INVESTING FOR SUSTAINABLE GROWTH

A 5 Year retrospective from Restless Development's Youth Consortium

December 2016

FOREWORD

In 2010, Restless Development led a consortium with War Child UK and Youth Business International (YBI) to build a Programme Partnership Arrangement (PPA) offer that would go beyond directly impacting lives to playing a strategic role for youth in the international development sector. The Consortium placed that same strategic ambition at the heart of everything we did: in our plans, in our proposals, in our theories of change, and even in the way that we structured our agencies. Once awarded the PPA by the UK government's Department for International Development (DFID) in 2010, the Consortium set about realising the ambition through a Consortium Working Group and Steering Committee to jointly plan, manage and report on the ambitious milestones.

The Consortium's ambition back in 2010 was remarkable. We went beyond achieving programmatic impact targets each year. We also committed to DFID that we would increase capacity across the Consortium. We committed to providing expertise, ideas and access to networks to DFID in youth development, acting as their go-to expert. We committed to building the profile and positioning of both the Consortium and DFID to better influence and change the development landscape globally. We committed also to using the PPA and Consortium to grow each of the three agencies to become more financially sustainable ad robust than they began. It is on the outcomes of this last ambition that this learning study focuses in particular.

The outcomes were extraordinary. Both as a Consortium and as individual agencies, we met or surpassed every target we had set ourselves. Many of the numbers contained within this study and our annual reports to DFID reflect just that. Our Consortium's annual income more went from £10.2 million pre-PPA to a post-PPA budget of £40.8 million for 2017. But the extraordinary story and outcome of the strategic investment in the Consortium goes far beyond the income figures, and includes success in diversifying funding, in leveraging additional resources, in investing strategically, and in testing, piloting, innovating and taking smart fundraising risks. Perhaps most importantly, the PPA enabled the Consortium agencies to reach a scale (as medium sized agencies) that became significant to investors. As a result, the Consortium was able to demonstrate the power of youth development at scale, influence new partners and donors to invest in youth, and join forces with like-minded strategic donors to scale up global investment in youth as a solution to some of the world's most pressing problems.

This learning study should be vital reading for the sector. Donors and development agencies alike are rightly thinking about the additionality of collaboration, connection and consortium working. At a time when DFID itself is due to launch a newly designed UK Aid Connect funding scheme that will test new models for innovation, this learning study outlines one important experience, pointing the way to lessons and funding principles that may help future organisations working in collaboration invest wisely.

We hope you will find it useful.

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Sierra Leone, Youth Entrepreneurship Programme

INTRODUCTION

In 2010, the Restless Development Youth Consortium (the Consortium) signed a Programme Partnership Arrangement (PPA) with the UK Department for International Development (DFID). Consisting of three very different organisations – Restless Development, War Child and Youth Business International (YBI) – the Consortium has over five years joined up to deliver impact at scale: delivering credible, effective, grassroots programmes; generating evidence for youth leadership in development; building alliances and connections across the youth sector; and building commitment for youth development. By the end of the five year period, the Consortium was delivering change for 1,385,000 young people in 47 countries around the world.

Through the PPA, the Consortium decided to invest strategically in delivering against programme targets, in establishing the Consortium as global "banner carriers" for youth-led development, and in radical innovation. Crucially, the Consortium also decided to invest in the systems and operational capacity that would, over the course of the five years, increase the institutional effectiveness and sustainability of all three agencies.

A central component of this investment in sustainability was to strengthen each agency's capacity to secure new funds from a diverse range of sources. Wider sector trends suggest that many small and medium size international development organisations faced considerable funding challenges over the past five years: a recent report, for example, noted that "distribution of income across the Bond [British Overseas Network for Development] membership was highly uneven – with lacklustre growth in all segments apart from the largest organisations"[1]. Against this trend, the Consortium experienced remarkable growth and success with income diversification over the course of the five years. The Consortium's combined annual income grew from £10.2 million pre-PPA in 2009/10 to £13.3million in year one, £28m by year five and a post-PPA combined budget of £40.8m in 2017.

