

## BREXIT AND BRUSSELS-BASED NOT-FOR-PROFITS

Many questions have arisen about the possible consequences of a Brexit for the not-for-profit (NGOs, CSOs, Trade Unions, Educational Establishments) sector. Although it is way too early to provide answers, the questions we have heard so far give an indication of the most important issues at stake.

Obviously, the consequences of a Brexit will be most acutely felt in the UK's not-for-profit sector itself, whether the organisations concerned work domestically or overseas. The consequences on the Continent, and in Brussels in particular, will be much less significant we think, although in no way negligible. We have heard from quite a few not-for-profits that, even before any official change has taken place, the referendum result is already affecting implementation of their current work plans, strategic planning & budgeting for the coming years, and the risk assessment and mitigation that are necessarily part of these.

### 1. HOW TO LOOK AT THE SITUATION?

There are different ways to approach the situation. For our sector, making a 'quick and dirty' inventory straightaway, makes sense. Below, you will find a first attempt to do exactly that, with most of the EU's thematic areas that not-for-profits work in as a starting point. This will enable you to look at possible consequences and, as an organisation, brainstorm about your own particular situation. Although the matrix below provides more detail than the existing post-Brexit briefings from the sector, we do not claim it to be comprehensive. Furthermore, it is up to individual boards to assess the situation of their organisation.

### 2. POSSIBLE CONSEQUENCES FOR THE EUROPEAN ORDER

#### Political

Now that the UK has decided to leave the EU, it will lose its place at the table. It will lose clout where the European Union is concerned, which has already been demonstrated by the fact that the UK does not have a EU Commissioner any more and will not occupy the rotating Presidency next year. This means that the UK will have less influence on its political decisions and policy making but it could also lead to a number of other, very different things such as:

- Less desire among remaining member states to accommodate the UK **or conversely** a rush to tinker with free movement in order to conclude trade deals;
- Less desire for austerity or 'business as usual' and a less economy-focused and more social Europe, **or** a dogged continuation of 'jobs and growth';
- An increased appreciation of the EU among its citizens as the general uncertainty continues, **or** more support for eurosceptics;
- A courageous defending of the EU as a positive force in the world order **or** increased attempts to placate those who blame the Union for all their ills.
- + Where the UK pressed for more regulatory freedom for the financial sector, in particular for London-based institutions, this pressure might decrease.
- + Where the UK pressed for sanctions against Russia, they might now be watered down.
- + Where the UK has been a positive force in climate and development affairs, the fervour might decrease.
- + Where the UK was a firm believer in the rising tide that lifts all boats, this belief might now become less prominent.

In any EU policy area, what will occur eventually depends on what new balance of power will emerge. Nonetheless, the UK will continue to be a signatory to the United Nations and the Council of Europe, and will continue to make itself heard in these organisations, and will undoubtedly try to negotiate a deal with the EU that is as close to a membership as possible. In short, a lot educated guessing but little certainty. All the same, EU leaders clearly need to understand the motives of the disgruntled. Many social and political experts, as well as many media, characterise them as mostly 'white people resenting a loss of professional and personal status, resenting immigration, gay marriage, non-whites, feminism, attempts at greening and globalisation in general'. If that is the case, there isn't much we can do about it. However, if these same disgruntled people are the ones who have lost out since the onset of the rising inequality in the past decades, it should be possible to develop policies that actually help them and address the ever-increasing divide between 'haves' and 'have-nots'.

Commission Vice-president Frans Timmermans has declared that the EU will have to be 'brutally honest' about what is going on. That is, of course, a wonderful statement. But while paying lip service to the situation of the 'low-income, no-wealth' population in the EU is one thing; acting on it something else altogether. Most probably, the current power struggle between Commission officials and EU Government Leaders & Heads of State will lead to lofty statements and a bit of tinkering with the economy as a way to address eurosceptics' grudges, which they will assume can also address concerns about immigration and loss of national identity. What happens next will also depend on the 2017 election results in at least France, Germany and the Netherlands (and, who knows, in Spain again): will we see our leaders continue on the tired path of austerity, jobless growth, unprincipled trade and a withering Social Europe - the same path that has been fiercely criticised by most European not-for-profit networks and recently even the IMF - or embark on a more promising future?

