NATIONAL SOCIETY FINANCIAL SUSTAINABILITY FRAMEWORK
NATIONAL SOCIETY FINANCIAL SUSTAINABILITY FRAMEWORK
Photo Credits

Page 6: © JauPics / Maldivian Red Crescent

Page 10: © Jeremy Poveda

Page 18: © Anette Selmer-Andresen
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>6</td>
</tr>
<tr>
<td>Background</td>
<td>9</td>
</tr>
<tr>
<td>Purpose</td>
<td>10</td>
</tr>
<tr>
<td>Financial sustainability pillars</td>
<td>12</td>
</tr>
<tr>
<td>An adaptive approach</td>
<td>14</td>
</tr>
<tr>
<td>The way forward</td>
<td>18</td>
</tr>
</tbody>
</table>
Financial sustainability is fundamental to all local organisations. Its nascence for Red Cross and Red Crescent National Societies makes it key to achieving the IFRC’s Strategy 2030 1st transformation — supporting and developing National Societies as strong effective local actors. Strong, effective local actors have clarity in their mission, flexibility in their structure and reliability in their resourcing. This Financial Sustainability Framework offers a structure to link these elements while championing a flexible and adaptable approach tailored to the needs of each National Society.

The conceptual framing used in this framework highlights the importance of the interlinkage of the four pillars as National Societies adapt and evolve on their financial sustainability journey.
Adaptability to National Societies needs is similarly key to the flexible approach in supporting National Societies’ financial sustainability. With this aim, example initiatives are outlined in the framework, rather than a “one size fits all” financial sustainability paradigm. These initiatives are illustrative and more will emerge as National Societies signal those that resonate with their needs.

This framework also contributes towards Strategy 2030’s 4th transformation – working effectively as a distributed network. National Societies are encouraged to engage and share their initiatives and related outcomes with peers. As National Societies share how they are navigating their financial sustainability journey, the diverse expertise around the world can be leveraged.

This commitment to flexibility, adaptability combined with local, regional and global connections between National Societies will enable a tailored and timely approach to set National Society financial sustainability on an improvement curve, all while making best use of all available resources across the membership.

This framework is intended for the IFRC network, the Movement and external partners and provides a common frame on National Society financial sustainability.
Financial sustainability is vital to enable a National Society to expand and develop the quality and reach of its service delivery, respond to sudden humanitarian emergency, learn and innovate and adapt to the challenges of the future.

To be financially sustainable, a National Society must have an organizational design that ensures that its programmes, structures, and governance and management processes are able to function, have effective financial management systems to enable evidence-based strategic decisions and be able to access a range of funding, including unrestricted funds.

National Society Development Compact (2019)
Financial sustainability has been consistently raised as a priority by National Societies. Evidence of this, is widespread, including for example, data on Organizational Capacity Assessment (OCAC) indicators completed by National Societies over the past decade. Strategy 2030 consultations reaffirmed the ambition for National Societies to achieve a level of financial independence to enable them to define and address their own humanitarian priorities. The National Society Development Compact (2019) cites National Society financial sustainability as one of the three main areas in need of collective investment for improvement.

Sustainable local actors are the backbone of first level response capacity and of community resilience. Local organizations report that a historic dependency on donor projects, and the ways these are funded, represents a threat to their sustainability.

Financial sustainability is also a key topic of the ongoing work to advance commitments to localization, including by the Red Cross and Red Crescent, under the Grand Bargain. Relevant Grand Bargain commitments include to increase direct, quality funding as well as to provide equitable funding for overhead costs for local actors. Financial sustainability is also relevant to the discussions of investing in local actors’ institutional capacity and equitable risk sharing in partnerships. There is increasing evidence that tight controls on cost eligibility in donor funded projects, together with inadequate investment in local organizations, weakens the ability of local actors, including National Societies, to remain locally accountable and increases pressure to seek further donor funding for core costs.

