Using Investment Funds to Increase Income from the Private Sector

Informal Executive Board Briefing, August 2013

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private fundraising and partnerships

Private sector fundraising and investment funds

In 2012, private sector fundraising contributed US$903 million to UNICEF. UNICEF investment funds can significantly increase the volume of income from the private sector by supporting the fundraising operations of National Committees and UNICEF country offices.

Investment funds are not used to purchase financial assets or instruments. Rather, strategic investment is made to support fundraising campaigns in specific markets in order to increase the scale and reach of UNICEF fundraising activities targeting private individuals, businesses and institutions. Investment funds enable UNICEF to exploit fundraising opportunities that are beyond the resources of National Committees or country offices. Investment funds are managed, allocated and monitored by the Division of Private Fundraising and Partnerships (PFP), as part of its accountability to increase private sector income for UNICEF programmes.

Investment funds consistently generate sustainable unrestricted income at a good rate of return. The funds are managed to ensure a minimum return of three dollars for every dollar invested, over a return period of 36 months. While the minimum return sought is 3:1, the actual return yielded by the use of UNICEF investment funds is currently closer to 4:1 over 36 months.

Allocating investment funds

Investment funds are distributed every year, and are allocated to specific markets and types of fundraising activity. The Division of Private Fundraising and Partnerships (PFP) uses performance-based criteria to evaluate and prioritize funding requests. PFP uses a range of fundraising performance indicators that combine independent and in-house analysis and data supplied by National Committees and UNICEF country offices. The primary considerations are:

- projected return on investment of the proposed activity
- National Committee contribution rate / UNICEF country office retention rate[1]
- past investment performance, including fund utilization and first-year return
- scale of fundraising opportunity and capacity of National Committee or UNICEF country office to spend funds.

Funds are allocated to those activities likely to yield the best results. Past performance and projections for expected return are used to determine the order of investment priority. Proposals that meet the minimum criteria are arranged according to this index and investment funds are allocated until available funds are exhausted.

[1] Priority for those National Committees reaching the standard minimum annual contribution rate to UNICEF of 75 per cent of gross proceeds raised. National Committees or UNICEF country offices remitting in excess of 75 per cent of gross proceeds may be encouraged to reallocate some of those funds to invest in fundraising development.

Funding is offered for one year at a time, and may be extended for fundraising activities that meet expected results. In the majority of cases, the National Committee or UNICEF country office provides some of the funding for a given activity from its own resources. Analysis has shown that this increases the likelihood of achieving expected results.

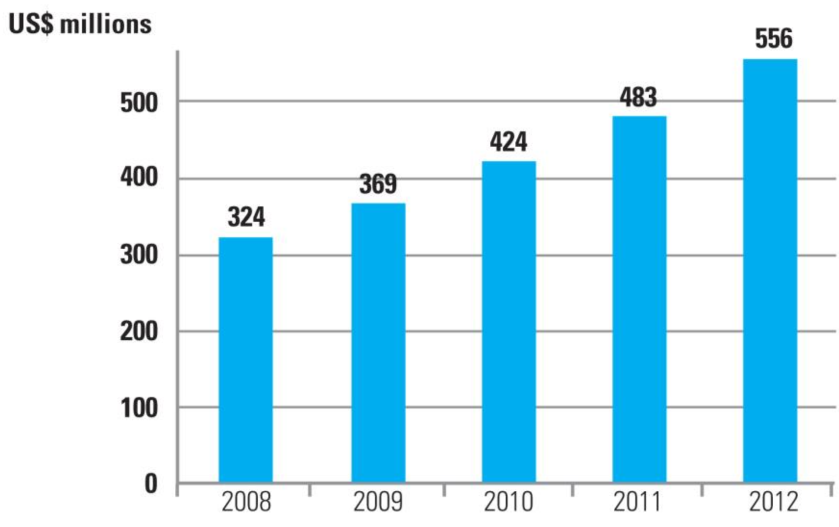
Investing in pledge fundraising

Investment funds for private sector fundraising are primarily dedicated to growing pledge fundraising programmes in individual countries. 'Pledge' giving is a form of regular, typically monthly, donation made by private individuals through an automatic payment system, such as direct debit. Taken together, pledge giving is the largest single source of private sector income for UNICEF, generating more revenue than any single government donor.

