulsory. Thus, the *obras sociales* do not fulfill the criteria and are not included in our measurement of the sector.

On the whole, we think that the structural-operational definition developed by Salamon and Anheier is appropriate for the Argentine case, as long as the country’s social and political development, as well as the above-mentioned particular features, are taken into account.

## **The Nonprofit Sector and Argentine Society**

As stated previously, the social visibility of the nonprofit sector, as well as academic research in this area, are relatively recent phenomena in Argentina. The very diversity of terms –nonprofit, voluntary, or third sector; civil society organizations; community organizations; non-governmental organizations– speaks of an object of study that is still being constructed. Accordingly, there is still no agreement on its definition or its components, and even less on its origins, functions or social impact.

In this paper, following the guidelines of the Johns Hopkins Comparative Nonprofit Sector Project, we have adopted one of the various possible approaches to this topic, namely, the one that denominates it *nonprofit sector*; which relies on a structural-operational definition to determine what kind of institutions are included as its components; and that explains its structural characteristics, functions, and evolution using several theories, mainly the “social origins” theory (Salamon and Anheier, 1996). Here, in order to deepen our understanding of the relationship between the nonprofit



sector and Argentine society, we examine several assumptions of the social origins theory, and subsequently we analyze the case of Argentina from this perspective.

The social origins theory assumes relatively stable contexts, an understandable assumption given the cases analyzed and the importance of structural variables in the definition of the nonprofit sector. That is, the social origins theory presupposes the differentiation among the spheres of state, market, and civil society. Moreover, this theory's approach is mainly quantitative, and focuses on the nonprofit sector's function in the production and distribution of goods and services.

Regarding the application of this theory to the Argentine case, we would like to point out several issues. In the first place, it is necessary to consider the unavoidable dimension of change discussed in the historical section as well as in the description of the main types of organizations that compose the nonprofit sector. This dimension of change has mainly affected the level of differentiation among state, market and civil society. Only in the 1980s and 1990s, following the democratic transition and the structural economic reforms, have these spheres begun to be differentiated, yet the lines are still not clearly defined. Consequently, regarding the historical evolution of the nonprofit sector, it is essential to consider the level –and type– of autonomy of its organizations –above all in their relation to the state– and not only their quantity or the size of the sector as a whole. Concerning this, neither the theory of the competition between the state and the nonprofit sector nor a theory of interdependence strictly understood seemed to be applicable until very recently. In any case, it could be argued that the cooperation was translated into a particular network of relationships that supposed extremely blurry borders between the state and civil society.

In the second place, it is also necessary to consider the essential political function performed by nonprofit organizations in addition to their role as providers of goods or services. As pointed out, this political function has been crucial for the recent development of the third sector –above all, through the role of the NGOs– in Latin American societies that have gone through authoritarian regimes and democratic transitions (Smulovitz, 1997). Moreover, the historical background outlined in this paper for the case of Argentina shows that articulation between the political system and civil society organizations is not a new phenomenon but can be traced back to political clientelism and to organizations such as *comités radicales*, socialist centers and *unidades básicas*. However, a fundamental difference between these practices and those initiated by NGOs in the 1980s can be pointed out: namely, given a greater differentiation between spheres, NGOs have tended to be autonomous with respect to the state as well as to the political party system. Therefore, they have initiated a civil dimension of citizenship practically unknown in Argentine society until these last decades.

Bearing in mind these considerations, we will analyze the nonprofit sector from the social origins theory. The social origins theory identifies four models of nonprofit development,<sup>22</sup> characterized by the relationship between state social welfare expenditures, the size and scope of the third sector itself, and a particular constellation of social forces. Given the transitional character of the Argentine case, our analysis will focus on the period opened by populism in the mid-1940s, since it was in this historical period that a welfare state that integrated the majority of the population to

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<sup>22</sup> These models are liberal, social democratic, statist and corporatist. See Salamon and Anheier (1996).

social citizenship was developed; and that structural tendencies, which are now being modified, were inaugurated in the economy, politics, and society.

Considering the four models proposed by the social origins theory, we believe that the most appropriate for that period in Argentine history is the corporatist model, whose main hypothesis posits a direct relationship between the state's social spending and the dimension and scope of the nonprofit sector; that is, the higher social welfare spending, the bigger the nonprofit sector. In this relationship, the state makes common cause with nonprofit organizations, creating a state-sponsored welfare system that includes a substantial role for nonprofits. However, this conclusion is valid only as long as we understand corporativism in a slightly different sense. The social origins theory assumes that nonprofit institutions function in the corporatist model as a "pre-modern" mechanism deliberately preserved by the state in order to retain the support of traditional elites. However, the development of the welfare state in Argentina was based not on the permanence of "pre-modern" mechanisms but rather on the emergence of a new social coalition that displaced traditional elites. The coalition consisted of the state, small and medium-scale industries, and trade unions, and operated within a political regime in which corporate pressure –as a form of interest representation and influence on public policies– was relatively higher than that of political parties.

Furthermore, the common cause between the state and nonprofit organizations was not a relationship of cooperation in the strict sense of the word, which would suppose two different entities in collaboration with each other. Rather, in Argentina, the sphere of the state expanded by "incorporating" associations and inserting them in relationships that blurred the borders of public and private. The clearest examples are the emergence of a national health care system based on *obras sociales* –which, in turn, originated from the mutual benefit associations created by immigrants–, and the role played by the trade union movement.

In 1955, when Perón was overthrown by a coup d'état, a long period of economic and political instability began, characterized by extreme politicization and the generalization of political violence. This period concluded with the bloody dictatorship established in 1976, which in turn ended with the democratic transition initiated in 1983. From the perspective of the social origins theory, it is difficult to comprehend this convulsive period and delve into its consequences. In this highly politicized context, the political function performed by civil society organizations comes to the fore, and this function is not totally visible within the cited theory.

