

Taking Advantage of the Non-profit Sector's Potential: Policy Priorities

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Abstract

This brief identifies the main priorities for public policy if European societies are to take advantage of the potential for the non-profit sector to play a stronger role, especially as complements to public sector efforts in major social policy domains, as population ageing proceeds. In broad terms, these involve finding ways to mobilize private resources, both financial ones (especially gifts and donations) and time (volunteering); and ensuring good governance of organizations in the sector and effective accountability for their management of resources. Many policies designed to strengthen small and medium sized enterprises by making the business environment more attractive, facilitating cross-border activities and building capacity should also be extended to or adapted for the non-profit sector, much of which consists of small organizations.

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Taking Advantage of the Non-profit Sector's Potential: Policy Priorities

Introduction and Main Recommendations

An earlier policy brief¹ provided an overview of the importance of the non-profit sector in today's European economies. This consists of non-profit organizations and charitable foundations and is sometimes referred to as the voluntary, or third, sector. The brief also suggested that the sector might usefully play a strengthened role in the future as population ageing proceeds. The most important considerations in this regard, although not the only ones, are the budget pressures that seem likely to force governments to take an increasingly narrow view of the role of the state and what activities it can sensibly finance. The earlier brief also surveyed a broad range of policy domains where review, likely in many cases to call for action, is warranted in order to identify ways to facilitate expansion of the sector while ensuring its accountability, legitimacy and effectiveness.

This brief identifies the main priorities for public policy if European societies are to take advantage of the sector's potential. The first section below considers priorities in broad terms. The second section identifies some areas where the potential contribution of the sector is high. The third section focuses on action that can be taken at national or EU levels while the final section identifies approaches that lower levels of government can usefully pursue. The main recommendations that emerge are:

- Strengthen the ability of the sector to mobilize private resources, both financial ones (especially gifts and donations) and time (i.e. volunteering);
- Stress good governance arrangements and accountability of organizations in the sector;
- Make greater use of the scope for privately financed non-profits to complement public sector efforts in the major social policy domains;
- Extend the *country of origin* principle in the European Union to cover the non-profit sector;
- To mobilize retirees, adapt labor market regulations to accommodate work with only token payment, i.e. involving a "voluntary element", by the elderly.
- Support the development of Community Foundations and other community based philanthropic mechanisms.
- Extend and adapt efforts to strengthen the business environment and build capacity in small and medium sized enterprises to take account of the needs of non-profit organizations.

¹ Paul Atkinson, "Emerging on the European Policy Radar: the Voluntary Sector", *Groupe d'Economie Mondiale de Sciences Po Policy Brief*, April 2006 (www.gem.sciences-po.fr/content/publications/regulatory_policy.html#non_profit).

Broad policy priorities

Two major challenges which will have to be met if the voluntary sector is to increase its contribution to the overall welfare of European societies as populations age: funding and ensuring the sector's effectiveness and legitimacy. Priorities will be (i) to mobilize private resources and (ii) to develop and implement systems of governance and accountability that encourage satisfactory economic and social performance standards.

Mobilize private resources

As noted in the earlier brief², the state typically provides nearly half the financial resources available to the voluntary sector in advanced countries. This makes the sector highly exposed to budget pressures, as evidenced by the experience of the United States in the 1980s. Government support for the sector there declined sharply, not returning to 1980 levels until the mid-1990s. In addition, grants and contracts, which provide direct financial support, were increasingly replaced by tax expenditures and vouchers³. No broad stocktaking of the state of the non-profit sector in Europe exists but rising age-related spending commitments will inevitably lead to pressure on existing funding patterns⁴.

If the voluntary sector is to provide relief from rising fiscal pressures private resources will have to be mobilized. There are two broad categories: fees, subscriptions and trading income; and philanthropy.

