CERF Resource Mobilization: Elements to Consider for a CERF Investment Case

Background Paper

I. Background:

Established in 2006 in the United Nations General Assembly as a 'fund for all, by all', the Central Emergency Response Fund (CERF) is the UN's global emergency response fund. With a track record of more than 10 years, CERF is known as a fast and flexible funding tool enabling frontline humanitarian partners to kick-start urgent response in sudden onset or protracted crises. However, since CERF was established, humanitarian crises have increased in scale, complexity and duration. In the last ten years, the number of people in need of urgent humanitarian assistance has grown from 32 million to 130 million, with global humanitarian needs quadrupling from $5.2 billion to $22.3 billion in 2017. Thereby, the share of CERF's current funding target against the global requirements has declined from 8.7 to 2.1 per cent, where the present level of CERF has not kept pace with the growing scale of needs.

In this respect, the UN Secretary General recommended an expansion of CERF to $1 billion by 2018. This was endorsed by the UN General Assembly (GA) in late 2016 where the GA resolution called upon all Member States and invited the private sector and all concerned individuals and institutions, to consider increasing their voluntary contributions to the Fund, emphasizing the need to broaden and diversify the income base.

To seek inspiration for its resource mobilization strategy, CERF has sought to identify examples of particularly successful efforts in other sectors and organizations, focusing on the mobilization of multi-billion contributions. A previous paper presented to the October 2017 Advisory Group meeting described these efforts and outlined how a multi-year replenishment process has aided several funds in drastically increasing their funding. A common and central element of such resource mobilization efforts is the formulation of a clear and convincing "Investment Case". The following is an overview of elements that OCHA should consider when drafting an investment case for CERF.

II. The Investment Case as a Key Tool in Recent Large-Scale Resource Mobilization Efforts:

Over the past 20 years, progress in development economics has made it possible to in broad terms measure the positive effects of investments not only in large scale infrastructure projects for development, such as roads and dams, but also in the "softer" sectors, such as health and education. This ability to model the outcomes of investments in concrete terms (such as "lives saved" and "Disability Adjusted Life Years"), as well as the wider social and economic effects of improved health and educational prospects, helped build a strong economic and social case for scaling up such investments.

Combined with the creation of large-scale global funds that combined relatively narrow areas of work (Such as GAVI, the Vaccine Alliance, the Global Fund to Fight AIDS, Tuberculosis and Malaria and the Global Partnership for Education) with a strong focus on efficiency and "value for money", the formulation of concrete and measurable "returns on investment" convinced donor governments (and some private sector entities) to dramatically increase investment in these sectors. The fact that the promises have to a large extent been delivered on has helped generate further funding for these institutions.

At the center of these successful resource mobilization efforts lies each institution's "investment case". The concept of an investment case is built on the assumption that a contribution to an organization is not a "gift" but rather based on an assumption of a donor "buying" a desired outcome. This moves the relationship between donor and recipient organization towards one of investor and business, where the investor has legitimate expectations that its investment will yield a positive return.

Within the field of development financing, the investment case therefore is a formulation of the positive return a donor can expect on any investment it commits. This return is in most cases perceived as a permanent improvement of the status quo and often as a considerable contribution towards a set goal, whether the elimination of a disease or the Sustainable Development Goals.

Of course, the sectors of health and education can rely on a broad agreement of the undisputed general benefits for such investments as well as a broad consensus on the needed approach. In the humanitarian sector, while the overall imperative of responding to crises and saving lives are not in dispute, the approach, priorities and desired outcomes quickly tend to become more political and therefore controversial.

While this is a simple and basic concept, it has significantly changed the dynamics of the donor-client relationships within the fields of health and education development efforts. It has led to a greater focus on outcomes and impact rather than outputs and fostered greater engagement on these issues in the governing bodies of these institutions. It has also shifted the emphasis of monitoring and evaluation towards measuring impact rather than focusing on process and outputs.

For the institutions mentioned above, the formulation of an investment case, combined with multi-year pledging conferences (“replenishments”) adapted from the World Bank’s International Development Association’s three-year replenishments model, has enabled them to realize funding commitments never before seen in health and education. An investment case is therefore by now a well-established and a highly successful tool for large-scale resource mobilization within the development sector. It is also become a major marketing and branding tool for the organizations, presenting a clear value-proposition.

Within the humanitarian relief sector, however, the concept of an investment case is more novel and little tested. (The Education Cannot Wait Fund has formulated an investment case as perhaps the first, large-scale entity within the humanitarian sector.) CERF may be in a good position to development an investment case as a key tool for its resource mobilization efforts as it seeks to expand to a $1billion annual funding envelope by 2018, as mandated by the UN General Assembly.

