

LOTTERY PROCEEDS FOR CSO WORK: **LUCK HAS NOTHING TO DO WITH IT**



Technical Assistance to Civil
Society Organisations
Macedonian office



MACEDONIAN
CENTER FOR
INTERNATIONAL
COOPERATION



This project is funded by the
European Union

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Vanja Skoric, European Center for Not-for-Profit Law (ECNL)

June 2016



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FOREWORD

Financial sustainability is particularly important for the effectiveness of civil society organisations (CSOs) and for ensuring their active involvement and contribution to social development. The state in its endeavour to support civil society development can have a positive role and thus it can provide financial support to CSOs' operation. One of the key sources of funding is the revenue from lotteries and games of chance. In the country these funds are potentially significant funding source for organisations' sustainability. However, in order for this to become a reality, state institutions need to use the principles of transparency and accountability, equal treatment, fair selection and proportionality in the current allocation of funds.

Macedonian Center for International Cooperation (MCIC) since its establishments has been making efforts to create enabling environment for civil society. After 2007, MCIC became thoroughly committed to the improvement of the direct state funding of CSOs. To this end, MCIC has been engaged in regular research, advocacy and information provision about the financial support for the civil society. Furthermore, the development of enabling environment for CSOs and specifically the financial sustainability of CSOs has been one of the priorities of the EU-funded project "Technical Assistance to Civil Society Organisations" (TACS) since the project start in 2009. Thus, the Macedonian TACS office and MCIC as TACS resource centre decided to review the comparative experiences from distribution of lottery proceeds for CSOs.

The comparative analysis "Lottery proceeds for CSO work: Luck has nothing to do with it" prepared by Vanja Skoric from the European Center for Non-for-Profit Law (ECNL) is aimed at all stakeholders involved in the state funds allocation process. The analysis comprises three parts. It begins with a general overview of the characteristics of public and private lotteries distributed to CSOs. The second part consists of concise examples from four EU Member States (Croatia, Ireland, United Kingdom and Netherlands), giving an overview of the legal basis, strategies and programs for defining priorities for funding from lottery incomes, bodies, available amounts of the lottery proceeds for CSOs and areas of support, types of support as well as procedures and criteria for selection of beneficiaries. The third part reviews the pros and cons when choosing relevant model for providing financial support to CSOs from lottery proceeds.

We believe that the quality, the accuracy of the selected good practices and the simplicity of this analysis will provide CSOs with clear guidance for the future desired model of support to civil society from lottery proceeds. We hope that this analysis will also be an incentive for achieving the Government commitment for civil society development stated in the Strategy for cooperation of the Government with civil society 2012-2017. The analysis will also serve to other stakeholders from Western Balkans and Turkey that contribute to civil society sustainability.

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INTRODUCTION

For civil society organisations (CSOs), the quest for "core funding" to sustain their work is a continuous challenge, occupying a large percentage of their time and efforts. In a time of growing competition for scarce philanthropic and public resources, all organisations struggle to sustain their financial viability. One income source that addresses this challenge, is the lottery proceeds. Several countries have introduced the opportunities for state or private lotteries to distribute part of their profits to good causes and CSOs. This varies among countries from a relatively low contribution to one specific sector, often the sports sector, to larger shares for a much wider range of organisations. Revenues from lotteries and other games of chance provide funding to help address social needs and support the work of CSOs.

In most European Union (EU) countries, lottery revenues come from state-operated lotteries and with an obligation to apply it for a particular purpose.¹ In a few EU member states, non-earmarked funds come straight from private charity lotteries and this source has grown considerably in recent years.² The European Parliament in its 2009 Resolution on online gambling concluded that profits from the organisation of games of chance should continue to be "used for the benefit of society, including rolling funding for education, health, professional and amateur sport and culture".³

This paper discusses the general features of lottery revenue distribution to CSOs and presents four examples for distributing lottery proceeds from the EU. It examines specific issues within each of the examples, such as:

- the legal basis for funding CSOs with lottery proceeds;
- strategies and programs for defining priorities for funding from lottery incomes;
- bodies that decide and distribute the lottery proceeds;
- available amount of the lottery proceeds for CSOs and areas of support;
- types of support (institutional, action, networking) and timeframe;
- procedure and criteria for selection of beneficiaries.

The author selected examples from different parts of Europe, subject to the availability of information in English and diversity of specific issues covered in the paper. The conclusion identifies key considerations if designing a model for lottery to support civil society development.

¹ See <http://www.acleu.eu/Charities/Financing-civil-society.htm>

² The total amount raised by the members of Association of Charity Lotteries in the European Union in 2015 was more than 600 euros for almost 300 NGOs. See <http://www.acleu.eu/Charities/Financing-civil-society.htm>

³ European Parliament resolution of 10 March 2009 on the integrity of online gambling (2008/2215(INI)), <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2009-0097+0+DOC+XML+V0//EN>

GENERAL OVERVIEW OF THE FEATURES FOR USING LOTTERY PROCEEDS FOR CSOs

In general, lotteries are distinguished between state supported lotteries and private lotteries. The state lotteries are then divided further, based on how the funding is distributed, to:⁴

- lotteries where the level and areas of support are determined by law and/or decided each year by the government or a government body (featured examples in this paper include Croatia, Ireland);
- entities distinct from the government or lottery operator, where the areas and level of support may be decided in law or by the government, but decisions on individual grants are made by an independent body (featured example in this paper includes United Kingdom);
- distribution prescribed by law.

Private lotteries refer to the lottery operators that decide independently on the level and type of support (featured examples in this paper includes charity lottery in the Netherlands).

