



MOBILIZING CORPORATE SECTOR RESOURCES

Outline: The attached briefing paper has been prepared by the Private Sector Delegation for consideration by the Board.

CONFIDENTIAL DRAFT

Mobilizing corporate sector resources

GLOBAL FUND TO FIGHT AIDS, TB, AND
MALARIA

Private Sector Delegation briefing paper for the
Board

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Introduction

The Global Fund to Fight AIDS, TB, and Malaria was set up in response to a call for a new, global public-private partnership to tackle these diseases. The Fund seeks to mobilize the resources of every sector, including the corporate sector.

In support of this goal, the Board of the Fund recently created a Resource Mobilization Committee, on which the Private Sector has a seat. As part of its contribution to the Committee, the Private Sector Delegation enlisted the pro bono support of McKinsey & Company in collaboration with the Global Business Coalition on HIV/AIDS in order to outline a strategy for mobilizing corporate sector support for the Fund.

This effort focused exclusively on the corporate sector, and therefore did not include other members of the private sector such as non-corporate foundations and individual donors. The team did, however, identify ways in which corporations might provide easy and cost-effective access to individual donors.

Over a period of eight weeks, the team conducted interviews with executives at 36 corporations, representing a range of sectors, sizes, and geographical regions, as well as varying degrees of interest in the Fund, in the issues it addresses, and in philanthropy. The interviews explored the types of support available from the corporate sector, its motivations for offering that support to a philanthropic organization, and its perceptions of the Fund itself as an opportunity. The team also conducted independent research and interviews with the Fund Secretariat and experts in relevant fields. It then, with input from the Private Sector Delegation, synthesized the results into the recommendations set out in this paper.

On the basis of this analysis, we have concluded that the Fund should pursue three broad strategies for increasing corporate sector support – mobilize cash support, secure in-kind contributions, and promote in-country collaboration. In order for these to succeed, however, the Fund must significantly strengthen its brand and value proposition to corporations and must build additional organizational capacity. It is very difficult to estimate the financial returns from these strategies, as there are many possible scenarios. In terms of cash support, direct contributions from corporations could range from \$5 million (a fairly typical steady-state amount for internationally focused nonprofits in the US market) to over \$100 million (the amount raised by the September 11th Fund in its corporate appeal). This direct cash could be supplemented by cause-related marketing initiatives and corporate-supported appeals to individuals, where the annual return might range from the single millions (a few modest sponsorships) to as high as \$100 million (comparable to the \$128 million raised by the September 11th Fund's telethon).

The potential for in-kind support is just as difficult to estimate, but the opportunity is large. For example, we estimate that \$350-\$620 million of 5-year program expenses

in 2nd Round proposals are replaceable by donated goods. Even if only one-third of that could be secured, it would still represent an opportunity in the tens of millions of dollars per year. And an early scan of the Secretariat's needs suggests opportunities for more than \$3 million in in-kind support, much of which may be attractive to corporations seeking to donate skills and services.

Finally, while in-country collaboration will not generate financial resources for the Fund, it will make the Fund's support go further and help generate the creative in-country solutions that the Fund wants to encourage.

1. Three strategies for increasing corporate support

We identified a number of possible strategies for increasing corporate support to the Fund, and tested each of them with corporate executives and experts during our interviews. The team concluded that three broad strategies have a reasonable chance of succeeding with certain segments of the corporate market:

- ¶ Mobilize cash support
- ¶ Secure in-kind donations
- ¶ Promote in-country collaboration

MOBILIZE CASH SUPPORT

The corporate sector can provide the Fund with financial support in two ways – by making direct cash donations from their general revenues or specialized philanthropic budgets, or by providing support for campaigns aimed at the large market of individual givers.

Conduct CEO-level appeal for cash donations

The corporate sector's direct cash donations are generally quite limited. Consequently, we estimate that the opportunity here will be relatively small. This conclusion is based on three facts.

First, the corporate sector is a small player in cash philanthropy. For example, in 2001, corporate cash contributions to charity totalled only \$7 billion in the United States and United Kingdom combined, by far the two largest markets for corporate philanthropy. And cash contributions are not growing, challenged by the increasing popularity of gifts-in-kind and a general decline in corporate philanthropy – over the last 15 years, US corporate giving as a percentage of profits has dropped by 50%. Second, very little corporate giving goes overseas at all, let alone to the single issue of public health. In 2001, developed world corporations gave only \$350 million to health programs in the developing world.

