

# Information on social impact at NGOs

## The case of the Spanish charitable foundations

[J. David Cabedo; Iluminada Fuertes; Inmaculada Jimeno; María Amparo Maset-Llaudes; Jose Miguel Tirado]

**Abstract**—Within the Spanish legislation, the requirements for information disclosure depend on the kind of organization. Most of Spanish Non-Governmental Organizations (NGOs) work as charitable foundations (a legal categorization of non-profit organizations), organizations where we focus on. In this paper we analyse the requirements that Spanish law establishes for the disclosure of social impact information for charitable foundations. Social impact is, probably, the best benchmark to measure the performance of this kind of non-profit organizations.

There must be underlined that Spain is divided into several regions (known as “Autonomias”), and some of these regions have specific rules for charitable foundations. Therefore, depending on the region where a NGO (foundation) is settled on, the requirements for information disclosure can vary. In this paper we compare the different requirements that regions establish for their NGOs (charitable foundations) in the field of disclosure of information on social impact. And we also reflect on the adequacy of this information to the requirements of the stakeholders (donors, beneficiaries, community, ....)

**Keywords**— social impact; information disclosure; transparency; non-profits

### I. Introduction

Transparency is fundamental in NGOs: funders, government, beneficiaries, and, in general terms, the whole society are interested in the activities undertaken, the investment of resources and the impacts or outcomes generated by the programmes that NGOs implement. The high impact of their activities on society (which is especially significant nowadays, a time of crisis) place the disclosure of information as a strategic matter for these organizations.

We cannot forget that preparation and disclosure of information produce costs and this kind of organizations have limited budgets. Therefore, they probably disclose that information required by legal rules. In this paper, we analyse the requirements that Spanish legislation has in the field of disclosure of information on social impact. We focus on the requirements for charitable foundation, the legal framework where most of the NGOs undertake their activities. We analyse so the nation legislation as the regional one and our main conclusion is, in general terms, the lack of legal requirements for this kind of information. Anyway we have detected a regional legal system (an exception) that could be used as benchmark at this point.

We have structured the rest of the paper as follows: in the next section we think about the importance of transparency for NGOs, especially in that related to social impact. Section 3 analyses the Spanish legislation on the topic. In section 4 we analyse which one is the information that Spanish NGOs disclose. And, in the last of the sections, we summarise our conclusions.

### II. Transparency and NGOs

Most of the funds that NGOs work with come from donors, benefactors, membership fees and government grants. These fund providers are demanding higher levels of information transparency ([1], [2] and [3]). And, at the same time, they are demanding control mechanisms, in order to guarantee that the funds provided are being used in a right way. Therefore, the NGOs assessment stems as a cornerstone to improve their performance and their confidence levels ([4]).

Organizational and economic transparency can be assessed through the information that NGOs disclose. Transparency is a quality that allow us to know and identify the organization's running, identity and stakeholders ([5] and [3]) and, therefore, it is key to improve the confidence of the stakeholders ([6], [7], [8] and [3]). Indeed, as stated above, these stakeholders provide the funds to the organization. That's why transparency and information disclosure is so important for NGOs.

[9] state that the higher the transparency level, the higher the capacity to get funds. Furthermore, [10] highlights that the reputation of an entity improves when it discloses accounting information in a transparent way. In this line, [11] point out that transparency is essential to build an organization with credible and confident basis.

But, which one must be the information to disclose by NGOs. Some authors, like [2], underline that the disclosure of accounting information is essential for organizations' transparency. But for non-profits, is really the accounting information the essential one? Is it the most interesting one? NGOs, as non-profits, do not pursue a financial goal. Their objectives are focused on the improvement of the mankind welfare rather than on wealth generation. The financial and economic performance is important, because these organizations are funded by their stakeholder and they need to know that the resources have been invested or/and spent attending the goals of the NGOs. Nevertheless this financial information does not provide data about the achievement of these goals. The relevant information for this aim is that related to the social/environmental performance.

---

J. David Cabedo; Iluminada Fuertes; Inmaculada Jimeno; María Amparo Maset-Llaudes; Jose Miguel Tirado

Instituto Interuniversitario de Desarrollo Local / University Jaume I  
Spain

---

Acknowledgment: The authors wish to thank Generalitat Valenciana, project AICO 2015/024, for its financial support

Non-profit organizations play a key role in promoting the development of civil society and an environmentally and more sustainable economy focused on people. These organizations carry out activities and projects whose effects go beyond the immediate and purely economic results: i.e. a Human Rights workshop can generate a tuition revenue of €200 and 80 active participants; certainly, they can be considered good achievements but what really matters is the knowledge transferred and the changes caused in people's behaviour in the mid-term. Ultimately, the NGOs programs and activities affect how society might be in the time to come. This important NGOs' role should be highlighted by the information they disclose. In the next section, we analyse which are the legal requirements that affect this kind of organizations in the field of the disclosure of information on social impact.

