

Deliverables – Transforming Fundraising

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BACKGROUND

The objective of this paper is to propose initiatives that, over a three-year period, will set out the framework for a transformational change in how the International Red Cross and Red Crescent Movement (Movement) understands fundraising, invests in fundraising and coordinates its fundraising, and in the fundraising performance it achieves.

On 7 December 2015, the Council of Delegates adopted the Movement logo (CD/15/R2). The same resolution gave the International Committee of the Red Cross (ICRC) and the International Federation of Red Cross and Red Crescent Societies (IFRC) the mandate and the responsibility to carry out an inclusive process with National Red Cross and Red Crescent Societies (National Societies) to develop Movement-wide principles for resource mobilization and to present them to the Council of Delegates in 2017:

The Council of Delegates (...) *commits* the Movement components to demonstrating their collective leadership with a view to maximizing the Movement's fundraising potential in a spirit of collaboration and good partnership, and *calls upon* the ICRC and the International Federation to pursue an inclusive process with National Societies for the development of Movement-wide principles for resource mobilization, which are to be submitted for adoption at the Council of Delegates in 2017.

A reference group of National Society leaders, chaired by the ICRC and IFRC, agreed that, in addition to Movement-wide principles for resource mobilization, several key deliverables were needed to support the Movement in realizing its mission, support the implementation of the principles and truly "[maximize] the Movement's fundraising potential in a spirit of collaboration and good partnership". These deliverables include:

- developing a global fundraising hub with the purpose of coordinating subsequent initiatives and Movement fundraising generally, sharing best practice in fundraising, and facilitating and coordinating the learning and development of fundraising staff within the Movement;
- creating a catalyst fund to support growth and development in fundraising specifically;
- improving the Movement's access to and analysis of strong fundraising data to underpin strategic decision-making in resource mobilization.

This paper sets out the business case for dedicating the requisite funds and resources to a framework that will implement the vision and principles for resource mobilization in practice.

The Movement is **seeking an investment of 8.3 million Swiss francs over three years** for the proposed programme of work; this figure includes start-up, staffing and initial investment costs for creating the framework. The aim is for the Movement components to achieve greater sustainability together by investing – sustainability both for National Societies in their fundraising and for the Movement as a whole through growth in its resource-mobilization portfolio.

STRATEGIC ALIGNMENT

As mandated by the Council of Delegates in 2015, a reference group comprising leaders from 34 National Societies, the ICRC and the IFRC created a Movement vision and principles for resource mobilization. The vision galvanizes the Movement to: work together to be leaders in local and global resource mobilization, which enables the Movement to maximize its global reach, fulfil its humanitarian mission and be the partner of choice for its supporters, providing excellent donor care and stewardship. The aim of this programme of work is to:

- make the Movement a leader in local and global resource mobilization for humanitarian work;

- mobilize the power of humanity, particularly during emergencies, enabling partners and supporters to provide help to those most in need;
- ensure the individual and collective financial sustainability of the Movement components in a spirit of solidarity and good partnership, recognizing that the Movement is stronger together than the sum of its parts.

The Movement-wide principles for resource mobilization call for a framework centred on supporting National Societies with fundraising development, coordinating in order to avoid competition, working together to maximize opportunities in a spirit of solidarity and good partnership, and investing in fundraising based on robust data and market knowledge, while taking a principled and ethical approach to fundraising.

The vision, goals and principles were all designed to complement the Federation-wide resource mobilization strategy, which was approved by the General Assembly in 2011. That strategy also focuses on maintaining fundraising leadership in emergencies, growing non-emergency income for domestic and international work and building the capacity of National Societies in fundraising.

BUSINESS NEED AND CURRENT SITUATION

The Movement is committed to preventing and alleviating suffering wherever it may be found and to helping people facing disaster, armed conflict and health and social problems. Never has that collective work been so important. We live in a world where armed conflicts, natural disasters and other emergencies create an ever-widening gap between people's basic needs and available resources.¹ We have a moral imperative to maximize our fundraising potential, individually and collectively, in order to meet those needs. And yet we are under-delivering as a Movement, struggling to increase our income sufficiently.

