

International Federation of Red Cross and Red Crescent Societies

# PLAN AND BUDGET

## 2014-2015

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Saving lives, changing minds.



International Federation  
of Red Cross and Red Crescent Societies

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The International Federation of Red Cross and Red Crescent Societies (IFRC) is the world's largest volunteer-based humanitarian network, reaching 150 million people each year through our 187 member National Societies. Together, we act before, during and after disasters and health emergencies to meet the needs and improve the lives of vulnerable people. We do so with impartiality as to nationality, race, gender, religious beliefs, class and political opinions.

Guided by *Strategy 2020* – our collective plan of action to tackle the major humanitarian and development challenges of this decade – we are committed to 'saving lives and changing minds'.

Our strength lies in our volunteer network, our community-based expertise and our independence and neutrality. We work to improve humanitarian standards, as partners in development and in response to disasters. We persuade decision-makers to act at all times in the interests of vulnerable people. The result: we enable healthy and safe communities, reduce vulnerabilities, strengthen resilience and foster a culture of peace around the world.

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# PLAN AND BUDGET 2014-2015 EXECUTIVE SUMMARY

## Overview

The bi-ennial plan and budget for the International Federation of Red Cross and Red Crescent Societies (IFRC) is designed to be effective, accountable and sustainable. It therefore positions the IFRC to deliver high-quality and cost-effective services in a responsive manner.

The resulting 2014-2015 operating budget is balanced with projected annual expenditures and income of 357 million Swiss francs. Within the operating budget, there is no increase to cost recovery rates or to statutory contribution quota (although some individual contributions may vary).

In the pages that follow, the plan that drives the 2014-2015 budget sets out the focus areas of the secretariat's work for the next two years, based on consultations with National Societies and in line with *Strategy 2020*. It also identifies income streams and National Society stakeholders to which the IFRC is accountable for expenditures. National Societies each represent up to three different stakeholder roles: 1) a donor or recipient of programme funding, 2) a client that has requested a supplementary service, and/or 3) a member of the IFRC that can access network-wide services.

Achieving the 2014-2015 plan is contingent on funding. Once the plan has been approved by the General Assembly, the IFRC's secretary general

and senior management are responsible for securing the projected income and delivering on the plan's objectives.

The plan and budget is separated into three parts: programmes, supplementary services and the secretariat. Each of the three sub-plans and budgets are managed independently and never used to subsidize one another.

## 1. Programmes

The first part of the plan and budget focuses on the coordination and delivery of programmes. Funds generated for programmes are restricted, i.e., they must be allocated to the programme specified by the donor. Programmes fall into one of four categories: 1) humanitarian response (such as emergency appeals), 2) longer-term development (focused on risk reduction, food security and health), 3) National Society development, and 4) additional humanitarian needs and inter-agency partnerships (such as Shelter Cluster Coordination). The projected income and expenditure on programmes for each fiscal year 2014 and 2015 is 277 million Swiss francs. These programmes represent 77 per cent of the IFRC's consolidated budget.

## 2. Supplementary services

The second part of the plan and budget focuses on the IFRC's delivery of supplementary services

to clients – mainly National Societies and other partners – on a cost-recovery basis. The IFRC offers supplementary services in three main areas: 1) logistics, 2) fleet, and 3) country-level services that enable National Societies to operate legally internationally. Supplementary services comprise 38 million Swiss francs or 11 per cent of the IFRC's consolidated budget.

## 3. Secretariat

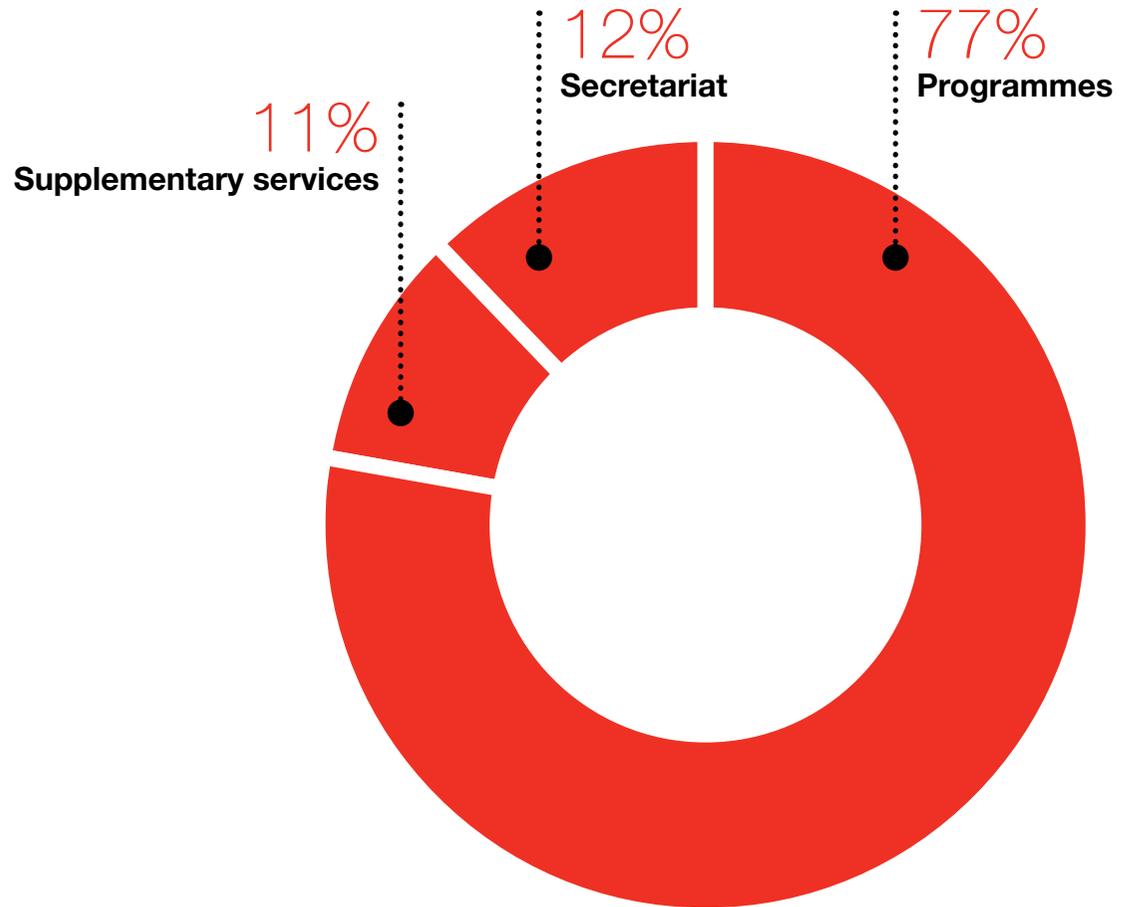
As per the IFRC constitution, the secretariat "acts as the permanent body of liaison and coordination among National Societies" representing the Red Cross Red Crescent globally and providing network-wide services. The third part of the plan and budget focuses on fulfilling these requirements, such as legal and communication resources to support global coordination and representation. These are in addition to network-wide services that all member National Societies can access, such as the Learning Network and Federation-wide databank and reporting system. Secretariat expenditures for each fiscal year (2014-2015) are projected at 63 million Swiss francs, with 42 million coming primarily from National Society statutory contributions. The remainder comes from cost-recovery fees that are charged to programmes for the delivery of programme-related services.

**Assessing results**

Specific indicators or “measures of success” have been identified for each objective and activity within the plan and budget. The IFRC will regularly monitor and assess progress against these indicators. The results will be shared via quarterly management reports, as well as regular written and oral updates to governance, National Societies and other stakeholders.

**Conclusion**

The IFRC is committed to demonstrating accountability and sustainability in all that it does. The 2014-2015 plan and corresponding budget is designed to ensure the IFRC and its member National Societies can continue to provide humanitarian service – as a united, coordinated and leading actor – to the world’s most vulnerable, now and into the future.



# 1 INTRODUCTION

The mission of the IFRC secretariat is to “build a humane, dignified and peaceful world by helping National Red Cross and Red Crescent Societies to become stronger, promote their interests globally, and enable them to work together effectively as the International Federation.”<sup>1</sup> This plan sets out how the secretariat aspires to work towards the achievement of this mission, and thereby contribute to the strategic aims set out in *Strategy 2020*.

Based on wide-ranging consultations with National Societies, this plan identifies **the main focus areas of** the secretariat’s work over the next two years, informed by clarifications outlined in Annex 2 on:

- A. the **three key stakeholder roles of National Societies** and corresponding **functions of the secretariat**
- B. **funding, budget** and how it relates to the functions of the secretariat
- C. **accountability** and **sustainability**.

With its accompanying budget, the plan fulfils the statutory obligations<sup>2</sup> of the secretary general.

Given its role to serve, connect and represent National Societies in delivering the vision of the IFRC, the secretariat develops the plan as a comprehensive overview of its objectives, the

implementation of which is resourced from three main sources of funding: 1) voluntary contributions, 2) supplementary service fees, and 3) statutory contributions, as outlined in the table below.

Budget and source	NS stakeholder role
I. The <b>programmes and coordination restricted budget</b> funded from restricted voluntary contributions	National Societies as <b>donors or recipients</b> of donor funding
II. The <b>supplementary services restricted budget</b> funded from service fees	National societies as <b>clients</b>
III. The <b>secretariat unrestricted budget, including:</b>	
III.1 <b>Statutory contributions budget</b> funded from the statutory contributions,	National Societies as <b>members</b>
III.2 <b>Programme and services support budget</b> consisting of overhead cost recoveries <sup>3</sup> , unrestricted voluntary contributions and finance income <sup>4</sup> .	National Societies as <b>donors or recipients</b> of donor funding

The achievement of the objectives set out in this plan is contingent on adequate and sustainable funding for the different parts of the budget. Once the plan has been approved by the General Assembly, the Secretary General supported by the senior management of the IFRC secretariat is accountable to both secure the income needed and deliver on the stated objectives.

1. *Plan and Budget 2012-2013*

2. *Constitution article 36.6, Financial Regulations 3.2*

3. *Mainly Programme and Services Support Recovery (PSSR)*

4. *Income on investments*

## 2 WHAT IS PLANNED OVER 2014-2015?

The following narrative summary of the 2014-2015 plan is structured according to the three main budget categories (as outlined in the table in section 1), and describes how each category relates to the three distinct stakeholder roles that National Societies fulfil.

The narrative summary is complemented by the results matrix in Annex 1 which provides in detail the objectives of the 2014-2015 plan, as well as an outline of how progress towards each objective will be measured.

Further details on the objectives and activities of each of the IFRC's nine business groups are elaborated in the secretariat's long-term planning frameworks and related operational plans, all of which are available on the IFRC website and FedNet.

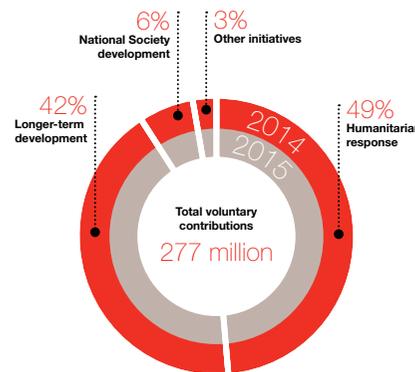
### 2.1 Programmes and coordination plan and budget (restricted)

The programmes and coordination plan and budget aims to support National Societies in their programming in support of disaster-affected and vulnerable people, as well as individual National Societies in their organisational development.

