OUTLINE FOR A REGULAR RESOURCE MOBILIZATION STRUCTURE FOR THE GLOBAL FUND

Outline: The Resource Mobilization Committee requested the Secretariat to provide an outline for a possible regular resource mobilization structure for the Global Fund. This paper focuses on the reorganization of the Global Fund’s resource mobilization. It is supplemented by an annex outlining priorities for private sector resource mobilization. A separate paper (GF/B5/11) provides an overview over recent and ongoing External Relations activities.

Summary of Decision Points:

The Board is asked to:

1. Approve the principle of a regular funding mechanism for the Global Fund.

2. Request the Secretariat, with Resource Mobilization Committee input, to develop the outline into a detailed proposal with an action plan to be adopted by the Board at its Sixth meeting in October 2003.
Part 1: Introduction

1. The Global Fund was set up as a funding mechanism for programmes to combat the three diseases additional to existing bilateral and multilateral activities. It was created to help absorb a sudden large increase in resources to fight these diseases which world leaders agreed was needed in order to achieve ambitious targets to reduce the impact of these diseases by 2015. These targets were set and reaffirmed by various international forums between the late 1990s and 2001.

2. The creation of the Global Fund was supported by a high level of initial financial contributions from a number of OECD and developing countries, as well as by foundations and a limited number of private enterprises and individuals. These contributions enabled the Fund to initiate its system of grant approvals and disbursements. Given the general consensus about the vast need for new resources to fight the three diseases, the Fund was set up with the understanding that its grant approvals should predominantly be limited only by standards of the technical quality of proposals. This is an important principle so as to encourage grant proposals based on real need and absorption capacity rather than perceived availability of resources. It is also a key criterion for a competitive system of grant approvals to function in a fair and transparent manner.

3. After having completed two grant approval rounds and having received the proposal for a third round, the Fund is now in a better position to forecast the demand and absorption capacity of recipient countries. At the same time, donor countries are calling for a more predictable system for funding requests by the Global Fund which will allow them to incorporate allocations to the Fund in their financial planning.

Part 2: An overall funding structure for the Global Fund

1. The Fund needs to quickly set up a financing arrangement which will guarantee its stability, the ability to forecast its resources over a given period, and a regular and programmed replenishment of its resources.

2. At the same time, it is crucial that any such financing arrangement takes into account the tremendous need to scale up investments against the three diseases. No funding mechanism must replace with complacency the existing commitments to fight these diseases which have so far been shown by the world’s nations. Any regular funding mechanism must therefore be constructed as a floor rather than a ceiling.
3. The Secretariat is therefore proposing a financing arrangement with two complementing elements: a regular financing cycle and a continuous fund-raising activity.

Part 3: Forecasting of resource needs

1. The Fund will retain its central principle of financing grants based on technical quality and needs. As knowledge about needs and capacity in recipient countries improve, it should become possible to make increasingly accurate forecasts for what the Fund’s financing needs will be. These financial forecasts will be substantially improved in accuracy and detail to enable donors to better assess the medium and long-term funding needs of the Fund. They will form the basis for the Fund’s requests to donors.

2. Forecasting will be based on a plausible disbursement rate and an increasing volume and quality of proposals based on a growing body of information from CCMs and partners in the field.

3. Forecasting will be done in advance of the beginning of a financing cycle (see below) with an update midway through the cycle. (See annex 1 for a further elaboration of the Fund’s financial needs forecasting.)

Part 4: A regular financing cycle

1. The Fund will organize its financial needs forecasting around a two year financing cycle.

2. OECD States, non-OECD States, foundations and the private sector will be invited to contribute and can use this cycle to structure their pledges to the Fund. The contributions will remain voluntary in both principle and sum, but should be made with a clear reference to the financial needs forecasting done by the Secretariat.

3. At the approach of every cycle, the Fund will engage in dedicated fund-raising efforts vis-à-vis key donors and potential new donors. It will produce communications material about its activities and achievements, run large-scale information campaigns in the media and make extensive outreach to key groups and individuals in existing and potential donor countries.
Part 5: A continuous fund-raising activity

1. To exploit opportunities for financial support which do not easily fit into a funding cycle (in particular private sector support), the Fund’s External Relations Department will execute a continuous resource mobilization strategy focusing on small number of key targets. (see Annex 2)

2. For the public sector, the targets will be contributions from OECD countries which so far have not supported the Fund, and middle-income countries which may take roles as both recipients and donors.

3. For the private sector, the targets will be on using private sector support and infrastructure to reach large numbers of individual donors with rounding-up and contribution schemes, as well as on in-kind donations and co-financing of programmes in recipient countries. This will go hand-in-hand with a concerted branding and marketing effort in key donor countries.

