

Private Sector Partnerships and Fundraising Strategy (2020–2025)

Annexes



**Informal Consultation
23 April 2019**

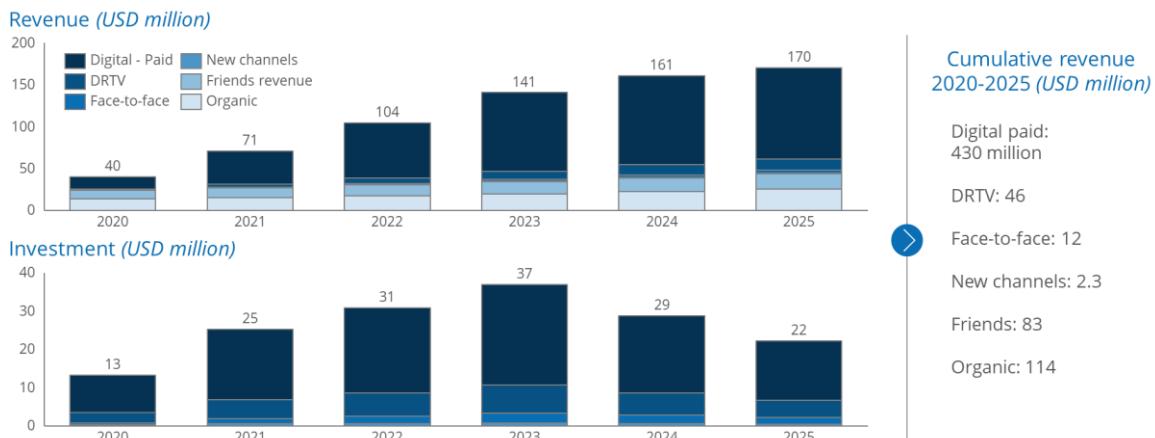
Investment Model for Growing Income from Individuals

1. Individual giving is the largest and growing segment in the global private sector fundraising market. WFP's fundraising from individual giving lags behind successful peers due to a lack of strategic priority and no significant investment. WFP can build on some unique assets to target individual givers: the ShareTheMeal (STM) App, WFP's mission to save and change lives, its global – not fragmented into national offices – footprint. WFP's goal is to leverage those assets to build a unique user experience, to create a model which reaches a self-financed position within five years and to deliver flexible income at significant scale.
2. At the same time as WFP is investing in growing income from individuals around the world, the organization is focused on building its brand strength. These areas are mutually supportive as a strong brand will support fundraising activity and effective fundraising campaigns will help to build brand awareness and familiarity. The Private Sector Partnerships (PGP) and Communications, Advocacy and Marketing (CAM) divisions are working closely together to develop joint activity and plans as well as defining clear roles and responsibilities in areas such as digital engagement, content creation and community management.
3. Building on detailed and validated returns on investment (ROIs) and a cumulative investment of USD 100m, an annual income level of USD 170M by 2025 is feasible. As part of the scale up in resources WFP will need to build up a larger (from 2 to 10 fixed-term staff), experienced and more integrated (especially between PGP and STM) team than today, as well as maintaining agile processes fit for the digital space.
4. The proposed new approach to individual fundraising is composed of three elements:
 - **Digital-led strategy** – as the foundational channel for individual fundraising, WFP can gain the best returns from high-performing digital channels, and use sophisticated digital marketing tools to target its campaigns. Building on recent success WFP can leverage its unique role and in-country presence to provide a sector-leading donor experience, with high quality and dynamic content.
 - **Global approach** – digital fundraising allows for a multi-country approach, easily moving investment, implementing best practices, optimizing its programme across markets and channels. Recognizing that WFP will need to manage tax advantages where possible, and respecting relevant national legal frameworks.
 - **Rapid iteration** – the global digital approach allows WFP to engage with supporters in an agile way, with rapid testing, learning and optimization of activities. A test and learn approach will allow for quick iteration cycles, continuous improvement of content, targeting approaches, platforms and tools, and the ability to quickly scale what is working to optimize the overall programme.
5. The investment model has been developed jointly between the Individual Giving team in the Private Sector Partnerships Division (PGP) and the ShareTheMeal Team, with technical support from the Boston Consulting Group (BCG). The data underpinning the model has been generated by the WFP teams based on actual results with validation from other United Nations agencies and external input based on extensive experience in international private sector fundraising with organizations including Save the Children International, Oxfam and the International Rescue Committee (IRC).
6. The analysis provided below is based on a detailed model as of March 2019 with assumptions of cost, donation levels and donor behaviour informed by best current knowledge. These are likely to change over the period of the strategy. The objective of increasing income from individual supporters from USD 18m in 2018 to USD 170m in 2025 remains the high-level objective.