Although fees, subscriptions and trading income are already a major source of support for the sector (45 per cent of total financial resources in developed countries), there are limits to how far these can appropriately be mobilized further. Especially in social policy domains, many people will see little difference between taxes and fees. So fees will not offer meaningful relief from pressures for higher taxes. The scope for increasing trading income is limited by competition policy considerations. Once trading income becomes peripheral to a non-profit organization's purpose it should be governed by the rules of the business sector. It should have no special tax status or exemption from regulatory requirements; and a profit objective will be essential if it needs to raise capital.

Philanthropy, on the other hand, has considerable potential in at least some countries. This means not only support in the form of gifts and donations, which can include both financial support and in kind contributions such as office space, but also contributions of time in the form of volunteering.

Gifts and donations currently provide only 7 per cent of financial resources to the voluntary sector in developed countries (the figure is 16 per cent for developing and

² Op.cit. See pp. 12-13.

³ Lester Salamon (ed.), « The Resilient Sector : the State of Nonprofit America », Aspen Institute and Brookings Institution, Washington D.C. 2003.

⁴ During the period to 2050 old-age pension expenditures are projected in an OECD study to amount to around 6 per cent of GDP in the EU if benefit levels are allowed to reflect productivity developments in the economy and if eligibility conditions are not changed. Discussion is provided in the earlier brief (see note 1). The original source is Dang, Thai Than; P. Antolin; and H. Oxley; "Fiscal Implications of Ageing: Projections of Age-related Spending; *OECD Economics Department Working Paper 305*, Paris, 2001.

transition countries). This low average masks wide variations across countries (Table 1). Experience of the United States, Canada, Israel and, among developing and transition countries, Argentina, where donations and gifts typically exceed 1 per cent of GDP, suggests what is possible in terms of raising financial support. Among EU countries, only Spain, Ireland and the United Kingdom come close to that level of giving.

Table 1: Private Philanthropy Across the World
(per cent of GDP, base
year varies by country,
1995-2002)

<u>Country</u>	<u>Gifts and donations</u>	<u>Volunteering</u>	<u>All private philanthropy</u>
<i>European Union 15</i>			
Austria	0,17	0,61	0,78
Belgium	0,46	1,59	2,01
Finland	0,36	2,12	2,43
France	0,32	2,98	3,21
Germany	0,13	2,49	2,66
Ireland	0,85	1,2	2,02
Italy	0,11	0,8	0,91
Netherlands	0,49	4,7	4,95
Portugal	0,53	0,53	1,05
Spain*	0,87	1,25	2,1
Sweden*	0,4	4,03	4,41
United Kingdom	0,84	2,97	3,7
<i>European Union Transition</i>			
Czech Republic	0,27	0,43	0,7
Hungary	0,63	0,12	0,74
Poland	0,28	0,11	0,39
Slovak Republic	0,41	0,04	0,45
<i>Other</i>			
Argentina	1,09	1,3	2,35
Canada	1,17	1,26	2,4
Israel	1,34	1,05	2,37
Japan	0,22	0,61	0,82
Korea, Republic of	0,18	0,78	0,96
Norway	0,35	3,18	3,42
United States	1,85	2,18	3,94

* Data on gifts and volunteering to religious worship organizations not available.
Source: Johns Hopkins Comparative Nonprofit Sector Project

Gifts and donations can be provided directly to operating non-profit organizations but they can also be intermediated through charitable foundations and other grant-giving institutions. Such grant-giving organizations are potentially important since they enable

one-off contributions to generate continuing flows of income. They are also good vehicles for mobilizing substantial coherent blocks of financial resources that permit large programs to be carried out for extended periods of time.

If volunteering, or unremunerated contribution of time, is included in the financial support for the sector the share of philanthropy rises from 7 per cent to nearly 30 per cent in developed countries (and to around the same amount in developing and transition countries). As for gifts and donations experience across countries is very varied. Volunteering in the Netherlands approaches 5 per cent of GDP and in 5 other EU countries exceeds 2 per cent of GDP. In some others, mainly transition countries, it is almost negligible. The scope for increasing its contribution in many countries appears to be substantial.

