Corporate Sector Resource Mobilization

The Global Fund to Fight AIDS, Tuberculosis & Malaria

Private Sector Delegation presentation to the Board

June 6, 2003
In order to maximize corporate support, the Fund should pursue three broad strategies for resource mobilization.

These strategies will only succeed if the Fund builds the required brand, value proposition and organization to support them.

Implementation should take a phased approach with an eye to long-term success.
Key messages

In order to maximize corporate support, the Fund should pursue three broad strategies for resource mobilization:

- The Fund can mobilize relatively small **cash** contributions through a Board-level appeal to corporations and corporate-led appeals to the public.
- The Fund should investigate cost effective ways to manage **in kind donations**, which represent a significant opportunity and are a good fit with corporate motivations.
- The Fund should promote **in-country collaboration** with the corporate sector, both on country programs and on CCMs.

These strategies will only succeed if the Fund builds the required brand and organization to support them.

Implementation should take a phased approach with an eye to long-term success.
Corporate giving is a small part of private giving in the US, and only a small share goes to US-based international organizations.

Private giving to registered charities, US, 2001
Percent (100% = $212 billion, cash and in-kind)

- Wealthy individuals: 52%
- Bequests: 24%
- Foundations: 12%
- Corporations/corporate foundations: 4%

Corporate giving by type of recipient, US, 2001
Percent (100% = $9.1 billion)

- Arts & culture: 8%
- Civic & community: 12%
- Other (including International)*: 16%
- Health and human services: 32%
- Education: 32%

* Includes all 'unallocated' contributions, which represented 5-10% alone in 1997-1998; also includes US-based international organizations, Olympics, public broadcasting, public policy, religion, and business organizations.

Source: Giving USA, 2002, AARFC Trust for Philanthropy; Corporate Contributions 2001, Conference Board.
US corporate giving overseas is somewhat larger, but is not focused on developing countries and is dominated by gifts in kind.

Overseas contributions are difficult to estimate, but:

- In a survey of 187 US corporations, only 52 reported direct giving to overseas organizations in 2001, totaling $665 million; the overseas total of all corporations is likely to be less than $1 billion.

- The vast majority of companies donate some of their support to Canada, Mexico and Europe, while fewer than half destine any donations to Africa.

2001 overseas contributions, 52 US companies*
Percent (100% = $665 million)

- Non-cash**  59.1%
- Cash  40.9%

* Collectively represented 27% of domestic giving
** Includes products, equipment, land, intellectual property, and other material donations; uses fair-market valuation

Source: Corporate Contributions 2001, Corporate Contributions 1997, Conference Board
The results of other organizations demonstrate this reality

**US Fund for UNICEF**
- $51 million cash from private sources in 2002
- $7 million cash from corporations
- $146 million gifts in kind, including $138 million from Merck

**Oxfam America**
- $27 million from private sources in 2002
- Only $0.7 million from corporations

**American Cancer Society**
- Fourth most successful fundraiser in USA
- $770 million from private sources in 2001
- $10-$20 million of this from corporations

**CARE USA**
- $64 million from private sources in 2001
- $3.5 million from corporations

Source: Organization annual reports; team analysis
Raising significant cash from corporations requires a CEO-level appeal to a large number of corporations.

“The Fund needs to get in front of a group of CEOs with a couple of real CEO champions” (Consultant)

“Companies need to know their cash support is part of a wider international effort - all the top leaders of international organizations and the G8 should be on board.” (European multinational)

“We would like to be able to leverage our leadership and lead others to the well.” (US corporate supporter of the Fund)

“When you work at the CEO level, that’s when things happen quickly.” (Consultant)

“Asks” to Global 500, 30% success
US $ Millions

- 2% of current giving: $40m
- 0.1% of net profit: $59m
- Scaled ask based on revenue*: $75m

* Scaled ask tied to revenue: $5 m from 11 companies >$100b; $1m from 38 companies >$50b; $500k from 178 companies >$20b; $250k from 273 companies >$9b

Source: Interviews; Global Vantage; team analysis
However, experience cautions against expecting significant returns from such an appeal.