Finally, other well-established international charities have not been able to raise significant cash from corporate donors. For example, UNICEF USA raised \$51 million in cash from non-governmental sources in 2002, only \$7 million of which came from corporations; Oxfam America raised \$27 million from non-governmental sources, only \$0.7 million of which was from corporations. Even the American Cancer Society, the sixth-largest charity in the United States, raised no more than \$20 million in corporate cash of a total of \$757 million from private sources in 2002. This

is not to say that the Fund cannot have some success in this market, but it would be breaking ground if it reached a sustained level of support greater than the few millions received by other well-established organizations.

In order to capture a share of this market, the Fund should launch a CEO-level appeal for cash contributions from large corporations. The experience of other nonprofits suggests that large corporate donations are very difficult without CEO-to-CEO contact. The Fund should therefore build a program around senior-level ambassadors drawn from the Board, the private sector, international organizations, and (potentially) G8 governments. These ambassadors would make high-level appeals for “cornerstone” cash contributions to Fund. The “ask” would be for a multi-year period and could be made to all corporations within a given group, e.g., the Global 500. The amount requested could be tied to the size of the company’s revenues, profits, or philanthropic giving. Success rates are very difficult to predict, but the overall returns could range from as little as \$5 million to more than \$100 million depending on the amount requested and assumptions about success.

The approach has several risks, including its demand on the time of high-level supporters and the Secretariat, the difficulty of sustaining the initial level of contributions, and the possibility of a negative effect on the brand in the event of failure. The Fund should also be careful that its cash requests do not undercut in-kind requests for good and services that might be more valuable and easier to secure. But this approach also offers the possibility of extending corporate interest outside the narrow group of “natural” supporters and stands a chance of developing its own momentum.

Requests for cash contributions to the Fund should be made principally to multinationals without significant operations in areas that are significantly affected by the three diseases. First priority targets are philanthropically active companies. Those with corporate foundations should be asked to support the Fund as the primary channel for their public health, international development, or AIDS funding. Those without foundations should be approached to make leadership donations to the Fund – several would be more motivated to support the Fund with cash if they felt it would release other corporate or public funding. Second priority targets should be large but uninvolved corporations, but the success rate is likely to be much lower. Business associations like the World Economic Forum and the Global Business Coalition on HIV/AIDS have a critical role to play in this effort. While these groups typically do not have funds available to contribute to the Fund, they may provide the Fund with networks to identify, mobilize, and facilitate sources of corporate support. In particular, they may provide access to senior, committed and effective leadership for the corporate resource mobilization effort.

Enlist corporate support for campaigns targeted at individual donors

Given the size, stability and influence of individual donor support for most nonprofits, the Fund’s long-term resource mobilization strategy should include building a base of individual donors in the developed world. Individual contributions represent the lion’s share of philanthropic giving. In 2001 in the United States, for example, corporate giving of \$9 billion was dwarfed by \$177 billion in gifts from private individuals. Although internationally focused nonprofits only received around \$3 billion of this

total, this is still ten times the size of their receipts from corporations. CARE, for example, raised \$41 million from US individuals, and only \$3 million in corporate support.

Individual donations are also less vulnerable to economic fluctuations or changes in giving preferences than are corporate donations. For example, while US corporate giving declined 12% in from 2000 to 2001, individual giving actually grew 1%. In addition, a broad base of individual support helps charitable organizations in their appeals to corporations and governments. In the words of one fundraising consultant, “a strong and vocal public constituency has been critical to the success of other large international nonprofits, like UNICEF and the World Wildlife Fund.”

Individual donors can be divided into two large categories: mass consumers and wealthy individuals. Fundraisers approach these groups through many different channels, choosing between them based on their cost and their effectiveness in a particular situation. Many of these channels have significant start up costs and do not produce significant financial returns in the early years, or in some cases, ever. For example, interviews with large US nonprofits suggests that it takes approximately six years to break even on a high net worth individual giving effort.

Given the cost and time required to get any type of return, the Fund should work with corporations to develop and launch certain types of campaigns as a means of building an individual donor funding base and establishing the brand quickly. The Fund should explore the three channels where corporate leverage is the greatest and demands on the Fund’s capacity are the least:

1. Cause-related marketing. In the United States, corporate spending on cause-related marketing (CRM) is projected to hit \$921 million in 2003. This represents almost one sixth of corporate contributions to nonprofits. In CRM campaigns, a nonprofit and a corporation jointly brand a product, event or communication and share in the benefits of the venture. For the nonprofit, the benefit is typically a revenue stream and the raising of awareness; for the business, the benefits are typically brand-building, increased sales and demonstrating social responsibility to employees and customers. Financial contributions to the nonprofit can come either from the company involved or from the general public it reaches, or both. The Fund should explore the creation of CRM deals with multinational corporations that have large numbers of consumers who are likely have a natural interest in the issues that the Fund addresses. These campaigns would likely be concentrated with a few sponsors, since companies generally prefer to have a distinctive association with a particular issue rather than being one of a crowd. This suggests that the early potential for CRM would be equivalent to one or two very successful campaigns – for example, Avon’s award-winning global campaign for breast cancer, which has averaged \$25 million annually over ten years.

