



Report to the GAVI Alliance Board

7-8 July 2011

Subject:	GAVI Matching Fund for Immunisation
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Strategic goal:	SG3 - Financing

Section A: Overview

1. Purpose of the report

- 1.1 The purpose of this report is to provide information to the Board about work done so far on a new GAVI initiative provisionally called the GAVI Matching Fund for Immunisation (the "**Matching Fund**"). GAVI, in partnership with the UK's Department for International Development ("**DFID**") and the Bill & Melinda Gates Foundation ("**BMGF**") recently launched the Matching Fund to incentivise private donors to contribute to GAVI.
- 1.2 There is strong momentum on this project and it is in continuous development. The presentation to the Board on this subject will update the Board on any significant events occurring after the distribution of this paper.

2. Recommendations

- 2.1 This report provides an update on the Matching Fund and information on options for setting up the Matching Fund to allow private sector contributions to GAVI. As features of the Matching Fund are developed, the Secretariat will report to, and where necessary request approvals of, the appropriate Committees of the Board.

3. Background to the establishment of the Matching Fund

- 3.1 The UK Secretary of State for Development wrote to 18 business leaders in April 2011 and the Chancellor of the Exchequer held a breakfast with business leaders on 9 June 2011, in support of the Matching Fund. At the Secretary of State's request, Alan Gillespie, the Chair of the IFFIm Board, met with many of these CEOs and Chairs to present GAVI and the Matching Fund concept to

them. Following these meetings, the Secretariat has been in discussion with a number of UK corporations and organisations concerning their possible participation.

- 3.2 At the GAVI pledging conference on 13 June 2011, UK Prime Minister David Cameron pledged UK£ 50 million to the Matching Fund on behalf of DFID and Bill Gates pledged US\$ 50 million on behalf of BMGF, making a total of approximately US\$ 130 million, which is available to match qualifying private sector donations to GAVI in the UK and internationally.
- 3.3 Anglo American plc, a FTSE 100 company, has already pledged US\$ 3 million, the ARK Foundation, a charity that is supported by the UK hedge fund industry, has pledged UK£ 2 million, and JP Morgan has pledged UK£ 1.5 million. Those three pledges will be matched from DFID's contribution to the Matching Fund. La Caixa has pledged € 4 million. This pledge will be matched by BMGF's contribution to the Matching Fund. Several other major corporations have indicated serious interest in participating in the Matching Fund initiative, and the Secretariat is following up energetically with them.

4. Outline of Matching Fund mechanism

- 4.1 The way the Matching Fund works is fairly simple:
 - (a) Step 1: The private sector partner makes a pledge to provide a private contribution to GAVI. It is intended that, wherever possible, these pledges be multi-year commitments, though in some cases pledges may be on a year-by-year basis
 - (b) Step 2: The private sector partner launches a marketing campaign to engage customers, and employees or other partners
 - (c) Step 3: The Matching Fund matches the funds received not only by the private sector partner, but also by their customers, employees or other partners. All proceeds after costs go to GAVI
- 4.2 The Secretariat is currently engaged in discussions with DFID and BMGF regarding the timing and form of their release of their funds.

5. Initiatives taken to market the Matching Fund to the private sector

- 5.1 Bill Roedy, former CEO of MTV Networks, who was introduced as the first GAVI Envoy in May 2011, has agreed to join Alan Gillespie in promoting the Matching Fund. The Secretariat hopes to draw on his experience with large scale media campaigns for global health (including the "Staying Alive Campaign") and his extensive experience and contacts in the private sector.

- 5.2 The initial private sector donors have all agreed to promote the Fund in the international business community.
- 5.3 The Secretariat will work with DFID, BMGF and other partners to take advantage of high profile events in order to maximise exposure of and incentives to commit to the Matching Fund.