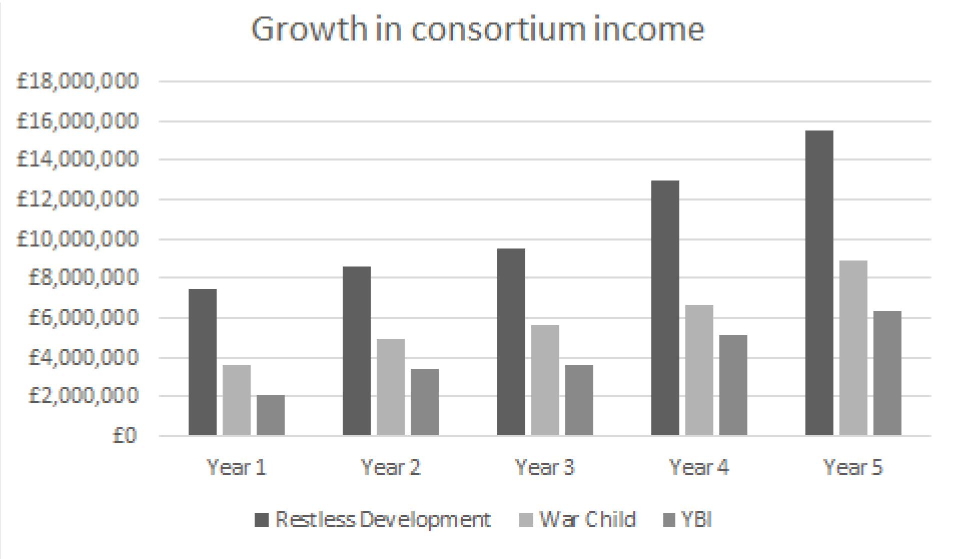


Figure 1: Growth in overall income of the Consortium

Beyond the numbers, the PPA enabled the work of the Consortium agencies to reach a scale that became significant to investors grappling with questions of whether and how to take youth development to scale. The Consortium was able to demonstrate the power of youth development at scale and through its increasing convening power was able to influence new partners and donors to invest in youth. Ultimately, this led to the Consortium joining forces with like-minded donors to scale up strategic global investment in youth as a solution to some of the world's most pressing problems.

Each agency found themselves with very different aims on how to strategically diversify and grow funding. Restless Development sought to increase unrestricted income, diversify its donor base and to raise at least 50% of its funding through donors based in the countries it works. War Child sought to build upon its 40% unrestricted income base and secure long-term sustainable partnerships. YBI aimed to create multi-country long-term partnerships with multinational companies and key international institutions. Yet, all three agencies not only grew but achieved funding diversification in line with their strategic aims over the course of the PPA.

[1]BOND (2016). Financial trends for UK-based INGOs, p. 38. Published on the BOND website here: https://www.bond.org.uk/sites/default/files/resource-documents/financial-trends-uk-ingos-0416.pdf.

This learning study outlines the key factors and strategic fundraising decisions across the Consortium that enabled it to grow and diversify its income. It highlights four lessons from decisions taken across all three Consortium agencies, illustrates these themes through practical spotlights on each agency, and suggests learning questions to help other agencies to make good strategic decisions.

DECISION 1:
TO STRATEGICALLY INVEST IN FUNDRAISING CAPACITY

Across the Consortium, each agency made the early decision to invest strategically in building fundraising capacity. Rather than simply 'spending' PPA funding on fundraising staff and overheads, each agency took the decision that the initial three-year length of the PPA was a long enough window in which they could invest strategically and build a fundraising platform. In turn, this generated the funding and partnerships that would, over the longer term, guarantee sustainability, without needing to focus on immediate short-term gains every year. All three agencies found that as a result this investment contributed significantly to fundraising successes, to growth, and to diversification.

