

Innovative financing mechanisms for South East Asia

POLICY BRIEF 8: VOLUNTARY CONSUMER DONATIONS

Description

Consumers make a voluntary donation to a global health cause when they buy specific goods or services. There are two broad kinds of donations:

- **Voluntary donation schemes.** The buyer agrees to pay a small additional amount when they buy something, either a single product, or as a recurring donation on a subscription service (e.g. a regular amount on a mobile phone service)
- **Blended value schemes.** The donation is incorporated into the price of a branded product ('blended value products') and the consumer buys the product in the interests of supporting a good cause. The extra cost may be paid by the consumer, or absorbed by either the merchant or the consumer brand company.

The idea is to leverage a small amount of additional revenue from each consumer purchase covered by the scheme. Funding is collected using existing infrastructure (i.e. the service provider or merchant), and generally channelled via an independent body. Voluntary consumer donation schemes can be global, regional or national. Directly or indirectly, the source of funding is always consumer spending.

Status

Both types of schemes have been successfully implemented, although the most ambitious scheme has since been terminated. Examples include:

Voluntary donation schemes. MASSIVEGOOD: Raised funds – primarily for UNITAID – via a voluntary consumer donation on top of travel services, such as plane tickets, hotels, and hire car bookings. Successfully implemented, but terminated in November 2011 after failing to generate enough funds. Australia's Royal Flying Doctor Service receives funds from voluntary donations on electricity bills.

Blended value schemes. (PRODUCT) RED: Under this scheme, companies agree to brand some of their products, and to contribute a portion of profits from sale of these branded products to the Global Fund for AIDS, TB and Malaria.ⁱ Very successful: it is the largest business initiative supporting the Fund.

Other single retailer arrangements (e.g. IKEA's Soft Toy Campaign, which raises funds for Save the Children and UNICEF)

Other. The 'De-tax' scheme proposed by Italy is also linked to consumer spending choices, but the funds raised are mainly from the public sector. Whenever consumers buy products from participating merchants, the government would agree to waive 1% (or more) of VAT on the transaction. These funds would go into an earmarked fund, supposedly topped up with voluntary contributions from business profits. Italy announced a pilot version of the scheme to run from 2003 to 2005, but this was not successfully implemented.ⁱⁱ

The GAVI Matching Fund – which encourages private donations by offering to match them with public and philanthropic funds – also has a component through which corporate donors can engage their customers and employees.

Volume of potential revenue

Voluntary donation schemes. These have the potential to raise large revenues IF the voluntary nature of the contribution can be maximised or automated, for example, by using 'opt out' rather than 'opt in' provisions (this has not happened to date).

- MASSIVEGOOD was expected to raise US\$1bn in its first four years, but managed to deliver just US\$200,000 in 2010, and half that in 2011, before it was closed downⁱⁱⁱ
- In 2009, estimated revenue from a global voluntary levy on mobile phone usage was estimated as able to raise between €200m and €1.3bn annually.^{iv} This figure is now likely to be much higher due to growth in mobile phone use, with the Asia-Pacific accounting for over half of all mobile phone users globally.

Blended value schemes. These have more limited revenue potential, but have been successful:

- (PRODUCT) RED raised over US\$190m between 2006 and 2012, currently estimated at US\$40m per year^v
- IKEA’s Soft Toy Campaign raised US\$15m in 2011 (around US\$60m since 2003)

Other

- The proposed global De-tax scheme is estimated to be able to raise about US\$2bn annually (based on participation of 5% of businesses in 26 countries). Italy’s unsuccessful pilot version had an initial coverage of €11m for the period 2003-2005^{vi}
- The GAVI Matching Fund has raised US\$26m since it was established in June 2011 (for a total of US\$52m in matched funding). Likely to exceed US\$30m by year-end

Pros & Cons

Pros	Cons
<ul style="list-style-type: none"> • Some examples are already in place and working • Easier to implement than a tax (politically and legislatively) • <i>Potentially</i> large revenue base • Low administrative costs (e.g. 3-10%) • Existing infrastructure for collection (merchants) • May contribute to increased awareness of public health issues (with marketing paid for by private partners in the case of blended value products) • Companies may find increased profile attractive, in addition to having the flexibility to support regional programmes 	<ul style="list-style-type: none"> • Some examples have failed • Unpredictable revenue stream (unless automated and maximised) • Depends on both consumer and corporate uptake and awareness • A significant marketing investment may be required in order to maximise revenue • Global/regional schemes need an independent coordinating body • Successful examples have only raised relatively small sums (tens of millions per year)

ⁱ Consultative Expert Working Group on Research and Development: Financing and Coordination (WHO), “Research and Development to Meet Health Needs in Developing Countries: Strengthening Global Financing and Coordination”, 2012, http://www.who.int/phi/CEWG_Report_5_April_2012.pdf.

ⁱⁱ ActionAid, “Italy Announcing Its Proposal on Innovative Finance for Health”, n.d., <http://actionaiditaly.blogspot.co.uk/2009/06/italy-announcing-its-proposal-on.html>.

ⁱⁱⁱ Ibid.

^{iv} Taskforce on Innovative International Financing for Health Systems, “More Money for Health, and More Health for the Money”, 2009, 16, <http://www.internationalhealthpartnership.net/pdf/IHP%20Update%2013/Taskforce/Johansbourg/Final%20Taskforce%20Report.pdf>.

^v United Nations. Dept. of Economic and Social Affairs, *World Economic and Social Survey 2012 : in search of new development finance*. (New York: United Nations, 2012).

^{vi} ActionAid, “Italy Announcing Its Proposal on Innovative Finance for Health.”