6. Executive summary

- 6.1 The objective of the Matching Fund is to encourage new levels of support from private sector corporations and other organisations (like foundations), as well as their employees, customers and members, thus attracting new, incremental funds for GAVI and building support for immunisation not only in the corporate community but also among individual citizens.
- 6.2 The Matching Fund represents a major opportunity for GAVI:
- to extend and diversify its range of donors over time
 - to utilise private sector resources and know-how to leverage consumer and employee donations to GAVI
 - to utilise private sector resources and know-how to broaden support for the immunisation cause and increase awareness of the GAVI brand, building on the unprecedented level of public interest generated at the time of the 13 June 2011 pledging conference
- 6.3 Through the support of the UK government and BMGF, the Matching Fund is a significant opportunity for GAVI to prove the concept that traditional GAVI donor matching incentivises individual and corporate giving. GAVI is seeking to implement the Matching Fund in a low cost way. If the Matching Fund proves to be successful, there is the potential to grow the concept and roll it out in other jurisdictions.
- 6.4 The Matching Fund has the potential to generate up to US\$ 260 million (US\$ 130 million from the UK and BMGF and US\$ 130 million from private sector matching) in new funding for GAVI Alliance programmes.
- 6.5 Subject to further due diligence, the Secretariat intends to establish a trust account with a UK charity (e.g., Charities Aid Foundation) whereby corporations and individuals in the UK will be able to make tax-deductible contributions to GAVI through this intermediary charity (a **“Third Party Charity Option”**). As more details regarding private sector donor preferences are known, the Secretariat may determine that the scale and scope of donations can be more efficiently managed for GAVI through the use or establishment of a “GAVI” charity in the UK. If so, the Secretariat will complete the due diligence necessary to establish a “light touch” UK charity with minimal governance, administrative and cost structures, and whose sole purpose is to collect and distribute corporate and individual donations to GAVI. The Secretariat will consult with and obtain any necessary approvals from the

appropriate GAVI governance committees, e.g., the Audit and Finance Committee, and the Executive Committee or the Board.

- 6.6 In the United States, it is likely that the GAVI Campaign can be the recipient of tax-deductible contributions to the Matching Fund. The Secretariat will explore this with the GAVI Campaign and with legal counsel.

7. Next steps

- 7.1 The Secretariat will work to recruit new corporate partners in the UK and internationally.
- 7.2 As described in paragraph 6.5 above, the Secretariat intends to establish the necessary arrangements for tax-efficient donations to the Matching Fund.

8. Conclusions

- 8.1 The GAVI Matching Fund for Immunisation, supported by DFID and BMGF, offers unique opportunities for GAVI to engage with and mobilise significant donations from private sector corporations and individuals. A successful programme could lead to an additional US\$ 130 million in funds from corporate and individual matches (in addition to US\$ 130 million from BMGF and the UK government). The Matching Fund will also provide a springboard for GAVI to engage in different ways with these private sector corporations and individuals, thereby contributing to greater support and advocacy for GAVI and its mission.

Section B: Implications

9. Impact on countries

- 9.1 All donations to the Matching Fund will flow through the normal GAVI mechanisms. Only GAVI will review and approve country applications. Countries will retain a single relationship with GAVI. So no impact on countries at the programme level is envisaged.
- 9.2 It is possible that corporate partners will require activities such as field trips and the production of audio-visual marketing materials, which would have some impact on countries. The Secretariat is committed to managing the expectations of corporates in this regard, and to keeping any such impact at manageable levels for countries. Having said that, some of this impact could of course be positive for countries concerned.

10. Impact on the business plan / budget / programme financing

- 10.1 The Matching Fund could bring an additional approximately US\$ 260 million to fund country programmes, from corporate donors and their clients and customers and the release of the DFID and BMGF matching funds. The GAVI Secretariat will have to formulate an approach to how the “matched” and “matching” grants will be considered within GAVI’s Qualifying Resources. It is possible that the Matching Fund resources may be targeted towards certain countries, regions or vaccines, but only to the extent allowed by the Board’s existing processes of approvals and decision-making.
- 10.2 In the near term, the existing resources of the Secretariat and of the GAVI Campaign are expected to be sufficient to handle the work involved, with modest augmentation. But as the initiative moves into the phase where corporate partners require support for their marketing outreach efforts, it is possible that further resources will be required. The Secretariat will keep the Board abreast of developments in this regard. In any event, however, the intention is to keep the model as low cost as possible, and the Secretariat is very focused on that issue and on the lessons to be learned from the experience of other organisations with analogous projects. The Secretariat has begun discussions with a private sector marketing organisation to seek to secure *pro bono* support for meeting the needs of private sector donors.

