



29TH INTERNATIONAL COUNCIL MEETING

CIRCULAR 7

IMPLEMENTING ONE AMNESTY IEC PROPOSALS ON “ASSESSMENT TO DISTRIBUTION”

AMNESTY INTERNATIONAL MEMBERS ONLY

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SUMMARY

This paper on “Assessment to Distribution” is one of six major strategic papers that the IEC will be circulating in advance of the 2009 ICM. The first five papers are each linked to an ICM resolution, while the sixth will contain revised proposals following consultations with sections. The papers will be:

- Implementing “One Amnesty” – an integrated approach
- The draft Integrated Strategic Plan
- Implementing “One Amnesty” – IEC proposals on governance and democracy
- Implementing “One Amnesty” – IEC proposals on “Assessment to Distribution”
- Implementing “One Amnesty” – IEC proposals on priority-setting and planning
- Implementing “One Amnesty” – Revised IEC proposals following the CF/DF/IFM

Other papers dealing with operational matters (such as the AI Operations Review) will be issued by the Secretary General.

DISTRIBUTION

This is an internal circular which is being sent to all sections and structures.

RECOMMENDED ACTIONS

Please circulate this document to all people in your section/structure who are involved in ICM preparations.

Introduction by the IEC

This paper contains the report of the Assessment to Distribution taskforce that the IEC created in July 2008.¹ The report, which comes with the endorsement of the IEC, outlines how AI can create a new financial system which will enable us to direct our financial resources more effectively; why such a system is necessary; and what its benefits will be. It provides a historical perspective, describes how the proposed new system will work, and identifies changes in AI's decisionmaking and financial systems that will be necessary to make it a success.

Background

The work on "assessment to distribution" reported here goes back at least four years. Following the 2005 ICM, the IEC started to review how AI moves money around the movement. The 2007 ICM gave added impetus to this work through Decisions 21 and 22, and the development of the ISP for 2010-2016 has made it clear that we need new systems for income distribution so that AI can invest in those issues and in those places that are our priorities.

The IEC taskforce has focussed on three main tasks: developing a *financial strategy* to complement the 2010-2016 ISP; recommending how the movement's *technical capacity* to make informed decisions about finance and to implement them can be strengthened; and proposing changes to AI's *organizational architecture and mechanisms* to make it possible for us to implement our decisions on finance in an effective way.

The proposals in this report will enable AI, for the first time, to know how it raises and spends its income and what outcomes it achieves from this spending. They will also enable AI to direct spending more precisely, and to use target-setting to improve its financial efficiency.

Historical trends and lessons

Historical data suggests that charitable giving tends to hold up well during difficult economic times, especially when it is based on large numbers of small donors. There is no correlation between economic downturns and downturns in giving, so the current global financial crisis does not automatically imply a crisis for AI income. AI must, however, prepare to compete for funds with a growing number of other NGOs, and must have contingency plans for falls in income. It is likely that we will face reduced income at the start of the next ISP, but the longer-term picture is more positive, especially if we refine our fundraising strategies and techniques using internal and external benchmarking as a guide.

Scenario-based financial strategies

Looking to the future, the taskforce recommends a dynamic financial strategy that prepares AI for a range of financial futures. The report presents three different scenarios (aspirational, moderate, and negative) and describes how AI could respond to each of them. The taskforce proposes that AI should proceed on the assumption that it can achieve results in the moderate to aspirational range.

Global and national targets

The taskforce recommends that AI build on its commitment to standard financial, action, and planning reports by developing both global and national income targets,

¹ See Taskforce on "Assessment to Distribution": *terms of reference and call for nominations* (6 June 2008, FIN 10/003/2008); the taskforce was appointed at the July IEC meeting.

and closely monitoring performance against these targets. Doing this will give AI the “intelligence” to respond to changing financial conditions in a joined-up way.

The taskforce believes that AI should target the following:

- investment to strengthen fundraising in our existing income-generating “markets” – there is a lot of unfulfilled potential in these;
- investment in new income-generating “markets,” i.e., places in which AI has minimal or no presence at present, where AI’s human rights work has a high profile, and where there is proven fundraising potential. Both Brazil and India offer significant opportunities.
- release funds to support strategic growth, which will itself lead to more income in due course.

The taskforce also believes that cost-structure targets should be developed for all AI entities. This will enable us to manage our performance and report publicly on how we spend our money.

A new distribution of AI funds

The taskforce proposes that all income raised by AI entities should be treated as belonging to the movement, and this notional total should be split into two categories: X% is the income allocated to self-sufficient sections, and Y% is the income allocated to all AI entities, where $X\% + Y\% = 100\%$.

In effect, the current assessment system allocates about 75% of AI’s income to national sections and 25% to the international budget. The taskforce proposes an expanded role for the international budget so that in addition to funding AI’s international entities (such as the International Secretariat) and the International Mobilization Trust, it will also fund:

- international functions carried out by national AI sections (in their role as centres of expertise) on behalf of the international movement.
- strategic additional investment in national AI sections to assist with, for example, fundraising where there is untapped potential within a country.
- investment in new income-generating “markets,” as described above.

Funding such activities from the internationally agreed financial envelope will enable AI to use its funds more strategically than in the past, and will start to create a distribution system that moves money around AI to where it is most needed (based on agreed priorities), irrespective of whether its destination is a national or international AI entity.

Integrated decisionmaking

The proposed changes can only work if the movement evolves a system of decisionmaking that effectively links national entities and global governance. We will need to develop a movement-wide operational planning and budgeting cycle that is much more tightly integrated than our present systems. Existing systems will need to be supplemented by a distribution taskforce to provide high-level advice.

Summary of recommendations

In summary, the Taskforce makes ten main recommendations:

1. AI’s approach to finance should be flexible enough to cope with a range of possible financial futures. This requires scenario-planning coupled with target-setting and a new system of decisionmaking.
2. National and international financial performance should be regularly reviewed against the agreed targets.

3. 10 million Euros should be released from AI's cash reserves to fund strategic growth.
4. A new global financial envelope should structure the distribution of all of AI's income. The overall envelope and its components need to be reviewed regularly so that priorities and funds can be adjusted as required.
5. The current assessment formula should be replaced by a much simpler system.
6. The split between the proportion of the movement's income spent by self-sufficient sections and by the international budget should gradually move from the current 75:25 ratio to 70:30 by the end of the second year of the next ISP.
7. Provided that regular checking confirms it is prudent to do so, the ratio should gradually be shifted towards a target figure of 50:50 by the end of the next ISP.
8. A new distribution taskforce should be created to advise on the shape of the global financial element, its component parts, and cost-structure targets for national financial envelopes.
9. A high priority must be given to completing the on-going work on developing common accounting standards across AI.
10. New decisionmaking and governance structures must ensure that national, international, and global financial roles and responsibilities are clear; that governance and executive roles are distinct; and that risk management is approached coherently across AI.

Report of the Assessment to Distribution Taskforce

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Key conclusions and recommendations

This report is the result of work undertaken by a taskforce established by the IEC to fulfil the terms of the 2007 ICM's Decision 21 (see Appendix 1). This work engages issues raised in the 2007 ICM's Circular 40 entitled "*Financial Aspects of One Amnesty*" and the 2007 ICM's Circular 33 "The State of the Movement Report". The Taskforce also gave attention to the 2007 ICM's Chairs Statement and to its Decision 1 (also attached at Appendix 2).

The report's key findings and recommendations are summarized below. However, as each is grounded in analysis of available data, we recommend that they be considered in the context of the larger report. A table which brings together this analysis and the key recommendations is provided below.

As it undertook its work, the Taskforce was also very mindful of the possibly unprecedented financial crisis that is occurring on a global scale. This crisis will have immediate, potentially significant and as yet not fully known impact on AI's income, particularly we think for our largest income generating sections. We have attempted to take this into account but we note too that the Taskforce's primary responsibility was to plan for AI's financial strategy over the horizon of the next ISP. Thus we have set our advice over a time horizon from 2010 up to 2016.

The Taskforce, having considered the work to date of the ISP Committee and taking its direction from the IEC, believes it is essential that AI embraces a financial growth agenda for the coming ISP period. The world of human rights presents us with both significant threats and challenging opportunities. None of these will be as effectively engaged unless there is a concerted effort by the movement, as "One Amnesty", to increase the financial and human resources it has at its disposal AND to deploy these with greater effectiveness and efficiency.

To recommend changes to AI's financial systems, management and strategy does not mean that the Taskforce identified grave fiscal problems in the current or previous approaches. Rather, it is a clear signal that we see significant and exciting opportunities that will only be embraced if these changes are made. These are the opportunities we can see to use the movement's financial resources to drive increased success in its human rights work and thus to deliver real change in the lives of the individuals for whom AI works.

However, we do note as well that we foresee real threats to the movement's reputation and public accountability unless the movement introduces a substantiated alignment between how AI raises funds, how we disperse and spend these and the impact that this brings to the world of human rights.

The Taskforce's advice and recommendations are grounded in this conviction that AI should protect and command significant global influence in the coming decade including in areas of the world where our presence on the ground is weak currently i.e. in the Global South. This strengthening and protection of AI's standing is critical for effective human rights advocacy. However, we are persuaded that this will not be possible unless the movement adopts a more strategic and united approach to implementation of financial strategy, to management and investment of its financial resources and to the promotion of its financial performance.

With this in mind, our advice, in summary, is as follows:

- We believe that AI is not facing an inevitable long term contraction in its income. Nevertheless, we do believe that AI must proceed cautiously, using evaluation

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techniques to guide adjustments to plans AND it must be geared up for much greater competition for public support. To do so it must achieve higher performance in its presentation of “cases for giving” that are consistent with its priorities, in its fundraising techniques, in costs-control and in the management of AI’s assets globally.

- We believe that financial growth in the coming decade is achievable. However, the movement must invest in more dynamic (and less rigid) decision-making about AI’s finances globally in order to deliver high performance in a setting with this degree of financial volatility. Setting an international financial envelope once every two years using a fixed and complicated (assessment) formula will not serve the movement’s best interests in the coming decade.
- Scenario based financial planning can help the movement deal more effectively with the challenges of balancing prudent financial management with the pressing need for AI to enhance its human rights impact. Target setting on this basis will help us all better assess our financial progress over the course of the next ISP, improve our learning about which income generation methods and practices are working and strengthen our adaptation to changed circumstances as needed.
- To support AI’s growth and strengthen AI’s sustainability, we believe that AI needs to make a significant investment in exploiting the potential of new fundraising markets. If we integrate the targeting of this investment both with our human rights interventions and our assessment of potential for growth in AI’s presence and/or local partnerships, AI can achieve real growth in its human rights impact, with this being sustained by growth in both its supporter base and its income.

We also consider that matching expenditure to the ISP’s priorities is essential. This will require not just a new assessment formula but a new distribution system that is integrated with other organizational elements. Common accounting standards, definitions and a common year-end are prerequisites both for effective delivery and for the movement to be able to meet current and likely future accountability and transparency standards. However, we also believe that there is a compelling need for a movement-wide operational planning and budgeting cycle and that the global decision making structures (as worked on by the International Committee on Strengthening Democracy and being presented by the IEC) must provide expert support for AI’s financial strategy and effective financial management.

An overview of the implications that our analysis holds for the next ISP is presented in the table that follows our recommendations:

Recommendation 1

AI should adopt a dynamic (contingency) approach to its financial strategy - an approach that will prepare AI for a range of possible financial futures. The key elements of this approach would be:

- Global income scenarios supported by local/national scenario planning;
- Targets for global income, global distribution and global cost, which would be segmented at the national level in accordance with national conditions and would be reviewed regularly, nationally and globally, against agreed benchmarks;
- A system of global and national decision-making for the above two elements and also to adjust target income and costs based on performance assessment.

Recommendation 2

Operational objectives should be set for global and national financial performance and reviewed regularly at the national and global levels against agreed targets and benchmarks. These objectives should be set globally but then segmented at the national level in accordance with national conditions.

Recommendation 3

€10m should be released from AI's cash reserves at the beginning of the next ISP and invested in strategic growth initiatives. We believe that investing these resources wisely, coupled with excellent programme impact, is the key to movement growth.

