

DRAFT
PRIVATE-SECTOR PARTNERSHIP
AND
FUNDRAISING STRATEGY



INFORMAL CONSULTATION

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INTRODUCTION

1. Hunger is a complex, multi-dimensional challenge that requires bold and decisive action by national governments, international agencies, non-governmental organizations (NGOs), local communities and the private sector to achieve sustainable solutions. The enormity of the problem, with its social, economic and human consequences, has been well-documented elsewhere. If the first Millennium Development Goal (MDG) of halving the proportion of hungry people by 2015 is to be achieved, then agencies such as WFP must seek out new partners and be open to new forms of partnership.

PRIVATE SECTOR – UNITED NATIONS

2. Former Secretary-General Kofi Annan took a leadership role in championing United Nations cooperation with the private sector through the establishment of the United Nations Global Compact in 2000 and the United Nations Commission on the Private Sector in July 2003.
3. The Secretary-General's report to the General Assembly on the "Cooperation between the United Nations and All Relevant Partners, in Particular the Private Sector", dated 28 August 2001, sought the views of Member States and business and civil society leaders on how to enhance cooperation between the United Nations and the private sector. Overall, Members recognized that the private sector had had, and would continue to have, a significant role to play. This role would necessarily vary in order to meet the needs of various United Nations agencies and their constituencies. In order to protect the reputation of the United Nations and ensure that value was created from partnerships, agencies were to carefully select potential partners and exercise due diligence. They were also to ensure that no private-sector partner benefited commercially from partnership with the United Nations. In addition, in order to maintain independence and ensure fairness, agencies were not to grant exclusivity to any private-sector partner.
4. Leveraging a corporation's resources, core competencies, skills and technology was considered one of the greatest benefits of private-sector engagement, though United Nations Member States felt that no private-sector contribution should serve as a substitute for Member State funding. Finally, there was general agreement that the private sector should not compromise the independence and neutrality of the United Nations, nor replace the role of Member States.

PRIVATE SECTOR - WFP

5. WFP heeded the Secretary-General's call to action. WFP recognized that private-sector partnerships create opportunities to leverage skills, expertise and resources to:
 - build a stronger institution by decreasing response times, improving operational efficiency, strengthening capacity and sharpening skills;
 - tap into a company's base of employees and consumers to increase awareness and visibility for a humanitarian cause; and
 - expand its resource base.
6. This was the basis for a series of informal consultations with the WFP Membership, which led to the adoption of "New Partnerships to Meet Rising Needs – Expanding the WFP Donor Base".
7. WFP then launched its outreach to the private sector. The first major WFP private-sector partnerships, which were with TNT and The Boston Consulting Group (BCG), exemplify the Secretary General's vision of multi-faceted, multi-year partnerships to address global problems.
8. WFP's approach was lauded because it engaged strategic support from major corporations willing to leverage their core competencies to ensure it had access to cutting-edge private-sector approaches, technology and expertise. In fact, a 2007 United Nations Global Compact survey of 550 non-profit and United Nations organizations recognized WFP as one of 34 leaders in public-private partnerships.
9. This paper reviews WFP's experience and presents an enhanced partnership and fundraising strategy for engaging the private sector.

PRIVATE-SECTOR PARTNERSHIP AND FUNDRAISING

10. Leveraging the core competencies of corporations to strengthen WFP performance (as with TNT and BCG), the provision of advertising and services (as with the Japan Advertising Council) and contributions of food and materiel (as with Archer Daniels Midland) for operations and programmes all fall within the broad category of in-kind contributions.
11. In-kind contributions increased from US\$23 million in 2003 to around US\$45 million in 2007; over the same period cash contributions increased from US\$5 to US\$38 million.
12. It is difficult to quantify, however, the benefits to WFP, and more importantly to its beneficiaries, the true value of in-kind contributions to the organization's work. For example, it is impossible to calculate with precision the benefits to the millions of women and children who receive full food rations on time as a result of the introduction of the New Business

Model pioneered with the BCG; or as a result of adapting private-sector techniques to improve WFP's supply chain to shorten the time and reduce the cost of providing humanitarian assistance, a contribution made by TNT.