Funded entirely by voluntary contributions, the programmes and coordination budget for 2014-2015 is as follows:

#### Programmes and coordination budget

CHF million	2014	2015
<b>VOLUNTARY CONTRIBUTIONS</b>		
Humanitarian response	135.0	135.0
Longer-term development	117.0	117.0
National Society development	18.0	18.0
Other initiatives	7.0	7.0
<b>Total voluntary contributions</b>	<b>277.0</b>	<b>277.0</b>
<b>PROGRAMME EXPENDITURE</b>		
Africa	72.8	77.7
Americas	34.2	32.1
Asia Pacific	94.6	110.1
Europe	10.4	11.3
Middle East and North Africa	34.4	14.6
Global Programmes	30.6	31.2
<b>Total programme expenditure</b>	<b>277.0</b>	<b>277.0</b>
<b>Surplus /(Deficit)</b>	<b>-</b>	<b>-</b>



Reflecting the Governing Board's priorities as stated at its November 2012 meeting, the IFRC aims to achieve the following over the next two years within the programmes plan and budget:

- A. Humanitarian response – to provide coordination during the immediate response phase of disasters and crises which require international assistance, to ensure adequate resources are available to meet the needs of disaster affected people.
- B. Longer-term development – to assist National Societies in their programming in areas of risk reduction and resilience, food security and health including water and sanitation.
- C. National Society development – to assist National Societies in becoming stronger organizations designing clear strategic plans for their programme work, as well as to help them mobilise and coordinate domestic and international partners. This work with National Societies is enabled by exploring the full potential of the auxiliary role of National Societies.

The humanitarian response and development programmes, as well as related coordination linked to the stated objectives, are funded from restricted voluntary contributions which constitute the IFRC's largest income stream. While member National Societies make up a crucial part of the donor group

for this budget, it is recognized that many restricted voluntary contributions are also made by non-members.

### Accountability

Over the past two years the IFRC has strengthened its key governance bodies focused on accountability to stakeholders, including the compliance and mediation committee and the audit and risk committee. Further, the secretariat has initiated a donor advisory group (allowing for strategic dialogue with donors) and undertaken a study to guide its future development of an accountability framework for the secretariat and the Federation. Over the next two years the IFRC aims to operationalize and roll out the accountability framework.

Accountability will further be addressed as the IFRC works with National Societies to expand the mechanisms through which people who are served by programmes can provide feedback and engage directly in programme planning and implementation. The successful application of mobile technology in Haiti for beneficiary communications will be replicated. Over the next two years, the IFRC aims to ensure beneficiary feedback and complaint mechanisms are in place for all international emergency operations. In addition the capacities of up to 40 National Societies will be strengthened to enable meaningful consultation and involvement of the people and communities reached by Red Cross Red Crescent programmes and activities.

The IFRC secretariat will also seek further investment in technology to support programme delivery (e.g. cash distribution programmes) and

connectivity with National Societies (e.g. digital divide programme).

There are four distinct areas in this part of the plan and budget:

#### 2.1.1 Humanitarian response

The IFRC secretariat will continue to issue **emergency appeals** for disaster operations when National Societies seek international assistance. However, individual operations are not covered in this plan; the attached budget is based on a historic analysis.

The General Assembly in Sydney is scheduled to approve the revised **Principles and Rules for Red Cross Red Crescent International Disaster Response**. This key policy document will serve as the basis for consequent improvements in the IFRC global disaster response model.

The **Disaster Relief Emergency Fund (DREF)** will continue to be a key feature in the IFRC's global disaster management system. A growing number of DREF allocations (a total of 123 in 2012), involving 76 different National Societies and reaching more than 12.2 million beneficiaries, is evidence of DREF's success and relevance.

Substantial progress in the field of **International Disaster Response Law (IDRL)** is anticipated as the IFRC pushes forward with the goal of helping National Societies as they work with governments to put into place at least 20 new national laws or rules that implement IDRL Guidelines by 2015, as well as securing higher political recognition of the need for legal preparedness.

#### 2.1.2 Longer-term development

In line with *Strategy 2020*, the IFRC secretariat is focusing its development efforts and advocacy messages on the following issues:

##### Reducing risk and strengthening resilience

Several advocacy positions are being formulated to influence the post-2015 development agenda including a need to address the inequitable impacts of disasters, as well as a call for coordinated and comprehensive strategies that integrate disaster risk reduction and climate change. More specifically the IFRC secretariat seeks to mobilize National Societies to contribute to the fight against climate change through a programme to plant and care for two billion trees. In Africa the planting and caring for one billion trees will support the Great Green Wall initiative. The programme will consist of a set of interventions across ten countries with the goal to help communities mitigate and adapt to climate change, improve livelihoods and promote environmental values and practices through public awareness and education. Another programme to plan and care for a billion trees will be carried out to support interventions across Latin America, Middle East and Asia Pacific.

##### Food security

The IFRC wants to raise the profile of food security and nutrition within the post-2015 development debate. Calling for multi-sector integration to reduce vulnerability to food and nutrition insecurity, and recognising the right to food, will be key advocacy positions. More specifically the IFRC secretariat will work with National Societies to scale-up joint food

security efforts targeting 100 million people who are food insecure in eight countries in Africa, Asia Pacific and Latin America.

### Healthier lives

The IFRC secretariat will work with National Societies, governments and partners to recognize in the post-2015 debate that access to basic health care is a human right, not just a humanitarian need. Good health is an important contributor to development and is a result of development gains. More specifically the IFRC secretariat seeks to work with National Societies to increase the contribution of volunteers in preventive health care and health promotion among the most vulnerable communities.

### Water and sanitation

A key advocacy message from the IFRC is to underline the equal importance of sanitation activities and water activities in terms of promoting good health and human dignity. As such, the IFRC aims to address the present imbalance between sanitation coverage as compared to safe water access. Since the launch of the IFRC's Global Water and Sanitation Initiative (GWSI) in 2005, the IFRC secretariat and its members have served over five million people with sustainable access to water, sanitation and hygiene promotion. It is expected to triple the original target and reach a total of 15 million people by 2015, this being a significant contribution to the MDGs.

The full costs of the initiatives listed above are not included in the attached budget; specific resourcing models will need to be further developed.

### 2.1.3 National Society development

The National Society development framework describes National Society development as leading to: "An organisation that (1) consistently delivers, through volunteers and staff, relevant country-wide services to vulnerable people sustained for as long as needed and that contributes to the strength of (2) the IFRC and the Movement."

Using the Organisational Capacity and Certification (OCAC) assessment as one of its key diagnostic tools, the IFRC secretariat will continue its investment in tailor-made support for organizational development. However the methods by which we make such investments will change. We will rely more on locally-resourced capacities and use financing models which allow for full cost-recovery of services provided.

With an increasing number of National Societies taking part in the first phase (self-assessment) of the OCAC process, efforts will be scaled-up to ensure that more National Societies engage in the crucial second phase – the certification of the viability, sustainability and delivery capacity of National Societies.

The IFRC secretariat will also support National Societies to increasingly leverage their auxiliary role and solidify their strategic position in civil society. Furthermore, through leadership development efforts, the IFRC secretariat will support National Societies to attract and retain competent leaders.

### 2.1.4 Other initiatives

There are a limited number of other projects or initiatives which are planned and funded from voluntary contributions:

### Shelter Cluster coordination

In the General Assembly in Seoul (2005), the IFRC took a decision to take a leading role in the provision of emergency shelter following natural disasters. This commitment was formalized through a Memorandum of Understanding (MoU) with the United Nations Office of Coordination of Humanitarian Affairs (UNOCHA) in 2006.

This "shelter commitment" was externally reviewed in 2013. The evaluators' report notes that the "IFRC is delivering on its shelter commitment" and goes on to state that the organization's "integrity and reputation are none the poorer for taking a leading role in the provision of emergency shelter following natural disasters".

The IFRC secretariat will continue to raise separate resources to coordinate a network of interested stakeholders, and to coordinate the provision of emergency shelter after natural disasters.

### Hosted projects

Hosted projects are inter-agency governed initiatives where the IFRC participates as a member agency and agrees to host the initiative within its administrative, legal and financial structures (e.g. Steering Committee for Humanitarian Response and Global Road Safety Partnership).

### Other projects

Several small projects or activities are funded by voluntary contributions which are neither humanitarian response nor development programmes; for example regional conferences and the voluntarily funded portion of statutory meetings,

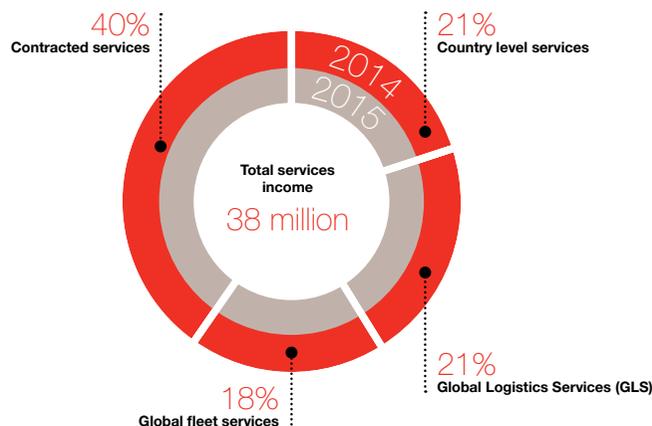
governance related activities and the use of Russian as a working language.

## 2.2 Supplementary services plan and budget (restricted)

The Supplementary services plan and budget aims to provide cost-effective, relevant and demand driven services to individual and/or groups of National Societies. Fully cost-recovered through supplementary service fees, the budget for 2014-2015 is as follows:

### Supplementary services budget

CHF million	2014	2015
<b>SERVICES INCOME</b>		
Country level services	7.7	7.2
Global Logistics Services (GLS)	8.0	8.0
Global fleet services	7.0	7.0
Contracted services	15.3	15.8
<b>Total services income</b>	<b>38.0</b>	<b>38.0</b>
<b>SERVICES EXPENDITURE</b>		
Africa	13.3	12.0
Americas	5.0	6.8
Asia Pacific	3.5	3.0
Europe	0.5	0.5
Middle East and North Africa	0.3	0.3
Geneva / Global	15.4	15.4
<b>Total services expenditure</b>	<b>38.0</b>	<b>38.0</b>
<b>Surplus /(Deficit)</b>	<b>-</b>	<b>-</b>



This part of the plan recognizes the gradual and positive change in the capacities of National Societies and the need to adjust the model by which international humanitarian response and development support is provided.

Service delivery to communities and beneficiaries is in the hands of National Societies, but a demand for greater focus on results and accountability requires investment in better and more cost-effective ways to serve, connect and represent the IFRC's members.

The IFRC secretariat aims to meet these changing aspirations and support National Societies in sustainable growth through a model based on providing services on a full cost-recovery basis.

To date the IFRC secretariat is offering supplementary services in the areas of:

- ✓ **Country-level services:** enabling National Societies to work legally internationally – headquarters to headquarter agreements will be

signed; the IFRC secretariat will focus on quality, consistency and cost-effectiveness.

- ✓ **Global Logistics Services (GLS):** including procurement, warehousing, mobilization and professional consultancy services – efforts are made to rationalize costs of service provision to ensure sustainability.
- ✓ **Global fleet services:** including the provision of the vehicle rental scheme, as well as professional consultancy and training services – external financing will be sought; additionally the potential for expansion of the business to meet demands from members will be examined.

In addition the IFRC secretariat will seek to increase its professional and training services in consultation with members for areas where member needs can be matched to IFRC secretariat capacity.

Finally, in recognition of the IFRC's international persona, the IFRC secretariat will further develop its capacities to provide contracted services – in particular providing grant and programme management services to other humanitarian actors. On-going initiatives (such as those in relation to the Global Fund, the Global Environmental Facility, and UNITAID) will play a role in ensuring that globally available resources reach vulnerable people as well as position the IFRC as a reliable partner, thereby enhancing the overall credibility of the network.

Linked to the previous points, we will also study how we can learn from the successful example of providing paid-for services to the Japanese Red Cross during its triple disaster in 2011. Some of our accumulated programme technical expertise in

areas such as health and capacity building could be provided on a full cost-recovery basis.

