

# **Spain – A Country of Growth, Opportunity, and Challenges for the Third Sector**

***Daryl Upsall, Chief Executive of Daryl Upsall Consulting International SL, gives an in depth account of fundraising practices in Spain. He draws upon the move to face-to-face fundraising, which has a significantly higher success rate than in Northern Europe or America. However, he also demonstrates how the Spanish third sector has many challenges to overcome if it is to attain the professionalism which is to be found in more mature fundraising markets.***

## **Introducing the Spanish Third Sector – Its history and where it is now**

Tell a Spanish person that you work for a charity and they will have little idea what you are talking about. If you try using acronyms such as NGO, NPO or mention the third sector and you might as well be speaking Greek. In any case, not much has changed in the last 40 years I have spent visiting this wonderful country, 25 of which I have been with my Spanish wife.

The Spanish population is largely oblivious of the world of charities – what they actually do and issues such as fundraising have never been as central to Spanish social, political or cultural life as it is in the English speaking world or northern Europe. Of course, the Catholic Church and its offshoots, such as the Opus Dei have been raising funds for centuries, and the Red Cross in Spain is one of the biggest factions of the Red Cross anywhere in the world. After all, the [Cruz Roja España](#) is the national blood transfusion service and ambulance service and it also happens to provide beach lifeguards and primary health care. Indeed, it is part of the fabric of daily Spanish life. It is hardly surprising then, that the public believe it is a government department. It certainly acts as if it is.

Similarly, the national charity for the blind (and other disabilities) is called [ONCE](#). It is one of the wealthiest charities in the world in terms of weekly, let alone annual income. It runs the biggest weekly lottery in the country and has air-conditioned sales booths with satellite communications on street corners across Spain. The public see ONCE as a lottery company which will one day make them millionaires, not as a charity serving the disabled and one of the largest the social enterprise employers in the country.

How is it then, that in a modern, vibrant 21<sup>st</sup> century country such as Spain one can be so unaware of the rapidly expanding third sector that is growing in its midst?

Much of the blame lays firmly at the grave of Francisco Franco Bahamonde, better known as General Franco, the brutal dictator that ruled Spain from the 1<sup>st</sup> October 1936 until his death on the 20<sup>th</sup> November 1975.

Hardly a friend of any organisation that might challenge his authority or the Catholic Church, Franco certainly had little enthusiasm for such a concept as

an independent third sector. Few people in the charity world know for instance, that *Plan International* was founded over 70 years ago in Spain by British journalist John Langdon-Davies and refugee worker Eric Muggeridge. Originally named 'Foster Parents Plan for Children in Spain', the aim was to provide food, accommodation and education to children whose lives had been disrupted by the Spanish Civil War. The very fact that *Plan* might be helping the children of the defeated Republicans led Franco to expel this humanitarian organisation from Spain.

One can trace the boom of the Spanish NGO market back to the mid 1980s when Spain went through its momentous "Transition" from dictatorship to full blown democratic state, led by the youthful and charismatic Socialist Prime Minister Felipe González from 1982 -1996. During this period there was an explosion of charities registering either as membership "associations" or "foundations" and taking on the very issues that would have been banned in previous decades, such as human rights (*Amnesty International*), the environment (*Greenpeace*), development (*Intermón Oxfam*) and gay and lesbian rights.

It is estimated that there are around 260,000 NPOs in Spain, 35,000 of which are defined as social action, community and international development and aid organisations. In reality barely 100 of these are actually active in professional fundraising as it is done in the UK, USA, or other mature fundraising markets. Most are small local self help organisations, sports clubs or schemes which are funded by local, regional and central government.

### **Fundraising in Spain**

Whilst the Spanish charity market has grown significantly in recent years, both in terms of the overall amount of funds it has raised and the number of active fundraising NPOs establishing themselves, there is still significant space for the overall number of donors to expand from the current low levels of around 2.5m charity donors to circa 10m in the next 5 years. Growth is continuing throughout the current crisis with major NGOs expanding at rates of 20% new income and committed donors per year. For example, in 2009 as many as 200,000 new regular donors will be signed up through face to face fundraising alone! In 2010 this could easily reach 300,000, representing a 10% growth in the entire national donor base.

There is currently no issue of donor fatigue, boredom with the sector in the media. Nor is there any sign of market saturation as only around 40 NPOs are operating at levels of professional fundraising anywhere near approaching that of NPOs in markets such as the USA, Canada, UK, Holland or Sweden.