Channel breakdown of revenue and investment 2020–2025

7. The charts below show the forecast revenue by individual giving channel between 2020–2025, along with the required investment by channel. Paid digital activity accounts for 70–75 percent of the investment and has the highest rate of return (digital paid starts at 75 percent of investment in 2020 and reduces by 1 percent a year as other channels are developed). Digital paid therefore makes up the bulk of the forecast revenue. The revenue forecast includes growth in organic income; this is income from supporters who make donations (on the ShareTheMeal app or via wfp.org) not directly attributable to paid marketing activity. This is forecast to increase by 10–15 percent per annum. In addition, income from Friends organizations is forecast to grow based on increased technical support from WFP's individual giving team. Please note that the Revenue and Investment charts below have different vertical scales.

Channel breakdown of revenue and investment 2020–2025

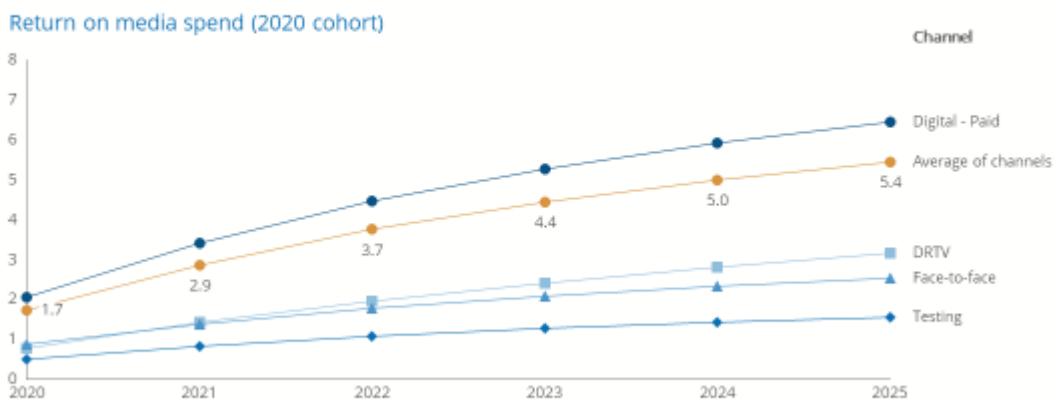


Note: Reinvestment of revenue only applies to unrestricted revenue; Source. WFP, BCG analysis.

Comparative return on advertising spend (ROAS) by channel 2020–2025

8. The chart below shows the forecast cumulative ROAS for each channel between 2020–2025. This shows that every USD 1 spent in 2020 is, on average across all paid activity, forecast to generate USD 5.40 by 2025. It is planned to invest across a range of channels, although the forecast has 70–75 percent of investment going into paid digital activity. This portfolio approach enables risks to be managed more effectively and also to achieve scale. Also, non-digital channels are typically very reliable for regular giver acquisition and these donors have higher long-term supporter value. It should be noted that fixed costs i.e. staffing, and technology are not allocated across channels, the data below is based on media and other channels specific costs e.g. creative development.