Success looked very different for each agency:

RESTLESS DEVELOPMENT

Invested in fundraising capacity that would target in-country donors across the countries in Africa and Asia which it works. The International Investment & Partnerships team created a strategy with a strategic funding focus from institutional donors, and were able to rapidly expand their trust and foundations portfolio and focus on unrestricted funding sources. The investment generated impressive results: The agency now raises 60% of income from in-country donor; secures over £1 million a year from trusts and foundations with a return on investment of 1:27, and an unrestricted income of under £200,000 in 2013/2014 has now doubled to £425,000 in 2015/2016.

WAR CHILD

Invested substantially in fundraising capacity, spending the equivalent of between 25% and 29% of its PPA funding every year between 2011 and 2016. The consistency of this approach towards regular investment in fundraising capacity allowed War Child to restructure the fundraising team in order to generate new business. It also allowed the organisation to pilot new fundraising ideas, and over time to better understand where it could be more efficient in its operations. Together, these steps ultimately enhanced the effectiveness of its fundraising function and strengthened the organisation's fundraising base, with an expansion in its donor pools and with a particular prioritisation of unrestricted income over the past five years.

YOUTH BUSINESS INTERNATIONAL

Youth Business International: YBI operates as a network of member organisations around the world, therefore its funding model needed to address the needs of both its own network team and the network members. With the overall goal of enabling the strategic growth of both the YBI member network and the linked work of its own Network Team, YBI placed significant emphasis on diversifying its funding sources, ensuring that restricted grants or partnerships would be complemented by strong unrestricted income. Over the course of the PPA, additional institutional investment in fundraising capacity allowed YBI to unlock new or renewed partnerships with Accenture, Citi Bank, EY, Hogan Lovell's, the Inter-American Development Bank, and BG Group (a subsidiary of Royal Dutch Shell).

Despite the differences in member agencies fundraising models and approaches, the Consortium identified a set of underpinning questions used to guide their investment decisions:

1. Are you in a position to invest strategically in your fundraising capacity?
2. What are your priorities for investing in your fundraising capacity? How does it link with your business model or business plan?
3. Are you getting the right balance between investment in the team and investment in the infrastructure and systems to support them?
4. How is this going to drive growth and sustainability after your initial investment runs out? Are you sure the investment is building for the long-term, rather than just propping up overheads?

CASE STUDY SPOTLIGHT:

HOW WAR CHILD INVESTED IN ITS PUBLIC FUNDRAISING CAPACITY

In June 2012, War Child launched its first public fundraising campaign. The campaign was geared at raising funds to respond to the escalating humanitarian emergency in Syria. The appeal was successful, and led to a strategic decision to invest in War Child's public fundraising capacity, and especially in its Individual Giving and Direct Marketing functions. Alongside securing additional income, the objective was to grow the organisation's database of regular, monthly donors.

Below, Figure 1 shows how War Child was able to scale up different components of its capacity between 2011 and 2015. Over the last 4 years, War Child has scaled up its resourcing:

Individual Giving	
2011	**2015**
Individual Giving is a reactive income stream, managed by a volunteer.	The team has grown to three, with expertise in direct marketing, customer relationship management and supporter care.
There is no outbound marketing activity to grow War Child's database of individual donors.	Investment in acquisition channels has grown over three years the number of regular donors to 4,000.
War Child's CRM system is managed by a volunteer.	Investment has resulted in a new customer relationship management (CRM) system, Salesforce, which is fully resourced with specialist system development support
Communications and the reporting to donors of impact is fairly limited	War Child moves towards a full calendar of communications for acquisition, retention, upgrade and reactivation of donors

Figure 2: War Child Individual Giving Capacity Contrasting 2011 with 2015

Challenge and Community Fundraising	
2011	**2015**
Challenge and Community Fundraising enquiries are managed by a volunteer.	The team has dedicated Challenge and Community fundraising expertise and provision for supporter care.
War Child is making small investments into some national events.	The organisation is able to scale up its presence at sportives such as the London Marathon, RideLondon and Royal Parks Half Marathon.
There are a limited number of fundraisers.	War Child now has a database of over 500 challenge and community fundraisers.
There is limited capacity to make the most of fundraising opportunities with community groups.	The organisation can now maintain a cocus on building strategic relationships with universities and schools.