On accountability: the IFRC aims for clients to be satisfied with the supplementary services that the IFRC provides, particularly as supplementary services are rendered on a full cost-recovery basis. Client satisfaction and upholding quality standards in service delivery, while being able to fully recover costs, will be determining factors in the IFRC's ability to succeed in addressing the changing needs of National Societies and other humanitarian actors.

### 2.3 Secretariat plan and budget (unrestricted)

The aim of this part of the plan is to provide basic membership services to all members as efficiently as we can. This includes setting Federation-wide standards and norms, developing general policy, organizing and supporting governance as well as being the knowledge broker for the network.

There are two distinct parts of this plan and budget, namely the statutory contributions budget and the programmes and services support budget, both of which are outlined in the pages that follow.

### Secretariat budget (unrestricted)

CHF million	Statutory contributions		Programmes and services support		Total secretariat unrestricted	
	2014	2015	2014	2015	2014	2015
<b>UNRESTRICTED INCOME</b>						
Statutory contributions	36.5	36.5	-	-	<b>36.5</b>	<b>36.5</b>
Unrestricted voluntary contributions	-	-	4.0	4.0	<b>4.0</b>	<b>4.0</b>
Finance income	-	-	1.3	1.3	<b>1.3</b>	<b>1.3</b>
Other income	0.6	0.6	-	-	<b>0.6</b>	<b>0.6</b>
<b>Total unrestricted income</b>	<b>37.1</b>	<b>37.1</b>	<b>5.3</b>	<b>5.3</b>	<b>42.4</b>	<b>42.4</b>
<b>UNRESTRICTED EXPENDITURE</b>						
Governance and governance support	4.2	4.2	-	-	<b>4.2</b>	<b>4.2</b>
Senior management	6.5	6.5	0.6	0.6	<b>7.1</b>	<b>7.1</b>
Humanitarian and development programmes	3.7	3.7	8.4	8.4	<b>12.1</b>	<b>12.1</b>
National Society and knowledge development	4.7	4.7	2.1	2.1	<b>6.8</b>	<b>6.8</b>
Humanitarian values and diplomacy	8.7	8.7	3.0	3.0	<b>11.7</b>	<b>11.7</b>
Management services	8.8	8.8	9.1	9.1	<b>17.9</b>	<b>17.9</b>
Information technology enhancements	1.1	1.1	1.1	1.1	<b>2.2</b>	<b>2.2</b>
General provision	0.3	0.3	0.7	0.7	<b>1.0</b>	<b>1.0</b>
<b>Total unrestricted expenditure</b>	<b>38.0</b>	<b>38.0</b>	<b>25.0</b>	<b>25.0</b>	<b>63.0</b>	<b>63.0</b>
<b>COST RECOVERIES</b>						
Programmes & Services Support Recovery (PSSR)	-	-	(17.7)	(17.7)	<b>(17.7)</b>	<b>(17.7)</b>
Pledge fees	-	-	(2.0)	(2.0)	<b>(2.0)</b>	<b>(2.0)</b>
Other services fees	(0.9)	(0.9)	-	-	<b>(0.9)</b>	<b>(0.9)</b>
<b>Total cost recoveries</b>	<b>(0.9)</b>	<b>(0.9)</b>	<b>(19.7)</b>	<b>(19.7)</b>	<b>(20.6)</b>	<b>(20.6)</b>
<b>Surplus/(Deficit)</b>	-	-	-	-	-	-

### 2.3.1 Funded from statutory contributions

The statutory contributions (membership fees) are the most reliable source of funding and as such allow the IFRC secretariat to provide membership-orientated services or services for the collective including:

- ✓ Global standards and systems development and maintenance for humanitarian response, development programmes and National Society knowledge development
- ✓ Knowledge management such as the Federation-wide Databank and Reporting System, FedNet and the Learning Network
- ✓ Representation and liaison at global and regional levels
- ✓ Governance and governance support.

The secretary general, supported by senior management, has also committed to using the findings of the decentralisation review to further refine and improve the decentralised way of working and set-up. As details of this become clearer – including financial implications, for example, of rationalizing office and service structures – a revision of this part of the plan and budget may become necessary under the leadership of a new secretary general, and would be submitted to the relevant governance bodies accordingly.

In addition, the IFRC will use the findings of the governance review carried out in 2013 to make improvements to its governance functions. The areas of governance identified by the review for improvement fall in four broad areas:

1. role of the Governing Board
2. clarity of purpose vis-à-vis the National Societies
3. Governing Board and secretariat team interactions
4. Board dynamics.<sup>5</sup>

Additional demands on the secretariat budget for 2014 and 2015 include:

- ✓ reviewing the Movement coordination framework
- ✓ organizing a mid-term review of *Strategy 2020*
- ✓ organizing a corporate policy consultation and review
- ✓ implementing a review of the IFRC policies based on the IFRC Policy Framework.<sup>6</sup>

These demands will be met with the internal reprioritization of financial and human resource capacities of the secretariat.

### 2.3.2 Indirect cost recovery – Programmes and Services Support Recovery (PSSR)

Supporting programmes and providing services incurs direct and indirect costs in relation to quality control, coordination, human resources, information technology, audit, finance, communications, and legal counsel.

The responsibility of the IFRC secretariat is to adjust its direct and indirect costs to meet the changing

service needs of the various programmes. A gradual shift towards a full cost-recovery service model (see sub-budget 2.2 above) is envisioned.

## 3 HOW WILL RESULTS BE ASSESSED?

The work of the IFRC secretariat is tracked through an established system of quarterly management reports to the secretary general, which form the basis for his regular updates to governance and other stakeholders.

Monitoring of progress is carried out based on the specific indicators set out in the results matrix provided in annex 1. These indicators have been identified as key outputs for each business line, along with appropriate targets, taking into account baseline data where feasible and available.

The monitoring mechanism will endeavour to ensure that the majority of the data for the indicators can be collected as part of on-going activities and internal management reporting. Wherever appropriate, business groups will supplement this largely quantitative data with qualitative measures that capture progress in areas which are difficult to quantify, thus making the qualitative data equally important.

<sup>5</sup> IFRC Governance Review, May 2013, carried out by IMD

<sup>6</sup> IFRC Policy Framework scheduled to be adopted by the 2013 General Assembly.

# ANNEX 1: RESULTS MATRIX

The outputs and related measurements below describe the key deliverables for the secretariat. The structure for the deliverables follows the three main income and expenditure streams of the IFRC secretariat.

<b>Business Line 1: Raise humanitarian standards</b>					
<b>Outcome:</b> Uplifted thinking that inspires and underpins our services to maintain their relevance in a changing world, along with increased magnitude, quality, and impact.					
<b>Impact evaluation question:</b> Is the IFRC providing quality and relevant services that have positive impact on vulnerabilities? Are these based on sound assessment and improved organizational competence.					
<i>Funding sources: (S)= Statutory; (V)= Voluntary; (F) = Fees (service fees)</i>					
Outputs	Indicators	Measurement			Funding sources and comments
		Baseline 2010 <sup>7</sup>	Targets <sup>8</sup>		
			2014	2015	
1.1 A contemporary <b>interpretation of the Fundamental Principles</b> consistently demonstrated through action by all Movement partners.	1.1 # of NS actively engaged in the Movement wide initiative on Fundamental Principles, focused on ensuring relevance of Principles through concrete actions (including breakdown of # NS per zone for geographical diversity)	115 in 2013 (scoping phase)	<b>30</b>	<b>100</b>	Conceptual / strategic oversight (S) Consultation costs (including meetings) (V)
1.2 A Federation-wide databank and reporting system of factual National Society information is established and maintained.	1.2a # of National Societies providing one or more of the following through FDRS: strategic plans, financial statements, and annual reports.	5	<b>140</b>	<b>187</b>	Statutory work (S)
	1.2b # of National Societies providing data on one or more FDRS key performance indicators.	5	<b>140</b>	<b>187</b>	
	1.2c # of National Societies providing data on all seven FDRS key performance indicators.	0	<b>65</b>	<b>94</b>	
1.3 An organizational capacity assessment and certification process is established. (=OCAC)	1.3a # NS participated in OCAC self-assessment.	<b>0</b>	<b>60</b>	<b>90</b>	OCAC design and oversight (S) Actual assessments and peer reviews must move gradually to NS self-funding and (V)
	1.3b # NS participated in OCAC peer review.	<b>0</b>	<b>10</b>	<b>20</b>	
	1.3c # of National Societies certified following the OCAC process	<b>0</b>	<b>8</b>	<b>16</b>	

7. These figures represent the most accurate numbers available (where data are available for the year 2010, unless otherwise specified). Figures may be revised in some cases during the development of the monitoring mechanism.

8. Targets set the degree of improvement on each indicator required to achieve the objective. In order to set the target you need to know the current level of performance ("baseline"). **Please note that targets in red are cumulative.**

### Business Line 1: Raise humanitarian standards

**Outcome:** Uplifted thinking that inspires and underpins our services to maintain their relevance in a changing world, along with increased magnitude, quality, and impact.

**Impact evaluation question:** Is the IFRC providing quality and relevant services that have positive impact on vulnerabilities? Are these based on sound assessment and improved organizational competence.

Funding sources: (S)= Statutory; (V)= Voluntary; (F) = Fees (service fees)

Outputs	Indicators	Measurement			Funding sources and comments
		Baseline 2010 <sup>7</sup>	Targets <sup>a</sup>		
			2014	2015	
1.4 Volunteers and staff having essential competences to save lives and change minds, and performing specific roles in national societies.	1.4a # of volunteers and staff registered versus # of active (non-dormant) volunteers and staff registered in the learning platform	TBD	TBD	TBD	(S) in terms of some of the systems and course development plus ,
	1.4b % completion rate of Red Cross Red Crescent essential online courses.	TBD	TBD	TBD	
	1.4c # of online courses in the learning platform.	TBD	TBD	TBD	
	1.4d # of online courses with 4- and 5-stars ratings.	TBD	TBD	TBD	
	1.4e # of courses in IFRC working languages (E/F/S/A).	TBD	TBD	TBD	
	1.4f # of national societies adopting (and branding) the learning platform.	TBD	TBD	TBD	
	1.4g # of volunteers and staff undertaking RC RC professional and vocational certificates and diplomas.	TBD	TBD	TBD	
	1.4h # of volunteers and staff completing international mobilization for action (IMPACT) inductions.	TBD	TBD	TBD	

### Business Line 2: Grow Red Cross Red Crescent services for vulnerable people

**Outcome:** Increased share of consistent and reliable Red Cross Red Crescent action in support of communities affected by disasters and crises.

**Impact evaluation question:** How many communities affected by disasters and crises are assisted by consistent and reliable Red Cross Red Crescent support?

