



Comité européen des associations d'intérêt général
European Council for Associations of General Interest

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**Study on recent public and self-regulatory initiatives
improving transparency and accountability of non-profit organisations
in the European Union**

CEDAG welcomes the results of the Study on “Recent public and self-regulatory initiatives improving transparency and accountability of non-profit organisations in the European Union” presented in the 12/2 meeting with NPO umbrella organizations.

This study shows the diversity of the sector in the Member States and the different legal rules and regulations to be active as a non-profit association. CEDAG agrees with the conclusion that there is no one-size-fits-all way to improve accountability and transparency in the NPO sector.

Basing on the results of the study, CEDAG would like to express the following comments:

CEDAG recognises the very real threat posed by terrorism and the need for robust action to counter this. This includes the need to address specific threats directed at the voluntary sector. It is essential that potential vulnerabilities are identified and appropriate action taken to minimise this risk. However, we are concerned that the actions taken or proposed thus far have increased the burden on individual organisations without effectively tackling the terrorist threat.

This can be seen, for example, in the draft regulations on transparency and accountability¹ produced by the European Union in 2005. These focused particularly on the alleged potential of civil society organisations to be used as vehicles for criminal and terrorist activity. The country reports in the meeting shows there is little evidence to suggest that such abuse is widespread. Further action has to be proportionate.

Whilst the issues raised in the draft regulations are important, the recommendations themselves were unworkable and reflected a lack of understanding of the sector and what it does². Although they were not implemented, they created a climate of suspicion on both sides and added to the perception that it is the sector itself that is being targeted. This is potentially counter-productive: causing harm to the beneficiaries of civil society organisations, whilst at the same time alienating those who are well-placed to tackle the root causes of terrorism. Reducing this perception the study therefore is a helpful tool to bring the debate back on a common level: accountability and transparency as a part of good governance of civil society organisations.

CEDAG propose to develop a strategy that:

¹ European Union, 2005 *Draft recommendations regarding a code of conduct for non-profit organisations to promote transparency and accountability best practices*

² For example, risk factors identified included the use of multiple bank accounts, in fact these are often a requirement of government and EU funded projects; also the sharing of office facilities, which is a sensible way of sharing costs.

- Is evidence-based,
- Achieves an appropriate balance between external regulation and self-regulation, and
- Recognises the positive contribution of civil society organisations.

Evidence-base

Any new initiatives to tackle the threat of terrorist abuse of the non-profit sector must be based on evidence relating to specific activities or processes that place organisations at risk, rather than sectors. For example, transferring money across international borders. Evidence of such risks should be made available to non profit organisations, so they can make informed decisions and take appropriate action to mitigate them as part of a risk-management strategy.

External regulation

External regulation safeguards public trust and confidence in the sector and protects it from political interference. However, undue regulation can and does impose disproportionate burdens on organisations.

Existing legal and regulatory requirements must be fully taken into account before new duties are imposed on the sector. Any new measures must be proportionate and evidence-based and must not be introduced without broad and meaningful consultation with non-profit organisations throughout the EU.

Self-regulation

There should be an emphasis on self-regulation. The European Commission and national governments should work with the sector to develop and disseminate good practice and promote *sector-led* capacity building initiatives, rather than impose models. The aim should be to enable the sector to develop appropriate responses to any suspect activity. Steps taken by individual organisations to mitigate risk should be recognised and valued.

The contribution of CSOs

The European Commission must take account of the valuable contribution non-profit organisations make to civil society, for example by promoting freedom of association and freedom of speech, as well as by building links within and between communities and nations. They also provide tangible benefits, such as humanitarian relief or poverty-eradication strategies, to people in some of the poorest and most disadvantaged parts of the world.

Conclusion

It is essential that the sector is involved in developing initiatives to reduce the risk of terrorist abuse to ensure that measures taken are based on an understanding of non-profit organisations and the environment in which they operate. The sector is part of the solution, not part of the problem. The study recommends some useful ideas to go further with the debate.

Mandate and task of the proposed Centre of Excellence has to be clarified. It can be a helpful instrument to share experience, to give advice and to enable exchange of best practice.

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