Figure 3: War Child's public fundraising capacity, contrasting 2011 with 2015

DECISION 2:

WE DECIDED TO TEST, PILOT, INNOVATE AND TAKE FUNDRAISING RISKS

With restricted income, taking risks and innovating can be difficult, and even with unrestricted income can feel uncomfortable. The long term, flexible funding provided by the PPA enabled the three Consortium agencies to develop a greater appetite for risk and innovation in the way that they raised funds and built partnerships. Each agency invested in innovation and high risk areas in a variety of ways – with different and often unintended outcomes. As well as successes, the Consortium also recognised that investing in innovation meant being ready to accept failure and learn from it. Cumulatively, the ability to innovate and take smart risks helped the three Consortium agencies diversify their funding and build new partnerships.

RESTLESS DEVELOPMENT

Decided to carry out a number of tests within its unrestricted fundraising work. This included running a campaign that used inserts in mass media for the first time, testing both two different types of messaging and ask levels with potential individual donors. It included investing in digital fundraising and in developing links with schools that proved to be highly successful. Finally, as Restless Development sought to build key long-term relationships with the kind of institutional, bilateral, multilateral and private donors that might provide the next long-term strategic funding relationship, the agency was able to make an early decision to 'play the long game' and invest over a number of years in building these strategic relationships. Because of the platform provided by PPA funding, the agency was able to accept and take the risks that these relationships, which could take months and even years to cultivate, and might not all turn into strong partnerships.

WAR CHILD

Has long prized creativity and innovation in its work, from the way in which the organisation helps local communities with an understanding of context, right through to finding new ways to raise the funds and resources to scale up child protection and education work. In February 2013, War Child was awarded a Special Recognition Brit Award for its creativity and innovation over 20 years. The Award celebrated War Child's partnership with the music industry to raise millions of pounds and help transform the lives of over 800,000 children. At the heart of this innovative partnership with the music industry lay a meaningful engagement with the strengths and values of music – including for example the use of music therapy in post-conflict zones – that went beyond fundraising alone. The flexibility provided by PPA funding in turn allowed War Child over the five year period to take this partnership with the music industry to the next level and continue to invest in a matured but highly successful innovation area for the organisation.

YOUTH BUSINESS INTERNATIONAL

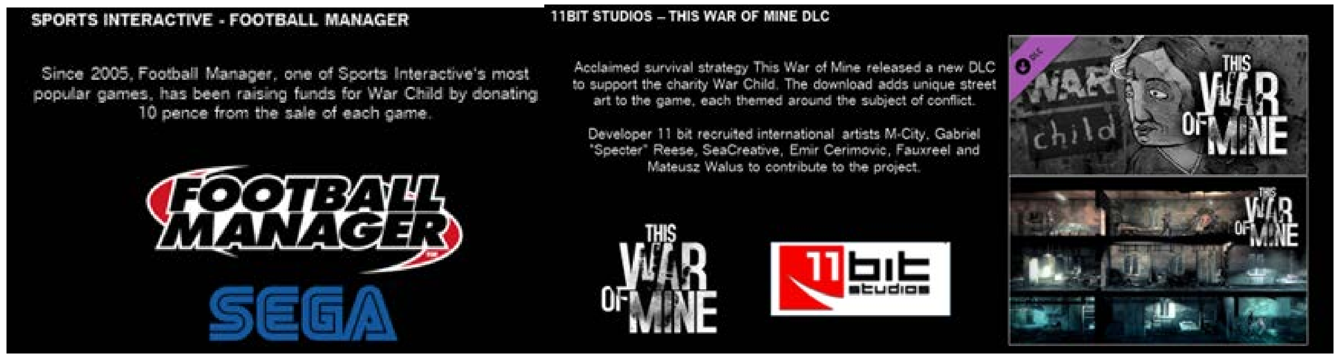
was encouraged to take a more flexible and adaptive approach to the way it managed fundraising by the strategic funding provided through the PPA. has been able to successfully restructure the way that it manages its major partnerships through a centralised partnership management team, with a dedicated Partnership Programmes Manager acting as a focal point for both donor and member. This has given the team a stronger overview of multi-country donor programmes and ensured that the team can better support members in the way that they implement and monitor their programmes at country level, coordinate the technical inputs of the Network team effectively, better manage risks at a programme level, and better manage the partnership with the donor.

