

CERF Resource Mobilization: Lessons to Learn from Recent Successes in Running “Replenishments” in The Health and Education Development Sectors

This report provides an overview of recently successful replenishment processes within the health and education development sector and analyses the critical enablers for their success with an eye to relevant lessons for CERF as it scales up its own resource mobilization efforts.

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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 as part of global funding mechanisms. The following is an analysis of the process of running "replenishment"-style resource mobilization efforts as practiced by three successful special-purpose international funds: The Global Fund to Fight AIDS, Tuberculosis and Malaria; Gavi – the Vaccine Alliance; and the Global Partnership for Education.

II. Overview over the replenishment processes of The Global Fund, Gavi and GPE:

Replenishments are a resource mobilization model developed initially by the World Bank. It is characterized by asking donors to commit to multi-year pledges of financing in exchange for a clear plan with concrete deliverables. The model aims primarily to provide more predictability and stability both for donors and the institution requesting funding, and to allow better planning based on financial security over a set period of time.

In the context of the Millennium Development Goals and subsequently, the Sustainable Development Goals, replenishments became particularly useful tools for resource mobilization since they position financial asks within the context of specific MDGs/SDGs. The multi-year nature of the replenishments allowed both the financing institutions and the donors to assess results to date and to project progress towards the 2015 and 2030 goals respectively.

The Global Fund to Fight AIDS, Tuberculosis and Malaria was created in 2002 to provide rapid, flexible and results-driven funding to combat the three pandemics. It has become the leading multilateral funding source for health, saving an estimated 22 million lives through grants to more than 100 countries worldwide. It is also the world's third largest disburser of multilateral funding for development, after the European institutions and the World Bank.

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.

Gavi – the Vaccine Alliance – was created in 2000 to provide funding for vaccines that so far had not had wide distribution in low-income countries. Through its grants and its work to drive innovation in vaccines development and lowering prices for vaccines, it had by 2016 reached close to 640 million children and prevented more than 9 million deaths in the process. Gavi is the fifth largest disburser of funding for development.

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. 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. Its replenishments cover a five-year period.

The Global Partnership for Education is a multi-stakeholder partnership and funding platform that aims to strengthen education systems in developing countries to increase the number of children who are in school and learning. It has worked with more than 60 developing country partners to improve education sector plans and implementation, ensuring that 72 million additional children accessed primary school between 2002 and 2015.

GPE 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. Although additional resources were secured during the replenishment period, these were partly offset by currency trends, forcing GPE to downscale its \$3 billion program over the four-year period somewhat.

The GPE is in the process of organizing its third replenishment in 2017 for the three-year period of 2018 – 2020, with a goal of securing pledges of \$3.1 billion that will enable the organization to grow to a \$2 billion per year operation by 2020.

The replenishments of these three special-purpose funds should be seen against the background of the success of the 18th replenishment of the World Bank’s concessional loans and grants window, the International Development Association (IDA) in December 2016. The IDA replenishment is the model that all other funds’ resource mobilization is based on. It is therefore a welcome change that recent IDA replenishments have taken inspiration from the Global Fund and others, by involving both beneficiary countries and civil society in the replenishment process.

While several replenishments saw a reduction in donor commitments, IDA 18 was seen as a significant success. Donor commitments were \$23 billion, but through a number of changes to the funding policies of IDA¹, a total of \$75 billion was made available for disbursements through concessional loans and grants.

At the same time, IDA has seen a significant number of countries “graduate” – reaching income brackets where they are no longer eligible for loans or grants. Most significant among these graduations was India in 2014, halving the population covered by IDA, but also Bolivia, Sri Lanka and Vietnam in 2017, reducing the number of eligible countries to 31 and populations covered by another 10 percent. IDA has increasingly become an Africa-focused fund, with 25 of the remaining 31 countries being African. It has also increasingly focused on fragile and conflict-affected states, which make up more than half of the eligible countries.

This development, as well as the general concerns of many donors, have led IDA to focus more on issues related to refugees, the consequences of climate change and other humanitarian crises. IDA now sees its role not only as a driver of economic development, but also as a force to prevent a deterioration into fragility for countries affected by conflict and nature-related crises.