We are also "leaving money on the table" and losing market share to other national and international organizations because we do not have a shared vision for our resource-mobilization ambitions. We are often not investing where there are opportunities for growth, be they in specific markets, technologies or products. We must therefore seize the opportunity as a Movement to increase our income.

Movement fundraising data is collected and analysed annually from only the ICRC, the IFRC and 18 National Societies via the global international non-governmental organization (INGO) benchmarking exercise. While the data may not be representative of the Movement's overall resource-mobilization capacity, analysis of even this limited data highlights several basic issues:

- the Movement does not fully understand its fundraising position due to a lack of data;
- Movement fundraising growth is stagnant – 2% compound annual growth between 2011 and 2015;
- when compared with INGOs, the Movement is losing market share, down from 22% in 2011 to 18% in 2015.

Many National Societies are strong and financially secure, and others have taken and continue to take important steps to develop their own strategic funding capabilities. But a significant number of National Societies face serious difficulties in meeting humanitarian needs due to their low capacity to mobilize resources sustainably. Systemic weakness in resource mobilization is common among most of the 90

¹ The High-Level Panel on Humanitarian Financing's report to the Secretary-General of the UN, *Too Important to Fail: Addressing the Humanitarian Financing Gap*, estimates this gap to be 15 billion US dollars.

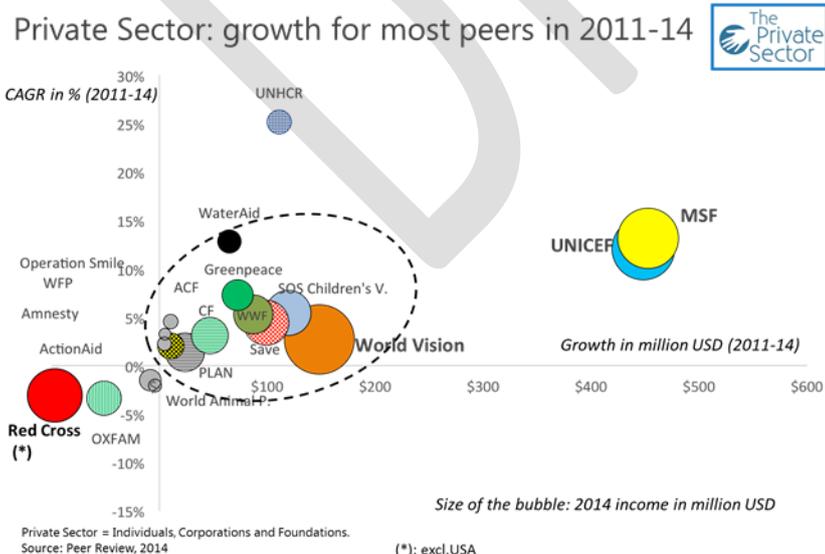
National Societies that have carried out the IFRC's Organizational Capacity Self-Assessment and Certification (OCAC).

An online survey conducted as part of the research for developing the Movement-wide principles and deliverables was completed by 93 National Societies (49% of the network). The National Societies were asked to choose, among eight possible explanations, which they thought could be responsible for the trend of declining funding in their country. The most commonly chosen explanation was a lack of investment in fundraising (53% – 49 National Societies), followed by declining financial support from partners (49% – 46 National Societies) and limited resources for, or access to, professional fundraisers (47% – 44 National Societies).

National Societies were also asked whether they routinely collect and analyse fundraising performance data to understand the potential for growth and/or to inform investment decisions. Of the respondents, 53 National Societies said they do, suggesting that as many as 35 more National Societies could be taking part in the Movement's annual data-collection and benchmarking initiatives. The 40 National Societies that reported they do not collect and analyse fundraising performance data gave several reasons and ideas for what would help or enable them to do so, and many gave multiple responses. The most common was a lack of capacity or resources, cited by 26 National Societies: "We have limited capacity to do so. We may need support in this area (capacity-building in fundraising)" and "weak database and management information system". National Societies were also asked if they would be interested in receiving a financial investment to develop their fundraising activities, to which 81% of respondents responded they would. Furthermore, 65% of respondents suggested that they would be willing to contribute staff time to a global fundraising hub and 18% would be willing to provide funding.