13. These elements enhance WFP's operational performance, deepening the trust and confidence that Member States and other partners place in the organization's work.

LESSONS LEARNED

14. WFP's experience with private-sector partnerships has shown:
 - It was wise to concentrate initially on a limited number of major corporate partnerships. WFP benefited greatly from expertise and knowledge transfer to improve its work and direct cash to support its operations and programmes.
 - Corporate partnerships require a significant level of service in terms of engagement, communications and reporting. The number of partners and the complexity of each relationship has to be managed in accordance with WFP's capacity to provide support.
 - There is substantial potential for private-sector partnerships and fundraising in all regions of the world that has not yet been tapped. At the same time, the administrative arrangements to operationalize private-sector partnerships and fundraising need to be regularly reviewed and adjusted in light of experience to maximize efficiency and minimize costs.
 - Foundations are willing to partner with WFP on ventures of mutual interest such as vulnerability analysis and mapping (VAM), Strengthening Emergency Needs Assessment Capacity (SENAC) and information and communications technology (ICT) preparedness.
 - Strong research and due diligence ensure WFP minimizes potential risk to its reputation.
 - Public information is crucial; a sustainable strategy for marketing, communications and branding is essential.
 - WFP's field offices are willing to reach out to potential private-sector donors. Country offices must, however, be supported by corporate guidance, training and access to specialist advice.

- Private donors accept that there are costs involved in raising funds and that these are higher than seeking public funds. Discussions with private donors reveal that they are willing to see up to 25 percent of their donations used to offset fundraising costs, which would enable WFP to finance the costs of increased private-sector fundraising.

OPPORTUNITIES

15. There are opportunities that WFP has yet to tap:

- Many major corporations of international repute are willing to leverage their technical expertise to ensure that WFP has access to cutting-edge private-sector approaches and techniques. WFP could replicate the TNT and BCG model (WFP Global Humanitarian Partners) for those core business areas that would benefit from such partnerships.
- Other corporations of international repute are willing to engage with WFP on a less intensive basis (WFP Corporate Supporters). The defining characteristic is that WFP would not seek to leverage the Supporters' core competencies. There is no limit on the number of such private donors.
- As with corporations, high net worth individuals also support WFP's operations in direct tangible ways. This cadre remains largely untapped.
- Far more funds could be obtained from individuals by engaging them more proactively. In 2003, WFP raised around US\$250,000 through the internet; in 2006, with a modest investment, WFP raised about US\$1.3 million.
- A targeted approach to private-sector partnerships and fundraising would enable WFP to tap new sources of donations while minimizing the risk of diverting donations away from NGOs. In some cases, joint public awareness and fundraising campaigns with NGOs might also be initiated.
- The better WFP is known, the greater the potential for private-sector partnerships and fundraising. Effective public policy and advocacy enhances the understanding of hunger issues and lays the foundation.

STRATEGY

16. The proposed strategy retains the overarching private-sector policy framework approved by the Executive Board, while adding a specific quantitative goal for the cash component. The strategy aims to:
 - a) retain existing WFP Global Humanitarian Partners and recruit Partners for each of WFP's major business areas;
 - b) retain and grow existing, and attract new, WFP Corporate Supporters;
 - c) extend the outreach to Foundations;
 - d) cultivate high-net worth individuals; and
 - e) enhance outreach to smaller individual donors through the Web.

WFP expects to raise US\$200 million in cash by 2017 from the private sector, at least US\$50 million of which would be multilateral. Progressively over time, WFP would expect to generate about 50–60 percent of its cash donations from corporations and 40–50 percent from individuals and foundations.

