



This document has been provided by the International Center for Not-for-Profit Law (ICNL).

ICNL is the leading source for information on the legal environment for civil society and public participation. Since 1992, ICNL has served as a resource to civil society leaders, government officials, and the donor community in over 90 countries.

Visit ICNL's **Online Library** at
<http://www.icnl.org/knowledge/library/index.php>
for further resources and research from countries all over the world.

Disclaimers

Content. The information provided herein is for general informational and educational purposes only. It is not intended and should not be construed to constitute legal advice. The information contained herein may not be applicable in all situations and may not, after the date of its presentation, even reflect the most current authority. Nothing contained herein should be relied or acted upon without the benefit of legal advice based upon the particular facts and circumstances presented, and nothing herein should be construed otherwise.

Translations. Translations by ICNL of any materials into other languages are intended solely as a convenience. Translation accuracy is not guaranteed nor implied. If any questions arise related to the accuracy of a translation, please refer to the original language official version of the document. Any discrepancies or differences created in the translation are not binding and have no legal effect for compliance or enforcement purposes.

Warranty and Limitation of Liability. Although ICNL uses reasonable efforts to include accurate and up-to-date information herein, ICNL makes no warranties or representations of any kind as to its accuracy, currency or completeness. You agree that access to and use of this document and the content thereof is at your own risk. ICNL disclaims all warranties of any kind, express or implied. Neither ICNL nor any party involved in creating, producing or delivering this document shall be liable for any damages whatsoever arising out of access to, use of or inability to use this document, or any errors or omissions in the content thereof.

Greece



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 06.06.1997
COM(97) 241 final

LENDING

COMMUNICATION FROM THE COMMISSION

on

PROMOTING THE ROLE OF VOLUNTARY
ORGANISATIONS AND FOUNDATIONS IN EUROPE

I INTRODUCTION

PURPOSE

1 This Communication concerns one sector of the social economy in the European Community - that of voluntary organisations and foundations. These organisations are playing an important role in almost every field of social activity. They contribute to employment creation, active citizenship, democracy, provide a wide range of services, play a major role in sport activities, represent citizens' interests to various public authorities and play a major part in promoting and safeguarding human rights as well as having a crucial role in development policies.

1.1 Over the years they have made an increasing contribution to the development of Europe which is something that should be encouraged and developed.

1.2 Given this importance, the European Commission carried out an extensive survey in order to gain a better knowledge of the sector and to identify issues to be addressed. The results of the survey are given in annex 1.

1.3 The aim of the document is to illustrate the growing importance of the sector within the European Union, to show what problems and challenges these organisations are facing and to open up a dialogue on the basis of a set of ideas, in order to favour their development at European and national level, to improve their capacity to meet future needs and maximise their contribution to European integration.

1.4 This document presents a series of measures which could be taken at Member State level, but does not seek to impose on Member States specific solutions or actions. It is up to individual Member States to take on the different issues as they see fit. However, conforming to the principles of subsidiarity and proportionality there are some objectives which can be dealt with at Community level. These ideas are outlined in the "Conclusion".

II. SCOPE

Voluntary organisations

2 Of the three sectors - co-operatives, mutual societies, and voluntary organisations - which go to make up the social economy, that of voluntary organisations is by far the most difficult to delimit or define.

2.1 At their most basic, voluntary organisations are simply groups of people who have come together for some purpose or other.

2.2 At one end of the spectrum, the world of voluntary organisations merges imperceptibly into the tissue of everyday social, community, and family life; at the other end can be found great institutions of enormous national and even international importance such as universities, hospitals, research and cultural institutions, which many people are accustomed (erroneously) to think of as straightforward "public" bodies. Others, in contrast, have hundreds of professional staff, thousands of volunteers and a turnover of many millions of ECU's. Very many voluntary organisations work closely with public authorities in conventional spheres like social work; others maintain a strong tradition of complete independence and are concerned with radical social programmes or "alternative" lifestyles.

2.3 There is, however, some agreement that voluntary organisations share to varying degrees the following features:

a) they are distinguished from informal or ad hoc, purely social or familial, groupings by some degree, however vestigial, of formal or institutional existence.

(b) they are non-profit-distributing, that is to say they have purposes other than to reap profits for their management or members.

(c) they are independent, in particular, of government and other public authorities, that is to say free to govern themselves without interference according to their own rules and procedures.

(d) they must be managed in what is sometimes called a "disinterested" manner. The

functions one from another. Throughout Europe hundreds of thousands of autonomous local groups working at the level of the neighbourhood, city quarter, village, or small rural area, whose aim is to improve the quality of life for the local community. Such organisations in effect simultaneously fulfil, typically in an informal way, all the functions described above - providing services and mutual support, drawing attention to the needs of the community or of particular groups within it, and providing a mechanism through which the community can make its aspirations known to public authorities.

The legal and fiscal framework for Voluntary Organisations and Foundations

5 The importance of having clear, positive legal and fiscal frameworks for voluntary organisations and foundations to work in cannot be underestimated. Organisations find it difficult to develop their work when such frameworks do not exist, whether they be at national or European levels. Annex II gives an overview on the way that legal and fiscal frameworks for the sector are based in the European Union.

III. THE ROLE AND IMPORTANCE OF VOLUNTARY ORGANISATIONS AND FOUNDATIONS

6 It is clear from the results of the Commission's survey that voluntary organisations and foundations, though often very small, together command sizeable assets and mobilise large human resources, both salaried and volunteer. Like other forms of enterprise, and particularly small and medium sized enterprises many voluntary organisations and foundations are also economically active - they sell products, provide services for which they are paid, and generate surpluses which are then reinvested.

6.1 The contribution of the sector to the economy is very considerable indeed. Just how

significant has recently been revealed by the results of the first rigorous comparative survey of the sector in four Member States (the United Kingdom, France, Germany and Italy) directed by the John Hopkins University, Baltimore¹. These results are of conceivable interest.