Outputs	Indicators	Measurement			Funding sources and comments
		Baseline 2010	Targets		
			2014	2015	
2.1 Robust essential preparedness, response and recovery systems are built in National Societies.	2.1a % of NS with international disaster response assets.	60%	<b>70%</b>	<b>70%</b>	Action and indicators linked to tailor made National Society support (V)  2.1 f and g on logistics from service fees (F)
	2.1b % of NS using standardized regional response assets.	75%	<b>85%</b>	<b>95%</b>	
	2.1c # NS with contingency plans in place.	N/A	<b>15</b>	<b>25</b>	
	2.1d % emergency operations with beneficiary participation/ communications approaches.	71% in 2012	<b>80%</b>	<b>90%</b>	
	2.1e # of NS using Global Logistics Services	25	<b>40</b>	<b>50</b>	
	2.1f # of NS engaging in emergency and long term shelter interventions.	N/A	<b>80</b>	<b>110</b>	
	2.1g # of NS's working with migrant and/or displaced population alone or in partnership with others.	N/A	<b>TBD</b>	<b>94</b>	
	2.1h % of IFRC emergency appeals that contain appropriate cash based programming.	50%	<b>60%</b>	<b>60%</b>	
	2.1i % of emergency operations that are gender and diversity sensitive.	N/A	<b>TBD</b>	<b>TBD</b>	
	2.1j % of emergency operations that have mechanisms in place to address violence in disasters.	N/A	<b>TBD</b>	<b>TBD</b>	
	2.1k # of EAs that include a budget provision of 10% or greater for DP/DRR related activities				
2.2 The Red Cross Red Crescent global disaster management system is further developed.	2.2a Revised and disseminated Principles and Rules for RCRC Disaster Relief	Current version	<b>Implementation guidance produced</b>	<b>Revised P&amp;R presented to the International Conference</b>	Statutory work (S)
	2.2b Federation Secretariat Global Disaster Response Standardized Operating Procedures (GDRSOPs) reviewed and evaluated.	Current version	<b>GDRSOPs reviewed and evaluated</b>	<b>GDRSOPs revised</b>	
	2.2c % coverage of Emergency Appeals opened in the reporting year	46% in 2012 (active EA)	<b>TBD</b>	<b>TBD</b>	
	2.2d # NS contributing staff to IFRC global and regional surge tools.	102 in 2012	<b>TBD</b>	<b>TBD</b>	
	2.2e % of Notified events where RDRT/RIT resources were used.	17 EAs in 2012	<b>TBD</b>	<b>TBD</b>	
	2.2f # of people planned to be reached by international emergency response operations.	N/A	<b>TBD</b>	<b>TBD</b>	
	2.2g % of operations supported by GLS	60	<b>80</b>	<b>90</b>	
	2.2h # of large (>CHF 10 million) emergency operations where Federation-wide reporting is carried out.	N/A	<b>all</b>	<b>all</b>	
	2.2i % of international disaster operations with a Humanitarian Diplomacy component budgeted for and implemented at onset of crisis.				

### Business Line 2: Grow Red Cross Red Crescent services for vulnerable people

**Outcome:** Increased share of consistent and reliable Red Cross Red Crescent action in support of communities affected by disasters and crises.

**Impact evaluation question:** How many communities affected by disasters and crises are assisted by consistent and reliable Red Cross Red Crescent support?

Outputs	Indicators	Measurement			Funding sources and comments
		Baseline 2010	Targets		
			2014	2015	
2.3 Sound operational security management structures and procedures are established and operating effectively, ensuring that IFRC operations and National Societies have good security awareness and are able to react to changing situations and circumstances in a timely manner.	2.3a: % compliance with MSR in IFRC operations.	N/A	95%	95%	
	2.3b: # of requests for support by National Societies in developing internal security policies, a security framework and implementation of MSR.	N/A	TBD	TBD	
	2.3c: # of operational planning task forces attended and plans/appeals that include security consideration		Security input provided to 100% of EA/plans	Security input provided to 100% of EA/plans	

### Business line 3: Strengthen the specific Red Cross Red Crescent contribution to development

**Outcome:** Appropriate capacities built to address the upheavals created by global economic, social, and demographic transitions that create gaps and vulnerabilities, and challenge the values of our common humanity.

**Impact evaluation question:** Are appropriate capacities being built in National Societies to address the vulnerabilities created by economic and social change.

Outputs	Indicators	Measurement			Funding sources and comments
		Baseline 2010	Targets[2]		
			2014	2015	
3.1 Increased and improved Red Cross Red Crescent action for longer-term <b>sustainable development</b> .	3.1a # of cross-sectorial initiatives or framework <sup>9</sup> developed towards holistic programming.	0	At least 8	At least 10	Policy development linked to governance support work (S)
	3.1b # of health tools and guidelines developed or reviewed.	N/A	At least 12	At least 12	
	3.1c # of NS implementing community health programmes using Community Based Health and First Aid (CBHFA) approach to strengthen community resilience.	72 (in 2010) and 98 (in 2013)	100	100	Global operational approach and related guidance and coordination work: (V as in unrestricted income linked to PSSR )
	3.1d # of National Societies with first aid training capacities matching international standards (national and branches).	TBD	TBD	TBD	
	3.1e # of National Societies implementing community preparedness and risk reduction programmes (any DRR, food security, nutrition, livelihood, climate change adaptation, or climate change mitigation activities)	93	135	150	
	3.1f # of beneficiaries reached through community preparedness and risk reduction programmes (DRR, food security, nutrition, livelihood, climate change adaptation, and climate change mitigation activities)	17.1 million	30 million	35 million	Investment into NS development programmes: (V)
	3.1g Funding allocated to community preparedness and risk reduction programmes (DRR, food security, nutrition, livelihood, climate change adaptation, and climate change mitigation activities)	81.1 million CHF	140 million CHF	160 million CHF	

9. For example the revision of the community safety and resilience framework

### Business line 3: Strengthen the specific Red Cross Red Crescent contribution to development

**Outcome:** Appropriate capacities built to address the upheavals created by global economic, social, and demographic transitions that create gaps and vulnerabilities, and challenge the values of our common humanity.

**Impact evaluation question:** Are appropriate capacities being built in National Societies to address the vulnerabilities created by economic and social change.

Outputs	Indicators	Measurement			Funding sources and comments
		Baseline 2010	Targets[2]		
			2014	2015	
3.2 Initiatives established that aim to <b>heal divisions</b> within communities.	3.2a # of NS with dedicated initiatives intended to address discrimination, social exclusion, prevent violence, xenophobia or heal divisions by promoting social inclusion, tolerance, diversity and culture of non-violence and peace  3.2b # of NS implementing the Youth as Agents for Behavioural Change (YABC) initiative to promote social inclusion and a culture of nonviolence and peace through community outreach	N/A	<b>TBD</b>	<b>94 (focusing on migrant population)</b>	This is programme work (V)
3.3 National Societies <b>strengthen their capacities</b> to provide sustainable services to vulnerable people, thereby contributing towards the strengths of the IFRC and civil society.	3.3a # NS supported to formulate, test and start implementing change plans.  3.3b # Urgent OD interventions for NS in crisis including failing NS  3.3c National Society development framework is developed and approved by the General Assembly.  3.3d # NS with an RM strategy (including specific fundraising targets, dedicated resource mobilisation capacity and mobilizing their own unrestricted resources).  3.3e # NS with action plans in place to "cross the digital divide".	<b>10</b>  <b>2</b>  <b>No</b>  <b>0</b>	<b>20</b>  <b>10</b>  <b>Yes</b>  <b>60</b>	<b>30</b>  <b>10</b>  <b>Yes</b>  <b>80</b>	3.3a and 3.3b are about tailor made NS support and should be voluntary funded (V)  3.3.b is a global statutory function (S)
3.4 The Red Cross Red Crescent share of <b>volunteering among all ages</b> is expanded.	3.4a # people volunteering time in National Societies.  3.4b # NS with effective <sup>10</sup> volunteer management systems in place.  3.4c # NS with strengthened volunteer engagement in the design and development of initiatives by and for communities	<b>13m</b>  <b>Baseline TBC</b>  <b>Baseline TBC in 2014<sup>11</sup></b>	<b>15m</b>	<b>17m</b>	Global volunteer policy, strategy and related guidance work is a statutory function (S)  The indicators are about specific NS work and are thus in the category of voluntary funding (V)
3.5 Engagement of young people at all levels and in all services in National Societies increased.	3.5a # of NS with 1 or more young <sup>12</sup> person in a management position other than the youth department.  3.5b # of NS that has adapted youth engagement policy and/or strategy.  3.5c # of subscribers to online youth communities, social media and other web-based exchange platforms.	<b>Baseline TBC</b>  <b>76</b>  <b>21,000</b>	<b>100</b>  <b>23,000</b>	<b>150</b>  <b>25,000</b>	Global youth policy, strategy and related guidance work is a statutory function (S)  The indicators are about specific NS work and are thus in the category of voluntary funding (V)

10. Effective volunteer management" as defined after the completion of the Global Review on Volunteering

11. The baseline will be established in early 2014 from the Global Review on Volunteering

12. Young person is under 30 years old.

### Business line 4: Heighten Red Cross Red Crescent influence and support for our work

**Outcome:** Evidence-based humanitarian diplomacy conducted to draw attention to the causes and consequences of vulnerability, giving voice to vulnerable people, and demonstrating the value of Red Cross Red Crescent humanitarian work and leadership.

**Impact evaluation question:** Is the IFRC highlighting the causes and consequences of vulnerability? Is the IFRC giving voice to vulnerable people and demonstrating the value of the Red Cross Red Crescent?

Outputs	Indicators	Measurement			Funding sources and comments
		Baseline 2010	Targets[2]		
			2014	2015	
4.1 Advocacy effectively used to promote a strong and positive RCRC <b>image, brand and message</b> .	4.1a # of stories about IFRC work in media/social media on a monthly basis.				Part of global representation and liaison work (S)
	4.1b # of external key stakeholders exposed to/using IFRC key messages and positions on priority humanitarian diplomacy issues.				
	4.1c # of National Societies using the branding toolkit and engaged in effective brand/reputation management.				
4.2 <b>Auxiliary partnership</b> role of National Societies is promoted and supported.	4.2a # of NS receiving direct support for enhancing or leveraging their auxiliary role.				Mostly specific NS support work, so voluntary funding (V)?
	4.2b # of NS that disseminated the Guide to Parliamentarians.				
	4.2c # of NS that follow-up on International Conference Resolutions through letters, meetings, etc.				
4.3 <b>Resource mobilization</b> capacities and efforts are scaled up to inspire more reliable contributions to the Red Cross Red Crescent.	4.3a % of emergency appeals per year reaching 80% coverage				Similar to global operational / programme work under business line 3: Global guidance and coordination work:  (V as in unrestricted income linked to PSSR )  Specific NS support work from (V)
	4.3b % annual increased coverage of development programmes supported through IFRC secretariat.				
	4.3c # external partnerships providing funding to the IFRC <sup>13</sup> .				
	4.3d # of NS who communicate with government and external donors, sharing information & plans to develop new partnerships.				
	4.3e # of NS who contact their donors on an annual basis to discuss reports, plans and budgets for the following year.				
4.4 A strong <b>HD capacity and network</b> is established.	4.4a # of advocacy thematic taskforces established (cross team in Secretariat and Federation wide) to leverage and coordinate competencies.				Arguably there needs to be some defined global Secretariat HD capacity funded from (S)
	4.4b # of states with whom a strong dialogue is established on issues related to disaster response and development.				
	4.4c # of international or multilateral institutions with whom a dialogue is established on issues related to disaster response and development.				
4.5 The HD agenda is aligned around <b>annual and multi-year global HD campaigns</b> .	4.5a # of active multi-year HD campaigns developed and implemented by IFRC as part of RCRC Movement (jointly with NS and/or ICRC).				Voluntary and PSSR income (V)
	4.5b # of NS actively engaged in annual campaigns.				

13. Separate unrestricted from the restricted funding

### Business Line 5: Deepen our tradition of togetherness through joint working and accountability

**Outcome:** More effective work among National Societies through modernised cooperation mechanisms and tools, and a greater sense of belonging, ownership, and trust in our International Federation.

**Impact evaluation question:** Do National Societies have a greater sense of belonging, ownership, and trust in their International Federation?