With a population of 44 million and an unemployment rate of 20% (which is not nearly so high in the educated, professional middle classes) fundraising in Spain is booming as 2009 draws to a close. According to the AEF 2009 bi-annual study "Support of Spanish people to NGOs and donor profile", donors remain loyal with an average regular donor giving for 10 years. Only 2% of the public say they will decrease their donations because of the economic crisis,

matched by the 2% that say they will **increase their gifts** because of the same crisis. In a country where direct mail does not work for charities and talking is considered a national sport, a face-to-face approach is a valuable tool to start engaging with an NPO.

Despite the current downturn in the Spanish economy, mainly due to the construction and property value boom slowing down and the international rise in oil prices, the current financial status of the typical middle class, professional Spaniard has never been better because they are asset rich. Although the cost of living has increased since Spain joined the Eurozone, the level of disposable income and time has also increased for the typical middle class professionals who form the core target group of potential donors for NPOs in Spain. Indeed, in late 2009 potential middle class donors in employment with a typical mortgage have a greater level of disposable income than prior to the crisis due to the large decrease in mortgage interest rates.

Nevertheless, most Spaniards outside the major cities have never been asked to give to a charity, as professional fundraising is relatively new. When people in the many small to medium sized cities are asked to give it will most likely have been for the first time and the response is very positive. The vast bulk recruitment techniques such as direct mail have been tested over the years and have failed so there is no sense at all of potential donors drowning under the weight of charity direct mail appeals as is the case in the USA.

When the public are approached on the street, at their door or by telephone, the response rates are more positive than is typical of the more mature European and North American markets. Furthermore, the expectation of donors is that they will make relatively high monthly gifts of 15-30 Euros per month via bank direct debit. This is what all charities in Spain ask for as there is little culture of asking for one off gifts, except in emergencies such as the Tsunami. Even then the professional fundraising charities soon move to convert these donors to “socios” or monthly donors within a few months. Direct debits, including paperless direct debit is key in Spanish fundraising. The business and communications infrastructure are in place and are of a high standard. Overall, the banking system works extremely well for building long term and sustainable monthly direct debit based support bases.

The national media, which has been surprisingly naive about the scale and scope of the third sector’s activities in the past, has now begun to include feature articles in the “Society and Business” pages. It regularly turns to international NPOs to comment on issues in areas of conflict or crisis, or to organisations such as DUCI and other experienced consultants on the performance and needs of the sector.

### **Challenges for Spain’s Third Sector to overcome**

Yet while the sector has blossomed in Spain in the past two decades, it has not come without its problems, especially with its relationship to the media. In 2007 the national media dedicated extensive coverage of financial scandals

involving hundreds of millions of Euros within two large Spanish fundraising NPOs, namely *Intervida* and *ANESVAD*. On March 10th 2007 the President of *ANESVAD* (a charity which confronts issues ranging from leprosy to the child sex industry) was arrested, initially over the disappearance of €500,000. This figure has since risen to a possible €5,000,000 money-laundering scandal. The NPO is now in major crisis and the sector has to react to the issue. The situation was exacerbated in April after the NPO *Intervida* was formally accused of diverting funds to private investments. The case is still being covered by the media, and figures of over €100 million worth of funds diverted to companies in Latin America are being reported.

Such serious allegations of money-laundering, which have gone unchecked for such a long period of time, highlight one of the major problems with the Spanish Third Sector - namely the lack of good governance, professional leadership and effective government and independent oversight. There is no equivalent to the [UK's Charity Commission](#) and [Fundraising Standards Board](#) in Spain, nor do accountability websites such as [Guidestar](#) or [Charity Navigator](#) exist. Fundraising activity takes place in a virtual legislative and quality monitoring vacuum. There are no league tables of the top 100 charities or foundations, and institutions such as the professional fundraising association have been very slow to create any type of voluntary code of conduct for fundraising. They have only reluctantly agreed to the International Code of Fundraising.

Instead the government and tax authorities seem to have a very "light touch" approach to monitoring charities - there are no consistent reporting standards, codes of best practice or requirement to produce detailed accounts for public scrutiny. The only private organisation that attempts to set a reporting standard, which has been highly disputed and criticised is [Fundación Lealtad](#). Their mission statement is to "To promote trust among private donors and companies in those associations and foundations that work in the area of social services, international development, humanitarian aid and environmental protection with the aim of increasing donations and volunteer participation on the part of individuals and the business world."