Finally, and somewhat experimentally, there is scope for leveraging public resources by developing effective public-private partnerships. These may be set up as operating non-profit organizations but may also involve looser frameworks for co-operation. These have potential in areas, e.g. vocational training, where public authorities and private actors have mutual or complementary interests but cannot act as effectively alone.

Ensure good governance and accountability

Given the large, and apparently growing, resource base⁵ that the voluntary sector commands it is important in the overall economic and social context that it use those resources effectively. At the same time, at least to the extent that it is tax advantaged in some way, its political legitimacy must be assured. This points to the need to establish mechanisms that provide for good governance of non-profit institutions and accountability for their performance and financial management.

The challenges involved in achieving this are substantial. Political support for the growing role of non-profit organizations is partly rooted in doubts that market activity by profit-making businesses will adequately reflect social and environmental considerations. It also reflects a search for alternatives to the state, whose incentive structure is thought by many to lead to bureaucratic inefficiency and poor performance. Since these views are often found at opposing ends of the political spectrum they can lead to failure to examine critically the case for relying on social enterprises, charities and non-profit organizations promising to operate in the public interest.

Whatever their limits, both commercial and bureaucratic models for carrying out activities have a clear basis for funding the activities: commercial activities cover their

⁵ An overview of the what is known about the size of the sector is provided in the previous policy brief, drawing on the Johns Hopkins Comparative Study (see www.jhu.edu/~ccss and click on "Comparative Nonprofit Sector Project"). While the pioneering work of the Hopkins Study has mainly generated cross-country comparative results providing a late-1990s snapshot, good time series data remain sparse. But what is available suggest that activity is rising (see e.g. E. Archambault, "Les institutions sans but lucratif en France: Principales évolutions 1995-2005 et défis actuels", presented to the 20th Colloquium of ADDES, addes@coopanet.coop, in Paris, 7 March, 2006, Table 1) and the Hopkins project overview refers to "... a massive upsurge of organized private, voluntary activity in virtually every region of the world..." (L. Salamon, S.W. Sokolowski and R. List, "Global Civil Society: an Overview", Johns Hopkins University Center for Civil Society Studies, Baltimore, 2003).

costs in the market place; bureaucratic activities are funded from appropriations by elected representatives. Both models also provide means of ultimate accountability or sanction in the form of market and electoral tests. Non-profit organizations, however, normally face neither direct market nor electoral tests.

A well-designed public policy framework for the non-profit sector must reflect a number of considerations:

- Non-profit organizations rarely have ultimate owners, except for mutuals and cooperatives where customers have a dual role as owners. At least where privileged tax status is involved the taxpaying public should therefore assume the role of ultimate owners. This calls for transparent financial reporting that facilitates outside monitoring and safeguards to encourage prudent financial management in support of the organizations' objectives.
- It also calls for encouraging coherent organizational forms that encourage and facilitate the effective use of resources in operations.
- Governments often have a dual role vis-a-vis the non-profit sector since public authorities are major funders of the sector in their role as contractors, notably where service provision is outsourced to charities or partnerships. This will require them to monitor the design and implementation of contracts to ensure value for money and equity considerations as appropriate.
- Many non-profit organizations are small. Regulations and reporting requirements should be structured so that compliance costs are proportionate to the capacity of organizations' capacity to absorb them.