Comparative return on advertising spend (ROAS) by channel 2020-2025

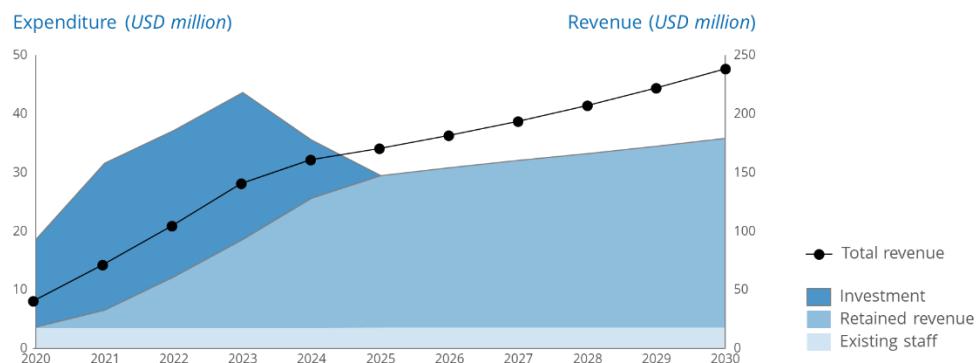


Source: WFP, BCG analysis

Achieving self sustainability by 2025

9. The chart below shows the initial investment (dark blue area) over the period 2020–2024. In parallel with this start-up investment, a retention mechanism is put in place so that approximately 29 percent of unrestricted income is currently assumed to be retained to reinvest in fundraising costs and investment in the subsequent year (lighter blue). The model currently assumes that 50 percent of one-off gifts and 80 percent of regular gifts are unrestricted, based on current performance. As income grows, the funding available from the retention of funds increases: by 2025, the level of retained funding can both cover ongoing costs as well as the investment required to sustain modest continued growth in income (approximately 4 percent per annum for paid activity). Lastly, there is ongoing funding from the Programme Support and Administrative (PSA) budget (lightest blue) which stays approximately constant. This is the current individual giving costs within the PSA budget in the PGP Division.

Achieving self sustainability by 2025



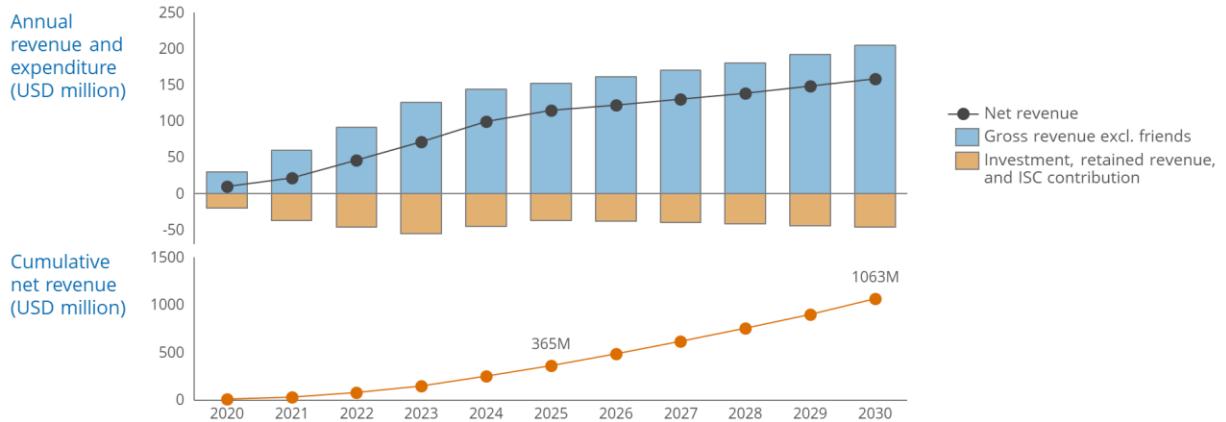
Source: WFP, BCG analysis

Net income for WFP programmes by 2025

10. The charts below show the net income that is generated for the two tranches of 2x USD 50m investment between 2020 and 2024. The net revenue in the chart includes the income directly attributed to paid activity and the organic income, which is expected to grow as an indirect impact of the investment. It does not include any income from Friends organizations. Also, the net revenue excludes indirect support costs (ISC) and retained funds that are reinvested in fundraising activities. The cumulative net revenue chart at the bottom of the page shows that

by 2025 USD 365m of net revenue for programmes has been generated over the period of the strategy. This provides a net return on investment over the period of the strategy of 3.6:1 and over the long term the investment generates nearly USD 1.1bn in net income for programmes.