Continued growth in pledge giving is the foundation for the ambitious goals of the UNICEF Private Fundraising and Partnerships Plan 2014–2017. According to the Plan, by 2017, UNICEF is expected to have 5.9 million pledge supporters, contributing a total of US$1 billion in annual gross revenue[2]. This target is contingent on an increase in investment funds over the period of the Plan.

The goals of the UNICEF Private Fundraising and Partnerships Plan 2014–2017 build on a strong record of delivering pledge growth. Despite the challenging economic conditions in many countries, revenue has risen quickly over the past five years. Annual gross proceeds from pledge fundraising increased by 72 per cent between 2008 and 2012. Figure 1 shows the evolution of pledge revenue between 2008 and 2012.

Figure 1. Pledge gross proceeds[3], 2008–2012

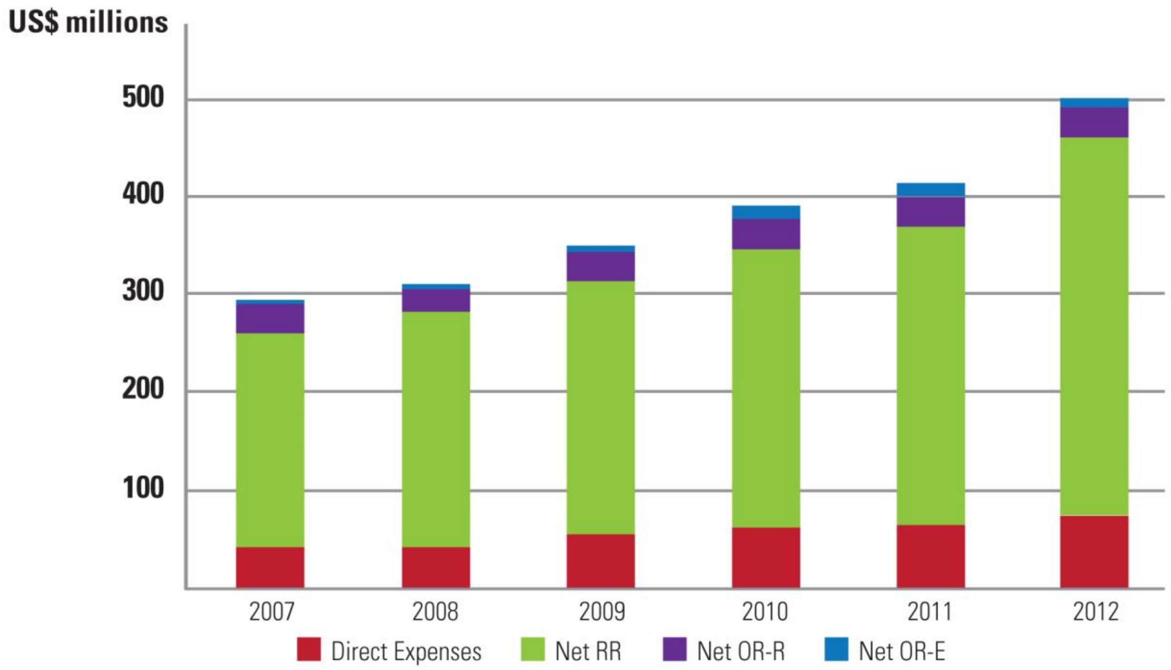


[2] from 3.5 million pledge supporters contributing a total of US$556 million in 2012

[3] Gross proceeds is defined as revenue received before deduction of National Committee fundraising expenses.

Pledge fundraising generates reliable, long-term regular resources (RR) income for UNICEF. Compared with other sources of revenue, the proportion of RR raised is very high. In 2012, 83 per cent of pledge income was remitted to UNICEF as RR. Significant growth in pledge revenue contributed to a record year for levels of RR raised from the private sector, with US$444 million of net private sector proceeds remitted as RR. Figure 2 shows the composition of pledge income received from National Committees between 2007 and 2012.

Figure 2. Composition of National Committee pledge gross proceeds, 2007–2012[4]



Insights into the long-term value of pledge donors

While investments in pledge fundraising yield a good rate of return over 36 months, recent analysis of pledge donor giving has shown that, on average, pledge donors continue to give beyond the third year, and thus contribute dramatically more revenue. An analysis carried out by international data analysis company Target Analytics quantified the full long-term value of over a million UNICEF pledge donors acquired in ten countries since 2001. Some key points:

- Most pledge donors give for considerably longer than 36 months. Half of the pledge donors acquired in 2001 was still giving in 2012.
- Because pledge donors give regularly, their contributions accumulate over their giving lifetime. On average, a pledge donor recruited in 2001 contributed US$427 by 2004. Eight years later, by 2012, that donor had contributed a total of US$1,501. Over 70 per cent of the donor's contribution has been received after the initial three-year period.
- The performance of pledge donors is very consistent and predictable. Retention rates, i.e. the proportion of donors continuing to give after a certain number of years, vary by only a few

[4] Chart key: RR = regular resources; OR-R = other resources – regular; OR-E = other resources – emergency

percentage points between the cohort of donors recruited 10 years ago and that of donors recruited 5 years ago.