6.2 The study found that:

in Germany the sector accounts for 3.7% of total employment and 10% of total service employment. That is no less than a million people. The non-profit sector is especially important in health: 40% of the hospital patient days are provided by the sector, as are 60% of the residential care facilities.

in France 4.2% of the employed work in the sector or over 10% of the total employed in the service sector. In all some 800,000 people are employed. Non-profit organisations look after over half of those in residential care and about 20% of primary and secondary school students. Non-profits are especially prominent in social services and in sport where 80% of those with sporting interests belong to non-profit clubs.

in Italy nearly 2% of the employed work in the sector or over 5% of those employed in the service sector. In total the sector, which is prominent in social services, employs about 400,000 people. Non-profits run 20% of kindergartens and over 40% of residential care facilities.

In the UK 4% of the employed work in the sector or over 9% of those in the service sector. Altogether about 900,000 people are employed in the sector, which plays an especially important role in the provision of research and education: - all colleges are run by non-profits, as are 22% of primary and elementary schools.

6.3 Finally, the combined expenditures of the sector in these countries was no less than 127 million ECU (17 billion in Italy, 31.3 billion in France, 36.6 billion in the UK and 42.2 billion in Germany).

¹ Published in 1994.

take for granted today. Their contribution to the development of social and political ideas, and to the intellectual climate in which we now live, has been similarly immense. Voluntary organisations and foundations have played a vital role in the dissemination of scientific ideas and of technological developments and have provided forums for the exchange of thinking across the whole range of human concerns. They have led the fight for the recognition of human rights and the dignity of the human person, and for the preservation of our cultural heritage and of the natural environment. Many promote a spirit of solidarity on behalf of the less favoured, the sick or people with disabilities, the poor and the excluded, the aged and the young, and between those who have jobs and those who do not, between men and women, between generations, between the more prosperous regions and the poor or struggling regions. Voluntary organisations make important contributions to the fight against social exclusion, sexual exploitation of women and children, as well as racism and xenophobia. They have played a major role in the mobilisation of public opinion in favour of development, promoted democracy, and have established privileged links with the representatives of civil society in the developing countries, as well as providing much needed emergency help and food aid in times of crisis, often showing heroism working in troubled regions.

7.2 Today voluntary organisations and foundations are active in every conceivable field of human interest or endeavour and their contribution to the welfare and development of our societies and to our diverse cultures remains as essential as it has ever been, especially in view of the process of European integration. At the same time they continue to innovate, to discover new needs and to experiment with ways of responding to them.

In this way voluntary organisations and foundations continue, as they have always done, not just to provide the seed bed or "gene pool" from which future social and other policies may eventually grow but also the political, social and intellectual climate in

which change comes to be seen as desirable on a wider scale.

Political importance - Citizenship

3. For many people, membership of, or volunteering for, voluntary organisations and foundations, provides a vital means through which they can express their sense of citizenship, and demonstrate an active concern for their fellows and for society at large.

8.1 The part that voluntary organisations play in strengthening a sense of citizenship and providing a means for its expression is of growing importance at the European level. Indeed, they have an active part to play in creating a sense of European citizenship as mentioned in Article 8 of the Treaty on European Union. Voluntary organisations and foundations have long fostered international contact and understanding between peoples and are now showing a keen interest in the part citizens have to play in the forging of the European Union and in giving substance to the citizen's Europe. Their experience and basic philosophy, together with their growing organisation at the European level, fit them well for this role.

Political importance: Promoting Democracy

9. Voluntary organisations and foundations foster a sense of solidarity and of citizenship, and provide the essential underpinnings of our democracy. In the light of the challenges now facing the European Community, and indeed in the different countries of East and Central Europe, these functions have never been more vital.

9.1 There is no doubt that voluntary organisations and foundations make a profound and indispensable contribution to the democratic life of Europe. Indeed, the existence of a well-developed association and foundation sector is an indication that the democratic process has come of age. For many people participation in a voluntary organisation may be their only

9.7 A high level of political commitment exists at European level to ensuring that more systematic consultation with the voluntary sector is instigated, as regards both the development and implementation of policy, commensurate with their increasingly important role, especially in social policy, in the Member States³.

Subsequent to the creation of Declaration 23, a number of developments have taken place which moved forward the process of consolidating co-operation with, and instigating more systematic consultation of, NGO's and other voluntary sector organisations. Key amongst these developments were:

- the holding of the first European Social Policy Forum in March 1996, which brought together over 1000 participants mainly from NGOs, on the eve of the beginning of the Intergovernmental Conference. This saw the launch of a new policy objective: the building over time of a strong civil dialogue at European level to take its place alongside the policy dialogue with the national authorities and the social dialogue with the social partners. It is intended that the Forum be held every two years.

This emerging civil dialogue has two main aims:

- to ensure that the views and grassroots experience of the voluntary sector can be systematically taken into account by policy makers at European level so that policies can be tailored more to real needs, and;

institutions responsible for welfare establishments and services".

³ It should also be noted that the Commission has had a long standing dialogue with the sector in other areas such as with Development NGOs through the EC-NGO Liaison Committee which receives 90% of its funding from the Commission.

- to disseminate information from the European level down to the local level so that citizens are aware of developments, can feel part of the construction of Europe and can see the relevance of it to their own situation, thus increasing transparency and promoting citizenship.

- the creation in 1995 of a Platform of European social NGO's, representing a large number of organisations, in order to assist in the preparation of the European Social Policy Forum and to facilitate the development of civil dialogue.

- the setting up of a "Comité des Sages" in 1995 to prepare a report on fundamental rights to be discussed at the Social Policy Forum with a view to it providing an input to the IGC discussions on the revision of the EU Treaty.

This report which advocated a Europe of civic and social rights has also sparked off a Europe-wide debate through a series of national seminars involving, in particular, the voluntary sector and the Social Partners.