State lotteries

In 2012, more than 60 per cent of the gross gaming revenue (stakes minus the prizes) generated by state lotteries in the EU was returned to society as contributions to the state budget and funds for sports, culture, charity and social projects, science, health, research, education, youth, environment and development.⁵ It is important to note that there is substantial variety among countries as to types of issues supported, because the national legislators decide on specific priority areas for lottery funding. For example, development is the main beneficiary of revenue from the Belgian national lottery. In Finland Veikkaus and in the Polish lottery Totalizator Sportowy the main beneficiaries of lottery funding are in the field of culture. In Portugal, the main recipients are in the science, health and research category.⁶

The actual allocation of the funds is based on decisions made by national governments and parliaments. The characteristics of most state lotteries are:

- part of the lottery revenue is earmarked for good causes in specific fields, for example sports, culture, education or health.
- this can be prescribed by legislation or be decided on an annual basis, together with the national budget.
- in some states, part of the payments to society from the lottery go to a specific ministry or foundation.

State lotteries are administered by public authorities or licensed to private operators through bidding

⁴ Based on "Lottery Proceeds as a Tool for Support of Good Causes and Civil Society Organizations: A Fate or a Planned Concept?", Katerina Hadži-Miceva Evans, International Journal of Not-for-Profit Law Vol12, Issue 4, 2010

⁵ Factsheet: Money from State Lotteries to Society, The European Lotteries, 2013 <https://www.european-lotteries.org/system/files/document/1780/files/elfs12moneytosociety201307.pdf>

⁶ Ibid.

processes. Allocation of lottery revenue is not subjected to some legal restrictions, due as taxes and other income-generating activities, making lotteries an easier and faster mechanism for allocating resources.⁷ Therefore, potential of lotteries to fund social and development objectives is high and growing steadily.⁸

Charity lotteries

A charity lottery is privately operated, with a license from the national government, but not operated nor owned by the government. Charity lotteries are used as ongoing fundraising tools by CSOs in several countries (Germany, Ireland, the Netherlands, Spain, Sweden, the UK), Uzbekistan and often exist parallel to state lotteries. This is to ensure that funding is additional to government subsidies, instead of replacing them. Although there are differences in the way they operate, there are some common characteristics⁹:

- they are privately operated, with a license from the national government;
- fundraising for civil society is their main aim;
- they donate a substantial part of their income to beneficiaries and make no private profits;
- funds are distributed by an independent body without political interference;
- funding is provided for the organizations (institutional support), but some also support projects or certain groups directly.

Typically, the operational costs of the lottery do not exceed 20% of the turnover, with the remaining 80% equally divided between donations to charities (40%) and prize money (40%). However, these percentages depend on the maturity of the lottery, the legal national requirements and the market situation.¹⁰ In 2012, the 319 beneficiaries of the Association for Charity Lotteries in the EU member states received a total amount of €560 million a year of unrestricted, reliable source of income.¹¹

EXAMPLES OF LOTTERIES - A CLOSER LOOK

Croatia state lottery

In Croatia, proceeds from the Croatian state lottery are used to support CSO programs and projects. The proceeds are distributed through several government bodies and the National Foundation for Civil Society

⁷ See <http://www.undp.org/content/sdfinance/en/home/solutions/lotteries.html>

⁸ The World Lottery Association estimates national lotteries generated US\$189 billion in 2013. Out of the latter, US\$52 billion were allocated to the Treasury (41.4 per cent), education (28 per cent), sport (5.4 per cent), culture (3 per cent), social activities (1.4 per cent) and other good causes (20.8 per cent). http://world-lotteries.org/cms/images/stories/WLS2014_rome/docs/WLA%2520Compendium%25202014_U1_Inhalt_U4_4-Dec-2014.pdf

⁹ See <http://www.acleu.eu/Charities/Financing-civil-society.htm>

¹⁰ See <http://www.acleu.eu/Charity-Lotteries/Definition-of-a-charity-lottery.htm>

¹¹ See impact of charity lotteries: <http://www.acleu.eu/web/file?uuid=229ff76c-cdc1-42ad-a782-f29b5ad63ca1&owner=44d1c2ae-033a-40b8-b086-b57c0cc01cc4>. See also annual report for 2014: <http://www.acleu.eu/web/file?uuid=d9caa0bc-6fa3-475e-b39d-8d9991e92183&owner=44d1c2ae-033a-40b8-b086-b57c0cc01cc4>

Development (NFCSD). The founding assets of the NFCSD were HRK2m (€275.000).¹² According to the law, 50% of proceeds from lotteries are allocated for programs according to criteria set out in a decree, which is issued each year by the Government. Considering that NFCSD is main distributor of the proceeds, this paper will focus on the mechanisms adopted by the NFCSD.

1. Legal basis for funding CSOs with lottery proceeds

The Law on Games of Chance¹³ provides the legal basis and the method of allocation of revenue from the games of chance. It obliges the government to issue an annual decree which will determine the criteria for beneficiaries of the 50% of all the games of chance fees and Croatian Lottery Ltd. Revenue. The Law states the main areas of financing: development of sport, fight against drug abuse and all other forms of addiction, social and humanitarian activities, problems and needs of people with disabilities, technical culture, culture, extra-institutional education and upbringing of children and youth, and development of civil society.

In addition, the government's Decree on the Criteria for Determining Beneficiaries and Method of Distribution of Revenues from Games of Chance for each year (Decree for Distribution)¹⁴ determines exact percentage of the allocation of revenue according to these areas.

The main distributor of the lottery proceeds to CSOs is the NFCSD. In addition, the Office for Government Cooperation with NGOs distributes funds for co-financing of EU projects of civil society organizations. The Law on the National Foundation¹⁵ established the foundation as public entity and defined its purpose, bodies, basic assets, methods and sources of financing. According to the purpose, the NFCSD provides support for programmes fostering the sustainability of the civil society, inter-sector cooperation, civil initiatives, philanthropy and volunteerism, those improving the democratic institutions of the society, as well as other programmes. It also specifies that the NFCSD is financed from a separate budgetary item in the State Budget and from part of the revenue from the games of chance and competitions.

