



Report to the GAVI Alliance Board

16-17 November 2011

Subject:	Update on GAVI Campaign and private sector outreach
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Category:	For Guidance/Discussion
Strategic goal:	SG3 - Financing: global predictability/nat'l sustainability

Section A: Overview

1. Purpose of the report

- 1.1 The purpose of this report is to inform the Board on key developments between the GAVI Campaign (the “**Campaign**”) and the GAVI Alliance (“**GAVI**”) and the ongoing work between the two to unify priorities and identify synergies that will help them engage more effectively with the private sector. The paper will also briefly touch on developments in private sector outreach since the 7-8 July Board meeting and the outlook for 2012.

2. Recommendations

- 2.1 As there are no decisions, this paper has no recommendations.

3. Executive summary

- 3.1 The Campaign serves as a US “friends of”¹ charity to GAVI, allowing donors to GAVI programmes to receive US tax deductions on their donations. Earlier this year, the Chairs of GAVI and the Campaign agreed to jointly commission a review of the Campaign consistent with the agreement made at the time of the transition of the two entities (see section 4.4 for more information on the cooperation between the two entities).

- 3.2 The review reached two main conclusions²:

¹ “Friends of” organisations are charitable organisations that do not conduct charitable activities of their own but are set up to solicit contributions from US donors for the purpose of granting those funds to support qualified charitable activities of a foreign charity.

² The reviewer’s report will be made available to Board members on request. Requests should be directed to the GAVI CEO.

- (a) **Fundraising and advocacy:** The core functions of fundraising and advocacy in the private sector being performed by the Campaign should be fully aligned with the GAVI structure, operationally and strategically.
 - (b) **US entity:** To facilitate GAVI's private sector outreach to US taxpayers, it is necessary and desirable to maintain a 501(c)(3) charity organised in the United States. This entity should not, however, itself engage in fundraising and advocacy activities independent of GAVI.
- 3.3 The Campaign Board has accepted the review recommendations and is working with the Secretariat and with external legal advisers to determine a feasible structure that will fold Campaign operations into GAVI while maintaining an ability to receive US tax-deductible private sector donations.
- 3.4 The integration plan is a key ingredient for building a comprehensive private sector engagement strategy over time, including to diversify resources, increase GAVI's support base and improve GAVI's operational capacity.

4. Context

A. Background

- 4.1 The GAVI Fund, a US 501(c)(3)³ public charity, served from 1999 until 2008 as the financial agent and fiduciary for the GAVI Alliance. Until 2008, the GAVI Alliance was an unincorporated alliance that met as a Board to set common objectives and strategies.
- 4.2 In 2008, the Boards of the GAVI Fund and the GAVI Alliance merged, incorporated into a Swiss charity, and adopted the GAVI Alliance name. As a result of the reorganisation, the GAVI Fund assigned the majority of its assets and liabilities to GAVI. The majority of the GAVI Fund's staff were transferred to GAVI. The new GAVI structure obtained recognition from the US Internal Revenue Service as a 501(c)(3) organisation to allow it to more easily receive contributions from private foundations, such as the Bill & Melinda Gates Foundation. However, as a 501(c)(3) organised under the laws of Switzerland, GAVI is distinct from a US 501(c)(3) in that donations to it are not tax-deductible.
- 4.3 At the same time that GAVI transitioned to its current structure, the GAVI Fund changed its focus to operate as a "friends of" organisation to GAVI, focusing its efforts on private philanthropy in the US. It changed its name from the GAVI Fund to the GAVI Campaign.
- 4.4 The newly named Campaign retained approximately US\$ 50 million in assets to allow it to maintain robust financial reports and programme-to-expense ratios. It was anticipated that the funds would be paid to GAVI over time. All

³ Section 501(c)(3) refers to the section of the US Internal Revenue Code governing entities organised under that section.

staff involved with US private philanthropy efforts, and only those staff, remained employed with the Campaign. The Campaign and GAVI entered into a Cooperation Agreement whereby GAVI agreed to provide administrative support to the Campaign (the “**Cooperation Agreement**”). It was anticipated at the time of the transition that GAVI would review the revised structure after three years to assess whether the independent but closely aligned structure was working.

- 4.5 During this time, the Campaign Board and its staff implemented a private sector strategy and through hard work and dedication raised US\$ 14 million from the private sector during 2009-10. That hard work continues unabated in 2011. The Secretariat would like to express its deep gratitude to the Campaign Board and staff for the commitment they have shown throughout to GAVI’s mission.