2. Mass media campaigns. This option is attractive if the Fund can secure free media time and campaign design services, and if it can build the capacity to accept and process the individual donations that would result. The Fund would feature some of its high profile individual supporters in a mass media campaign, which would direct donors to donate by telephone or through the Internet. The maximum potential of this

kind of initiative is demonstrated by the September 11th Fund's 1991 telethon, which raised \$128 million from over a million donors – a one-time, crisis-driven response. While the Fund's first mass media campaign may be unlikely to generate such returns, it could be the first step in the development of a base of individual donors. In the long run, established donor bases of individuals are quite valuable – Greenpeace, for example, grossed about \$220 million in 2001 from 2.8 million donors. If the Fund reached even 20% of that success rate in a few years, it would gross \$40-45 million. We recommend that the Fund explore this mass campaign idea in conjunction with the branding effort recommended below.

3. Workplace giving programs. The workplace giving market in the United States produces over \$4 billion in annual contributions to charity. It is dominated by locally-focused organizations like United Way, which do not include international charities in their campaigns. The Fund could, however, realize a small return and raise brand awareness by associating with one or more smaller alternative fundraising federations that do include internationally-focused nonprofits in their membership. The leading federation for US-based international nonprofits, Global Impact, raised only \$12.2 million in 2002 for the 50 nonprofits that it represents, but registration is not costly and has the added benefit of raising brand awareness. The team did not estimate the workplace giving potential in Europe, but notes that participation in payroll giving in the UK is only 2%, compared to 35% in the US. In both the US and Europe, therefore, the Fund should opportunistically seek to participate in corporate workplace giving programs, as long as the costs of participation are low.

The Fund should approach corporations individually for appropriate support for each of these initiatives (e.g. program design, media time). Each initiative should begin on a pilot basis in those developed countries with the best track record of individual giving. In the meantime, the Fund can develop its strategy for broader campaigns targeted at individuals. Piloting programs with corporations will help this process by helping the Fund identify and address issues like its local charitable status.

SECURE IN-KIND DONATIONS

In-kind donations may represent a larger potential opportunity than direct cash contributions for the Fund. Corporations prefer to donate goods (e.g., drugs and trucks) or services and skills (e.g., pro bono consulting, distribution systems, and secondments), because they can contribute much more than they could on a cash basis. In-kind contributions also tend to reflect a corporation's distinctive skills or knowledge, and therefore are more exciting to the corporation and more visible to its stakeholders. Our interviews confirmed that there is corporate interest in making in-kind donations to the Fund. In order to capture this interest, the Fund should explore the use of an efficient third-party mechanism for donations of goods and products destined for country programs, as well as create a list of in-kind service needs at the Secretariat and country levels.

Explore use of third-party mechanism to manage donated goods

At the program level, donated goods could replace a portion of cash disbursements, enabling the Fund to spend the money elsewhere. Analysis of the largest approved proposals in Round 2 suggests that 16-32% of purchased goods were substitutable,

which would amount to \$350-\$620 million if all Round 2 proposals were approved and ran the full five years. The actual amount that the Fund could raise from the corporate sector would depend on many factors, not least the donors' abilities to give and the Fund's ability to handle the donations. But it is still clear that the opportunity in this area is significant and worth investigating.

In Round 2 proposals, drugs made up the largest single category of procured goods – 33% of total expenses. Not all classes of drugs (e.g., chronic treatment drugs like ARVs) are equally likely to be donated, but those that are represent 65-75% of the total in-kind opportunity.

In order to capture this potential support, the Fund should explore collaboration with a third-party that could receive, review and deliver donated goods to in-country programs. A third-party specialist would provide both scale and the required technical and logistical expertise, saving the Fund the difficulty of developing it in-house. The process would be demand-driven. The Fund would first amalgamate in-country requests, and then hand over to the third-party organization. The third party would match the requests with donors identified by it and the Fund, requesting a mix of cash and goods in order to cover administrative costs. It would manage concerns about sustainability by asking donors for multi-year commitments that match the length of the Fund's grant commitment and by focusing drug requests on acute treatment drugs where possible. Once in receipt of the goods, the third party would then ship them to Principal Recipients.