Turning back to the three special-purpose funding institutions, their replenishments have a number of elements in common:

a. Investment case

All three institutions have invested significant time and intellectual resources in building a convincing investment case. The underlying assumption is that donors will pledge money not due to charity or out of a sense moral obligation, but on the basis of an argument that the institutions’ activities represent investments in a healthier, better educated, and therefore also more equitable and safer world. There is also a loosely supported argument that the investments also will eventually provide a return on investment in terms of faster and steadier economic growth.

In writing their investment cases, the Global Fund and Gavi both rely on a considerable amount of work that has been done in epidemiology and health economics over the past 25 years. This work has provided general estimates for the epidemics and provided evidence or modelling, enabling the organizations to both reliably forecast the effectiveness and the economic impact of interventions. The Global Fund developed in 2004 a new concept of “Lives Saved” (technically premature deaths averted) as a tool to explain the benefits of health investments in more compelling terms. This concept has now been adopted widely within advocacy for global health. GPE is relying on similar economic calculations on the benefits of bringing and keeping children in school.

Hence the Global Fund “promises” that the requested funding for 2017-2019 will deliver 8 million lives saved, 300 million infections averted, and would generate \$41 billion in matching domestic funding and \$290 billion in “long-term economic gains”.

Gavi stipulates that its 2016 – 2020 replenishment, which was fully funded at \$7.5 billion, will enable immunization of an additional 300 million children and averting 5 to 6 million future deaths, increase from 5 to 50% the number of children immunized with the 11 antigens recommended by WHO, and sustain past investments by building a sustainable future, notably for the 22 countries who will graduate from Gavi support by 2020.

GPE’s investment case calculates that its funding, if pledged, will enable the institution to “deliver better learning and equity outcomes for 870 million additional children and youth”.

While the investment case is in form and tone an advocacy document, it needs to reflect the reality of the institution’s capability, its track record, and to give a realistic picture of how the institution plans to operate in the future, how it will change from its current state, and why this change and its comparative advantages will combine to make an investment worthwhile.

¹ This total amount was reached by enabling IDA to use some of its internal resources, donor contributions and the promise of future repayments of loans to borrow money in the commercial markets. It also collaborated with its sister institution for private sector development, the International Finance Corporation to make available resources focused on the private sector in the IDA eligible countries.

Investment cases therefore often take a significant amount of time to pull together, including not only the use of relevant data and modeling of future outcomes and impact, but also stake-holder consultations, a theory of change, and the creation of an ambitious but feasible strategic plan for the organization.

b. Structure

The replenishment processes are structured around several meetings:

- At the initial donor meeting, the replenishment “kick-off” meeting, which normally is hosted by a supportive country, the institution presents its investment case, explains its funding request and responds to donor questions and concerns.
- Some institutions also have a second donor meeting, although the Global Fund found that this second meeting was redundant and skipped it after its first replenishment in 2005.
- Between 6-8 months after the kick-off meeting, a pledging conference, hosted by the main supportive donor country, is held to announce the pledges and reaffirm the political commitment to the institution and the cause.
- Depending on the length of the replenishment period, a mid-term review meeting is held during the replenishment cycle to update donors on progress against targets and respond to any concerns.

The choice of hosting countries for the kick-off meeting and the pledging conference respectively, plays an essential part of the strategic direction of the replenishment. So far, all replenishment meetings (except mid-term reviews) have taken place in a donor country, although GPE will hold its pledging conference next year in Senegal, co-hosted by presidents Sal of Senegal and Macron of France. The hosts of both meetings, but particularly the host of the pledging conference, are chosen based on their acceptance of a role as main advocate and as a leading contributor. The host of the pledging conference is chosen based on its willingness to provide a leading pledge (in terms of absolute size or scale of its increase) and to mobilize support from other donors on the institution’s behalf. The identification of, discussions with and acceptance of a hosting country are therefore among the most important decisions of any replenishment.

c. Chair and Vice-Chair

The choice of Chair and Vice-Chair has become another of the important strategic decisions of any replenishment. Generally, the role of Chair is one of a respected and influential convener.