EXTERNAL ANALYSIS

It is widely recognized within the professional fundraising sector that strategic investment in fundraising can drive sustainable revenue growth. A comparative study, conducted by the International Fundraising Leadership Forum, representing 15 global INGOs and UN agencies (e.g. Amnesty International, Save the Children, Oxfam, UNICEF, the UNHCR) shows that organizations that make coordinated long-term investments in strategic markets show healthy income growth. Those that do not find achieving growth more challenging.



International governmental organizations (IGOs) and INGOs that have established a successful global income-growth culture recognize the importance of investment funds in driving income growth. Organizations on a growth path are taking the strategic decision to invest in income growth in countries with opportunities both for absolute growth and for cost-effective growth of sustainable long-term income.

The focus of investments for most organizations is building the base of individual regular private donors who support the organization with an automatic monthly or regular donation.

The organizations use a range of different types of investment mechanisms or funds, such as allocating part

of their central budget to investment or – for those organizations in a strong financial position – supporting other organizations in their country with growth potential, either via a central body or bilaterally.

Managing the fundraising portfolio and coordinating international decision-making on investing in fundraising lead to more strategic and targeted growth. The organizations achieving good returns and growth are typically those that focus their investments in countries with high-growth and high-value potential. The returns are lower when investing in making operations self-sustaining in countries that are relatively underdeveloped or building a base for advocacy or organizational reasons.

The study also noted that some IGOs and INGOs underwent cost cutting in parts of their operations while protecting the investments in income growth to ensure the future financial health of their organization.

The following IGOs and INGOs are known to use market-targeted investment for fundraising growth: the UNHCR, UNICEF and Save the Children. Save the Children also operates a fundraising hub, while Amnesty International, MSF and UNICEF each have dedicated global-fundraising-development support staff.

PROGRAMME OVERVIEW, OBJECTIVES AND BENEFITS

Anticipating the adoption of the Movement-wide principles for resource mobilization, the ICRC, the IFRC and the reference group of National Societies propose that the following be made priorities immediately: creating a global fundraising hub, collecting and analysing fundraising data and setting up a fundraising catalyst fund to drive performance in local and global resource mobilization.

The objective of the programme is to carry out initiatives that, over a three-year period, will set out the framework for transformational change in how the Movement understands fundraising, invests in fundraising and coordinates its fundraising, and in the fundraising performance it achieves. The programme consists of three distinct projects:

1 GLOBAL FUNDRAISING HUB

The global fundraising hub – as a base for driving fundraising excellence, accessing market intelligence and supporting the development of strategies for sharing best practice and organizational learning – will be a resource into which Movement components can contribute and from which they can get support for achieving their organizational goals under individual and collective resource-mobilization strategies.

The global fundraising hub will be designed in two phases. Phase one will see the basic architecture for the hub put in place. This phase can begin in January 2018 following the adoption by the Council of Delegates of the resolution on resource mobilization. A small, centralized Resource-Mobilization Coordination and Support team will be formed – possibly hosted by a National Society – to set up and manage the three key components of phase one: defining the process for collecting and analysing fundraising data, setting up the catalyst fund and coordinating capacity development, including collecting best practice.

In phase two a central repository will be established for global products, fundraising programmes and content (e.g. budgets, case studies, proposals, images) from around the Movement. Phase two can begin in early 2020, or earlier if phase one is implemented more rapidly. It is worth noting that the budgets for start-up and early development of these initiatives are low in comparison to those allocated by other humanitarian networks. These budgets should be reviewed annually to ensure delivery is on track and facilitate scaling of successful programmes. The plan is to secure external investment during years two and three to move towards making this programme, which includes the hub and the catalyst fund, largely self-financing (i.e. donor-financed) in the longer term.

National Societies can contribute to the sustainability of the hub by donating funds and/or “expert volunteers” to work with a small staff team; these are “donor National Societies”. Other National Societies will draw upon the three components of the hub, on the understanding that they will share anything they learn; these are “recipient National Societies”. In some cases the contribution is one way (e.g. developing the capacity of a partner National Society). But Donor National Societies can also be recipients (e.g. when a European National Society attends the International Fundraising Leadership Skillshare). A technological solution will be developed to ensure that, where possible, the hub’s activities can be virtual rather than face-to-face, but that may not always be feasible. Donor National Societies will be expected to budget for their contribution to the global hub either in addition to, or as a substitute for, any planned capacity-building that they would ordinarily have delivered as part of their support for the Movement objectives.