## Economic & Financial

The fact that political uncertainty makes 'the markets' jittery has been abundantly shown. In the UK itself, the pound has lost value, making UK exports cheaper but imports and travel abroad more expensive. Real estate prices have gone down, British stocks and assets have lost value, pensions and other reserves may be in danger. London-based financial institutions contemplate moving to the Continent, continental banks contemplate closing shop in the UK because of expected extra operational costs. In short, everything the experts forecast in the run-up to Brexit seems to start happening. What is also clear is the fact that trade is the absolute centrepiece of any western economy, and forms the core of the European project. Any uncertainty about if and how trade rules will change in the coming years makes international trade more difficult and slows down the economy. Even if economic slumps are good for the environment, they usually hurt the least wealthy, who are the not-for-profit sector's beneficiaries 'par excellence'.

What will happen to cross-channel trade depends on if and when Article 50 is invoked. Right now, there is some disagreement within the UK about whether the article should be invoked at all, who has the constitutional power to invoke it, whose consent is needed and how this should be done. Furthermore, it depends on the exact relationship model that, internally, would be acceptable to the UK's four devolved nations and the country's different warring factions. Different media suggest there could be more political turmoil dividing the country. This could even lead to breaking up existing, and creating new but untested, political parties. Most likely, there will be another debate about whether the UK as such can and should survive, with as possible results Scottish independence, proportional representation or a new British Federation pooling its sovereignty much along the lines of the EU itself. All this means that the UK's new leadership will have to first and foremost unite and align all concerned in a shared concept of what the new relationship with the EU should be. Finally, it depends on the EU's willingness to play ball and accommodate the UK. In this respect, it is not unimportant to realise that in the end, the European Parliament -no matter how powerless some publicists will have it- has to agree to the final proposal.

In theory, the available models range from 'Brexit Light' (the full works minus a place at the table - also known as the Norwegian model), via 'Brexit Intermediate' (some sort of Swiss model with selected perks and duties) to 'Full Brexit' (where the UK becomes a 'third country', turns its back to European Union requirements and becomes part of a 'Customs Union' or reverts to WTO rules. According to most experts, a Swiss, Customs or WTO situation requires five to ten years of negotiating. During this time, any sign of division and uncertainty will have a stifling and therefore negative effect on the wider economy and create more intra-European irritation. In all scenarios, the not-for-profit sector would be negatively impacted because of decreasing room for Philanthropy, CSR schemes, government and big donors to fund not-for-profits.

Although officially nothing changes for two years after a notification, there is also a giant question mark as to Westminster's ability to pass the necessary proposal to keep the entire body of European law intact and valid until such time as its different parts have been negotiated, which will no doubt take much longer. This would be a necessary condition for the country to keep functioning in the meantime. Also important is whether the financial sector will stay in London and keep filling the Government's coffers, whether the UK economy will pick up after the obvious blow it has been dealt and whether sterling will pick up.

### **Socio-cultural**

Socio-cultural consequences of Brexit could entail a decrease in respect and admiration for the UK in continental countries, a lower status for the English language and less frequent contacts across the Channel. In all countries concerned, there could be a rise in either patriotism or nationalism. Much depends on how well-informed their 'influencers' are and how honest and courageous they can afford to be. This, again, could influence political attitudes and election results with either negative, or positive consequences for our sector.