Net income for WFP programmes by 2025

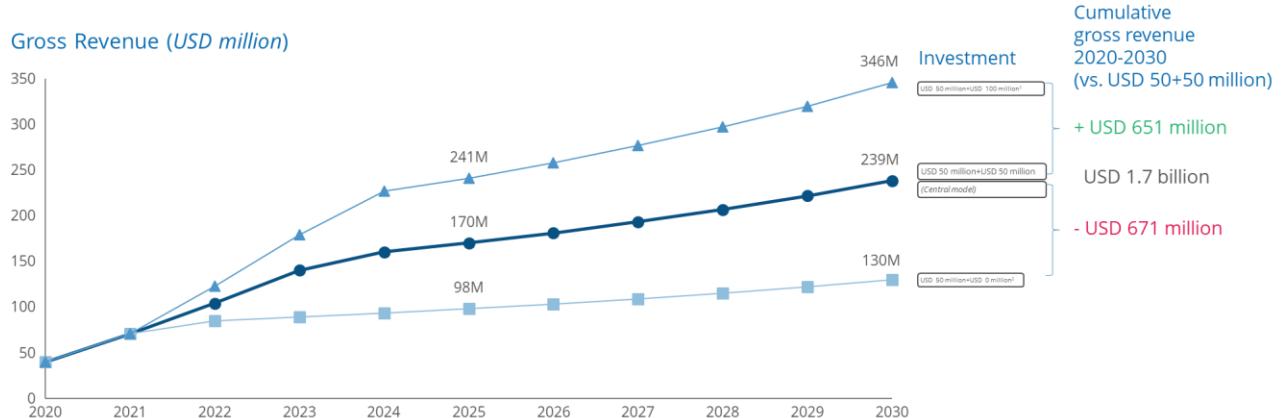


Source: WFP, BCG analysis

Long-term revenue trends based on 3 different investment scenarios

11. The chart below shows the income that would be generated between 2020-2030 based on three different investment levels. In all scenarios, the initial tranche of USD 50m is spent between 2020 and 2022, with the second tranche being also spent in part in 2022 and then 2023 and 2024. The central model (the bold line) is based on the proposed investment of two tranches of USD 50m each. The higher investment model proposes a second tranche of USD 100m, while in the lower investment model the second tranche is USD 0m. Up to 2030, the central model is forecast to generate cumulative gross income of USD 1,729m, while the higher investment model would generate USD 2,379m and the lower model USD 1,058m gross. In all scenarios, the operation is self-sustaining by 2025.

Long term revenue trends based on 3 different investment scenarios



¹ Second tranche of USD 100 million defined as USD 40 million in 2022, USD 40 million in 2023, and USD 30 million in 2024, compared to baseline of USD 25 million in 2022, USD 25 million in 2023, and USD 10 million in 2024.

² Defined as last investment of USD 10 million in 2022, no investment afterwards.

Note: Reinvestment of revenue only applies to unrestricted revenue. Source: WFP, BCG analysis

Key outcome data 2020–2025: high level targets by the end of the strategy period

Gross cumulative ROI by 2025 i.e. income from investment + all organic/Investment + retained income + ongoing staffing	3.1
Investment cumulative ROI by 2025 i.e. income from investment + incremental organic/Investment + ongoing staffing	4.8
Cumulative gross income by 2025	USD 708.5m
Cumulative net income for WFP programmes by 2025	USD 364.8m
Cumulative net unrestricted income for WFP programmes by 2025	USD 230.2m
Cumulative ISC by 2025	USD 43.2m