- the creation, in 1997, of a new budget line, B3-4101, to promote co-operation with NGO's and other voluntary sector organisations and to strengthen the capacity of these organisations to engage in civil dialogue at European level;

9.8 In the context of the preparations for the IGC an ongoing dialogue was developed between the sector, the Commission and the European Parliament.

Important issues relating to the sector have been discussed in the framework of the IGC. These include:

- a legal base for regulations concerning associations at European level

- a legal base for incentive measures both in employment and the social field

they are resourced and trained, and public authorities should be aware of the importance of giving voluntary organisations and foundations the resources and time to be able to adapt to new needs.

10.2 Despite their increasing reliance on foundations and voluntary organisations to carry out a wide range of functions, public authorities have not on the whole acknowledged their responsibility to ensure that the sector is as well placed as possible to make its distinctive contribution to the public good. The result is that in many Member States the sector, as a sector, operates in what amounts, at least in strategic terms, to a policy vacuum. This lack of a coherent framework of public policy has inhibited it from contributing, to the optimum extent possible, to the solution of the problems which we face. It is time it was remedied.

10.3 One of the greatest problems facing policy makers is the present serious lack of information about the sector. In an important sense, policy-making has also been inhibited by the structure of government itself, and in particular by the habit of public authorities of relating to associations and foundations as suppliers of services to particular client groups or as interlocutors in particular subject areas. Social service departments have contact with organisations supplying social services, environment departments with those active in the environmental field, and so on. Over a period of time, such departments and their officials can acquire a close and detailed knowledge of the particular organisations with which they deal. Within government as a whole, however, such knowledge as departments may acquire remains fragmented. For the most part it is rare for public authorities to have an overview of the sector as a whole or of its needs, or of significant developments within it. The same phenomenon has no doubt also been one of the factors which in a number of Member States has inhibited the growth of a "broad sectoral"

consciousness amongst voluntary organisations and foundations themselves.

10.4 The urgent need now is for public authorities to complement their "vertical" approach and to begin to look seriously at "horizontal" issues affecting the sector as a whole with a view to developing appropriate policies. At the same time, the public role of voluntary organisations and foundations needs to be acknowledged and the acceptance of the sector as a full partner in the debate on all policy and implementation matters which concern them, needs to be actively encouraged at all levels.

10.5 Over the past ten years the amount of transnational work done by voluntary organisations and foundations has increased dramatically. This is due to a growing number of European funding programmes being opened up to the sector which encourage transnational collaboration, and an expanding number of organisations who are interested in developing their services in other countries.

10.6 There is also a large and continuously growing number of European wide federations or networks of voluntary organisations and foundations. Some, such as the Red Cross Liaison Committee act as a co-ordinating organisation for individual national organisations which share the same aims and objectives, as well as the same name. Others such as the European Foundation Centre or CEDAG* (the European Council for Voluntary Organisations) act as a focus point for lobbying the public authorities on behalf of the sector, and providing and developing examples of good practice within their - often - diverse membership.

10.7 There are also many development and emergency aid agencies which have a long tradition working overseas, but which are working more and more together at a European level and with the European Commission. Indeed, the EC-NGO Liaison Committee of Development NGOs, works closely with

organisations a legal personality in other countries within the European Union.

*** weak representativeness of organisations taking part in consultation**

In some cases European networks lack the structure and adequate membership to ensure that views of a wide spectrum of operating organisations at local, regional and national levels are taken into account.

*** lack of understanding by some public authorities on what European work voluntary organisations and foundations wish to do.**

Many organisations complain that public authorities are not aware or being supportive of the transnational work that they are trying to do. This often results in transnational projects being hindered.

lack of adequate training

Inadequate training can lead to poorly run organisations and the inability to respond to challenges and new needs.

lack of access to networking techniques

Subsequent to poor training some organisations are not able to develop links with other like minded organisations.

1.10 Not all these problems are insurmountable, and indeed some of them are already being dealt with by the European Commission and by some Member States. However, it should be stated that they are often dealt with on an ad hoc basis, and not as part of a coherent strategy and policy towards the sector. The following section presents a number of ideas which can be addressed by the sector itself, as well as at Member State and European levels.

VI CONCLUSION

MEMBER STATE LEVEL

The Commission believes that for the most part action will need to proceed, in line with the principle of subsidiarity, at the level of the Member State or, where appropriate, at the level of the region or the locality.

The Commission proposes that the Member States examine attentively the following areas:

*** acquiring a much deeper knowledge and understanding of the sector at all levels**

There is no doubt that policy making is at present severely hampered by the lack of systematic and reliable data about the sector. Indeed there are parts of the Community where the sector has had so little public profile that policy makers appear to have been scarcely aware of its existence. All concerned actors, European, national, regional, local authorities and the voluntary sector itself, need therefore to address the question of what practical steps they could each undertake to map the extent and contribution the voluntary sector makes.

*** the relationship ("partnership") between public authorities and the sector**

Voluntary organisations are being asked to take on an increasingly important role, by public authorities across the Community and by the European Commission itself. It is therefore important that voluntary organisations are given the opportunity to be involved in planning services and policy making with public authorities at all levels. Relationships between voluntary organisations and public authorities should be clearer and new partnerships developed. Partnership between voluntary organisations and governments will involve contractual arrangements between individual voluntary organisations and public authorities which will properly involve their own constraints. But whatever relationship they may have with governments, voluntary organisations and foundations are independent of government and must remain so. Public authorities should review public policy and make proposals about what would need to be done for policy to help the voluntary sector to increase its capacity and where relevant to improve its skills in order

lobbying role, but are asking to be consulted systematically and regularly by Community bodies on all matters, and on all decisions which might affect the work they do, how they do it and their efforts to achieve their objectives.