While this system should initially focus on drugs, it could eventually be extended to non-pharmaceutical goods as appropriate. Designing the system would be a major project, but some relevant models already exist and manage donated goods at very low costs. The American nonprofit AmeriCares, for example, maintained a corporate overhead of less than 2% while shipping almost \$380 million in donated goods in 2002, including drugs and medical supplies; it managed to deliver \$2,443 of goods for every \$100 in cash donations. The Fund's degree of success would be affected by several factors, particularly the administrative costs achievable initially and at scale, and the willingness of donors to cover transaction costs, but interviews suggested these factors are manageable and that the option is worth evaluating in detail.

The top priority targets for in-kind donations are pharmaceutical companies, since their interest is high and the Fund grants a large amount of money for drug purchases. Secondary targets are those companies that could donate other goods and services identified in Country Coordination Mechanism (CCM) proposals. These donations are lower priority because the amount involved is smaller, but the complexity may also be lower in many cases. This group of potential donors could also include multinationals or large local companies (railways, post, etc.) in high-prevalence areas supplying distribution systems and other services.

Create list of strategic in-kind needs

The Fund could absorb several million dollars worth of strategic goods and services, both at the Secretariat and country levels. At the Secretariat, the Fund could benefit from pro bono contributions of personnel and services in several areas:

- ¶ 16 to 21 mid-level FTEs in analysis, administration, and communications. These could be supplied by secondments from professional services firms or multinationals. Assuming an all-in cost of \$100,000 to \$200,000 per position per year, this opportunity could represent \$1.6-\$2.1 million in annual value – some budgeted and some incremental.
- ¶ Experts to conduct several research studies next year, addressing issues like additionality and the absorptive capacity of the health system in recipient countries. These would normally be conducted by external agencies and could be replaced by pro bono contributions. This could save \$0.3-\$0.5 million annually.
- ¶ Office space, saving \$0.4-\$0.6 million annually
- ¶ Professional support for the development of the brand and media space contributions to launch the branding campaign. The value of this contribution would easily run into the millions of dollars.

The largest item in the Secretariat's expenditures is actually at the country level – the Local Fund Agent (LFA) contracts, which could reach \$16 million. There might be scope for pro bono service contributions in this area, including subsidiary functions like the procurement specialists contracted by some LFAs to assess programs. CCMs also require data analysts to support monitoring and reporting after grants have been disbursed.

In order to capture these opportunities, the Fund should compile and monitor a list of its needs for strategic services at the Secretariat or country level. These needs should be included in the menu of opportunities it presents to corporations. The most likely corporations to contribute to the Secretariat are large multinationals without significant operations in affected areas; LFA arrangements would have to be made with technically qualified companies able to operate in-country.

PROMOTE IN-COUNTRY COLLABORATION

The Fund should also consider in-country collaboration as a key source of corporate support. The Fund has a significant opportunity for co-financing: funding the expansion of the corporate sector's treatment and prevention programs from the workplace to the surrounding community. The Fund should also seek corporate support to develop more representative and effective CCMs.

Co-finance expansion of workplace programs

The Fund needs to leverage in-country infrastructure to maximize funding effectiveness. Corporations can help in two ways: first, by collaborating with other businesses to create effective workplace programs and share up-front costs; and, second, by leveraging this infrastructure to extend subsidized treatment to workers' families and their communities. The Fund's role would be to finance the variable cost of this extension, and to encourage collaboration between corporations and government to smooth implementation and improve sustainability.

Co-financing is attractive to the corporate sector because it offers access to resources much greater than its own. Companies have a strong interest in producing more stable local communities, but are resource-constrained; co-financing allows individual businesses to produce much greater impact. But it is also attractive because the prospect of Fund resources can serve as a catalyst for collaboration among several companies. The opportunity to access more funding gives them a much bigger incentive to pool resources, eliminate duplication, and share costs, information, and best practices.

Co-financing is particularly attractive to the Fund because workplace programs account for a high percentage of existing ARV treatment in some countries. This established channel could offer the Fund a quick route to help many more people. There would also be associated benefits: multi-company coalitions are likely to be more sustainable and will have a better chance of drawing the public health system into the solution.

The opportunity for co-financing is largest in Sub-Saharan Africa, where workplace programs are most developed. The opportunity is difficult to quantify, but the experience of multinational corporations and NGOs working in this area suggests that expansion from the workplace to the community multiplies the number of people reached five or six times. The largest multinationals and national companies in Sub-Saharan Africa employ about 2.4 million people, which means co-financing could theoretically reach 11-14 million people.