Due Diligence Process Overview

Background

1. WFP's current due diligence process was formally established through the 2012–2015 Private Sector Partnerships and Fundraising Strategy. Responsibility for the due diligence process was then transferred from the Private Sector Partnerships Division to the Legal Office, to remove a potential conflict of interest when approving funding opportunities.
2. Private Sector Partnerships are reviewed in line with the WFP Private Donor Framework¹ and general United Nations rules. Due diligence reports are requested by PGP, as well as WFP for visibility agreements, and prepared by the Legal research team. The Private Donors and Partnerships Committee has the delegated authority to approve private sector contributions and partnerships.

The Role of the Committee

3. The Committee is responsible for overseeing the WFP due diligence process. The Committee:
 - Considers the results of due diligence reviews conducted by the Legal Office and decides whether proposed contributions may be accepted, or partnerships initiated;
 - Can provide guidance to the Private Sector Partnerships Division on implementation of the Committee's decisions, for example by approving due diligences with contingencies;
 - Can provide guidance to the Legal Office on the conduct of due diligence reviews and advise other WFP functions on the application of due diligence requirements;
 - Can consider and advise on other matters relating to private sector contributions or partnerships, for example conflicts of interest.
4. The Committee operates based on consensus among its voting members. In cases where it is not able to achieve consensus, the Committee refers the matter to the Executive Director for decision. Committee Members and Attendees are provided with the documents to be presented in the Committee meeting in advance, allowing time to review proposed opportunities and other items.

Composition of the Committee

5. Members of the Committee are:
 - Deputy Executive Director and Chief Operating Officer (Chair);
 - Assistant Executive Director, Operations Services;
 - Assistant Executive Director, Resource Management and CFO;
 - Chief of Staff and Director, Office of the Executive Director; and
 - Assistant Executive Director, Partnerships and Governance (non-voting Member)
 - Director, Private Sector Partnerships Division (non-voting Member)
 - Director, Communications, Advocacy and Marketing Division (non-voting Member)

¹ These include the ED Circular 2013/025 "Guidelines for Private-Sector Partnerships," "WFP Code of Conduct", and guidance contained in Executive Board papers "New Partnerships to Meet Rising Needs – Expanding the WFP Donor Base" (WFP/EB.3/2004/4-C) and "WFP's Private-Sector Partnership and Fundraising Strategy" (WFP/EB.1/2008/5-B/1).

Due diligence rules and process

6. A due diligence is needed on acceptance of any contribution valued at or above USD 50,000, or any partnership that involves an agreement. This applies to previous, current, and new partners alike, including in cases of significant increases in donation. Unless specified otherwise, approved due diligence screenings are valid for three years.
7. A due diligence is also undertaken for Goodwill Ambassadors, Champions, Advocates, or other celebrity partners of WFP, in accordance with United Nations guidelines. While WFP has developed internal guidelines regarding due diligence for celebrity partners, no formal measures have been adopted at the Board level.
8. An exception exists in the event of emergency operations that require especially rapid fundraising. In this case, the PGP Director may request that the Assistant Executive Director, Partnerships and Governance authorize the acceptance of private-sector donor cash contributions above USD 50,000. This is conditional upon the prospective donor giving written representations and warranties of its compliance with certain criteria, and pending retroactive completion of the due diligence process.
9. All account managers are responsible for requesting due diligence reports as their conversations with (potential) partners or celebrities progress to a potential engagement.
10. Once a due diligence is requested, the Legal Office prepares a report on the relevant entity or individual and assigns a level of risk to each due diligence (DD) report.
11. Depending on the risk profile, the DD report is then submitted for review and approval in accordance with the WFP Donors and Partnerships Framework. PGP serves as the Secretariat to the Private Donors and Partnerships Committee and determines which DD reports are submitted for consideration.