B. GAVI Campaign review and the Campaign Board’s assessment

- 4.6 At its July 2011 Board meeting, the Campaign Board and the incoming GAVI CEO agreed to a process for conducting a review of the Campaign. A Steering Committee comprising two Campaign Board members and the incoming GAVI CEO, was commissioned to issue terms of reference for the review and to oversee the review process. A member of GAVI’s Policy & Performance team assisted the Steering Committee to ensure a smooth and objective evaluation process.
- 4.7 After a competitive selection process, consultant Lyndon Haviland was selected to conduct the review. She interviewed 26 individuals, representing internal and external stakeholders of both GAVI and the Campaign, regarding the history of the Campaign and its potential. The review findings were presented for discussion and recommendations at the Campaign’s 23 September 2011 Board meeting to the Board, the interim Campaign Executive Director, the GAVI CEO, a representative from K&L Gates (the legal firm providing outside counsel), and a group of experts in the private sector funding landscape who had been convened by the GAVI CEO.
- 4.8 The Campaign Board agreed fully with the conclusion mentioned in section 3.2(a) on fundraising and advocacy. It recognised the need for GAVI as a whole to speak with one voice in fundraising and advocacy. It also noted that an increasing degree of separation between GAVI and the Campaign in carrying out these functions over the past three years has been inefficient and counterproductive.
- 4.9 The Campaign Board offered a qualified opinion with respect to the second conclusion (see 3.2(b) on the US entity), some noting that if the sole purpose of the entity is to facilitate tax-deductibility of contributions by US private donors, then the GAVI Board should consider winding up the Campaign altogether and establishing a relationship with a third party intermediary structure to receive tax-deductible contributions (such as a donor-advised fund

or fiscal sponsorship partner, e.g., the United Nations Foundation). The Campaign Board also noted, however, that if GAVI wanted to pursue a more far-reaching private sector outreach strategy in the US, then the optimal vehicle is a dedicated streamlined 501(c)(3) mechanism.

- 4.10 The Secretariat agrees with the conclusions in section 3.2.
- 4.11 The Secretariat does not advise pursuing a third-party intermediary structure. That option has its place, but is generally a short-term or limited alternative which does not provide for the same level of integration of strategy with active fundraising programmes. As noted by the reviewer, peer organisations are moving away from the fiscal sponsorship model. On the other hand, retaining the US 501(c)(3) “friends of” charity while further integrating its fundraising and operations into GAVI and completely aligning branding and strategy will allow GAVI’s overall resource mobilisation strategy to benefit from a US charitable partner that has a track record of more than 10 years of history and financial statements, items which are often important to donors.

C. *Integrating Campaign operations and fundraising within GAVI*

- 4.12 Integrating the Campaign more fully into GAVI will have financial, operational and governance implications for GAVI and the Campaign.
- (a) *Financial implications:* The Campaign will retain only those assets necessary to maintain the Campaign’s independence for financial and legal purposes. Any assets exceeding this amount would be transferred to GAVI pursuant to a grant agreement between the Campaign and GAVI. The Campaign assets are currently just over US\$ 43 million. According to external legal advice, the Campaign can transfer approximately 60-70% of this amount to GAVI without creating legal risk that the organisation will be regarded as a conduit.
- (b) *Operational implications:* All private sector fundraising and advocacy initiatives will be fully integrated with and delegated to GAVI. GAVI senior management will carefully consider the human resources required in both size and skills to implement an efficient private sector outreach plan. Staff with the necessary qualifications and experience may be offered contracts with GAVI. However, some staff may be employed with the Campaign and others may be declared redundant due to the transition. Administrative and financial functions will be outsourced to GAVI wherever possible. A GAVI executive team member⁴ will occupy the Executive Director position at the Campaign to facilitate synergy. The changes to the relationship between the two organisations would be set out in a new Cooperation Agreement.

⁴ Currently, this is the Managing Director for Innovative Finance.

D. The Structure of the remaining Campaign

4.13 The Campaign would remain in existence in order for US individuals and corporations to have a vehicle for tax-deductible charitable contributions to GAVI programmes.