This threat has only increased during the COVID-19 pandemic, with weakened global economies now further eroding local income streams for National Societies. Prolonged economic uncertainty globally will mean National Societies continue facing challenges generating sufficient resources from diversified income streams to sustainably deliver on their mandate. For a National Society, this is felt both at headquarters as well as at branches who can only pursue income according to what is possible within the local economic environment.

---

PURPOSE

Reflecting the challenges mentioned above, this National Society Financial Sustainability Framework aims to:

**CLARIFY**
the conceptual framework and dimensions of National Society Financial Sustainability, their interrelatedness and complementarity, and the relationship between those and other areas of National Society Development (NSD).

**ALIGN**
the IFRC network, the Movement and external partners on National Society financial sustainability through a common conceptual frame and language.

**SUPPORT**
National Societies’ and IFRC leadership to improve financial sustainability by identifying critical issues, taking informed decisions and appropriate actions and tracking progress and learning, all whilst maintaining flexibility, adaptability and risk-taking.
National Society Financial Sustainability

Definition

A financially sustainable National Society attracts and manages the financial resources it needs to deliver humanitarian services in a transparent and accountable manner.

It manages financial risk and opportunities balancing their strategy to respond to present and emerging needs with the adaptive organizational structure and processes that enable delivery on that strategy.
FINANCIAL SUSTAINABILITY PILLARS

Strengthening National Society financial sustainability is not a quick fix – it is a long-term and complex process, requiring work across multiple dimensions ranging from organizational design to more effective fundraising focused on decreasing dependency on external funding. In recent years, financial sustainability has most frequently been approached through the lens of increased resource mobilization (especially fundraising) as well as improved financial transparency. While these are both important elements, there are others which are also crucial to long-term financial sustainability.

Progress towards financial sustainability is not only about increasing income. Clarity on mandate, strategy and the core services of the National Society all informs the sustainable organizational models and structures, which in turn define the resources needed. Therefore, while attracting and managing resources are key elements for National Society financial sustainability, they must go hand-in-hand with the organization’s ability to identify and manage risks and opportunities. Indeed, a holistic picture of financial sustainability can be well represented conceptually through four inter-connected pillars.

The IFRC identifies four pillars for financial sustainability: three interlinked domains that contribute to strengthening a National Society’s financial sustainability, and an underpinning fourth domain. The four pillars of the Financial Sustainability Framework, and their inter-connectedness, are best represented in the graphic below.

To help clarify each pillar and how they interact, following are descriptions of what may be observed within a National Society when each of the four pillars are in a good state. This is not meant to be an exhaustive list, but rather aims at offering some illustrative examples of what strength across each pillar may look like and how these can reinforce financial sustainability:
MISSION AND STRATEGY

National Society mission, strategy, positioning, core services and organizational design

This pillar is about positioning the National Society within the national context, designing National Society programs and structures in the light of the National Society’s mission and strategy, as well as realistically available resources.

Here the National Society’s clearly defined mandate, and the organizational structure designed to deliver on this, is well communicated to all staff and volunteers. This facilitates constructive engagement with and support from local government and other key stakeholders. Strategic planning processes should clearly link community needs with the National Society’s strategic goals. This enables the National Society to make strategic decisions by balancing realistic estimates of domestic resources with the cost of its core organizational structure.

RESOURCE MOBILIZATION

Attracting financial resources, in particular long-term revenue streams

This pillar is about attracting the required financial resources into the National Society to deliver its mission, priming and prioritizing those revenue streams that offer stability into the future, and highlighting the importance of effective communication and marketing.

It is clear the National Society is strong in this pillar when it deliberately balances its resource mobilization and fundraising between its short- and long-term needs. A National Society that builds relationships with a mix of domestic and international partners and is able to pursue opportunities that align with its long-term strategy is well placed to be sustainable, driven by the diversification of its income streams, ideally both at the headquarters and branches level.

FINANCIAL MANAGEMENT

Managing financial resources accountably and transparently

This pillar is about managing financial resources accountably and transparently and using data to enable effective strategic decision-making and financial risk management.