2. Strategies and programs that define the priorities for funding from lottery proceeds

The NFCSD Statute¹⁶ includes information on the purpose of the Foundation, the use of its revenue and beneficiaries of the Foundation. The NFCSD is a grant maker but also implements activities. It provides multi-year institutional funding as well as project-based funds to associations, foundations, institutions, local government units and others, in the areas of human rights, rule of law, non-institutional education, environmental protection, youth. The Strategic Plan of the Foundation defines the priorities for funding. For 2012-2016¹⁷ they include:

- encourage public, the involvement and participation in local community development;

¹² Founded in 2004.

¹³ Article 8, Law on Games of Chance, <http://www.zakon.hr/z/315/Zakon-o-igrama-na-sreću>

¹⁴ Decree for 2016: http://narodne-novine.nn.hr/clanci/sluzbeni/2016_04_38_1013.html

¹⁵ <http://www.zakon.hr/z/491/Zakon-o-Nacionalnoj-zakladi-za-razvoj-civilnog-društva>

¹⁶ <http://zaklada.civilnodrustvo.hr/category/180/subcategory/185>

¹⁷ <http://zaklada.civilnodrustvo.hr/category/101/subcategory/111>

- build the capacity of civil society to participate in social development;
- development of inter-sectoral cooperation and cooperation between civil society organizations;
- increase public influence and visibility of the activities of civil society organizations;
- support social innovation and employment in the nonprofit sector.

NFCSD adopts its Strategic plan and annual operational plan, to detail its activities, tenders, action steps, partnerships, resources and criteria for the implementation of activities. This is crucial element of developing civil society as the NFCSD plays many roles besides allocating lottery proceeds and other funds to CSOs. NFCSD regularly organizes public consultation with CSOs for priorities and development areas to be included in their strategic objectives for financing, prior to adopting the final Strategic plan. For example, in 2015 they organized online consultation (questioner) as well as four public discussions in major Croatian towns.¹⁸

Finally, the government's Decree for Distribution provides that the beneficiaries of lottery proceeds must be those who reflect priorities in accordance with national strategies and programs of public needs in the relevant areas.¹⁹

3. Bodies that decide and distribute the lottery proceeds

According to the government's Decree for Distribution, there are several government bodies distributing the lottery proceeds.²⁰ The NFCSD announces calls and tenders in accordance with their statute and annual plan adopted by the Management Board of the NFCSD. Rulebook on Conditions and Procedure for the Allocation of Funds for the Realization of the National Foundation Purpose²¹ prescribes three-step process with three different bodies included in the process:

- Commission for checking administrative requirements;
- Assessment bodies (can be various, depending on the tender), for assessing content of applications versus tender requirements. The assessment body, appointed by the Management Board, may consist of outside experts, specialists and employees of the NFCSD (odd number). Their composition and mode of work is governed by internal regulations and rules of procedure of assessment bodies.²² The names of the members are considered confidential and they are obliged to sign a declaration of impartiality and confidentiality, and a statement on the prevention of possible conflicts of interest when participating in the process of assessing the applications received.
- Management Board, which makes final decisions on the allocation of the funds. The Government appoints members of this body from the members of the state administration, local/regional government units and organizations and experts in civil society.

4. Available amount of the lottery proceeds for CSOs and areas of support

¹⁸ <http://zaklada.civilnodrustvo.hr/category/102/subcategory/126/3814>

¹⁹ For example, the Strategy of Development of Spot, or National Human Rights Program, or Strategy for Inciting Development of Civil Society, etc.

²⁰ Article 3 of the Decree

²¹ http://zaklada.civilnodrustvo.hr/upload/File/hr/o_nama/dokumenti/pravilnik_dodjela_sredstava_2012_2016.pdf

²² http://zaklada.civilnodrustvo.hr/upload/File/hr/o_nama/dokumenti/poslovnik_o_radu_procijenivackog_tijela.pdf

The government's Decree for Distribution for 2016 prescribes the following percentage for different

programs and projects within areas of support:

- 32.95% for those that promote the development of sports,
- 4.52% those that contribute to the fight against drug abuse and all other forms of addiction,
- 17.81% with those engaged in social and humanitarian activities,
- 19.31% for those dealing with problems and needs of people with disabilities,
- 4.01% for those that deal with technical culture,
- 12.41% for those dealing with culture,
- 2.11% for those engaged in extra-institutional education and upbringing of children and young people,
- 6.88% for those who contribute to the development of civil society.²³

The percentage depends on the government's annual decision. For example, the 2015 allocation of funds from lottery proceeds towards the NFCSD was 47,5 million HRK (6,3 million EUR) and in 2014, its total allocation was 45,5 million HRK (6,06 million EUR).²⁴

5. *Types of grants (institutional, action, networking) and period for implementation*

The Rulebook on Conditions and Procedure for the Allocation of Funds for the Realization of the National Foundation Purpose²⁵ prescribes several specific support schemes that include both project support and institutional grants.²⁶ During 2016, the NFCSD has published the following calls for proposals/tenders²⁷:

- for financial support - Institutional support for stabilization and / or development association;
- for grant support under the decentralized model first civic action: - "Our contribution to the community";
- for prize award - Volunteering development for children and youth.

In addition to financial support through tenders and calls for co-operation, the NFCSD carried out various forms of development cooperation which contribute to the timely response to the needs for development of civil society:

- single support in development initiatives;
- thematic Fund "Democratization and Civil Society 2.0";
- innovative models of support in the field of philanthropy and foundations.

All these supports have a timeframe from a few months to several years.²⁸ For example, the institutional support that lasts 3 years was in 2015 divided in four categories based on the amount allocated, which

²³ NFCSD receives funds only from this percentage.

²⁴ NFCSD 2015 Annual Report,

http://zaklada.civilnodrustvo.hr/upload/File/hr/o_nama/godisnji_izvjestaj_o_radu/godisnji_izvjestaj_15.pdf

²⁵http://zaklada.civilnodrustvo.hr/upload/File/hr/o_nama/dokumenti/pravilnik_dodjela_sredstava_2012_2016.pdf

²⁶ Supports defined as (a) partnership for the construction of infrastructure for the development of civil society in Croatia; (b) cooperation that achieves the operational part of its activities; (c) the allocation of financial support and awards.