The Fund should therefore actively encourage the development and support of co-financing programs. This would involve identification of opportunities, encouragement to action, clear communication of practical models and implementation steps, syndication and negotiation skills, and access to funding. The Fund and partners like the ILO can only provide some of this (e.g., encouragement, funding, some opportunity identification). The Fund should therefore identify other organizations that could provide the remaining parts of the solution (e.g., development and provision of out-of-the-box models, syndication and negotiation skills, monitoring and measurement). These organizations could be third-party NGOs or industry-based coalitions. Successful models of each exist today, and are ideally suited to the Fund because they promote broad participation from business and government and addresses sustainability issues. Some could be treated as Principal Recipients when appropriate.

The priority targets for co-financing are corporations with significant operations in high-prevalence areas, especially multinationals. Multinationals are the leaders in developing workplace programs, and have not only the humanitarian interest but the resources and information to develop and expand programs. Many are actively seeking out a way to roll out AIDS treatment programs. Large national corporations should be a second priority. They lack resources to lead local programs but employ 2.2 million workers and could be fast followers if a successful model were demonstrated.

Improve business participation in CCMs

The corporate sector could be more strongly represented in CCMs. Private sector delegates currently represent only 6% of CCM membership, and 26% of CCMs have no private sector representation at all. Many companies see this as evidence that the Fund is not business-friendly, and some who have engaged with local CCMs report negative experiences. Interviews also reveal a perception that many CCMs suffer from poor management.

The Fund has had a handful of good experiences with business coalitions representing the corporate sector on the CCM – they play a networking role, brokering collaborations between the corporate sector, the CCM, and the Fund. Stronger representation of this sort would reinforce the Fund's claim to be an innovative public-private partnership, create a better atmosphere for in-country collaboration, and might help address some of the CCMs' real and perceived inefficiencies. The Fund should begin to make the CCM a more business-friendly mechanism by addressing the issue of representation. It should actively seek out organizations to join CCMs as private sector representatives. Successful candidates should be truly representative of the broader business sector in their country - organizations that can supply senior, committed leadership and create a more significant role for the corporate sector by brokering program proposals, supporting implementation and revision of country proposals, supporting program measurement, and communicating the Fund's value proposition to key corporate constituents. The best targets for private sector representation on CCMs are cross-sector organizations (e.g., Chambers of Commerce, local business coalitions on AIDS) that can reach a wide range of corporate sector players.

2. Critical organizational changes required

These three resource mobilization strategies will only succeed if the Fund makes a number of organizational changes. The Fund must immediately invest in building a stronger brand and value proposition that is attractive and compelling to the corporate sector, and in creating the organizational capacity required to undertake an effective resource mobilization effort.

BUILD POSITIVE BRAND AWARENESS

Most of the companies interviewed recognize the importance of the issues that the Fund is addressing, but they did not hold informed and/or positive impressions of the Fund. Therefore, making the humanitarian case for giving, while necessary, will not be sufficient without building the Fund's brand as the very best way for corporations to contribute to the global fight against AIDS, TB and malaria.

The interviews reveal that the Fund's brand suffers from both a lack of awareness and clarity about the Fund and its role, as well as negative perceptions and concerns about how it operates.

Basic awareness of the Fund and its activities is low in many segments of the corporate sector. Many corporations do not know of its existence, or are only vaguely aware of it, in large part due to the recent White House funding initiative. A few multinational corporations were unable to distinguish between the Global Fund and the Global Business Coalition. And some corporations that are aware of the Fund do not have a clear understanding of what the Fund is or how it works. One executive said, "that's one of the UN organizations, right?" Another asked, "is it government to government, or direct to NGOs?" Even one African company complained that it is very hard to get "a clear perception of the Fund."

Many corporations that *are* aware of and informed about the Fund have negative perceptions or concerns about how it operates. Many corporate executives said that the Fund has not articulated its strategy or made it clear how the world will be different if it succeeds. Without this in front of them, they worry that the Fund has bitten off too much, or fail to see its innovation. Before they commit to supporting the Fund, they ask "what's the plan, what's the vision of what the Fund will do?" Other corporations see the Fund as a prisoner of politics or yet another government bureaucracy: "When I read about the Fund in the paper, I read about politics;" "The Fund was not supposed to be a bureaucracy, but it is a bureaucracy." For some, the Fund is unfriendly to business. One interviewee complained that the Fund's attitude was "give me money and don't tell me what to do with it." A few interviewees

complained that the Fund's commitment to public/private partnerships did not match its rhetoric.

In addition, a number of corporations have informed concerns about the Fund's role and operations. Some are uncomfortable with the basic concept, believing that the responsibility for solving public health issues properly belongs to governments. Others are worried about the Fund's ultimate effectiveness and efficiency. They recognize that the Fund is a new organization and faces a lag between grant disbursement and results measurement, but they remain cautious. One interviewee said, "we worry about being associated with headlines like 'massive fraud, abuse, corrupt General siphoning off money.'" They are concerned that funds may be wasted in overhead or corruption, and they need evidence that the Fund is having a positive impact and achieving results.