Recommendation 4

Distribution of AI's income should be structured through a global financial envelope that is made up of envelopes for the national level, the international level and the central/coordinating level. Specifically:

- These envelopes should both cover time horizons sufficient to ensure the sustainability of the movement's operations (i.e. the movement may wish to instigate a six-year financial envelope for provision of income to self-sufficient sections) and allow for periodic reviews of allocations within the ISP cycle to ensure that expenditure at all levels is in accordance with the movement's priorities (priorities that may require adjustments based on unfolding human rights events);
- The envelopes' allocations must support – not jeopardize – the movement's earning power, growing membership or human rights effectiveness;
- Changes in the proportionate distribution across these movement envelopes should be introduced incrementally.

Recommendation 5

Instead of using the current Assessment formula, a "simple percentage" of the movement's income should be allocated to those who raise that income and this percentage should be used for expenditure at the national level. The remainder should be allocated to the "new" international/central/coordinating envelopes (as per Recommendation 4).

Recommendation 6

The percentage-based sharing of the movement's income between self-sufficient sections and the new international/central/coordinating envelopes (as per Recommendation 4) should be adjusted. Specifically, by the end of Year 2 of the next ISP, 70% of the income that a section raises should be allocated to it for expenditure on its national activities, meaning that 30% (rather than the current 25%) of the movement's income would then be allocated to the new international/central/coordinating envelopes (as per Recommendation 4). A proportion of this shift in resources to the international/coordinating level would then be returned to self-sufficient sections to carry out international/global functions.

We advise that this change in these percentage allocations should take place incrementally over the course of the first two years of the ISP and in a manner that does not threaten the viability of any section or structure or other entity (including the IS).

Recommendation 7

We further advise that, provided evaluation of the impact of the first two year's adjustment in the percentage-based split of the movement's income is undertaken and provided that its results are encouraging, then incrementally and with care the percentage split should be further adjusted over the course of the next two years of the ISP.

Then after further evaluation, this incremental adjustment should increase over the course of the final two years of the next ISP so that by the end of the next ISP the percentage-based split between the income held by the national self-sufficient sections and the new international/central/coordinating envelopes (as per Recommendation 4) reaches the 50/50 percentage mark.

Recommendation 8

A distribution taskforce should be established in order to advise the Secretary-General on recommendations to the IEC (or any successor global governance body) on distribution within the movement's international and central/coordinating financial envelopes and for cost structure targets within national envelopes.

Recommendation 9

The work that is now underway to develop common accounting standards, definitions and a common financial year-end should be given high priority by the movement and be actively supported by the movement's financial experts.


Recommendation 10

Whatever the movement's new decision-making and governance structures, they and their operations must:

- Clarify national, international and global financial roles, responsibilities and accountabilities;
- Identify and separate the financial aspects of governance and of the executive;
- Provide for an approach to risk management that gives coherence within and across AI's entities, with the duties and responsibilities made clear and binding.

Our recommendations emerge from careful analysis and review of: the movement's financial and related operational progress to date, of the relevant opportunities and threats we see in the external world and of the duties and expectations placed upon AI's resources strategy by the very fact of the movement's important ambitions for its human rights work in the future. This underlying analysis is addressed at some length in our paper but, to assist, we have also summarized this in the following table entitled "Summary of the next ISP's proposed Financial Strategy and its implications for Systems".

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Summary of the next ISP's proposed Financial Strategy and its implications for systems		
Strategic Financial Drivers for the next ISP		Implications for financial and other systems
i. Money raised in AI's name belongs to AI as a whole and not only to the AI entity that raised it.		<ul style="list-style-type: none"> The AI movement will not achieve the greater prioritization that it seeks of its activity, unless and until it introduces a level at which the movement's income, expenditure and investment are planned together and alongside activity – as one movement.
ii. For AI's global relevance and reach to increase, <u>all</u> the movement's resources must be aligned with the ISP and more of the movement's resources must be released to support growth.		<ul style="list-style-type: none"> Setting a global financial envelope – not only an international and series of national envelopes – is essential. This should be income and expenditure based and should include a specific envelope for funding of AI's self sufficient sections.
iii. AI's (global) income should be dispersed in support of a strategic mix of effective and sustainable operations, both nationally and internationally and should build on AI's current strengths.		<ul style="list-style-type: none"> Explicit evidence-based income targets must be set and monitored (e.g. scenario based and benchmarked) so as to support high performance, create incentives for growth in existing fundraising markets where potential is evident and enable investment in new and emerging fundraising markets. The growth rate for the next ISP should be set at a minimum of 7% p.a. compound (equivalent to 50% overall over six years).
iv. As one movement, our financial accountability must be at world class level and for this to be possible, we must do more than continue to be accountable at the national level.		<ul style="list-style-type: none"> The movement should take and be held accountable for financial and related (e.g. risk related) decisions at the global level and not only at the national and international levels. However, <ul style="list-style-type: none"> Wherever possible financial decision-making should be based <u>nationally</u>, in keeping with the principle of subsidiarity; Wherever essential, financial decision-making should be taken by and for <u>the movement as one movement</u>, as befits a unified global organization; Wherever necessary for effective co-ordination, quality assurance and compliance globally, financial decision-making should be <u>centralized</u>. A coherent approach that synchronises financial decision-making and accountability across these levels is needed to strengthen accountability to the movement's mission and to its role as an international NGO. This should also help to avoid the current unhealthy competition between the movement's various levels.
v. Giving to AI must be treated as a fully valued form of human rights activism , a critical step in a person's potentially life-time support for AI. There is unrealized potential for growth if we reorient our thinking about and relationships to both our existing and potential donors.		
Priorities for strategic focus in the next ISP		
<ul style="list-style-type: none"> New methods and new markets for giving to AI offer real possibilities for expansion of AI's income and in support of AI's global reach. 		
<ul style="list-style-type: none"> Strengthened cases for giving to AI must be a priority as should excellence in donor services and accountability. 		
<ul style="list-style-type: none"> Technical expertise and professional standard competence must be more firmly embedded in decision-making on AI's methods of income generation and its financial management and accountability. 		
<ul style="list-style-type: none"> The movement's operations are generating avoidable and unnecessary duplication and waste: these and other cost inefficiencies should be eliminated. 		
<ul style="list-style-type: none"> Risks for AI do not respect borders. National level and international level risk management must be aligned to ensure there is a global firewall of protection for AI's name, people, assets and sustainability. 		
<ul style="list-style-type: none"> We must get to a position where AI can tell, publicly, accurately and comprehensively, a global story about what money AI receives, about how AI spends that income, about the outcomes and impacts we deliver and we must define these in relation to AI's stated mission. 		<ul style="list-style-type: none"> To remove the current complicated deduction process, the Assessment formula should be simplified to a point where a "simple percentage" (30% by the end of Year 2 of the next ISP) is deducted from a section's gross income. This must be implemented so that the actual amount for the international and global envelopes increases without threatening sections' viability. €10m should be released from AI's cash reserves at the beginning of the next ISP to invest for strategic growth. Financial technical systems should be standardized across AI to a level that supports financial aggregation, internal and external comparative analysis. Governance and executive decision-makers must bring financial and planning competencies commensurate with their role and responsibilities.

1. Introduction

For some years AI has been aware of the need to reform the system it uses to distribute its income. In part, this reflects awareness that the movement is not able to invest sufficiently on those issues and in those places that, otherwise, are its priorities. In part, it reflects frustrations with the current complicated assessment formula which also fails to recognize non-financial contributions to the movement. However, the decision to reform the income distribution system is also responding to more intense public pressure for international NGOs, in particular, to be more accountable publicly for the connections that they forge between the income they raise and their activity and impact.

Creating an administratively simple and transparent alternative to the assessment system, that enables the movement's planning system to connect income with activity with impact, is at the heart of the distribution challenge. The International Executive Committee (IEC) asked the *Assessment To Distribution* Taskforce, which reports to the IEC through the Integrated Strategic Planning Committee, to design a new approach to income distribution by focusing on three major tasks:

- i. **The movement's financial strategy** for the period 2010 to 2016, in a form that can be incorporated into the draft of the next Integrated Strategic Plan which is to be presented to the 2009 ICM.
- ii. The building of the movement's **capacity** at a **technical level** to make informed decisions about distribution of the movement's resources.
- iii. Recommending **organizational architecture, mechanisms and underpinning principles** to enable AI to make more strategic and informed decisions about the distribution of its resources.

This document sets out the Taskforce's recommendations arising from its consideration of each of these elements.

1.1 The background to the Taskforce's work

To better understand the Taskforce's recommendations, it is worth recalling the background to the issues on which the Taskforce has been asked to provide advice.

- In 2005, the International Council Meeting (ICM) described the overall challenge as requiring a move “from assessment² to contribution” which captured the understanding that there are more than financial resources alone involved in the “assessment” of the contributions that sections/structures make to AI's success. In 2007, the ICM further clarified that the new system should enable a more strategic distribution of income and responsibilities to support critical activity that is needed to achieve the movement's priorities. This direction is set out in the 2007 ICM's Decision 21 (see Appendix 1) which also responds to issues raised in the 2007 ICM's Circular 40 entitled “*Financial Aspects of One Amnesty*” (ORG 50 030 2007) and the ICM's Circular 33 “The State of the Movement Report” (ORG 50 025 2007).
- In between the 2005 and 2007 ICMs, the International Executive Committee (IEC) also agreed that AI should be a founding signatory to the International NGO Accountability Charter. The Charter commits AI – as one movement - to the

² *Assessment* is AI's term for the annual fee contributed by national sections.

highest standards of public accountability. For AI to meet these standards it must report publicly, comprehensively and accurately how it raises and spends its income to achieve what outcomes. To a significant extent, individual AI entities give a public account of their activities and of their costs. However, none is in a position to tell the story of AI's achievements on a movement-wide scale. In the absence of common datasets and shared definitions and without an agreed data collection process, AI cannot give a comprehensive aggregate story about its work, its costs or its results.

- In the last cycle, the IEC had also established a taskforce to examine the options for a new assessment system. While good work was done, their success was hindered because they could not deal with the most challenging issue in designing a new distribution system and that is the integration of “money and activity”. However, key recommendations from the earlier taskforce were embedded in the work of the *Assessment To Distribution* Taskforce.

1.2 The context for the Taskforce's work

As the previous Taskforce found, distribution of AI's income is not “just” a financial challenge. An effective distribution system is but a key part of the larger systems for strategic and operational planning, of governance and executive decision-making and accountability, of costs control, investment and risk management. Very few “money issues” can be dealt with well if dealt with in isolation from these other dimensions.

This makes the moving from “Assessment to Distribution” a process that is interconnected with others:

- Attention to the movement's financial resources must be more deeply integrated into AI's next **Integrated Strategic Plan (ISP)**. This is not only a matter of the movement's financial growth over the coming years but also a matter of directing resources according to the priorities that will be set out by the new ISP.
- The work of the **Committee to Strengthen AI's Democracy (ICSD)**, established to review AI's processes for democratic participation in decision-making, intersects with the *Assessment to Distribution* challenge to the extent that a new approach to income distribution will require new types of decisions to be taken by existing or new AI bodies.
- The Secretary General and section directors, with input from management consultants, are **reviewing AI's Operations**. This work is developing proposals that address the operational aspects of the movement's planning and budgeting processes and brings possible implications for the operations of the movement's future income distribution system.

The Taskforce worked to ensure its own deliberations interacted with the issues emerging from these other processes and to avoid duplicating work being undertaken elsewhere.

2. The data underpinning our advice

As we write, a global financial crisis is well underway with its consequences for AI over the time horizon of the next ISP unclear. To try to understand what this crisis might mean for AI's financial strategy and systems, the Taskforce looked to history, present experience, the experience of others and to AI's future aspirations to guide our thinking.

2.1 Looking to history

AI's income is rooted in the generous support of thousands upon thousands of individuals across more than twenty countries; a fact which will serve us well as we make our way through this difficult financial period. We have looked to issues affecting individual giving in order to establish a basis for our projections and recommendations about AI's income in the coming decade. While history is not a predictor of what will happen in the future, it can be instructive. The Taskforce sees three key lessons that should be drawn from previous financial crises' impacts on giving that should be considered as we set the financial course for AI's future:

2.1.1 The ups & downs of the economy are not perfectly correlated to ups and downs in giving

Data³ on global trends in charitable giving reveal – perhaps counter intuitively – that there is not an absolute and positive correlation between economic trends and the trends in philanthropy. Giving to “good causes” tracks a different path than that taken by equities, commodities or GDPs⁴. In the “markets” where giving to AI is highest, the public “giving” curve (overall donations for all purposes) is upwards, even in times of economic turmoil.