4. The Fund will work with governments to create the best possible “climate” for private sector and individual contributions through tax incentives, public information campaigns and other initiatives.
ANNEX 1: GLOBAL FUND FINANCIAL NEEDS FORECASTING.

This annex will be written based on a preliminary assessment of funding needs using the Proposals sent to the Fund in Round Three and will be ready by 5 June 2003.
ANNEX 2: PRIORITIES FOR PRIVATE SECTOR RESOURCE MOBILIZATION.

Introduction

1. Over the past two months, The Fund Secretariat and the Private Sector Delegation (PSD) have evaluated several options to mobilize private sector contributions to the Fund.

2. This annex outlines some of the key findings to date and is a preliminary strategy guiding the Secretariat’s ongoing work in this area. It is structured in three sections:
   a. Key findings
   b. Concrete strategies to drive private sector resource mobilization
   c. Branding and Marketing Implications

3. In addition to this, the PSD will present to the Board the detailed findings of the “Business Sector Resource Mobilization Strategy” developed by McKinsey following their survey with several private sector companies around the world

Key Findings

1. Preliminary discussions with private sector companies suggest that there are several ways for the business sector to make a significant contribution to the Fund. Some of these options include cash contributions, in kind contributions of products and services, participation in CCMs and LFAs at the recipient country level, launching workplace programs for their employees, skill support to the Fund in its activities through secondments etc.

2. Data collected by McKinsey shows that individual contributions can add up to a substantial amount on an annual basis. However, the traditional model of targeting individuals requires substantial investment and ongoing expense in communication (e.g. direct mail) and administration (e.g., the Unicef “Change for Good” program). Also, it can prove to be quite labour intensive, with the average ratio being one person for every 1 million dollars collected. An example of successful fundraising from individuals is UNICEF which has achieved this through establishing an efficient worldwide network of volunteers and supporters. More than 200 staff are employed at central level in developing fundraising and marketing and many more are working at local level in national organizations supporting local fundraising activities.

3. This kind of a model is unlikely to be sustainable given the Fund’s organisation structure. Besides, this collection model does not tap into the
full benefits of the political commitment that the Fund enjoys and the size and scale of the Fund’s operations. Instead, we propose a more efficient mechanism to tap into the individual donor base — tapping into the business sector’s employee base and customer relationships by using the company’s money collection and disbursement mechanism itself. For example, getting a bank’s customers to round off their credit card bills to the nearest dollar or euro with the additional amounts serving as contributions to the Fund.

4. While a wide range of opportunities exist, the Fund does not yet have many of the basic enablers of business sector support in place. The most important ones include a strong brand backed by a clear and credible value proposition, human and financial resources needed to aggressively pursue a wide range of opportunities and a clear and efficient menu of donation opportunities and processes.

5. One of the key priorities for the Fund should be to build a brand and market the Fund in a number of central countries. A dominant response from the McKinsey survey and some of the discussions that the Secretariat has had with the private sector was an incomplete understanding of the Global Fund’s purpose and work, and a reluctance to associate with the perception and perceived reality of the Fund (associations with the words “global”, “fund” and some times “AIDS” are all seen as negative and not attractive to corporations).

6. The brand building effort has to address the above issues. Also, it must be backed by propositions and mechanisms that can make supporting the Fund an attractive opportunity for the private sector. The political commitment that the Fund enjoys at the highest levels, the scale of its aspiration and the transparency and efficiency with which it aims to operate will need to emphasized as key elements of the Fund’s value proposition. On the other hand, the negative biases related to contributing into a “large global pot” with no mechanism for earmarking funds will also have to be addressed. Also, some of the underlying negativity towards AIDS which still persists in many developed markets will also need to be carefully addressed.

7. A longer-term goal would be to equip the Fund with sufficient resources to pursue a large-scale resource mobilization effort towards both individuals and businesses. For the Fund to pursue this long-term goal would however involve substantial initial costs and carry substantial risk. It would therefore have to be preceded by a Board decision. The Board would be able to make such a decision based on experience and recommendations from an initial period (12-18 months) of brand building, pilot projects, and research.
Concrete Strategies to Drive Private Sector Resource Mobilization

1. In order to maximize the impact of the business sector, the Fund should initially pursue a targeted and manageable set of priorities among a wide range of possible sources of support. After an initial trial period, the Fund should scale up activities to pursue the most promising forms of support.

2. Discussions with the business sector over the last two months suggests that the initial focus could be on mobilising certain types of support including in-kind donations, in-country collaboration, and launching workplace programs with the Fund co-financing the expansion of these programs into the workplace. These forms of support are typically easier for companies to implement. However, from the Fund’s perspective, several elements would need to be set in place before these forms of support can be accepted (particularly for in kind contributions). Also, it should be stressed that private sector participation in recipient-country portfolio activities, such as co-financing and private-sector participation on CCMs and LFAs falls more within the programme work of the Fund rather than the resource mobilization activities and the Portfolio teams are already working towards making it happen.