Figure 3 shows the retention rates for cohorts of UNICEF pledge donors recruited each year since 2001.

Figure 3. Pledge retention by year for donor cohorts 2001–2011

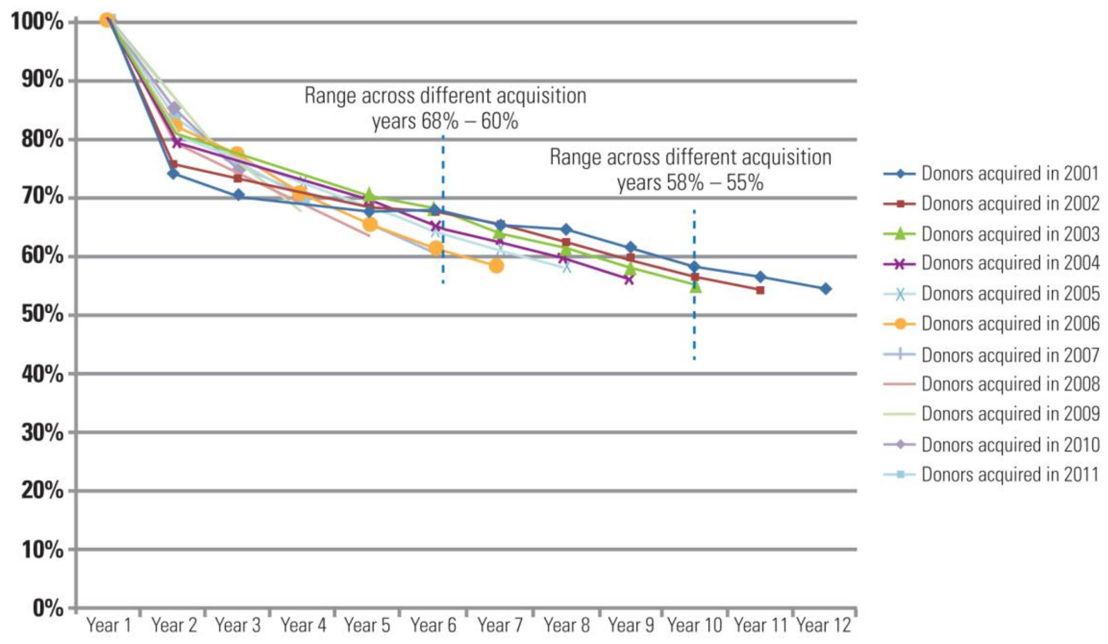
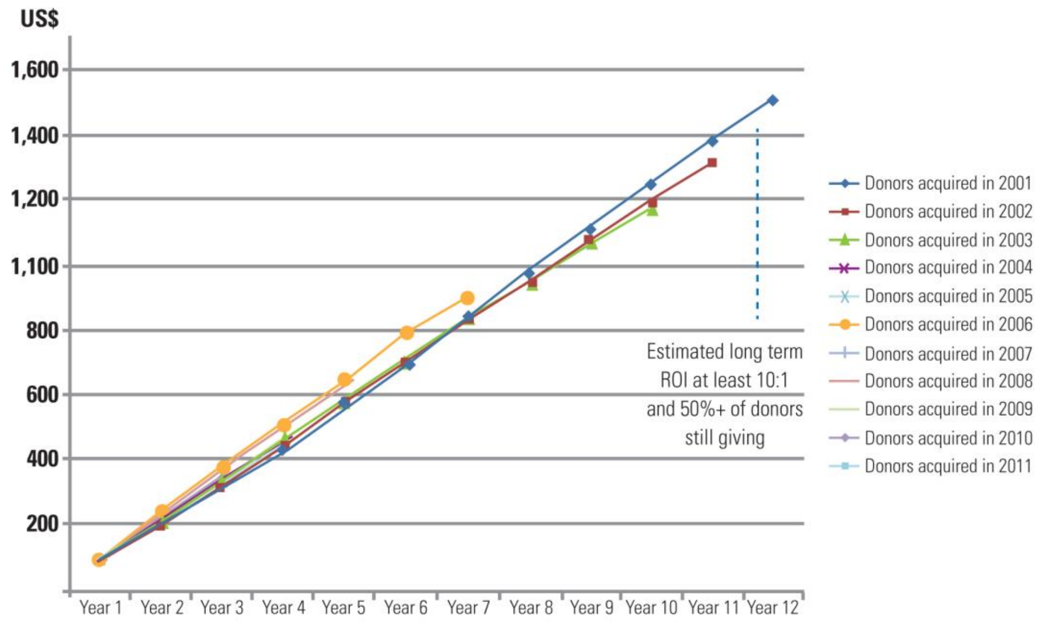


