



European Economic and Social Committee

SOC/563
Financing of CSOs by the EU

OPINION

European Economic and Social Committee

Financing of Civil Society Organisations by the EU
[own-initiative opinion]

Rapporteur: **Jean Marc ROIRANT**

Legal basis	Rule 29(2) of the Rules of Procedure
Plenary Assembly decision	30/03/2017
Section responsible	Section for Employment, Social Affairs and Citizenship
Adopted in section	27/09/2017
Adopted at plenary	19/10/2017
Plenary session No	529
Outcome of vote (for/against/abstentions)	188/15/10

1. **Conclusions and recommendations**

- 1.1 Civil society organisations (CSOs) play a crucial role in promoting active citizenship in Europe. Participatory democracy needs intermediary bodies if it is to involve the public and encourage them to express their views in all civic spaces. A robust, independent and diversified organised civil society is underpinned by adequate public financing.
- 1.2 In addition to increasing difficulties in accessing public financing, the shrinking civic space noted in some EU Member States is the most dangerous factor for the functioning of CSOs and for European democracy.
- 1.3 In the EESC's view, a political and legal framework should be put in place at European and national level to nurture the development of European civil society, whose activities are an integral part of values anchored in fundamental rights.
- 1.4 Taking their cue from some Member States that have adopted "charters of reciprocal commitment" or "pacts" to this end, the European institutions could take steps to establish genuine European civil society dialogue. Discussions must be resumed on a statute for European associations and a statute for European foundations, and Article 11 of the TEU on structured dialogue with civil society must be implemented.
- 1.5 The EU should encourage Member States both to maintain or develop tax incentives for private donations, and to channel part of their tax revenue into CSOs. The EU should also remove obstacles to cross-border donations by coordinating tax laws and procedures, and invest in philanthropy across the EU.
- 1.6 The European institutions should promote a positive image of CSOs and preserve their independence, particularly by strengthening their capacity for action and engagement in social innovation and civic participation.
- 1.7 The EESC calls for a strategy facilitating the development of a strong and independent civil society in Europe and for the establishment of an EU Ombudsman on civic space freedoms to whom NGOs would report incidents related to any harassment or restriction of their work.
- 1.8 Concerning the future multiannual financial framework (MFF), the EESC calls on the budget authorities to increase funding for CSOs, including in the form of operating grants and multiannual financing.
- 1.9 The EESC calls on the Commission to propose a European fund for democracy, human rights and values within the EU¹, to be equipped with an ambitious budget, directly open to CSOs

¹ This fund would pursue the same objectives as the European Instrument for Democracy and Human Rights: <http://www.eidhr.eu/whatis-eidhr#>.

across Europe and managed independently, similarly to the European Endowment for Democracy², with the participation of representatives of the EESC.

- 1.10 In order to foster participatory democracy, the EESC believes that the Europe for Citizens programme should be endowed with a budget of EUR 500 million under the next MFF, as proposed by the European Parliament³. Similarly, Erasmus+ actions targeting civil society should be increased.
- 1.11 The EESC calls on the Commission to monitor the implementation of the code of conduct on partnership with civil society within the Structural Funds. The Commission should also call on national and regional authorities to use the technical assistance provisions, designed to boost capacity-building, for civil society organisations.
- 1.12 The EESC calls for a more in-depth discussion on how to ensure further involvement of CSOs in research programmes by fostering links between researchers and civil society and by proposing a new strand on civic participation and democracy under the societal challenges pillar in the future research framework programme.
- 1.13 The Sustainable Development Goals and gender equality priorities should be mainstreamed in the future MFF.
- 1.14 The EU should maintain and further reinforce its leadership as donor of humanitarian assistance and international cooperation and proactively promote a fully-fledged civil society.
- 1.15 The EESC welcomes the suggestion made by the Commission in its proposed revision of the Financial Regulation to take into account as eligible expenses the hours spent by volunteers (a direct response to the EESC opinion on "Statistical tools for measuring volunteering"⁴) and facilitate the inclusion of contributions in kind as co-financing. It also welcomes the Parliament's report calling for simplification in the oversight of funds, such as cross-reliance on assessment and audits, speeding up responses to applicants and signing of contracts and payments. The EESC calls on the EU institutions to come to an agreement on the proposed text that will allow hours spent by volunteers to be fairly valued.
- 1.16 Strengthening civil society also means improving access to financing for the smallest organisations and the most disadvantaged sectors of society. With this in mind, the Commission should provide for a variety of financing arrangements and further simplify administrative formalities, providing training and guidelines on the implementation of contracts and financial obligations, while ensuring consistent interpretation by its departments of the Regulation on the financial rules.