²⁷http://zaklada.civilnodrustvo.hr/upload/File/hr/natjecaji/natjecaji_zaklade/kalendar_objave/kalendar_2016.pdf

²⁸ See NFCSD website for examples of allocated supports: <http://zaklada.civilnodrustvo.hr/category/103/subcategory/122>

reflected the diversity of CSOs and technical and administrative requirements for the application.²⁹ The full range of available supports and amounts for 2015 can be found in the Annual Report.³⁰

6. Procedures and criteria for selection

Based on the Rulebook on Conditions and Procedure for the Allocation of Funds for the Realization of the National Foundation Purpose³¹, the NFCSD gives grants to potential users provided that: (1) they have a registered activity in Croatia, (2) they are organisations, foundations or other legal persons whose basic purpose is not for profit, (3) they promote the values of the constitutional order and implement activities aimed at satisfying the needs of the community and at achieving sustainable development; (4) the

programme/project/initiative that they submit in response to the NFCSD's tender is assessed as significant for the development of civil society in Croatia.

The NFCSD publishes public tenders/calls for proposals for the allocation of grants to users, and public calls for the expression of interest in cooperation at least 1 year in the public media, on the website, and at press conferences. The tender clearly states the conditions and criteria, maximum amount of funds earmarked for grants, the number of grants to be given in that tender/call for the expression of interest, how to apply (including access to forms and instructions on how to apply), the deadline for applications, the grant-assessment procedure, the procedure of concluding a contract on the allocated grant, the way of using the funds, and the method of reporting on the use of the approved grant.

The process of deciding on the financial support through public tenders and calls for expressions of interest is carried out in three levels.

- Level one: Verification that the formal requirements have been met

The Commission that checks administrative requirements reviews all applications received. It determines the applications that have met and those that did not meet the prescribed conditions of the competition.

- Level two: Quality assessment of applications;

Applications that meet the prescribed conditions are sent to assessment bodies and their procedure is in accordance with the Internal Rules for Work of Assessment Bodies.³²

- Level three: Decision-making on grant approval.

NFCSD Management Board at its meeting discusses the proposals by the assessment bodies and makes the final decision on approval of the total amount of funds for financial support. The Management Board can reject the proposal of assessment bodies if their decision is not in accordance with the published objectives under each of the program areas.

²⁹ http://zaklada.civilnodrustvo.hr/upload/File/hr/vijesti_i_priopcenja/priopcenja/2015/priopcenje_4_prosinac_2015.pdf

³⁰ http://zaklada.civilnodrustvo.hr/upload/File/hr/o_nama/godisnji_izvjestaj_o_radu/godisnji_izvjestaj_15.pdf, p 87

³¹ http://zaklada.civilnodrustvo.hr/upload/File/hr/o_nama/dokumenti/pravilnik_dodjela_sredstava_2012_2016.pdf

³² http://zaklada.civilnodrustvo.hr/upload/File/hr/o_nama/dokumenti/poslovnik_o_radu_procjenjivackog_tijela.pdf

Finally, NFCSD systematically evaluates program and financial part of the implementation of the approved supports in order to determine the effectiveness of investment and the level of changes that occurred in the community and the society. Based on the results of the evaluation, NFCSD decides on the extension and continuation of financing of institutional support in the following year. Examples and numbers of the evaluations can be found in the Annual Report.³³

Ireland state lottery

The Irish National Lottery raises funds for good causes on behalf of the Government. 32% of proceeds are allocated to good causes. The Lottery is operated by the Premier Lotteries Ireland (PLI) under licence from the Minister for Finance.

1. Legal basis for funding CSOs with lottery proceeds

The National Lottery Act³⁴ is the legal basis for the allocation of funds, providing that the moneys paid into the Central Fund shall be applied for:

- a) *the purposes of such one or more of the following, and in such amounts, as the Government may determine from time to time, that is to say, sport and other recreation, national culture (including the Irish language), the arts (within the meaning of the Arts Act, 1951) and the health of the community, and*
- b) *such (if any) other purposes, and in such amounts, as the Government may determine from time to time.*

Each year the surplus of proceeds is attributed in its entirety to a National Lottery Fund, from which prize payments, operating costs and capital expenditure are transferred back to lottery operator.³⁵

2. Strategies and programs for defining priorities for funding from lottery incomes

According to its founders³⁶, the National Lottery generates funds for good causes in the areas of Youth, Sport, Recreation and Amenities, Health & Welfare, Arts, Culture & National Heritage and the Irish Language. Funds raised by the National Lottery are transferred to the Exchequer and are used to part-finance expenditure by various Government Departments on projects in these categories. The National Lottery publishes the list of funded programs on its website.³⁷

³³http://zaklada.civilnodrustvo.hr/upload/File/hr/o_nama/godisnji_izvjestaj_o_radu/godisnji_izvjestaj_15.pdf

³⁴ Section 5, <http://www.irishstatutebook.ie/eli/1986/act/28/enacted/en/html>

³⁵ <https://www.lottery.ie/en/Good-Causes-Winners/National-Lottery-Fund>

³⁶ <https://www.lottery.ie/Services/About-the-National-Lottery>

³⁷ http://www.nicdtf.ie/RESOURCES/upload/National_Lottery_Grants.pdf

3. *Bodies that decide and distribute the lottery proceeds*

There is no separate fund or foundation distributing the proceeds. The money allocated for good causes is distributed to different government departments and bodies:

- Department of Environment, Community and Local Government
- Department of Education and Skills
- Department of Children and Youth Affairs
- Department of Transport, Tourism and Sport
- Department of Arts, Heritage and Gaeltacht
- Department of Health
- Health Services Executive
- Department of Public Expenditure and Reform

To provide an example of the scheme for this paper, we will examine the distribution of funds by Department of Children and Youth Affairs and Department of Health more closely.