Figure 4 shows the cumulative revenue received from pledge donors recruited since 2001.

Figure 4. Average cumulative revenue per pledge donor by year for donor cohorts 2001– 2011

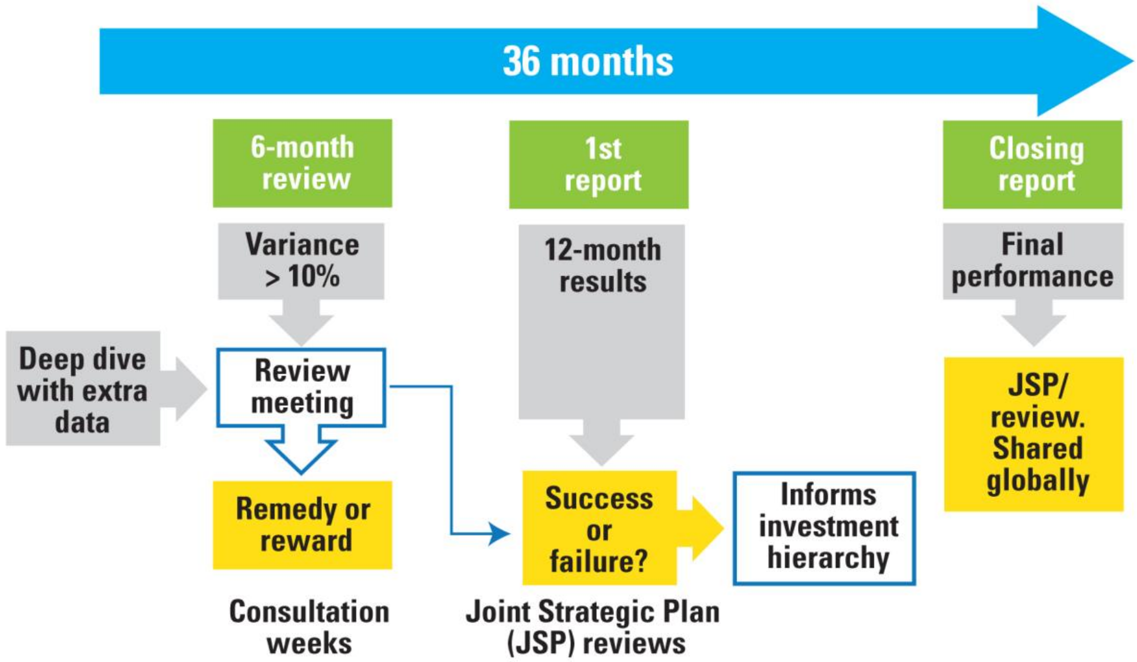


This analysis of long-term giving behaviour has a profound impact on the understanding of the cost-effectiveness of pledge fundraising. While UNICEF investment reports only monitor pledge revenue for the first 36 months, most pledge donors continue to give for years afterwards. When the additional revenue is taken into account, the long-term return on investment in pledge fundraising is approximately 10:1 over the first 12 years.

Strengthened monitoring of investment fund performance

Over the past 18 months, new processes have been put in place to improve the allocation and monitoring of investment funds and to facilitate reporting. This includes the introduction from October 2012 of an integrated online workflow management system accessible from PFP, National Committees and relevant UNICEF country offices. The system is designed to support the new more rigorous reporting and monitoring process set out in 2011, which increases the frequency of performance reporting by fund recipients and enables PFP to carry out a deeper analysis of past performance trends. Figure 5 illustrates the new comprehensive investment fund reporting cycle.