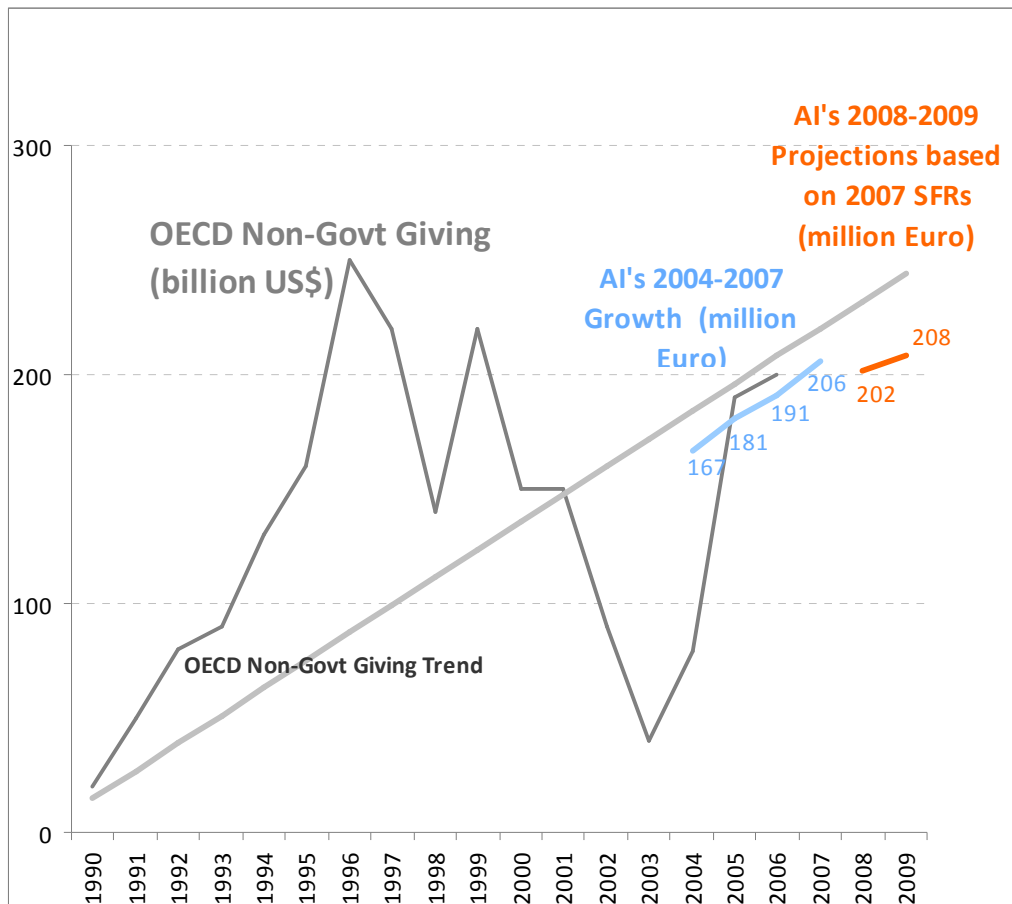


Figure 1: Trends in OECD⁵ countries' philanthropy (The line 167-206 = AI's growth; the line 202-208 = AI's projections based on 2007 data provided in SFRs)

³ "Memo: Economic conditions and philanthropy", C.D. Watson, Changing Our World Inc., March-April 2008; Center for Global Prosperity, Hudson Institute Index of Global Philanthropy 2008 (Hudson Institute, May 2008): <https://www.hudson.org/files/documents/GlobalIndex.ExecSum.Lo-Res.pdf>

⁴ Gross Domestic Product

⁵ Organization for Economic Cooperation and Development

Overall, it appears that only on two occasions in the last twenty years has overall charitable giving dropped for longer than a 12 month period: the first period, notable specifically in the USA, was the period of “Watergate” which was a political crisis. The second’s impact extended into other giving (OECD⁶ based) “markets” as well and that was the period of the immediate aftermath of what has become known as “9/11”.

At other tumultuous times, more economic in their nature, charitable “giving” has continued to grow, for example, even at times when shares lost significant value⁷, when economic recession has struck or at the time of the “dot-com” crisis⁸.

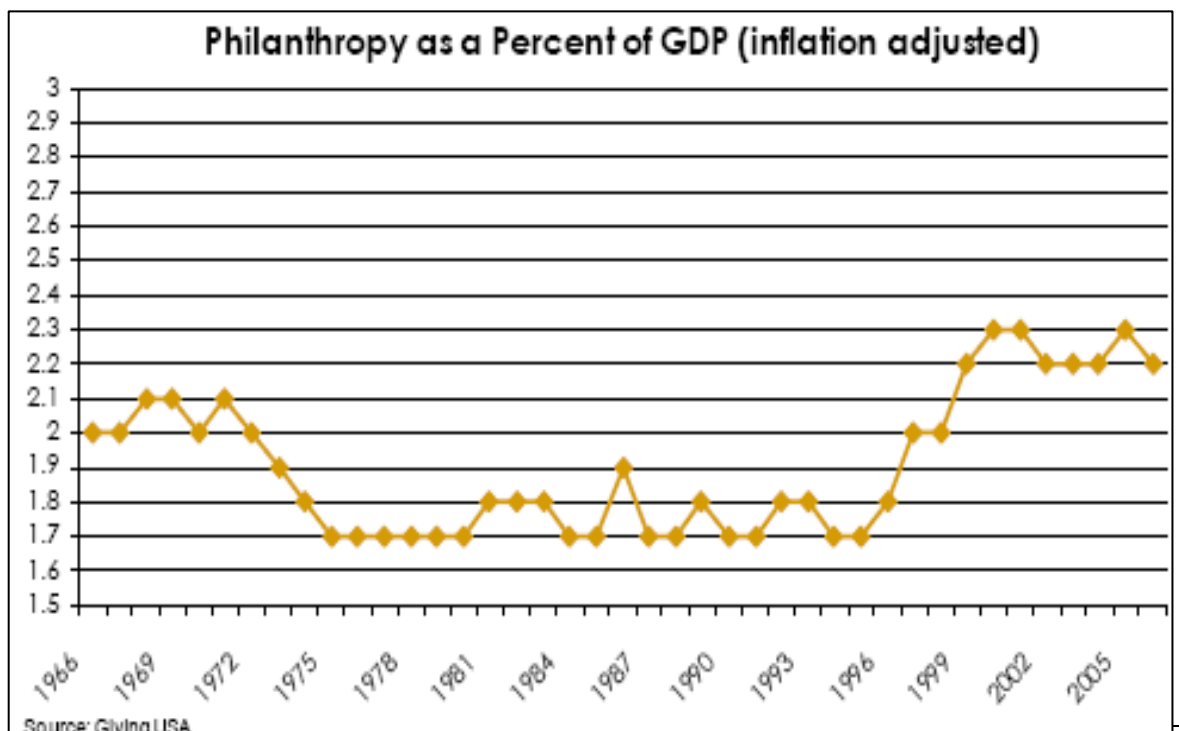


Figure 2: Trends in USA Philanthropy – Source: “Giving USA”

2.1.2 Cause-related-giving behaviour is not the same as economic behaviour

Historical trends in giving also suggest that what drives or motivates people to financial support of charitable causes is not the same as that driving or motivating their economic behaviour.

The most straight forward evidence of this is found in a fact familiar to fundraisers, which is that a person with high disposable income (i.e. income surplus to daily need) is not necessarily a more generous charitable donor. Some studies confirm that, relatively, the poor are more generous than the rich when it comes to giving to good causes⁹. In other words, it does not automatically follow that in tough economic times people will become less generous or that inevitably reduce their giving.

⁶ The Organization for Economic Cooperation & Development (OECD) has 30 member states including the majority of countries from which AI draws its income

⁷ For e.g. the so called shares and currency volatility of “Black Wednesday” of 1992

⁸ The so called dot-com bubble expanded from 1995 until its “burst” began numerically in March 2000.

⁹ “The Widow’s Might: How Charities Depend on the Poor” B. Egan, Social Market Foundation, 2001; International comparisons of charitable giving. London: Charities Aid Foundation 2006.

2.1.3 While overall charitable giving is increasing, so too are the number of causes and thus competition for the “donor” dollar

However, trends in giving also tell us that there has been a significant increase – particularly in AI’s major income generating “markets” – in the total number of causes that are asking for charitable support. In part demonstrating the success of human rights claims to the freedoms of assembly and association, not-for-profit charitable causes have multiplied in number and broadened in their range and reach.

This multiplicity of civil society actors is a cause for real celebration from a human rights standpoint. However, this same proliferation intensifies competition for public profile, attention, support and generosity.

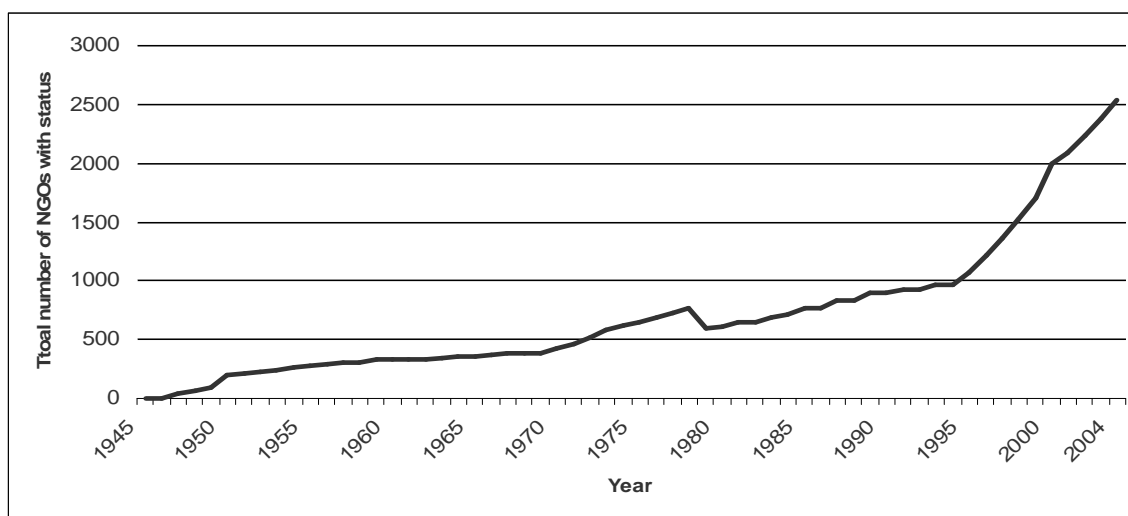


Figure 3: The number of NGOs with Consultative Status with the UN ECOSOC¹⁰

As the impact of the current financial situation takes hold, overall giving may not decline but competition for this financial support will certainly intensify.

On this basis, the Taskforce advises that in the lead up to and for the time horizon of the next ISP AI should not consider that it is facing an “inevitable” contraction in its income but nonetheless must prepare for significantly greater competition for support, by aiming for higher performance in our “cases for giving”, our fundraising techniques, costs control and assets management globally.

2.2 Considering the present

Setting aside history for a moment, we have also taken into account the volatility and deep uncertainty that the current financial crisis is generating on a global scale.

Perhaps the crisis will bring an unprecedented impact on giving and even if long term negative consequences for AI do not transpire, negative impacts on our income must be anticipated in the shorter term. We understand these more immediate impacts may be evident in three areas of AI’s financial health:

¹⁰ P. Willetts, “The Conscience of the World”, 2004; <http://www.staff.city.ac.uk/p.willetts/NGOS/NGO-GRPH.DOC>

2.2.1 Impact on donations to AI

It is a real possibility, if not a high probability, that the crisis will deliver an immediate to medium term downturn in charitable giving overall, leading directly to a significant reduction in AI's income possibly in our key "fundraising markets", for example, in the USA which is the largest single source of AI's global income.

The structure of our income (drawn largely from committed giving by individuals) will stand us in good stead during a recession but this period is also reminding us that we have very few early warning tools for anticipating negative impacts and very few tools by which to manage these challenges together.

This short term but likely decline in the movement's income growth will come exactly at the point that we had hoped to reap significant financial rewards from the investment in growth that we made in the early years of this ISP. It may mean that the income available to AI in the first years of the next ISP will be lower than we had hoped.

On the other hand, AI has established a long standing, strong pattern of income growth. Over the last decade and specifically under the current ISP, we have achieved an annual compound growth rate of more than 8%, building on steady annual increases in income over the previous decades.

