RFP/2017/1017
Annex A: Terms of Reference

A Review of UNHCR's Private Sector Partnerships Service's Performance Management and Reporting Tools for Returns on Investment and Costs of Fundraising

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1 Introduction

1.1 Background

UNHCR invests in a Private Sector Partnerships Service within the organization with the long term goals of (1) maximizing sustainable and flexible contributions from the private sector and individual donors to raise $1 billion annually; (2) strengthening engagement with the public to increase the number of donors to 5 million and the number of supporters to 25 million; and (3) broadening partnerships with foundations and corporations beyond financial support to leverage the resources and influence of the private sector to the benefit of refugees and other persons of concern to UNHCR. All this being said, the Private Sector Partnerships Service exists primarily for fundraising purposes.

Over the past decade, the financial support UNHCR has received from the private sector annually has increased more than tenfold, and is expected to reach over $385 million by the end of 2017. Of this, two thirds comes from individual donors in support of UNHCR's global programmes and operations. The remainder is provided through partnerships with foundations, corporations and philanthropists.

UNHCR private sector income and expenditure 2006-2016, in millions of US$

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total income	22	34	48	51	73	111	130	191	208	284	352
Total expenditure	4	9	14	21	30	52	54	79	94	96	112
Net income	**18**	**25**	**34**	**30**	**43**	**59**	**76**	**112**	**114**	**187**	**240**

In late 2006, UNHCR decided to establish a dedicated investment budget for private sector fundraising activities, with the objective of raising $100 million annually within five years. In the first year, as shown in the chart above, income rose from $22 million to $34 million. In the following years, investments in private sector fundraising generally continued to grow, and the amount of gross and net income increased annually. By 2011, the five-year objective was surpassed, with $111 million raised.

Funds are raised primarily through individual giving programmes (small donations from individual donors who are reached through face-to-face fundraising, digital outreach, direct response television direct mail, etc.) and through leadership giving programmes (large donations from partnerships with corporations, foundations and philanthropists). Diversifying UNHCR's fundraising operations through these two sources, helps ensure that they are cost-effective, flexible and have maximum impact. The following chart shows the growth within these two sources of income from 2006-2016.

UNHCR private sector income 2006-2016, in millions of US$

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Individual giving	16	21	23	32	46	65	77	111	137	194	223
Leadership giving	6	13	25	19	27	46	53	80	71	90	129
Total income	**22**	**34**	**48**	**51**	**73**	**111**	**130**	**191**	**208**	**284**	**352**

Individual giving

Before becoming a donor, individuals may come to know UNHCR in multiple ways, including through media stories, websites, television, e-mail, cause-related marketing campaigns, print advertisement, and face-to-face encounters. While acquiring new donors on a large scale requires substantial targeted investments in outreach and engagement activities, the returns are predictable and sustainable. These funds are largely un-earmarked and account for approximately 70 per cent of the planned income annually.

Investments focus on building upon successful individual giving programmes and launching new and innovative fundraising programmes, including in new markets and other areas where there is high growth potential. Besides aiming to acquire new donors, the Office also invests in programmes to promote donor loyalty and to increase the number of monthly donors. Monthly giving is an un-earmarked donation that the donor provides through an automatic transfer from their bank or credit card. The monthly average of $20 per individual donor may seem small, but the collective impact of this flexible and predictable funding is critical to UNHCR.

UNHCR also engages with new and ongoing supporters when emergencies arise, in response to supplementary appeals. The one-off donations that some people make in the context of an emergency give UNHCR the opportunity to start building a longer-term relationship with each donor. In 2015, for example, there was a 50 per cent increase in the number of individual donors as well as a 26 per cent increase in the number of people signed up to make monthly contributions. The chart below shows the growth in both monthly giving and one-off donors since 2006.

UNHCR private sector donors 2006-2016, in thousands of individuals

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Monthly giving donors	35	54	76	142	187	261	368	476	610	804	1,000
One-off donors	130	123	138	179	194	227	260	221	352	636	567
Total donors	**165**	**177**	**214**	**321**	**381**	**488**	**628**	**697**	**962**	**1,440**	**1,567**

Leadership giving

Leadership giving involves larger contributions from foundations, corporations and philanthropists. As a funding source, leadership giving has great income growth potential, but is less predictable, and is often more tightly earmarked to the thematic or geographic priorities of partner making the contribution. About 30 per cent of UNHCR's planned income comes from leadership giving.

