

When cash flows grew more than four-fold in the space of just a few years, the International Committee of the Red Cross realised it was time to reassess its financial structure and needs. So how did Zanders devise a tailored treasury strategy review that best ensured security while enhancing global operations as well as optimising liquidity and FX risk management?

Tailoring treasury best practice for humanitarian needs at the ICRC

When one man, a certain Henry Dunant from Geneva, stopped to help wounded soldiers from the Italian war of Unification in 1859, little did he imagine that four years later the International Committee of the Red Cross (the Red Cross) would be founded, based on his vision. The organization now helps people affected by armed conflicts in 80 countries and has more than 13,000 personnel worldwide. It is fair to say that its cash flows are vital for thousands of people. Today the institution is still growing and

December 2004 and the earthquake in Kashmir in October 2005 – made headline news and brought a sharp increase in donated cash. At the end of 2008, cash and cash equivalent amounted to CHF343 million.

With such a large increase in donations, as well as more volatile financial markets and increased sensitivity to reputation risk from donors, the Red Cross saw a need to reassess its financial

is currently implementing several proposals from Zanders on how to improve its treasury operations.

According to Nicola Busino, head of finance and administration at the Red Cross, “the future has a long history”. He says that to understand the present situation of the treasury department, it is necessary to delve into its past – at least as far back as the late 1990s. This is when the treasury department was essentially run by just one person and the overall treasury position was around CHF80 million. Things have changed and the organization’s finances have come a long way.

The past decade has been tough though – with losses on FX hedges following the financial fallout from 9/11, the financial crisis in 2008 and the need for bank loans in early 2000. Accounting scandals, such as those at Enron, WorldCom and Ahold, also contributed to a climate of financial volatility, increased risk and scrutiny from donors. But the Red Cross saw its profile raised when two natural disasters – the tsunami of

structure and conduct a global strategic treasury review. While there was stiff competition for the consultancy mandate, with ‘big-four’ accounting firms also bidding, Zanders was chosen for their specific treasury expertise, their tailored response to the Red Cross’s request and their teamwork.

The SLY principles

Zanders’ pitch outlined some principles that are core to a non-profit organization, encapsulated by the acronym SLY: Security, Liquidity and Yield. These are the three priorities for the institution’s treasury in order of importance. As Busino puts it, the organization’s reputation is such a big consideration that their financial risk has to be zero – otherwise they could lose the support of their donors (i.e., the general public and governments). He felt the concept of SLY might best fit the organisation’s needs: “This showed that they understood the fundamental logic behind our needs and constraints. It was very smart – they understood that we are not profit-driven and that we prefer to have almost a zero yield provided security is

From left to right:
head office ICRC in
Geneva; ICRC
activities in
Afghanistan,
Congo, Uganda
and Central African
Republic.



“Our structure is transparent and no longer linked to the accounting department.”

ensured – a situation that most corporate treasurers would probably describe as a nightmare.”

According to Christine Zaninetti, treasurer at the Red Cross, the pitch from Zanders was a detailed and sensitive response to the request for proposal. She says: “We really had an impression of teamwork at Zanders, and also that they are niche specialists.” During the consultation phase of the project, the Red Cross found that some of the ideas and models put forward were new and contradicted the status quo within the organization.

Changes and challenges

At this stage the ‘treasury’ was still a one-man band working within the accounts department. Busino says: “Zanders really challenged our thoughts and position. This wasn’t always easy for us during our internal discussions – far from it – but we appreciated the challenging dialogue.”

Sander van Tol was the Zanders partner that headed the review and implementation phase of the project and he has overseen

systematic and pragmatic approach to forecasting and it is done more regularly.”

- Organization structure: This was also a major change, bringing adequate segregation of duties and a treasury committee to oversee the treasury strategy. Zaninetti says: “Our structure is transparent and no longer linked to the accounting department.”
- Bank relationships: This is still an ongoing project, Zaninetti and Busino have started to assess the organization’s banking relationships. “It is especially important at this time to be aware of counter-party risk. Most likely the awareness has grown in relation to the events of last year.”
- Credit facilities: At present the Red Cross doesn’t have credit facilities. “But we still see the need to manage credit facilities for potential future need. It makes sense to arrange these at a time when you are cash rich,” says Zaninetti.
- Liquidity management: This is also in progress. “We intend to look, with the help of Zanders, at using various money market instruments.”

The project began in late 2007 and the selection and consultancy phase took place in 2008. Implementation of the proposals began in January 2009 and, according to Zaninetti, the final structure of the Red Cross’s new treasury is now in place. She sums up the project saying: “It has been a good learning experience – and now we have to consolidate that learning with practice. We will undertake more training to keep up-to-date with the entire subject matter.”

“The future has a long history”

some major changes at the financial department. There is now a clear segregation of responsibilities and duties. ‘SLY’ was the guiding principle throughout. There has been a shift from a treasury that was previously accountancy-driven, to the new set-up, which is based on economic-driven principles.

The recommendations of the consultancy phase were implemented with the help of Job Wolters from Zanders, who also took on the role of implementation consultant and cash manager on an interim basis.

The main changes were:

- FX hedging: This was previously done only with monthly incoming cash from donors, while the monthly outflows were not taken into account. According to Zaninetti: “This is one of our main changes. We saw that it wasn’t logical to cover our donations for foreign exchange risk, while our outflows were not hedged.”
- Cash flow forecasting: Zaninetti says: “We now have a more

Since the implementation of the new treasury structure and new processes on FX hedging and forecasting were finalised in August 2009, Busino believes it is still too early to draw conclusions on the project’s success. He says: “I think we will be able to evaluate it in one or two years’ time, when we have the financial results to see whether the economic-driven treasury has brought added value for the institution. However, Zanders has throughout the project been a valuable partner and we are planning to work with them again in future.” <



▶ IF YOU WOULD LIKE MORE INFORMATION ABOUT OUR WORK FOR THE INTERNATIONAL COMMITTEE OF THE RED CROSS, PLEASE CONTACT JOB WOLTERS ON + 31 35 692 89 89.