Outputs	Indicators	Measurement			Funding sources and comments
		Baseline 2010	Targets[2]		
			2014	2015	
5.1 Capacities and resources are shared to improve <b>coherence, alignment and accountability within the IFRC.</b>	5.1a # of Federation and/or Movement-wide initiatives that leverage member competencies and deliver on a collective agenda.				Secretariat led systems development (e.g. accountability framework (PSSR within V)  All others have to do with specific tailor made support to NS and are thus (V)
	5.1b # of NS led knowledge sharing networks and forums.				
	5.1c # of NS who participate in Federation Wide Resource Mobilisation Strategy knowledge sharing networks (Communities of Practice, regional RM networks, global skill share, peer exchanges, etc.)				
	5.1d # NS benefitting from the new ICT catalogue.	0	46	59	
	5.1e Federation wide Accountability Framework agreed and pilot implementation started:				
	- Plan of action and Framework developed and agreed by the Board.	No	Yes	Yes	
	- Framework promoted to NS.	0	0	20	
	- Framework submitted to GA for rollout by NS.	No	Yes	Yes	
	5.1f # of NS actively using the IFRC Strategic Framework on Gender and Diversity Issues (operational guide).				
	5.1g # of NS with a strategic plan in line with <i>Strategy 2020</i> .				
5.1h # of active <sup>14</sup> integration and service agreements.					
5.2 The IFRC <b>Framework for Evaluations</b> is upheld for all secretariat funded programmes and activities.	5.2a # of evaluations posted on the evaluation databank on IFRC public website.	N/A	All	All	Secretariat accountability function (S)
	5.2b % of evaluation which are followed up by a management response.	N/A	50%	50%	
5.3 The secretariat is seen as a <b>competitive and well-functioning</b> organization in support of IFRC governance and membership.	5.3a % of improved scores in the staff satisfaction survey (as compared to the one in 2012).				Secretariat management and governance support work (S)
	5.3b # of overdue donor reports.	N/A	None	None	
	5.3c % of staff completing annual objectives setting.				
	5.3d % of staff completing annual performance appraisal.				
	5.3e # of responses to NS satisfaction survey.	N/A	110	130	
	5.3f # of responses to the participants survey for the General Assembly/Council of Delegates/International Conference.		N/A	500	

14. Active means agreement was signed and is being implemented.

## ANNEX 2: KEY ASSUMPTIONS UNDERLYING THE PLAN AND BUDGET

The secretariat of the IFRC delivers a wide range of services to its members and other stakeholders. Services and accountability requirements change with each stakeholder.

The secretariat is accountable for how it interacts with its **various stakeholders** including:

- members of the IFRC
- governance of the IFRC
- people who are affected by disasters or vulnerable in other ways
- governments
- donors and back donors
- other humanitarian and development actors (including ICRC and the UN)
- clients.

These various stakeholders have **different expectations** and very often organizations will engage with the secretariat in a variety of stakeholder roles.

To facilitate transparency and clarity, this annex sets out how National Societies engage with the IFRC secretariat in different **stakeholder roles**, and the implications of this for the secretariat's functions, funding and expenditure. Broadly speaking, National

Societies engage as stakeholders with the IFRC secretariat in **three possible stakeholder roles**:

1. as **donors or recipients of funding** (channelled through the secretariat)
2. as **clients**
3. as **members**

National Societies can engage with the secretariat in more than one of these roles at the same time (all are members, some are providers of funds and some are recipients; some may also be users of specific services such as logistics and fleet).

For National Societies who are **donors or recipients of funding**, the IFRC secretariat provides:

- A. coordination and implementation of international disaster response; this includes the mobilization of resources and coordination of international partners and assistance
- B. coordination and implementation of longer-term development assistance; this includes resource mobilization and grant management for health, social services, risk reduction, etc.
- C. technical support linked to internationally funded programmes
- D. tailor-made support for organizational development and capacity building.

It is important to note here that the IFRC secretariat also has non-member donors (e.g. governments and UN agencies) and the accountability requirements of these donors can be diverse.

For **National Societies as clients**, the IFRC secretariat provides services on a full cost-recovery basis. This includes:

- A. logistics and fleet services
- B. country-level services that allow National Societies to legally operate in another country on a full cost recovery basis
- C. professional and training services (in consultation with members, the IFRC develops professional services in areas where there is need from members as well as capacity within the secretariat to provide the service.
- D. contracted services (e.g. Global Fund).

It is worth noting that some of the above services (e.g. logistics) are also offered to non-members on a full cost-recovery basis.

For **National Societies as members**, the IFRC secretariat provides:

- A. governance and governance support: this includes preparing and running the constitutional meetings, regional conferences and risk, audit and integrity management

- B. representation and liaison at global and regional levels such as the United Nations, European Union, African Union, Organization of American States, other key inter-governmental organisations and various inter-agency forums such as the Interagency Standing Committee
- C. global standards and systems development and maintenance; this includes National Society assessment and certification, joint statutes commission, policy development (e.g. Principles and Rules for Disaster Relief), maintaining a global disaster response system, etc.
- D. knowledge management; this includes the Federation-Wide Databank and Reporting System, FedNet, the Learning Network and topical research.

Based on the IFRC constitution, well-established practices and the understanding that National Societies fulfil diverse stakeholder roles and therefore have diverse requirements, the functions of the IFRC secretariat can be summarized as follows:

1. support and coordinate humanitarian and long-term development programmes
2. support National Society and knowledge development
3. support humanitarian values and diplomacy
4. support IFRC governance
5. provide supplementary services.

To enable the fulfilment of these functions, the IFRC has a management structure which includes

the Office of the Secretary General and four divisions (Programme Services, National Society and Knowledge Development, Humanitarian Values and Diplomacy, and Governance and Management Services), based in Geneva and five zone offices (in Africa, the Americas, Asia and Pacific, Europe, and Middle East and North Africa).

The functions of the IFRC include a number of specific and sometimes mutually related tasks. The table that follows describes these functional tasks in relation to the three possible stakeholder roles of National Societies, and their corresponding budget categories.

The plan and budget is derived from well-established practices and demonstrate continuity of the organization's activities. Additionally, two other key considerations drive the IFRC's planning and budgeting. These are: 1) a focus on accountability and results, and 2) a focus on sustainability with a long-term perspective.

### A focus on accountability and results

The IFRC has defined accountability as "an on-going process that creates relationships of respect between an organization and those affected by its work. In being accountable, one fulfils a commitment to enable and facilitate stakeholders to assess ones actions against defined commitments and expectations, and to respond to the assessment appropriately"<sup>15</sup>.

To establish accountability, it is necessary to establish precisely what the results are that the organization itself and its key stakeholders hold it accountable to. Examples of key initiatives for

each of the three parts of the plan are outlined in Annex 1 Furthermore, the level of achievement of these objectives needs to be clearly stated. Therefore, a key part of this plan is the results matrix. Annex 1 provides detailed information on the IFRC's organizational objectives and methods of measurement.

### A focus on sustainability with a long-term perspective

Financial sustainability is about being able to be there for your stakeholders in the long term<sup>16</sup>. For the sake of this document, financial sustainability is defined as follows:

*"the creation of recognized value for stakeholders, so that they continue to provide financing sufficient to allow for inter-generational creation of that value, while at the same time husbanding the existing capital stock so as not to jeopardize its use by future generations."*<sup>17</sup>

It is also important to note that this plan builds on the 2012-2015 Long-Term Planning Framework (LTPF) of the secretariat, which is itself a consolidation of the individual four-year LTPFs of the nine business groups and the business units which they guide.

<sup>15</sup>. *A Review of the Federation's Accountability Framework: Final Report – Report Prepared for the IFRC Secretariat, Christina Laybourn, One World Trust, December 2011*

<sup>16</sup>. Taken from <http://www.mango.org.uk/Guide/FinancialSustainability>

<sup>17</sup>. *The Road to Financial Sustainability, How Managers, Government, and Donors in Africa Can Create a Legacy of Viable Public and Non-Profit Organizations, Lynn Ellsworth, USAID, January 1998*

Budget and source	NS stakeholder role	Functional tasks of the secretariat
I. The <b>programmes and coordination restricted budget</b> funded from restricted voluntary contributions	National Societies as <b>donors or recipients</b> of donor funding	<ul style="list-style-type: none"> <li>✓ coordination and implementation of international humanitarian response (including coordination of international partners)</li> <li>✓ coordination and implementation of longer-term development assistance</li> <li>✓ mobilisation of resources for international disaster response</li> <li>✓ technical support linked to internationally funded programmes</li> <li>✓ tailor-made support for organizational development and capacity building</li> <li>✓ resource mobilization and grant management</li> </ul>
II. The <b>supplementary services restricted budget</b> funded from service fees	National societies as <b>clients</b>	<ul style="list-style-type: none"> <li>✓ services on a full cost recovery basis</li> <li>✓ hosting partner national societies</li> <li>✓ professional and training services</li> <li>✓ contracted services (e.g. Global Fund)</li> </ul>
III. The <b>secretariat unrestricted budget, including:</b>		
III.1 <b>Statutory contributions budget</b> funded from the statutory contributions,	National Societies as <b>members</b>	<ul style="list-style-type: none"> <li>✓ global standards and systems development, maintenance for humanitarian response, development programmes and</li> <li>✓ knowledge management (i.e., FDRS, FedNet, Learning Network)</li> <li>✓ representation and liaison at global and regional levels</li> <li>✓ governance and governance support</li> </ul>
III.2 <b>Programme and services support budget</b> consisting of overhead cost recoveries <sup>18</sup> , unrestricted voluntary contributions and finance income <sup>19</sup> .	National Societies as <b>donors or recipients</b> of donor funding	Indirect cost of supporting the programmes and coordination restricted budget and the supplementary services restricted budget

18. Mainly Programme and Support Services Recovery charge (PSSR)

19. Income on investments

## ANNEX 3: BUDGET 2014-2015 – STRUCTURAL PRESENTATION

## A3.1 Consolidated budget corresponding to the structure of the Secretariat

CHF million	2014				2015			
	Programmes & coordination	Supplementary services	Secretariat unrestricted	Total	Programmes & coordination	Supplementary services	Secretariat unrestricted	Total
OPERATING INCOME								
Statutory contributions	–	–	36.5	36.5	–	–	36.5	36.5
Voluntary contributions	277.0	–	4.0	281.0	277.0	–	4.0	281.0
Services income	–	38.0	–	38.0	–	38.0	–	38.0
Finance income	–	–	1.3	1.3	–	–	1.3	1.3
Other income	–	–	0.6	0.6	–	–	0.6	0.6
<b>Total operating income</b>	<b>277.0</b>	<b>38.0</b>	<b>42.4</b>	<b>357.4</b>	<b>277.0</b>	<b>38.0</b>	<b>42.4</b>	<b>357.4</b>
OPERATING EXPENDITURE								
Governance	0.1	–	2.3	2.4	0.7	–	2.3	3.0
Office of Secretary General	0.6	–	2.5	3.1	0.6	–	2.5	3.1
Programme services	16.2	14.0	5.8	36.0	16.2	14.0	5.8	36.0
National Society and knowledge development	7.9	–	9.5	17.4	7.9	–	9.5	17.4
Humanitarian values and diplomacy	2.0	–	9.3	11.3	2.0	–	9.3	11.3
Governance and management services	1.9	0.4	12.5	14.7	1.9	0.4	12.5	14.7
Africa	68.0	12.5	5.6	86.1	72.6	11.3	5.6	89.4
Americas	32.0	4.7	2.9	39.5	30.0	6.4	2.9	39.3
Asia Pacific	88.4	3.3	4.5	96.2	102.9	2.8	4.5	110.2
Europe	9.7	0.5	2.8	13.0	10.6	0.5	2.8	13.8
Middle East and North Africa	32.1	0.3	2.1	34.5	13.6	0.3	2.1	16.0
Information technology enhancements	–	–	2.2	2.2	–	–	2.2	2.2
General provision	–	–	1.0	1.0	–	–	1.0	1.0
<b>Total operating expenditure</b>	<b>258.8</b>	<b>35.6</b>	<b>63.0</b>	<b>357.4</b>	<b>258.8</b>	<b>35.6</b>	<b>63.0</b>	<b>357.4</b>
COST RECOVERIES								
Indirect cost recovery	16.2	1.7	(17.9)	–	16.2	1.7	(17.9)	–
Other cost recoveries	2.0	0.7	(2.7)	–	2.0	0.7	(2.7)	–
<b>Total cost recoveries</b>	<b>18.2</b>	<b>2.4</b>	<b>(20.6)</b>	<b>–</b>	<b>18.2</b>	<b>2.4</b>	<b>(20.6)</b>	<b>–</b>
<b>Surplus /(Deficit)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