The Commission will maintain and further develop a continuous exchange of information and points of view by establishing systematic and regular dialogue and consultation with the sector⁵. In this connection the Commission welcomes the establishment by the aforementioned movements of the Consultative Committee for Cooperatives, Mutual Societies, Associations and Foundations, which aims to ensure the consultation and the horizontal co-ordination of the sector. The Commission will also look to develop its dialogue with the sector through the European Social Policy Forum and the new budget line promoting cooperation with charitable associations, and will examine how the representation of voluntary organisations on other existing advisory committees can, where appropriate, be organised. The development of this **dialogue and partnership** will contribute to a better understanding and building of European integration at all levels. As well as this, the revised treaty should include such measures as the fight against exclusion, the promotion of employment, and measures in areas such as non discrimination and immigration, which call for this strengthening of dialogue.

▪ The role of voluntary organisations in present-day society will not be recognised without more knowledge of how this sector operates, and of its requirements and expectations. As people are very far from being fully aware of all this, particularly in all the Member States and at European level, an effort must be made in this direction. One of the ways of making progress in this matter is to give a **higher profile** to voluntary organisations and

⁵ In this context it should be recalled that the European Commission has published a directory on European Non Profit organisations in order to enable officials to consult more systematically and as widely as possible.

their work. For these reasons, and in order to support the effort to improve knowledge of this sector, the Commission will consider proposing **a year of voluntary organisations and European citizenship.**

▪ The Commission recognises the importance of the role that voluntary organisations can play as disseminators of information, and as bodies close to ordinary citizens, and proposes to involve them more closely in its activities of disseminating information. Voluntary organisations have played an important role in the development of past "European years". This role has not always been acknowledged. The Commission therefore intends to ensure that the role of voluntary organisations is recognised and publicised in all "European Years" relevant to the sector.

▪ The European Parliament has proposed that studies be made on the expansion of the social economy in the European Community, in particular the establishment of an observatory to follow developments in this sector in the single market. The Commission considers that for voluntary organisations and foundations, this task could be undertaken within the European observatory for SMEs, and proposes that the collection and analysis of information, in the framework of the existing structures, should be based on what voluntary organisations do and want to do at transnational level, and particularly on the problems which they encounter in doing so, i.e. problems arising from differences in their legal forms in the various States, money transfers, leasing or purchasing premises in other states, obtaining subsidies, the effectiveness of the mutual recognition of vocational qualifications, obstacles to sponsoring in the Member States, etc. It would also look to identify areas of good practice which could be promoted and disseminated.

• To undertake transnational activities, voluntary organisations need instruments which are not yet widespread, but which are a *sine qua non* for any activity of this kind. These instruments range from a knowledge of languages to familiarity with current differences in the various Member States concerning

The results of activities financed under the new budget line B3-4013 will help shed some light on the employment dimension of the third sector. In particular the actual and potential role of the voluntary sector and foundations in the employment development process and their job creation capacity will be examined and examples of best practice identified. The Commission will ensure that the resulting analysis and conclusions are widely disseminated.

The European Commission's support through training and the use of information technologies will improve their capacity to network in order for them to fully participate in European Community Programmes.

- The survey has shown that there is a growing interest by voluntary organisations in developing their transnational work. Voluntary organisations are keen to learn different models and ways of working from organisations in other countries. Many organisations find this difficult to do, due to the lack of resources. The Commission could help organisations such as foundations to explore the possibility of them setting up a special fund in order to facilitate the transnational work of voluntary organisations. In particular, the fund would enable voluntary organisations to pre-finance certain projects for which grants have been asked from public authorities, and also enable study visits, and the attendance of conferences, seminars and training events for organisations which normally lack the means to do so.

- The numerous difficulties facing voluntary organisations when they contemplate transnational projects are often the result of national legislations which are ill-suited to the new needs, but they can also arise from the effect of measures taken at Community level, which, since they were drafted with other objectives in view, may turn out to be obstacles for voluntary organisations and foundations. For this reason the Commission proposes to study and monitor closely the effects of Community policies, actions and legislation on this sector. This follow-up and analysis should be carried out systematically also through better

inter-departmental co-ordination, with the aim both of monitoring the implementation of Community rules in the sector and of promoting the structures of voluntary organisations and their access to the Single Market.

The Commission intends to conduct a broad dialogue involving the sector, the European Parliament, the Committee of the Regions, the Economic and Social Committee, Member States and other interested parties in order to fully discuss the issues contained in this document. The Commission intends to hold a series of conferences and seminars to discuss the Communication and issues arising out of it.

- the identification of a whole range of new needs and the growth of new social preoccupations (e.g. sexual equality, the environment and preservation of the biosphere, foreign aid to developing countries following the granting of independence to former colonies in the 60's, peace etc.)
- the employment crisis in the late 70's and early 80's leading to the creation of employment schemes involving voluntary organisations
- historical reasons peculiar to particular Member States such as the release of pent-up associative demand following political changes in Spain and Portugal or the movement to create structures outside the purview of the state following the social and political upheavals of 1968
- demographic changes taking place in Europe such as the increasing number of retired/unemployed people leading Member States to offload services from the State to the private and associative sectors as a way of cutting public expenditure

Numbers of members

I.6 One well-known voluntary organisation in the Community has over 13 million members. Most voluntary organisations, however, are small, often having no more than a handful of active adherents. Because of the methods used by the Commission, the sample contains a disproportionate number (30%) of "intermediary organisations" in the sense explained in paragraph 4 and of national organisations. The results will therefore have considerably overestimated the average size of voluntary organisations in the Community. (Most intermediary organisations responding to the survey were federations - that is, umbrella bodies providing some centralised services (such as information and combined lobbying) for a number of separate voluntary organisations or branches (usually with their own legal identity) working in the same field. Nonetheless the figures are of interest.

I.7 In the sample, about 40% of voluntary organisations had fewer than 100 members and more than half had fewer than 200. The range was, however, very wide. Thus 13% of the sample had between 1 000 and 5 000 members, and 15% had over 5 000. As would be expected, national organisations tended to have more members than those with a regional focus - they appear, roughly speaking, to have twice as many members as regional organisations.