Figure 5. Private sector fundraising investment fund reporting cycle

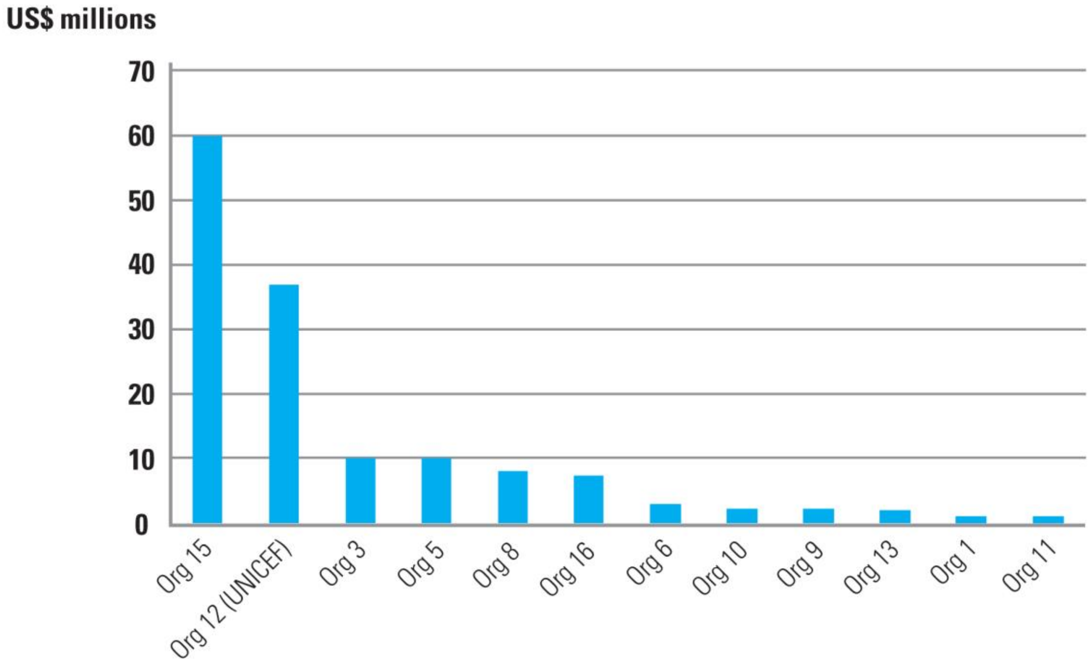


The 2013 investment fund allocation cycle is the first under the new system. The first six-month reports were received in June 2013 covering activity funded in the first quarter of the year. An analysis of investment performance to date shows there is a slight (2 per cent) positive variance on the projected return in year one. Of the 33 complete reports received, 5 show a negative variance, 11 show a positive variance and the remaining 18 show performance consistent with projections. Countries reporting a negative variance of 10 per cent or more against the projected first-year return do not receive further payments until remedial action has been taken to improve performance. A detailed list of the reports and expected and actual results is included in the Annex.

Maintaining an advantage in global fundraising

Many international organizations recognize the value of a global investment fund for fundraising. A 2012 anonymized survey[5] of investment fund resources among international non-governmental organizations and at least one other United Nations agency revealed that the value of a global investment fund is well understood: many international organizations have global investment funds and others are planning to establish them. In this survey, one other organization is shown to be investing more than UNICEF. UNICEF can take advantage of its strong position and potential to grow by continuing to invest in pledge fundraising. Figure 6 presents the results of the investment fund survey.

Figure 6. Investment funds of international private sector fundraising organizations (anonymized survey of international NGOs and UN agencies), 2012



[5] Survey of How International Non-Profit Organizations Manage Investment Funds from their International Headquarters to their National Affiliates. Darryl Upsall Consulting International. 2013.

Case studies

This section highlights a number of country case studies showing investment since 2009 and return over a 36-month period.[6] The examples include a comparison of actual pledge income achieved versus an estimate of likely results without the use of investment funds.