### **Cross-Channel Cooperation**

For the not-for-profit sector in the UK, bad negotiation results will mean losses in international contacts, cooperation, goodwill, standing and influence, no matter how many upbeat commentaries will tell them that Brexit offers new opportunities as well. Bad economic results will mean losses in income from service contracts, donations, grants, reserves and assets. It will probably mean lower salaries and pensions, and millions less to spend on overseas work - which includes work on culture, education, research & innovation, human rights, anti-discrimination, emergency relief, defense of freedoms, anti-terrorism, peacekeeping, health care, fair trade, conservation & environment or social enterprise. All this will happen while the least wealthy people -as usual- will suffer the most, thereby increasing demand for the sector's services and increasing its workload. This scenario, however, has also played out in the aftermath of the 2007/2008 financial crisis. Although unpleasant, the UK's Third Sector has been living this before and knows -in principle- how to react. In any case, we foresee quite a bit of campaigning and advocacy to get the UK government to mitigate the potential loss of cooperation with partners on the Continent and compensate the sector for the considerable financial losses it has sustained and will no doubt go on sustaining. Finally, there will be the practical, and painful, issue of its EU nationals from across the Channel being permitted to go on living and working in the UK.

### 3. RELEVANT QUESTIONS FOR EUROPEAN NOT-FOR-PROFITS

For Continental not-for-profits in Brussels, most of the above will not apply, be they individual organisations, national platforms or European networks. But as their UK partners and allies have traditionally been providers of 'mass', knowledge, income and labour, a number of issues will have to be considered if and when the UK finally leaves the Union.

#### Statutes/Articles of Association

1. Is your organisation meant to be strictly EU or rather the wider Europe/Council of Europe area?
2. Do your Articles of Association need adapting to take the future position of UK members into account?
3. If its legal seat is in the UK, does it make sense to change its legal form and relocate, e.g. from London to Brussels; or to transform a subsidiary into the main seat?
4. Does the membership status of UK members need to be changed; e.g. from full to associate members or observers?
5. Should your Articles of Association make having 'outside'; i.e. non-member; board members possible?

#### Financials

6. Are UK Membership fees an important part of your income and can they be counted on in the coming years?
7. Do you receive important grants and donations from the UK?
8. If so, might donors' positions and willingness change in any way?
9. Should you adapt expenditure if you foresee lower income in future budgets?
10. Do you offer services in the UK and do you foresee a negative effect because of the more expensive Euros you charge?
11. Have you considered how possible new VAT and tax rules might affect you?
12. Are you foreseeing special mention of Brexit risk in your 2016 accounting and reporting?
13. Are you foreseeing extra external accountancy invoices for this exercise?
14. Do you know what pension schemes you are part of, how secure their reserves are and if they will be affected directly or through contagion?
15. Do you think changes in cross-border giving arrangements, and their tax deductions, may affect your financial situation?

**Operational**

16. Is the input from UK members important en does maintaining it or preparing for compensating it make sense?
17. Are you in partnerships with UK organisations in the lead and if so, does their status need changing?
18. Do you think having UK partners in your current partnerships and alliances might become a problem in two years' time, if they were to lose their eligibility?
19. Could you arrange eligibility for reimbursement of travel costs for UK partners?
20. Do you feel having UK partners in new EU grant applications or tender bids is appropriate?
21. Do you have indications that this would lower your chance of winning them?
22. If UK nationals lose their right to live and work in the EU, are you able to explain their necessity for your organisation and will you prepare for visa and work permits to be applied for?
23. Do you have a British CEO and/or Senior Management and if so, does their position need to be reconsidered?
24. Are you planning to look into your data protection arrangements with a view to GDPR requirements and your dealings with the UK?
25. Are your Trademark and Intellectual Property rights safely established within the EU?