Despite the differences in member agencies' approach and choice of which areas to test, pilot, innovate and take fundraising risks, the Consortium identified a set of underpinning questions used to guide their decisions:

1. Are you in a position to invest strategically in innovation and risk?
2. Which innovation and risk areas do you want to invest in? Are the opportunities and benefits sufficient if it succeeds?
3. Are you prepared and comfortable with the possibility you might fail? If you do, can you absorb the costs and make sure you learn lessons from it?
4. As an organisation, how are you set up to react and respond to big opportunities? How can you set up your organisation culturally and structurally to make the most of opportunities when they arise?

CASE STUDY SPOTLIGHT:

HOW WAR CHILD INNOVATED WITH GAMING



War Child's relationships within the gaming sector have involved working with some of the biggest names in the industry, from Wargaming.net to Football Manager. Through creative, forward-thinking fundraising activities, studios and gamers have raised over £1.5 million for children affected by conflict around the world. But as well as raising vital life-changing funds, it also gave War Child a voice with a large audience of socially conscious gamers.

Over the past five years, powered by PPA funding and the strategic decision to invest in a leading innovation area, the importance of gaming at War Child has grown. The organisation has now taken gaming to the field, using new technology to teach children who would otherwise be missing out on life-saving education. The organisation's new Can't Wait To Learn project uses applied gaming on tablets to supplement traditional education models that children struggle to access in conflict affected areas. Gaming and technology are now vital routes for War Child to reach even more children.

DECISION 3:

TO TAKE A LONG TERM APPROACH TO PARTNERSHIP DEVELOPMENT

Across the Consortium, each agency recognised the importance of using the flexibility offered by the strategic funding of the PPA to build long term funding relationships and partnerships. This was based on a recognition that often these could take months or even years to mature, and that the route into building longer term partnerships might often begin with shared programming, influence, or a technical offer of assistance. It was also based on a recognition that longer term cultivation periods would allow for developing trust and shared goals, and could often ultimately lead to deep, strong, long term partnerships, rather than short term transactional ones. The experience was different in each agency and together covered a range of funding streams, but in all cases contributed to long term sustainability.

RESTLESS DEVELOPMENT

Decided to create a new workstream made up of directors based in the UK and USA, led by a newly created role of Director of Prospects & Opportunities. The focus was placed on working with partners who had the potential to invest strategically in Restless Development with core funding. From the outset, this investment was based on an assumption that it might take anywhere between 18 and 24 months to see any return on investment. The agency's ability to make such a long term decision was rooted in a growing confidence to plan strategically for the longer term, and driven ultimately by the flexibility afforded by strategic PPA funding. The agency also invested in a new Major Donor income stream on a similar basis – that it might take 18-24 months from first meeting a prospective donor to actually receiving a gift. The success of these longer term approaches have built a strong understanding that long term cultivation is more important than a 'quick win'. Indeed, income from Major Donors has tripled in the last two years.

WAR CHILD

Decided to take a long term approach to a number of relationships with partners. For example, Aviate Global. War Child's fundraising team were able to carry out 'trading days' in their international offices, which raised over £600,000, allowing War Child to make further strategic investment in other areas of fundraising, including major gala events and the growing individual giving programme. In turn, these led to increased income in War Child's major donor and individual giving income streams, and served as an important example of how taking a long term approach to relationship-building at an early stage could, with smart decision-making, eventually result in amplifying or multiplying the original investment.

YOUTH BUSINESS INTERNATIONAL

YBI created and recruited a Partnership Programmes Team to enable their decision to invest in a longer term approach to partnership management for its network and members. This led to significant improvements in partnership and programme management, and maintained YBIs strong reputation with its existing donors. By building long-term relationships over the course of the PPA, YBI set itself up for a future of sustainable partnerships rather than short-term projects.