11. Risk implications and mitigations

11.1 Risks

- (a) GAVI fails to raise all of the necessary private sector funds to match the full amount of the DFID and BMGF pledges
- (b) GAVI does not gain sufficient value in terms of public visibility and support for GAVI programmes
- (c) Direct or indirect costs of raising the additional funds are higher than expected

11.2 Mitigation

- (a) The commitment from the UK is multi-year in nature and expires in 2015 (GAVI and BMGF are currently negotiating the term of the BMGF commitment). This provides GAVI with 4 years to identify and secure UK private “matches”
- (b) Investing appropriate resources and management focus to support the Matching Fund will help to mitigate the risks of not succeeding in making use of the full opportunity the Matching Fund represents. In addition, the Secretariat is working to ensure that the Third Party Charity Option would maximise the number of countries in which GAVI can receive charitable donations, thus potentially allowing for a broader donor base
- (c) The Secretariat is working closely with the active support of the UK government and BMGF to drive an outreach programme for the corporate

sector. From the work led by Alan Gillespie prior to the 13 June 2011 pledging conference, there are good indications that, if this momentum is maintained, GAVI can receive sufficient pledges from the private sector. The Secretariat is also aiming to recruit champions with strong private sector relationships to act as advocates for the Matching Fund. Bill Roedy has said he is willing to act as such an advocate. Alan Gillespie has also indicated that he will continue for now to act as an ambassador in the UK market.

12. Legal implications

- 12.1 GAVI will be required to enter into donor and partnership agreements with DFID, BMGF and individual corporations. The Secretariat will ensure the terms and conditions or obligations imposed on GAVI in such agreements (e.g., reporting requirements and earmarked funding requests) are kept as simple as possible. The agreements will require the corporations to comply with local rules on fund-raising and cause-related marketing.
- 12.2 Under the Third Party Charity Option, GAVI will need to establish and manage a trust account with the intermediary charity. GAVI will retain control over the trust account, within the limits of UK charity law: the trustees of the Third Party Charity would have ultimate sign-off powers as they must ensure that any payments comply with UK charity law. Whether GAVI uses the Third Party Charity Option (essentially a sub-fund of the Third Party Charity) or sets up a charity of its own, UK charity law does not allow the charity's trustees to surrender control entirely. The advantage of the Third Party Charity Option is that it has a reputational need to ensure that it tries as far as possible to follow its donors' instructions; an affiliated charity set up for GAVI would not have this incentive. GAVI would be able to choose the trustees of its own affiliated charity, but it may have more difficulty in giving it instructions if its board takes it in a different direction from that which is expected by GAVI.
- 12.3 Subject to completion of a due diligence exercise, the Secretariat considers using Charities Aid Foundation as the most cost-effective and tax efficient route at present to receive payments from corporate donors in Europe to the Matching Fund. The Secretariat explored the possible use of the GAVI Fund Affiliate for this purpose, but it would be too expensive and unnecessarily complicated.
- 12.4 If the Secretariat determines that a "GAVI" charity may be a better option for administering the Matching Fund, that would create additional governance and legal implications. Before proceeding with this option, the Secretariat will complete the due diligence necessary to establish a "light touch" UK charity with minimal governance, administrative and cost structures, and whose sole purpose is to collect and distribute corporate and individual donations to GAVI. The Secretariat will consult with and obtain any necessary approvals from the appropriate GAVI governance committees e.g., the Audit and Finance Committee, and the Executive Committee or the Board.

13. Consultation

- 13.1 The Matching Fund was presented to GAVI donors on 27 March 2011 at a meeting hosted by DFID in London. The UK government and BMGF, the donors that have made commitments to the Matching Fund, have been consulted extensively. In addition a number of CEOs of FTSE 100 companies have been presented to and their responses are being taken into account.
- 13.2 Board members received a briefing note on 17 June 2011 and were offered an opportunity to have a discussion with the Innovative Finance team on this mechanism prior to the Board meeting.

14. Gender equality implications

- 14.1 Gender aspects are not relevant for this funding mechanism

15. Implications for the Secretariat

- 15.1 See section 7 (Impact on the business plan / budget / programme funding)