TABLE I. REGIONAL LEGISLATION ON CHARITABLE FOUNDATIONS

Region	Main law	Other rules
Andalusia	Ley 10-2005	Decreto 32/2008 and Decreto 279/2003
Aragon	Decreto 276/1995	
Principality of Asturias	Decreto 34/1998	
Balearic Islands	Decreto 61/2007	
Canary Islands	Ley 2-1998	Decreto 188/1990 and Orden de 9 de abril de 1986, de la Consejería de la Presidencia
Castile and León	Ley 13/2002	
Catalonia	Ley 4/2008 and Decreto 43/2003	Ley 21/2014
Valencian Community	Ley 8/1998	Decreto 68/2011
Galicia	Ley 12/2006	Decreto 15/2009
La Rioja	Ley 1/2007	
Community of Madrid	Ley 1/1998	Decreto 20/2002
Navarre	Ley Foral 10/1996	Decreto Foral 613/1996
Basque Country	Ley 9/2016	

### III. The Spanish legislation on information disclosure for charitable foundations

Spanish NGOs can be (in juridical terms) associations or charitable foundations. Depending on it, the requirements of information may differ. Anyway, as stated above, most of the Spanish NGOs are charitable foundations. And we are going to focus on their rules to analyse the requirements that these organizations have in the field of social impact.

The Spanish legislation on foundations is collected in the 50/2002 law, a rule with a national scope that is compulsory for all the charitable foundations that work in Spain. However, we must be aware that Spain is divided into 17 regions (named "Autonomias") and each one of these regions can issue regional legislation applicable to NGOs that work in the region. Table 1 collects a list of the regional laws on charitable foundations that are presently valid.

As it can be appreciated, there is a wide range of legislation applicable to charitable foundations. Furthermore, the legislation varies between communities, because some of them have a higher capacity to issue rules (i.e. Navarre and Basque Country can issue rules on taxes, and most of the contents of their foundations laws focuses on them). But

In the field of the disclosure of information, some regions incorporate specific rules, whereas other regions do not rules on the topic, perhaps assuming that it has been covered by the national legislation. Anyway, the rules on information disclosure (so the national as the regional ones) focuses on financial information. As stated before, this information is important for stakeholders, but it is not the most relevant one. Stakeholders need to know that their resources have been correctly allocated, but they also need to know which one has been the impact of these resources on society. They need to know the social impact of activities undertaken by the NGO. Nevertheless, the Spanish legislation lacks of specific requirements at this point. Some of the regional legislation (like the Catalanian one) have a wide scope but, in general terms, most of the laws simply mention some items related to social impact when they establish the requirements for the disclosure of financial information. Table 2 summarizes the information requirements on social impact divided by regions.

When comparing table 1 and 2 we notice that there are some regions with legislation on charitable foundations that have no requirement on the disclosure of information on social impact. Only six of twelve of the regions incorporate some kind of requirement on the topic. Another remarkable aspect is the requirement of the national legislation for social impact: only information on the number of beneficiaries (detailed by activities) is required. This is also the only requirement in the legislation of some regions. Indeed, except for Catalonia, the only information on social impact that compulsorily must be disclosed is this number of beneficiaries and the degree of compliance of the organization's goals. Both are the only items that an external user of information will have if the organization strictly accomplish with the legal requirements. It is clearly insipient. With the number of beneficiaries, one cannot properly appreciate the scope of the task undertaken by an NGO.

Only the Catalanian rules go a step further and require a comprehensive structure of information on social impact. They require not only the number of beneficiaries but also qualitative information about them. Furthermore, Catalanian legislation requires an annual memory of the activities undertaken by the charitable foundation. And it also requires an annual social report that focuses precisely in those social aspects related to the activities that the organization tackles. This legislation should be the benchmark for future

modification in national and other regions rules. Perhaps one important thing to take into account is the standardization of the contents of this social report: A minimum content, a uniform structure and a set of standard preparation criteria are needed, in order to guarantee the comparability of the information disclosed by different organizations.

TABLE II. TABLE TYPE STYLES

	NL	A	CI	C	VC	LR	CM
Goals of the organization: degree of compliance		X	X				
Number of beneficiaries				X			
Number of beneficiaries (detailed by activities)	X	X			X	X	X
Services received by beneficiaries				X			
Annual memory on the activities undertaken				X			
Social report				X			
Group of attended beneficiaries				X			

NL: National legislation; A: Andalusia; CI: Canary Islands; C: Catalonia; VC: Valencian Community; LR: La Rioja; CM: Community of Madrid

#### IV. The information disclosed by NGOs

As stated above, the main goal of this paper is to determine how far the Spanish NGOs are from that established by legislation on the field of disclosure of information on social impact. We have showed that depending on the region the requirements vary. As a matter of fact, there is a minimum, the one required by national legislation, and a maximum, the one established by the Catalanian rules. We have taken the later as the benchmark to determine the distance from the actual disclosure to the required one.