Activities where the potential contribution of the not-for-profit sector is high

The statistical classification developed by the Hopkins project in collaboration with the United Nations Statistical Division (Table 2) provides a good overview of the range of

Table 2: International Classification of Nonprofit Organizations

1	Culture and recreation
2	Education and research
3	Health
4	Social services
5	Environment
6	Development and housing
7	Law, advocacy and politics
8	Philanthropic intermediaries and voluntarism promotion
9	International
10	Religious congregations
11	Business and professional associations and unions
12	Other

Note: this classification was developed by the Johns Hopkins Comparative Nonprofit Sector Project in collaboration with the United Nations Statistical Division and is consistent with the International Sectoral and Industrial Classification (ISIC).

activities where not-for-profit organizations operate. Most of these activities provide some scope for complementing public sector activity and, to the extent that they are financed privately, relieve pressure on budgets. But the greatest potential is in the major social policy domains (health, social services, education and research) where the border between the state and the private sector is often poorly defined but demand for services is high. What is appropriate in concrete terms, however, will vary across countries since different traditions and attitudes to the role of the state must be respected. These traditions and attitudes will influence the willingness to use not-for-profits in particular domains so concrete suggestions need to be made with caution and cannot be assumed to apply generally across countries.

Nevertheless, concrete examples of current practice can illustrate the possibilities. Consider the case of France, which has recently released official data in the form of satellite national accounts developed by the Hopkins project and the United Nations. These data indicate that non-profit sector contributes nearly 3 per cent of GDP in France, 75 % of which is in health, social services, education and research (Table 3). The great bulk of this is accounted for by social services, activities that are often at the margin, but outside, the health care domain. These include support for distressed children, handicapped adults and handicapped children; providing shelters for the homeless; and providing assistance to the elderly at home.

**Table 3: The contribution of non-profit organizations to the economy
FRANCE, 2002**

<u>Activity Group</u>	<u>Employment</u> (‘000s, end-year)	<u>Value added</u> (EUR billion)	<u>Gross production</u> (EUR billion)
Arts, sport and culture	163.9	5.2	8.0
Teaching and research	194.2	6.4	9.2
Health	151.8	6.5	8.3
Social services	746.9	20.5	26.4
Economic activities	124.0	4.8	6.4
Advocacy	54.4	1.9	2.6
Total Non-profit sector	1 435.3	45.5 (2.9% of GDP)	60.8

Source; Philippe Kaminski: Les associations en France et leur contribution au PIB
INSEE, Paris, February 2006.

These figures are indicative of the contribution that the non-profit sector can make given the opportunity. But low numbers, as with health, education and research, should not be taken as indicative of limited scope for the sector to contribute. Indeed, they may signal where the potential for increased contribution is greatest.

Take the example of higher education, whose institutions in Europe have been described as “slow moving and under-funded” in a recent report by the Centre for European Reform⁶. Public funding for higher education is around 1 per cent of GDP in the European Union, about the same as in the United States. But whereas private funding, much of it channelled through the non-profit sector, exceeds public funding in the United States, it is negligible in most of Europe. This leaves the tertiary sector highly dependent on the state, not only for funding but often for management. In France, for example, the not-for-profit contributes only 3 per cent of its total value added to higher education, including research (Table 4), and even some of this may be financed by the state, rather than by fees or gifts. As former Minister of Education Claude Allègre has commented, “...[in France], we simply don’t invest enough. Universities are not a priority either for the state or the private sector.”⁷

Table 4 Contribution of non-profit organizations to teaching and research FRANCE, 2002

<u>Activity sub-group</u>	<u>Employment</u> (‘000s at end-year)	<u>Value added</u> (EUR billion)	<u>Gross production</u> (EUR billion)
Teaching, primary and secondary	89.3	2.6 (5.7% of total)	3.6
<i>Teaching, higher level</i>	<i>14.8</i>	<i>0.6 (1.2% of total)</i>	<i>0.8</i>
Other teaching	76.2	2.5 (5.5% of total)	3.7
<i>Research</i>	<i>13.9</i>	<i>0.8 (1.7% of total)</i>	<i>1.1</i>
<i>Total high level teaching and research</i>	<i>28.7</i>	<i>1.3 (2.9% of total)</i>	<i>1.9</i>

Source; Philippe Kaminski: Les associations en France et leur contribution au PIB INSEE, Paris, February 2006.