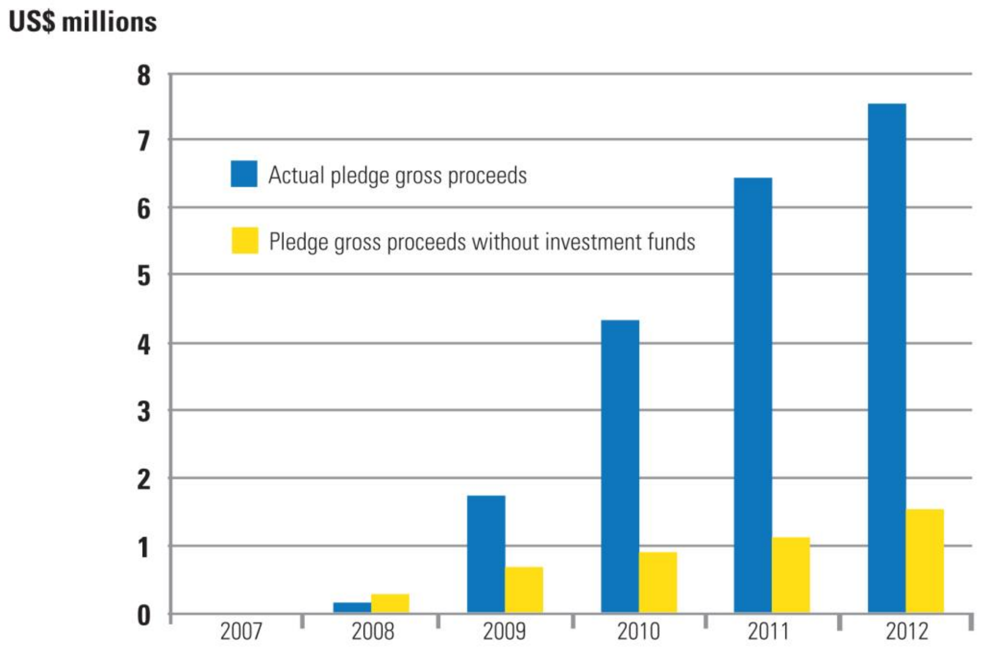
Malaysia

The UNICEF Malaysia country office started a private sector fundraising operation in 2008. Benefitting from knowledge accrued by other country offices, private sector fundraising in Malaysia focused on pledge fundraising from the beginning. Malaysia provides a good illustration of the impact of UNICEF investment funds as this was the only means by which fundraising activity could be launched and expanded. Figure 8 reveals the dramatic difference in revenue growth with and without investment funds.

Figure 7. Malaysia country office: Investment fund allocations and return on investment (ROI)

Year	Investment level	Planned ROI	Actual ROI
2009	1,152,823	3.48	3.69
2010	862,106	3.40	3.06
2011	1,194,251	3.79	3.49
2012 LE	1,014,377	3.56	3.28
2013 Current year	1,115,000	3.40	

Figure 8. Malaysia country office: Comparison of actual pledge gross proceeds and an estimate of pledge proceeds without the use of investment funds



[6] Note: Latest estimates are shown for 2012 activities. Results for 2013 are based on estimates of current year activity.