However, this organisation has been publicly challenged regarding its legitimacy in 2008 in a rare joint letter from the Spanish Fundraising Association (AEF) and the important association of development NGOs, called CONGDE. Unfortunately many corporations, private individuals and foundations will only contribute to NGOs that have been "legitimised" by *Fundación Lealtad* and in doing so only give public legitimacy to some 135 non-profit organisations out of some 260,000 registered not for profits in Spain. Many organisations chose to boycott the organisations and thus **do not appear** on the "approved list" from *Fundación Lealtad*, notably Save the Children, UNHCR, Greenpeace, Amnesty, ActionAid Spain and WWF. Somewhat worryingly it seems that the *Fundación Lealtad* model may well be franchised into Mexico and who knows where next?

If the Spanish Third sector is to continue to thrive and grow in the next decade, and play an ever increasing role in Spanish society, several critical

issues need to be addressed around the areas of governance, leadership, transparency and appropriate government oversight. This is where organisations such as EUCLID, ACEVO and the European Fundraising Association can play a key role by acting as a means of introducing the experiences of best practice from more mature and developed European Third Sectors.

In Spain there is a dearth of knowledge about how the sector should operate due to the absence of strong self regulation bodies and poor or totally absent training for Third Sector leaders. Neither are there models of good governance – this means Trustees can be paid employers with supposedly “volunteer” Board Chairs/Presidents of NPOs earning annual salaries of up to 150,000 Euros, or in some cases the role of CEO and Board Chair are one and the same person.

With little professional training available, minimal availability of accurate and consistent data on the sector and very little communication between NPOs, many strategic decisions taken by NPO management teams and Boards are based on rumour, uninformed guesswork and personal preference and bias.

One example of this from November 2009, is the decision by the Board of one of the largest and best known international NPOs operating in Spain to stop calling donors for an upgrade during the recession “because it would lead them to stop donating even at their current level.” This was based on pure “gut feeling” from one Board member and made no reference to the years of empirical evidence in the Spanish and international fundraising markets to the contrary. That is to say, donors who *are* called upon for an increase in their committed regular donations are significantly *less likely* to stop or reduce their donations than those who are not called at all. Sadly, ignorance of such data is commonplace in Spain.

The proliferation of universities and other higher education institutes running courses on NGO management and even fundraising has unfortunately done little to improve the quality of leadership and professionalism in the sector – mainly because little has been done to integrate them into the Spanish system. Courses are based on third sector text books from the UK and USA market, and Spanish professors barely credit or acknowledge the original author or fundraising market for which they were intended. Indeed, Spanish students have told me how my presentations, given at fundraising conferences around the world, had been used in their lectures - all without my knowledge or the insight I bring to such training material, which is never even written into a PowerPoint presentation.

## **The Future**

Spain is clearly a third sector market to watch for the future. It will grow and it has an enormous potential to quadruple in size (at minimum!) in the next 10 years. The major INPOs and UN agencies are well aware of this and are investing significantly in expanding their market in Spain. However, with growth comes an even greater responsibility for the sector to professionalise,

as well as radically improve its governance, leadership, transparency and knowledge base. If it fails to do so there will be more financial scandals; the media and government will become more active in exposing the sector's failures and potentially introduce inappropriate legislation that will harm rather than strengthen the sector. Now is the time for the sector to seize the opportunity to reinvent itself as a modern, well run and professional contributor so Spanish society, before it is too late.

**Daryl Upsall, Madrid 15 November 2009**

**Profile: Daryl Upsall, Chief Executive, Daryl Upsall Consulting International SL**

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Daryl 26 years experience managing fundraising, communications and advocacy operations for NGOs in 42 countries. Known for his leadership and innovation in fundraising he has been a pioneer in face to face, telephone and new media fundraising.

He runs an international consultancy whose clients include the worlds leading NGOs and UN agencies and co-owns Spain's largest telephone and face to face agencies. Previously the International Fundraising Director for Greenpeace International, based in Amsterdam, he was responsible for doubling Greenpeace's global net income.

Daryl is a regular speaker at international conferences and is the Spanish representative for the IFC and is in on the IFC Advisory Board for the Resource Alliance, a member of the Association of Professional Fundraisers (AEF) in Spain and the Institute of Fundraising (UK), AFP (USA) and is Board member and former Board Chair of EUConsult and an associate member of EUCLID.