4. *Available amount of the lottery proceeds for CSOs and areas of support*

In general areas available for funding include Youth, Sport, Recreation and Amenities, Health & Welfare, Arts, Culture & National Heritage and the Irish Language.

Department of Children and Youth Affairs³⁸

The Department had a fund of €910,000 available for 2014³⁹. In 2014, it mainly targeted small scale projects⁴⁰ of up to €20,000. In all cases applicants had to ensure that the proposals demonstrate how a meaningful project can be completed with a grant of this scale.

During 2014, priority was given to projects and activities that involve:

- Culture, play and recreation
- Children and young people led initiatives
- Healthy Lifestyles for Children and Young people including innovative new projects aimed at emerging issues for children such as smoking, obesity, alcohol consumption, cyber bullying etc.
- To provide marginalised groups with access to extra-curricular activity based projects.

In addition, for 2014 the Department also considered projects that focus on Children's and Youth Health issues.

Department of Health⁴¹

³⁸http://www.dcy.gov.ie/viewdoc.asp?fn=%2Fdocuments%2FNational_Lottery_Grant_Scheme%2FNational_Lottery_Grant_Main_Page.htm

³⁹ DCYA was not in a position to operate a National Lottery Scheme in 2015 and 2016.

⁴⁰ Average grant amount of €3,900 per project.

⁴¹ <http://health.gov.ie/about-us/national-lottery-grant-scheme/>

Department of Health operates a National Lottery Discretionary fund under which it can provide one-off grants to organisations for the provision of health related services. The fund is aimed at community groups and voluntary organisations operating in Ireland providing health services to specific client groups (like people with an intellectual and/or physical disability), providing information and support for various disabilities and illnesses or groups with a specific interest (like providing equipment for hospitals, for example).⁴² In 2016, the available funds amount to €3,286,000.

Applications are accepted from community groups and voluntary organisations with an involvement in the provision of health services to specific client groups, national groups providing information and support for various disabilities and illnesses and groups with a specific interest (for example to provide respite for elderly, equipment for day services, residential homes, etc.)

5. *Types of grants and period for implementation*

Department of Children and Youth Affairs⁴³

The scope of the grants relates to the provision of services to children and young people. Grants are generally awarded for one-off projects across a wide variety of areas such as the provision of equipment for youth clubs, youth cafes, scouts, summer camps, day trips for youth clubs/summer camps, play equipment for playschools/crèches and other once-off programs. Funding is not available for ongoing running / staffing costs.⁴⁴

Department of Health⁴⁵

Similar to other department, this one provides grants for one-off projects within their scope.⁴⁶

6. *Procedures and criteria for selection*

Department of Children and Youth Affairs⁴⁷

⁴² <http://health.gov.ie/wp-content/uploads/2016/01/2016-National-Lottery-Grants-Information-Leaflet.pdf>

⁴³ [http://www.dcy.gov.ie/viewdoc.asp?fn=%2Fdocuments%2FNational Lottery Grant Scheme%2FNational Lottery Grant Main Page.htm](http://www.dcy.gov.ie/viewdoc.asp?fn=%2Fdocuments%2FNational%20Lottery%20Grant%20Scheme%2FNational%20Lottery%20Grant%20Main%20Page.htm)

⁴⁴ List of organizations funded in 2014:

http://www.dcy.gov.ie/documents/national_lottery_grant_scheme/20141712NationalLotteryAllocations2014.pdf

⁴⁵ <http://health.gov.ie/about-us/national-lottery-grant-scheme/>

⁴⁶ List of organizations funded in 2015: <http://health.gov.ie/wp-content/uploads/2014/03/Second-round-of-Health-National-Lottery-Grants-2015.pdf>

⁴⁷ [http://www.dcy.gov.ie/viewdoc.asp?fn=%2Fdocuments%2FNational Lottery Grant Scheme%2FNational Lottery Grant Main Page.htm](http://www.dcy.gov.ie/viewdoc.asp?fn=%2Fdocuments%2FNational%20Lottery%20Grant%20Scheme%2FNational%20Lottery%20Grant%20Main%20Page.htm)

The process of review of the applications is described in the published leaflet.⁴⁸ An acknowledgement of receipt is issued from the Department on receipt of a fully completed application form. A fully completed

application is then assessed and evaluated by the Department and forwarded to the Minister for final consideration. The Minister, taking account of the details of the application and the internal Departmental assessment, makes the final decision. When the application is approved a formal letter of approval is issued.

The available application forms⁴⁹ nor the leaflet do not list specific criteria for the allocation of funds, rather they only list the administrative requirements: a copy of organisation's recent audited accounts, annual report and/or bank statement.

Department of Health⁵⁰

Upon receipt of a completed application form, it is registered by the Finance Unit and referred to the relevant Service Division within the Department for their assessment, evaluation and recommendation of the proposed project in consultation with the Health Service Executive (HSE). The Minister makes final decision.

The application form⁵¹ states that all projects must have a specific health related benefit. In addition, administrative requirements include providing a copy of their organisations recent audited accounts, annual report and/or bank statement. A valid Tax Clearance Certificate is required for grants over €10,000.

United Kingdom (UK) state lottery

The UK National Lottery is supervised by the National Lottery Commission and is operated by Camelot Group. 28% of proceeds are distributed for good causes in different categories. Funds from the National Lottery provide a significant source of income for the UK voluntary sector. Over 434,000 projects received grants by May 2014, ranging from large projects like the London 2012 Olympic Games to smaller projects like playgrounds, community arts and literature projects.⁵²

1. Legal basis for funding CSOs with lottery proceeds

The National Lottery Distribution Fund (NLDF) was established in 1994 at the time the National Lottery was launched. Section 21 of the National Lottery etc. Act⁵³ places the NLDF under the control and

⁴⁸http://www.dcy.gov.ie/documents/lottery_grants_docs_2013/NationalLotteryInfoLeaflet2014.pdf

⁴⁹http://www.dcy.gov.ie/viewdoc.asp?fn=/documents/national_lottery_grant_scheme/NationalLotteryAppForm2014.doc

⁵⁰ <http://health.gov.ie/about-us/national-lottery-grant-scheme/>

⁵¹ http://health.gov.ie/wp-content/uploads/2016/03/2016Lottery_App_Form-Word.docx

⁵² See <https://www.gov.uk/government/publications/2010-to-2015-government-policy-national-lottery-funding/2010-to-2015-government-policy-national-lottery-funding>

⁵³ <http://www.legislation.gov.uk/ukpga/1993/39/contents>

management of the Secretary of State for Culture, Media and Sport. The Department for Culture, Media and Sport (DCMS) is responsible for the oversight of the National Lottery regime.