### A3.2 Programmes and coordination budget

CHF million	2014					2015				
	Humanitarian response	Longer-term development	National Society development	Other initiatives	Total	Humanitarian response	Longer-term development	National Society development	Other initiatives	Total
Governance	–	–	–	0.1	<b>0.1</b>	–	–	–	0.7	<b>0.7</b>
Office of Secretary General	–	0.3	–	0.3	<b>0.6</b>	–	0.3	–	0.3	<b>0.6</b>
Programme services	0.5	16.0	–	0.8	<b>17.3</b>	0.5	16.0	–	0.8	<b>17.3</b>
National Society and knowledge development	–	2.2	2.3	4.0	<b>8.5</b>	–	2.2	2.3	4.0	<b>8.5</b>
Humanitarian values and diplomacy	–	1.8	–	0.3	<b>2.1</b>	–	1.8	–	0.3	<b>2.1</b>
Governance and management services	–	2.0	–	–	<b>2.0</b>	–	2.0	–	–	<b>2.0</b>
Africa	23.9	42.3	5.7	0.9	<b>72.8</b>	28.8	42.3	5.7	0.9	<b>77.7</b>
Americas	23.4	8.4	2.4	–	<b>34.2</b>	21.3	8.4	2.4	–	<b>32.1</b>
Asia Pacific	54.4	34.3	5.3	0.6	<b>94.6</b>	70.5	34.3	5.3	–	<b>110.1</b>
Europe	2.4	6.5	1.5	–	<b>10.4</b>	3.3	6.5	1.5	–	<b>11.3</b>
Middle East and North Africa	30.4	3.2	0.8	–	<b>34.4</b>	10.6	3.2	0.8	–	<b>14.6</b>
<b>Total programmes and coordination</b>	<b>135.0</b>	<b>117.0</b>	<b>18.0</b>	<b>7.0</b>	<b>277.0</b>	<b>135.0</b>	<b>117.0</b>	<b>18.0</b>	<b>7.0</b>	<b>277.0</b>

### A3.3 Supplementary services budget

CHF millions	2014					2015				
	Country level services	Global Logistics	Global Fleet	Contracted services	Total	Country level services	Global Logistics	Global Fleet	Contracted services	Total
Governance	–	–	–	–	–	–	–	–	–	–
Office of Secretary General	–	–	–	–	–	–	–	–	–	–
Programme services	–	8.0	7.0	–	<b>15.0</b>	–	8.0	7.0	–	<b>15.0</b>
National Society and knowledge development	–	–	–	–	–	–	–	–	–	–
Humanitarian values and diplomacy	–	–	–	–	–	–	–	–	–	–
Governance and management services	0.4	–	–	–	<b>0.4</b>	0.4	–	–	–	<b>0.4</b>
Africa	2.0	–	–	11.3	<b>13.3</b>	2.0	–	–	10.0	<b>12.0</b>
Americas	1.0	–	–	4.0	<b>5.0</b>	1.0	–	–	5.8	<b>6.8</b>
Asia Pacific	3.5	–	–	–	<b>3.5</b>	3.0	–	–	–	<b>3.0</b>
Europe	0.5	–	–	–	<b>0.5</b>	0.5	–	–	–	<b>0.5</b>
Middle East and North Africa	0.3	–	–	–	<b>0.3</b>	0.3	–	–	–	<b>0.3</b>
<b>Total supplementary services</b>	<b>7.7</b>	<b>8.0</b>	<b>7.0</b>	<b>15.3</b>	<b>38.0</b>	<b>7.2</b>	<b>8.0</b>	<b>7.0</b>	<b>15.8</b>	<b>38.0</b>

**A3.4 Secretariat unrestricted budget**

CHF million	2014			2015		
	Statutory contributions	Programmes and services support	Total	Statutory contributions	Programmes and services support	Total
<b>UNRESTRICTED INCOME</b>						
Statutory contributions	36.5	–	<b>36.5</b>	36.5	–	<b>36.5</b>
Unrestricted voluntary contributions	–	4.0	<b>4.0</b>	–	4.0	<b>4.0</b>
Finance income	–	1.3	<b>1.3</b>	–	1.3	<b>1.3</b>
Other income	0.6	–	<b>0.6</b>	0.6	–	<b>0.6</b>
<b>Total unrestricted income</b>	<b>37.1</b>	<b>5.3</b>	<b>42.4</b>	<b>37.1</b>	<b>5.3</b>	<b>42.4</b>
<b>UNRESTRICTED EXPENDITURE</b>						
Governance	2.3	–	<b>2.3</b>	2.3	–	<b>2.3</b>
Office of Secretary General	1.9	0.6	<b>2.5</b>	1.9	0.6	<b>2.5</b>
Programme services	2.6	3.2	<b>5.8</b>	2.6	3.2	<b>5.8</b>
National Society and knowledge development	6.5	3.0	<b>9.5</b>	6.5	3.0	<b>9.5</b>
Humanitarian values and diplomacy	7.8	1.5	<b>9.3</b>	7.8	1.5	<b>9.3</b>
Governance and management services	8.7	3.8	<b>12.5</b>	8.7	3.8	<b>12.5</b>
Africa	2.0	3.6	<b>5.6</b>	2.0	3.6	<b>5.6</b>
Americas	1.3	1.6	<b>2.9</b>	1.3	1.6	<b>2.9</b>
Asia Pacific	1.5	3.0	<b>4.5</b>	1.5	3.0	<b>4.5</b>
Europe	1.1	1.7	<b>2.8</b>	1.1	1.7	<b>2.8</b>
Middle East and North Africa	0.9	1.2	<b>2.1</b>	0.9	1.2	<b>2.1</b>
Information technology enhancements	1.1	1.1	<b>2.2</b>	1.1	1.1	<b>2.2</b>
General provision	0.3	0.7	<b>1.0</b>	0.3	0.7	<b>1.0</b>
<b>Total secretariat unrestricted expenditure</b>	<b>38.0</b>	<b>25.0</b>	<b>63.0</b>	<b>38.0</b>	<b>25.0</b>	<b>63.0</b>
<b>COST RECOVERIES</b>						
Indirect cost recovery	(0.2)	(17.7)	<b>(17.9)</b>	(0.2)	(17.7)	<b>(17.9)</b>
Other cost recoveries	(0.7)	(2.0)	<b>(2.7)</b>	(0.7)	(2.0)	<b>(2.7)</b>
<b>Total cost recoveries</b>	<b>(0.9)</b>	<b>(19.7)</b>	<b>(20.6)</b>	<b>(0.9)</b>	<b>(19.7)</b>	<b>(20.6)</b>
<b>Surplus /(Deficit)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

# ANNEX 4: BUDGET 2014-2015 – PRINCIPLES AND ASSUMPTIONS

## A4.1 Introduction

Consistent with Article 36 of the Constitution, this budget constitutes the two-year budget of the International Federation for 2014 and 2015 as drawn up by the secretary general in consultation with the chair of the finance commission.

The budget 2014-2015 has been prepared consistent with *Financial Regulation III*.

Further, the budget 2014-2015 is informed by the International Federation's risk register which, consistent with *Financial Regulation 14.3*, is to assist in the management and monitoring of critical risks.

The budget consists of two major components:

1. The operating budget
2. The capital budget

The operating budget incorporates the programmes and coordination restricted budget, the supplementary services *restricted* budget and the secretariat *unrestricted* budget of the International Federation. The capital budget incorporates planned *unrestricted* capital expenditure on the International Federation's non-current assets such as vehicles, leasehold improvements, telecommunications equipment and information systems.

In addition to these two major budgetary components, the International Federation evaluates its target and operational bandwidth for unrestricted reserves and unrestricted working capital, as these represent key indicators of financial capacity and risk.

## A4.2 Budget highlights

### Operating budget

- A. Separation of restricted budget in two categories:
- programmes and coordination, funded by voluntary contributions
  - supplementary services covered by service fees income
- B. Separation of development programmes budget in two categories:
- Longer-term development
  - National Society development
- C. Separation of secretariat unrestricted budget in two categories:
- Funded mainly from statutory contributions
  - Funded mainly from indirect cost recovery (PSSR)
- D. All components of the operating budget 2014-2015 are balanced

- E. No increase to assessed statutory contributions although individual National Societies' annual statutory contributions may vary from prior years
- F. No change to cost-recovery rates (PSSR, pledge fees, hosting fees and working capital fees)
- G. Policy maintained for indirect cost-recovery, i.e., 'over-recovery' resulting from major operations
- H. No inflationary growth budgeted

### Capital Budget

- A. Sustainable capital replenishment for vehicles, telecommunications and information systems and leasehold improvements.
- B. There are no planned building or land acquisitions or sales in 2014-2015, but major building work is planned for the International Federation headquarters in Geneva starting from 2016.

## A4.3 Budget principles

The budget 2014-2015 is based on a number of principles which are summarized as follows:

- A. Programmes and supplementary services are subject to full cost-recovery, whereby the full costs associated with project implementation or

service delivery are fully funded via voluntary contributions or recovered via service fees, respectively.

- B. Consistent with *Financial Regulation III* (3.2) the budget is divided into sections corresponding to the structure of the secretariat. No changes to the structure of the secretariat are proposed for 2014-2015.
- C. The budget focuses on funding streams and stakeholders whereby the programmes and coordination budget is primarily funded by voluntary contributions from donors. The supplementary services budget is recovered through service fees from clients and the secretariat unrestricted budget is primarily funded by statutory contributions from members.
- D. The secretariat unrestricted budget is further segmented to delineate costs associated with statutory functions (funded primarily via statutory contributions from members) and costs which are associated with programmes and services support (recovered primarily via indirect cost recovery on programmes and services).

#### A4.4 The operating budget

##### A4.4.1 Programmes and coordination

The programmes and coordination budget is funded primarily by voluntary contributions and includes expenditures associated with the following:

1. **Humanitarian response** – programmes in response to unplanned events such as natural disasters, funded via voluntary contributions to

emergency appeals or through the Disaster Relief Emergency Fund (DREF) for small operations

2. **Longer-term development** – programmes in support to National Societies focusing primarily on reducing risk and strengthening resilience, food security, healthier lives and water and sanitation, in line with *Strategy 2020*
3. **National Society development** – programmes focusing on organizational development of National Societies
4. **Other initiatives** – small projects funded by voluntary contributions, which are neither humanitarian response nor development programmes, including shelter cluster coordination capacity, hosted projects and voluntary funded governance activities.

#### Humanitarian response

CHF million	2014	2015
Africa	23.9	28.8
Americas	23.4	21.3
Asia Pacific	54.4	70.5
Europe	2.4	3.3
Middle East and North Africa	30.4	10.6
Global Programmes	0.5	0.5
<b>Total humanitarian response</b>	<b>135.0</b>	<b>135.0</b>

Humanitarian response programmes income and expenditure is budgeted at 135 million Swiss francs for both 2014 and 2015. This represents the average expenditure on humanitarian response programmes over the past seven years (2006-2012), excluding the Tsunami and Haiti earthquake operations.

The projected geographical distribution of humanitarian response programmes is based on projected expenditure on existing multi-year operations (e.g. Haiti earthquake operation, Syria crisis), augmented by an amount for future events (proportional to the average expenditure on humanitarian response programmes over the past seven years, excluding the Tsunami and Haiti earthquake operations).