Summary of WFP due diligence criteria

12. The last formally adopted due diligence criteria are outlined in ED Circular OED2013/025.
13. It indicates that WFP shall adhere to the 2009 Guidelines on Cooperation between the United Nations and the Business Sector. These have since been replaced by the 2015 version of the guidelines, which we follow in practice, although they have not been formally adopted by WFP.
14. Both the 2009 and the 2015 United Nations guidelines provide for consideration of the following criteria:
 - Support for core values of the United Nations and its causes, as reflected in the United Nations Charter and other relevant conventions and treaties;
 - demonstrated commitment to meeting or exceeding the principles of the United Nations Global Compact; and
 - engagement with entities that meet the United Nations exclusionary criteria (which have evolved over the years).
15. In addition, the 2015 United Nations guidelines introduced as a new criteria consideration of the entity's demonstrated commitment to respecting and implementing the Guiding Principles on Business and Human Rights.²
16. WFP's current practice is based on the more recent 2015 guidelines and, therefore, all of the above criteria are considered in the context of our due diligence reviews.

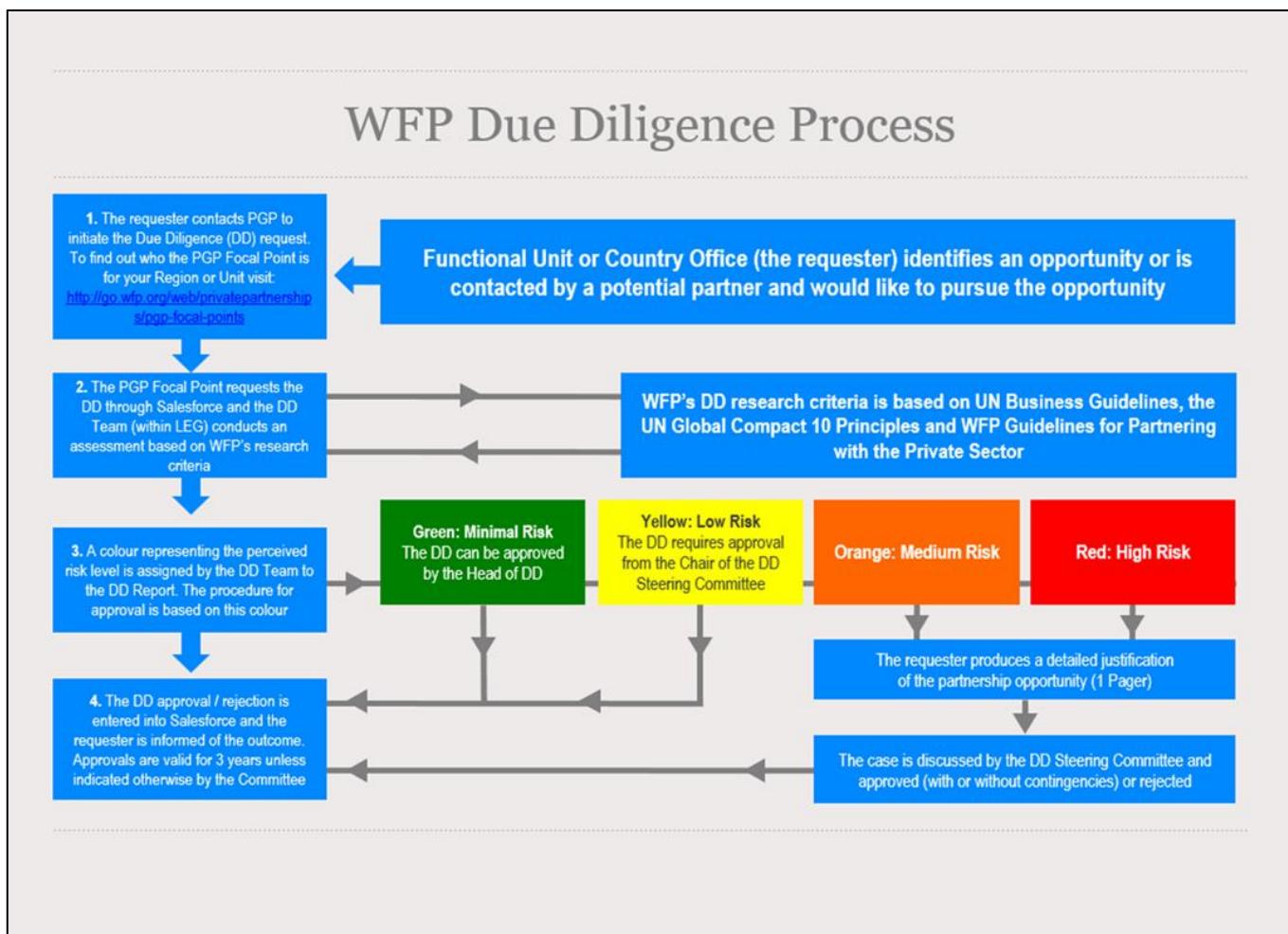
² *Guidelines on a Principle-based Approach to the Cooperation between the United Nations and the Business Sector*, 2015.
<https://business.un.org/en/documents/5292>.