III. The Key Issues to Consider for an Investment Case for CERF:

The recently produced resource mobilization document “Making the case for an investment in the Central Emergency Response Fund (CERF)” provides a good and convincing description of CERF’s role and track record. However, it is an “as-is” presentation of the Fund. The presentation of a robust track-record is an essential part of an investment case, and CERF has shown that it has a strong case in this regard for the current model.

An investment case, however, is also a forward-looking document. It should outline a clear, preferably measurable benefit from further investments over a given time period. This formulation of an “investment opportunity” is what sets it apart from any other resource mobilization tool.

Investment cases within the field of health or education cover a specific period (most often three or five years), with estimates of results delivered and outcomes predicted for that period. This time period is needed to ensure that impact can be achieved and measured, so one-year horizons do not easily lend themselves to the writing of an investment case. Given the reactive and unpredictable nature of humanitarian crisis response, a CERF investment case may be challenged to provide predictions of exact outcomes (for example population displacements averted), although it should be possible to predict outputs (for example services delivered).

While an investment case must be built on a solid foundation of presenting realistic, expected outcomes based on best evidence calculations and/or modeling, it is first and foremost an advocacy document, not a technical paper. (Some organizations present a technical paper as an annex or a separate document to explain the methodologies and assumptions that underlie the investment case.)

Needless to say, potential donors look beyond narrow economic terms when assessing the desirability of contributing to an institution addressing humanitarian emergencies. The fundamental question an investment case must answer is therefore “What would be the determining factor for a donor to invest some of its limited resources (or increase its investment) in CERF rather than in other possible entities?” The document must therefore be highly sensitive to individual large donors’ specific political needs, their domestic and aid-relevant political priorities, as well as to the appeal CERF financing could hold for potential new donors. The drafting of the investment case should therefore be preceded by a broad, informal discussion with key donors and potential new donors to map what elements are of greatest importance to them, what elements are expected or necessary to be included in an investment case, and what, if any, areas are “deal-breakers” and should therefore not be mentioned. This dialogue should also aim to reveal any conflicting or contradictory demands among donors, since early knowledge about such dilemmas is crucial to steer an investment case safely through the shoals of highly political waters.

The investment case is not a Member State-owned document, and as it is developed by the Secretariat as part of its resource mobilization effort, it should therefore not go through a formal Member-State consultation process, nor a final approval. It is important that it is sharp, clear and compelling, written in the style of private-sector prospectus or investor-document and avoid negotiated language and lowest common denominator compromises. However, informal discussions with key donors are always useful in the drafting to ensure that the document covers the issues and concerns of these donors. In CERF’s case, the CERF Advisory Group could also play a role in guiding the shape of the document to ensure that a broad range of views and considerations inform the drafting of the investment case.

The document cannot be aspirational but needs to reflect goals and actions that within reason are certain to be achieved within the period addressed. Where changes to CERF’s structure, procedures and policies or collaborations are needed to achieve the goals, a firm and convincing strategy and plan to achieve these changes needs to be included.

However, an investment case is not a strategy document. It works best when being able to refer back to an approved strategy for the organization that sets out clear, medium-to-long-term goals for what the organization commits to achieve and how it will change in order to achieve these goals. Such a strategy forms the overall framework within which the investment case can be argued. The current absence of such a strategy covering the direction and ambition of CERF over the coming years is a critical constraint on the development of an investment case.

Since an investment case needs to be a convincing document of achievable plans under a clear direction, it should not raise unanswered questions or betray a sense of uncertainty. However, many organizations find that the process of writing an investment case exposes gaps in strategy or planning. It is therefore important that the initial structuring and development of the main line of argument for the case is done involving the strategic planning and leadership groups of an organization so that any exposed weaknesses in current planning can be addressed.

IV. Brief Analysis of three Recent Investment Cases:

The following is a brief summary of the key arguments and structure of three recent investment cases.

a. GAVI – The Vaccine Alliance: *“***Investing Together for a Healthy Future – The 2016 – 2020 Investment Opportunity***”*

Gavi started activities with a five-year, $750 million grant from the Bill and Melinda Gates Foundation and additional money from Norway and the United Kingdom. It organized its first replenishment in 2011 and its second in 2015. Its replenishments cover a five-year period. It's second replenishment secured US$8.4 billion for the period 2016 – 2020, exceeding its US$7.5 billion target. In addition to its replenishment process, Gavi secures funding through two innovative funding mechanisms: The International Finance Facility for Immunization and the Advance Market Commitments.