The Fund will need to address these issues by developing a branding campaign focused on raising awareness and understanding of the Fund, and on communicating the Fund's approach for achieving impact.

The branding effort must increase the awareness and basic understanding of the Fund within the corporate sector and among individuals. Communications must clearly articulate the Fund's unique role within the landscape of actors that are addressing the issues of AIDS, TB and malaria. Our interviews suggest that the Fund should better emphasize its distinctive traits, such as its unprecedented size, its innovative public-private model, and its significant levels of support from global leaders. It should emphasize how it is different from government agencies or the UN. In order to truly build brand awareness the Fund should work particularly hard to increase the breadth of its support by reaching out to private individuals. The brand will be much more attractive to governments and businesses if it is well-established with consumers and employees. A broad base will also reinforce the concept of a "global community," which will help the Fund feel more like a "local" effort than a distant international one.

The branding effort must also address corporate concerns about the Fund's approach for achieving impact. The Fund must clearly define what it is trying to do and what it is *not* trying to do and tie this to specific goals. It needs to answer the question, "What is success for the Fund, and how will the world look different as a result?"

The Fund must also be clear about the impact it is having. When looking at the Fund's operations, people will be initially tolerant of time lags between grants and impact measurement, but it is still imperative that the Fund provide clear demonstrations of its impact in two areas. First, it must demonstrate that it is efficient – not simply that its own administrative expenses are low, but that the vast majority of grant money is reaching end users. Second, it must demonstrate that it is effective – that Fund programs are having a direct impact on these three diseases, and that money is not being squandered. If it is unable to prove effectiveness in the short term, it should clearly describe the mechanisms that have been put in place to ensure effectiveness down the line.

Last but not least, the Fund must through its language and its actions make potential corporate partners feel welcome at the table – it will be impossible to raise contributions if corporations do not feel like valued partners in the effort. Given the importance of brand for fundraising and the gap in positive brand awareness facing the Fund, the Fund should immediately begin the process of developing and building its brand and communications strategy. Over time, the Fund should aspire to develop a brand that is equivalent to that of the largest and best-known international charities, like the Red Cross, Greenpeace, Oxfam, Amnesty International, UNICEF, or Medecins Sans Frontieres. This is an enormous task - one fundraising consultant interviewed by the team suggested that it would normally take ten years to do. The only way to build a brand more quickly is through the involvement of leading international personalities. Luckily for the Fund, it can draw on many. Every member of the Fund should look at brand building as one of its principal tasks.

The corporate sector can support this process through a pro bono contribution of branding expertise to rapidly define the brand and create a rollout strategy. The Private Sector Delegation has already facilitated this by introducing the Secretariat to two leading advertising and media firms, Publicis and WPP, and both firms have expressed their willingness to explore pro bono support for the Fund.

STRENGTHEN VALUE PROPOSITION FOR CORPORATE DONORS

Collectively, the corporations interviewed during this process were clear on what they consider an attractive philanthropic opportunity. It must align with their resources and interests, be easy and efficient to use, demonstrate impact and, ideally, provide opportunities for local involvement. In each of these areas, the Fund needs to make improvements. In the words of one Fund supporter, “We need a why, what and how, and we have none of them.”

1. Create a menu of corporate-specific opportunities. Corporations are most interested in causes and projects strongly aligned with their business, either reflecting their stakeholders’ interests or involving their unique products and skills. These kinds of involvement are easier to justify to shareholders, employees, and customers. More importantly, they allow the company to make a bigger contribution because they rely on its unique strengths rather than a check book.

This is reflected in the trend away from check writing and toward in-kind donations and internal programs. In-kind contributions are increasingly attractive. They often have positive tax implications and enable the company to make a distinctive “only we could have done this” contribution. As one executive said, “Tell us, ‘we need you, not because of your money, but because of your creative energy and your ability to develop solutions.’”

When corporations do contribute cash, they are increasingly interested in taking an active role in administering their contributions – designing their own programs, etc. – not only because they believe it maximizes efficiency but also because they like to

solve problems and use their core skills effectively. As one American multinational put it, “We want real involvement.”

This means that corporations want a clear list of Fund needs specific to the corporate sector that they can practically address. Many companies believe that the Fund has not yet provided these opportunities for several reasons. They see the Fund as too focused on cash support, excluding other ways that the corporate sector can contribute. One interviewee commented, “The message is ‘give us money,’ but we don’t really get anything out of it.”