The re-establishment of democracy in the 1980s and the economic reforms of the 1990s have brought a greater differentiation among the spheres of the market, the state and the civil society. This tendency seems to bring the Argentine case closer to the liberal model described by the social origins theory. However, it is necessary to take into account that this is a historical moment marked by reforms and by the emergence of new development patterns. Hence, this transitional character must be taken into account by social scientists interested in the nonprofit sector.

In principle, the model that seems to best describe the current period is the liberal model, which hypothesizes that low social welfare spending corresponds to a large nonprofit sector. Economic stabilization under a free market economy, the consequent withdrawal of the state from traditional welfare functions, and the growing public visibility of nonprofit organizations are several tendencies that support the idea of a transition towards a liberal model. Likewise, cooperative

relationships between the state and the nonprofit sector are developing in the form of partnerships for the implementation of public policies.

However, here again it is necessary to set out several particularities of the Argentine case with respect to the liberal model. In the first place, the development and social visibility acquired by the nonprofit sector in the last decades was a result more of political reality than of its welfare function. After the last dictatorship and during the democratic transition, civil society organizations have mushroomed, and the presence of the so-called NGOs –mainly linked to civil and human rights– has initiated a civil dimension of citizenship –i.e., independent from political parties and political identities– and enabled a greater autonomy of the civil society.

In the second place, the liberal model assumes a significant ideological and political hostility to the extension of state social welfare protections and a decided preference for voluntary approaches. In the case of Argentina, the political dimension comes again to the foreground, as the hostility towards the state was situated in the political sphere, due to the gross human rights violations perpetrated by the military dictatorship. The novelty brought about by NGOs –evidenced in the very term– was their position in opposition to the state, demanding justice and respect for human and civil rights, asking for transparency, and performing civil control over governmental actions. On the contrary, the current withdrawal of the state from the welfare functions it had performed since the 1940s is not a result of ideological hostility but of the economic crisis and the structural reforms of the 1990s. In this respect, the responsibility of the state for the welfare of the population is still a highly appreciated value in Argentina, shared by public opinion and the majority of civil society organizations.

In the third place, the liberal model assumes a central role of the middle classes in the development of the nonprofit sector. However, the main hypothesis of this model seems to be supported precisely at the point when the Argentine middle classes –comparatively, among the largest in Latin America– are undergoing a significant reduction, what has been referred to as the “new poverty phenomenon” (Minujin, 1992).

In conclusion, we believe that the most appropriate decision from the perspective of the social origins theory is to place the Argentine case –beginning in the 1940s– coming from a corporatist model and tending to a liberal one. However, we also believe that it is essential to include the political and change dimensions. This inclusion will allow us to understand the transformation of the nonprofit sector’s development, as well as the transformations in the pattern of relationships among the spheres of the market, the state, and the civil society.

## Conclusions

Argentina is currently undergoing structural transformations that seem to indicate a progressive autonomy among the spheres of the state, the market and the civil society, within the stable context of democratic institutions. These tendencies allow for a clearer vision of nonprofit organizations as a sector with distinctive features and functions. Briefly, the third sector is currently appreciated from two different perspectives. A political perspective highlights the potential of nonprofits to re-create cooperative and solidarity links and to create instances of civil participation in

public affairs. An economic perspective highlights the potential of nonprofits for the provision of welfare services, given the economic crisis and retreat of the state. Until very recently, these two perspectives gave rise to organizations with opposing operational styles. While the former gave birth to organizations bearing a pronounced non-governmental character, the latter included organizations clearly inserted in governmental networks for the provision of social services. In recent years, the idea of a third sector in which both perspectives could converge is gaining support, and meeting places for both types of organizations are emerging.<sup>23</sup>

In these times characterized by change and transition, we believe that even though those organizations operating on the basis of a political perspective must continue to fight for the full respect of civil and human rights, they must also learn how to combine their non-governmental character with the exercise of their right to establish relations with the public sector. On the other hand, those organizations linked to the provision of social services must not neglect the social, political and economic consequences implied in the partnership model in a transitional society such as Argentina. In this regard, several features historically traced in this paper acquire new relevance, i.e., clientelism, the centralization of public powers, or the blurriness of the frontiers between the public and the private. Concerning this, we believe the following to be crucial: (a) the creation of stable institutional settings for cooperation between the state and the third sector, independent from each particular government and (b) the creation of contractual guarantees and mechanisms of public accountability and transparency regarding the management and distribution of funds.

Likewise, legal and tax reforms are crucial. The legal framework for nonprofit organizations in Argentina mainly consists of the general provisions of the Civil Code. However, they are insufficient considering the complex reality and dynamics of the sector and thus, a set of ad hoc rules has been developed by national and local public agencies. This complex and sometimes overlapping framework creates difficulties for the accountability of the organizations, the visibility of the sector as a whole, and the possibility of obtaining empirical data.

These are several of the pending issues for the Argentine nonprofit sector. At the same time, in order to grasp its origin and development, we think it is necessary to stress the historical and political character of the social origins theory. It is necessary to consider, for instance, that origins can be re-established, that there are turning points in history, and consequently, that concepts to analyze these changes must be developed. Likewise, it is necessary to go beyond the function of the nonprofit sector as provider of social services to include their relationship to the public sphere and the political system. Both the change and political dimensions have revealed themselves as essential to an understanding of the role and function of the nonprofit sector in the Argentine case.

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<sup>23</sup> Regarding these tendencies, see Thompson (1997).

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