² EED is an independent, grant-making organisation, established in 2013 by the European Union and EU Member States to foster democracy in the European Neighbourhood and beyond. All EU Member States are members of EED's Board of Governors, together with Members of the European Parliament and civil society experts.

³ [European Parliament resolution on the Implementation of the Europe for Citizens programme](#)

⁴ [OJ C 170, 5.6.2014, p. 11](#)

1.17 The EESC calls on the European Commission to react promptly with relevant measures, including infringement procedures against Member States, when national administrative or legal provisions restrict the access of national civil society organisations to EU funds, including when funding conditions are imposed that restrict their advocacy.

2. Introduction

2.1 In a number of its opinions, the EESC has examined the issues of civil dialogue and participatory democracy, the definition of these concepts, the representativeness of the various stakeholders and the measures needed at European level. In particular, the EESC has stressed that implementing Article 11 of the TEU⁵ was vital for the EU in its quest for democratic legitimacy in the eyes of its people.

2.2 However, the question of how funding can help facilitate active citizenship and participatory democracy has not yet been addressed in a specific opinion.

2.3 There is now a pressing need to look into the distribution and effectiveness of EU funding in this sphere, at a time when the EU institutions are preparing to discuss the proposal on the post-2020 MFF and stand poised to take a decision on the revision of the Financial Regulation.

2.4 The issue of funding also has a bearing on granting the various stakeholders in European civil society dialogue a role and status of their own. The EESC has already discussed the need for a statute for European associations on a number of occasions⁶.

2.5 For the purpose of this opinion, the term "civil society organisations" (CSOs) refers to non-governmental, non-profit-making organisations independent of public institutions and commercial interests, whose activities contribute to the objectives of the Charter of Fundamental Rights, such as social inclusion, active participation of citizens, sustainable development in all its forms, education, health, employment, consumer rights, support to migrants and refugees, and fundamental rights⁷.

3. The role of civil society organisations

3.1 Engaged, pluralist and independent civil society plays a crucial role in promoting active public participation in the democratic process and in governance and transparency at EU and national level. It can also contribute to policies that are fairer and more efficient, and support sustainable development and inclusive growth⁸. Inasmuch as they have the ability to "reach the poorest and most disadvantaged and to provide a voice for those not sufficiently heard (...)", CSOs make for greater participation and contribute to defining European policies⁹.

5 [OJ C 11, 15.1.2013, p. 8](#)

6 [OJ C 318, 23.12.2006, p. 163](#)

7 [OJ C 88, 11.4.2006, p. 41](#)

8 [White Paper on European Governance, 25.7.2001](#)

9 [COM\(2000\) 11 final](#)

- 3.2 Over and above their civic and social functions, some CSOs are also involved in what is referred to as the "social and solidarity economy" and even make a significant contribution to job creation.
- 3.3 A distinctive feature of CSOs is their ability to bring together a combination of mostly highly motivated volunteers and dedicated employees around a range of projects. Volunteering, in the sense of active civic participation that strengthens common European values, such as solidarity and social cohesion, must benefit from an enabling environment¹⁰.
- 3.4 Genuine participatory democracy needs intermediary bodies (trade unions, organisations of employers and SMEs, NGOs and other non-profit stakeholders, etc.) if it is to involve the public, promote popular and civic ownership of European challenges and build a Europe that is fairer, more inclusive and based on greater solidarity. A robust and diversified civil society is underpinned by adequate public funding and a framework facilitating access to different types of private funding.

4. **The different types of funding**

- 4.1 At EU level, there are numerous programmes in a range of sectors (education, cultural, social, citizenship, environment, fundamental rights, research, international cooperation, humanitarian assistance, health, etc.) that include specific objectives on the participation of civil society, particularly in the form of projects. The institutions have also introduced operating grants designed particularly to promote networking among the national organisations active in a range of sectors and societal issues. This financial support thus helps to shape "European public opinion".
- 4.2 As regards enlargement and external policy, including international cooperation and humanitarian assistance, the EU has developed a proactive policy to promote a fully-fledged civil society, including through targeted measures. The EU is also one of the world's major donors of development aid and humanitarian assistance, an approach which receives staunch backing from the European public¹¹.
- 4.3 However, as regards internal policy there has been no further reappraisal of relations between the EU and CSOs (in particular under Article 11 of the TEU) since 2000, when an initial Commission discussion paper was published, as part of the administrative reform process, highlighting the need to maintain a high level of public funding for the role of NGOs, devise a consistent approach across Commission departments and improve management of grants.
- 4.4 Funding for CSOs comes in the main from the areas of humanitarian assistance and international cooperation. According to 2015 figures, the sum of EUR 1.2 billion was allocated

¹⁰ [European Year of Volunteering 2011](#)

¹¹ See in particular the 2017 survey http://ec.europa.eu/echo/eurobarometer_en.

to funding NGOs (roughly 15% of the "Europe in the world" heading)¹², while appropriations for CSOs in other areas remained somewhat meagre: 0.08% under the "Sustainable growth: natural resources" heading, 2.5% under "Security and citizenship" and less than 0.009% under "Smart and inclusive growth". It is therefore high time to assess these amounts, in addition to the effectiveness of the measures in place.

5. The availability of public funding and shrinking civic space

- 5.1 Recent studies and surveys, along with measures developed in some EU countries, also show that the status of civic space is deteriorating at national level in some EU Member States¹³. The review of the post-2020 financial framework, and the ongoing revision of some funding programmes, cannot fail to take this new fact into account.
- 5.2 The recent Hungarian law on the transparency of organisations receiving overseas funding, passed in June 2017, was condemned by the European Commission, the European Parliament and the Council of Europe. This demonstrates why the Commission needs to ensure that measures to combat terrorism financing and money laundering cannot have unintended consequences for CSOs when it comes to accessing funding and loans.
- 5.3 In many European countries, we are seeing the emergence of measures designed to introduce conditionalities into CSO subsidies, which limit their advocacy role and their capacity to be party to legal proceedings¹⁴.
- 5.4 In many countries, the financial and economic crisis has meant that public funding for CSOs has been cut back and/or made available in the form of short-term grants. Funding schemes that operate primarily on a project basis may force CSOs to adapt their priorities and distance themselves from their original mission and from societal needs. In some countries, governments have backed organisations that follow their strategic line (to the detriment of others) and fostered an atmosphere of political connivance, and we are seeing an increasing lack of transparency in how grants are awarded.
- 5.5 The EESC calls on the Commission to carefully monitor the implementation of ex ante conditionalities when assessing the programmes, as well as with regard to partnership agreements, in particular on employment, social inclusion and non-discrimination, the environment, gender equality and the rights of persons with disabilities, the involvement and enhancement of civil society organisations' institutional capacity¹⁵ and the transparency of procedures to award contracts, and to suspend payments when these are not respected. The EESC also reminds the Commission to monitor the implementation of Article 125 on the

12 [EuropAid - Directorate-General for Development and Cooperation](#)

13 ["Civic Space in Europe 2016", Civicus Monitor.](#)

14 See the Lobbying Act in the UK which prevents NGOs from voicing their views during electoral campaigns or the recent Referendum on the EU membership and current reviews of the Electoral (Amendment) Act 2011 in Ireland, which aims to prevent third parties from influencing electoral campaigns but where interpretation of "political aims" and thresholds for individual donations to NGOs has fuelled controversy, including in connection with the financing of a campaign in support of abortion.

15 [OJ L 347, 20.12.2013, p. 320](#)

obligation for managing authorities to apply selection procedures and criteria that are transparent and non-discriminatory. The EESC calls on the European Court of Auditors to assess compliance with these provisions as regards selection procedures for NGOs in its upcoming report.

- 5.6 The rise in extremism and populism and all anti-democratic acts are a challenge to the entirety of the democratic acquis and create a hostile climate for intermediary bodies. Therefore, there is a need to confirm the importance of the role of CSOs and to increase the EU's financial support for them.
- 5.7 The EESC calls for the establishment of an EU Ombudsman on civic space freedoms to whom NGOs could also report incidents related to harassment or restriction of their work.

6. Possible responses at European level

- 6.1 In the EESC's view, a political and legal framework should be put in place at European and national level to nurture the development of a diversified European civil society, whose activities are an integral part of values anchored in fundamental rights.
- 6.2 The European institutions should promote a positive image of CSOs and preserve their independence, particularly by strengthening their capacity for action and engagement in social innovation and civic participation which is often linked to funding.
- 6.3 Taking their cue from some Member States that have adopted "charters of reciprocal commitment" or "pacts" to this end, the European institutions could take steps to recognise and establish partnerships with representative civil society bodies, thereby creating the conditions for a genuine European civil society dialogue and implementing Article 11 of the TEU and other relevant international commitments¹⁶.
- 6.4 There is also a pressing need to resume discussions on a statute for European associations – proposed by the Commission in 1992¹⁷ – together with a statute for European foundations. This would promote recognition of CSOs and cooperation between them at European level, complementing the European Company Statute adopted in 2004¹⁸.
- 6.5 The EESC believes that the EU should encourage Member States to maintain existing and develop further tax incentives for private donations and channel part of their tax revenue into CSOs, while removing obstacles to cross-border donations by coordinating tax laws and procedures, and investing in philanthropy across the EU.

¹⁶ See for instance obligations under the SDGs and the UN CRPD for structured dialogue supported by adequate funding.

¹⁷ [OJ C 99, 21.4.1992, p. 1](#)

¹⁸ [European Company Statute](#)

- 6.6 Concerning the future multiannual financial framework (MFF), the EESC calls on the budget authorities to increase funding for CSOs, including in the form of operating grants and multiannual financing to ensure that initiatives flourish in the long term.
- 6.7 Since the adoption of the Charter of Fundamental Rights, there has been no real support programme for civil society in terms of human rights in the EU Member States. The vital support given to civil society in the countries of Central and Eastern Europe at the time of their accession to the EU has not been kept up through other funding mechanisms. Recent events that have occurred with the rise of terrorism and extremist and/or populist movements have demonstrated the need to invest more in civil society and ensure cohesion among countries as regards the development of civil society.
- 6.8 The EESC calls on the Commission to propose a European fund for democracy, human rights and values within the EU¹⁹, equipped with an ambitious budget and directly open to CSOs across Europe, including human rights defenders aiming to promote and protect the EU's fundamental values. The fund should cover operational costs as well as litigation and watchdog activities, and be managed independently similarly to the European Endowment for Democracy²⁰, with the participation of EESC representatives.
- 6.9 The Europe for Citizens programme is the only European programme that specifically helps reduce the democratic deficit by allowing all Europeans to participate directly in building Europe, but its funding is too limited. At a time when European values and democracy are being called into question, the EESC believes that the programme should be endowed with a budget of EUR 500 million under the next MFF, as proposed by the European Parliament²¹. Similarly, Erasmus+ actions targeting civil society should be increased.
- 6.10 The majority of CSOs encounter difficulties in accessing the Structural Funds, primarily owing to the co-financing requirements. The technical assistance provisions, designed to boost capacity-building, are consequently under-utilised and frequently reserved for public administrations. The code of conduct on partnership with civil society which is the key instrument has not been properly applied in most countries²². Even when CSOs are invited to take part in supervisory committees, their role is limited.
- 6.11 The EESC calls on the European Commission to react promptly with relevant measures, including infringement procedures against Member States, when national administrative or legal provisions restrict the access of national civil society organisations to EU funds, including when funding conditions are imposed that restrict their advocacy.

19 This fund would pursue the same objectives as the European Instrument for Democracy and Human Rights: <http://www.eidhr.eu/whatis-eidhr#>.

20 EED is an independent, grant-making organisation, established in 2013 by the European Union and EU Member States to foster democracy in the European Neighbourhood and beyond. All EU Member States are members of EED's Board of Governors, together with Members of the European Parliament and civil society experts.

21 [European Parliament resolution on the Implementation of the Europe for Citizens programme](#)

22 [AEIDL - Thematic Network Partnership](#)

- 6.12 Through their connections and ongoing contact with the public and grassroots activities, civil society organisations are aware of societal challenges and needs; nevertheless, they play a very marginal role in research. The EU Programme for Employment and Social Innovation (EaSI) also includes barriers to access by CSOs. The EESC calls for a more in-depth discussion on how to foster links between researchers and civil society and proposes a new strand on civic participation and democracy under the societal challenges pillar in the future research framework programme.
- 6.13 Youth unemployment is still very high, and is one of the most urgent problems facing the EU, with a growing number of young people at risk of social exclusion. Against this backdrop, European funding should do more to support CSOs investing in the development of young people's skills and competencies through non-formal education.
- 6.14 Most funding in the field of culture is not adapted to the needs of CSOs operating in this field, thus barring them from access to the various financial instruments available, such as loans. No real work is being done on the European dimension of culture, at a time when identity-based and populist views are being increasingly voiced. Drawing partly on Creative Europe, the EU should also provide stronger support for independent cultural productions and invest in the development and sustainability of local, non-profit community media.
- 6.15 As regards development cooperation, the EU should invest more in cooperation initiatives focused on populations, including the aspects of gender equality, governance, human rights, environmental rights, resilience to climate change, education and social protection, for instance through a thematic approach by country with close involvement of civil society.
- 6.16 When designing the future MFF, account should also be taken of the Sustainable Development Goals and gender equality priorities.
- 6.17 Strengthening civil society also means improving access to financing for the smallest organisations and the most disadvantaged sectors of society. With this in mind, the Commission should provide for a variety of financing arrangements and make a more concerted effort to simplify administrative formalities. More systematic recourse should be had to sub-granting mechanisms (or cascade funding), as used under the European Instrument for Democracy and Human Rights and in the framework of EEA funding. Grants should be awarded by an independent national operator on the basis of a tender procedure²³.
- 6.18 CSOs in the countries of Central and Eastern Europe still have proportionally less access to funds. The Commission should step up its information drives on the various funds available to CSOs and provide more support for partnerships between organisations.
- 6.19 It would also be useful to establish more systematic follow-up and support for beneficiary organisations, and for the different directorates-general responsible for implementing the Financial Regulation, in the form of training courses on contractual obligations and audits.

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[Mid-term NGO evaluation released - EEA Grants](#)

- 6.20 Databases containing descriptions of projects that have already been completed and examples of good practice should be available to potential applicants as a means of promoting innovation and partnerships. The Commission should continue its endeavours to reduce the administrative burden imposed by the application process and financial management, including by introducing a single online application procedure for the different programmes.
- 6.21 The evaluation of programmes run directly by the Commission should be more transparent but also more detailed, in view of the large number of requests for European funding and the low success rate. Furthermore, feedback would enable CSOs that have been turned down to make improvements and would boost confidence in the selection process.
- 6.22 The deadlines for issuing notifications of contracts, signing contracts and making payments should be significantly shorter so as to limit the need to take out bank loans due to lack of cash.
- 6.23 The EESC also asks the Commission to re-evaluate co-financing amounts, particularly for very small organisations which find it very difficult to draw on other sources of funding and organisations engaged in advocacy, such as consumer protection organisations, environmental associations, human rights organisations and organisations working to promote citizenship. This is particularly necessary since co-financing rules increase the administrative burden on CSOs, with the attendant risks posed by the variations in contractual and financial rules on the part of donors.
- 6.24 The EESC warmly welcomes the suggestion made by the Commission in its proposed revision of the Regulation on the financial rules²⁴ to take into account as eligible expenses the hours spent by volunteers and facilitate the inclusion of contributions in kind as co-financing. This proposal is a direct response to the EESC's call, expressed in its opinion on "Statistical tools for measuring volunteering"²⁵. It also welcomes the Parliament's report and the Council's proposal to introduce an exception to the non-profit rule for not-for-profit associations. The EESC calls on the EU institutions to come to an agreement on the proposed text that will allow hours spent by volunteers to be fairly valued.
- 6.25 Transparency in access and financial control should be improved by drawing up clear guidelines on Commission checks and, in the case of funding by several donors, taking into account ex ante evaluations and selections of partners, as well as ex post checks and audits carried out by the other donors.
- 6.26 Moreover, public access to information on the amounts and purpose of funding should be facilitated by reforming the Commission's financial transparency arrangements. This should include annual payments instead of multiannual commitments, and should be made more reliable by standardising the databases of the various programmes. At the same time, NGOs should continue to apply the highest self-reporting transparency standards.

24 [COM\(2016\) 605 final](#)

25 [OJ C 170, 5.6.2014, p. 11](#)

6.27 Finally, the Commission should establish constructive dialogue and follow-up between the different directorates-general and CSOs for the purpose of assessing good and bad practice and developing a more consistent approach.

Brussels, 19 October 2017

Georges DASSIS

The president of the European Economic and Social Committee