The Resource-Mobilization Coordination and Support team can draw on the best talent in fundraising. Initially, six to seven staff will be necessary, including a head of team. The hub should have professional expertise in corporate fundraising, individual giving, trusts, foundations, government fundraising, and data and support. At the end of year two, a review of the team will be conducted.

The overarching objectives of the hub are to:

- oversee data and investment projects;
- provide a platform for sharing fundraising best practice and accessing fundraising tools and expertise;
- coordinate global fundraising learning & development via a globally accessible IT platform, and support the regional and global workshops and skillshare events.

The benefits of investing in this project are:

- a hub that is a one-stop shop dedicated to driving the Movement’s fundraising performance, while at the same time enables the collective power and expertise within the Movement to lead the programmes of work (by having a small core team, not a big one);
- visibility on fundraising expertise within the Movement, which encourages the transfer of skills and the personal development of top fundraisers within the Movement;
- a small team of fundraising experts dedicated to achieving and promoting a Movement-wide view of fundraising in order to support all Movement components in seizing opportunities and overcoming challenges in their own external environment and to provide a better and more collective global response to funding trends.

2 DATA COLLECTION AND ANALYSIS

The global fundraising hub will also serve as a central repository for fundraising data from across the Movement. This data will provide the foundation for evidence- and insight-based Movement-wide strategic decision-making in fundraising. Through data, the Movement will understand relative strengths and weaknesses and find opportunities in both domestic and global markets.

By gathering and analysing comprehensive data, the central repository will ensure that the Movement can confidently assess what its key financial metrics are in fundraising, including the overall income and expenditure for each National Society. The data will be broken down into: public, private, government, other Movement components, sales (goods/commercial), sales (services/charitable). It must be tracked for at least three years to be used effectively in analysis. In addition to collecting the minimum data on income and expenditure, there will be a tiered system for collecting and analysing other data. For example: “A” for Advanced; “B” for Intermediate and “C” for Entry.

The Movement currently only collects fundraising data on an annual basis from the ICRC, the IFRC and 18 National Societies. They reported aggregate income of 5 billion US dollars in 2015. Analysis suggests that the compound annual growth rate for the Movement was 2% and its market share had decreased from 22% in 2011 to 18% in 2015. This limited evidence suggests that the Movement is relatively uncompetitive compared with some of the IGOs, INGOs and the UN's fundraising programmes.

The peer-review benchmarking exercise for IGOs and INGOs illustrates that several IGOs and INGOs are achieving overall growth in voluntary contributions by making strategic investments in fundraising "markets". For example, in South Korea, the UNHCR has invested in face-to-face fundraising and grown its income from this source by 100% in five years. Face-to-face fundraising is now worth more to the UNHCR in South Korea than funding from the government.

The objectives of the data collection and analysis project are to:

- establish a baseline of the Movement's performance in fundraising by increasing participation in the global benchmarking exercise from 18 National Societies to 40 in year one and to increase steadily from there to more than 50% of the network (e.g. 95 National Societies) by 2020;
- use the data to report annually on the comparative progress of Movement-wide fundraising based on external benchmarking;
- identify opportunities for strategic investments to increase fundraising or defend the Movement's market share both locally and globally.

The benefits of investing in this project are:

- visibility across the Movement (i.e. leaders of all Movement components) on Movement fundraising statistics and comparative annual performance;
- easier evidence-based investment in fundraising in order to focus on specific market-development, growth and competition-mitigation strategies;
- an emphasis on internal data transparency and strategic development. This, in turn, will make it easier to foster a culture of collaboration in fundraising within the Movement and unlock funding opportunities from donors who currently opt against working with the Movement because of its cross-border "complexity".

3 FUNDRAISING CATALYST FUND

The global fundraising hub will manage and oversee the catalyst fund and will work with selected National Societies to identify their fundraising potential. The fund will conduct feasibility studies to assess and prioritize investments. It will also hold the financial and other resources for piloting, testing and rolling out initiatives that have been shown to have the ability to create multiple, multimillion-dollar sustainable income streams.

