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**CONFERENCE OF THE PARTIES TO THE
INTER-AMERICAN INSTITUTE FOR GLOBAL
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Antigua, Guatemala, 20-21 June 2018
Agenda item 19a

Report of the IAI Directorate

Decision XXV/24: IAI long-term funding strategy

1. This document has been prepared by the IAI Directorate.

Background

2. Article XIII, *Financial Provisions*, paragraph 3 of the *Agreement Establishing the Inter-American Institute for Global Change Research* states:

The Executive Council, with the assistance of the Director, will propose to the Conference of the Parties, for its approval, the establishment of an endowment fund which would generate income through an interest-bearing arrangement, as well as options to obtain resources through other means.

3. The Conference of the Parties, at its 25th meeting (Bogota, 2017), adopted Decision XXV/24 which states:

The CoP directed the Directorate to draft a long-term funding strategy for the IAI. The strategy will be presented at the next CoP.

4. The need for an IAI long-term funding strategy was also a recommendation made at the Executive Council, Scientific Advisory Committee and the Science Policy Advisory Committee at their joint meeting of 12 June 2017 which was held back-to-back with CoP-25. The recommendation stated that:

The Directorate will draft a long- term funding strategy for the IAI.

5. The Conference of the Parties (CoP), at its 25th meeting (Bogota, 2017) also adopted Decision XXV/23 on *the IAI long-term communication strategy and plan*¹, which states:

The CoP directed the Directorate to draft a long-term communication strategy and plan. The document will be presented at the next CoP.

6. The above Decision complements Decision XXV/28 on *Augmenting science communication capacities of IAI research projects* which states:

The CoP directed the Directorate to find ways to enhance the capacity of IAI research projects to communicate their results to stakeholders.

7. The IAI long-term funding and communications strategies are interlinked as communications cut across all operational activities of the IAI. Enhanced communication and marketing of the IAI portfolio of activities will attract visibility, interest in the work of the organization and maximize the potential to attract new donors and funding.

The IAI long-term funding strategy

8. In light of the above, the IAI Directorate consulted with experienced philanthropy fundraising experts on the elements needed in an IAI-centered funding policy.
9. Accordingly, a draft IAI long-term funding strategy is attached as Annex 1 to this document.

Recommendation

10. The Conference of the Parties is invited to consider adopting the draft decision contained in the Annex 2 to the present document.

¹ See document: *Decision XXV/23: IAI long-term communication strategy and plan*

Annex 1

IAI long-term funding strategy

Introduction

The purpose of the Inter-American Institute for Global Change Research (IAI) long-term funding strategy is to provide the organization with sustainable financial resources in support of its scientific agenda, capacity building program, informing of policy makers and other activities.

There are three funding streams to consider: a) Parties' contributions to the IAI Core budget for the operations and management of the IAI Directorate; b) the IAI program budget which supports the IAI's scientific and capacity building programs, among others; c) and, specific activities budget where funding is sought from donor agencies, targeted Parties, international development banks and other sources for support.

The long-term funding strategy seeks also to provide guidance in the establishment of an endowment for the IAI, per Article XIII, Financial Provisions, paragraph 3 of the Agreement Establishing the Inter-American Institute for Global Change Research:

The Executive Council, with the assistance of the Director, will propose to the Conference of the Parties, for its approval, the establishment of an endowment fund which would generate income through an interest-bearing arrangement, as well as options to obtain resources through other means.

An endowment may be described as a fund that holds its principal in perpetuity and only pays out a small portion, about 4 to 5 percent per year, for use in general operations and programs. Endowment investments have dual goals: to grow the principal and to generate income.

Arguably, the establishment of an endowment for the IAI, however small, can mean the difference between long-term financial sustainability and potential demise. Endowment funds are particularly important during difficult economic periods, as they provide a base source of funding that may allow the IAI to continue its work, even when expected funding becomes unavailable for several years.

In building an endowment it is important to understand what motivates the average donor to make a contribution. Generally speaking, donors are motivated to contribute because they care about IAI and/or its mission and/or wish to ensure that the IAI or one of its programs is sustainable. Donors have the ability to make a large enough contribution to make a significant impact on an existing endowment.