I.8 Of the federations responding to the survey very nearly half represented more than fifty organisations, with 9% representing over 500. Such bodies do, of course indirectly represent large numbers of members of individual voluntary organisations: in our sample over half (55%) of federations indirectly represented more than 10 000 members with 32% representing over 100 000. The average number of members indirectly represented was over 1 300 000.

I.9 The size of voluntary organisations and federations appears to vary according to a number of factors. Larger bodies tend to be older, as do organisations working in fields of obvious and enduring interest, such as social services and education. As has already been remarked, voluntary organisations with wide geographical scope tend to be larger than those with a relatively parochial focus. The size of the membership also reflected to some degree the size and relative wealth of the Member State and the relative maturity of the sector.

Employment

I.10 The numbers of staff employed by voluntary organisations varies very widely - from none at all to many thousands. The great majority of voluntary organisations are, in effect, small enterprises and, like their counterparts in the conventional economy, most employ no more than a handful of staff. A few, however, are large organisations by any standards, employing large numbers of full and part-time salaried staff.

I.11 The average voluntary organisation in our sample employed 40 full and 10 part-time staff. The equivalent average figure for intermediary

Expenses

I.16 Data on organisations' annual expenditure was broken down into salaries and wages, administrative costs, and other costs. On average the costs incurred by our sample organisations amounted to the following:

salaries and wages: thousand ECU	27,743
administrative costs: thousand ECU	465
other costs: thousand ECU	1,044
total costs thousand ECU	31,149

There were minor differences between countries: broadly voluntary organisations from better off Member States spent more than average on wages and salaries. Not surprisingly larger organisations spent rather more on administration than did federations, which were generally more expensive to run than simple voluntary organisations.

Sources of Income

I.17 Very many voluntary organisations depend to some degree on external subsidies of one kind or another, typically from public authorities, but often from individuals or other private donors. Many others are virtually self-supporting, obtaining their income from membership fees or by the sale of services or other products. To get an idea of how they financed their expenditures, we asked voluntary organisations in our sample to state what proportion of their income was from their own resources and what proportion came from so-called external sources, such as gifts and subsidies.

I.18 For the purposes of the study, income from the sale of services (whether to members or non-members) or products (e.g. publications), membership fees, investment income and income from contracts, were all counted as "own resources". Under "External resources" were included subsidies from government bodies and other public authorities,

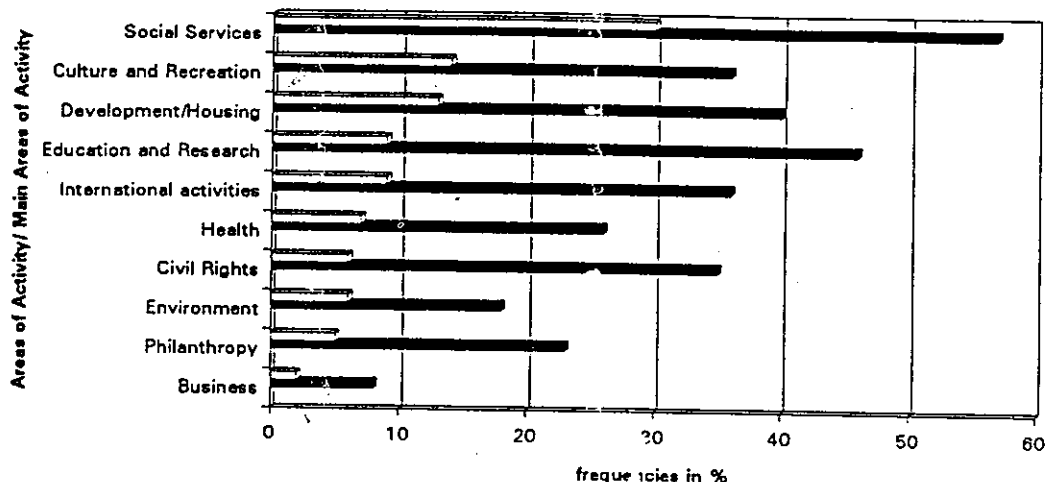
and support from individuals, international bodies, foundations and companies.

I.19 On average membership fees (30%) and the sale of services (30% of which 20% were to members and 10% to non-members) made the largest contribution to voluntary organisations' "own resources", followed by contracts (17%), sales of products (15%), and investment income (8%). To put the matter in another way, on average a typical European voluntary organisations derives some 62% of its "own resources" from economic activity of one form or another - i.e. from selling services directly or under contract, or from selling products such as publications. Again these averages did, however, conceal wide variations in the amounts that voluntary organisations gained from various sources and in their relative importance. For example, in two Member States the most important source of income in the "own resources" category was sales to non-members; and in another membership fees apparently contributed little in comparison with contracts with public authorities.

I.20 There was less variation apparent when we looked at "external resources". By far the most important source of external income for voluntary organisations in all but one Member State was reported to be subsidies from public authorities (52%). This was followed by support from individuals (22%), support from international bodies (10%), grants from foundations (9%), and lastly support from companies (7%). Again to put these averages into perspective, grants from foundations were generally not an important source of income (between 3% and 6%) in all but two Member States, as were supports from business.

I.21 Of all the sources of internal and external income, subsidies were clearly the most important, followed by membership fees. The following diagram compares all the sources of internal and external income and gives their mean percentages of the total.

Areas of Activity and Main Areas of Activity - frequencies in %



but two countries (it is unlikely that this finding simply reflects our particular sample). Greater differences appeared, however, when we looked in more detail at the type of social services provided where voluntary organisations in different countries appear to specialise in different sub-areas such as family care, youth work or services to elderly people or people with disabilities. The latter three groups were, in fact, most often mentioned. This may reflect the fact that governments most often turn to voluntary organisations to provide services for these particular groups.

I.25 Looking in a little more detail at the figures on, for example, "culture and recreation", reveals that 41% of voluntary organisations whose main activity lies in this field are also involved with other cultural and artistic activities - 37% with sport, 29% with recreational and entertainment clubs and 27% with the media and communication. Voluntary organisations which gave another area as their main field of activity were also active in "culture and recreation".