#### 4. THE WORK OF BRUSSELS-BASED ORGANISATIONS' WORK IN EU THEMATIC AREAS

AGRICULTURE	AUDIOVISUAL & MEDIA	CLIMATE & ENERGY	CONSUMERS, COMPETITION	CULTURE	DEVELOPMENT
<ul style="list-style-type: none"> <li>- CAP reform</li> <li>- Chemicals</li> <li>- Sustainability</li> <li>- Fair trade</li> <li>- Animal welfare</li> <li>- GMOs</li> <li>- Food safety</li> <li>- Rural communities</li> <li>- Environmental Concerns</li> </ul>	<ul style="list-style-type: none"> <li>- Cultural diversity</li> <li>- Media pluralism</li> <li>- Free speech</li> <li>- Consumer aspects</li> <li>- Anti-racism</li> <li>- Advertising rules</li> <li>- Accessibility</li> </ul>	<ul style="list-style-type: none"> <li>- CO2 emissions</li> <li>- Pollution</li> <li>- Adaptation/mitigation</li> <li>- Water management</li> <li>- Energy security</li> <li>- Energy poverty</li> <li>- Energy efficiency</li> <li>- Renewables</li> </ul>	<ul style="list-style-type: none"> <li>- Legal rights</li> <li>- Product safety</li> <li>- Sustainable products</li> <li>- Privacy</li> <li>- Fair pricing</li> <li>- Information</li> <li>- Labelling</li> </ul>	<ul style="list-style-type: none"> <li>- Cultural diversity</li> <li>- Linguistic diversity</li> <li>- Arts &amp; Creative Industries</li> <li>- Cultural awards</li> <li>- Cultural heritage</li> <li>- Cultural Capitals</li> </ul>	<ul style="list-style-type: none"> <li>- Gender</li> <li>- Democracy</li> <li>- Fundamental rights</li> <li>- Habitat</li> <li>- Education</li> <li>- Health</li> <li>- Fair production</li> <li>- Fair trade</li> <li>- Environment</li> <li>- Climate &amp; Energy</li> <li>- Microfinance etc.</li> </ul>
SPECIFIC	THEMATIC	AREA	CONCERNS		
<ul style="list-style-type: none"> <li>- Changes in EU agricultural grants</li> </ul>	<ul style="list-style-type: none"> <li>- Possibly less Anglo-Saxon influences</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of UK as a positive pushing force</li> </ul>	<ul style="list-style-type: none"> <li>??</li> </ul>	<ul style="list-style-type: none"> <li>- Possibly less Anglo-Saxon influences</li> </ul>	<ul style="list-style-type: none"> <li>- Possible weakening of development sector</li> <li>- Position/legal status of organisations with their legal seat/HQ/ Secretariats in the UK may be adapted</li> </ul>
DIGITAL AFFAIRS	ECONOMIC & MONETARY AFFAIRS	EDUCATION, TRAINING & YOUTH	EMPLOYMENT & SOCIAL AFFAIRS	ENLARGEMENT & NEIGHBOURHOOD POLICY	ENTERPRISE
<ul style="list-style-type: none"> <li>- Telecoms rules</li> <li>- Digital standards</li> <li>- Data &amp; information giants</li> </ul>	<ul style="list-style-type: none"> <li>- ECB policies</li> <li>- EBRD policies</li> <li>- Stability Pact</li> <li>- Euro affairs, incl. troika</li> <li>- Banking system</li> <li>- Banking Union</li> </ul>	<ul style="list-style-type: none"> <li>- Erasmus programme</li> <li>- Sport activities in Erasmus</li> <li>- Youth action</li> <li>- Volunteering</li> <li>- Recognising</li> </ul>	<ul style="list-style-type: none"> <li>- Living &amp; working abroad</li> <li>- Employment law</li> <li>- Working conditions</li> <li>- Precarious work</li> <li>- Inclusion</li> </ul>	<ul style="list-style-type: none"> <li>- Policy process</li> <li>- Cooperation priorities</li> <li>- Support to Civil Society</li> <li>- Refugee crisis</li> </ul>	<ul style="list-style-type: none"> <li>- Promoting SME opportunities</li> <li>- Greening industries</li> <li>- Social enterprise</li> <li>- Innovation</li> </ul>