GAVI and the Global Fund both make their cases against the background of a landscape in global health that has seen dramatic and significant improvements in key indicators over the past 15 years. The two funds are assisted by being able to show evidence of having driven this progress. Both institutions are extraordinary successful by development standards.

The two funds' activities also take place within a framework agreed global targets. This enables both institutions to present their investment cases as steps on the way to an agreed set of outcomes.

GAVI's "offer" to donors is that in exchange for full funding, Gavi-supported countries can immunise a further 300 million children, resulting in 5 to 6 million lives saved. This would increase by more than 10-fold (from less than 5% to 50%) the proportion of children who are fully protected with the 11 vaccines recommended by WHO for infants in all countries."[1]

This clear, simple and convincing promise of humanitarian gain in terms of lives saved is followed up with an estimation of the economic benefits of the endeavor: "This unprecedented scale-up in immunisation coverage will generate between US$ 80 and US$ 100 billion in economic benefits – equivalent to nearly three quarters of the total Official Development Assistance (ODA) contributed by OECD DAC donors in 2013."[2]

For this economic analysis, GAVI relies on the work of Johns Hopkins University, a modelling of the "Costing, Financing, Gap, and Return on Investment Analysis for the Global Vaccine Action Plan".

In addition to presenting the "investment opportunity, GAVI's investment case also answers the questions "Why Now" and "Why GAVI?". It describes the leveraging effect of its funding, and also present scenarios of increased acceleration based on additional funding (beyond its targets) and the counterfactual: the cost of underinvestment.

b. *The Global Fund to Fight AIDS, Tuberculosis and Malaria: "The Right Side of the Tipping* **Point For AIDS, Tuberculosis and Malaria -** *Investment Case for the Global Fund's* **2017-** *2019 Replenishment"*

The Global Fund organized its first replenishment in 2005 and has seen significant success in using this model to grow the institution's resources. From an initial resource-base in 2002 of $2 billion, the Global Fund's five replenishments have by 2016 secured $55 billion for its grants and operations. Its replenishments cover a three-year period. The fifth replenishment, completed in September 2016 raise US$12.9 billion for 2017 – 2019.

Like GAVI, the Global Fund is helped by a very strong track record and by a set of clear global targets for eliminating the three diseases the Fund deals with as epidemics. The costing of these plans exist, and the Global Fund can clearly indicate what its share of

[1] *GAVI – The Vaccine Alliance: "Investing Together for a Healthy Future – The 2016 – 2020 Investment Opportunity"p4*

[2] Ibid.

the funding represents (complementing other international funding and domestic funding). The Global Fund's main argument is to maintain the momentum of progress, with a warning of the dire consequences of "back-sliding" if funding levels drop.

The Global Fund argued in its investment case that a **US$13 billion** contribution for the Fifth Replenishment would:

- Save up to **8 million lives** through programs supported by the Global Fund, leading to **30-32 million** lives saved cumulatively by 2020;
- Avert up to **300 million** new infections across the three diseases;
- Allow the Global Fund to make substantial contributions towards building resilient and sustainable systems for health;
- Support partners in domestic investment of **US$41 billion** toward the three diseases;
- Support strengthened responses for women and girls, key populations and human rights;
- Lead to broad economic gains of up to **US$290 billion** over the coming years and decades, based on partner estimates.

The Fund also describes the economic benefit in return on investment terms: "Overall, [the projections] estimate that every dollar invested brings a high return: 17:1 for HIV, 27:1 for TB, and 28 to 40:1 for malaria."[3]

The Global Fund breaks its figures down to what every US$100 million will "buy":

- "Save up to 60,000 lives through programs supported by the Global Fund;
- "Avert up to 2.3 million new infections across the three diseases;
- "Support partners in domestic investment of US$300 million toward the three diseases;
- "Spur US$2.2 billion in long-term economic gains."[4]

The investment case's annexes outline the methodology and the sources that the Fund bases its calculations on.

The Global Fund is currently working on the investment case for its 2020-2022 replenishment.

c. The Global Partnership for Education: *"*Fund Education Shape the Future – Case for Investment 2018 – 2020*"*

T**he Global Partnership for Education** was created in 2002 as "Education for All – The Fast-track Initiative". In 2011, it changed its name to the Global Partnership for Education and launched its first replenishment, bringing in $1.5 billion. A second replenishment in 2014 secured pledges of $2.1 billion for a four-year period. The GPE had a third replenishment conference in January 2018 for the three-year period of 2018 – 2020, securing pledges of 2.3 billion out of a request of $3.1 billion.