I.26 A further example is provided by "health": 36% of voluntary organisations which claimed that health was their main area of activity were involved in rehabilitation, 35% were involved with public health services, and 26% were active in nursing homes. Nursing homes were also mentioned by, for example, 29% of voluntary organisations which gave "Philanthropy and

Voluntarism" as their main area of activity; and 17% of voluntary organisations who were mostly involved in "social services" were also involved in "rehabilitation".

I.27 This "multi-functionality" is typical of the philosophical approach adopted by voluntary organisations and often also reflects their circumstances as key sources of aid or information in a particular locality. Voluntary organisations in this sense are rarely entirely "subject-oriented": their focus is above all on people and their problems. In this spirit, many voluntary organisations provide what is, in effect a "one-stop-shop" either for the inhabitants of a particular area, or for the group which is their special concern. Thus a voluntary organisation dealing with, for example, people with disabilities, will deal not simply with the immediate results of a particular disability, but will tend to occupy itself also with the information and advice needs of its clients and with the whole range of concerns affecting them, including, most importantly, their rights as citizens. This latter is a particularly important point: as a glance at the diagram will show: while only 6% of our sample regarded themselves as primarily concerned with human rights, 35% gave it as a field in which they were active. The same multi-functionality is evident throughout the diagram.

I.28 When we looked at the expenditure and assets of voluntary organisations working in different fields we found that bodies concerned

federations defined their target public widely - 46% of respondents said that they served the "general public" or alternatively "young people" (37%) or "adults" (35%). In contrast, very few voluntary organisations mentioned more narrowly-defined groups as their particular concern. It may be doubted whether there is much significance in this finding. Since voluntary organisations were not, in practice, confined to one choice from the list provided in the questionnaire, the likelihood is that most respondents whose activity was directed on the one hand at a specific group of people e.g. "drug addicts" or "veterans" and, on the other hand at the population as a whole (whether to draw attention to their work or to canvass for support) indicated both the specific group and "general public".

I.34 When we asked voluntary organisations to whom they provided services the answer was, again, most often the "general public" (39%), followed as the next most frequent categories by the "target group" (38%) and members. (36%), governments or other public bodies (22%). The extent to which these services were provided free or in return for payment varied according to the country concerned and to whom the service was provided. Free services were most often provided to the general public and to members, and paying services to the voluntary organisation's particular target group or clients or to public authorities.

I.35 Overall, more free goods or services were provided by voluntary organisations/federations than goods and services against payment. Not surprisingly, voluntary organisations and federations that mainly offer their services free rely more heavily on support from outside than do bodies which charge. To what extent services are provided free or, alternatively, have to be paid for depended heavily on the voluntary organisation's field of action. For example, the support of the homeless is likely to involve the provision of free (or at least very cheap) goods or services whereas it may be reasonable to charge for, say, adult education. Similarly, sports clubs, where perhaps relatively costly equipment is needed, or which are prestigious,

will provide fewer free benefits than those voluntary organisations involved in social services, especially of a relatively informal kind.

These findings, together with those on voluntary organisations' sources of income are a clear indication of the important redistributive effect which these bodies have.

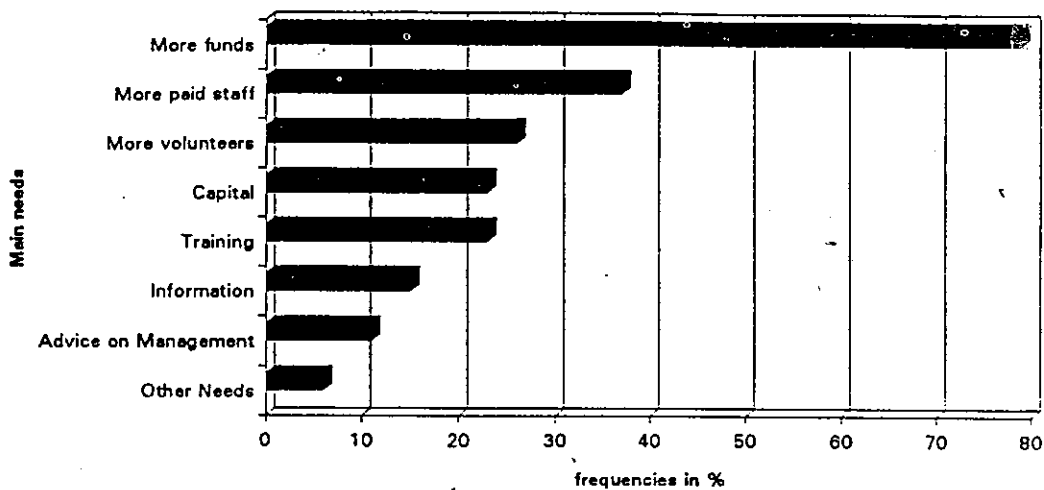
*European Community-wide partnerships
between voluntary organisations
and foundations*

I.36 Because of the method we used, our sample undoubtedly contained a greater proportion of voluntary organisations which are active at the European level than would be expected in a more scientific sample. The figures are nonetheless impressive evidence of the extent to which the sector is already beginning to come together throughout the Community: 50% of those voluntary organisations answering the relevant question, or nearly a quarter of the total sample, said that they were already involved in cross-border activities in some form of partnership with nationals or organisations from other Community countries.

I.37 Given that the inspiration for the majority of the well-known networks already working at European level came from countries in the north of the Community, it might have been expected that the tendency to form partnerships might be less marked in the south than in the north. In the event, the findings did not support this hypothesis: there were differences between countries, which are not altogether easy to explain, but no clear division was discernible between the overall picture north and south.

I.38 Looking ahead, 46% of our respondents said that they envisaged entering into cross-border partnerships at some time in the future. Interestingly, an analysis by country showed, in effect, that it is voluntary organisations in those countries that have hitherto formed a below-average number of partnerships which have the strongest future intentions. In other words, when it comes to operating on the European stage, voluntary organisations in countries now lagging behind appear to have every intention of catching up.