17. WFP will ensure that donations remain demand-driven; this approach will be used for all private-sector donations, particularly gifts-in-kind, which must match WFP's needs with donors' capacity to give.
18. WFP will manage the cost of private-sector partnerships and fundraising to ensure that the investment-to-income ratio does not exceed the standard for global organizations. In general, these organizations invest US\$1 for every US\$4 raised, a 1:4 investment ratio. WFP intends to work well within this norm by focusing on proven cost-effective approaches and avoiding costly mechanisms such as direct mail and purchased advertising.
19. WFP will recruit around 15 Global Humanitarian Partners willing to engage in a multi-year, multi-faceted relationship, which would include a substantial cash donation. For example, DSM, a life sciences and nutrition company, has put at WFP's disposal scientific knowledge and technical expertise to strengthen the micronutrient composition of the WFP food basket. They also provide cash to support operations and programmes. Similarly, YUM! Brands leveraged its global communications outreach and international network of 35,000 restaurants to raise awareness of hunger and the role of WFP in sustainable solutions. This generated substantial unrestricted funds from consumers to feed millions of people in WFP operations and programmes.
20. Global Humanitarian Partners will be recruited on the basis of WFP's analysis of the best match between its needs and the corporation's potential to donate, regardless of where they are based.

21. WFP will seek to engage more Corporate Supporters, scaling up the number consistent with its capacity. International Paper (IP) has been a Corporate Supporter for several years. IP and its employees have raised over US\$1 million a year over the past three years through its employee engagement programme. The core competencies of IP are not those that relate to WFP's business model and hence the relationship does not extend to this level.
22. Corporate Support is an area of opportunity for regional bureaux and WFP offices across the world. In Japan, for instance, for the past three years the Japan Advertising Council has donated between US\$20 and US\$30 million in advertising value per year to raise public awareness of the issue of hunger in Japan, an initiative greatly welcomed by the Government of Japan.
23. WFP will nurture and expand the partnerships with Foundations, with the intention of transforming these into long-term relationships.
24. WFP will reach out to high-net-worth individuals interested in engaging with WFP in the pursuit of sustainable solutions to world hunger and willing to finance WFP programmes and operations.
25. WFP is revamping its website to facilitate online outreach to raise awareness and funds from people all over the world. Public information initiatives will complement online approaches by guiding potential donors to www.wfp.org.
26. The proposed strategy will be implemented in compliance with WFP's "Private Donor Guidelines" (Directive FD2005/002 of 10 October 2005),¹ which includes the provision in paragraph 12 that, like public-sector donors, private donors must meet full cost-recovery. Private-sector donors would have no role in the governance of WFP; governance is the prerogative of the Board and inter-governmental bodies. In addition, the integrity of commercial relationships will be maintained with a "firewall" between its private fundraising and procurement process to ensure that commercial relationships with private donors remain independent and thus managed separately.²

¹ The Guidelines were based on the policy framework approved by the Executive Board. See WFP/EB.3/2004/4-C.

² Secretary-General's report to the General Assembly on the "Cooperation between the United Nations and All Relevant Partners, in Particular the Private Sector", dated 28 August 2001

SUPPORTING THE STRATEGY

27. Investment to build capacity, expand training and further strengthen in-house infrastructure is a prerequisite to growing partnerships and increase income from the private sector.
28. The 2008 provisional budget is US\$6.5 million, rising to US\$11.1 million for 2017. WFP will need to expand the staff capacity in the Private Partnerships Division, including the recruitment of a small number of technical specialists to support areas such as online fundraising. With these resources, WFP will generate approximately US\$80 million in 2008, of which US\$43 million would be gifts-in-kind and US\$38 million in cash, rising to almost US\$270 million³ in 2017, of which about US\$70 million would be gifts-in-kind and US\$200 million in cash.
29. It is important to recognize that the investment precedes the returns because it takes time to secure new private donors. Acquiring new donors takes more time and effort than maintaining and expanding existing partnerships.
30. Private-sector partnerships and fundraising will be measured in both financial and non-financial terms:

Financial measures	Non-financial measures
Achieving cash contribution targets	Quality of global strategic partnerships
	Broadened donor portfolio

FINANCING THE STRATEGY

31. Since 2003, WFP's work to develop private-sector partnerships and fundraising has been funded through the Programme Support and Administrative (PSA) budget.
32. It is proposed that the capacity investments and working capital needed to implement the private-sector strategy be financed as follows:
 - The Management Plan 2008–2009 provides US\$735,000 per year to support the Private-Sector Partnership Division. Similar provision is anticipated for future Management Plans.

³ This assumes the continued annual support for the Japan Advertising Council at an average of US\$20–US\$30 million in advertising value.

- The majority of the funding would come from a series of advances from the General Fund, approved by the Executive Board, covering a five-year period. These would be fully repaid with interest over the subsequent five years to ensure the financial impact on the General Fund is cost-neutral. The Management Plan 2008–2009 includes a provision for an advance of up to US\$9 million, which would be drawn down in tranches, subject to approval by the Executive Board of the Private-Sector Partnership and Fundraising Strategy.
- The advance of up to US\$9 million for the 2008–2009 biennium would be revisited at the Second Regular Session of the Executive Board in 2008, at which time the Management Plan 2008–2009 will be adjusted to bring it in line with the Strategic Plan 2008–2011. Moreover, this financing modality would be considered in the context of the broader review of WFP’s financial policy framework so that it is aligned with the new Strategic Plan and the changed funding environment.
- Executive Board approval for future advances would be sought through subsequent Management Plans.
- The principle of full cost-recovery will be applied, including the 7 percent indirect support costs (ISC).
- The costs of developing private-sector partnerships and raising the funds will be covered by the application of an average fee of 13 percent. In the private sector, this is commonly known as a “Management Fee” and WFP’s estimated rate is lower than the industry norm.⁴
- Some donors have expressed interest in underwriting the private-sector partnership and fundraising financial plan. WFP will explore these possibilities.

IMPLICATIONS OF THE SELF-FINANCING MODEL

33. The proposed self-financing model for WFP’s private-sector partnership and fundraising activities minimizes cost to Member States by reducing the draw on the PSA budget. This model will demonstrate the financial viability of the WFP partnership and fundraising strategy.
34. This innovative approach, however, raises an issue that needs to be carefully managed. There is a risk of mixed messages concerning the percentage of each dollar or euro that goes toward overhead expenses. For public donors, the answer is always 7 percent. For private donors, it will be an average of 20 percent.

⁴ See paragraph 18

RISK MITIGATION

35. To avoid risks to its reputation, WFP has in place a robust research and due diligence process for all corporations and individuals, as shown by the External Auditor's report "Costs and Benefits of New Initiatives in Profile Raising".⁵ The strategy also includes extensive capacity-building that will enable WFP to provide expertise, advice and guidance to country offices and regional bureaux to ensure that private-sector partnerships and fundraising are managed in line with the Board's guidance.⁶
36. To minimize financial risks:
- The forecast of donations is conservative and does not take into account any major high-profile emergencies that may trigger spontaneous giving
 - The planned advances from the General Fund will be reduced, and/or the repayment made more quickly, if the income generated is higher than projected.
 - If income generated is below expectations, the risk of defaulting on the repayments will be mitigated by adjusting the operating budget, thereby reducing the size of the advance from the General Fund.
 - The annual operating budget is subject to the Executive Director's approval.
37. Only in the event of a decision to wind up private-sector partnership and fundraising activities before 2017 would WFP be exposed to a risk of default on any outstanding advance balance.