<ul style="list-style-type: none"> <li>- Snooping &amp; Echelon</li> <li>- Competition</li> <li>- Consumer protection</li> </ul>	<ul style="list-style-type: none"> <li>- Fair Finance</li> <li>- Debt policies</li> <li>- Microfinance</li> <li>- Alternative Currencies</li> <li>- Transparency &amp; accountability</li> </ul>	<ul style="list-style-type: none"> <li>qualifications</li> <li>- BaMa system and Bologna process</li> </ul>	<ul style="list-style-type: none"> <li>- Anti-discrimination</li> <li>- Skills enhancement</li> <li>- Social security</li> <li>- Decent jobs</li> <li>- Living wage</li> <li>- Health &amp; Safety</li> <li>- Maternity leave</li> </ul>	<ul style="list-style-type: none"> <li>- Frontex policy</li> </ul>	
<b>SPECIFIC</b>	<b>THEMATIC</b>	<b>AREA</b>	<b>CONCERNS</b>		
<ul style="list-style-type: none"> <li>- No more 5 Eyes within the EU</li> <li>- Possible shift in snooping priorities or practices</li> </ul>	<ul style="list-style-type: none"> <li>- More slow-down, even lower Stirling, crises, recession</li> <li>- Volatile markets</li> <li>- Depreciated assets</li> <li>- Dangers to pension funds and insurers</li> <li>- Euro instability</li> <li>- More bail-outs and conflicts</li> <li>- Haggling about future EBRD seat</li> </ul>	<ul style="list-style-type: none"> <li>- Possibly restricted access to UK Erasmus and other educational opportunities for EU students and vice versa</li> </ul>	<ul style="list-style-type: none"> <li>- Possible restrictions on living and working for EU nationals in the UK and British nationals on the Continent</li> <li>- Possibly more focus on a truly Social Europe</li> </ul>	<ul style="list-style-type: none"> <li>- Possible change in balance concerning policy priorities and implementation</li> <li>- Possibly a loss of grant and tender chances for UK and partnerships with major UK role</li> </ul>	<ul style="list-style-type: none"> <li>- Possible loss of input from UK social enterprise sector</li> <li>- Possibly loss of venture philanthropy input from UK</li> </ul>
<b>ENVIRONMENT</b>	<b>EU CITIZENSHIP, FUNDAMENTAL RIGHTS &amp; HUMAN RIGHTS</b>	<b>FOREIGN &amp; SECURITY POLICY</b>	<b>HEALTH</b>	<b>HUMANITARIAN &amp; CIVIL PROTECTION</b>	<b>JUSTICE &amp; HOME AFFAIRS</b>
<ul style="list-style-type: none"> <li>- Ecological Footprint</li> <li>- Water quality</li> <li>- Air quality</li> <li>- Flora &amp; Fauna Protection</li> <li>- Chemicals</li> <li>- Recycling/waste</li> <li>- Conservation Areas</li> <li>- Sustainable Economic</li> <li>- Emission trading</li> </ul>	<ul style="list-style-type: none"> <li>- Implementing the right to live, study &amp; work in all EU countries</li> <li>- Implementing the right to be a candidate &amp; vote in all EU countries</li> <li>- Citizen's Initiatives</li> <li>- HR in EU and worldwide</li> <li>- Prominence for HR in trade relations</li> </ul>	<ul style="list-style-type: none"> <li>- Policy formulation and implementation</li> <li>- Conflict prevention</li> <li>- Reconciliation services</li> <li>- Refugees</li> <li>- Pacifism</li> <li>- Disarmament</li> </ul>	<ul style="list-style-type: none"> <li>- Healthy lifestyles</li> <li>- Quality health care systems</li> <li>- Addiction</li> <li>- Disease awareness and prevention</li> <li>- Defending patients' interests</li> <li>- Medication quality</li> <li>- Disability issues</li> <li>- Migrant health care</li> <li>- Reproductive rights</li> </ul>	<ul style="list-style-type: none"> <li>- Disaster prevention</li> <li>- Planning for emergencies</li> <li>- Humanitarian aid</li> <li>- Relief work</li> <li>- The politicisation of humanitarian aid</li> <li>- Reporting requirements</li> </ul>	<ul style="list-style-type: none"> <li>- The 4 Freedoms</li> <li>- Democratic rights</li> <li>- Citizen's Initiatives</li> <li>- Fundamental rights in the EU</li> <li>- Asylum</li> <li>- Immigration</li> <li>- Frontex policies</li> <li>- Anti-terrorism and deradicalisation</li> <li>- Trafficking</li> <li>- Anti-discrimination</li> <li>- Data protection</li> </ul>