Main needs of European associations/foundations



It is clear from the results that the perceived need for more funds and more staff, and above all the former, is more or less universal. The same demand exists in the sector in all the Member States, though there is a tendency for voluntary organisations in poorer countries, where the sector tends to be less well developed, to feel their comparative lack of funds more keenly. Voluntary organisations are not, on the whole, capital-intensive, and it is not surprising, therefore, that there should not be the same desire for more capital. Nonetheless almost a quarter of our respondents mentioned capital as a need.

I.42 The desire for more paid staff appears to be felt most by older voluntary organisations (those founded between 1945 and 1950): younger voluntary organisations, in contrast, appear in relatively greater need of information and management advice. The desire for more volunteers was very widespread but particularly evident amongst voluntary organisations working in the fields of "health" and, for obvious reasons, in "philanthropy and voluntarism". The need for more training was mentioned by almost a quarter of respondents and appears to be felt by voluntary organisations working in all fields regardless of their age.

*Points for the Commission:
development of the
sector at the European
level*

I.43 Finally, we invited respondents to let us know of any points which they would like to bring to the attention of the Commission and to put forward any suggestions they might have about how the Commission might help the development of the sector at the European level. The answers we received ranged widely from simple demands for "recognition" in a quite general sense (either of the non-profit sector or of some particular organisation) to relatively complex suggestions for changes in, or extensions to, European Community policies.

with different levels of tax relief, means that in practical effect organisations in many Member States are defined in terms of both their formal structure and their objects. It is also true to say that in practical terms the basic provisions of the law on foundations (and in particular the emphasis given to the preservation of assets, with all that that implies) in code countries are also very similar to those found in common law jurisdictions. The clear link here is probably historical. The common law on charity has enjoyed an unbroken tradition and has never drawn a fundamental distinction between foundations and voluntary organisations - both are charitable trusts. Since foundations are the older form, it appears that the law was simply applied later to voluntary organisations without any major adaptations. In contrast many code countries have not enjoyed the same continuity, the result being that the law has diverged.

II.7 Voluntary organisations may be incorporated or unincorporated and both forms are found in all jurisdictions. It seems likely that the majority of voluntary organisations in the Community are in fact unincorporated and thus without legal personality. There are some disadvantages to being unincorporated: it is not always easy for the voluntary organisations to acquire any assets it may need, and its individual board members or trustees, in whose names the business of the voluntary organisation is carried on, may be uncomfortably exposed to liabilities. In most places the law has, however, developed ways of mitigating the difficulties - by the use of the law of agency, for example, or by a common fund to which members contribute and to which creditors have first recourse, and in most jurisdictions the unincorporated voluntary organisation does not appear to be prevented from taking part in legal process as a voluntary organisation (that is to say under its own name rather than that of a responsible board member).

II.8 In code countries the incorporation of voluntary organisations is generally achieved by the publication of statutes conforming to the law in the relevant official journal, together with a list of (board) members. Incorporation (or, more accurately, the registration which is its

condition) may be refused on the grounds that the statutes of the body are non-conforming. A refusal to register a voluntary organisation in these circumstances is an entirely administrative matter and implies no political judgement on the status of the organisation. It needs, therefore, to be carefully distinguished from the circumstances in which organisations may be refused special status for tax purposes (see below, paragraph 5.14 and 5.15). The statutes (and often a full or partial list of members) are typically required to be registered with either the local court or with the responsible ministry, regional or local authority. All foundations have legal personality, which again is normally achieved by the publication of statutes etc.. Unlike voluntary organisations, however, foundations are generally subject to some degree of a priori control to ensure that the statutes are in strict conformity to the law, that (since they are often intended to exist "in perpetuity") management succession has been properly allowed for, and that their intended assets are adequate to achieve their ends.

II.9 In common law jurisdictions no special form of incorporation is available for either voluntary organisations or foundations. Instead bodies seeking the convenience or protection of incorporation have a number of different forms to choose from depending on the area of activity in which they are engaged. By far the most common is the so-called "company limited by guarantee" - in effect a non-profit-distributing company - but there are other forms available such as the "housing association" or the so-called "friendly society". There are also (comparatively rare) examples of charitable voluntary organisations and foundations which have been incorporated by Royal Charter or by special Act of Parliament.

II.10 Incorporation is available everywhere by one means or another, but the resulting degree of legal capacity is not always as great. In a number of Member States legal capacity is effectively unlimited (in any event as long as the body concerned acts in accordance with its statutes). In others, however, neither voluntary organisations nor foundations can receive gifts

discriminates between different sorts of bodies. Thus only very limited relief may be granted to all non-profit bodies, fuller exemption being confined to bodies operating in a restricted number of fields - such, typically, as health, culture or social services - and subject to stringent management and accountability requirements. Such special tax status is subject to administrative and political discretion and in some Member States appears to be increasingly rarely accorded.

Tax relief for donors

II.15 All Member States grant a measure of tax relief to donors to voluntary organisations or foundations, whether they be individuals or companies or other forms of organisation. Reliefs may be granted up to a maximum amount in any one tax year or, alternatively, up to a maximum proportion (expressed as a percentage) of an individual's gross or after-tax income. The arrangements for companies are usually similar, relief generally being granted either up to a maximum amount or up to a proportion of profits before or after tax. Minimum amounts or proportions may be imposed and, in the case of companies, the permitted base for calculating the maximum gift may be turnover rather than profits.

II.16 Some Member States grant some degree of tax relief to donors to any voluntary organisation or foundation active in the public interest as broadly defined. In others, more restrictive criteria are applied, relief to donors typically being restricted to gifts to those voluntary organisations which are themselves granted special status for tax purposes. Indeed, unless they possess the required status, voluntary organisations in these Member States do not normally have the capacity to receive gifts at all (see paragraph 5.10 above). In jurisdictions where voluntary organisations or foundations normally have limited legal capacity, voluntary organisations given a general dispensation to receive gifts may nevertheless be required to dispose of any gift of real property within a specified period. In some Member

States the voluntary organisation or foundation may be charged tax on the gift received.