By choosing it, we are not measuring the accomplishment of the rules. We are rather measuring how far are the Spanish NGOs from the requirements of the leading normative, the one that will define the path where other (regional and national) rules will flow by.

As a first step to determine how far the NGOs are from the benchmark, we have built an index on social impact information disclosure (SIID). This index comprises 7 items, as described below:

- Item 1 ( $I_1$ ): information on the degree of accomplishment of the organization goals.
- Item 2 ( $I_2$ ): information on the number of beneficiaries.
- Item 3 ( $I_3$ ): information on the number of beneficiaries in each of the activities undertaken by the organization.
- Item 4 ( $I_4$ ): Information on the services received by the beneficiaries or users.
- Item 5 ( $I_5$ ): Information on the group where the activities of the organization focus on.
- Item 6 ( $I_6$ ): Memory of the activities undertaken.
- Item 7 ( $I_7$ ): Social report

By considering this set of items, the SIID can be calculated as stated in equation (1)

$$SIID_i = \sum_{j=1}^7 I_{ij} \quad (1)$$

where  $SIID_i$  denotes the value of the index for the organization  $i$ ; and  $I_{ij}$  denotes the value of item  $j$  for this organization  $i$ .  $I_{ij}$  is 1 when the organization  $i$  provides information on item  $j$ ; and, otherwise, it is 0.

We measure the distance between the information actually disclosed by charitable foundations and the one we have taken as a benchmark by comparing the maximum value for SIID (7) with the value that corresponds to each one of the analysed organizations (see equation 2)

$$D_i = 7 - SIID_i \quad (2)$$

We have measured this distance for 25 NGOs, affiliated to the Spanish Coordinator of Non-Governmental Development Organizations. These development organizations are the NGOs with a largest size within the sector. We have taken the information required to calculate the SIID from their annual memory of activities and from their annual financial statements, corresponding to the year 2014.

In figure 1, we have represented the distance (calculated according to equation 2) between the information actually disclosed by each one of the NGOs analysed and the benchmark that Catalanian legislation provides. As it can be seen in this figure 2 the maximum distance is 5: this means that all the analysed charitable foundations disclose the information required by the national legislation. Otherwise the distance had been 7.

We also wish to remark that for most of the NGOs (14 on 25) this distance is 2 or higher. It implies that these organizations are not disclosing all the information on social impact that their stakeholder would need.

But beyond the individual situation of each of the organizations analysed what is probably more interesting is to analyse which one is the degree of disclosure for every item. Figure 2 summarises this information

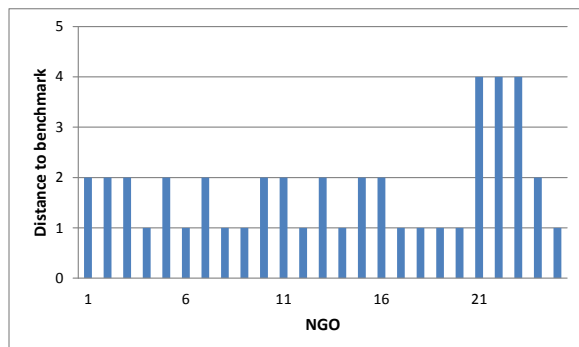


Figure 1: Distance to benchmark for each of the NGOs analysed

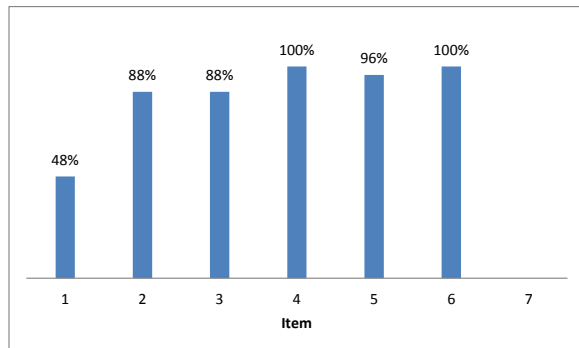


Figure 2: Percentage of NGOs that disclose every item

1: information on the degree of accomplishment of the organization goals; 2: information on the number of beneficiaries; 3: information on the number of beneficiaries in each of the activities undertaken by the organization; 4: Information on the services received by the beneficiaries or users; 5: Information on the group where the activities of the organization focus on; 6: Memory of the activities undertaken; 7: Social report