GPE's investment case does not have the luxury of linking itself to existing, specific global targets the way the Global Fund was able to do. Instead, GPE has tied its case to

[3] *The Global Fund to Fight AIDS, Tuberculosis and Malaria: "The Right Side of the Tipping Point For AIDS, Tuberculosis and Malaria - Investment Case for the Global Fund's 2017-2019 Replenishment" p5.*

[4] Ibid, p 22.

the Sustainable Development Goals, arguing that education for all is central to the achievement of all the 17 goals.

“With new donor investments from 2018 to 2020 GPE will:

- Support 89 developing countries to drive improved quality and access to education for 870 million children and youth;
- Provide education plan implementation grants to 67 developing countries, covering 64 percent of out-of-school children;
- Support 30 developing countries to develop new plans for education, covering 40 percent of out-of-school children;
- Develop education sector investment cases to attract additional financing and align it behind education plans, initially in 10 countries and scaling up to all 89 countries;
- Drive increased domestic resource mobilization, building on the success to date;
- Drive quality improvements through learning assessment support; and
- Drive data improvements through strengthened education management systems.

“GPE’s support to developing country partners would result in the following gains:

- 19 million additional children completing primary school, including 9.4 million girls and over 10.8 million children in countries affected by fragility or conflict
- 6.6 million additional children completing lower secondary school, including 3.9 million girls and 3.9 million children in countries affected by fragility and conflict
- 1.7 million teachers trained2
- 23,800 classrooms built2
- 204 million textbooks distributed2

“Achieving these outcomes will require all partners to increase their financing, with

- Donor governments providing US$3.1 billion over 2018–2020
- Developing country governments allocating 20 percent of government expenditure to education
- Philanthropic foundations and private sector donors to step up their targeted contributions”[5]

GPE also makes a strong point of its leveraging effect on domestic financing and its 2018 replenishment conference actually counted as part of its success that developing countries pledged US$110 billion for education in their own countries for 2018-2020.

The common thread though all three investment cases is a structure that includes the following elements: “the opportunity”, “why now”, “why us”, and “what if not”. These elements form the essence of any effective investment case.

Equally apparent is the extensive use of existing quantitative data, modelling and projections for future outcomes of global strategies and specific interventions, both in terms of “lives saved” and economic gains. In global health, such modelling has become a rich field of study with several institutes, individual researchers and international commissions having dedicated themselves to producing predictions or assessments of different interventions.

In education, there is less to go on and the GPE case may therefore seem somewhat less convincing that the health-related ones, but the argument is still clear and forceful.

However rich this data is, each investment case has still needed to supplement it with its own, tailored modeling and projection work. The production of an investment case also in

[5] *The Global Partnership for Education: “Fund Education Shape the Future – Case for Investment 2018 – 2020” p10.*

most instances involve stake-holder consultations, development of a theory of change, and is linked to an ambitious but feasible strategic plan for the organization.

For each institution, the effort going into creating an investment case document was 6-9 months, and while most of the work has been done in-house, some work has either directly or indirectly been outsourced.

V. Constraints in the creation of a Potential CERF Investment Case:

If CERF is to venture to write an investment case for its resource mobilization effort of reaching US$1 billion per year, it will face some challenges:

The absence of a multi-year strategy for CERF that sets out what changes – if any – a doubling of CERF's funding will lead to in terms of scope, position within the humanitarian funding ecosystem, expansion of the number of funding windows or eligibility for funding, has already been mentioned. In its absence, it is unclear what CERF will want to achieve with its larger size. An importantrationale for donors to contribute additional resources is therefore absent.

For the organizations mentioned above, the investment case is linked to a predictable, multi-year replenishment process that by now is a familiar routine for donors. So far, CERF has not signaled any shift in its fund-raising modalities. Since the core premise of an investment case is that investments will lead to lasting improvements of a current problem, a one-year horizon tends to be too short to make such promises. (This premise is also fundamentally different in a humanitarian context than in a developmental one, as described below,) The absence of clarity in whether CERF plans to continue with its current, one-year fund-raising horizon makes it uncertain what the purpose of an investment case would be.

A comprehensive investment case of an ambition-level and rigor comparable to GAVI, the Global Fund or GPE has yet to be produced for the humanitarian sector.

CERF may find that by pioneering an investment case in its field, it will meet challenges in terms of determining what meaningful returns on investments would look like and the extent to which they are measurable. There is considerably less work done in terms of the economics of humanitarian disaster mitigation and response than in the field of global health, and there is therefore less established knowledge about what constitutes a "return on investment" in this field.