Foundations, corporations and philanthropists have unique assets and expertise that they are able to bring to UNHCR's operations. Beyond their significant financial support, they often make in-kind contributions of goods, services and expertise and sponsor innovative projects. Furthermore, they contribute to building awareness of and sympathy for the refugee plight, generating opportunities to reach new audiences on a large-scale, including through employee and customer engagement.

However, as they move beyond philanthropic giving to more dynamic types support, these partners require more in-depth engagement to foster a broader understanding of UNHCR's

operations. Staff expertise, tailored relationship management and due diligence processes help UNHCR cultivate private sector partnerships to maximize their potential impact.

PSP's current global structure

With support from the Government of Denmark, UNHCR's private sector fundraising team moved to the new "UN City" complex in Copenhagen in 2014. Recently renamed the Private Sector Partnerships Service, this global team is now well established, providing strategic direction and setting investment priorities for specific programmes and country operations, including in the context of emergencies.

In Copenhagen, the strategy and marketing section covers strategy development, expert support for individual giving activities, market review, and thematic campaign development in areas such as shelter, cash assistance and education. The Leadership Giving unit manages global partnerships and supports UNHCR's global private sector fundraising network by developing leadership giving activities for national markets. The fundraising support unit ensures that the fundraisers and relationship managers have the support they need to work efficiently, including in areas such as capacity-building, procurement, legal guidance, finance, human resources, administration, management of earmarking and income recording.

UNHCR's private sector partnership network includes nearly 25 country operations across all regions as well as the six National Partners in Australia, Germany, Japan, Sweden, Spain and the United States of America. UNHCR has two fundraising offices in Seoul and Rome. UNHCR also has five small regional private sector partnerships teams based in Bangkok, Brussels, Dubai, Nairobi and Washington, D.C.

This is the overall picture of PSP's history and growth as well as its current structure. While PSP has achieved enviable growth, it will need additional investments to grow further towards the $ 1 Billion objective. Essentially, PSP competes with UNHCR's refugee operations around the world for the investment envelope PSP receives annually. In other words, if the investment money were not given to PSP in the annual planning cycle, it would be given to one of UNHCR's country operations or one of its divisions that support these operations. As an investment strategy, UNHCR reduces funding to the operations and directs the funds to PSP instead in order for PSP to multiply the funds through donors and channels that are compatible for UNHCR. In light of this short term reduction of funds to operations, UNHCR needs to be very transparent about this investment in order to build confidence in PSP within UNHCR.

UNHCR's oversight entities and its Division of Financial and Administrative Management need to have full insight into PSP's systems and processes and their related internal controls in determining the Return on Investment for these funds. The systems and methods that PSP has used for reporting on the return on investment needs to be reviewed and potentially modified. The same goes for the formula PSP uses for reporting the cost of PSP and the cost of fundraising. As a result, government and private sector donors and other key internal and external stakeholders will receive investment and cost of fundraising information that will withstand audit and other external reviews.

1.2 Statement of Purpose & Objectives

This review is a requirement of a recent inspection carried out by UNHCR's internal oversight mechanism, the Inspector General's Office (IGO). The IGO report has requested a comprehensive inspection of PSP's performance management and reporting on its fundraising activities. PSP uses two measurements of its performance: Return on Investment (RoI) and Cost of Fundraising (CoFR).

Return on Investment Model

PSP currently has metric models in place for evaluating performance (ROIs) for its

Investments in fundraising programmes to acquire new donors through its National Partners and Fundraising Offices. The Return-On-Investment (ROI) is considered one of the main criteria for measuring fundraising performance. PSP defines the ROI as the amount of income generated in a timeframe from 12-60 months for every USD invested. The purpose of the ROI calculation is to compare the costs of a fundraising programme with the value of its results, and to provide a basis for decision-making. PSP has developed a data-model to calculate the expected ROI (over a period of 12 months, 24 months, 36 months and 60 months) and to compare fundraising programmes across fundraising techniques (e.g.: acquisition mail, newspapers inserts, telemarketing, print advertising, etc.)