For the Global Fund’s two first replenishments (2005, 2007), UN Secretary General (second time, former Secretary General) Kofi Annan served as its Chair. Secretary General Ban Ki-moon served as the Chair of its third replenishment (2010). At the later replenishments, support from the Secretary-General continued but the convening role of Chair has been overtaken by the host (U.S. Secretary of State John Kerry in 2013 and Canada’s Prime Minister Trudeau in 2016).

GAVI’s two replenishments have been chaired by its Board Chair, Dagfinn Høybråten. However, the hosts, UK Prime Minister David Cameron (2011) and German Chancellor Angela Merkel (2015), played significant roles as conveners and advocates, pivotal to the success of the two replenishments. Similarly, the co-hosts of the GPE Senegal conference will lead the proceedings of that meeting.

The Vice Chair position has often been held by a specialist with extensive experience in replenishments and/or development economics. 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 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.

Especially in the early replenishments, these individuals played a crucial role in designing and overseeing the execution of the replenishment processes of the Global Fund and Gavi. They also functioned as a “third-party guarantor” of the solidity of the process and the funding request. They can play an additional important role in low-key discussions with donors over how to find win-win solutions to donors’ dilemmas that may be more difficult to do with representatives from the institutions themselves.

III. Factors that have supported the success of replenishments

In addition to a structure and process that are familiar and predictable to donors, the success of the Global Fund’s, Gavi’s and GPE’s replenishments has been the result of a number of less tangible factors:

a. Building credibility

A replenishment is fundamentally about trust. A replenishment focuses not only on the size of contributions; as

opposed to program or project funding, a replenishment generally is a request for funding with minimal strings attached, based on a “contract” to deliver a broad set of outcomes or impact. A replenishment process – in particular the initial one – is therefore predominantly an exercise in trust-building.

Neither the Global Fund, nor Gavi or GPE initiated a replenishment until they had some track record and “proof of concept”. In the Global Fund’s case, it had only operated for three years at the time of its first replenishment but it had impressed donors by going from founding to being operational in a record time for an international financing institution, and it could already prove significant impact. Gavi and GPE had more than ten years of activity and were well established; Gavi as a ground-breaking, innovative way to finance vaccines and immunization, having turned around the stagnating immunization coverage rates of the 1990s; and GPE as a first-of-its-kind institution to finance education.

Given the size of the replenishments and the young age of the institutions, donors placed particular weight on the management and leadership of the organizations. They wanted to ensure that a solid management structure was in place, but also demanded much from the senior leaders of the organizations. Personal relationships and trust between key donors and the leadership played a significant (if hard to measure) role in securing initial funding. There were also changes in the leadership of the Global Fund and Gavi, demanded by individual or groups of donors at different times.

b. The importance of advocacy

The nature and success of the initial replenishments of the Global Fund and the funding of Gavi must be seen against the unique circumstances surrounding these two institutions’ creation. Gavi was supported from its creation by the strong personal endorsement and funding of Bill Gates and then Prime Ministers Tony Blair of the UK and Jens Stoltenberg of Norway. It also benefitted greatly from the endorsement of its first Board Chair, Nelson Mandela. The Global Fund was created by the G7, based on an unprecedented activist movement pushing for funding to provide AIDS treatment to all who needed it, regardless of ability to pay. It enjoyed strong, personal backing from several G7 leaders, including Jacques Chirac, Tony Blair, and later, Angela Merkel.

Both institutions, therefore, could rely on political commitment by world leaders, as well as – in the Global Fund’s case – drawing on the full force of the AIDS activists movement, and – especially in Gavi’s case – the growing prestige and weight of Bill and Melinda Gates’ high-level advocacy. Both institutions have made deliberate use of their advocacy networks.

The Global Fund has built a solid, multi-layer advocacy model around itself to ensure continued access to power and clout in the media and with governments. Its advocacy relays on many external partners and is based on outreach at three levels: to political leaders; to senior civil servants in foreign affairs, development assistance and finance ministries, and to parliamentarians, including members of the U.S. Congress.