SPECIFIC	THEMATIC	AREA	CONCERNS		
<ul style="list-style-type: none"> <li>- Possibly a loss of clout if the UK leaves</li> </ul>	<ul style="list-style-type: none"> <li>- Curtailing Immigration as a result of UK-EU negotiations</li> <li>- More overt racism and discrimination</li> <li>- Rise in eurosceptic parties</li> </ul>	<ul style="list-style-type: none"> <li>- Possibly changes in Middle East policies</li> <li>- Possibly less pressure on Russia and less support for sanctions</li> </ul>	<ul style="list-style-type: none"> <li>- Less input from the UK</li> <li>- Less influence from the UK</li> <li>- Scope of EHIC system</li> <li>- The seat of European Medicine Agency</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of British influence and participation</li> <li>- Possibly a weakened humanitarian sector</li> </ul>	<ul style="list-style-type: none"> <li>- Curtailed rights for EU citizens to move, live, work &amp; study in the UK</li> <li>- UK-based work for EU governments moved to the Continent</li> <li>- More appreciation of the EU in MS</li> </ul>
MARITIME & FISHERIES	REGIONAL POLICY	RESEARCH & INNOVATION	INTERNAL MARKET, TRADE & TAXATION	INTERNAL MARKET, TRADE & TAXATION	TRANSPORT
<ul style="list-style-type: none"> <li>- Fisheries policy</li> <li>- Protecting the seas</li> <li>- Illegal fishing</li> <li>- Overfishing</li> <li>- Coastal areas</li> </ul>	<ul style="list-style-type: none"> <li>- Shaping regional policy</li> <li>- Shaping regional programmes</li> <li>- Forming national and transnational partnerships</li> <li>- Bidding for and carrying out a wide variety of projects in various regions</li> </ul>	<ul style="list-style-type: none"> <li>- Shaping policies and programmes</li> <li>- Forming national and transnational partnerships</li> <li>- Bidding for and carrying out a wide variety of projects in various regions</li> </ul>	<ul style="list-style-type: none"> <li>- E-commerce</li> <li>- Unfair trade barriers</li> <li>- Trade &amp; Development</li> <li>- Putting HR at the heart of EU trade policy</li> <li>- Greening the procurement system</li> <li>- VAT application &amp; exemptions</li> <li>- Cross-border giving</li> <li>- Making Finance work for SMEs &amp; citizens</li> </ul>	<ul style="list-style-type: none"> <li>- WTO rounds</li> <li>- CETA</li> <li>- TTIP</li> </ul>	<ul style="list-style-type: none"> <li>- Accessible and affordable Public Transport</li> <li>- Emissions</li> <li>- Carbon offsetting</li> <li>- Passenger rights</li> <li>- Transport &amp; Environment</li> <li>- Infrastructure &amp; Environment</li> </ul>
SPECIFIC	THEMATIC	AREA	CONCERNS		
<ul style="list-style-type: none"> <li>- Status of territorial waters</li> <li>- Untangling North Sea work</li> </ul>	<ul style="list-style-type: none"> <li>- Reluctance to maintain British partners in transnational partnerships</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of British influence and input</li> <li>- Loss of British Participation</li> <li>- Weakening of Horizon 2020</li> </ul>	<ul style="list-style-type: none"> <li>- That uncertainty about international trade in general will cause more crises and recession</li> <li>- Uncertainty about trade model</li> </ul>	<ul style="list-style-type: none"> <li>- Is there enough political room to tweak and rebaptise the Norwegian model</li> <li>- More complicated trade in services</li> </ul>	<ul style="list-style-type: none"> <li>- More visa requirements and other travel barriers for trustees, staff and volunteers</li> <li>- Less travel eligible for reimbursement</li> </ul>