The model is however used only to calculate the ROI for acquisition of new donors (Donor Acquisition) through Individual Giving (IG) channels in the framework of PSP's National Growth Fund (NGF) and does not look at the larger investment that UNHCR makes annually in PSP. This model has not been extended to other income streams in PSP. Thus, to monitor UNHCR's global investment in PSP, a ROI metric should be used to evaluate performance beyond the NGF and address the ROI for PSP accordingly:

a. Per Income Stream (Leadership Giving, Individual Giving, etc.); and,
b. Per fundraising programme (e.g.: Telemarketing, Advertising), campaigns, and the type of programme, i.e. donor acquisition or donor retention.

Currently, all of this existing ROI data is self-reported and channeled through a Microsoft Business Intelligence tool, the "Cube", which interfaces with SharePoint and extracts data from UNHCR's accounting modules in PeopleSoft/Oracle. PSP has leveraged the existence of the Cube to develop specific dashboards (through Excel PivotTables) and management reports (e.g.: income forecasting report). The Cube is currently used for analyzing donor numbers and detailed costs and income figures per fundraising project, in the contexts of planning, reporting and forecasting. The Cube figures only contain ROIs for Donor Acquisition, including all costs and all income, but not the ROIs for the Life Time Value of a donor and not for any investments beyond the Individual Giving initiatives funded by the National Growth Fund.

PSP **uses a second tool to evaluate ROI data: the Life Time Value (LTV) of donors database.** The purpose of the LTV database is 1) to track how much UNHCR has incurred per donor, e.g. donor development costs, appeals, donor upgrades, and, 2) to double check the self-reporting from the fundraising offices. This database compiles the exported transaction data from the individual fundraising databases of National Partners and UNHCR's fundraising offices who report on a quarterly basis on all costs and all income.

It should be mentioned that UNHCR's PSP collaborates in a Peer Review system that publishes the income and donor figures of various humanitarian organizations. However, PSP has not recently benchmarked its ROI models against other organizations since other organizations are not willing to share their investments per fundraising programme. PSP would like to examine its own metrics for reliability or their ability to accommodate growth. PSP's current modeling has not differentiated between a UNHCR Fundraising Office, a UNHCR Regional Office, a UNHCR section or a National Partner. Thus, the following **deliverables for PSP's ROI analysis** are requested for this consultancy:

1. Clear formulas for calculating ROI for internal and external users. The formulae should provide detailed explanations of the ROI calculation. The internal handbook should be detailed enough for compliance testing, including a methodology for reviewing self-reported figures. Detailed recommendations and calculations for UNHCR/PSP's ROI model for efficacy with different fundraising entities (National Offices, National Partners, Regional Offices, and HQ sections) and different fundraising channels (Print,

TV, Face to Face, etc.)

2. An analysis of international aid agencies' benchmarks for performance on fundraising and how well UNHCR/PSP is performing against these benchmarks, and, to test the reliability of PSP's ROI model against others in the industry.
3. Detailed recommendations for UNHCR/PSP's ROI calculation to expand beyond Donor Acquisition and to accommodate for growth of the fundraising entity.

Cost of Fundraising

The most commonly used formula to calculate the Cost of Fundraising (Contributions – Fundraising Expenses) / Fundraising Expenses x 100). In this formula, Fundraising Expenses usually include the following categories:

a. Salaries (direct salaries and benefits for all personnel involved in each phase of the fundraising intervention);
b. Direct costs (expenses directly paid out for the fundraising intervention, such as consulting, travel, equipment, facilities, training, etc.);
c. Overhead (costs associated with the people involved in the fundraising intervention such as office and facilities, utilities, supplies and equipment, general administrative expenses, etc.).

Currently, the calculation of the Cost of Fundraising made by PSP includes some salaries and some direct costs. However, it does not include all direct costs, such as travel expenses and overhead costs. The salaries that have and have not been included bear further examination, too. Many of these decisions are impacted by shared services within UNHCR's Division of External Relations where PSP sits.

UNHCR's accounting system in PeopleSoft does not lend itself to reporting on fundraising costs by the different channels or fundraising programmes. PSP has 11 cost centers in PeopleSoft yet PSP has 25 fundraising entities. In order to surmount these challenges, PSP has developed a MS-Access database, interfaced with MSRP and SharePoint, to allocate costs per PSP entity (country office, regional office, HQ section). This database was developed as a bolt-on to PeopleSoft to segregate costs in a way that is useful to PSP but is beyond the level of detail provided by UNHCR's software and chart of accounts. Nevertheless, this data should periodically be reconciled against UNHCR's corporate accounts.