#### Longer-term development

CHF million	2014	2015
Africa	42.3	42.3
Americas	8.4	8.4
Asia Pacific	34.3	34.3
Europe	6.5	6.5
Middle East and North Africa	3.2	3.2
Global Programmes	22.3	22.3
<b>Total longer-term development</b>	<b>117.0</b>	<b>117.0</b>

Longer-term development programmes income and expenditure is budgeted at 117 million Swiss francs for both 2014 and 2015. This represents the average expenditure on longer-term development programmes over the past seven years.

The projected geographical distribution of longer-term development programmes reflects projections based on existing long-term planning frameworks, taking into account current funding plans.

## National Society development

CHF million	2014	2015
Africa	5.7	5.7
Americas	2.4	2.4
Asia Pacific	5.3	5.3
Europe	1.5	1.5
Middle East and North Africa	0.8	0.8
Global Programmes	2.3	2.3
<b>Total National Society development</b>	<b>18.0</b>	<b>18.0</b>

National Society development programmes income and expenditure is budgeted at 18 million Swiss francs for both 2014 and 2015, representing the average expenditure on National Society development programmes over the past seven years.

The geographical distribution of National Society development programmes is based on the average expenditure on National Society development programmes over the past seven years, but also takes into account recent initiatives including OCAC.

## Other initiatives

CHF million	2014	2015
Shelter Cluster coordination	0.5	0.5
Hosted projects	5.4	5.4
Other projects	1.1	1.1
<b>Total other initiatives</b>	<b>7.0</b>	<b>7.0</b>

Income and expenditure related to other initiatives is budgeted at seven million Swiss francs for both 2014 and 2015, representing the existing planned initiatives described below.

**Shelter Cluster coordination** – income and expenditure for shelter cluster coordination is budgeted at 0.5 million Swiss francs for both 2014 and 2015, representing the cost of the shelter cluster coordinator position and related activities. When the International Federation launches an emergency appeal, additional costs related to the deployment of the shelter cluster coordination team may be budgeted within the emergency appeal and funded through voluntary contributions made to the appeal.

**Hosted projects** – income and expenditure for hosted projects is budgeted at 5.4 million Swiss francs for both 2014 and 2015, based on the latest available projections communicated by the projects currently hosted. These include: Global Road Safety Partnership, Roll Back Malaria, Stop Aids Alliance and Steering Committee for Humanitarian Response.

**Other projects** – income and expenditure for other projects is budgeted at 1.1 million Swiss francs for both 2014 and 2015, based on planned activities mainly related to governance activities such as Russian translation in statutory meetings and regional conferences.

### A4.4.2 Supplementary services

The supplementary services budget is covered primarily by service fees and includes expenditure associated with the following:

1. Country-level services – costs primarily related to the hosting of partner National Societies staff in Federation offices
2. Global logistics services (GLS) – costs of procurement, warehousing, mobilization and

professional consultancy services provided primarily, but not exclusively, to member National Societies.

3. Global fleet services – costs of vehicle rental and professional consultancy and training services provided primarily, but not exclusively, to member National Societies.
4. Contracted services – costs primarily related to grant management services provided to funding agencies such as Global Fund.

CHF million	2014	2015
Country level services	7.7	7.2
Global Logistics Services (GLS)	8.0	8.0
Global fleet services	7.0	7.0
Contracted services	15.3	15.8
<b>Total supplementary services</b>	<b>38.0</b>	<b>38.0</b>

**Country-level services** are budgeted at 7.7 million Swiss francs for 2014 and 7.2 million Swiss francs for 2015, based on projections provided by National Society staff currently hosted in IFRC offices.

**Global logistics services** are budgeted at 8.0 million Swiss francs for both 2014 and 2015, representing the average volume of services provided to National Societies over the past seven years, excluding services related to the Tsunami and Haiti earthquake operations.

**Global fleet services** are budgeted at 7.0 million Swiss francs for both 2014 and 2015, representing the average volume of services provided to National Societies over the past seven years.

**Contracted services** are budgeted at 15.3 million Swiss francs for 2014 and 15.8 million Swiss francs for 2015, based on projections for services to be delivered to Global Fund initially in Africa and the Americas.

#### A4.4.3 Secretariat unrestricted budget

### Unrestricted Income

The unrestricted income of the International Federation is comprised of four income streams:

- I. Statutory contributions – annual contributions from member National Societies based on the scale of contributions established by the finance commission and approved by the General Assembly
- II. Unrestricted voluntary contributions – comprised of unrestricted donations to the secretariat from members and non-members
- III. Finance income – income derived primarily from bank interest and investment in bond and equity funds
- IV. Other income – including income derived from sales of souvenirs or assets.

CHF million	2014			2015		
	Statutory contributions	Programmes and services support	Total	Statutory contributions	Programmes and services support	Total
Statutory contributions	36.5	–	<b>36.5</b>	36.5	–	<b>36.5</b>
Unrestricted voluntary contributions	–	4.0	<b>4.0</b>	–	4.0	<b>4.0</b>
Finance income	–	1.3	<b>1.3</b>	–	1.3	<b>1.3</b>
Other income	0.6	–	<b>0.6</b>	0.6	–	<b>0.6</b>
<b>Total unrestricted income</b>	<b>37.1</b>	<b>5.3</b>	<b>42.4</b>	<b>37.1</b>	<b>5.3</b>	<b>42.4</b>

**Unrestricted income is budgeted at 42.4 million Swiss francs for both 2014 and 2015.**

### I. Statutory contributions

CHF million	2014	2015
Assessed statutory contributions	36.5	36.5
Payment of arrears	2.0	2.0
Unpaid statutory contributions	(2.0)	(2.0)
<b>Total statutory contributions</b>	<b>36.5</b>	<b>36.5</b>

Statutory contributions are budgeted at 36.5 million Swiss francs for both 2014 and 2015.

A. **Assessed statutory contributions** are budgeted to remain at 36.5 million Swiss francs for both 2014 and 2015. As was the case in 2012 and 2013, the International Federation is not increasing assessed statutory contributions to account for current and future inflation. As such, the assessed statutory contributions have not increased since 2009. The International Federation anticipates returning to an inflationary increase in assessed statutory contributions for 2016.<sup>20</sup>

- B. **Payment of arrears** are budgeted at 2.0 million Swiss francs each year to take into account the anticipated payment of arrears. This amount is based on expected payment of arrears, including agreed payment plans. It is lower than the past five year's average annual payment of arrears, even if the total level of arrears still exceeds 20 million Swiss francs.
- C. **Unpaid statutory contributions** are projected at 2.0 million Swiss francs each year due to non-payment of assessed statutory contributions by some National Societies. This amount is calculated on the basis of the past five year's history. It is noted that the annual payment of statutory contributions is a constitutional obligation for each National Society as per Article 35 of the Constitution. The budgetary assumption with regards to non-payment does not relinquish members from this obligation.

<sup>20</sup> Although statutory contribution quota remains unchanged, the amount payable by any individual National Society may vary (increase or decrease) as compared to budget 2012-2013 based on changes in their declared unrestricted financial resources.

## II. Unrestricted voluntary contributions

CHF million	2014	2015
Switzerland	2.0	2.0
United Kingdom	1.0	1.0
Ireland	0.5	0.5
Others	0.5	0.5
<b>Total unrestricted voluntary contributions</b>	<b>4.0</b>	<b>4.0</b>

Unrestricted voluntary contributions are budgeted at 4.0 million Swiss francs for both 2014 and 2015. This amount is based on the current funding plan and corresponds to the past seven years (2006-2012) average of unrestricted voluntary contributions. Unrestricted voluntary contributions are mostly from governments and other non-member donors. Negotiations are on-going to increase the number of unrestricted voluntary contribution donors.

## III. Finance income

CHF million	2014	2015
Bank interest	0.2	0.2
Global bond fund	0.6	0.6
Global equity fund	0.4	0.4
<b>Total finance income</b>	<b>1.3</b>	<b>1.3</b>

Finance income is budgeted at 1.3 million Swiss francs for both 2014 and 2015, taking into account the International Federation's cash flow forecast, investment guidelines, interest rate on short-term deposits, long-term expected return on government bonds and the past seven years average dividend income on equity funds. This budget line only includes income expected to be realized in 2014 and 2015.

All financial investments contain some element of risk. The investment of funds by the International Federation is governed by investment guidelines consistent with *Financial Regulation VII* with the intention to safeguard against loss, while ensuring liquidity to meet cash flow requirements

and achieving a reasonable rate of return. The secretary General in consultation with the Finance Commission establishes appropriate investment guidelines. Investment performance is monitored and reported to the Finance Commission and Governing Board.

## Unrestricted Expenditure

CHF million	2014			2015		
	Statutory contributions	Programmes and services support	Total	Statutory contributions	Programmes and services support	Total
Governance and governance support	4.2	–	<b>4.2</b>	4.2	–	<b>4.2</b>
Senior Management	6.5	0.6	<b>7.1</b>	6.5	0.6	<b>7.1</b>
Humanitarian and development programmes	3.7	8.4	<b>12.1</b>	3.7	8.4	<b>12.1</b>
National Society and knowledge development	4.7	2.1	<b>6.8</b>	4.7	2.1	<b>6.8</b>
Humanitarian values and diplomacy	8.7	3.0	<b>11.7</b>	8.7	3.0	<b>11.7</b>
Management services	8.8	9.1	<b>17.9</b>	8.8	9.1	<b>17.9</b>
Information technology enhancements	1.1	1.1	<b>2.2</b>	1.1	1.1	<b>2.2</b>
General provision	0.3	0.7	<b>1.0</b>	0.3	0.7	<b>1.0</b>
<b>Total unrestricted expenditure</b>	<b>38.0</b>	<b>25.0</b>	<b>63.0</b>	<b>38.0</b>	<b>25.0</b>	<b>63.0</b>

The secretariat unrestricted expenditure incorporates costs associated with the following functions:

- **Governance and governance support:** statutory meetings, office of the president, constitutional commissions and committees, advisory bodies and governance support department
- **Senior management:** secretary general office, under secretaries general, directors of zones and risk management and audit function
- **Humanitarian and development programmes:** disaster management, health, migration and security functions as well as regional offices
- **National Society and knowledge development:** organizational development, youth action and volunteering development, learning and research, planning, monitoring, evaluation and reporting functions

- **Humanitarian values and diplomacy:** principles and values, communications, strategic partnerships, international relations, resources mobilization and global representation offices
- **Management services:** administration, finance, human resources, information services and legal services
- **Information technology enhancements:** non-capital expenditure on small investment projects as well as depreciation and amortization of large investment projects
- **General provision:** funds set aside to pay for unforeseeable expenditure, such as restricted project deficits write off.

The secretariat unrestricted expenditure is budgeted at 63.0 million Swiss francs for both 2014 and 2015.

The unrestricted expenditure budget is further broken down into two major cost categories linked to funding sources:

1. The costs of providing collective services to members primarily funded by statutory contributions are budgeted at 38.0 million Swiss francs for both 2014 and 2015.
2. The costs of supporting programmes and services primarily covered by Programme and Services Support Recovery (PSSR) are budgeted at 25.0 million Swiss francs for both 2014 and 2015.

The primary funding sources associated with these two cost categories are unto themselves inadequate to cover the associated expenditures. Further unrestricted income and cost recoveries are budgeted to ensure no cross-subsidization between the two.

The statutory contributions budget is also funded from other income and via two cost-recovery

mechanisms: the hosting fee and the working capital fee.

The programmes and services support budget is also funded from unrestricted voluntary contributions, finance income and another cost recovery mechanism: pledge or donor specific fees.