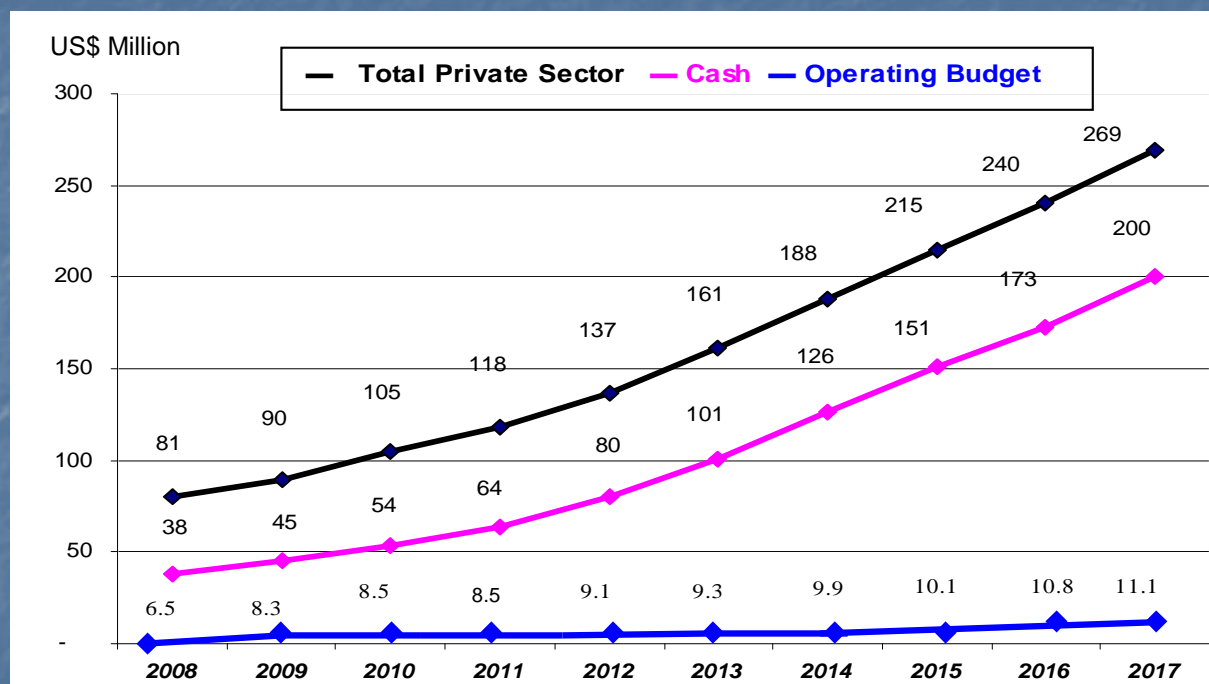
REPORTING

38. WFP will continue to update the Board on private-sector partnerships and fundraising. Formal reports will include a dedicated section in the Annual Performance Report, the Biennial Management Plan and the Audited Statement of Accounts. Moreover, the Secretariat will extend an invitation to hold an informal consultation with the Membership on an annual basis.
39. WFP will formally review and report to the Executive Board on its private-sector activities and financial model four years after the strategy has been approved by the Board.

⁵ WFP/EB.A/2007/6-D/1

⁶ WFP/EB.3/2004/4-C

Private sector partnerships and fundraising 2008-2017



Note: The total Private Sector line (in black) includes gifts-in-kind, which are defined as expertise and knowledge transfer; advertising and other communications services; food and materiel. Also note, as stated in paragraph 12, due to the difficulty of valuing these gifts-in-kind, the impact on WFP and its beneficiaries is substantially understated.

ACRONYMS USED IN THE DOCUMENT

BCG	The Boston Consulting Group
ICT	information and communications technology
IP	International Paper
ISC	indirect support costs
MDG	Millennium Development Goal
NGO	non-governmental organization
PSA	Programme Support and Administrative
SENAC	Strengthening Emergency Needs Assessment Capacity
VAM	vulnerability analysis and mapping