The Global Fund has built a network of advocacy organizations, called “Friends of the Global Fund”, which maintains contacts with key contacts at all three levels, functions as a conduit for information and intelligence, and provides access to top leaders and other key individuals. The “Friends” organizations are at work in the United States (Washington DC), Japan (Tokyo), Europe (headquarters in Paris), and the Pacific (Sydney). The Global Fund has also established the “Global Fund Advocacy Network”, which unites more than 20 different NGOs around the world through information-sharing and coordination of advocacy activities. This advocacy work relies on external funding, with substantial amounts invested by the Bill and Melinda Gates Foundation. While grassroots advocacy and media outreach at times have played important roles in the advocacy for the Global Fund, gaining access for direct discussions with senior political leaders in government and parliaments forms the bulk of the advocacy work.

The Global Fund has in addition drawn support and visibility from several celebrity endorsers. In addition to lending strong and consistent support through his advocacy organization, ONE, Bono has personally engaged in repeated and extensive advocacy for the Global Fund and Gavi on a number of occasions over the past 15 years. Bono also co-created Product (RED), a fund-raising and advocacy concept that licenses its (RED) brand to companies to sell products where a share of the sales-price goes to fund the Global Fund.

Gavi has relied less on grassroots advocacy and more on high-level access, using its board members, Bono, Bill and Melinda Gates and the support of its replenishment hosts to reach political leaders.

GPE built its advocacy efforts on three pillars: actively intervening in public policy development forums to promote the value of education to achieving all SDGs and promoting GPE brand; rallying civil society advocacy organisations behind education financing and specifically to promote GPE’s replenishment; and fostering high-level champions, including mobilising the Pakistani education advocate and Nobel Prize winner Malala and recruiting the pop star Rihanna as global ambassadors. Rihanna’s celebrity status and large social media presence (~80m twitter followers) secured wide brand visibility and catapulted GPE to the attention of political leaders, securing public reactions to her tweets from leaders of Canada, France, Germany and Argentina in the lead up to the 2017 G20 meeting.

In CERF's case, it has a significant advantage in that in addition to its Chief, both the Emergency Relief Coordinator and the Secretary General have formal roles in the fund's governance. Their engagement would be crucial in any advocacy effort for CERF's own financial goals.

c. Size of the ask and length of the replenishment period

The length of a replenishment period has been an important factor in determining success. The Global Fund runs a three-year replenishment cycle. Gavi set its period to 5 years. This is partly a product of Gavi's budgeting "rhythm" over the past ten years, which was determined by the Bill and Melinda Gates Foundation's first five-year grant. GPE has had one three-year replenishment, one of four-years and is now back to three years in order to align with remaining duration of its multi-year strategy cycle.

A central appeal of replenishments is their multi-year nature. Donors will not need to review the pros and cons of funding an institution every year and they receive a longer, more strategic plan for the direction of the institution. With institutions working towards specific end goals (the end of the three pandemics for the Global Fund, immunization of all children with all life-saving vaccines for Gavi, and education for all for GPE), a replenishment cycle provides donors with a better picture of the larger trends and impact of their investments.

For the institutions, in addition to being able to draw up plans with a longer horizon, a replenishment cycle means better predictability – something that is particularly important for institutions that provide multi-year grants and therefore have commitments (and need to have locked up funding) for several years.

The Global Fund and other institutions' decision to organize their resource mobilization around replenishments was originally inspired by the World Bank's IDA three-year replenishment cycle. This replenishment, which over the past three replenishments has yielded from \$20 billion to \$23 billion in direct donor contributions, has set an expectation that replenishments need to be large in order to be "worth the effort".

While the IDA replenishment is by now (it is in its 18th cycle) a matter of routine, the replenishments of the past 10-12 years for the large special-purpose development funds on health and education also involve a significant aspect of "political theatre". Their appeal to politicians and hence their ability to attract the engagement of several G7 leaders is linked to their public reaffirmation of the value of development assistance, their sense of making progress towards common global goals and – for the health funds – their ability to save large numbers of lives.

