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## Law 9,637, of May 15<sup>th</sup>, 1998 - Social Organizations

### CHAPTER I - SOCIAL ORGANIZATIONS

#### Section I – Qualification

Art. 1. The Executive Branch may qualify as social organizations non-profit private legal entities whose activities are aimed at education, scientific research, technological development, environment protection and preservation, culture and health, since met the requirements provided for in this law.

Art. 2. Are specific requirements for the private entities referred to in the preceding article be enabled for the qualification as a social organization:

I – to prove the registration of its constitutive act providing for:

- a) the social nature of its purposes regarding the correspondent field of activity;
- b) non-profit purpose with requirement of investing its surplus funds in the development of its own activities;
- c) express provision that the entity has as superior bodies of deliberation and decision the Board of administration and the Board of Directors, established pursuant to its statute, being assured to the first one the composition and the normative and basic control powers provided by this Law;
- d) provision of participation of representatives of the government and community members with notorious professional capability and moral idoneity in the superior deliberative body;
- e) board's composition and powers;
- f) obligation of an annual publication in the Federal Official Gazette of the financial reports and the report on implementation of the management contract;
- g) when a civil association, the acceptance of new members pursuant to its bylaws;
- h) prohibition of distribution of goods or portions of its net assets under any circumstances including in case of dismissal, removal or death of an associate or member of the entity;
- i) provision of full incorporation of patrimony, legacies and donations received, as well as surplus funds arising from its activities in case of extinction or disqualification, to the patrimony of another social organization qualified within the Union sphere, of the same activity field, or to the patrimony of the Union, States, Federal District or Municipalities, according to the proportion of resources and assets allocated by them;

II – to have approval on the convenience and opportunity of its qualification as a social organization from the Minister or the incumbent of supervisory or regulatory body of the field activity corresponding to its social object and from the State Minister of Administration and State Reform.

#### Section II - Board of Directors

Art. 3. The board of directors should be structured according to the provisions of its statute being observed for the purposes of meeting the requirements of qualification the following basic criteria:

I - be composed of:

- a) 20-40% (twenty to forty percent) of permanent members representatives of the Government, as defined by the entity's statute;

- b) 20-30% (twenty to thirty percent) of permanent members representatives of civil society organizations, as defined by the statute;
  - c) 10% (ten percent) when a civil association, of members elected from among its members or associates;
  - d) 10-30% (ten to thirty percent) of members elected by the other parties integrating the council among persons of renowned professional and recognized moral integrity;
  - e) 10% (ten percent) of members appointed or elected as provided by the statute.
- II - the members elected or appointed to integrate the Council should have a mandate of four years, accepted one renewal;
- III - the representatives of entities referred to in subparagraphs "a" and "b" of item I should correspond to more than 50% (fifty percent) of the Council;
- IV - the first mandate of half of the members elected or appointed shall be of two years, according to criteria established in statute;
- V - the main director of the organization should participate in board meetings, without voting rights;
- VI - The Council shall meet ordinarily at least three times each year and extraordinarily at any time;
- VII – the counselors should not receive remuneration for services provided to the social organization under this condition, except for the stipend for the meetings attended;
- VIII - the directors elected or appointed to join the board of the entity must renounce when assuming executive functions.

Art. 4. To meet the qualification requirements it should be of the private attribution of the Board, among others:

- I – to determine the scope of activities of the entity to achieve its object;
- II - to approve the proposal of management contract of the entity;
- III - to approve the budget proposal of the entity and the investments program;
- IV - to appoint and dismiss board members;
- V – to set the remuneration of board members;
- VI - to approve and provide for the amendment of the statute by the majority of at least two thirds of its members;
- VII - to approve the internal regulations of the entity which must at least provide on the structure, management form, positions and their respective competences;
- VIII – to approve, by the majority of at least two thirds of its members, the regulation containing the procedures to be adopted for contracting constructions, services, purchases and sales and the staffing, compensation and benefits plan of the entity's employees;
- IX – to approve and submit to the supervisory body on the implementation of the management contract, the management and activities reports of the entity prepared by the board;
- X – to monitor the compliance with the guidelines and goals set forth and approve the financial and accounting statements and the annual accounts of the entity with the support of an external audit.

### Section III - Management Contract

Art. 5. For the purposes of this Law a management contract is the instrument signed by and between the public authority and the entity qualified as a social organization in view of forming a partnership

between the parties for the fomentation and implementation of activities regarding the fields listed in art. 1.

Art. 6. The management contract, drawn up jointly between the body or supervisory agency and the social organization, shall discriminate the powers, liabilities and obligations of the public authority and the social organization.

Sole Paragraph. The management contract should be submitted, after the approval from the Board of Directors of the entity, to the Minister of State or supervisory authority from the field corresponding to the activity fostered.

Art. 7. In preparing the management contract the principles of legality, impersonality, morality, publicity, economy and the following precepts should be observed:

I - a detailed description of the program suggested by the social organization, the stipulation of goals to be achieved and deadlines for their implementation, as well as express provision on objective criteria for performance evaluation to be used through indicators of quality and productivity;

II - limits and criteria for expenditures regarding the remuneration and benefits of any kind to be received by directors and employees of the social organizations when performing their duties.

Sole Paragraph. The States Ministers or the supervisory authorities of the entity's field of activity should define other provisions for the management contracts that they are signatories.