The consequence of this situation is reflected in a widely-cited recent study ranking universities internationally carried out at Shanghai Jiao Tong University⁸. This disproportionately gave US universities high ranks. Only two European universities

⁶ Nick Butler and Richard Lambert, “The Future of European Universities: Renaissance or Decay?”, Centre for European Reform, London, June 2006.

⁷ See Elaine Sciolino, « For French universities, bad marks », *International Herald Tribune*, 12 May 2006.

⁸ . See <http://ed.sjtu.edu.cn/ranking.htm>, Institute of Higher Education, Shanghai Jiao Tong University.

were ranked in the top 20 and the highest-ranked French university was no. 45. Compare the funding of these institutions.

For many of the US universities cited in the top ranks of the Shanghai Jiao Tong study, Table 5 provides the size of the endowment on a per student basis. This is essentially the accumulated capital from gifts, and returns from investing it, available to supplement other sources of funding, whether from the state, fees or gifts. If 5 per cent per year, a typical amount, is used to support operations or capital expenditures, it often makes a material contribution to the activities of the institutions.

Table 5: Shanghai Jiao Tong Ranking of Top World Universities

<u>World rank</u>	<u>Institution</u>	<u>Endowment, 30 June 2004</u> (\$ per student)
1	Harvard	1.1 million
2	Cambridge (UK)	
3	Stanford	750 000
4	California, Berkeley	
5	Mass. Inst of Tech.	575 000
6	Cal. Inst of Tech.	
7	Columbia	250 000
8	Princeton	1.45 million
9	Chicago	300 000
10	Oxford (UK)	
11	Yale	1.1 million
12	Cornell	175 000
13	California, San Diego	
14	California, Los Angeles	
15	Pennsylvania	200 000

Source: Institute of Higher Education, Shanghai Jiao Tong University, 2006
 Cambridge Associates, LLC, as reported by the
 Williams College Alumni Relations and Development, 2005.

The two European Universities that rank highly are Oxford and Cambridge. They benefit from enormous wealth of many of their colleges, which are essentially private foundations that exist to support higher education and research.

Overall it is clear that higher education and research are areas where significant sums can be mobilized and be used effectively if arrangements are in place that encourage it. It seems likely that not-for-profit organizations benefiting from foundation money could similarly contribute to other types of education, many social services and health care provided the political acceptability of such contributions is established first.

What can be done at national and EU levels?.....

The overall framework which governs the activities of the non-profit sector is determined at the national and, in Europe, at the EU level. The main areas that merit

attention are generally found within national policy domains but in some cases action at the EU level which extended the benefits of European integration to the non-profit sector would be beneficial.

Tax treatment of the sector

The single most important policy domain influencing the ability of the sector to mobilize funding is almost certainly *tax*. Much of the attraction of philanthropy is the scope for tax advantages to lower the net cost of contributions to worthwhile causes. These advantages can apply to non-profit organizations themselves, providing reductions or exemptions from income or value-added taxation on fees, contributions or operations or from taxation on assets, such as real property. But most important are advantages available to donors who can use them to leverage the benefits of their gifts and donations.

Tax advantages should not be given lightly. Favorable treatment of donations, gifts and trading income are not costless to government budgets since they erode the tax base. And tax-privileged status for fee and trading income raises questions for competition policy in the wider economic context. Nevertheless it seems clear that where an organization's activities are directed toward to some public benefit that favorable tax status can provide an effective way of leveraging any lost tax revenues. This can be especially useful where it operates in support of activities in social policy domains that might otherwise present a more direct call on public finances.

Tax is complex and will not be developed further here. Model conventions exist which provide guidance at the level of principles⁹. Some areas that warrant review include :

1. The criteria for granting tax privileged status (for foundations at least these vary widely across Europe).
2. Limits on tax relief to donors (as of 2001 all European countries except the UK imposed upper limits less than the donor's income).
3. The treatment of *in kind* donations and, in particular, the basis for valuing them (this varies across European jurisdictions).