While none of these replenishments can match IDA in size, the considerable funds raised (\$13 billion for the Global Fund, \$7.5 billion for Gavi and \$2.1 for GPE in their latest replenishments) are a key factor in attracting senior political leaders to engage, host and attend. There is no question that hosting the Global Fund's replenishment is more attractive to a G7 leader than GPE's, simply because the amount of funds raised increases the news value and prestige of the replenishment.

Given that replenishments have become more common and frequent, it may even become hard to attract major political attention and engagement for a replenishment of less than \$5 billion. One can therefore raise an argument for establishing a longer replenishment period, which will increase the total funds raised.

This consideration needs to be weighed against the limitations of each government to pledge funding for longer periods, especially if the period spans more than one election cycle.

d. The need for pragmatism and flexibility

While it is essential that a replenishment is clear, simple and transparent in its process and accounting, showing flexibility and pragmatism vis-à-vis donor needs and requirements has been an important feature of the three institutions' replenishments. Gavi has for example accommodated the fact that some donors are not able to pledge for a full five years, and secured these countries' permission to extend their pledges at a flat rate for the years beyond what has been pledged in the total pledging sum (so if a country X pledges \$100 million per year for three years, Gavi counts this as a \$300 million pledge from this country, but it adds \$500 million to the total pledging sum). The Global Fund allows donors to make a declaration of intent to pledge an amount (in cases where the donor's budget process is not aligned with the replenishment timing and the government is not in a position to sign a pledging sheet).

The Global Fund has adopted a more flexible policy on potential earmarking of contributions for some private sector donors by allowing country-specific and even project-specific funding in some cases. For example, Catholic Relief Services contributes some funds to the Global Fund, but these are earmarked for a project in Niger where CRS is the principal recipient. The Tahir Foundation, funded by a group of high-net-worth individuals in Indonesia, provides funding that is earmarked for tuberculosis programs in that country.

The Global Fund also maintains a register of "unfunded quality demand". These are sound investments but for which sufficient funding was not available at the time of grant approval. The Global Fund allows private sector and other non-traditional contributors, such as faith-based organizations, to direct their funding towards such unfunded grants.

This flexibility also extends to finding creative ways to give donors credit for their contributions. For donors struggling to defend aid budgets at a time of strong competition for resources and a wavering public support for development aid, it is increasingly important to be able to show that their funding leads to positive impact. Pledging conferences have the disadvantage that each country's contribution tends to get little attention. It has therefore been an important practice to announce pledges that have been secured before the pledging conference. Not only does this give each government an opportunity to talk about its commitment to the institutions they fund as well as the good its contribution will do; it also creates a positive momentum of pledges, leading up to the main pledging conference.

There are several ways of enabling countries to take credit for work done with the money provided from one of these funds. By using phrases such as "contributed to" or "supported", donors can highlight any part of the institution's funded work that may suit their priorities or audience. Bringing a country's media and / or parliamentarians on field visits has also proven an effective way to raise attention and highlight support.

e. The need for a strong communications effort

Replenishments stand or fall on the institutions' ability to convince donors that it will provide a worthwhile return on the donor's investment in line with the donor's expectations and priorities. While the underlying argument for an investment needs to be logical and credible, the replenishment process is to a large extent a communications exercise.

- The investment case must not only be based on sound calculations and plausible claims; it must present a compelling and clear argument for why the requested investment is a good thing. The investment cases of the Global Fund, Gavi and GPE have increasingly become advocacy documents. They are laid out to make them a compelling read and are interspersed with case stories, portraits of beneficiaries and testimonials.
- The emotional appeal of the investment case is as important as the financial development or humanitarian argument. This is where champions, whether celebrities or beneficiaries who can provide personal testimonies to the benefit of the funds provided, play an important role.
- The best replenishments are supported by a significant amount of communications material, in the form of corporate videos presenting the institution, audio-visual stories and images from the field, social media content, brochures and press releases for dissemination directly or through partner organizations and champions. Short films have often opened or featured in donor meetings.
- Donor engagement leading up to the pledging meeting has proven essential. This has been done both at a civil servant level and at a senior, political level. The dialogue is one of building trust, but increasingly also a collaboration about what a donor will be able to get in immediate return on the investment in terms of public acknowledgement, publicity and kudos (such as endorsement by important champions).
- Having adequate resources to ensure this donor engagement, to produce and disseminate communications material, and to engage and manage any champions on one's behalf, is therefore an essential factor in the success of a replenishment.