Thus the following **deliverables for the PSP's Cost of Fundraising** calculations are requested:

1. An analysis of international aid agencies' benchmarks for Cost of Fundraising calculations and findings on how UNHCR/PSP's calculation compares to these benchmarks. Recommendations on what PSP should include in its Cost of Fundraising calculation in order to align with similar organizations.
2. Detailed recommendations for PSP's Cost of Fundraising operations calculations to ensure transparency and oversight activities. PSP would like Cost of Fundraising calculations broken down for:
    a. Leadership Giving and Individual Giving; and,
    b. Per Country and/or National Partner) to compare fund raising activities, whether performed directly by PSP (e.g. UNHCR fundraising office in Seoul) or by National Partners (e.g. USA for UNHCR).
3. A set of "good practice" recommendations for Cost of Fundraising calculations for National Partners.

4. An analysis of of PSP's programme and non-programme costs, i.e. flexible costs for fundraising programmes and fixed costs for fundraising support services.
5. A review of the methodology for reconciling Cost of Fundraising figures reported on through the MS-Access database with UNHCR's corporate accounts generated by PeopleSoft. The methodology should include the ability to perform this exercise on a quarterly basis and to differentiate the income streams (Leadership Giving, Individual Giving.)

Please note that the materials used in this review and the deliverables produced contain sensitive marketing information and must be treated by the consultants as highly confidential.

2 Requirements

2.1 Core requirements

Consultants are expected to provide the following expertise based on the above -mentioned conditions:

2.1.1. Significant knowledge and experience of private sector fundraising in an international environment and a reputation for providing consultancy in developing successful fundraising and engagement strategies, including in depth knowledge of private sector fundraising support functions, especially accounting for investments in fundraising. A certified accountant and/or credentialed financial manager on the team is desirable. Otherwise, team members need to have a solid knowledge of both cost accounting and financial accounting and the ability to write clear recommended processes

2.1.2 This project will be managed by PSP's Chief of Fundraising Support with full support and technical advice as required from UNHCR's Division of Financial Administration Management (DFAM). A Working Group of one Senior Fundraiser from PSP and one from a National Partner as well as the Chief of Fundraising Support and the representative from DFAM will guide the consultant and review interim deliverables. Ultimately, this project reports to the Director of DER. The consultants will need to be prepared to report on progress and deliverables to the wider group.

2.1.2 Knowledge and contacts with peer organizations to inform analysis and recommendations.

2.1.3 A strong focus on analyzing, testing and documenting processes with clear findings and implementable recommendations is required.

2.1.4 The scope of this project should be completed in six months. Ideally, this project should end in May 2018.

2.1.5 The majority of the work can be completed remotely yet three trips to Copenhagen for meetings should be budgeted and two trips to Geneva for an introductory meeting and the final presentation of findings, recommendations and deliverables should also be budgeted. Up to two trips to Budapest to meet with UNHCR's Financial Management colleagues may also be required. **Travel expenses should not be included in the consultancy proposal since travel reimbursement will be costed out separately and will conform with UN Travel Regulations.** Please indicate - on the Financial Offer form - the number of person and the location they would travel from to Geneva and Budapest.

2.2 Other services, required for the performance of the key requirements

As per the General Conditions.

2.3 Customer Responsibilities

UNHCR will provide the following:

- Travel and transportation related expenses incurred by the Contractor's personnel shall be reimbursed by UNHCR in the amount of the actual expenses incurred by the Contractor's personnel as evidenced by original supporting document, provided however that UNHCR shall not be liable to reimburse travel expenses deemed excessive. The maximum amount permitted for travel in any purchase order shall be based on the cheapest economic airfare available as determined by the UNHCR Travel Unit. Thus, travel costs should not be included in the consultancy proposal.
- Access to all necessary documentation such as PSP financial data, supporter data and fundraising results as required under terms of strict confidentiality.
- Access to peer-review documentation is provided under terms of strict confidentiality.
- The consultants will be supported and work closely with PSP's Chief of Fundraising Support, Senior Finance Officer, and Head of Global Operations and managers in DFAM as well as the Inspector General's Office.
- Facilitation of contacts with UNHCR staff in the global teams based in Copenhagen, across the PSP network of fundraising operations and with National Partners.