Inheritances, estates and successions

Estates and successions can provide large coherent blocks of finance for not-for-profit organizations. As such they can offer an important potential source of support for the sector provided public policy in two domains is supportive. First, tax plays an important role since provision of large sums of capital to vehicles such as charitable foundations has often been influenced by a desire to preserve individual or family fortunes rather than see them confiscated by the taxman at death. Tax systems that make it impossible to preserve large concentrations of personal wealth over long

⁹ See, for example, "Basic World Tax Code", Harvard University International Tax Program, in *Tax Notes International*, Vol.5, no. 23, 5 December 1992; and *Handbook on good practices for laws relating to non-governmental organizations (revised discussion draft)*, World Bank, Washington D.C., September 2000.

periods can do much to encourage the non-profit sector. Such systems substantially confiscate large gifts or successions except where these are transfers for charitable purposes.

Second, in some countries estate planning by individuals is constrained by legal requirements designed to protect certain heirs, usually immediate family. These estate plans can override the wishes of a benefactor and thereby limit funding for charitable organizations. Policies which allowed greater freedom in this area would facilitate bequests intended to charitable causes.

Extending the benefits of the Single Market to the non-profit sector

Wealth that endows foundations is often earned and managed internationally and operating non-profits increasingly have *cross-border activities*. While market based activities have been largely liberalized to facilitate open and integrated international markets, both within the EU and globally, non-profit organizations often remain limited by international borders. Improvements are possible.

The best approach would be the application of *the country of origin principle* to charitable foundations and operating non-profits engaged in cross-border activities. This would allow a foundation or operating non-profit based in one member state to operate in all the other member states under the rules of its origin country. Once established anywhere in the EU, a foundation or operating non-profit could immediately operate on a full European scale. In addition, it would qualify for any applicable tax advantages such as deductibility of contributions. Where such an organization benefited from a favorable home operating and regulatory environment, it would be well-placed to transfer those benefits elsewhere in the EU through its operations.

Two other approaches exist although they are less promising. One would be a *European status* for foundations and operating non-profits. This may be achievable in the long run. But harmonization has rarely worked well in the EU since it is too easy for any member state to issue rules which effectively erode the intended harmonization. The other approach would be *mutual recognition*. This could be helpful as regards, for example, tax deductibility and recognition of legal personality by host countries, formalities required to operate in host jurisdictions, etc. Unfortunately, however, the fact that one member state recognizes the legal status of a foundation or operating non-profit in another member state may have limited practical impact since these organizations still need to abide by some common rules and by specific regulations in the country of destination. Furthermore, mutual recognition by itself does not create pressure to improve the regulatory environment in which charities operate in destination countries, limiting the potential benefits of greater cross-border activity.

Reducing barriers to mobilization of volunteers

The barriers to making better use of volunteers relate to two main issues: (1) impediments to using them productively; and (2) lack of motivation to volunteer. Two broad sets of impediments to using volunteers stand out:

1. Managing them is difficult. They are not paid and are providing a favor. It is difficult to apply normal management methods, especially where significant numbers of volunteers are involved.
2. Their status vis-à-vis employment law, the social safety net, tort law, etc. may be unclear or in some ways a problem. In particular, concerns about legal liability for accidents or negligence of volunteers can make managers of non-profit organizations reluctant to use them.¹⁰

As regards motivation, relying on good intentions may have its limits. But at least as regards the rising number of retired people, often financially secure but who would welcome some supplemental income, it may be fruitful to think in terms of a hybrid: employment with a “voluntary element”, i.e. work with only token payment. It must be recognized that this would raise issues of compatibility with employment law, not least minimum wage laws, and coherent relationships with social security systems would have to be developed. A lot of issues would have to be sorted out. This would obviously be politically contentious. But a radical rethink of current arrangements will be necessary in many countries in any case if they are to adapt constructively to the challenges posed by population ageing. Ways must be found to take advantage of the potential offered by the growing population benefiting from pensions, whatever the balance between paid employment and volunteering¹¹.