- (a) *Governance implications:* Unnecessary governance for the restructured Campaign would be eliminated to the greatest extent possible. The Campaign Board is seeking to reduce its numbers to between three and five directors. The directors must exercise discretion and control over the use of the funds flowing to the Campaign. There is a governance option that would allow GAVI to serve as the sole “member” of the Campaign with the right to appoint the directors of the Campaign. Some current Campaign Board members, including the Board Chair, have generously agreed to remain on the Board after its restructure. Under any structural outcome for the Campaign, existing Campaign Board members who may no longer serve on the future Board will have opportunities to continue to support GAVI’s private sector outreach efforts. The Secretariat is delighted that several Campaign Board members have already expressed keen interest in staying involved with GAVI’s private sector outreach as it evolves.
- (b) *Operational implications:* The Campaign would continue to be a separate legal identity. Interactions such as the transfer of funds raised by the Campaign would continue to be arm’s length transactions and pursuant to written agreements. Established grant-making policies and procedures would need to continue to be adhered to in the future.
- (c) *Fundraising and grant-making:* Individuals soliciting contributions on behalf of the Campaign would need to be clear in their solicitation efforts that they are soliciting funds on behalf of the Campaign and not GAVI (although it should be noted that the brands of the organisations can be more closely aligned, e.g., the Campaign can be referred to as the GAVI Alliance US). Any donations made to GAVI with the expectation of receiving a US tax deduction would need to be made to the US charity. Fundraising materials would need to be clear on this point.

E. Benefits of the proposed structure

4.14 According to the Campaign review, integration between GAVI and the Campaign has not been successful due to lack of oversight, duplication of efforts and misaligned priorities. Implementing the proposed changes will allow the structure to work more cohesively. Further, it will provide GAVI with an opportunity to more easily take advantage of new private sector engagement opportunities presented by projects such as the GAVI Matching Fund initiative and to collaborate more efficiently on other projects already underway at the Campaign, such as faith-based initiatives (see the next section for a description of the projects).

4.15 To a certain extent, enhanced integration has already started in practice. On 1 July 2011, by mutual agreement of the Campaign Board and GAVI senior management, the Cooperation Agreement was updated to reflect an arrangement whereby GAVI would provide the services of a GAVI employee to perform the functions of the Campaign's Executive Director. The Managing Director for Innovative Finance was appointed interim Executive Director of the GAVI Campaign and has begun to lead Campaign efforts at private sector fundraising. Since this development, GAVI and the Campaign have established synergy across compatible business objectives and resource requirements. The closer relationship has led to the Campaign operating in connection with GAVI's strategic objectives.

F. Update on current private sector opportunities

4.16 GAVI efforts to engage the private sector have seen significant growth in 2011, most notably with the introduction of the GAVI Matching Fund (US\$ 130 million committed for private sector match by the Bill & Melinda Gates Foundation and UK's DFID).

4.17 The GAVI Matching Fund was created in advance of GAVI's 13 June 2011 pledging conference as a vehicle for expanding private support to and advocacy for GAVI, including new corporate partners. At the GAVI Matching Fund's inception, which occurred at least a year earlier than initially anticipated, the Secretariat essentially did not have sufficient personnel resources to appropriately implement the programme. Given the GAVI Matching Fund opportunity, GAVI and the Campaign identified the GAVI Matching Fund initiative as an opportunity to work closely together. The Campaign Board endorsed this approach at the 23 September Campaign Board meeting.

4.18 At the July 2011 GAVI Alliance Board meeting, the Secretariat reported partner commitments to the GAVI Matching Fund from Anglo American (US\$ 3 million), ARK Foundation (£ 2 million), "la Caixa" (€ 4 million), and JP Morgan (£ 1.5 million). Since then, all of the necessary legal, financial, administrative and structural arrangements have been put in place to properly accommodate the project. An initial prospect list of nearly 50 companies has been agreed among the Bill & Melinda Gates Foundation, DFID and the GAVI Secretariat, and we are now jointly starting to approach those prospects in a systematic manner.

4.19 The GAVI Matching Fund is a key project on which the Campaign and GAVI can – and must – work in closer coordination in order to ensure success and take advantage of the enormous opportunity for private sector engagement.

4.20 In August 2011, the Campaign engaged in a prioritisation exercise to focus its work on the fundraising efforts that had the potential to yield significant revenue, along with an analysis of the resources needed to maintain them. Using this methodology, the Campaign staff identified projects it needed to trim

because their potential yield was low, and also identified potential high-yield projects for continued development.