The fund's primary purpose will be to help National Societies develop their capacity and become self-sufficient. The fund will follow a rigorous set of specific, measurable, objective and time-related criteria, and terms of reference that will include a firm commitment to partnership from both investors and recipients. It will enable the Movement to make the most of fundraising opportunities, and to articulate a clear strategy for income growth for the next three to five years. The oversight mechanisms for the fund should be determined in the first half of 2018 – it is a key performance indicator of the project for that period. The project manager dedicated to the fund will serve as a central resource for identifying, qualifying, prioritizing and testing investment opportunities with National Societies. Opportunities will be identified both proactively and reactively through research and insight, and by soliciting engagement from National Societies.

The viability of proposals will be assessed against robust monitoring criteria, including: the scale of the opportunity, the complexity, timeliness, funding/personnel required, evidence of success elsewhere and the support structure in the National Society. The terms of reference will be agreed upon and funding will be sought and found.

Where appropriate, a pilot, prototype or test will be carried out or made, and the budget, project plan, timelines, personnel and key performance indicators will be agreed on. The processes for monitoring and evaluating, proposing or terminating will be established, and the funding and personnel committed – this can be pro bono from the hub. Rolling out the initiatives will require sign-off as they will involve investing a significant amount of funding, based on proven financial success. After the initial period in which financing comes from National Societies, the ICRC and the IFRC, the plan is to secure funding from external donors to finance most of the investments, either as grants revolving within the investment fund or as soft loans.

The objectives of the fundraising catalyst fund are to:

- invest in developing National Societies' fundraising capacity, for example by supporting National Societies that are operating in emerging fundraising markets and just starting to fundraise or funding those in mature markets to help them develop new income sources;
- achieve domestic and international growth in fundraising;
- fund initiatives that have the potential to raise additional income for the work of the Movement by launching international appeals and promoting donor relationships that transcend borders.

The benefits of investing in this project are:

- more funds for National Societies;
- targeted investment in National Societies' fundraising, improving their long-term financial sustainability, independence and growth;
- a Movement-wide mechanism that helps National Societies and the Movement as a whole to realize their potential in specific markets and with specific donor segments;
- fundraising initiatives that transcend borders, and more global donor relationships.

GOVERNANCE AND MANAGEMENT STRUCTURE

The global fundraising hub will be run by a programme director, who will report to the programme board. There will be one senior technical leader with a fundraising background driving each of the three projects;

1. Govern - Programme Board
 - Under Secretary General, IFRC
 - Director, ICRC
 - Three National Society Secretary Generals
 - National Society Director of Fundraising in an advisory capacity

2. Report – Programme steering committee
 - Business Development Manager, IFRC
 - Head of Resource Mobilization, ICRC
 - Programme Director
 - Three National Society Directors of Fundraising

3. Manage
 - Programme Director

4. Implement
 - Global Fundraising Hub – Project Manager
 - Fundraising data & analysis – Project Manager
 - Fundraising investment – Project Manager

they will report to the director. Under this leadership will be technical fundraisers e.g. experts in individual giving and data experts. They will ensure that projects are progressing appropriately. The

catalyst fund will also have to be managed and have high-level governance. Oversight will be handled by representatives of all three Movement components.

Graphic above

1. Governance: programme board
 - Under Secretary General, IFRC

- Director, ICRC
 - Secretary-generals of three National Societies
 - Directors of fundraising from National Societies, in an advisory capacity
2. Reporting: programme steering committee
 - Business development manager, IFRC
 - Head of resource mobilization, ICRC
 - Programme director
 - Directors of fundraising from three National Societies
 3. Management: programme director
 4. Implementation: project managers
 - Project manager for the global fundraising hub
 - Project manager for fundraising data and analysis
 - Project manager for the fundraising catalyst fund