f. The continuous nature of replenishments

The focus on the hectic period between the launch and pledging conferences in a replenishment may give rise to a misconception that the resource mobilization efforts are concentrated in short bursts every three or five years. However, all but the last replenishment of the Global Fund missed the set funding targets, as did GPE's 2014 effort, necessitating additional resource mobilization efforts throughout the pledge period.

Converting pledges into actual contributions is also a continuing and demanding effort, necessitating both a close follow-up dialogue with all donors and a concerted advocacy effort of the institutions and their champions and partners. This means that resource mobilization team capacities tend to stay at similar levels of resourcing year by year, regardless of whether it is a replenishment year or not.

The institutions therefore put in place specific country strategies for each donor, with a continuous program of dialogue, where the institutions inform the country of progress and responds to concerns and demands for reporting etc. as well as advocacy, with media trips, field visits for parliamentarians, hearings in parliamentary or congressional committees and the use of champions to promote the organization and draw attention to the need to "top up" contributions or to turn existing pledges into contributions.

All these tasks demand skillsets far beyond those of traditional "donor engagement". Over the past two decades, replenishments have developed into a particular branch of resource mobilization, with its own skills, working relationships and dynamics. This means that an institution needs to initially bring in external expertise and gradually build its own to ensure it can engage donors and plan its work in the most effective way to

succeed in the increasingly harsh competition for donor funds.

g. The role of the governance structure

The institutions' boards have been playing a crucial role in both creating and adjusting the policy framework for the replenishments and in ensuring there is a continuing dialogue between the different stake-holders within each institution.

All three institutions have representation (to a varying extent) from donor and implementing country governments, civil society and the private sector, with the Global Fund having the most balanced governance structure, having equal voting blocs from donors and implementers. The engagement of the full boards in the policy and financing dialogue means that all groups have been engaged in shaping the replenishment and has therefore led to greater support and engagement by implementing countries and civil society in the advocacy and as champions.

h. Currency fluctuations

Roughly half of pledges for the Global Fund and more than half for Gavi and GPE are made in other currencies than US dollars. This can lead to significant fluctuations in the dollar-value of a replenishment totals. Starting from its 2016 replenishment, the Global Fund has used a moving average exchange rate to assess its pledges. It has also instituted a comprehensive foreign exchange framework, allowing for hedging of all types of exposures within a replenishment period. Furthermore, it has revised its custodian arrangement with the World Bank so that pledges do not have to be converted into US\$ if payments will take place in other currencies, allowing for example Euro pledges to be paid out in Euros to grantees without conversion.

The majority of Gavi's expenditures are in US dollars, while the majority of the contributions received are in other currencies. Gavi uses currency hedging instruments to lock-in the US dollar value of pledges receivable in the future and hence reduce uncertainty.

IV. Outlook for development sector replenishments

While the dynamics and trends of humanitarian funding may not parallel those affecting development funding, the recent – and likely future – trends of development funding are still instructive to those seeking longer-term humanitarian funding. This is in particular the case for CERF as it seeks to increase its funding to \$1 billion per year.

The three institutions discussed in this paper rely to an overwhelming extent on a small number of donor countries, with more than 90% of contributions coming from ten OECD DAC countries (G7 countries plus the Netherlands and Scandinavia). The Global Fund and Gavi have both managed to a large extent to counter the prevailing trends among many of these donors to stabilize or reduce multilateral ODA in exchange for larger funding for humanitarian crises and for covering the costs of processing and resettling asylum seekers – by producing excellent results and showing value-for-money, but also through extraordinarily deft use of advocacy.