Despite the differences in member agencies' choice of funding stream to focus upon, the Consortium identified a set of underpinning questions used to guide their long term sustainability strategies:

1. Are you in a position to think long term about your fundraising and partnerships?
2. What does 'long term' mean to your organisation? How far ahead do you look?
3. How can you set up the different layers of your management and governance to think in the right time frames? Are your Board and senior management set up to play the long game, and are your teams set up to deliver it?
4. How can you build in checks and milestones into your longer term plans to make sure you keep on track? Is everyone clear on what success (and failure) look like?

CASE STUDY SPOTLIGHT:

HOW YOUTH BUSINESS INTERNATIONAL TOOK A LONG TERM APPROACH TO ITS RELATIONSHIP WITH ACCENTURE

Accenture is a long-standing supporter of Youth Business International. In April 2015, Accenture Global Giving renewed their commitment to the global YBI Network, the London-based Network Team and young entrepreneurs by awarding a three-year US$5million Global Grant (the fourth YBI-Accenture Grant). This funding is enabling YBI to equip circa 50,000 young people with the skills and support they need to start and grow a business. In addition, Accenture support will enable the establishment and strengthening of 10,000 start-ups and create an estimated 16,000 jobs.

The partnership with Accenture is part of a wider approach at YBI to building new long-term partnerships. First, the PPT and the resources they draw upon with the broader organisation are key to ensuring that YBI delivers in line with commitments on existing partnerships. Potential future funding from current donors is dependent on performance and also impacts on YBI's wider credibility in the donor space. By building and strengthening long-term relationships with our donors, YBI aims to create a future of sustainable partnerships rather than one off short-term projects.

In order that both Network Team and Member strategic growth is enabled, diversification has been an essential part of YBI's funding strategy (Restricted vs Unrestricted). YBI's current funders include Accenture, Citi Bank, Ernst & Young, Hogan Lovell's, Inter-American Development Bank, and BG Group (a subsidiary of Royal Dutch Shell). These are all partnerships which have been secured by the institutional investment provided by PPA funding. To this end, YBI has recently expanded its resource raising function from two to five people to deliver its 2016+ resource raising strategy and ensure long term sustainability, particularly relating to unrestricted funding.

YBI works closely with its network members to mobilise funding at the regional and country level, and takes a long-term approach based on the understanding that raising funds with, on behalf of and for our network strengthens the entire network more broadly.

DECISION 4:

TO SPEND CAREFULLY AND STRATEGICALLY

Across the Consortium, each agency understood the importance of building an operational business model that would maximise resources, encouraging them to be spent in the right way.

The Consortium prioritised a strong approach to Value for Money, aiming to maximise the economy, efficiency, effectiveness and equity (following the DFID's "4 Es" framework) in everything that the three agencies did. According to an external end of term evaluation, the Consortium delivered substantial Value for Money for each agency and good Value for Money for DFID (and in YBI's case for its network members).

The Consortium was also able to make strategic decisions about where to invest and spend carefully because of mechanisms that existed at the Consortium level. Through a Steering Committee (composed of each agency's CEO) and a Working Group, Consortium CEOs and senior leadership were able to share business thinking with each other and encourage each other to reach new heights through mutual accountability. The Consortium also decided together how to invest a subset of the PPA funding allocated to joint working, and could work together to identify innovative areas where the Consortium could add value to the sector.

Within the Consortium, each agency also took different approaches to investing in their own organisation to drive growth and innovation. From 2013 onwards, for example, Restless Development decided to invest significantly in its emerging Policy and Practice function in order to bring young people's voices into the design, monitoring and implementation of the new Sustainable Development Goals. Between 2013 and 2016, as well as achieving significant impact through the work itself, the investment generated its own organisational return with a remarkable increase in the agency's profile, influence and reputation. In 2014 and 2015, meanwhile, Youth Business International decided to invest in their Monitoring, Evaluation and Learning team (which had first emerged as a function in 2013). By developing core tools, upskilling the team through professional development, building effective day-to-day Monitoring Evaluation and Learning (MEL) systems, and developing rigorous Key Performance Indicators, YBI were able to enhance the effectiveness of their work with beneficiaries and partners. Crucially, they were then also able to better demonstrate their impact and effectiveness to donors and partners, contributing to their long term credibility and ability to secure future income.