2. Strategies and programs for defining priorities for funding from lottery incomes

DCMS sets the policy and financial directions for the distributors (stating who can receive funding, what the funding can be used for, and the conditions the distribution body must meet) and maintains a database of grants. In addition, a National Lottery Promotions Unit raises public awareness of the good causes benefiting from lottery funding.

Prior to October 2010, the share of funds was apportioned so that the arts, sport and heritage good causes received 50% of the income. However, during 2010, the UK held national consultations on how National Lottery money should be spent on good causes.⁵⁴ Following a reform in the allocation of the share of lottery income to the lottery distributing bodies, the share of income apportioned to the arts, sport and heritage was increased to 60%.⁵⁵

The largest of the lottery distributors is the Big Lottery Fund.⁵⁶ It was established in 2006 to distribute proceeds allocated for education, environment, charities and health. On average, 60-70% of its income is distributed to CSOs. The Fund receives policy directions from the four governments in England, Scotland, Wales and Northern Ireland, setting out the key social and economic issues and aspirations to be addressed in each country. In addition, the Fund regularly consults the public to help guide the policy direction for the Fund's distribution of proceeds.⁵⁷

3. Bodies that decide and distribute the lottery proceeds

The lottery operator passes all proceeds to the National Lottery Distribution Fund (NLDF), which is administered by the DCMS. NLDF passes the money to 13 Lottery distributors, which are independent, non-government organizations with specialized knowledge about the specific sector.⁵⁸ Those are:

- Five that focus on sport (Sport England; Sport Scotland; Sport Northern Ireland; the Sports Council for Wales and UK Sport);
- Five on arts (Arts Council England; Arts Council of Wales; Arts Council of Northern Ireland; Creative Scotland; British Film Institute);
- Heritage Lottery Fund;
- the Big Lottery Fund and,
- the Olympic Lottery Distributor.

⁵⁴ <https://www.gov.uk/government/consultations/consultation-on-the-national-lottery-shares>

⁵⁵ See

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445563/National_Lottery_Distribution_Fund_Account_2014-15_print_file.pdf

⁵⁶ See <https://www.biglotteryfund.org.uk/about-big>

⁵⁷ <https://www.gov.uk/government/news/consultation-launched-into-distribution-of-big-lottery-fund>

⁵⁸ <http://www.lotterygoodcauses.org.uk/funding>

Funding is further allocated through grants based on specific criteria for eligibility and funding. The Secretary of State for Culture, Media and Sport is accountable for the NLDF and issues financial and accounts directions to us in relation to our functions under the National Lottery Acts. The Minister for the

Cabinet Office issues policy directions which must be taken into account when distributing funds; these apply generally to all UK funds and specifically to England. The devolved administrations in Scotland, Wales and Northern Ireland issue policy directions relating to the funds distributed in those countries.

4. Available amount of the lottery proceeds for CSOs and areas of support

The NLDF Annual Report and Accounts for the year that ended on 31 March 2015⁵⁹ states that over £33 billion had been raised for good causes since the launch of the National Lottery (including money raised by Olympic Lottery products), £2.0 billion of which was received to NLDF during 2014-15. These figures include investment returns on the balance held in the NLDF. £1.9 billion was drawn down during the year to be passed to the good causes. Amounts were distributed according to the main areas:

- Arts £000 390,934
- Sports £000 390,934
- Heritage Lottery Fund £000 390,934
- Big Lottery Fund £000 781,871

The Big Lottery Fund in the 2014-15 financial year awarded more than £1 billion to projects with a social mission (these do not include arts, sports and heritage).⁶⁰

5. Types of grants (institutional, action, networking) and period for implementation

Within this model, the paper focuses on the largest lottery distributor, the Big Lottery Fund. It gives grants from £300 to more than £500,000 to community and voluntary groups and charities, depending on the grant scheme. Some examples include the following:

- Awards for All England grant scheme

Awards for All offers grants of between £300 and £10,000 for grassroots and community activity that aims to improve life for local people and neighbourhoods. It doesn't have a deadline and applications are open at any time. It is the most popular grants programme that prioritizes groups with smaller incomes. Due to high demand on the programme, organisations that have a large annual income may not be able to get funding through Awards for All. The implementation for projects is limited to 12 months.⁶¹

- Building Better Opportunities

⁵⁹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445563/National_Lottery_Distribution_Fund_Account_2014-15_print_file.pdf

⁶⁰ See <https://www.biglotteryfund.org.uk/about-big>

⁶¹ See detailed guidance https://www.biglotteryfund.org.uk/-/media/Files/Programme%20Documents/Awards%20for%20All%20England/A4A_app_england.pdf

The Big Lottery Fund is also a matching funding coming from the European Social Fund for projects tackling the root causes of poverty, promoting social inclusion and driving local jobs and growth. Funding size varies from £330,000 - £10.6m and there is no specific time limit.⁶²

6. *Procedures and criteria for selection*

The Big Lottery Fund Board and its Committees⁶³ are key decision making bodies. The Fund is governed by a Board comprising the Chair, the four chairs of the country committees and up to seven other members. Each country within the UK has a committee responsible for the funding programmes in their country and the Board has also appointed a committee for UK-wide funding. All Board members are appointed by the Minister for the Cabinet Office. All Board and committee members are appointed following an open process of advertisement and selection.