2.2.2 Impact on AI's fixed and other assets

The impact of this global crisis extends, of course, beyond individual donations, bringing real and negative consequences for AI's financial holdings, particularly for sections with investments in the shares market and in property.

No doubt, the overall "market" value of these has decreased significantly. This is a timely reminder that, moving forward, the movement as a whole must factor in a stronger focus on management of its assets, investments and of risk.

2.2.3 Impact on AI's costs

It is also possible that certain of the movement's operating costs will increase directly or indirectly in the coming period. In some locations the direct costs of fuel, light, power, travel, rent and key supplier contracts, for example, have increased already, while the negative impact on the "value" of staff terms and conditions may result in calls for upward adjustments of salaries.

Overall, the impact of the present financial crisis is a story of volatility not of inevitability. We are confident that corrective measures can be taken to minimize the likely immediate drop in income, to reduce negative consequences on operations, to reduce the length of time before income increases once more and to ensure AI is delivering the very best outcomes for the resources with which is it entrusted.

In addition, experience under the current ISP has shown that introducing a movement-wide emphasis on growth can unlock otherwise untapped potential and the Taskforce believes that this potential is yet to be exhausted.

With conviction and care, with continued investment in the required technical competencies supported by strong "cases for giving" that are communicated compellingly, AI can excel in the generation of financial support for human rights. Simply put, financial growth in the coming decade is still achievable. However, the movement must invest in more dynamic (less rigid) financial decision-making about

AI's finances globally in order to deliver high performance in the setting of this degree of financial volatility.

2.3 Drawing lessons from others

We believe AI can derive real benefit from giving more attention to the fundraising experience of others, internally and externally.

External benchmarking of our income strategies with those of other international NGOs (INGOs) will reveal data that can help us strengthen our income investment strategies and identify potential for AI in new or emerging fundraising markets.

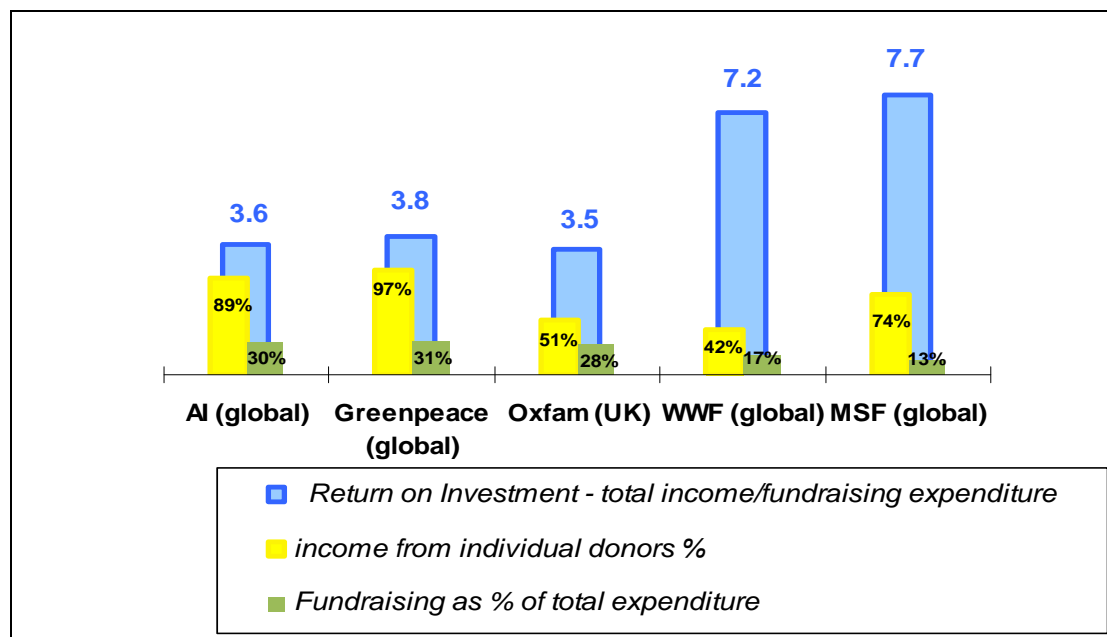


Figure 4: External Fundraising Benchmarks for 2007¹¹

In the next ISP, AI should benchmark income and expenditure within the movement and with other comparable NGOs.

Internal benchmarking also has unexplored potential in that it can assist the movement as a whole to understand its performance in income generation and management. Comparative performance data can identify those places where performance is at a high standard and those places where the movement's full potential is not being realized. Sharing of lessons about what works and what does not, assistance in meeting specific and national challenges and support in investing for growth: each of these becomes a more practical option if we improve our data definition, provision, collection and sharing on the movement's performance at all levels.

2.4 Looking to the future

The additional challenge the Taskforce had was to integrate financial strategy into AI's future strategic directions. Reviewing the directions emerging for AI's next Integrated Strategic Plan (ISP) for 2010 to 2016, we have identified key implications for AI's financial strategy. Overall we identified that the **next ISP will set for AI a**

¹¹ Data taken from AI's Aggregated Accounts and from the annual accounts of the INGOs identified.

growth agenda. We foresee that the new ISP will challenge AI to expand its presence, reach, influence and human rights impact going forward.

We believe a growth agenda demands growth in the financial resources available to the movement and we have developed our advice on the Plan's financial strategy accordingly.

3. The Financial Strategy under the Next ISP

On the basis of the analysis set out above, we have identified drivers and priorities for AI's financial strategy under the next ISP and have attempted to draw out the implications for the movement's distribution system. Taking direction and inspiration from the 2007 ICM Chair's letter and the ICM's Decision 1, our overriding assumption is that AI, as "One Amnesty", wishes to be a more coherent and integrated movement and therefore we conclude that AI's financial strategy under the next ISP should be thought of as a combination of content and execution as summarized in the overview table we provide at the beginning of this report. As that table sets out, the Taskforce believes that given the environment in which we are planning it is not responsible to simply recommend content for the financial strategy. We must also address the question of how AI's financial strategy can be continually adapted as events unfold and by which system this should take place. *We recommend that AI adopts a dynamic or contingency approach to its financial strategy - an approach that will prepare AI for a range of possible financial futures.*

The key elements of this approach would be:

- **Global income scenarios** which would be supported by national scenario planning;
- **Targets** that would be set for global income, global distribution and global cost and then segmented at the national level in accordance with national conditions. These would be reviewed regularly at the national and global level against actual performance and agreed benchmarks;
- **A system of global and national decision-making** adjusting target income and costs that would be based on performance assessment and involve those with the relevant expertise.

3.1 Apply a global income scenario-based financial strategy

Under the next ISP, income scenarios should be used to enable the movement to better track, monitor and modulate its financial performance, and adjust strategy and operations based on these results. By scenarios we do not mean predictions or even desirable states. We mean plausible, perhaps even provocative stories, about the different ways in which things might evolve in the future¹². We believe AI's financial planning will be better served if we plan together so that we increase the possibility that positive results will be achieved and we minimize the likelihood of a negative scenario becoming the reality.

¹² "Scenarios are memories of the future"

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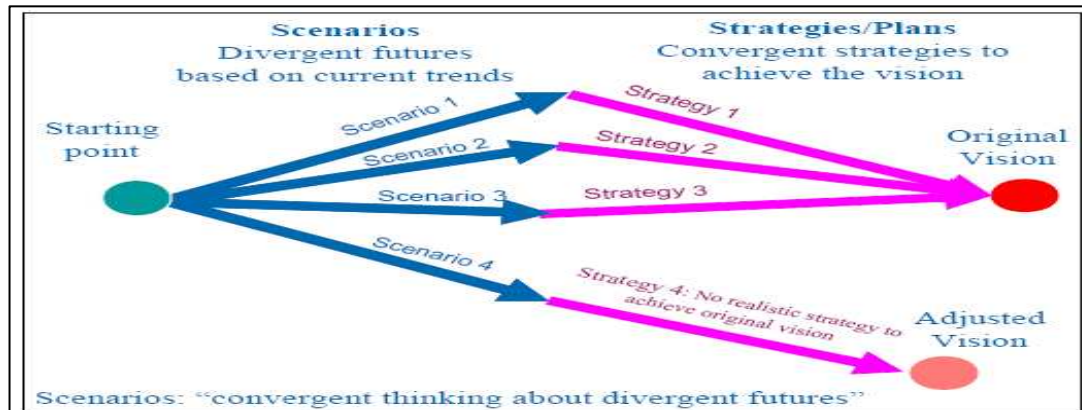


Figure 5: The relationship between scenarios & strategies¹³

Having identified working scenarios we can define strategies (i.e. strategic and operational plans) whose results can be monitored against the terms of the scenarios. Informed decisions then can be made to adjust strategy as needed to realign performance with the desired destination.

Under the next ISP, through its decision-making systems (see section 3.3 below), the movement should put in place the steps to:

- Achieve growth/stretch targets and to ensure that if these results are achieved AI is in a position to make best use of that financial growth in effective human rights work.
- Respond to declines in income, not only by curtailing expectations but also by controlling costs and managing the impact this will have on our human rights agenda.

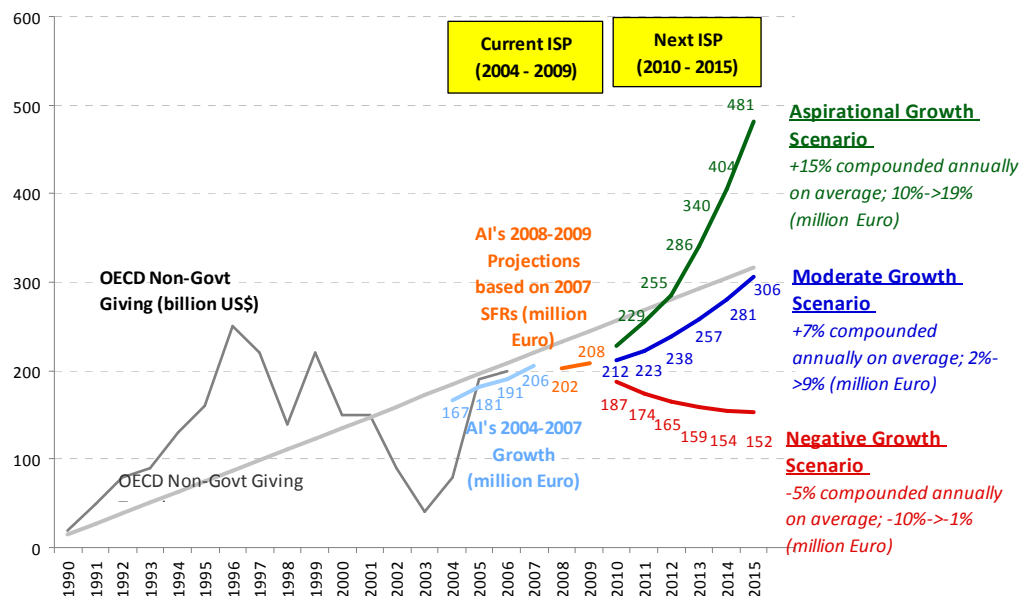


Figure 6: Possible income scenarios for AI under the next ISP

¹³ SWITCH, Lodz, March 2007

We have developed three income scenarios¹⁴ that we believe are plausible, possible futures that AI's decision-making and prioritization system should be ready to confront:

- If the moderate scenario (the line 212-306) holds, AI's income will continue to grow at the rate it has over the course of the current ISP. This "Steady Performance" scenario suggests the movement will begin the next ISP with an annual income of €212m which we believe can grow to €306m by the end of 2015.
- If the aspirational scenario (line 229-481) is a real possibility and we believe it is, then AI's income will increase in these last years of the current ISP giving an annual income at 2010 of €229m. With care and commitment over the life of the coming ISP, this "Happy Days" scenario can become a reality, with our annual income at 2015 being €481m.
- However, it is possible too that we will confront negative growth in our income (line 187-152). In this "In Decline" scenario, we end the current ISP with €187m in annual income but end the six years of the next ISP with an income of €152m p.a.

The Taskforce believes that the next ISP's delivery will be supported or seriously constrained by an annual income that could range from, at Year 1, a low of €187m and depending on our choices, end with an income somewhere within a wide range from €152m to €481m p.a.

While to some extent these are theoretical numbers, they are grounded nonetheless in data. Our purpose is to convey to the movement that there are significant choices to be made as to what financial results it wishes to see AI achieve over the course of the next decade.

