

Why Not LatAm?

How Latin American universities are missing out on global higher education philanthropy

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Introduction

The economic fall-out of the Covid-19 pandemic has a long way to play out. As many countries still struggle to respond to the terrible impact of the disease, there is one region which has been hit much harder than any other – Latin America. Covid-19 is having a particularly devastating impact on the region’s higher education sector.

Economic data tells a grim story. While global GDP fell back by 3 per cent in 2020 in response to the pandemic, Latin America’s contraction of 7 percent was the sharpest anywhere in the world. A whole raft of supporting data spells out the bleak backdrop for Latin America’s universities. According to the IMF, poverty is estimated to have increased by 19 million people, and inequality, increased by 5 percent compared to pre-crisis levels. The pandemic is set to leave long-lasting damage to human capital from school closures, which were longer than in other regions.

According to the World Bank’s *Education Finance Watch 2021* report, two-thirds of low- and lower-middle-income countries have cut their education budgets since the onset of the Covid-19 pandemic. A third of upper middle-income countries have reduced their education budgets. It warns “these budget cuts have been relatively small thus far, but there is a danger that future cuts will be larger, as the pandemic continues to take its economic toll, and fiscal positions worsen”. Latin American universities are likely to feel the brunt of this economic pain given its economy has been hit hardest.

Context

According to Indiana University’s 2020 *Global Philanthropy Tracker* cross-border philanthropy exceeds \$834bn. Cross-border charitable giving by individuals and foundations is estimated at \$68bn. 70 percent originates from the United States (US).

The growth in philanthropy is explained by a significant increase in private wealth accumulation as well as government efforts to encourage philanthropic institutions and giving. In 2018, Harvard University’s *Global Philanthropy Report* identified around 260,000 philanthropic foundations in more than 40 countries. Of those, the fixed assets of 150,000 foundations exceeded US\$1.5 trillion in value. The majority of foundations are highly concentrated in Europe and North America.

Both Harvard and the Organisation for Economic Cooperation & Development (OECD) concur that education is the preferred area for giving. Education, Harvard explains, “is often viewed as the key to both individual opportunity and achievement, and as an engine of national economic prosperity”.

In 2020 the OECD published a second report on philanthropy during the pandemic. The study confirmed higher education was the biggest beneficiary receiving more than all funding to early childhood education, secondary education and vocational training combined. This presents a significant opportunity for higher education institutions.

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Analysis

While Latin America is a big beneficiary of remittances, one form of philanthropy as determined by Indiana University's research, private philanthropy – giving by foundations and trusts – remains low. Extraordinarily so.

According to the OECD's Centre on Philanthropy, around \$1.6bn in philanthropy went to Latin America based on a sample of the 30 biggest philanthropic foundations in the world between 2009-19. 90 percent of that was pumped into the region by BBVA Microfinance Foundation, an arm of a Spanish financial institution. Less than \$200m went to causes beyond microfinance.

The Gates Foundation represents the most striking illustration of how Latin America and the Caribbean is overlooked compared to the rest of the world. Between 2010-19 Gates global giving topped \$67bn. But, according to Gates own data, direct funding to Latin America is paltry. The region's universities received barely \$24m in those ten years; in contrast universities in Europe received over \$2bn, Asia \$554m Africa \$445m, AustralAsia \$186m. In 2019, Gates awarded \$1.6bn to 202 universities globally. Not one of those universities was in Latin America.

It's not just Gates that has pulled back funding from Latin America. OECD statistics suggest some of the biggest foundations have been not present or are retreating from the region. Philanthropic funding can be uneven so it remains to be seen if the patterns are permanent. But the point remains no less relevant. Why are the great philanthropic institutions in the United States (US) so ambivalent in supporting philanthropy in Latin America, and especially in funding Latin American higher education?

There appears to be no clear answer. One explanation offered in our research is that there is a fierce culture of independence among Latin America's universities. Accepting donations from outside sources, especially foreign donors, carries the risk that impartiality may be seen to be compromised.