ESTIMATED BUDGET

		2018	2019	2020	Three-year total
Fundraising hub	Chief development officer/project manager	CHF 160,000	CHF 240,000	CHF 400,00	CHF 800,000
	Online hosting system	CHF 50,000	CHF 100,000	CHF 200,000	CHF 350,000
	Design and specification consultancy	CHF 50,000	CHF 50,000	CHF 50,000	CHF 150,000
	Travel	CHF 25,000	CHF 25,000	CHF 25,000	CHF 75,000
	Events (e.g. skillshares)	CHF 100,000	CHF 100,000	CHF 100,000	CHF 300,00
	Training	CHF 0	CHF 50,000	CHF 75,000	CHF 125,000
	Subtotal	CHF 385,000	CHF 565,000	CHF 850,000	CHF 1,800,000
		2018	2019	2020	Three-year total
Data systems management	Chief development officer/project manager	CHF 160,000	CHF 240,000	CHF 400,000	CHF 800,000
	Data system e.g. global CRM	CHF 50,000	CHF 100,000	CHF 200,000	CHF 350,000
	Consultancies	CHF 50,000	CHF 50,000	CHF 50,000	CHF 150,000
	Travel	CHF 25,000	CHF 25,000	CHF 25,000	CHF 75,000
	Subtotal	CHF 285,000	CHF 415,000	CHF 675,000	CHF 1,375,000
		2018	2019	2020	Three-year total
Fundraising investment	Chief development officer/project manager	CHF 160,000	CHF 160,000	CHF 160,000	CHF 480,000
	Design and governance consultancy	CHF 50,000	CHF 25,000	CHF 25,000	CHF 100,000
	Travel	CHF 25,000	CHF 25,000	CHF 25,000	CHF 75,000
	Investment funding	CHF 500,000	CHF 1,000,000	CHF 2,000,000	CHF 3,500,000
	Subtotal	CHF 735,000	CHF 1,210,000	CHF 2,210,00	CHF 4,155,000
		2018	2019	2020	Three-year total
Programme director	Salary and costs	CHF 180,000	CHF 180,000	CHF 180,000	CHF 540,000
	Travel	CHF 25,000	CHF 25,000	CHF 25,000	CHF 75,000
	Risk and contingency	CHF 100,000	CHF 100,000	CHF 100,000	CHF 300,000
	Subtotal	CHF 305,000	CHF 305,000	CHF 305,000	CHF 915,000
Total investment		CHF 1,710,000	CHF 2,495,000	CHF 4,040,00	CHF 8,245,000