We believe scenario based planning therefore can help the movement deal more effectively with the challenges of balancing prudent financial management with the pressing need for AI to enhance its human rights impact. Target setting on this basis will help us all better assess our financial progress over the course of the next ISP, to learn about which income generation methods and practices are working and then to adapt as needed in response to its progress.

3.2 Set and monitor global targets

Target setting and reporting alongside benchmarking across sections have a vital part to play in the development of the "intelligence" we will need about the movement's performance and opportunities. This in turn is essential to establish informed, evidence based decision-making about the distribution of resources. This need was anticipated by Decision 22 of the 2007 ICM and standard planning and action reports will become as significant to understanding activity as standard financial reports have become to understanding income and expenditure.

The Taskforce recommends operational objectives be set for global and national performance that would be reviewed regularly, nationally and globally, against agreed targets and benchmarks; globally set but segmented at the national level in accordance with national conditions.

3.2.1 Set and monitor global and national income targets

Income targets for the coming ISP are needed at the global and national levels; the latter to allow adjustments that are true to national "market potential".

¹⁴ These are detailed at Appendix 4.

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The Taskforce believes that AI should set in train investment in income generation that will ensure its income by the end of the next ISP is within the range anticipated by the “Moderate” to “Aspirational” scenarios: meaning an income target that will see AI at 2015 with an annual income somewhere between €306m and €481m p.a.

We believe this is possible through the following actions:

3.2.1.1 Strategically invest in our current income generating markets

Looking at our performance to date, we can see AI’s unfulfilled potential in some of our existing fundraising markets where there is under performance and taking into account benchmarking against others’ fundraising returns, we think *the “moderate” scenario with a growth rate of 7% is achievable* provided there is commensurate investment in fundraising. This investment if well positioned could well begin to deliver returns of the kind identified in the *aspirational scenario*.

This global target of 7% growth compounded, should be nuanced for the movement’s fundraising markets, using national information benchmarked against comparable NGOs’ performance. In particular, targets for AI’s fundraising entities must be owned by the movement’s fundraisers so that they are then turned into realistic, measurable targets and milestones, with costs covered to an appropriate level.

In addition, given the income sources we have and the fundraising techniques we employ currently, we can see significant opportunity for the future in the following:

- **The major changes in patterns of giving**
Competition for donations is intense yet giving to “international issues/global needs” is increasing and is doing so at the highest rate among younger donors. We know too that a major transfer of wealth is underway from one generation to another. These are significant opportunities for AI.
- **The major changes in donor preferences**
As the ISP Committee has noted there are new forces at work in the NGO sector such as the financial support offered by the private sector & the “mega donor”. These raise difficulties for AI but may also hold real possibilities too. In the meantime, new generations of donors want different things from affiliations with “good causes”. The profile of this support is less the result of a sense of “obligation” to “do good” and more a sense of excitement about engagement with change processes to achieve desired outcomes.
- **The major changes in fundraising techniques**
We recognize that there are ceilings being reached in familiar fundraising techniques and perhaps even in some fundraising-markets. We need to be scanning for emerging techniques and seeking high performance across a more diverse range of fundraising-markets.
- **The major role that communication must play**
Moving forward AI’s success will depend not only on finding donors but more on making ourselves “findable.” This means brand management is essential and we, as has the ISP Committee, see that there is an urgent need for an easily expressed, emotionally powerful and up to date identity.

3.2.1.2 Invest in **strategic**, including **new**, income generating markets

Under the current ISP we have had some success through the Fundraising Investment Fund¹⁵ in developing income from new markets and in encouraging stronger fundraising in existing (emerging) markets. However, AI's income is still too narrowly spread as shown in Figure 7. (An income market here means a country in which AI's income exceeds its expenditure.)



Figure 7: AI's current income markets

¹⁵ See Appendix 3.

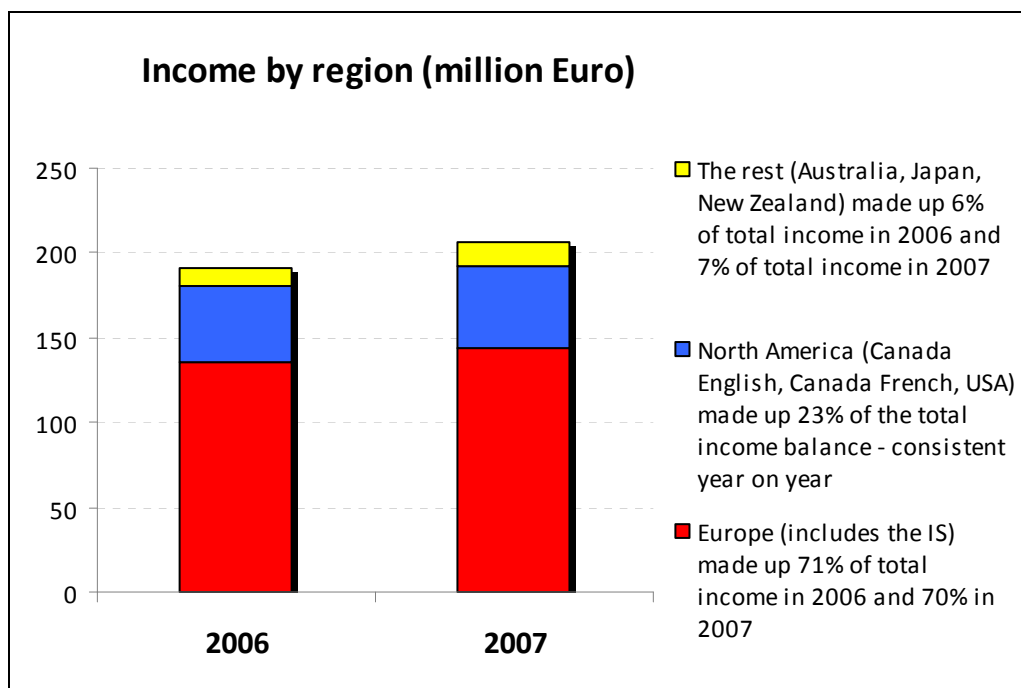


Figure 8: AI's income by region at 2007

To support growth and strengthen AI's sustainability, we believe AI must release resources to allow significant investment in new fundraising markets where the potential now and in the future may be more significant than they have been in the past. Figure 9 shows the GDP projected to grow most rapidly in China and India, and most slowly in continental Europe.

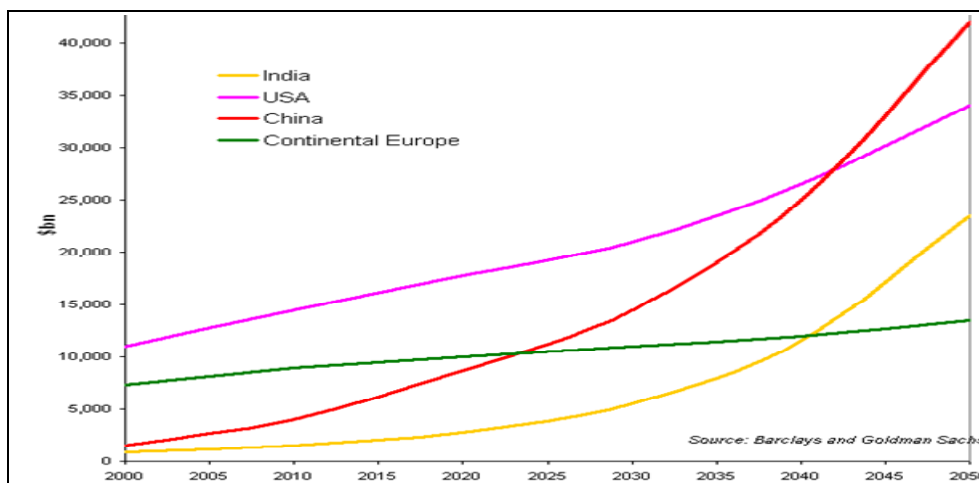


Figure 9: Projections in GDP growth¹⁶

However, access to and success in these new or emerging markets is not a question of fundraising alone. Rather we believe that the greatest potential for AI's growth is through an integrated approach.

From an income growth perspective the key locations in which we believe AI can derive greatest returns are those that have three features:

- AI's work on key human rights issues is relevant and high profile,

¹⁶ Although this is 2007/2008 information, it does not take adjustments to GDP projections arising from the financial crisis.

- There is unexplored potential for growth in AI's presence and/or local partnership with civil society,
- And, there is proven fundraising potential.

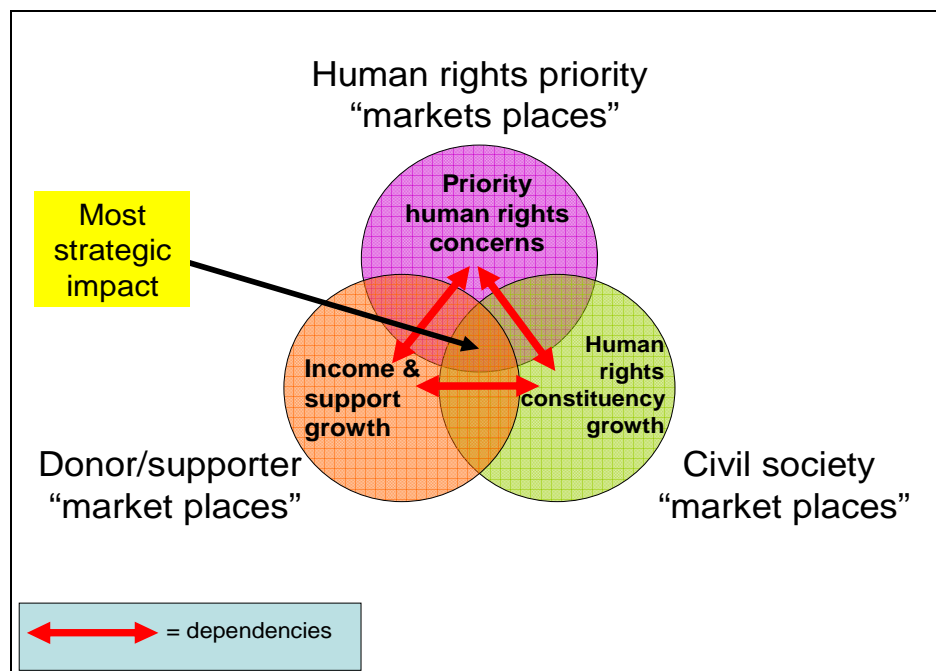


Figure 10: Identifying key income markets

We recommend that €10m should be released from AI's cash reserves at the beginning of the next ISP to invest in this strategic growth. Using this approach we believe AI will achieve growth in its human rights impact, with this being sustained by growth in both people and income.

Having regard to the evidence of successful fundraising by other INGOs (e.g. Greenpeace, Oxfam), the vibrancy of the local civil society and the profile of AI's human rights concerns, our own assessment for example, is that by these measures both **Brazil** and **India** offer significant opportunities.

However, these same analyses if applied systematically may call for additional investment in our current markets too. Our prediction is that using these same measures, there would be significant returns for the movement as a whole if it provided additional investment in income generation, for example, in the **USA**.

3.2.1.3 **Release funds to support strategic growth**

Our proposal is to support this strategic growth in new markets and to realize the potential in our current markets, by the making of a substantial investment during the period of the next ISP of **€10 million**.

Of course a key question is where to gather the resources to make this significant investment. We have reviewed the data emerging from the most recent aggregation of AI's accounts and believe that there is the possibility of raising this investment internally.

The movement's net current assets increased from €40m in 2006 to €44m in 2007, with a cash balance of €27m in 2006 and €31m in 2007. We believe that a significant amount of this should be released for investment in strategic growth and recommend that the movement begin the ISP with a release of €10m.