2.4 Add any additional relevant sections for the specific project

The information gathered in this consultancy and the outputs contain sensitive information regarding UNHCR's activities in fundraising markets. Thus, the materials provided to the consultants and the report generated are highly confidential and cannot be shared outside of UNHCR.

2.4.1. Travel - The majority of the work can be completed remotely yet three trips to Copenhagen for meetings should be budgeted and two trips to Geneva for an introductory meeting and the final presentation of findings, recommendations and deliverables should also be budgeted. Up to two trips to Budapest to meet with UNHCR's Financial Management colleagues may also be required. **Travel expenses should not be included in the consultancy proposal since travel reimbursement will be costed out separately and will conform with UN Travel Regulations.**

2.4.2. Timeline – The proposed timeline is as follows:

RFP and Vendor Selection – November - December 2017

Intro Meeting, Scope of Work Finalization & Data Transfer – February 2018

Data Analytics – February 2018 and March 2018

Stakeholder Interviews – March and April 2018

Draft Deliverables for multistakeholder feedback – April 2018

Final Deliverables and Exit Conference – May 2018

3 Content of the Technical Offer

Your Technical proposal should be concisely presented and structured in the following order to include, but not necessarily be limited to, the following information:

3.1 Company Qualifications

- A description of your company with evidence of your company's capacity to perform the services required, including:
  - Company profile,
  - Registration certificate
  - Last audit reports
  - Year founded
- If a multi-location company, please specify the location of the company's headquarters, and the branches that will be involved in the project work with founding dates;
- Similar experience in the business or the number of similar and successfully completed projects to donor acquisition, retention and collection process;
- Number of similar projects currently underway;
- Any relevant experience working with UNHCR, other UN Agencies and NGOs should be included;
- You are requested to provide three (3) references that we may contact from your current client list, including ones from working relationships with UNHCR or other UN Agencies.

3.2 Proposed Services

- A description of at least two projects that the agency has delivered describing the process, the timings, the details of the approach adopted to bring the process to completion, and the outcome of the project for the client. One project should relate to fundraising accounting.
- Demonstration that you have taken into account all the factors listed under Requirements
- A description of consultancy experience working with not for profit/UN/UNHCR sector/environment.

3.3 Personnel Qualifications

A list of the core staff that will be assigned to projects within this agreement with a biography of each detailing their experience in fundraising, financial management, or organizational development.

3.4 Vendor Registration Form

If your company is not already registered with UNHCR, please complete, sign, and submit with your Technical Proposal the Vendor Registration Form (Annex C).

3.5 Applicable General Conditions

Please indicate your acknowledgement of the UNHCR General Conditions of Contract for the Provision of Services by signing this document (Annex D) and including it in your submitted Technical Proposal.

4 Evaluation

4.1 Technical Evaluation

The **Technical offer** will be evaluated using inter alia the following criteria and percentage distribution: **70%** from the total score.

Company Qualifications (20%)	- Relevant experience in fundraising analytics and accounting systems (10%) - Experience with similar projects in international private sector fundraising clients (10%)
Proposed Services (30%)	- Understanding of requirements and ability to articulate the cross-functional competencies demanded in this consultancy (7.5%) - Quality of examples provided with an emphasis on quantitative fundraising analysis (7.5%) - Demonstration of value added to UNHCR in the submitted proposal (7.5%) - Overall quality and clarity of proposal (7.5%)
Personnel Qualifications (20%)	- Experience of core people who will work on the project. Proof of both fundraising and accounting competencies on the team. (20%)
TOTAL	- 70%

The minimum passing scores of the evaluation is 42 out of 70; if a bid does not meet these minimums it will be deemed technically non-compliant and will not proceed to the financial evaluation.

The financial component is 30% of the total scores.

5 Key Performance Indicators

5.1 Performance Evaluation

UNHCR expects to monitor the performance of the selected supplier.

The selected consultants shall map a schedule of deliverables (listed above) with PSP's Chief of Fundraising Support. The consultants' performance will be evaluated on the quality of the deliverables and the timeliness of the deliverables.