The Board sets the Fund's strategic framework, and the committees determine the programmes in their countries within this framework. They also make grant decisions, or agree the delegated arrangements for making them, within these programmes.

For general procedural guidance, there are numerous guides available at the Fund's website.⁶⁴ They provide a simple step-by-step introduction to the concepts and principles that applicants need to know. The applicants need to fulfil these general criteria:

- demonstrate the need that project is trying to meet and evidence about the need;
- show the types of people who will benefit from project and evidence about their need and the level of that need;
- why the project is the right approach to meeting the need.

For larger projects, applicants need to submit local, regional or national strategies and how project fits with them and the evidence that they have gathered. They also need to show if they have consulted appropriately so it is important to ensure that applicants hear from people who can represent the whole range of beneficiaries. Some specific criteria and procedures are prescribed for each specific grant scheme.

⁶⁵

The grant scheme "Building Better Opportunities" conducts the application process in two stages. Stage one is fully open and competitive and from this they select a shortlist of applicants to take through to stage two. An invitation to stage two does not, however, guarantee that the project will be funded.⁶⁶

Finally, the Fund monitors the implementation of the projects through developed monitoring system with different requirements for different types and scales of projects, requesting information on achievements

⁶² See detailed guidance <https://www.biglotteryfund.org.uk/global-content/programmes/england/building-better-opportunities>

⁶³ <https://www.biglotteryfund.org.uk/about-big/our-people/board>

⁶⁴ See https://www.biglotteryfund.org.uk/-/media/Files/Guides%20and%20Resources/getting_funding_planning_projects_2.pdf

⁶⁵ See Awards for All England, https://www.biglotteryfund.org.uk/-/media/Files/Programme%20Documents/Awards%20for%20All%20England/A4A_app_england.pdf

⁶⁶ See <https://www.biglotteryfund.org.uk/global-content/programmes/england/building-better-opportunities/building-better-opportunities-resources>

and change that has occurred due to activities.⁶⁷ It commissions its own evaluations on selected programmes, carried out by independent contractors and looking across multiple projects, to provide lessons learned.⁶⁸ It also offers its grantees resources and guidance on conducting its own evaluations.

Netherlands charity lottery

The Netherlands charity lotteries (Postcode Lottery, Friends Lottery, and BankGiro Lottery) were founded over the past 50 years.⁶⁹ Created as Novamedia's first charity lottery, the Postcode Loterij⁷⁰ has become the Netherlands' largest charity lottery, supporting more than 90 organisations in the fields of nature and the environment, development cooperation, human rights and social cohesion. Novamedia (the operator) receives a fixed percentage from the proceeds.⁷¹ 50% of the total amount paid into the Postcode Lottery is allocated to good causes.

1. *Legal basis for funding CSOs with lottery proceeds*

Lottery licences in the Netherlands are granted by the Minister of Justice. The Ministry of Justice and the Dutch Gaming Control Board supervise the national gaming licences and compliance with the Act on Games of Chance. The Board also advises the Minister regarding changes in the rules and regulations, licence and licensees' rules for participants and monitors the activities of all national legal gaming organisations in the Netherlands for this purpose. The Netherlands Metrology Institute audits the processes regarding the fairness of the lottery.

The Postcode Lottery together with other charity lotteries (Friends Lottery and BankGiro Lottery) is a part of the National Charity Lotteries Holding NV (tax number 8134.63.464). These lotteries are registered as non-profit organizations.

2. *Strategies and programs for defining priorities for funding from lottery incomes*

According to its website, the Postcode Lottery is the largest charity lottery in the Netherlands.⁷² It prioritizes beneficiaries in the fields of nature & environment, development cooperation, human rights and social cohesion. Its governing bodies decide the lottery priority areas for funding.

3. *Bodies that decide and distribute the lottery proceeds*

⁶⁷ Monitoring forms: <https://www.biglotteryfund.org.uk/funding/funding-guidance/managing-your-funding/monitoring-forms>

⁶⁸ <https://www.biglotteryfund.org.uk/funding/funding-guidance/managing-your-funding/evaluation>

⁶⁹ <http://www.theeuropean-magazine.com/marieke-van-schaik/10289-charitable-giving-in-the-netherlands>

⁷⁰ The Postcode Lottery is a postcode-based subscription lottery (the ticket number is composed of the player's postcode and a 3 digit number).

⁷¹ See <http://www.postcodeloterij.nl/organisatie/perscentrum/factsheet-english.htm>

⁷² See <http://www.postcodeloterij.nl/organisatie/perscentrum/factsheet-english.htm>

An independent Supervisory Board⁷³ decides annually on the allocation and distribution of the funds to direct beneficiaries (CSOs). The Postcode Lottery have their own distribution fund, DOEN Foundation, which distributes a part of the lotteries' revenues among smaller organisations and initiatives that are not eligible to become a direct beneficiary of one of the lotteries.

4. Available amount of the lottery proceeds for CSOs and areas of support

The Postcode Lottery beneficiaries are from the fields of nature and environment, development cooperation, human rights and social cohesion. Each month, over 2.5 million participants play with some 4 million tickets. In 2015, 106 beneficiaries received a payment of total € 327,518,552, with a minimal grant of 500 000 EUR.⁷⁴

5. Types of grants (institutional, action, networking) and period for implementation

In 2015, there were 11 CSOs receiving a one-time donation from the Postcode Lottery. Other beneficiaries (CSOs) receive institutional grants that can be spent freely to any parts of their work. The beneficiary CSOs determine their own priorities. Each year they are accountable to the lottery with their reports. The contracts with ongoing beneficiaries are usually signed for the period of five or three years.