1. The Consortium identified a set of underpinning questions used to guide their investment decisions: What is your financial model for investing strategically to drive growth and innovation?
2. How can you use funding to generate more funding?
3. Do you know your return on investment per income stream and priority areas for investment?
4. How can you reduce unnecessary expenditure?
5. Do your staff and Board know and understand what your business model is, and is it informing all your decision-making?

CASE STUDY SPOTLIGHT:
HOW RESTLESS DEVELOPMENT'S WATERWORKS MODEL ENABLED THE AGENCY TO INVEST IN THE RIGHT AREAS

Restless Development set four strategic aims for the PPA that would define its strategic ambition over and above meeting logframe outputs and impact targets. One of these was to increase the growth and sustainability of the agency and its partners.

To do this, Restless Development developed a model called the "Waterworks". The simple premise is that default financial flows naturally mis-use unrestricted funding to cover core costs and budget shortfalls - leading to funds being used and then lost. The waterworks reverses the logic - forcing the use of unrestricted funds to be constantly replaced by new institutional investments, and lifting unrestricted costs back in to the financial model for strategic use. This includes investing in strategic growth investment, or in innovative, higher risk initiatives, that in turn attract further investment.

Over the past six years the success was most apparent in unrestricted funding a) being used to innovate and catalyse new investors, b) reducing inefficiencies within country programme and international budgets which in turn reduced their dependence on unrestricted funding, c) investment in building new partners for increasing investors in the initial plan.

This Waterworks Model featured in training and inductions for directors and finance managers across the agency receiving. It informs annual planning and budgeting cycles, and has been attributed to a clear correlation between this and the 6 years of increasing targets being met each year in the PPA results as well as driving much of the agency's success at diversifying and growing funding. Countries have met increasing Waterworks targets that have led to a designated reserve for strategic initiatives in the following year.

Uganda, Young Entrepreneurs Programme

CONCLUSION

This learning study has shared a number of practical examples of how, as a Consortium, three very different agencies – Restless Development, War Child UK, and Youth Business International – used strategic funding under the DFID PPA as a platform for ambitious growth and income diversification.

Using this flexibility, the agencies each decided to:

- invest strategically in their fundraising capacity
- test, pilot, innovate and take fundraising risks
- take a long-term approach
- spend carefully and strategically

This study suggests at least a few initial conclusions from this shared experience:

1. The existence of strategic funding through DfID's PPA was central and important to almost all of the successes within this study. Although DfID's Civil Society Partnership Review recently announced an end to the Programme Partnership Arrangement, this study suggests that some of the PPA's defining attributes – flexibility, a commitment to both institutional effectiveness and sustainability, and an emphasis on collaboration and connection – could help amplify the impact of DfID funding if preserved in future funding mechanisms that are released, such as UK Aid Match, UK Aid Direct, UK Aid Connect and UK Aid Volunteers.

2. Strategic, flexible funding was critical to each of the agencies as they sought to diversify and grow their income, and this suggests that donors are able to amplify and multiply their investment by investing it strategically rather than only on a restricted project basis. The evidence presented in this study suggests that progressive donors and development agencies should continue to invest strategically in high performing agencies over long term periods, and continue to make the case for the impact that this kind of funding can have.

3. Organisations and agencies of a similar scale, as they consider how to grow and diversify their income, have much to share and learn from each other through groups such as the PPA Learning Group and Bond. However, the experience of the Consortium outlined in this study also suggests that there may be benefit in working together in even closer structures. Indeed, sharing and learning on institutional effectiveness may sometimes flourish best when it takes place within a wider framework, such as the Consortium's shared mission of youth development.