Fundamentally, the Fund needs to find ways to allow corporations to contribute from their core competencies – to do the things that only they can do. The first step is to make it clear that the Fund not only accepts but *seeks* donations of unique products and services, and that these can have a real impact on the Fund’s operations. To do this, the Fund needs to have a very detailed understanding of its own needs and of which corporations might help, and it needs to communicate this clearly and actively. The Fund also needs to define meaningful in-country roles for the private sector – either in co-financing, or in supporting the CCM, or elsewhere – and communicate these clearly as well. Corporations want to be asked to contribute in specific ways that have clear impact on the issues.

2. Develop efficient donation processes. Corporations also want any organization they support to establish clear and quick donation processes. Few companies devote extensive human resources to philanthropy, so they naturally place a premium on efficiency. They are reluctant to get involved with organizations if they suspect that there will be a high level of politics or bureaucracy.

Many corporations were not clear how to make a contribution to the Fund. Some believe that the Fund lacks the mechanisms to accept any contribution other than cash. For example, some corporations tried unsuccessfully to make an in-kind donation, while others submitted grant proposals to their local CCM that were ultimately stalled or blocked. Others made it clear that their interest will flag if the donation process is too bureaucratic or complex.

To address these concerns, the Fund must clarify its donation processes. Any corporation that wants to support the Fund should quickly be able to identify who to call and how to contribute. The Fund should aspire to provide the same kind of service as an organization like World Vision, whose website provides corporate-specific information on donation processes, including detailed advice on in-kind contributions, tax issues, and so on. In addition, the Fund needs to ensure that corporations and individuals in all countries are able to receive tax benefits (where applicable) for their gifts. The Fund should also move quickly to test and establish proofs of concept for each donation channel so that it can publicize efficient examples of each process.

3. Demonstrate impact. Corporations want to see direct results from their involvement. Companies measure the “return” on their philanthropic dollar and then communicate that impact to shareholders, customers, and employees. This is part of their preference for administering their own programs - it guarantees a direct

connection between contribution and impact. As one company said, “We want to bite off something that we can chew.” Companies are reluctant to have their support disappear into a large central pool: “it will be hard to get us on board without telling us our support will be used for this or that project.” This will cause problems for the Fund as long as it cannot associate specific results with an individual company’s contribution.

To address these concerns, the Fund needs to be able to show the specific impact of individual corporate contributions, in order to allay fears that these donations are simply a ‘drop in the bucket’. For cash donations, it could do this by translating the value of each contribution into specific numbers of treatments or lives improved or saved. It could also allow corporations to “adopt” specific countries or programs after the grants have been approved, a model that has worked successfully at organizations like Save The Children. In-kind donations for country programs are even easier to track, since the flow of products to programs would necessarily be monitored – it would not be necessary for corporations to ‘choose’ destinations in order to know where the product had gone and what impact it had. The impact of in-kind contributions to the Secretariat is also easy to track, and the Fund should celebrate meaningful private sector support.

4. Provide “local” opportunities. Many companies want to see the impact of their donations in the community in which they operate. Corporations have an overwhelming interest in local initiatives because they are most effective in building employee morale and creating a stable local community.

The Fund is not currently able to offer effective opportunities for local involvement. For multinational corporations *without* operations in affected countries, the country programs supported by the Fund are distant and may have no specific connection or relevance to their employees or consumers. For corporations *with* significant operations in affected countries, the Fund is perceived as an indirect and less effective way of getting funds into the country in question. They would prefer to give directly to a local effort rather than make a contribution that “disappears” into a central pool in Geneva, with some unpredictable percentage of it making it back to the country. One interviewee commented, “If we had the choice of donating to the Fund or building a local school for the blind, we would build the local school.” Stable local communities are crucially important to these companies, and they are unwilling to waste resources outside their communities.

The Fund’s structure limits its options for addressing these concerns. It could, however, make its efforts more relevant to distant donors in several ways: through its “global community” brand, through fundraising partnerships with local or national AIDS charities, and by personalizing the Fund’s impact through faces and stories in the same way that child sponsorship agencies make their activities “real” to developed world donors. If it allows corporations to provide support for specific country proposals after a proposal has been approved, this might also alleviate the problem. Local companies in high-prevalence areas would be best served by meaningful opportunities for collaboration, like co-financing.

INCREASE ORGANIZATIONAL CAPACITY

The Fund does not currently have the resources in place to launch the three recommended strategies or to build the brand and value proposition necessary for success. Today, the Fund employs just 0.5 FTE on overall branding and 0.75 FTE on corporate sector resource mobilization. Comparable organizations often employ 8-10 people in their corporate donations function to raise support in the low tens of millions of dollars.