4.21 Current private sector initiatives across the Secretariat and the Campaign include faith-based partnerships, champion / individual giving, and a possible investment product under development with the working title Hedge4Health (discussed under the heading “Co-branding of funds” in the Innovative Finance Update presented to the GAVI Board in November 2010).

(a) *Faith-based partnerships*: A promising new partner is the Church of Jesus Christ of Latter-day Saints (LDS). LDS was identified and contacted as part of a partnership exploration exercise conducted by the Campaign. As a result, LDS has committed US\$ 500,000 in 2011, and indicated its intention to fund at the rate of at least US\$ 1 million annually beginning in 2012. The commitment and indication came earlier this year, after LDS decided to expand its ongoing measles programme into a more general immunisation programme that includes pneumococcal and rotavirus vaccines. LDS has partnered with the Measles Initiative since 2003, contributing US\$ 13.5 million and thousands of volunteers to mobilise communities for measles campaigns in developing countries. In addition to funding the procurement of vaccines, LDS has set aside additional funds to support community mobilisation and health worker programmes in support of pneumococcal and rotavirus vaccine introduction.

(b) *Champion / individual giving*: The Campaign maintains a framework for its individual giving programme and some resources are thus available to foster higher-yield philanthropic support for GAVI. In accordance with the de-prioritisation exercise, staff members are not proactively seeking lower-level gifts. They continue to wind down grassroots initiatives to more fully concentrate on higher-yield projects. Should high-net worth individuals be successfully attracted to GAVI through other avenues (including the GAVI Matching Fund), Campaign staff will be able to strategically nurture the relationships and thus bring new champions and advocates into GAVI.

(c) *Hedge4Health*: Since the last update to the Board in November 2010, the investment vehicle concept has evolved into Hedge4Health, a product idea involving a fund of hedge funds. Hedge4Health would tap into the hedge fund industry as a potential source of revenue and as advocates. The Campaign would fit nicely into Hedge4Health because it would draw the interest of ultra-high net worth individuals. Campaign staff have already contributed to this project with their existing network of contacts and knowledge of philanthropic forums where GAVI could promote Hedge4Health.

4.22 As the private sector outreach strategy evolves, it always is possible that there will be a good reason to invest considerably more resources in the Campaign and to build it up, going in the opposite direction of the actions now being taken. That is not, however, an approach that currently makes sense given GAVI’s current resources, brand positioning and recognition, and tangible

private sector opportunities (especially, in the first instance, the GAVI Matching Fund). The Board will, of course, be consulted on the private sector outreach strategy as it evolves.

5. Next steps

- 5.1 The Secretariat and the Campaign Board will work closely with external legal advisers in order to further review and implement the findings enumerated in section 4. Implementation of these next steps will commence immediately following this Board meeting. It is expected this process will be completed during the first half of 2012.

6. Conclusions

- 6.1 The Campaign's operations should be integrated with GAVI as far as possible to support GAVI's private sector outreach over the next few years.
- 6.2 The Campaign should be maintained as a US 501(c)(3) organisation to facilitate tax-deductible donations from US corporations and individuals and to retain the option to build it out in the future should GAVI's private sector engagement strategy evolve in that direction.

Section B: Implications

7. Impact on countries

- 7.1 Not applicable.

8. Impact on GAVI stakeholders

- 8.1 The joint efforts of the Campaign and the Secretariat, initially working on corporate relations through the GAVI Matching Fund vehicle, will enhance the private sector support base for GAVI.

9. Impact on business plan / budget / programme financing

- 9.1 See section 4.12(a).

10. Risk implications and mitigation

- 10.1 The most significant risk in folding Campaign operations and fundraising into GAVI is jeopardising the tax-deductibility of contributions to the Campaign, thereby adversely impacting relations with US donors and prospective donors due to the loss of that deductibility. To mitigate this risk, GAVI and the

Campaign are working closely with external counsel that is expert on this issue.

- 10.2 There are always risks associated with making employees redundant, which is a possibility in this restructuring.

11. Legal or governance implications

- 11.1 The organisations are exploring the opportunity for cross-membership on the two Boards, in which case one or more members may sit on both the GAVI Board and the Campaign Board to promote alignment. For legal implications, see section 10.

12. Consultation

- 12.1 See sections 4.6 to 4.11.

13. Gender implications / issues

- 13.1 During the restructuring process, GAVI and the Campaign have an opportunity to consider board seats and staff with the GAVI gender policy in mind.

14. Implications for the Secretariat

- 14.1 See section 4.12.