The Fund can also make a humanitarian case, but this appeal will be challenging:

- Difficult to create and sustain “crisis” mentality
- Heavy demand on high-level champions and staff as well as Board members
- Might undercut appeals for non-cash support
- Negative effect on brand if a high-profile campaign “fails”

The September 11th Fund

- Set up by New York Community Trust (NYCT) and United Way of NYC
- Raised $503 million from private sources in four months
- Leveraged first-class CEO contacts of United Way and NYCT
- Raised $100 million to $150 million in corporate cash
- Overall giving to September 11 efforts was the largest relief effort in US history

Source: One Year Later, donor list, September 11th Fund; AAFRC Trust; team analysis
Corporations can also provide leverage for reaching the larger pool of individual donors

<table>
<thead>
<tr>
<th><strong>Cause-related marketing</strong></th>
<th><strong>Mass media campaign</strong></th>
<th><strong>Workplace giving</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Company operates at no cost to Fund</td>
<td>• Leverages ‘star’ network</td>
<td>• Low cost to add Fund to private or federated workplace campaigns</td>
</tr>
<tr>
<td>• 10% of corporate giving and growing</td>
<td>• Low cost with donations of air time</td>
<td>• Competition and no on-site marketing suggests low returns</td>
</tr>
<tr>
<td>• Builds brand</td>
<td>• Develops base of individual donors</td>
<td>• Private campaigns sizeable but spread returns across many charities</td>
</tr>
<tr>
<td></td>
<td>• Requires pledge processing</td>
<td>• Largest international federation allocates just $12 million among 50 members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• % of customer charges</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Average $5 million/year in US over 4 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Special events, products</td>
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<tr>
<td></td>
<td></td>
<td>• $25 million/year globally over 10 years</td>
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<tr>
<td></td>
<td></td>
<td>• Awareness with Austrian media and telecom</td>
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<tr>
<td></td>
<td></td>
<td>• Donations increased €2m</td>
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<tr>
<td></td>
<td></td>
<td>• Telethon with US media companies</td>
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<tr>
<td></td>
<td></td>
<td>• $128 million from a million donors in one night</td>
</tr>
</tbody>
</table>

Source: Cause Marketing Forum; Avon; MSF; September 11th Fund; Global Impact
Building a broad base of individuals requires more effort and time but provides stable cash flow

**Direct mail**
- Industry standard for building large individual donor base
- Costly and slow to produce returns: lose money on acquisition, 20-30% expenses for renewal

**Membership**
- Builds loyal base of high-value donors
- Must be combined with other giving opportunities
- Very costly – similar to direct mail

**Internet solicitation**
- Only 25 cents of every $100 raised in US
- Best as a complement to traditional techniques

**GREENPEACE**
- In 2001, raised €146 million globally from 2.8 million members and individual donors
- Fundraising expenditure of €45 million, or 31%

Source: Interviews, Greenpeace annual report, team analysis
The opportunity for in kind donations to support country programs is significant

5-year expenses in 2nd round proposals
Percent (100% = $2.082 billion)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Could be donated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drugs</td>
<td>30</td>
<td>30-55%</td>
</tr>
<tr>
<td>Commodities and products</td>
<td>26</td>
<td>20%</td>
</tr>
<tr>
<td>Training</td>
<td>11</td>
<td>10%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>9</td>
<td>10%</td>
</tr>
<tr>
<td>HR</td>
<td>9</td>
<td>10%</td>
</tr>
<tr>
<td>M&amp;E, other Admin</td>
<td>9</td>
<td>10%</td>
</tr>
<tr>
<td>All 2nd round proposals</td>
<td></td>
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</table>

- 18% to 26% of total purchased goods could be replaced by donations
- This would equal **$385 million-$540 million** over the five-year life of 2nd round proposals, an average of **$77 million-$108 million** per year
- The actual return would be limited by donor availability and the Fund’s ability to handle goods

Source: Global Fund; interviews; team analysis
The Fund should evaluate third-party options for managing in-kind donations

**Recipient needs**
- Appropriate products
- Sustainable commitments
- Cost to recipient lower than local procurement

**Possible Fund role**
- Amalgamate CCM requests
- Identify potential donors and build relationships

**Possible third party role**
- Validate potential donors
- Match CCM requests to donor availability
- Sign multi-year MOU to match recipient needs
- Receive product, plus cash donation for administration
- Test, ship, clear customs, and deliver
- Report status of delivery and usage

**Donor needs**
- Clear menu of product requests, amounts, and timing
- Opportunity to deliver donations “at home”
- Status reports to ensure products reach destination and are used appropriately