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This brings us to make the following projections for the combined current and new market's income over the course of the next ISP:

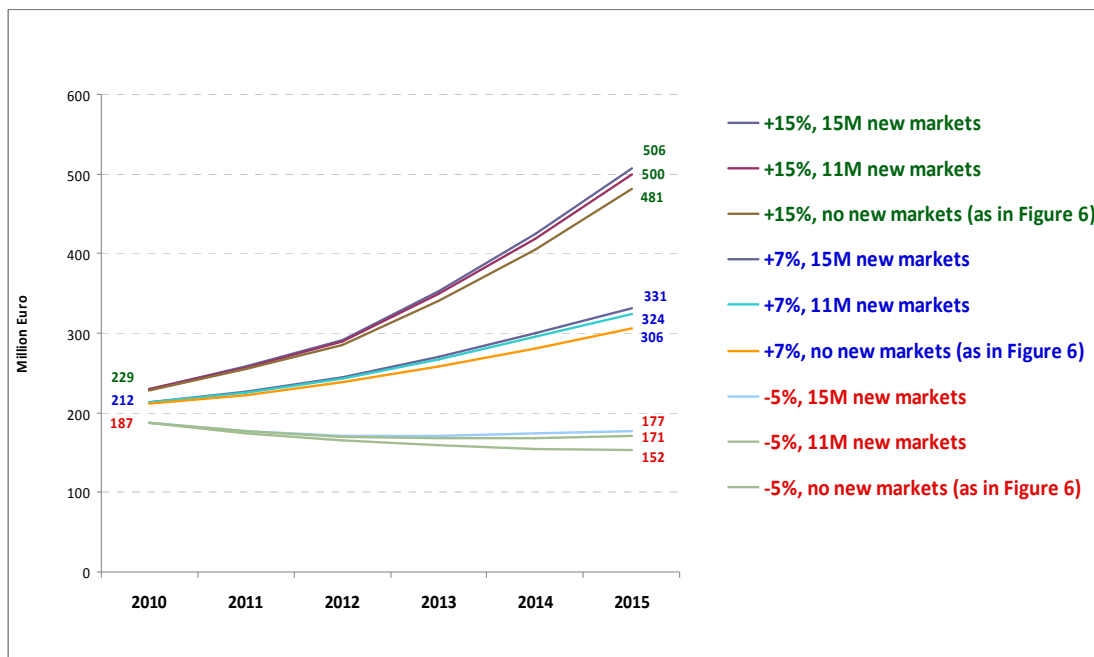


Figure 11: Income targets from existing fundraising + new markets

3.2.2 Set and monitor global distribution targets

AI's approach to distribution should deliver sufficient flexibility to allow adjustments on the basis of actual experience. With this in mind our advice is that all income should be treated as belonging to the movement globally. This income need not be centrally pooled and pooling should only occur if to do so would bring savings or assist the movement to better manage risks. The principles that we have set out at 3.1 should be respected, specifically ensuring that the movement's operations nationally are sustainable, that we build on the movement's current strengths and that we create real incentives for growth.

3.2.2.1 Create a global financial envelope

The purpose to which we must put AI's (global) income is to enable AI's entities and functions to deliver AI's priorities at the national, international and central/coordinating levels, recognizing that:

- The main vehicles for the movement's national delivery are sections/structures¹⁷;
- The main vehicles for the movement's international functions are the IS, the Language Units and their successor (the AI Language Centre) and the EU Office. However, we make particular note of the fact that some sections/structures are beginning to take on international functions (for e.g. AIUK and AIUSA in relation to Art for Amnesty) and that a number of others are ready to do something similar;

¹⁷ We note that the IS undertakes some functions, for example, through their non-London offices that amount to national functions.

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- The main vehicle for the movement's global coordinating functions is the IS.

Currently, the movement's income is held as a series of national envelopes and this income is then assessed to create an international contribution. The outcome is that the movement's income is held roughly 75% where it is raised with 25% distributed elsewhere through the international financial envelope.

The Taskforce recommends that global income should be structured into a global financial envelope that is comprised of smaller envelopes for the national level, the international level and the central/coordinating level:

- *These envelopes should stretch over time horizons sufficient to ensure the sustainability of operations (i.e. the movement may wish to instigate a six-year financial envelope for provision of income to self sufficient sections) but be time-limited enough to allow for periods of review so that shifts in priorities can be implemented.*
- *Reviews of allocations to ensure that expenditure is in accordance with the movement's priorities across and not only within AI's entities should be instigated.*
- *The envelopes' allocations must support – not jeopardize – the movement's earning power, growing membership or human rights effectiveness.*
- *Changes across the movement's envelopes should be introduced incrementally.*

We further recommend that the complicated deduction process used in the current Assessment formula, be simplified so that a straight percentage of the movement's global income is deemed allocated to those who raise it.

We recommend that the amount be reduced from 75% to 70% by the end of Year 2 of the next ISP, allowing an increase from 25% to 30% in the income available to global and international functions. This adjustment to the current Assessment formula should be implemented so that the actual amount available to the "globally determined pot" (see Y in Figure 12 below) increases as intended while "the national – self-sufficient pot" (see X in Figure 12 below) is not reduced in a manner that threatens sections'/structures' viability.

3.2.2.2 Create a strategic pattern of distribution that also recognizes "non-income" contributions

The Taskforce recommends (as in Figure 12, which follows) that the proposed structure for, or pattern of, the movement's income distribution under the next ISP be set out in the terms that follow.

- The ISP will govern all expenditure and all of AI's income must be directed to this purpose.
- 100% of AI's income should be treated as belonging to the movement as a whole and the distribution of 100% of the movement's income should be a matter for the movement as a whole.
 - This should be a notional, not a literal, distribution (i.e. we do not recommend that the movement's income would be centralized.)

Because we wish to recommend a new structure to AI's distribution, not only different proportions for that distribution, we take the following discussion using symbols rather than numbers:

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- Consider the distribution of 100% of AI's global income to be comprised of two values: **X and Y**:
 - **Consider "X"** to be the percentage of AI's global income that will be allocated/distributed to self-sufficient sections:
 - We recommend that in the future **"X" income** be monitored for its distribution i.e. that national level expenditure be monitored beyond the national level.
 - We recommend that national expenditure be monitored against a target cost structure such as we have set out as **"Xi" to "Xvi"** (see below at 3.2.3).
 - We recommend that this target cost structure be set in accordance with the ISP's priorities to ensure that sections'/structures' national allocations are expended on those priorities. (This is a discipline already followed in the allocation by the International Mobilization Trust (IMT) of its grants to sections/structures.)
 - **Consider "Y"** to be the percentage distributed potentially to **all AI entities**, including to the financially self-sufficient. The current envelope only funds global governance and its forums; the IMT funded sections/structures; the de-centralized language units; the IS; and a small percentage of the EU office's budget. We recommend that:
 - *There should be a successor to the "international financial envelope" currently set by an ICM (for e.g. see Decision 20 of the 2007 ICM).*
 - *In the future, the percentage of the movement's global income would fund:*
 - i. AI Nationals that are not self-sufficient (*This distribution exists in the current system and is undertaken the IMT*).
 - ii. International and global (coordinating) functions (primarily those undertaken by the IS including the new AI Language Centre). *This distribution exists currently.*
 - iii. International functions to be carried out by AI National entities for e.g. as centres of expertise that provide support to other sections. *This would be a new allocation.*
 - iv. Self-sufficient sections where to do so will bring significant strategic results: (for e.g. investment in fundraising in the USA during a time of financial crisis; investment in a section facing a significant human rights opportunity). *This would be a new allocation.*
 - v. Investment in "new markets": *This exists in an ad hoc manner only, being drawn from a mix of IMT and the IS' budget. It should be recognized as a formal element of the movement's income distribution.*

We note that under the current distribution structure, distribution of the 70% is not addressed directly by the global movement and the current approach does not include the possibility of funding strategically investments in new markets **(v)** or in existing ones **(iv)** or to support international functions undertaken by AI National **(iii)**.

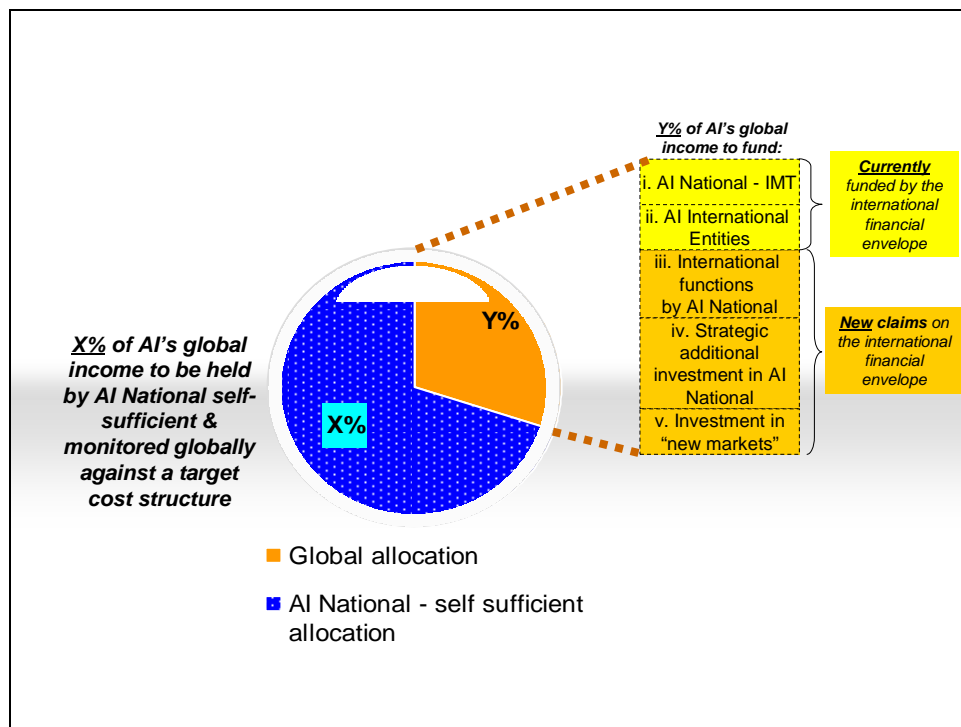


Figure 12: Proposed new distribution structure for AI's income

3.2.2.3 Set new percentages for distribution of the AI's income under the next ISP

We now want to consider the actual percentage values of X and Y. We believe that for reasons of effectiveness, to support genuine prioritization and to enhance AI's public accountability as one movement, the percentage-based split of the movement's income between self-sufficient sections and the new international/central/coordinating envelopes (as per above) should be adjusted.

Under our current X/Y income split, "X" has a value of about 75% while "Y" is 25% of AI's income.

We recommend that by the end of Year 2 of the next ISP:

- 70% of the income that a (self-sufficient) section raises should be allocated to it for expenditure on its national activities.
- 30% of the movement's income should be allocated to a new international envelope, noting that a proportion of this would then be returned to self-sufficient sections to carry out international/global functions.

This necessary shift in the distribution of the movement's resources should take place incrementally and in a manner that does not threaten the viability of any section or structure or other AI entity (e.g. the IS). We also emphasize that a proportion of this shift in resources to the international/coordinating level would then be returned to self-sufficient sections to carry out international/global functions.

We further advise that, provided evaluation of the impact of the first two years' adjustment in the percentage-based split of the movement's income is undertaken and provided that its results are encouraging, then incrementally and with care the percentage split should be further adjusted over the course of the next two years of the ISP.

Then after further evaluation, this incremental adjustment should increase over the course of the final two years of the next ISP so that by the end of the next ISP the percentage-based split between the income held by the national self-sufficient sections and the new international/central/coordinating envelopes (as above) reaches the 50/50 percentage mark.

We also recommend that the current Assessment formula be simplified to a point whereby a “simple percentage” of the movement’s income is allocated to those who raise it for expenditure at the national level and a simple percentage allocated to the global financial envelope.

3.2.2.4 Gradually invest a greater percentage of AI’s income in the Global South under the next ISP

A major strategic human rights priority for AI in the coming decade is to strengthen significantly its relevance, active engagement with and impact on the Global South. The Taskforce understands this to be a matter of:

- **Principle:** in that AI’s identity as a truly global movement for human rights requires that it become more firmly identified with Southern activists and that AI’s aspiration of securing meaningful change for individuals at risk of human rights violations inevitably directs AI’s attention to those in the Global South where not only the majority of the world’s population lives but the majority of the human rights violations are perpetrated.
- **Strategy:** in that to be effective, AI’s human rights work, specifically its work to combat poverty with human rights, requires explicitly the active engagement in the Global South of rights-holders at risk and with partners;
- **Resources:** in that none of the above is possible unless AI meaningfully invests in this work. While the doubling of income to the International Mobilization Trust over the course of the current ISP – taking it from 2.5% to 5% of the movement’s income, we believe this to be insufficient for the dual purposes of sustaining both the sections/structures we have and for growing new AI presences and contributions in the Global South.

While the investment in such growth has increased under the current ISP and the results are promising, it is clear that the investment has not been proportionate to AI’s potential or its aspirations. In this sense, the Taskforce believes the challenge is literally to “put AI’s money where its mouth is”. By this we mean that AI should invest more significantly where its advocacy takes it.