This is a characteristic which may distinguish Latin America from other regional cultures. Latin America has maintained a longstanding non-commercial open access research approach where scientific publication is handled by academic institutions. Scholarly output – the production, publication, distribution, and consumption of research literature – has operated historically without fees, and has been financed primarily via public funds destined for education and research, mainly through academic institutions. It creates for a less “commercial” culture.

But while academic independence may be the explanation in some instances, there are likely to be other reasons. After all, arguments of academic integrity haven't prevented institutions elsewhere in the world from accessing international philanthropy.

Another explanation given is that universities in Latin America are often bound by research agendas which tend to be more regionally-focussed than global. For example, Brazil is reported to spend about \$1 billion per year on agricultural research reflecting the importance of agriculture to its economy. But that doesn't seem to count for much with foundations such as Gates, a major funder of crop and agricultural science.

A more persuasive argument is about poor visibility, fundraising culture and infrastructure.

University funding key facts

Carnegie Corporation

2014-18

US & Canada: \$196m
Europe: \$49m
Asia: \$22m
AustralAsia: \$5m
Latin America: \$0

Ford Foundation

2009-18

US & Canada: \$258m
Asia: \$42m
Africa: \$34m
Latin America: \$33m
Europe: \$17m

Gates Foundation

2010-19

US & Canada: \$8.4bn
Europe: \$2bn
Africa: \$445m
AustralAsia: \$186m
Latin America: \$24m

Hewlett Foundation

2009-18

US & Canada: \$147m
Africa: \$43m
Europe: \$14m
Asia: \$5.9m
Latin America: \$2.4m

Open Society Foundations

2014-18

US & Canada: \$138m
Europe: \$17m
Asia: \$11m
Latin America: \$7m
Africa: \$5m

Rockefeller Foundation

2014-18

US & Canada: \$53.1m
Africa: \$5.2m
Europe: \$3.7m
Asia: \$2.6m
Latin America: \$1.1m

Silicon Valley Cty Foundation

2015-20

US & Canada: \$784m
Europe: \$54m
Asia: \$18m
AustralAsia: \$5m
Latin America: \$1.6m

Wellcome Trust

2009-18

Africa: £108m
Europe: £72m
AustralAsia: £43m
US & Canada: £40m
Latin America: £4m

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The opportunity

Indiana University explains that “a global increase of middle-income and high net worth individuals and diaspora communities will lead to more engagement in cross-border philanthropy”. It also argues that technology will make cross-border charitable giving easier, faster, and safer.

Global High Net Worth Individual wealth has increased almost fourfold in the last 20 years and continues to grow rapidly. Harvard considers substantial private wealth as “a prerequisite of a robust philanthropic sector”. International consultancy Capgemini estimates the value of High Net Worth Individual (HNWI) wealth in 2021 at \$79.6 trillion. It expects it to grow to over \$100 trillion by 2025. The Forbes' Billionaires List 2021 reported that the number of billionaires grew by 32% during the pandemic year of 2020. There are now 2,755 billionaires.

Logically Latin America’s extensive and historic higher education sector with its fine research output should be well-placed to take advantage of the rise in global giving since so much philanthropic wealth resides both in the US and Europe, and both regions have deep social, trade and economic ties to Latin America.

The challenge

In our view poor visibility and limited opportunities for engagement compounded by a language barrier may contribute to Latin American missing out on the boom in global philanthropy which is set to be a feature of the coming decade.

But is it simply a question of university leaders in Latin America beating a path to funders in Silicon Valley or New York to pitch their wares? That model is starting to look outdated and smacks of inequity, rewarding as it does those institutions with the resources to invest in significant engagement efforts and preparing procurement-like applications. A mind shift is also needed among some of the big funding institutions, especially those in the US, about where they should be investing their capital internationally, and how they should be identifying the institutions that are most in need and where the potential is greatest.

Universities matter because they are pathways out of poverty and pillars of a stable society. The US and Europe’s historic vehicles of soft power – their philanthropic foundations – could and should make a far greater contribution in supporting the institutions of Latin America’s fine and longstanding higher education sector.



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