Source: Interviews; team analysis
The Fund should seek donations of services at the Secretariat and country levels

<table>
<thead>
<tr>
<th>Secretariat</th>
<th>Detail</th>
<th>Potential value $ Millions</th>
<th>Possible sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff</td>
<td>15-21 FTE in admin, analysis, communication</td>
<td>0.9-1.3</td>
<td>Mid-level secondments</td>
</tr>
<tr>
<td>Office space</td>
<td>Annual value of Secretariat office space</td>
<td>0.4-0.6</td>
<td>Swiss corp., multi-national in Geneva</td>
</tr>
<tr>
<td>Branding</td>
<td>Pro-bono branding support and ad time</td>
<td>~0.2, plus millions of media time</td>
<td>Publicis, WPP</td>
</tr>
<tr>
<td>Contracting</td>
<td>Board-requested global impact studies</td>
<td>0.3-0.5</td>
<td>Media where brand is piloted</td>
</tr>
<tr>
<td></td>
<td>$200k annual contract in each country</td>
<td>0.0-16.0</td>
<td>Consulting, academic, or policy</td>
</tr>
</tbody>
</table>

Total of $1.8-2.7, plus media time and any LFA arrangements

Source: Global Fund; interviews; team analysis
The Fund could extend its reach by co-financing the expansion of workplace programs

- Extended workplace AIDS education into community
- Targeted at-risk groups
- From base of 43,000 employees, have reached over 200,000
- Extended ARV treatment into community
- Population at risk is 6,000 employees and 54,000 dependents
- Partnered with PharmAccess to co-ordinate program, train local doctors

**Theoretical potential, sub-Saharan Africa**

<table>
<thead>
<tr>
<th>Employees</th>
<th>Families and community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions</td>
<td>Millions</td>
</tr>
<tr>
<td>~0.13</td>
<td>~0.7-0.8</td>
</tr>
</tbody>
</table>

- Foreign multi-nationals
- 300 largest African
  - S. Africa 1.95
  - Others 0.30

Total 2.4 11.9-14.3

Source: Interviews; company websites
The business sector is underrepresented in CCMs

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<table>
<thead>
<tr>
<th>Average CCM composition</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGO/community</td>
<td>19</td>
</tr>
<tr>
<td>Private Sector</td>
<td>5</td>
</tr>
<tr>
<td>Other**</td>
<td>21</td>
</tr>
<tr>
<td>Public Sector*</td>
<td>56</td>
</tr>
</tbody>
</table>
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* Includes: government ministries, UN and multilaterals, bilateral agencies

** Includes: academic, faith-based, people living with the diseases, and other (mainly Red Cross/Red Crescent)

Source: Global Fund; interviews; team analysis

**Comments**

“CCMs come to us for ideas when they are getting funding, but never talk to us again.” (African company)

“Our CCM is hostile to business, they think we are just out to lower our cost base – even though we point out the millions we spend on health.” (US multinational)

“If the Fund could protect our proposals from the business-hostile CCM and evaluate them in Geneva, that would represent a huge step forward.” (US multinational)
The Fund will maximize its corporate sector support if it pursues several strategies

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash giving</strong></td>
<td>• Could raise $5-$100m; some risks</td>
</tr>
<tr>
<td>• Direct appeal for cash</td>
<td></td>
</tr>
<tr>
<td>• Leverage for reaching individuals</td>
<td>• Could raise $5-$25m annually; larger one-time amounts possible; relatively small effort</td>
</tr>
<tr>
<td><strong>Gifts in kind</strong></td>
<td>• Large opportunity ($385m to $540m in 2\textsuperscript{nd} round); investigate 3rd party management</td>
</tr>
<tr>
<td>• Program contributions</td>
<td></td>
</tr>
<tr>
<td>• Strategic services</td>
<td>• Small opportunity at Secretariat ($1.8m-$2.7m) plus media time and LFA option</td>
</tr>
<tr>
<td><strong>In-country collaboration</strong></td>
<td>• Valuable leverage; best way to demonstrate commitment to private sector partnerships</td>
</tr>
<tr>
<td>• Co-financing opportunities</td>
<td>• Helpful demonstration of commitment</td>
</tr>
<tr>
<td>• CCM representation</td>
<td></td>
</tr>
</tbody>
</table>