As is can be seen in figure 2, a high number of NGOs do not provide information on the how the organization meets their objectives and goals. But, perhaps, the most remarkable thing is the lack of a social report in the information disclosed by the NGOs. This report should comprise, undoubtedly, all the relevant information on the social impact of the activities of the organization. Perhaps both, the complexity of the models for this report that, presently, are being used by some organizations, and the lack of a normative that set up the minimum content of the report, are the reasons behind this lack of information (see [12])

## v. Concluding remarks

NGOs (in general, non-profits) play a key role in our society: their programs and activities affect how society might be in the time to come. Regardless the importance of the disclosure of financial information, for these and any other kind of organizations, there is no doubt than information on the social achievements is fundamental for non-profits' stakeholders. In this paper, we have analysed the Spanish legal requirements for the disclosure of this kind of information in charitable foundations (the most common legal framework form for NGOs)

We must underline that according to Spanish legal system the requirements vary depending on the region where the NGO undertake its activities. Regions have legal autonomy but, depending on the region, this autonomy involves different fields. Indeed, it becomes remarkable that the two regions that

have legal autonomy on taxes have dedicated most of the rules of their laws on charitable foundations to this issue.

Anyway, the requirements for the disclosure of information on social impact are scant, so in the national legislation as in the regional one. The requirements involve only information about the number of beneficiaries for the different activities or programmes undertaken, and information about the degree of compliance of the objectives of the organization. Only the legislation from Catalonia comprises a comprehensive framework for disclosing information on social impacts and outcomes. It requires, apart from the abovementioned information, date about the services provided to users or beneficiaries, the group of attended beneficiaries, an annual memory of the activities undertaken and what we consider is the key document: the social report (known in Spain as social balance sheet). It must collect all the relevant information on outcomes, outputs and impacts of the activities that the organization has tackled.

When we analyse the information actually disclosed by Spanish NGOs we detect the lack of a social report, in all the organizations. Perhaps both, the complexity of the models for this report, and the lack of a normative that set up the minimum content of it, are the reasons behind this lack of information

Attending at the importance of the matter, we think that Spanish legislation should incorporate a regulation similar to the Catalanian one. Perhaps one important thing to take into account is the standardization of the contents of this social report: a minimum content, a uniform structure and a set of standard preparation criteria are needed, in order to guarantee the comparability of the information disclosed by different organizations.

## References

- [1] Moneva, J. M., & Bellostas, A. (2007). Accountability en las entidades sin fines lucrativos. Centros de Investigación de Economía y Sociedad.
- [2] Marcuello, C., Bellostas, A., Marcuello, C., & Moneva, J. M. (2007). Transparencia y rendición de cuentas en las empresas de inserción. CIRIEC-España, revista de economía pública, social y cooperativa, 59, 91-122.
- [3] Corral, J., & Elechiguerra, C. (2014). Razones por las que se demanda una necesidad de transparencia en las entidades no lucrativas: estudio empírico. Harvard Deusto Business Research, 3(1), 47-61.
- [4] Martínez-Franco, C. M. (2014). El sector fundacional en España: la información económico-financiera. Un modelo para evaluar la eficiencia en el logro de sus fines. PhD dissertation. Universidad Politécnica de Cartagena (Spain).
- [5] Herranz-de-la-Casa, J. M. (2007). La gestión de la comunicación como elemento generador de transparencia en las organizaciones no lucrativas. CIRIEC-España, revista de economía pública, social y cooperativa, (57), 5-31.
- [6] Barrera, J. J. (2005). Hacia una política de fomento de la Responsabilidad Social de las Empresas. CIRIEC-ESPAÑA, (53), 11-18.
- [7] Server, R.J., & Villalonga, I. (2005). La Responsabilidad Social Corporativa (RSC) y su gestión integrada. CIRIEC-España, revista de economía pública, social y cooperativa, 53, 137-161
- [8] Gálvez, M., Caba, M. D. C., & López, M. (2012). Responsabilidad social y transparencia on-line de las ONG: análisis del caso español.

CIRIEC-España, Revista de Economía Pública, Social y Cooperativa, (74), 207-238.

- [9] Valor, C. & de-la-Cuesta, M. (2006): Understanding demand for retail socially responsible investments: a survey of individual investors and financial consultants. *Corporate Social Responsibility and Environmental Management*, 16 (1), 1-14.
- [10] Balas, M. (2008). El reto de la comunicación en el tercer sector no lucrativo. *Revista Española del Tercer Sector*, 8, 17-37.
- [11] Zuriaga, I. (2009). El buen gobierno de las Fundaciones. *Fundación Etnor*, Valencia (Spain).
- [12] Cabra, M. (2001). “Propuesta de balance social para fundaciones”, *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa*, núm. 39, noviembre, pp. 51-78.