Given the above, the following is a proposed Four-Phased IAI Endowment Campaign to secure the fiscal, intellectual, and social capital for IAI to operate as needed with external funds. This Campaign will also serve as the IAI long-term funding strategy, given that success in the establishment of an endowment with sufficient resources will provide the IAI with the sustainability it seeks.

It should be noted that this strategy does not negate the need for the IAI to outreach to Parties, international and regional funding mechanisms and development banks and other international and national official funding sources.

Outreach to Parties must also continue. Success in reaching out to non-traditional donors to the IAI may hinge on Party support and contributions. A potential funder may have a better view of the IAI if Party support is strong and the IAI Directorate is able to fully meet its administrative and operational activities.

The private sector and foundations and individual donors require a different approach and outside expertise may be required. Moreover, outreach to the private sector will entail efforts to assist in the establishment of an endowment fund and also efforts to secure separate funding for specific projects and activities. For example, external financial resources may be used in the establishment of a sponsored delegate project to improve the capacity of the IAI to support participation of delegates from Parties at meetings of its Conference of the Parties (CoP), and other relevant meetings and activities. It will also invigorate the Institute's governance through the revitalization of the CoP resulting from increased participation and through greater involvement of Parties in the implementation of projects and activities.

Lastly, communication and invitations for joint activities with development banks and mechanisms will provide better opportunities for co-funding of IAI projects. Special efforts must be made to work with Parties to develop IAI projects that facilitate co-funding from development banks and mechanisms. Additionally, development banks and mechanisms may be a source for the establishment of large-scale multinational projects supported by the IAI on specific topics and activities. This approach is noted given its capacity to improve IAI activities under multi-lateral environmental frameworks that are normally funded under development banks and mechanisms.

Phase One: Planning and Preparation Phase (June 2018 – March 2019)

Pre-campaign and Donor Prospect Identification

In this phase, focus would be made to: (a) develop major contribution best practices, (b) identify prospects, (c) set viable goals, (d) set timelines, and (e) decide when and how to launch the campaign.

Three goals should be accomplished during this phase:

1. Conduct a feasibility study or other assessment to determine the financial amount needed to be raised, and the plausibility of it being raised, during the specified time period of the campaign;
2. Draft a working "case for support" document which communicates and articulates, among other elements, how the endowment campaign will enhance and transform IAI's work across the region and its significance to individual Parties;
3. Develop the campaign structure and recruit a professional fundraiser, subject to the availability of external financial resources.

An equally important task during the Planning and Preparation Phase is drafting a Major Contributions Chart. This chart can be used as a tool by the fundraiser to visualize the number of donors needed, their categories (individual donors, foundations, private sector, development banks, etc.) and the number of “requests” required to reach the goal.

A contribution range chart is based on the observation that an analysis of any fundraising campaign will indicate that usually, but not always, it is a small group of donors who are the key to a successful campaign. Or, more succinctly, they provide the most significant contributions.

More people will make medium sized contributions, and many people will make small contributions (which is not reflected in the chart below). In fact, most of the truly significant contributions will originate from a handful of donors. Below is a sample contribution range chart that can be revised to meet the needs of the IAI once the campaign is underway.

Sample of an IAI Contribution Range Chart for \$78,000,000 USD

Gift Level	# of Gifts	# of Prospects	Amount
\$10,000,000	4	10	\$40,000,000
\$5,000,000	2	10	\$10,000,000
\$1,000,000	10	25	\$10,000,000
\$500,000	10	24	\$5,000,000
\$250,000	16	48	\$4,000,000
\$100,000	32	96	\$3,200,000
\$50,000	64	192	\$3,200,000
\$25,000	110	480	\$2,750,000

Total Raised	\$78,100,000
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On development of the chart, identification of prospects can begin. The fundraiser's most important task during this Planning and Preparation Phase is to work with the IAI Directorate to build a list of major contribution prospects (a major contribution is a donation of \$25,000 USD or more).