Source: Team analysis
In order to maximize corporate support, the Fund should pursue three broad strategies for resource mobilization:

- The Fund needs to build a brand and value proposition that makes corporations excited about supporting it.
- The Fund needs to build a dedicated team to attack the large and fragmented corporate sector.
- Implementation should take a phased approach with an eye to long-term success.
The business sector requires a distinctive brand and value proposition

<table>
<thead>
<tr>
<th>Key elements</th>
<th>Interview evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strong brand</strong></td>
<td></td>
</tr>
<tr>
<td>• Well-known brand</td>
<td>• “It’s important to partner with an institution that’s a leader in its field.” (Europe)</td>
</tr>
<tr>
<td>• Clear strategy and goals</td>
<td>• “An organization needs to be very clear on its message before it asks for support.” (US)</td>
</tr>
<tr>
<td>• Proven effectiveness</td>
<td>• “Companies need to be sure that the organization has no risks.” (Europe)</td>
</tr>
<tr>
<td><strong>Strong value proposition for business</strong></td>
<td></td>
</tr>
<tr>
<td>• Clear opportunities specific to business</td>
<td>• “The key thing is to be specific in your ask.” (UK)</td>
</tr>
<tr>
<td>• Efficient donation processes</td>
<td>• “We prioritize projects that use [our technology] in some way.” (Europe)</td>
</tr>
<tr>
<td>• Demonstrable impact from the donation</td>
<td>• “An organization must be an effective conduit in order to play.” (Consultant)</td>
</tr>
<tr>
<td>• Local relevance</td>
<td>• “If it feels like bureaucracy, there’ll be a distinct lack of engagement.” (US)</td>
</tr>
</tbody>
</table>

Source: Interviews; team analysis
The Fund has not yet built positive brand awareness

<table>
<thead>
<tr>
<th>Finding</th>
<th>Sample quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic awareness is low</strong></td>
<td>• “They (Fund) have very low visibility, I don’t know who they are or what they do.” (US company)</td>
</tr>
<tr>
<td></td>
<td>• “What’s the difference between the Fund and the GBC?” (US company)</td>
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<tr>
<td></td>
<td>• “I’ve seen a total lack of understanding about what the Fund is supposed to do.” (Pharma)</td>
</tr>
<tr>
<td><strong>Some have negative perceptions</strong></td>
<td>• “When I read about the Fund, I read about politics.” (US company)</td>
</tr>
<tr>
<td></td>
<td>• “What’s the plan, what’s the vision of what this Fund will do? Even if there were money, I’m not convinced it would be well spent.” (US company)</td>
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<tr>
<td></td>
<td>• “It feels like government – it doesn’t have a business feel.” (UK company)</td>
</tr>
<tr>
<td><strong>Others have informed concerns</strong></td>
<td>• “Why send money through Geneva just to bring it back here?” (African company)</td>
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<tr>
<td></td>
<td>• “The Fund is untested – [I worry about headlines like] ‘Massive fraud, abuse, corrupt General siphoning off money’.” (US multinational)</td>
</tr>
<tr>
<td></td>
<td>• “Right now, the Fund has bitten off too much.” (US multinational)</td>
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</tbody>
</table>

Source: Interviews
The branding work should address all these concerns

<table>
<thead>
<tr>
<th>Finding</th>
<th>Recommended action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic awareness is low</td>
<td>• Aspire to develop a brand equivalent to leading international nonprofits (e.g., Red Cross, Oxfam, Greenpeace, Amnesty, UNICEF)</td>
</tr>
<tr>
<td></td>
<td>• Leverage leading international personalities and Board</td>
</tr>
<tr>
<td></td>
<td>• Emphasize innovative model, size, and global support</td>
</tr>
<tr>
<td>Some have negative perceptions</td>
<td>• Make potential corporate partners feel welcome through language, value proposition, and model relationships</td>
</tr>
<tr>
<td></td>
<td>• Clarify the Fund’s strategy – what it will and will not do</td>
</tr>
<tr>
<td>Others have informed concerns</td>
<td>• Quickly provide evidence of efficiency and effectiveness</td>
</tr>
</tbody>
</table>

Source: Interviews; team analysis
## The Fund has not yet provided a clear value proposition

