



Donors and Foundations Networks in Europe

**European Parliament public hearing  
"The proposed Statute for a European Foundation"(EFS)**

**Brussels - 26.11.2012 - Room PHS 3C50**

***Why the foundation sector supports the EFS, and why the EFS is needed***

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**Rosa Gallego, Donors and Foundations Network in Europe (DAFNE) Chair**

I would like to thank the Legal Affairs Committee of the European Parliament for having invited DAFNE- Donors and Foundations Network in Europe – to participate in this public hearing.

The DAFNE network which I represent has a collective membership of 6000 foundations, all of them of public interest, from 22 European countries. As we have already shown with our work over the last few years, DAFNE is a strong supporter of the proposal for a European Foundation Statute (EFS).

In the few minutes that I have here I wish to recall why the foundation sector considers a European Foundation Statute to be needed now. But I think it is important to start by establishing why the foundation sector is so important for the European Union and its citizens.

*The (economic) importance and growth of the foundation sector*

The foundation sector plays a key role in channeling private efforts for the benefit of general interest activities. Its importance is based on the number of organisations that make up the sector; the variety of social needs they satisfy (from human rights to environment, research, education, culture, employment and so on); the number of beneficiaries supported and the employment (both directly and indirectly) that it creates.

The foundation sector has a sizeable economic foot-print, accounting for annual global expenditure in the region of EUR150 billion and providing direct full-time employment to almost 1 million people throughout the EU; not to mention indirect employment via the organisations that the sector supports.

The sector has been experiencing continuous growth for the last 20 years across Europe, even during economic and financial crises. A good example of this is the response of the sector in a country like Spain where the national unemployment rate has risen from 11,3 per cent in 2008 to 25,8 per cent as of September 2012 (the highest rate of unemployment of the EU): despite this during this same period, the foundation sector has created over 70.000 new jobs.

Cross-border giving in Europe is also increasing, with Transnational Giving Europe reporting that some 7 million euros was donated through the network in 2011.

On the basis of the size of the sector I would like to answer one of the questions that has been posed to us by different actors involved in the current process.

If we have managed until now without one, why is a European Foundation Statute needed? For which I have a twofold answer

a) *The Statute will help boost European citizens' initiatives*

It is important to understand that it is part of foundations' public interest mission to be able to operate beyond their national borders in order to respond (globally) to cross-cutting issues such as migration, socio-economic development, scientific excellence, human rights, the environment, etc.; Increasingly foundations are looking to and need to work cross border, this work reflects public interest projects that are very important to European citizens.

b) *The Statute will end or significantly decrease burdensome and expensive administrative constraints faced by founders and foundations today, and delay of some initiatives when they are not abandoned*

Foundations encounter difficulties when operating at transnational or cross-border level. This is primarily because of the different rules imposed by national legislation that result in them losing (100s of) millions of euros a year on various consultancy and administrative costs, rather than spending these amounts on implementing public-interest projects. Indeed, there are numerous examples of how the absence of a Statute has hindered or prevented European initiatives getting off the ground. These barriers and increased transaction costs are de facto reducing the overall amount foundations have available to spend on the public good.

*Foundations often:*

- *have to bear costs to meet Member States' different legal and administrative requirements;*
- *do not have enough legal certainty as to whether they will be recognised as a public-benefit purpose foundation in other Member States and be allowed to act as such;*
- *cannot transfer their seat if the founder moves his/her domicile, or face complete legal uncertainty if their activities in one of the countries where they are active become prevalent over their activities in the state in which they are registered.*
- *Are uncertain about the tax treatment they will be subject to abroad and sometimes have to follow time-consuming or costly procedures to prove that they are entitled to the same benefits as domestic foundations;*
- *Find that donors from other Member States know less about foreign foundations and trust them less, which can result in fewer donations. Donors themselves are facing increased workloads and sometimes costs; for example to prove that the beneficiaries of their gifts or bequests in another member state will be equivalent to domestic public benefit entities.*

In short, the Statute is a clear solution to the aforementioned issues. There is also a sense of urgency, especially at a time of unprecedented socio-economic and political turmoil, when every cent counts and when all actors, including foundations, should have adequate and suitable tools at their disposal to maximise their impact.