3. The Fund should also start testing cash contribution ideas (either direct from organisations or through customers and employees) with 3-5 companies in select countries. Feedback from the pilot situations could then be used to scale up the implementation to a wider set of companies around the world.

4. The Secretariat therefore sees the following elements of a resource mobilization strategy for the private sector:

   1) Phase one (next 6 to 8 months):
      a. A concerted branding/marketing effort to build the brand across key public and private stakeholders
      b. Launch of targeted initiatives focused on facilitating in-kind donations and skill support to the Fund
      c. Pilot projects to spearhead different fund-raising concepts from a cash perspective. Options to be tested include the implementation of customer/employee fund-raising schemes through mechanisms like loyalty points, rounding off monthly bills, payroll deductions, etc; and designing ethical financial instruments and product that facilitate contributions from wealthy individuals.

   2) Phase two (2004 onwards):
      a. A push to multiply and accelerate the most effective concepts
      b. Build-up of an individual donor base
c. Build-up of resource mobilization capacity

5. The Secretariat has started making progress on all elements of phase one. We have established a working relationship with an advertising and PR firm to develop the brand building strategy for the Fund (discussed in detail below).

6. The work of the McKinsey team is helping the Secretariat determine the full potential of in-kind contributions. Early findings suggest that given the resources spent on drugs, diagnostics and services, the need that contributions in kind could meet could be quite substantial. However, one of the key barriers to capture the full potential is to define and agree on internal Global Fund policies and systems on accepting and disbursing in kind donations.

7. The Secretariat has already started discussions with select banks and electric utilities to test innovative fund raising concepts. The initial reaction is positive – people like the ideas, find them very innovative and are keen to explore them further. However, to carry the idea through we need to rapidly develop well-articulated value propositions that demonstrate how this would be mutually beneficial to the Fund and the company instead of just being a source of fund raising for the Global Fund.

8. In addition to all the initiatives above, the Secretariat is also in the process of working with Italian authorities to decide on the implementation of the corporate-targeted de-tax initiative. This innovative mechanism, which has been developed by the Italian Government, focuses on raising additional resources through the involvement of civil society and corporations. In practice, sellers of goods and services may offer to customers the option to devote 1% of the purchase price to support an ethical initiative, such as the Global Fund. The tax on the 1% discounted value would be waived by the Government.

**Branding and Marketing Implications**

1. As mentioned above, establishing a branding and marketing strategy for the Fund is one of the key enablers to mobilize private sector contributions and is hence one of the highest priorities for the Secretariat.

2. Facilitated by a private sector board representative, we have established contact with two of the leading advertising and media firms to develop a multi-year branding and marketing campaign for the Global Fund. One of the firms has been selected to develop a detailed proposal and will be ready for presentation to the Board in June. The selected agency has expressed its willingness to explore pro-bono options to support the Fund.
3. While the working arrangements are being developed, the core elements of the brand building are becoming clear. The branding will focus on creating a simple but distinctive and memorable concept for the Global Fund, including a visual concept, an easy-to-remember slogan and a review of naming options (Although renaming the Fund is not an option, other naming options - such as developing an easily recognizable additional name, an acronym or a slogan-as-brand - could be considered, in light of the persistently negative reactions we have received to the name of the “Global Fund” as a marketing tool.)

4. This brand concept will be rolled out to several stakeholders through a marketing campaign, initially in a small number of key donor countries, and then expanded to a wider group of countries. Over time, the brand concept may include a number of celebrities who will be recruited to support the Fund through high-visibility events, such as music launches and concerts, support conferences and press events. Celebrity based branding has proven to be an attractive way to mobilize resources from the private sector, particularly from individuals. These will be orchestrated and stacked so that they support actual fund-raising initiatives.

5. As a part of the overall branding campaign, NGO’s and other “Friends of the Fund” will be given information and promotional material and will be encouraged to incorporate this into their ongoing support activities for the Fund.

6. The Secretariat is planning to approach a carefully selected group of private sector companies to engage in a partnership for the marketing campaign. The idea is to offer companies the option to associate themselves with the Fund and the fight against the three diseases in exchange for supporting the cost of advertising space, direct-mailing and air-time. The Secretariat will also seek to enlist public sector support for the marketing campaign in the form of partnerships with government information services and requests for reduced price or free air time on state-owned radio and television.

Conclusion

1. With a robust strategy in place, we now need to focus on rapidly testing ideas and rolling out concepts into the private sector. The next 6 months will be critical as we roll out the branding and marketing campaign and simultaneously start testing concepts with businesses and individuals. Through this period, any access or introductions that Board Members can provide would be of great help. We look forward to your support as we take this forward.