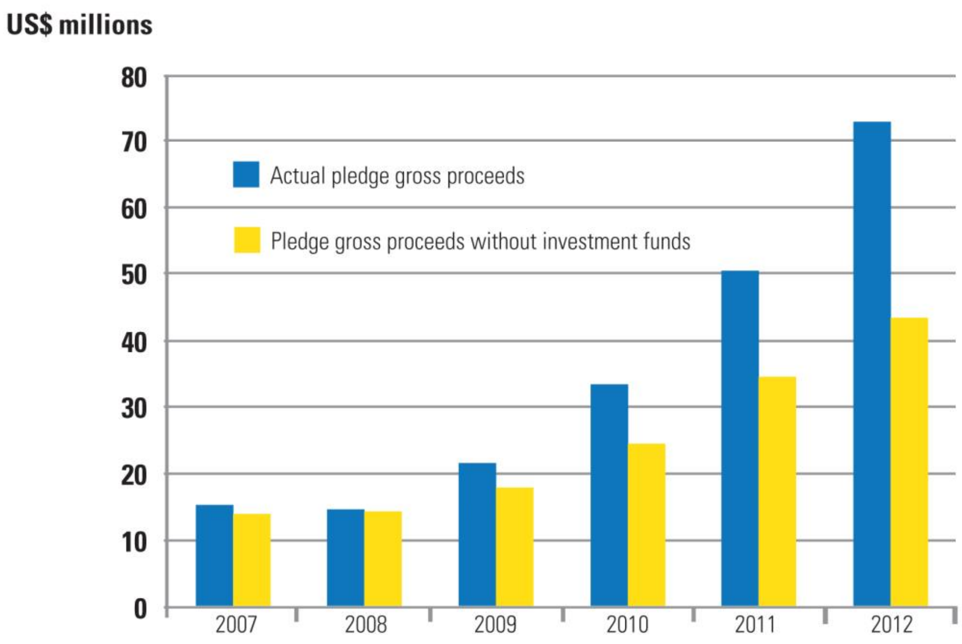
Republic of Korea

The Korean Committee for UNICEF has performed very well over recent years. In 2008, gross private sector fundraising revenue to UNICEF was US$19.5 million. By 2012, this had increased to US$84.3 million. This remarkable growth is attributed to the identification of successful pledge fundraising techniques, especially through television advertising supported by digital marketing. The Korean Committee for UNICEF increased investment in this area, which was then supplemented by a significant allocation of UNICEF investment funds. As a result, the Korean National Committee is now the fourth largest contributor of private sector revenue to UNICEF. In addition to impressive revenue growth, UNICEF advertising has had a very positive impact on the perception and awareness of the UNICEF brand in the Republic of Korea.

Figure 9. Korean Committee for UNICEF: Investment fund allocation and return on investment

Year	Investment level	Planned ROI	Actual ROI
2009	411,980	3.38	7.92
2010	1,352,415	9.06	9.49
2011	3,831,613	8.12	7.01
2012 LE	3,974,818	9.11	6.44
2013 Current year	3,891,000	5.16	

Figure 10. Korean Committee for UNICEF: Comparison of actual pledge gross proceeds and an estimate of pledge proceeds without the use of investment funds



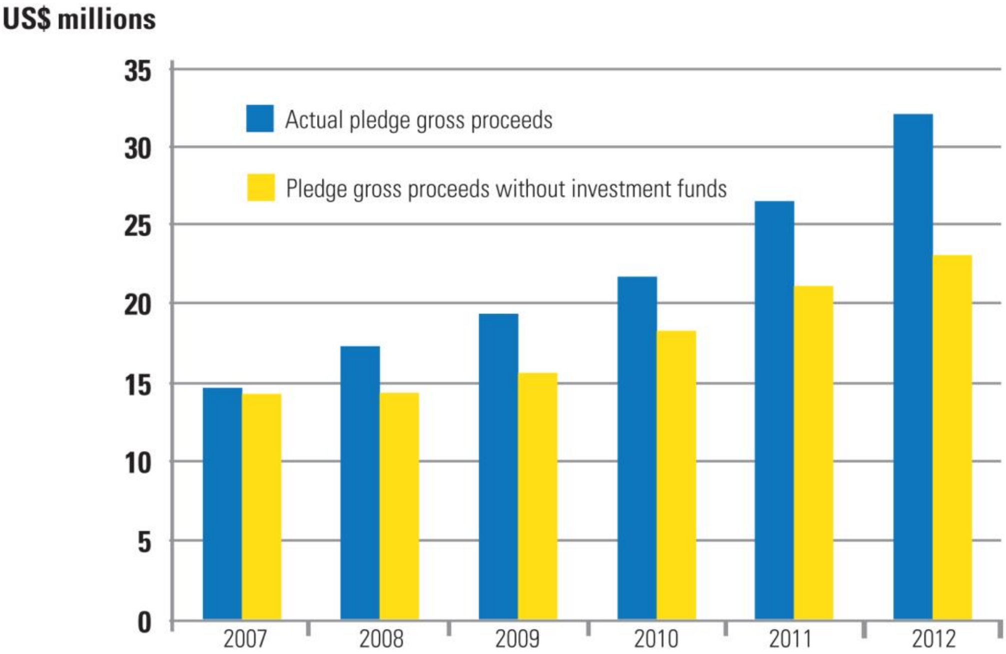
France

The French National Committee for UNICEF is a large and well-established National Committee which has traditionally focused on the sales of cards and products and fundraising for one-off donations, and has only recently began focusing on pledge fundraising. As a result of this shift of focus, investment levels have been increased significantly. A key factor in delivering sustained, good investment fund performance has been the sharing of good practice across countries. The performance of the French National Committee pledge acquisition programme is a good example: thanks to the technical support provided by PFP, the French Committee now has the best donor retention rates in UNICEF globally. The proportion of people who stop giving – particularly in the crucial first twelve months – has decreased from 19 per cent in 2009 to 11 per cent in 2012. The excellent donor retention rates have enabled a sustained increase in investment levels in this National Committee, notably with no drop in expected levels of return.