6. Procedures and criteria for selection;

Once a year the Board of the Postcode Lottery decides on the distribution of proceeds among organizations.⁷⁵ Every CSO that fulfils certain criteria can apply to become a beneficiary. The criteria for a successful candidate who can become a long-term beneficiary include the following:

- works in the following sectors: development and human rights; nature, animal welfare, climate and the environment; social cohesion in the Netherlands.
- has broad public support and public recognition. For example, the size of the fundraising or other support of third parties, the number of donors or members or the presence in the public debate.
- coming from the society;
- ensures national coverage;

- has raised other private donations at least 1 million EUR (as the Lottery's minimum contribution is 500,000 euros);
- is passionate and professional organization.

The Postcode Lottery also prefers organizations with good performance and ambition see in the field of entrepreneurship, innovation and impact. In addition, the Lottery established a Dream Fund to provide

⁷³ See more at <http://www.acleu.eu/static/ACLEU/pdf/CL%20in%20Netherlands.pdf>

⁷⁴ See all beneficiaries and short description available: <https://view.publitas.com/npl/jaarverslag-2015-npl/page/1> annual report 2015

⁷⁵ See <https://view.publitas.com/npl/jaarverslag-2015-npl/page/1> annual report 2015

innovative, courageous and ground breaking finance initiatives and to provide organizations the ability to find solutions for burning issues. The fund gives space to leadership and vision in the sectors, which the Postcode Lottery supports. Only CSOs who can contribute to the fund are eligible to submit a project. It currently has 10 beneficiaries (CSOs) receiving more than 1 million EUR each.

CONSIDERATIONS FOR CHOOSING THE MODEL

Lotteries have become a popular source for supporting CSOs or good causes. However, the features of the good models or mechanisms for a particular country depend upon many variables, including the purpose of the lottery and the societal context. For example, the following conceptual questions, among others, need to be answered:

- What are the aims of the lottery model?
- Which areas to support? Should CSOs be prioritised?
- Which activities should be eligible to benefit?
- What types of grants are needed and should be given?
- What is the effect on the player?
- How to ensure transparency and public support and minimise political interference? Should CSOs be part of the decision-making process?

The following are some observations to be considered when deciding on the model:

State lottery pros and cons

A positive side of state lotteries is that they do not require high initial investments as the operational costs are comparatively low. They also have a high potential for revenues and continuous users. In addition, if separate trust funds are established for distributing the money, lotteries can reduce the risk of potential corruption and political influence on the selection of beneficiaries.

On a challenging side, the establishing of new lotteries can increase a country's gambling participation, especially among low-income households. In addition, the state has significant influence over the policy and mechanisms for the distribution of lottery revenues to good causes. While some countries determine the areas or the percentage of allocation in laws, others leave it to a government to decide on the distribution each year. This always brings a risk of politicization, as the government makes decision based on its current policies and interests. Public and political debate will often use examples of funding to present a certain agenda in favor or opposing the current system in place.

Charity lottery pros and cons

Charity lottery examined in this paper is a reliable partner to the organisations it supports, making their

funding sustainable and long-term. More generally, there is a good chance that a charity lottery will help to attract people who might not normally donate to the CSOs, therefore expanding the base for support. In addition, these lotteries can make a lot of money annually as well as create great stories about winners as well as beneficiaries, which make for great PR for the causes they support. However, costs of running a non-state lottery are considerable, especially taking into account direct

competition with (probably existing) state lotteries, which are much larger. Laws should allow CSOs to operate lotteries, and protect them from unfair competition. In addition, there might be some regulatory limits (on maximum pay-out, percentage for allocations for beneficiaries, etc.) which might also impact the overall costs for running a lottery.

Crosscutting challenges

When designing a model for funding civil society through lotteries, these challenges should be examined closely:

1. *Benefits and beneficiaries?*

Lotteries do not always have straightforward policies on who are the final beneficiaries and those do not include only CSOs. Many different stakeholders, both public and private, might compete for the same funds. In addition, most lotteries restrict their support to certain areas and/or activities, typically education, sport, culture and science. In fact, with the exception of Croatia, in most cases distribution of lotteries proceeds does not aim to support CSO development as such nor give any priority to CSOs. Finally, the amount of funding available, although initially large, is limited - therefore, lotteries should not be seen as a key source of revenue for the sector as a whole and be introduced as a substitute to other sources.

2. *Criteria and distribution of proceeds*

Lotteries distribute funds for a variety of areas, commonly known as "good causes". However, the list of such issues needs to be agreed and well elaborated, to avoid confusion or misinterpretations. In addition, it is crucial that clear, transparent criteria are published in advance and, where possible, independent experts are involved in the funding decisions. Those might include: non profit purpose of the organization, promoting values of public benefit and sustainable development, implementing activities aimed at satisfying the needs of the community and providing evidence about the needs, why the project or program is the right approach to meeting the need. etc. Finally, there must be a thorough process of checks and balances, accounting and reporting to ensure that the funding is used appropriately.

3. *Typical risks*

When designing a lottery model, some risks include mismanagement and misallocation of funds (reputational risks). There must exist a clear and elaborate regulatory framework for gambling and games of chance - otherwise, the reputation and independence of the lottery operator and the entire funding scheme can be questioned. Another risk that lottery distributors face is difficulty in monitoring of grants from the proceeds. In limited capacities, this can be impossible to conduct effectively, and without it, the

impact and the "good cause" might be lost to the public eye, turning people away from the idea. Therefore, the establishment of independent, transparent and effective mechanisms to allocate funds to the most valuable and cost-effective projects and programs, and to monitor implementation is a precondition for achieving impact.

In addition, there should be measures and policies in place for responsible behaviour and gambling principles (e.g. WLA Responsible Gaming Principles and Framework, Gamble Aware– UK),⁷⁶ awareness raising and education campaigns, and proper game design. The buyer of lottery tickets should be informed in a proper and timely manner about the use of the proceeds and of the risks of gambling. Lotteries should not target vulnerable groups with marketing campaigns.

⁷⁶ See http://www.world-lotteries.org/cms/index.php?option=com_content&view=article&id=72&Itemid=100192&lang=en;
<http://www.gambleaware.co.uk>