An added complication lies in the challenges of calculating human and economic costs that are averted due to timely action (how to measure the consequences of something that did not happen?) rather than human and economic gains based on positive investments. It is always challenging to calculate what additional costs might have occurred in the absence of an investment, since very quickly, the number of contributing factors multiply to the point of render the attribution hypothetical.

More fundamentally, by mandate, CERF purpose is to minimize the consequences of catastrophic events. It does not currently fund activities that can prevent such events from happening in the future. Since investment cases in health and education ultimately draw their appeal from arguing that an investment is a step towards a permanent improvement of the status quo and often a step towards achieving an agreed global goal or target, CERF needs to search for other ways of arguing that it has a comparative advantage. This may be arguments that early funding prevent latent crises turning into major and costly catastrophes (in the case of famines, for example, or in early funding of actions that can prevent disease outbreaks) or around the increased efficiency of pooled funding.

It may also be possible to argue that investments in CERF will lead to lasting improvements within the humanitarian financing sector over time, through increased efficiency, etc. Such arguments would depend on the strategic choices CERF makes about how it can best leverage its larger size, and it will take some advanced thinking by humanitarian experts to formulate these arguments well..

There is no reason why these challenges cannot be overcome, but they will demand a careful planning of the process and allow for extra time for consultations.

It may in CERF's case also be necessary to make an extended use of external expertise in the development of the case. Applied research institutions, like the UK-based ODI, sit on considerable expertise in this area that may prove very useful in assisting the Fund in this exercise. So do some of the technical agencies linked to donors, as well as some NGOs.

GAVI, the Global Fund and GPE have all made use of a senior, external adviser to guide and oversee the development of their investment cases. Sven Sandstrom, who was the Vice Chair for the Global Fund's first replenishment and shared the Chair with Kofi Annan for the second, served as the Managing Director of The World Bank Group from 1972 to 2002. Richard Manning, who was the Vice Chair for the Global Fund's third replenishment, was chair of the OECD's Development Assistance Committee from 2003 to 2008. For its first replenishment in 2011 Gavi was advised by Richard Manning, while at the second, it was advised by Geoffrey Lamb, who previously served as Vice President for Concessional Finance and Global Partnerships at the World Bank. Each of these individuals focused most of their effort on shaping and sharpening the investment cases of each institution.

It may be prudent of CERF to engage a similarly experienced adviser for its development of an investment case if the Fund chooses to use an investment case as a central element in its resource mobilization effort.

VI. Key elements of a Potential CERF Investment Case:

An investment case will be shaped by the evolution in scope or structure of CERF as OCHA considers how a US$1 billion CERF should function. Needless to say, changes being considered (the extent to which CERF should be able to fund preparedness; whether there should be an NGO or localized funding window; whether protracted crisis should have a funding window, to mention some options being discussed) will have to be finalized before the work on an investment case can begin, since each of these changes will affect the nature of the "return" on any donor contribution and therefore the overall argument of the investment case.

As mentioned, CERF should consider preceding the investment case by producing a strategy document, setting out how the Fund will evolve to make use of its increased funding and how it will position itself within the humanitarian funding landscape. A clear, multi-year strategy is a foundation for and valuable companion to a compelling investment case.

CERF would need to decide on a timeframe for an investment case beyond its current one-year horizon to be able to make a convincing argument for any progress towards global goals or commitments (such as the SDGs and the Grand Bargain). This may align with the timeframe for a strategy, for a multi-year replenishment model, or both.

A CERF investment case would naturally be built around two main "returns": the lives saved from a rapid response or the mitigation of an underfunded emergency; and the wider societal economic savings that would derive from such funding.

Modelling of potential effects of the funding should be supplemented with case studies of specific situations (early response to signs of emerging famines, for example) and case stories of successful responses to past emergencies. The efficiency of pooled funding, the benefits of rapid decision-making and the actual or potential leverage effect of CERF grants should be explored and demonstrated.

VII. Conclusion:

Analysis from recent investment cases in the health and education development sector show that simple, clear and solidly built value propositions are the foundation for a strong investment case. A similar value proposition for CERF would need to align with donor priorities. CERF should present its case as an effective and convincing tool to achieve global goals and commitments, such as the SDGs and the Grand Bargain.

Informal consultations with a broad range of donors throughout the drafting process, as well as the support of external expertise in development economics and modeling would be crucial to ensure that an investment case is as solid and aligned with donor needs as possible.