<table>
<thead>
<tr>
<th>Element of value proposition</th>
<th>Sample quote</th>
</tr>
</thead>
</table>
| **Corporate-specific opportunities** | • “We want real involvement.” (US multinational)  
• “We want to work with the Fund to develop sustainable programs.” (Pharma)  
• “Tell us, ‘we need you, not because of your money, but because of your creative energy and your ability to develop solutions.’” (US multinational)  
• The Fund’s [resource] strategy needs to be more creative.” (UK multinational) |
| **Efficient donation processes** | • “The Fund should be actively facilitating partnerships.” (African company)  
• “Our local manager tried to join the CCM and was refused.” (US multinational)  
• “We had a proposal for a community program but it was refused by the CCM, they said to get an NGO…then they refused the NGO we teamed with…we finally gave up.” (European multinational) |

Source: Interviews
The Fund has not yet provided a clear value proposition (cont’d)

<table>
<thead>
<tr>
<th>Element of value proposition</th>
<th>Sample quote</th>
</tr>
</thead>
</table>
| Demonstrable impact | • “We’re not interested in ‘awareness’ – we want programs with measurable results.” (UK multinational)  
• “We want to bite off something we can chew.” (US multinational)  
• “It’ll be hard to get us on board without telling us our support will be used for this or that project.” (European multinational) |
| “Local” opportunities | • “We would rather spend the money on our own people [in Africa] and their communities.” (European multinational)  
• “The Fund is neither here nor there for local players.” (African company)  
• “If we had the choice of donating to the Fund or building a local school for the blind, we would build the local school.” (African company) |

Source: Interviews
The Fund needs to become an attractive philanthropic opportunity for corporations

<table>
<thead>
<tr>
<th>Element of value proposition</th>
<th>Recommended action</th>
</tr>
</thead>
</table>
| Corporate-specific opportunities | • Make it clear the Fund seeks unique products and services in true partnership with the corporate sector  
• Provide a detailed list of opportunities  
• Create meaningful in-country collaboration |
| Efficient donation processes | • Clarify donations process for each kind of support  
• Establish required mechanisms (tax eligibility, etc.)  
• Provide proofs of concept |
| Demonstrable impact | • Develop case studies and stories of impact  
• Translate dollars donated into health outcomes  
• Track in-kind donations through third party  
• Celebrate contributions of strategic services |
| “Local” opportunities | • Build “global community” brand and local fundraising partnerships  
• Consider allowing “adoption” of approved programs  
• Create meaningful opportunities for collaboration in-country |

Source: Interviews; team analysis
The Fund must build the nucleus of a corporate resource mobilization team immediately

Current situation

• The Fund has just 1.25 FTEs for branding and private sector resource mobilization

• Other nonprofits employ from 6-12 people in corporate fundraising alone

• Fund supporters express concern about Fund’s capacity:
  – “Who’s actually going to ask individuals for money?” (African company)
  – “I’m skeptical of the Secretariat’s ability to do this unless they get private sector savvy.” (US multinational)

Recommended approach

• Hire 1 senior individual with significant experience in corporate and individual fundraising as well as 1-2 additional staff to play support role

• Increase staff in future based on success of campaigns

Source: Global Fund, interviews, team analysis
Key messages

In order to maximize corporate support, the Fund should pursue three broad strategies for resource mobilization.

These strategies will only succeed if the Fund builds the required brand, value proposition, and organization to support them.

Implementation should take a **phased approach** with an eye to long-term success:

- The Fund should begin by hiring a team, finalizing its strategy, and testing its approach over six months.
- In 2004, it can begin to scale up its efforts to match its improving results and its stronger brand.
Implementation should begin immediately with a phased approach

**Phase 1 (next 6 months)**

**Rationale**
- Essential bases of strategy
- Quick wins that require little Fund capacity

**Activities**
- Build team
- Plan implementation of strategy
- Develop and test brand
- Negotiate donations of services
- Evaluate in-kind mechanism
- Negotiate proofs of concept
  - CRM and media partnerships
  - Co-financing
  - CCM membership

**Phase 2 (2004)**

- Longer lead time
- Benefit from pilot approach
- Require established brand
- Roll out brand in pilot markets
- Set up mechanism for in-kind donations at program level and test
- Launch broader appeal to individuals in pilot markets
- Launch comprehensive push for co-financing proposals in 4th Round
- Launch corporate cash appeal

Source: Team analysis