This task can be defined as the (A)bility, (B)elief and (C)ontact identifiers:

- A. Ability: do donor prospects identified have the financial capacity to make a transformational gift?
- B. Belief: do the donor prospects identified believe in IAI's mission and vision?, and
- C. Contact: who (IAI Director: Policy, Partnerships and Communication) has the relationship with the major gift prospect, and who feels comfortable introducing the prospect to IAI's frontline fundraiser?

While the above targets primarily private donors, the private sector and foundations, special outreach to Parties is to be made also during this phase. Efforts at communicating with Parties, discussing contributions and the need for greater participation is the responsibility of the IAI Directorate and must be undertaken with due urgency.

This phase also includes the establishment of activities by the IAI Directorate to formalize joint activities with international development banks and mechanisms, particularly in support of projects submitted by Parties. Support by such banks and mechanisms can take two forms: co-funding of Party led project or funding of specific projects designed by the IAI Directorate in collaboration with Parties.

Donor Research

Integral to the research on donors, it is absolutely necessary to compile as much information on them in relation to the campaign as possible.

Ways of identifying high capacity endowment campaign donors whose philanthropic interest and passion may match the IAI mission and vision includes:

- Newsletters or annual reports from similar Inter-Governmental Organizations that may list the prospect's name as a donor; and,
- Newspaper articles and/or newsfeeds that may mention the prospect's large donation to a similar Inter-Governmental Organization.

In addition to the information above, research is also needed on the following:

- Has the prospect ever made a large capital gift before;
- If yes, to what kind of campaign and in what amount;
- Does the prospect have assets that he or she can use for your campaign;
- Will the prospect be attracted to naming opportunities? Is there someone in their life they might wish to honor or memorialize?

Phase Two: The Quiet Phase (March 2019 – April 2020)

It is during this phase that the campaign itself begins. In this phase, efforts will be made to establish formal IAI campaign committees comprised of individuals who have the highest contribution capacity, begin the cultivation and solicitation of the top 8 to 10 highest contribution capacity prospects, and make any final adjustments to the IAI “case for support”, or, alternatively, “why you should give”.

The primary objective of this phase is to raise 50-60% of the fund-raising goal before announcing the campaign to the public. Once the campaign is announced online and through other social media, momentum would have been created and there will be some certainty of success. In many ways, the quiet phase is the most crucial part of the campaign.

Phase Three: Launch and the Public Phase (May 2020 – June 2022 or 2023)

Once the campaign is launched publicly, middle phase of the campaign begins. This is the start of intensive solicitation. It is incumbent on the IAI Executive Director, the Director of Policy, Partnerships and Communication, along with the fundraiser to plan events to introduce the campaign’s public phase. This will allow the IAI to make its case to the public at large. This phase may last up to two or three years.

This middle phase is possibly the most difficult part of the campaign. The difficulty arises because in most campaigns the biggest donors generally prefer to not donate during the middle phase.

They either wish to be the first to donate, or to contribute the funds needed to reach the end of the campaign. The secret to success in this tough “grind” or middle phase is creating excitement and momentum by asking a significant number of people to make gifts.

IAI’s fundraiser must set a good example. He or she should be familiar with a large number of prospects and understand deeply the mission of the IAI. Every day the frontline fundraiser will have a certain number of people he/she will reach out to for meetings.

The frontline fundraiser should do everything he/she can to create and sustain a sense of forward motion, excitement, and achievement. That’s why some campaigns use thermometers to indicate the level of support received and the remaining gap to meeting the goal.

Phase Four: Wrap Up Phase (July 2023 –)

During this phase it is necessary to ascertain that all systems are in place to collect pledges, ensure that requisite reports are drafted, and that the campaign continues to function in an effort to raise other funds once the goal of the endowment is reached.

Annex 2

Draft decisions of the Conference of the Parties

IAI long-term funding strategy

Directed to the IAI Directorate

XXVI/xx. The IAI Directorate is directed to adopt the *IAI long-term funding strategy* to guide efforts to secure alternate funding sources, particularly the establishment of an IAI endowment, in support of the IAI scientific agenda, capacity building program, provision of information to policy makers and stakeholders and other activities.