Note that by formalizing employment status some of the impediments described above would be reduced if not entirely eliminated. Labor market reform would still be needed in much of Europe but many of the uncertainties surrounding the role and status of volunteers would be eliminated.

...and at regional and local levels?

While the overall framework in which European non-profit organizations operate is set at the national and EU levels, lower levels of government also have an important influence on many practical aspects of these organizations’ ability to achieve their objectives. Partly this is because they have responsibility for public policy as regards funding and/or delivering services in many of the domains where non-profit organizations are active; and partly it is because non-profit organizations, like businesses, are subject to local regulations and laws in the jurisdiction in which they operate. Consequently there are a number of ways in which local and regional governments can strengthen the contribution of the non-profit sector to the general welfare.

¹⁰ See, for example, Philip K. Howard, “Charity Case” in the *Wall Street Journal*, March 17, 2005. He describes the case of a \$17 million judgment against the Catholic Archdiocese of Milwaukee in compensation for a car accident by a volunteer for a Catholic lay organization which was permitted to hold meetings on church property. The volunteer was using her own car. Insurance is available but expensive. While such an award from a European court may be unlikely, management of any organization must be concerned about its responsibility for the behavior of its volunteers and for what happens on its property.

¹¹ These issues will be developed further in Paul Atkinson, “Reducing barriers to mobilizing volunteers”, a forthcoming *Groupe d’Economie Mondiale de Sciences Po Policy Brief*.

Development of community based philanthropic mechanisms¹²

Regional and local governments will not escape the budgetary pressures that ageing populations will generate. Since some of these pressures may materialize in the form of lower revenue transfers from central governments or unfunded mandates to provide social services, they may have very limited flexibility in deciding how to cope with these pressures themselves. They will have a strong incentive to develop institutions whose purpose is to mobilize private funding for social purposes. These include Community Foundations, United Ways¹³ and locally-oriented funding intermediaries.

Community Foundations have attracted the most interest and are the fastest growing type of community philanthropic organization. Their purpose is to support local community causes, usually defined or interpreted broadly, by mobilizing and managing donor funds to build an endowment, to make grants to charities and community groups and to link donors with local needs.

Well over 1000 of these exist in over 35 countries, including at least 19 countries or regions in Europe. In the United States they commanded some \$35 billion in 2003 and awarded some \$2.6 billion in grants. Development in Europe is fairly recent, and is most advanced in the UK and perhaps Germany. While these are still small, efforts to develop and build them up could generate important returns for at least some regions and localities.

An attractive operating environment

Supporting and attracting businesses are already important objectives of many regional and local authorities. This involves ensuring that the overall business environment is an attractive one in which to operate. Much of what can be effective in this effort can be applied or extended to facilitate the operations of non-profits which in many respects often resemble small businesses. In this regard, efforts to *minimize paper work, simplify regulatory and administrative requirements and generally reduce red tape* are as important for non-profits as for small businesses. Local requirements relating to land use, planning permission for building and repairs, financial reporting and employment all affect non-profit organizations as well as enterprises.

Building capacity

Support programs which many regions and localities often provide for enterprises or as a matter of social policy, notably training programs, can be extended to non-profits. Management, accounting and computer skills are all areas where non-profit organizations can benefit from training as much as businesses can. An important specific area where training would be particularly useful to the sector would be *management of volunteers*, as difficulties in this area are an important disincentive to using volunteers.

¹² The European Foundation Centre (www.efc.be) is the best starting point for general information about these.

¹³ United Ways are similar to Community Foundations in terms of their purpose and the kinds of activities they support but do not generally have endowments. Rather, they operate largely on a pay-as-you-go basis.