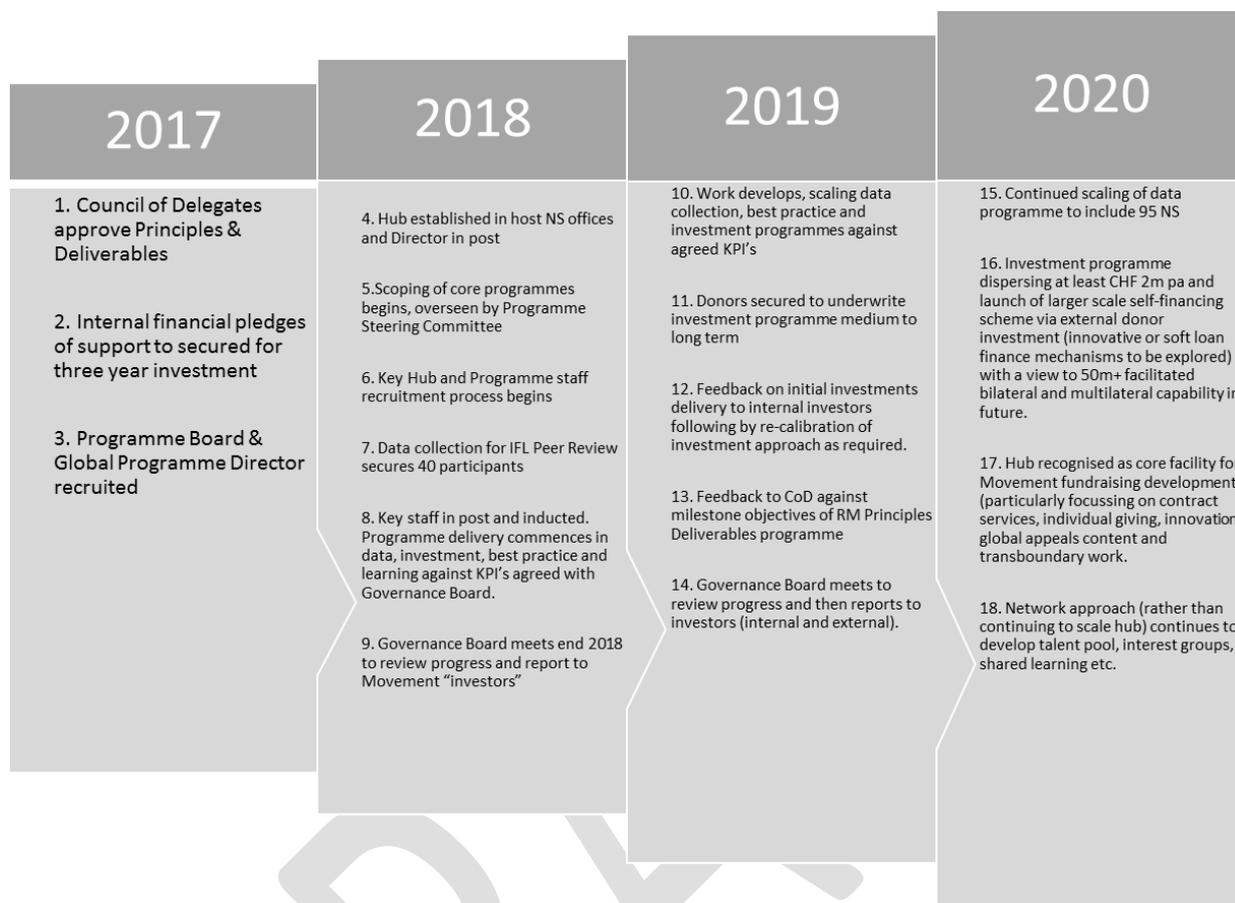
The estimated total investment over three years is expected to be 8.3 million Swiss francs, with an initial start-up investment of 1.7 million Swiss francs in year one. The increasing staffing costs in the fundraising hub and data functions in 2019 and 2020 are for positions in analysis, individual giving, corporate fundraising and legacy fundraising to bolster Movement expertise in these areas.

At this stage, it is difficult to project what the financial return may be, as not all investments can be associated with direct fundraising activities. However, fundraising return on investment is 3:1 on average. So a conservative estimate would be 24 million additional Swiss francs for the Movement over three years.

Anticipated growth would be higher depending on the markets and development opportunities in which investments are made.

DRAFT

OVERVIEW AND TIMELINE



Graphic above

2017

1. Council of Delegates approves principles and deliverables
2. Financing for the first three years is secured via internal pledges of financial support
3. Programme director and members of the programme board are recruited

2018

4. Hub is set up in host National Society's offices; programme director starts work
5. Scoping of core programmes begins, overseen by the programme steering committee
6. Process begins to recruit key hub and programme staff
7. Participation in the International Fundraising Leadership peer review is increased to 40
8. Key staff start work on data collection and analysis, the fund, best practice and learning, in line with the key performance indicators set by the programme board
9. Programme board meets in late 2018 to review programme and report to Movement "investors"

2019

10. Work on data collection and analysis, the fund, best practice and learning is scaled up in line with the key performance indicators
11. Donors are secured to underwrite the catalyst fund in the medium to long-term
12. Feedback is given to internal investors on their initial investment; the investment approach is recalibrated as required

13. Progress report is submitted to the Council of Delegates assessing whether the objectives of the programme have been met
14. The programme board meets to review progress and then reports to internal and external investors

2020

15. Data collection and analysis is scaled up to include 95 National Societies
16. Catalyst fund disperses at least 2 million Swiss francs per year; large-scale external funding is sought to make the fund self-financing. Innovative and soft-loan finance mechanisms are explored. Target bilateral and multilateral funding is 50 million Swiss francs or more.
17. Hub is recognized as a central component of the Movement's fundraising development (particularly for contract services, individual giving, innovation, the content of global appeals, and fundraising that transcends borders)
18. A network approach is taken (rather than continuing to scale up); the talent pool, interest groups and shared learning continue to develop