

Switzerland's contribution to the headquarters of the International Committee of the Red Cross (ICRC)

Key facts

The Swiss Confederation has been providing SFr 70 million per annum in funding for the headquarters of the International Committee of the Red Cross (ICRC) in Geneva, which accounts for 37% of the headquarters' budget. Since 2014 the sum was SFr 8 million or 40% of the budget. The global budget of the ICRC for 2013 was SFr 1.2 billion. In its audit of the management of resources, the Swiss Federal Audit Office (SFAO) gained a good impression of the organization. The audit revealed neither marked inefficiencies nor any unacceptable use of funds in the various departments. With one exception, the ICRC has been able to record an annual surplus over the past 10 years and hence to build up its reserves.

Growth of reserves problematic with regard to the granting of financial aid

At the end of 2013 the level of free reserves was SFr 410 million. Reserves secure independence, which is vital to the organization. In crises it must be able to operate independently of the willingness of potential donors to provide funds and without undue delay. The annual surplus income or the evolution of the reserves shows that the emergency appeal instrument works well. That instrument is a means of applying to donor nations for additional funds for a crisis region in the case of budgetary shortfalls.

The granting of financial aid in accordance with the principles of the Swiss Subsidies Act requires the applicant organization to fund itself primarily from its own resources. It consequently needs no financial support from the Federal Government if sizeable reserves are available for self-funding purposes. The SFAO consequently considers the ICRC's current reserves policy to be inconsistent with the principles of the Subsidies Act. The agreement between the ICRC and the Federal Department of Foreign Affairs (FDFA) does not deal with the topic. It only determines that possible surpluses must be spent by mutual agreement.

Attractive employment conditions for a donation-funded organization

Staff expenditure represents 73% of total costs and is thus the largest expense item in the headquarters' budget. The salaries are competitive and can be compared overall with those of the Federal Administration. Wage concessions vis-à-vis market wages, as is frequently the case in other donation-funded organizations, can only be found for a couple of individual positions. The ancillary benefits, such as a bridging pension from the age of 58 or higher pension fund premiums, are particularly attractive. Variable wage components such as bonuses tend to be symbolic and have no pronounced financial impact. The fact that employees are also given bonuses without a formal appraisal is, however, in contradiction with the underlying concept of this incentive component.

Share of administrative costs difficult to interpret

The headquarters, which has a budget of SFr 192 million, has grown by 2.4% per annum over the past 10 years – activities in the field have grown by 5.6%. The expansion at headquarters is therefore reasonable, even more so knowing that it has to absorb budget fluctuations in the field of +/- SFr 118 million (depending on the number of trouble spots and their nature). The share of administrative costs, i.e. the figure showing the percentage of one donated franc that is allocated to administration, is 10.3% (10.3 centimes per franc) and hence low.

The ICRC benefits from comparably favourable fundraising conditions as the donor base consists primarily of States which make relatively large contributions. This is far more advantageous than managing “small donations” from private individuals. One problem lies in the fact that there is no international standard that would regulate the amount and composition of administrative costs. As a result, the organisations apply their own individual regulations. This limits the extent of information provided by this key figure, thus not allowing for comparison with other donation-based organizations. Incidentally, the review of the administrative costs at the ICRC also revealed inconsistencies in the organisation’s calculation.

Necessary optimization processes under way at ICRC headquarters

In order to stabilize expenditure at headquarters, the ICRC is working on various projects with an optimization background. Indicator-based management of the organization is being developed – an area in which the SFAO also sees a need for action. Particularly at headquarters, there are at present virtually no indicators that can be used to show the organization’s operating efficiency.

Business processes are very well documented at the ICRC and provide a good basis for detailed process management. In contrast, many interfaces and a relatively low level of IT integration lead to redundant information or efficiency losses as a result of manual processing. The centralization and professionalization of the purchasing of goods and services at headquarters that have been started have considerable potential and are likely to generate savings in the field of purchasing as well as in the processes.

Original text in German