Figure 11. French Committee for UNICEF: Investment fund allocation and return on investment

Year	Investment level	Planned ROI	Actual ROI
2009	251,479	3.82	4.48
2010	2,443,372	3.81	3.98
2011	5,031,110	3.33	3.31
2012 LE	3,126,370	3.57	3.26
2013 Current year	5,788,000	3.93	

Figure 12. French Committee for UNICEF: Comparison of actual pledge gross proceeds and an estimate of pledge proceeds without the use of investment funds



Summary

UNICEF private sector fundraising has the potential to grow rapidly. The global private sector fundraising market is very large and continues to expand, so market size is not a constraint on global fundraising.

Proven fundraising techniques focusing on pledge giving and delivering a return of at least 3:1 over 36 months can be increased in scope and scale to exploit market opportunities. By 2017, UNICEF pledge donations are expected to generate US$1 billion gross revenue per year, with a very high proportion of revenue remitted as regular resources (RR).

The single most important prerequisite for successfully achieving this goal is the availability of sufficient funds to invest in fundraising. Investment funds already play an important role in driving growth in pledge giving, increasing revenue beyond the scope of National Committees and UNICEF country offices alone, and giving UNICEF an advantage over other organizations.

Continued investment on a scale commensurate with the goals of the UNICEF Private Fundraising and Partnerships Plan 2014–2017 will enable annual contributions from the private sector to UNICEF programmes for children reach US$1.75 billion, including US$960 million in RR, by the end of 2017.

Annex. First six-month reports for investment fund deployment in Q1 2013

No.	Country	Fundraising activity	Projected first-year ROI	Revised first-year ROI based on first report	Variance
1	Argentina (CO)	Face to Face / Door to Door	1.20	1.32	10%
2	Argentina (CO)	Telemarketing	1.34	1.51	12%
3	Australia (NC)	Face to Face / Door to Door	1.22	1.18	-3%
4	Australia (NC)	Spontaneous Digital	1.75	2.01	15%
5	Belgium (NC)	Face to Face / Door to Door	1.03	1.03	0%
6	Brazil (CO)	Face to Face / Door to Door	1.11	Report incomplete	
7	China (CO)	Paid Digital	1.30	Report incomplete	
8	France (NC)	Face to Face / Door to Door	1.24	1.24	0%
9	France (NC)	Telemarketing	2.10	2.10	0%
10	France (NC)	Telemarketing	2.09	2.32	11%
11	Greece (NC)	Face to Face / Door to Door	1.10	1.10	0%
12	Hong Kong (NC)	Face to Face / Door to Door	1.97	1.98	0%
13	Hong Kong (NC)	Direct Response Television	1.32	1.23	-7%
14	India (CO)	Telemarketing	1.27	1.27	0%
15	India (CO)	Face to Face / Door to Door	1.20	1.23	3%
16	Indonesia (CO)	Face to Face / Door to Door	1.39	1.49	8%
17	Ireland (NC)	Face to Face / Door to Door	1.17	1.19	2%
18	Japan (NC)	Direct Response Television	1.27	1.16	-8%
19	Malaysia (CO)	Face to Face / Door to Door	1.58	1.58	0%
20	New Zealand (NC)	Paid Digital	1.77	1.77	0%
21	Norway (NC)	Face to Face / Door to Door	1.47	1.70	15%
22	Philippines (CO)	Face to Face / Door to Door	1.44	1.46	1%
23	Poland (NC)	Face to Face / Door to Door	1.15	Data validation required	
24	Portugal (NC)	Face to Face / Door to Door	1.14	1.14	0%
25	Republic of Korea (NC)	Face to Face / Door to Door	1.59	1.59	0%
26	Republic of Korea (NC)	Direct Response Television	1.56	2.47	59%
27	Republic of Korea (NC)	Spontaneous Digital	5.24	5.24	0%
28	Spain (NC)	Paid Digital	1.14	1.16	1%
29	Spain (NC)	Telemarketing	1.17	1.17	0%
30	Spain (NC)	Telemarketing	1.30	1.30	0%
31	Spain (NC)	Telemarketing	1.67	1.67	0%
32	Thailand (CO)	Face to Face / Door to Door	1.38	1.42	3%
33	Thailand (CO)	Direct Response Television	1.38	1.00	-27%
34	Turkey (NC)	Face to Face / Door to Door	1.51	1.20	-21%
35	United States (NC)	Spontaneous Digital	1.41	1.41	0%

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