Therefore, in addition to the €10m released from AI’s cash reserves at the beginning of the next ISP to invest for strategic growth in the Global South, the Taskforce recommends that overtime a greater percentage of AI’s income is made available to AI’s work in the Global South.

Using Figure 12 as a reference point, this would mean a gradual increase in the funds available to support:

- the new international roles that sections/structures would take on and that the IS would carry (see below);
- IMT funded work

- Investment in new “markets” .

This increase should be paid for by further increases over the course of the next ISP in the percentage of the movement's income that is spent globally as defined above.

3.2.3 Set and monitor cost structure targets

Cost or expenditure structures – the way in which we spend our income – are also a matter of performance, priority and accountability. However, it is an aspect of AI's financial strategy that to date has not been focused on strategically at a global level. However aggregation of our accounts is beginning to build some insights.

It seems, from the rather limited data we hold, that patterns of expenditure may be broadly consistent year on year within sections.

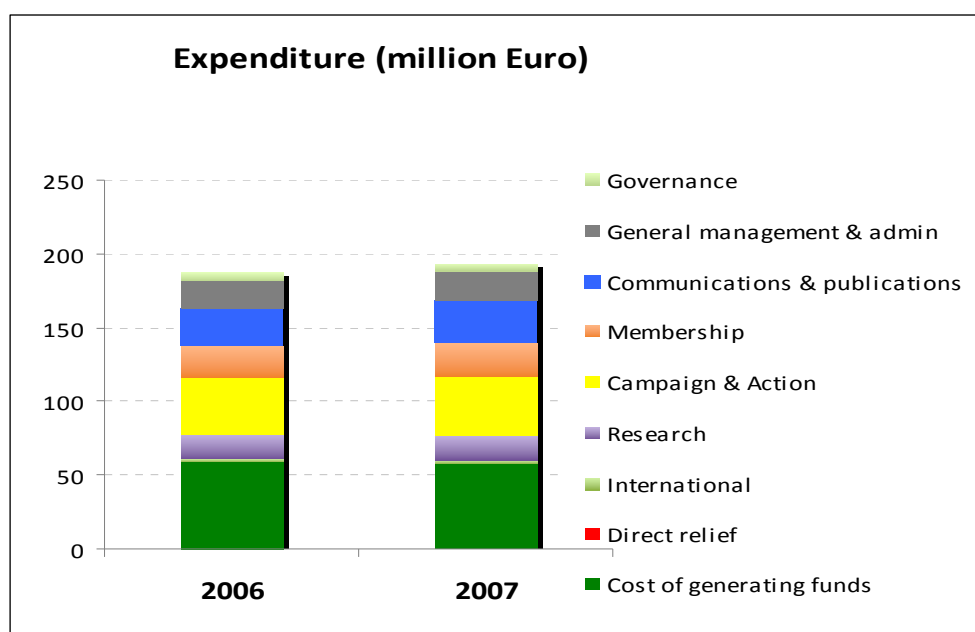


Figure 13: AI's Cost structure 2006/2007

In the last two years, costs of generating funds grew at a slightly slower rate while communications, publications, campaigns and action grew at a marginally faster rate compared to other categories. Definitional and accounting policies issues limit the reliability of these figures but they do reveal a significant potential for the movement's expenditure profile to be out of step with its strategic priorities.

Expenditure does differ significantly across sections. What we do not know at this time is the extent to which these differences are real – given definitional problems – or the extent to which differences between sections matter on a global level.

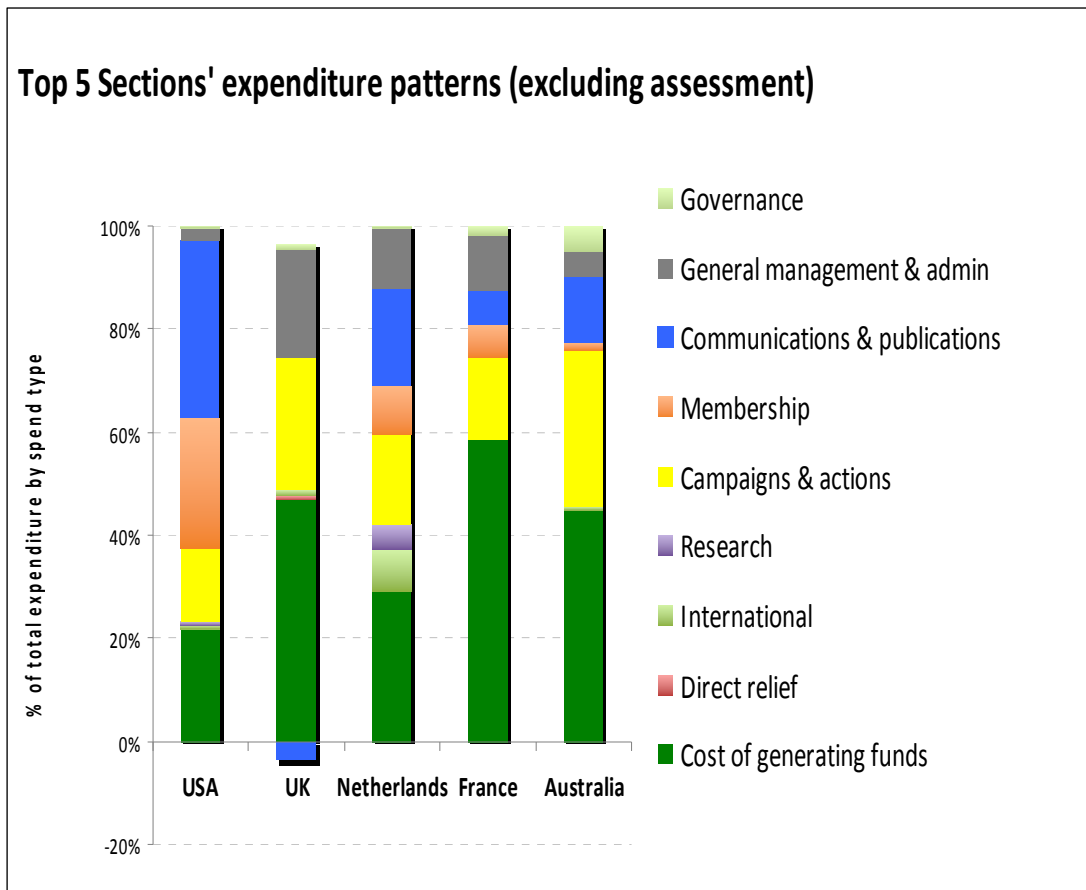


Figure 14: Expenditure patterns at 2007 of top 5 (by size)

Moving forward the Taskforce believes that AI should set and monitor cost structure in broad high level terms, setting priorities for expenditure through a coherent operational planning system, nationally, internationally and globally.

As a Taskforce we have not presumed to know at what levels these targets should be set in the future and have set them out only as A to F in the table below. Nonetheless, *we believe that the movement's operational planning process must include attention to these targets and we recommend that they be set proactively in alignment with strategy through the operational planning system.*

Expenditure item		Actuals in 2007	2016 targets
Xi	Fundraising	30%	A%
Xii	Campaign & action	21%	B%
Xiii	Communication & publications	15%	C%
Xiv	Membership	11%	D%
Xv	General management & administration	10%	E%
Xvi	Human rights research	9%	F%

Figure 15: Target cost structure for the next ISP

These targets should be set globally and refined for national relevance through a global operational planning process but should become a basis for global reporting: wherein variations from the agreed cost structure are justified by explanations and verifying data.

Doing so will greatly assist our performance management processes and significantly enhance our capacity to report publicly our expenditure. This is key to effective risk management (see below), not the least because increasingly the ratio of administration to programme costs in an NGO's operations is becoming a matter of public regulation. The Taskforce believes that because of its reputational risk, this ratio in particular is a matter of concern to the whole movement and should not be left – as it is largely now – to the discretion of individual entities only.

3.3 Establish a coherent system for global and national integrated (financial and activity) decision-making

The new distribution system will also require that AI:

3.3.1 Define a movement-wide operational planning & budgeting cycle

Our challenge as a movement is to evolve a system that delivers strong alignment across different planning horizons while coordinating and enabling:

- Decision-making at the level of national entities wherever possible and decision-making at the global level where necessary;
- A due separation between the governance layer and the executive/management layer.

There are a number of points in the planning cycle where these separations will need alignment and coordination including in the course of the steps identified in the table below.

Systems and practices will need to be in place to support for example standardized approaches to planning and reporting (as per the 2007 ICM's Decision 22) and, critically, we need to adopt a shared year-end.



Figure 16: The Planning & budgeting cycle

The Taskforce has confined its role on the details of this to recommending, and sponsoring work, on common accounting standards which it believes are essential for the movement's financial coherence and to supporting very much the call for a common year end. We did not declare ourselves on the date of that shared year end seeing this to be a question for operations primarily but we agree with the 2008 International Finance Meeting that this is a critical step.

3.3.2 Establish a coherent decision-making structure

The decision-making structure to support the distribution system will be based on the outcomes of the IEC's work on governance, factoring in the directions of the AI International Committee on Strengthening Democracy and building on the Operations Review undertaken by the Secretary General and section directors. We emphasize that in our view, whichever system is developed sections'/structures' governance boards and executives must work closely with the IEC and global management team in ensuring AI's assets are protected and its resources are effectively used nationally and globally. The interdependency between national and international/global governance and its effective working are critical factors in the success of the new distribution system and required for it to be successful.

Specifically, we have assumed and support proposals that, expressed in general terms, would:

3.3.2.1 Establish a distribution taskforce to advise the Secretary General

We recommend that, as part of a revised (distribution) planning and budgeting system decision-making system, a distribution taskforce of 5 experienced, qualified people be appointed by the Secretary General (SG) to advise her/him (and if appropriate, through her/him, the global management team), on her/his recommendations to the IEC/global board about distribution (see below).

This Taskforce should be advisory and not supervisory and, thus, its reporting line should be to the SG (with or without a formal relationship to the global management team). However, their advice should be fully disclosed to the IEC.

Their membership should be of a calibre and standing that gives comfort to the movement as a whole that sections/structures' concerns are being given full attention.

The functions of the Taskforce should not be so onerous as to prevent suitably qualified people from being able participate and its functioning should be reviewed after the first two years. Overall the Taskforce's taskforce's members should bring verifiable financial competencies as well as human rights knowledge.

After the first two years of the next ISP, the continuing need for this taskforce, and its functioning if retained, should be reviewed.

3.3.2.2 Clarify national and global financial roles and responsibilities

- **Section/structure boards:** The national board and executive remain fully in charge of and responsible for national delivery against the income it is allocated from the global financial envelope and within the terms by which that income is allocated i.e. in accordance with a high level cost structure (see 3.2.3) and the attendant accountabilities. As already noted, we recommend that the amount so provided be at a level to support the viability of the section and to enable national innovation, adaption and responsiveness.

Constraints to be placed under this new system, and/or by the IEC (see below), on national boards' financial discretion must be kept to the minimum required to ensure delivery of the movement's strategic priorities.

However, we note in particular the importance of addressing the absence of a common accountability standard across all AI entities. The International Mobilization Trust rightly places detailed accountability obligations on sections/structures in receipt of IMT grants in addition to their national level accountability to, for example, their AGMs. At the moment self-sufficient sections have only limited and not comparable accountability to the IEC. This is an inequity of process and outcome that should not be continued.

- **Global governance board:** We recommend that the board responsible for global governance (the IEC) establish a **global finance (sub) committee** and a **global audit function** to undertake respective responsibilities that jointly will assure an appropriate standard of diligence and probity in regards to the management of the global financial envelope and its associated risks. The financial committee

would be responsible for undertaking the core governance related financial functions while the audit committee would play a scrutiny and review role.

- **Global management team:** We note that the AI Operations Review is recommending the establishment of a global management team. We will not address the workings of the team here – it not being within our brief. However, if that proposal proceeds, *we would recommend that the team be supported by a global finance team that would undertake the key work involved in preparing for approval the required budgets and financial reports.*

3.3.2.3 Separate out more clearly the governance financial roles and responsibilities from the executive

We recommend that for this new system, or indeed any finance related decision-making system, to work effectively, the roles of governance – at the national and global levels – must be more clearly identified and separated out from that of the executives.