Given the initially limited scope of the fundraising effort and the unpredictability of its ultimate success, we recommend a phased approach to bringing on additional staff at the Secretariat level. The first phase of work will require a team of one very experienced executive and two support staff. This phase will focus on finalizing strategy, building the brand, and piloting select campaigns. The success of these efforts and the lessons learned during this period will inform the decision to hire additional staff in the future.

The leader of the team needs to have the fundraising skills and contacts that one would find in the corporate fundraising function of a large international nonprofit or multilateral organization – someone coming directly from that environment would be ideal.

It is important that this small team not be the only part of the Fund involved in mobilizing resources from the corporate sector. Major, sustainable fundraising campaigns often take years to build, and can only be accelerated by the intervention of the most prominent business, civic and government leaders. The Fund will need its most respected and well-known supporters to dedicate time and energy to this effort. In addition, the team will call on all Board members to actively support the process, particularly in their own countries; Board members should view it as their responsibility to participate.

3. Next steps

The Fund should move quickly to implement the strategy outlined in this document. We recommend a phased approach in order to allow the Fund time to develop its strategy and brand, test ideas, and gradually build up organizational capacity.

PHASE 1 (Next 6 months)

The Fund should begin to build its corporate sector resource mobilization team immediately, aiming to have it in place in a few months. At the same time, it should focus on doing those things that build positive momentum in the corporate sector and lay the foundations of future success. These include finalizing the strategy, building the brand, capturing “quick wins” from willing supporters, testing concepts to reach the broader sector, and setting up any required mechanisms.

The Fund should put its corporate sector resource mobilization team in place as soon as possible, for two reasons. First, the resource mobilization process requires a single owner who can assess and prioritize initiatives. Second, the key stakeholders in this process – the Private Sector Delegation, Board members assisting in resource mobilization, and corporations themselves – require a single point of contact as soon as possible if the Fund is to present a unified picture of its corporate sector strategy and needs. It could take several months to hire the full-time head of this section, and the pool of qualified candidates is likely to be small, so this process should begin immediately. An initially small support staff of one or two analysts and relationship managers could be hired at the same time – in fact, there would be useful analytical work for them to do immediately, so the Fund should not necessarily delay their hiring until the team leader is in place.

The Fund should undertake five other initiatives during this first phase, some of which are underway already. These could be pursued immediately and in parallel by the Secretariat’s resource mobilization staff and then handed over to the corporate sector team as it comes on board.

The Fund must finalize the detail of the resource mobilization strategy. This includes analytical work to finalize the Fund’s list of giving opportunities (e.g., opportunities for in-kind donations at the Secretariat and in the field, corporate leverage for reaching individuals) and to identify target donors. There will also be communications work to design the “pitch” to prospective donors and to raise awareness of giving opportunities. Finally, the Fund needs to conduct detailed implementation planning - identifying star-quality leaders from the Board and the corporate sector, settling on a final sequence of tests and rollouts, and defining the level of investment required.

The Fund must launch a concerted branding/marketing effort to build the brand. It can draw on corporate sector support as it scopes the branding work and negotiates pro bono contributions from major agencies. While the branding work will include input

from all stakeholders, the Fund should be sure to incorporate the insights of this survey of the corporate sector into its brand design.

The Fund should pursue “quick wins” – contributions to the Fund that do not require the establishment of the brand and will fill an immediate, well-defined need. These would all be in-kind donations of goods and services that fill needs at the Secretariat level. There is no reason why the Fund could not immediately approach its friends in the corporate sector for these contributions.

The Fund should start to put in place the key mechanisms that will support corporate sector resource mobilization. The major task on this front is the evaluation of a third-party solution to handle donations of goods for Fund-supported programs. The Fund should scope the work involved and identify potential partners. Other mechanisms are also important - for example, finalizing cash contribution mechanisms outside Switzerland and the United States.

Finally, the Fund should try to produce proofs of concept for its resource mobilization strategies in the private sector. Test cases will provide momentum-building evidence of impact, identify barriers to implementation, and provide valuable lessons for the later rollout. The Fund should develop tests in three areas. It should test options for corporate support in reaching individuals, such as a cause related marketing program. It should finalize its model for co-financing and negotiate at least one proposal for the 4th round. And it should define the corporate sector’s potential role on the CCM, identify one or two recipient countries where the sector’s collaboration is particularly important to the Fund, and then pursue them as test cases for improved corporate sector representation.

PHASE 2 (2004)

Armed with a fully-developed strategy, early brand momentum, and good proofs of concept, the Fund should then move on to the broader rollout of the brand, the expansion of proven ideas, the launch of new ideas that require a strong brand in place, and the construction of a steady-state resource mobilization team. The major cash campaign targeted at CEOs might be more effective at this time, once the brand is fairly well established and the Fund has ample evidence of its effectiveness.