### Cost Recoveries

CHF million	2014			2015		
	Statutory contributions	Programmes and services support	Total	Statutory contributions	Programmes and services support	Total
Programme & Services Support Recovery (PSSR)	-	17.7	17.7	-	17.7	17.7
Hosting Fee	0.2	-	0.2	0.2	-	0.2
<b>Indirect Cost Recovery</b>	<b>0.2</b>	<b>17.7</b>	<b>17.9</b>	<b>0.2</b>	<b>17.7</b>	<b>17.9</b>
Pledge Fees	-	2.0	2.0	-	2.0	2.0
Working Capital Fee	0.7	-	0.7	0.7	-	0.7
<b>Other Cost Recoveries</b>	<b>0.7</b>	<b>2.0</b>	<b>2.7</b>	<b>0.7</b>	<b>2.0</b>	<b>2.7</b>
<b>Total Cost Recoveries</b>	<b>0.9</b>	<b>19.7</b>	<b>20.6</b>	<b>0.9</b>	<b>19.7</b>	<b>20.6</b>

### I. Indirect Cost Recovery

The expenditure associated with the implementation of programmes and the provision of supplementary services entails direct and indirect costs. The indirect costs are borne by the secretariat unrestricted budget, and are recovered from the programmes and services restricted budgets through indirect cost recovery mechanisms: Programmes and Services Support Recovery (PSSR) and hosting fees (for hosted projects only).

### Programmes and Services Support Recovery (PSSR)

CHF million	Programme & services expenditure		Programme & Services Support Recovery (PSSR)	
	2014	2015	2014	2015
Programmes and coordination	277.0	277.0	16.0	16.0
Supplementary services	38.0	38.0	1.7	1.7
<b>Total</b>	<b>315.0</b>	<b>315.0</b>	<b>17.7</b>	<b>17.7</b>

Programme and Services Support Recovery (PSSR) is budgeted at 17.7 million Swiss francs for both 2014 and 2015, based on budgeted programmes and supplementary services expenditure. This is calculated using the standard PSSR rate, but takes into account PSSR exemptions on some types of expenditure.

The standard indirect cost recovery rate remains unchanged at 6.5 per cent of programmes and supplementary services direct costs, which is charged to programmes and supplementary services as expenditure is incurred. The standard rate is charged to both cash and in-kind expenditures.

Consistent with prior years, the indirect cost recovery rate does not apply in the following circumstances:

- **Staff on loan:** No indirect cost recovery is charged on the in-kind value of staff on loan, including delegates-in-kind. However, in-country costs of staff on loan (accommodation, daily allowance, etc.) are subject to applicable indirect cost-recovery rate.
- **Transport in-kind:** Transport in-kind is exempted from indirect cost-recovery.
- **Statutory meetings:** Voluntary funded components of statutory meetings (General Assembly, regional conferences) are not subject to indirect cost-recovery.
- **Logistics supplementary services third party costs:** In case of provision of logistics services to members or non-members, third party costs

(from external suppliers of procured goods for example) are not subject to indirect cost recovery.

If the indirect costs recovered via the PSSR mechanism exceeds the actual programmes and services support costs within a calendar year as a result of a major operation (with expenditure in excess of 50 million Swiss francs), the excess will be internally restricted with reference to the main driver of over-recovery and presented to the Governing Board for decision as to its reallocation.

### Hosting fee

Hosted projects are subject to another indirect costs recovery mechanism – the hosting fee – equal to 4.5 per cent of hosted projects direct costs. This is in addition to the applicable rate of programmes and services support recovery (PSSR) as a contribution to the secretariat's general management costs, primarily funded by statutory contributions.

The hosting fee is budgeted at 0.2 million Swiss francs for both 2014 and 2015, based on the hosted projects budgeted expenditure.

## II. Other cost recoveries

Additional costs associated with the provision of non-standard services are also borne by the secretariat unrestricted budget. These are recovered from the programmes and services restricted budgets through other cost-recovery mechanisms. These costs are separately recovered in order to ensure that donors and clients are not cross-subsidizing each other's requirements.

### Pledge fees

CHF million	2014	2015
Pledge earmarking fee	1.1	1.1
Pledge reporting fees	0.4	0.4
Corporate donations and fundraising fees	0.5	0.5
<b>Total pledge fees</b>	<b>2.0</b>	<b>2.0</b>

Pledge fees are budgeted at 2.0 million Swiss francs for both 2014 and 2015 based on budgeted voluntary contributions. This takes into account previous history on pledge earmarking and reporting requirements, as well as on corporate donations and donations received by IFRC at the UN Inc.

The pledges fees are comprised of:

#### Pledge earmarking fee

When a donor requires specific costs to be attributed to their contribution, their costs to be spent within a specific timeframe or if they require pledge level financial reporting, an earmarking fee of 1.0 per cent of programme direct costs is incurred and charged as expenditure. This is applied in addition to the standard PSSR to recover the incremental costs associated with project management and accounting.

The earmarking fee does not apply to contributions earmarked at the appeal or project level, provided there is no requirement to account and/or report on the basis of the pledge itself.

#### Reporting fees

When a donor requires specific financial or narrative reports on the use of their contribution, a reporting fee is applied when the report has been completed. This is to recover the incremental costs associated

with the preparation, validation and distribution of customised donor reports.

**The reporting fees are as follows:**

<b>Financial report:</b>	<b>CHF 200 per report</b>
<b>Narrative report:</b>	<b>CHF 500 per report</b>
<b>Invoice required for payment:</b>	<b>CHF 200 per invoice</b>

The reporting fee does not apply to standard programme or appeal reports published on the International Federation’s websites (on ifrc.org or FedNet).

**Corporate donations and fundraising fees**

A service fee of 5.0 per cent is recovered on corporate donations and on contributions received by IFRC at the UN Inc. This service fee is recovered upon receipt of the contribution to fund the costs of relationship management and processing of funds. The remaining 95 per cent of the contribution is subject to the indirect and other applicable cost-recovery mechanisms, when expenditure is incurred.

**Working capital fee**

The purchase of assets by programmes and services is sometimes done by borrowing funds from the secretariat’s unrestricted reserves. In order to compensate for the opportunity cost incurred by the secretariat’s unrestricted reserves, the programme or service is charged a working capital fee on the borrowed amount. This is the case for global fleet services.

The working capital fee is budgeted at 0.7 million Swiss francs for both 2014 and 2015, based on projected borrowing by global fleet services of 24 to

25 million Swiss francs at a working capital fee rate of 3.0 per cent per annum.

**A4.5 Capital Budget**

The capital budget represents planned expenditure in the International Federation’s non-current assets, such as vehicles, leasehold improvements, telecommunications equipment and information systems, etc.

This expenditure is not recorded as an expense for accounting purposes when incurred, rather as an investment in assets. Therefore a separate capital budget is provided. It is noted that the investment will have downstream impacts on the operating budget and statement of income. Expenditure as depreciation and amortization are also accounted for.

The following tables summarize the capital budget for 2014-2015:

CHF million	2014	2015
Property	0.9	0.7
Vehicles	25.0	25.0
Other equipment	0.4	0.5
Intangible Assets	3.5	3.8
<b>Total unrestricted non-current assets</b>	<b>29.8</b>	<b>30.0</b>

CHF million	2014	2015
<b>Opening balance (net book value 1 Jan)</b>	<b>28.3</b>	<b>29.8</b>
Additions	9.5	8.8
Disposals & write offs	(2.4)	(2.3)
Depreciation / Amortisation	(5.6)	(6.3)
<b>Closing balance (net book value 31 Dec)</b>	<b>29.8</b>	<b>30.0</b>

The additions consist primarily of 7 million Swiss francs per annum in vehicles and 2 million Swiss francs per annum in telecommunications equipment and information systems.

Asset disposals relate primarily to vehicles, which at the end of their useful life are disposed of via auction and thereby recovering their residual value.

The depreciation and amortisation include 4 million Swiss francs per annum in vehicles and 2 million Swiss francs per annum in telecommunications equipment and information systems.

**A4.6 Reserves**

**A4.6.1 Restricted reserves**

The restricted reserves are made of programme funds received but not yet spent. At the end of 2012, the restricted reserves amounted to 231 million Swiss francs and are expected to further decrease in 2013 through planned expenditure of programme funds accumulated in prior years, mainly from Tsunami and Haiti earthquake operations.

However, as the same amounts have been budgeted for income and expenditure on programmes and supplementary services in 2014 and 2015, restricted reserves are projected to remain stable above 200 million Swiss francs for 2014 and 2015.

#### A4.6.2 Unrestricted reserves and working capital

Consistent with *Financial Regulation VII*, the projected level of unrestricted reserves must be sufficient to ensure liquidity to meet cash flow requirements.

These cash flow requirements include:

1. day-to-day working capital to meet regular unrestricted expenditure of the International Federation such as salaries (20 million Swiss francs)
2. expenditure in advance of receipt of voluntary contributions from donors, particularly in response to emergency appeals (7 million Swiss francs)
3. expenditure in advance of receipt of payment for supplementary services (10 million Swiss francs)
4. self-insurance and other specific reserves including statutory meetings (2 million Swiss francs).

The unrestricted working capital target is therefore 39 million Swiss francs, with an operating bandwidth of 35 to 43 million Swiss francs to allow for fluctuation in the underlying value of financial assets.

With a view to the budget assumptions, unrestricted income is sufficient to meet unrestricted expenditure in both 2014 and 2015, maintaining the secretariat's projected unrestricted reserves at or above 30 million Swiss francs for both 2014 and 2015.

The unrestricted reserves are also impacted by the level of unrestricted non-current liabilities. At

the end of 2012 non-current liabilities related to the secretariat pension fund, as reported under International Financial Reporting Standards, amounted to 41 million Swiss francs. Although non-current liabilities are recalculated at the end of each year, this amount is not expected to vary significantly over the next two years.

The unrestricted reserves also incorporate investment in non-current assets such as vehicles, telecommunications and information systems, which cannot be used as working capital. These are budgeted to vary between 28 million Swiss francs at the beginning of 2014 and 30 million Swiss francs at the end of 2015.

The projected unrestricted working capital for 2014 and 2015 can be estimated by adding the unrestricted non-current liabilities (41 million Swiss francs) to the projected unrestricted reserves (30 million Swiss francs) and deducting from the resulting amount the budgeted non-current assets (28 to 30 million Swiss francs). The projected unrestricted working capital for 2014 and 2015 therefore varies between 41 and 43 million Swiss francs and remains within the unrestricted working capital operating bandwidth (35 to 43 million Swiss francs).

The projected working capital is affected by increases in non-current assets. The secretariat is therefore examining the use of external financing to enable further expansion of its vehicle fleet, and is also in discussions with the Swiss authorities to redevelop its building in Geneva.

# THE FUNDAMENTAL PRINCIPLES OF THE INTERNATIONAL RED CROSS AND RED CRESCENT MOVEMENT

## **Humanity**

The International Red Cross and Red Crescent Movement, born of a desire to bring assistance without discrimination to the wounded on the battlefield, endeavours, in its international and national capacity, to prevent and alleviate human suffering wherever it may be found. Its purpose is to protect life and health and to ensure respect for the human being. It promotes mutual understanding, friendship, cooperation and lasting peace among all peoples.

## **Impartiality**

It makes no discrimination as to nationality, race, religious beliefs, class or political opinions. It endeavours to relieve the suffering of individuals, being guided solely by their needs, and to give priority to the most urgent cases of distress.

## **Neutrality**

In order to continue to enjoy the confidence of all, the Movement may not take sides in hostilities or engage at any time in controversies of a political, racial, religious or ideological nature.

## **Independence**

The Movement is independent. The National Societies, while auxiliaries in the humanitarian services of their governments and subject to the laws of their respective countries, must always maintain their autonomy so that they may be able at all times to act in accordance with the principles of the Movement.

## **Voluntary service**

It is a voluntary relief movement not prompted in any manner by desire for gain.

## **Unity**

There can be only one Red Cross or Red Crescent society in any one country. It must be open to all. It must carry on its humanitarian work throughout its territory.

## **Universality**

The International Red Cross and Red Crescent Movement, in which all societies have equal status and share equal responsibilities and duties in helping each other, is worldwide.

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