A National Society that transparently manages its finances completes external audits annually and responds to audit concerns by improving its processes as best as it can to align with international standards. National societies should do holistic planning, budgeting and reporting that includes the activities of the headquarters and all branches. Doing so enables leaders to make good decisions based on analysis of complete data. National Societies then demonstrate accountability by regularly communicating how they use resources to all key stakeholders.

LEADERSHIP ENGAGEMENT

High quality leadership engagement at all levels

This pillar is about the critical role of National Society strategic leadership to enable the efforts in the above three areas to collectively progress toward financial sustainability.

Engaged and well-informed leaders of a National Society actively model personal integrity at all times and are able to steer the National Society to do the same. These National Societies comply with national laws and live up to their internal procedures. Governance that is well engaged actively oversees senior leaders and challenges them to achieve strategic goals, without over-stepping or interfering. High quality leaders at board level actively mobilise resources for the National Society according to agreed targets and plans.
AN ADAPTIVE APPROACH

Recognizing the urgency and continual evolution of financial sustainability challenges facing National Societies, commitments to being locally led and the diversity and richness of expertise within the membership, the IFRC Secretariat takes a flexible and adaptive approach characterized by two strategies:

Encouraging and facilitating informal, direct exchange and support between National Society peers

There is significant expertise related to the four pillars of financial sustainability within the membership. This has developed from the need to continually adapt to maintain day-to-day operations. National Societies operate in complex, ever-changing environments and financing and sustaining operations in this context gives rise to a rich variety of approaches.

Current examples within the Movement show that Communities of Practice (CoP), when used to foster direct, informal interaction between National Society staff, offer many benefits. These include faster locally contextualized, technical support to National Societies as well as empowering staff and fostering leadership development.

Taken together, these two CoPs will support National Society financial sustainability in three out of the four areas prioritized in the NSD Compact.3

For as long as these communities continue to prove useful and valued by members, they will be maintained and moderated as spaces to facilitate technical support and nurture expertise.

---

1st Community of Practice anchored on the FS Framework

**Finance Development Competency Network**

Supporting development of strong financial management skills, including being able to build and maintain financial reserves, assess and manage financial risk, financial planning and strategically manage and finance overhead costs

2nd Community of Practice anchored on the FS Framework

**Resource Mobilization Community**

Supporting the development of capacities in: commercial income generation, fundraising, government-contracted goods or services and to explore innovative financing

---

3 National Society Development Compact (2019). Available at: National Society Development Compact | IFRC
**Finance Development Competency Network**

Launched in 2022, the Finance Development Competency Network (FDCN) is a global CoP anchored on the financial management pillar (pillar 3). FDCN offers finance practitioners from National Societies a central point of resources and capacity on financial management and governance. Enacting new and open forms of online collaboration, the FDCN CoP is supported by a digital platform that allows finance (and related topics) staff and volunteers from any National Society to connect, exchange, request and provide support on demand, with the aim to match the needs with the relevant expertise and competencies among members and co-design with peers across the globe. FDCN attracted 850+ members from 125 National Societies.

---

**Resource Mobilization Community**

In 2023 a CoP focused on resource mobilization (RMC) was also set up. Anchored on the resource mobilization pillar (pillar 2), this CoP will respond to the urgent need of increased exchange between Movement resource mobilization practitioners. Besides fundraising, this also includes income generating activities, sales of products and services and asset management. The CoP on resource mobilization will complement and is developed as a digital home for all already existing resource mobilization networks including the Virtual Fundraising Hub (VFH), which was set up in 2017 to support National Societies in fundraising.
Rapid, adaptive implementation of practical and tangible solutions that respond to membership needs

As financial sustainability is complex and continually evolving, it is crucial to quickly test, learn and adapt approaches and solutions to enable National Societies to keep pace with new challenges. In this context more discrete, small-scale piloting of solutions, co-designed with National Societies to resolve an identified need, is a preferred strategy.

Solutions that show promise can then be further worked and upscaled to the regional and eventually global level, if appropriate. Significantly, this marks a different approach to one of identifying minimum standards and requirements and then rolling these out as a global program.

The IFRC Secretariat has already begun developing a series of solutions and approaches to support National Societies in this way. Following are two examples that were developed and shared in 2021.