II.17 Member States also take a different attitude when it comes to legacies. In some Member States individuals are free to leave all or part of their estate to a voluntary organisation or foundation of their choice and, while this appears to be a less common practice than in the past, many still do so. Alternatively they may create a new body - usually a foundation - with some cherished aim. Such testamentary gifts are generally tax free both to the donor's estate and to the recipient body. In those countries where voluntary organisations and foundations have limited legal capacity, however, it may be impossible to leave anything but a notional part of an estate to a voluntary organisation or foundation unless the recipient body has received the required dispensation from the authorities. Willing an estate may be further complicated by strict laws governing inheritance or by requiring that considerable assets be set aside before a foundation can be created.

Indirect tax

II.18 Article 13(A)(1) of the Sixth Directive 77/388/EEC of 17 May 1977¹¹ requires Member States to exempt from VAT "certain activities in the public interest". These include hospital and medical care, goods and services closely linked to welfare and social security work or the protection of children and young persons, education and training for young persons and so on.¹² Many voluntary organisations and foundations are, of course involved in the provision of just such services and their transactions are exempt from VAT, provided

⁹ Known as the "Sixth Directive", it governs the harmonisation of the laws of the Member States relating to turnover taxes and introduces a common system of VAT and a uniform basis for its assessment.

¹⁰ These exemptions are subject to certain conditions (see Article 13.A.1b),g),h),i)) and are not given automatically.

GREECE

ASSOCIATIONS

LEGAL FRAMEWORK

1. Right of association guaranteed by law?
Yes. Article 12 of the 1975 Constitution protects non-profit associations and unions provided that they conform to the laws of the State, which cannot make the exercising of this right subject to prior authorization.
2. Basic definition
Article 61 of the Civil Code. A union of persons with legal personality, formed with a view to pursuing a given object, as well as a collection of goods assigned to serving a given object.
3. Minimum number of founders
Twenty
4. Types of associations
Common law associations
Special associations
Unions of persons (without legal personality and to which the provisions relating to companies apply if no other provision is made).
5. Membership nationality requirements
The right of association is extended to non-nationals under Article 11 of the European Convention for the Protection of Human Rights and Fundamental Freedom
6. Legal personality and how acquired
Following the application to the Court of First Instance in the area of the administration's office (the Memorandum of Association and the statutes must be appended), the legal authorities verify that the provisions of the law are complied with (check on legality). The association acquires legal personality once the Court's decision is

final and the association is entered in the register of that court.

7. Legal capacity
Full legal capacity except for acts inherent to physical persons.
8. Statutes
They must be drawn up in writing and are subject to rules on publicity.
9. Registration requirements
Registration constitutes acquiring legal personality.
10. Commercial activities
Making a profit occasionally in order to obtain resources for the association is authorized.
11. Disposal of assets on liquidation
Article 77 of the Civil Code. The assets of a legal person which has been wound up pass to the State, unless provided otherwise by law, the charter or the statutes, or by the decision of the competent authority. The State is bound to pursue the object formerly pursued by the legal person, using these assets. The assets of the association wound up may not under any circumstances be shared among the members.

TAXATION

INDIRECT TAXATION

12. Article 13 of the Sixth VAT Directive
Application of the exemption laid down in Article 13.
13. Other exemptions
Specific rate (4%) for associations pursuing an object for the public good.
14. Zero rates
No

DIRECT TAXES

15. General position
Income tax. The basis of taxation for legal persons not pursuing a

profit-making object is constituted by the net taxable income arising from the leasing of buildings or land and securities. The tax is not payable on other income or receipts necessary for pursuing the association's object, such as members' regular subscriptions. In the case of foreign associations, only receipts necessary for pursuing the association's object are not taxed

16. Recognition of association for tax purposes

Associations with an object which is for the public good enjoy exemption from tax on income arising from the leasing of land and real estate and from securities.

There is also exemption from paying inheritance tax and taxes on gifts made to legal persons which do not have a profit-making object, are legally constituted in Greece and pursue an object of a national, religious, philanthropic, pedagogic or artistic nature or for the public good. The exemption covers all non-national legal persons with the same characteristics regarding assets which they might inherit in Greece, subject to the principle of reciprocity.

17. Criteria for recognition

A very broad concept of the public good. Covers any object which is not of strictly private interest and concerns the interests of large groups of persons (philanthropic, religious, social, artistic, educational).

18. Qualifying objects for recognition

The competent authority for granting exemption is the tax inspectorate in the region of the association's head office.

19. Gifts by individuals

Tax-deductible from taxable income, but the donor must have Greek nationality.

If the amount exceeds DR 100 000 in one year, it must be deposited in a loan and deposit fund.

20. Gifts by companies

Tax-deductible provided that they have been deposited in a loan and deposit fund.

20(a). Gifts to non-resident associations

Not tax-deductible.

ACCOUNTS AND AUDITING

21. Accounts

The auditing authority is generally the local authority.

FOUNDATIONS

22. Constitution

Concession system. Act of foundation (act *intra vivos* before a notary or a sworn statement - unilateral act by the founder) and presidential decree which approves the will of the founder and is issued by the competent Minister, depending on the objects of the foundation.

23. Definition

Set of goods intended to implement a project for the public good (in principle) and with a non-profit object.

24. Nationality requirements

25. Acquisition of legal personality

Concession system. Acquisition occurs on the day of publication in the Greek Official Journal of the decree granting authorization.

26. Legal capacity

Full. Acquiring legal personality does not automatically imply acquisition of the assets assigned.

27. Disposal of assets on liquidation

TAXATION.

28. As for associations.

ACCOUNTS AND AUDITING

29. Accounts

Audit board.

30. Auditing

The operations of the foundation are monitored by the State.