17. The current version of the exclusionary criteria requires consideration of:

- Whether an entity contributes to or is otherwise complicit in human rights abuses, tolerates forced or compulsory labour or the use of child labour, are involved in the sale or manufacture of anti-personnel landmines or cluster bombs, or that otherwise does not meet relevant obligations or responsibilities required by the United Nations;
- Engagement in any activities which are inconsistent with sanctions established by the United Nations Security Council or other similar measures;
- Systematic failure to demonstrate commitment to meeting the principles of the United Nations Global Compact or the United Nations Guiding Principles on Business and Human Rights.

18. In keeping with WFP's mandate, any entity active in the food/beverage industry with a risk profile higher than minimal, is also subject to an elevated level of scrutiny.

Flowchart: Overview of the WFP Due Diligence Process (including approval bodies)



Brand Awareness and the Private Sector Partnerships and Fundraising Strategy 2020–2025

The importance of WFP brand attributes

1. As previously noted, WFP will increase success in partnerships and fundraising if its brand is familiar, perceived favourably and trusted in the eyes of potential donors. In order to achieve this, WFP must continue to enhance its brand-marketing efforts to establish the essential characteristics of our brand and build a meaningful, long-term relationship with our donor audiences. Without significant media spend (relevant to each market), an individual's journey with a brand grows from prompted awareness of that brand and eventually ends with brand trust and loyalty:

- i) Prompted Awareness
- ii) Spontaneous Awareness
- iii) Familiarity
- iv) Favourability
- v) Trust/Brand Loyalty

(With significant media spend, the role of spontaneous and prompted may invert)

2. One way of tracking progress along this journey is to measure the public's perception of WFP and how strongly it aligns with those characteristics that are reported (by the same public) to drive donations. In 2018, the Communications, Advocacy and Marketing Division (CAM) commissioned the first extensive brand market research study for WFP in over a decade in eleven key donor markets (Australia, Canada, France, Germany, Italy, Japan, the Netherlands, the Republic of Korea, United Arab Emirates, United Kingdom, United States). This study investigated, among other things, which attributes people associated most with WFP and, crucially, which attributes are most likely to drive donations among individuals. The most important attributes for driving donations (global average among the eleven countries) are:

- Successful
- Compassionate
- Efficient
- Effective

3. It is important to note that the drivers varied significantly by country and that, whereas global initiatives should follow the findings noted above, local efforts should aim to align to the country-specific drivers.

4. The attribute for which WFP scores most highly is global reach; however, this attribute is also generally seen to be a low driver of donations. Attributes may shift from year to year, however, so high-performing attributes should be maintained rather than de-emphasized.

5. A vital delineation is that between brand narrative and fundraising narrative. For example: As we see from the research, the donor public wants a brand to be considered "successful" in their work. Therefore, our brand-building communications should emphasize the successes WFP has had in combatting hunger and malnutrition in various parts of the world and our life-saving response during emergencies. The heroic efforts of our staff and resilience and perseverance of those we serve also work towards this objective. This alignment with important

brand attributes/donation drivers eventually builds trust in our brand and further enables our fundraising narratives to present an urgent need to trigger donations.