**Financial Sustainability Monitoring Dashboard**

This tool, available to all National Societies that wish to use it, includes a suit of 15 indicators, developed with external finance expertise, that can measure advances on National Society financial sustainability.

The indicators draw from best finance practices across a range of actors (private sector, aid agencies, large and medium scale organizations,) and offer a starting point for National Society senior management and governance looking to track sustainability data for decision making. The tool is designed to be easy to adapt and scalable, based on what is currently being captured by the National Society.

**INDICATOR**

- Number of income streams
- Income/donor
- Budgeted income vs Actual income
- Core cost/Total Budget
- Income evolution/Expense evolution
- Y-o-Y increase in grants and donations
- Number of revenue streams representing more than 5% of total revenue
- Unrestricted income/Total income
- Income from long term revenue stream/Total income
- % of the National Society governance and staff aware of and/or using the Financial Sustainability lens in decision-making
- Primary Reserve Ratio
- Fundraising efficiency
- Cash flow from operations
- Income from commercial sources/Total income
- Viability Ratio
Scenario Based Predictive Modelling
To aid National Societies to anticipate economic impacts on income and adapt, 9 scenarios were developed to prompt planning responses that consider sustainability. These scenarios were shared with a group of National Society leaders, who found the scenarios relevant and useful as well as confirming the need for a risk management tool.

SCENARIO

1. Severe weather threat due to climate change
2. Slow to recover International Tourism
3. Food Commodity Market disrupted
4. Increasing Regional Political Instability and Conflict
5. Demographic shift limiting economic capacity
6. Digitization of care delivery
7. Global energy transformation to renewables
8. Trade protectionism grows
9. Strained global market of gas and coal

Key to the adaptive approach on financial sustainability is the crucial reliance on data to drive decision making. At present, in a number of National Societies, financial data are still not systematically analyzed. Yet monitoring advances in financial sustainability would help to support and inform the membership governance decision-making and prioritization in this area and promote evidence-based discussion at individual National Society as well as at a collective level.

As measuring financial sustainability is context specific, making a judgement on the financial sustainability of a National Society requires an understanding of context and an assessment of risk. So, while there is a strong argument for better data collection and analysis within the Movement to understand how National Societies are evolving, any data collected will likely give big picture trends and require more granular analysis if it is to be related to individual National Societies.

Compounding the above is the challenge that many National Societies are not systematically and consistently producing financial data that enables accountability, strategic decision making and ultimately, trustworthiness. Acknowledging and meeting this challenge should be high on the list of priorities.
Supporting National Societies on the Financial Sustainability Framework is key to IFRC fulfilling its commitments to the broader sector reform agenda of localization, such as those of the Grand Bargain 2.0. Further and perhaps more significantly, supporting financial sustainability in the above manner will enable member National Societies to be stronger, more responsive and better trusted organizations with increased local accountability, in line with the transformations in Strategy 2030.

Driven by the recognition of the fundamental need for adaptability, the continuous evolution of financial sustainability challenges facing National Societies, the commitments to being locally led and the diversity and richness of expertise within the membership, the IFRC Secretariat continues to take the lead to coordinate, guide and frame relevant initiatives to strengthen National Societies capabilities on financial sustainability, to ensure coherence, connection and synergies and facilitate knowledge sharing, all while making best use of all available resources across the membership.

Taken altogether, this forms the backbone for more independent and sustainable National Societies, through deepening the engagement on financial sustainability, solutions becoming more and more “locally-led” and “crowdsourced” and the financial sustainability “community” coming together to deliver on the urgently needed collective investment for improvement.
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 amongst 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 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.
The International Federation of Red Cross and Red Crescent Societies (IFRC) is the world’s largest humanitarian network, with 191 National Red Cross and Red Crescent Societies and around 15 million volunteers. Our volunteers are present in communities before, during and after a crisis or disaster. We work in the most hard to reach and complex settings in the world, saving lives and promoting human dignity. We support communities to become stronger and more resilient places where people can live safe and healthy lives, and have opportunities to thrive.