We consider the governance role to be concerned with the following:

- Approving the ISP for the whole of the movement
- Setting strategic priorities and approving higher level operational targets
- Approving operational plans & resource allocation
- Monitoring progress

We advise that the executive/management areas of financial and related responsibility at the global, international and national levels include:

- Proposing strategy & key drivers
- Recommending key indicators & targets
- Developing advice on investment priorities & projects
- Setting operational targets that cascade from global targets
- Proposing operational plans & resource allocation
- Reporting

3.3.2.4 Manage risk effectively at the global, international and national levels

Although the movement has sought to encourage a movement-wide approach¹⁸ to risk management, knowing too well that if one entity's risk is realized it can readily be a problem for all entities, as yet we do not have the means by which to assess or manage those issues that, for AI's protection, should be managed together as "One AI". If we are to move to a new distribution system globally, AI's management of risks must improve. It is unavoidable that a new distribution system will distribute more than income. Either implicitly or preferably explicitly, it will also re-distribute risk and thus responsibility for effective risk management globally.

We recommend that, irrespective of the final design of a new distribution system, risk should be coherently managed within and across AI's entities and that the duties of each entity to contribute accordingly should be made clear, binding and be audited as appropriate.

¹⁸ For example, *International Risk Assessment* (FIN 20/001/2004); *Managing to Protect AI's Image* (FIN 21/005/2003), *Conflicts of Interest and Conflicts of Duty Policy and Rules* (ORG 20/002/2004), *International Risk Management Action Plan* (ORG 50/017/2005).

We further recommend that a global approach to financial risk management and to reserves in particular, may be required so that the release of the €10m (as we have recommended above) is made possible without introducing unmanageable exposure for any of the AI entities involved. We believe this is a responsibility that could be given to the IEC's financial committee and their approach be reviewed by the global audit committee.

3.3.2.5 Ensure that we have the relevant expertise

We note for emphasis a point which has not always been appreciated and that is the movement's need for technical expertise.

AI will not succeed financially unless AI has access to and takes advice from those with the appropriate competencies. Moving forward we believe AI will derive significant benefit if it ensures that those who hold key financial and fundraising volunteer or staff roles bring to their duties the relevant professional expertise. The current dependency, for example, of the movement's Boards on individual treasurers bringing the needed skills is might not be always viable for the future.

Across the movement's governance and management leadership posts, AI should seek out and secure the participation of people who have proven and demonstrable financial knowledge, experience and skill.

4. Conclusion

The Taskforce on Assessment to Distribution is excited by the possibilities that are open to the movement to enhance its financial performance and thereby to significantly strengthen its investment in globally effective human rights work. The movement has been striving to reach this opportunity for some years, reflected in the ICMs' successive decisions on the assessment system and in the long standing ambition that AI more fully integrate its finances with its activities. With others in the NGO sector making rapid advances in these fields the standards by which our financial management and transparency will be judged are likely only to be raised. At the same time, it is clear that AI's global stand for human rights is needed and in many places in the world needed urgently. The very least we can do with the income that others entrust to us is to make sure that we explain clearly what we have done with that money. We cannot do so yet and yet must be able to do so.

However, doing the least is not enough. With cooperation across the movement, AI can develop the capacity to drive its income towards even more effective human rights work. We believe the approach we have set out in this document opens up that possibility and sets out the pathway to it becoming a reality.

APPENDIX 1: Decision 21, 2007 ICM, *Assessment to Distribution*

The International Council

ASKS the IEC to develop a proposal, for the next ICM, for a global system that will enable the principled, transparent, effective and efficient distribution of AI's resources and activities so as to maximize AI's human rights impact.

APPENDIX 2: Decision 1, 2007 ICM, *One Amnesty: Strengthening AI's Global Planning*

The ICM 2007 met to discuss the urgent need to strengthen Amnesty International's systems of international planning if it is to increase its positive human rights impact. Therefore the movement decides that during the next ISP AI will have in place systems that:

- develop clear strategic and operational global priorities and connected indicators of impact;
- align strategies, priorities, competencies and resources;
- strengthen monitoring and evaluation;
- build on a foundation of dynamic and effective democracy;
- strengthen voices of rights holders.

To that end: The ICM agrees to set up a process that will run during OP3 under the leadership of the IEC. This process, engaging the movement and supported by it, will address the following issues:

Strategic and operational planning

The IEC will develop systems for joint operational planning alongside the development of the next ISP.

The IEC will guarantee that the ISP and operational planning systems together:

- provide clear strategic long-term goals;
- guarantee focussed global directions engaging and motivating all relevant entities in AI during Operational Planning cycles;
- align financial resources, activities and competencies according to these priorities;
- are flexible in accommodating external trends and opportunities; and
- will consist of planning processes that are accountable and transparent.

The ICM encourages the IEC to use the development of the next ISP and joint operational planning processes as a learning opportunity. During this time all stakeholders involved will reflect on the best arrangements for the next ISP cycle to bring about effective and strategic operational planning.

The IEC will provide support for training and communication to enable all entities* to participate effectively in the revised process.

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In the context of the work towards improved global approaches to planning and prioritization, and to enable a shift from "assessment to distribution", the IEC will explore and develop the following systems on a global scale:

- The creation of a standard information base for all AI entities
- A system for transfer, collation and analysis of information
- A process for setting and reviewing income forecasts and targets
- Systems to enable both global and local priority setting

Financial Architecture

The IEC will develop a proposal, to be brought to the next ICM, for a global system that will enable the principled, transparent, effective and efficient distribution of AI's resources and activities so as to maximize AI's human rights impact.

Organizational architecture

The IEC will work on a dynamic international organizational architecture where the roles of AI entities and operational divisions of labour are competency-based, so as to make the organization as efficient and effective as possible.

The IEC will develop systems of knowledge management and capacity building to support this process.

Monitoring and evaluation of performance of all entities

- Monitoring

The IEC will develop systems to monitor the performance of all AI entities and to that end will improve reporting mechanisms to strengthen internal and external accountability.

The Financial Control Committee shall be replaced by the Accountability and Control Committee to strengthen accountability and transparency.

- Evaluation

The IEC will ensure evaluation of AI's performance during the present ISP to identify and share lessons learned.

The IEC will set up systems that guarantee the evaluation of global movement priorities during the next ISP to assess the impact of AI's work; the systems will be adequately resourced.

The process

The IEC and all other entities will engage with Directors and Chairs Forums to report on the progress of implementation of this resolution and the IEC will, in particular, report on the structuring and priority setting. The IEC will set up international bodies, where appropriate, to support this process. The IEC will report to the next ICM on their progress in the implementation of these changes.

** All entities within AI are the sections and structures, the IS and the decentralized units, including their governing bodies.*

APPENDIX 3: Methodology & assumptions for income projections

To come up with the three different scenarios for income projections, we first benchmarked our income situations (past 3 years) against that of Greenpeace, which, like AI, also relies largely on individuals' donations rather than government funds, to find out if there is room for AI to improve its fundraising efficiency.

We also looked at the private giving trend among OECD countries during the period 1990-2006 to ensure AI's future income growth would at least match the overall private giving trend into the future.

Due to better fundraising efficiency (RoI of 3.9 vs. AI's 3.5), Greenpeace's income grew 11% on average during 2005-2007 as compared to AI's 7% despite their average annual growth in fundraising expenditure was similar to AI (both 5%). AI's 7% annual income growth during 2005-2007 mirrored that of OECD private giving during the same period. Thus these benchmarking results suggest AI should at the minimum continue to grow at 7% but with higher fundraising efficiency. Hence the moderate growth scenario - 7% average annual growth over 6 years with phasing from 2% growth in 2010 to 9% growth in 2015.

The other two scenarios include a more aspirational one (15% average annual growth with phasing from 10% growth in 2010 to 19% growth in 2015) and a highly unlikely scenario of negative growth (5% average annual decline with phasing from -10% in 2010 to -1% in 2015).

Regardless of which scenarios, all projections assumed AI's fundraising efficiency would improve from 3.6 RoI in 2010 to 4.1 RoI in 2015 (3.6 in 2007; 3.4 and 3.5 projected for 2008 and 2009, respectively, to reflect global credit crunch). With these fundraising efficiency improvements, the corresponding increase in fundraising expenditure for each scenario would be smaller (about 30% less) than the overall average annual growth rates. Thus for the moderate growth scenario, the average annual fundraising expenditure would increase by 4.5% (with phasing of 1% growth in 2010 to 6% growth in 2015) instead of the 7% of the overall average annual income growth.

Lastly we also assumed market segmentation in each of three growth scenarios. For markets with already fairly high fundraising efficiency in 2007 (>5 RoI), we built into the projections that these markets would have higher than average fundraising expenditure growth than the movement as a whole during 2010-2016 and the fundraising RoI would maintain at the same level as in 2007. For markets with room for further fundraising efficiency improvement (<5 RoI in 2007), we built into the projections that fundraising efficiency in these markets will improve on average 0.1 RoI-points each year and an increase in fundraising expenditure that would be about the average of the movement.

APPENDIX 4: Scenarios in Detail

A.1 The *Happy Days* Scenario

We can foresee a scenario in which there is unprecedented financial growth for AI, driven by the improvements we believe the next ISP will seek at the organizational and fundraising levels. We can see a scenario, where these specific actions are being taken and positive circumstances exist, in which AI could generate **+15%** growth in our existing markets, compounded annually.

The <i>Happy Days</i> variables		
Opening annual gross income		€229 mill
Assume investment in fundraising	Average fundraising investment	+ 10%
	▪ Year 1 investment	+ 7%
	▪ Year 6 investment	+ 13%
Average growth	Average income growth	+ 15%
	▪ Year 1 growth	+ 10%
	▪ Year 6 growth	+ 19%
Closing annual gross income		€481 mill

The optimistic scenario's starting point is to assume that AI's income continues to grow in the last years of the current ISP. If this happens we will start the next ISP with an annual income of €229 million. We believe AI's income globally then could grow over the course of the next ISP to a total of €481 million at its close. We believe that a strategy can be developed to deliver this accelerated growth provided certain conditions apply, which we set out below but for this scenario to be realized, however, AI would also have to increase its investment in income generation.

A.2 The *Steady Performance* Scenario

In this scenario, we assume continuation of the growth rates that we achieved under the current ISP, as set out in Figure 18:

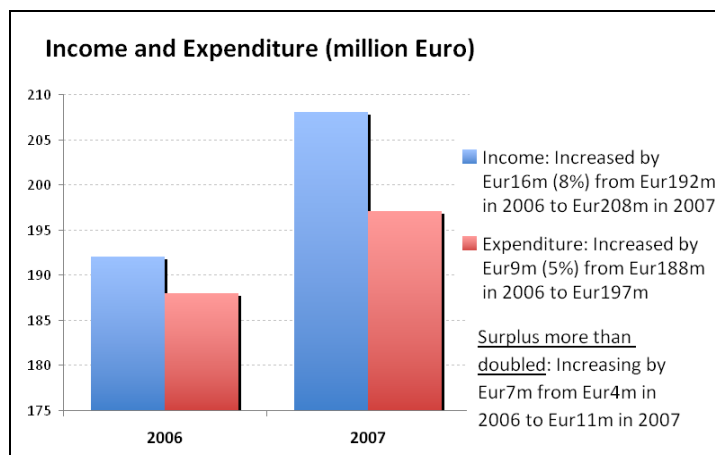


Figure 18: AI's Income at 2007

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On this basis and with an allowance for the impact of the financial crisis in an assumption of a moderate decline in growth in the final years of the current ISP, we factor in a starting income figure of €212 million. This scenario assumes a target growth rate of **+7%** compounded annually which would take our income to €306 million by 2016.

The Steady Performance Variables		
Opening annual gross income		€212 mill
Assume investment in fundraising	Average investment in fundraising	+ 4%
	Year 1 investment	+ 1%
	Year 6 investment	+ 6%
Assume growth	Average income growth	+ 7%
	Year 1 growth rate	+ 2%
	Year 6 growth rate	10%
Closing annual gross income		€306 mill

A.3 The *In Decline* Scenario

We also believe the movement should prepare for a scenario in which there is a significant decline in AI's overall income. In this scenario, we assume that we will finish the current ISP with the decline in income already in evidence. This would mean that we start the next ISP with lower income globally then we benefit from at the 2008 mark.

The In Decline Variables		
Opening annual gross income		€187 mill
Assume investment in fundraising	Average investment in fundraising	- 7%
	Year 1 investment	-16%
	Year 6 investment	-2%
Assume growth	Average income growth	-5%
	Year 1 growth	-10%
	Year 6 growth	-1%
Closing annual gross income		€152 mill

/ends