Market comparison for growing income, partnerships and the WFP brand

6. The market leaders in terms of private sector fundraising income, such as the United Nations Children's Fund (UNICEF) and the Red Cross, have very high scores in the areas of brand awareness, favourability and intention to donate. However, they have been active in the field of private sector partnerships and fundraising for many decades, and do not provide a relevant comparison for WFP in the short- to medium-term.
7. In the last ten years, the Office of the United Nations High Commissioner for Refugees (UNHCR) has grown its private sector income from USD 34 million in 2007 to USD 400 million in 2017. This has been achieved through the financial support of two million individuals, most of whom give regular donations, and of companies, foundations and philanthropists partnering with UNHCR. The experience, timing, and strategies of UNHCR is relevant and instructive for WFP. In 2018, WFP starts from a not dissimilar position in terms of private sector income, generating USD 85 million in 2018 (of which less than USD 20 million was from individuals).
8. The developing WFP Private Sector Partnerships and Fundraising Strategy 2020–2025 is projecting to increase income from individuals to over USD 170m (from nearly 900,00 supporters) and see modest income growth from corporates and foundations. Over the five-year period of the strategy, it is likely that WFP will achieve growth on par with UNHCR. By 2025, WFP aims to be raising in excess of USD 200 million annually from the private sector, the bulk of which will come from individual supporters.
9. To support the development of private sector partnerships and fundraising, UNHCR focused on the development of strong and engaging content as well as enhancing their digital capacity. They also benefitted from a very high-profile and engaged Goodwill Ambassador. Lastly, UNHCR benefitted from the increased media focus on the issue of refugees. It should be noted that UNHCR's growth in income and partnerships had already been significant before the refugee crisis began dominating media headlines in 2015. Per confidential discussions with peers, UNHCR only invested in paid media which would generate a fundraising return. They have seen success by balancing the value and impact of owned, paid and earned media on building long-term donor relationships and corporate partnerships.

Conclusion

10. WFP's Private Sector Partnerships and Fundraising Strategy (2020–2025) recognizes that increasing the value of the organization's engagement with the private sector, both in financial terms and through knowledge exchange, is vital to meeting the needs of those furthest behind and to making progress in achieving SDG 2: Zero Hunger. The interdependent, cyclical relationship between fundraising performance and spontaneous brand awareness also supports the development of a strong WFP brand. There are a number of specific areas of high-impact collaboration which will drive stronger partnerships and more income. These include:
 - as part of aiming for a best-in-class supporter experience, developing a dynamic approach to content creation and dissemination to inspire individuals worldwide to learn more, get involved in supporting WFP's cause and mission, and inspire their friends and family; and
 - the brand market research conducted by the CAM Division clearly showed that individuals in key markets believe that world hunger is an urgent and important issue, but that their lack of belief that world hunger is "solvable" may be a barrier to engagement. By creating and endorsing locally and globally focused advocacy activities, WFP will highlight its role in ending hunger around the world (and narratively demonstrate "solvability") while encouraging people to take action in various ways with the goal of achieving Zero Hunger.

11. To ensure that the mutually beneficial efforts of fundraising and brand-building described above materialize, the CAM Division and the Private Sector Partnerships Division will work together on these and other activities over the proposed strategy period, building and utilizing WFP's brand to help create the best possible conditions for fundraising from the private sector.

Acronyms used in the document

AED	Assistant Executive Director
BCG	Boston Consulting Group
CAM	Communications, Advocacy and Marketing Division
DD	due diligence
IRC	International Rescue Committee
ISC	indirect support costs
PGP	Private Sector Partnerships Division
PSA	Programme Support and Administrative (budget)
ROAS	return on advertising spend
ROI	returns on investment
STM	ShareTheMeal app
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund