

EFC's Views on NPOs Transparency and Accountability

Outline

On 25 March 2009 the EFC submitted its comments on the European Commission study on non-profit organisations (NPOs) Transparency and Accountability "Recent public and self-regulatory initiatives improving transparency and accountability of in the European Union". The EC Directorate-General Justice, Freedom and Security will build on input received from concerned stakeholders to review follow-up action on NPO transparency and prevention of terrorist financing. The EFC contribution is available at: http://www.efc.be/ftp/private/EUC/JAI/2009_EFCcomment_ECNLrpt.pdf (61kb) (member login required)

The study, which has been carried out by the European Centre for not for profit law (ECNL), was presented to representatives of national governments and EU networks, including the EFC, at the meeting on non-profit sector transparency on 12 February 2009¹.

EFC comments focus on six recommendations as follows:

1. There **is no scope for specific legislation or a general Code of conduct regarding Transparency and Accountability (T&A) of foundations at EU level.**
2. The EFC calls for **a proportionate and partnership approach at national, EU and international level** and recalls that **any measure**, by EU and other countries to address T&A and counter-terrorism concerns **should not undermine the integrity and independence of action of foundations and their international work.**
3. **Specific T&A measures where needed should be designed at the national level in consultation with foundations and other NPOs.** The importance of NPOs' involvement for the success of T&A initiatives was clearly illustrated in the ENCL report.
4. The **role of the EU could be that of a facilitator to assess policy impact, support research, exchange of information and practices between stakeholders.** The resource implications of follow-up action will need to be examined.
5. It is crucial to acknowledge that there **is no single model/solution to uphold transparency and accountability.**
6. **Foundations' board and staff are the best placed to develop effective T&A and due diligence policy and practices** to sustain their public benefit mission.

The EFC recalls that it will be pleased to contribute to discussions with the Commission and stakeholders and share experience and developments on T&A in the foundation sector.

Background

The European Commission Directorate-General Justice, Freedom and Security commissioned this study to the European Centre for Not-for-Profit Law (ECNL) to map and assess the recent and most important public and self-regulatory initiatives enhancing NPOs transparency and accountability in the 27 EU Member States and make recommendations for action addressed to the European Commission, Member States, non-profit organisations (NPOs) regulatory authorities as well as NPOs engaged in self-regulatory initiatives. For further information on the outcomes and recommendations of the study, see EFC Briefing "[Foundation Transparency and Due Diligence on EU Agenda. Give your Input](#)"².

¹ See EFC Briefing "Foundation Transparency and Due Diligence on EU Agenda. Give your Input!"

<http://www.efc.be/content/alert.asp?ContentID=1605>

² <http://www.efc.be/content/alert.asp?ContentID=1605>

The study is part of the EU institutions efforts to prevent the abuse of NPOs for financial criminal purposes and terrorist financing. DG Justice initiatives on NPOs transparency and accountability are a direct follow-up to the EC 2005 Communication on "Prevention of and Fight against Terrorist Financing through enhanced national level coordination and greater transparency of the non-profit sector", see EFC Briefing "[EU Recommendation on a Code of Conduct for Non-Profit Organisations](#)"³. The proposal aimed to reduce vulnerabilities of NPOs to financial criminal abuse including terrorist financing. In this context, the EC Directorate General Justice, Freedom and Security commissioned two studies:

- The ECNL study on public and self-regulatory initiatives improving transparency
- A survey aimed at assessing the types and extent of abuse of NPOs, including foundations, for terrorist financing and other financial criminal purposes and setting out recommendations to address shortcomings. The EFC provided its input in September 2008, see EFC Briefing "[EU Study on the Abuse of Foundations for Financial Criminal Purposes: Give your Input](#)"⁴ and EFC Contribution www.efc.be/ftp/public/EU/JAI/2008_EFCComment_Matrix_prov.pdf (61kb).

Action Point

EFC members interested in obtaining further information are invited to contact the EFC secretariat at eu@efc.be.

The EFC secretariat will continue monitoring developments in the field and taking part in the meetings organised to share best practice examples from EFC members and ensure that their interests and concerns are considered.

³ <http://www.efc.be/content/alert.asp?ContentID=963>

⁴ <http://www.efc.be/content/alert.asp?ContentID=1405>