GPE will face a significant challenge at its February 2018 replenishment conference in that its traditionally strongest political and financial contributor, the United Kingdom, has to a significant degree withdrawn from its prominent leadership function, following the Brexit decision and its aftermath, including a steep fall in the value of the pound. France is through its co-hosting (with Senegal) of the replenishment offering to step in, but it remains to be seen whether France will manage to bring other donors to the table to the extent needed to fulfil the replenishment goal on \$3.1 billion.

Germany – unlike Denmark, Finland and Netherlands – not only protected its ODA from cuts in light of the large inflow of refugees in 2015-2016, but also – unlike Norway and Sweden – resisted the temptation to divert ODA to pay for refugee resettlement costs. Germany is posed to take a more dominant position in global development – especially within global health –, filling the vacuum created by the relative retreat from this arena of the UK and the United States.

Of particular concern is the United States' position vis-à-vis multilateral funding in the coming years. The current administration has given conflicting signals on its intentions, warning of potentially dramatic cuts to its contributions to the United Nations and its funds and specialized agencies, while reconfirming its funding for the Global Fund, and providing positive comments about the World Bank's IDA.

It is also not clear if – as is often the case for donor countries that become more domestically focused – that a reduction in development spending to some extent will be compensated for by an increase in humanitarian funding. The current U.S. administration does not seem to see any links between its policy goal of reducing immigration and increasing international spending to avert or mitigate humanitarian crises that produce large numbers of refugees and migrants.

Given the absolute size of the U.S. contributions, even modest cuts in percentage terms may greatly affect the multilateral system. There could also be a more fundamental political ripple-effect in a sharp U.S. reduction in multilateral engagement and funding, with other countries also turning their back on the multilateral system.

The volatility in the currency markets also significantly affects the size of the contributions from several donors, in particular the UK, Canada and Australia, which have seen their currencies weaken against the US dollar and the Euro.

Finally, the sheer number of upcoming replenishments will put a significant pressure on donors and is placing the institutions seeking funding in a precarious situation. In 2018, not only GPE, but also the Global Funding Facility to support Every Mother Every Child (both are hosted by the World Bank) and the World Health Organization will seek multi-year pledges. In 2019, The Global Fund, the African Development Bank and the World Bank's IDA replenishments will take place. And in 2020, Gavi and GPE will have their next replenishment, as will the Asian Development Bank.

V. Beyond Replenishment: Innovative Finance

All three institutions are exploring different innovative financing instruments to supplement the funding they secure through the replenishment process from traditional donor grants. Gavi secures a quarter of its financing from innovative financing instruments. For the Global Fund, the sums raised through innovative financing are considerably smaller, but they also serve additional purposes, such as “soft landings” for graduating implementing countries, instruments that engage the private sector, and additional branding opportunities for the organization.

a. The International Finance Facility for Immunization

The International Finance Facility for Immunisation (IFFIm) uses long-term donor pledges to issue vaccine bonds on the capital markets. The money raised from investors helps fund Gavi programmes to meet immediate country demand for vaccines. This ensures a near-term impact on public health that strengthens and protects future generations. IFFIm has raised US\$ 5.7 billion from investors, helping Gavi shift predictable donor funding through time. This affords Gavi great flexibility, allowing it to access funds when needed most, not only when disburseable by its donors.

b. The Advance Market Commitments

By securing up-front donor commitments, Gavi provides incentives to vaccine makers to produce suitable and affordable vaccines for the world's poorest countries. These countries are then able to plan for immunisation programmes, knowing that vaccines will be available rapidly, in the quantities they need and at affordable prices. Gavi has so far focused this mechanism on one type of vaccines (pneumococcal disease). It has raised \$1.5 billion in advance commitments.

c. Blended Finance

Blended finance combines grant funding and private capital flows, such as loans for government health investments, to ensure a smooth transition from traditional donor support to fully nationally funded health programs and systems. Blended finance loans typically have long maturity horizons and flexible terms, enabling governments to spread the related costs over time. Partner lending institutions are able to expand their portfolio to include national health projects with the knowledge that funds are invested under the Global Fund's model, which includes rigorous monitoring and evaluation controls on program quality, risk management procedures and a focus on maximizing impact. The Global Fund is exploring partnerships to multiply its impact through blended finance and to learn from similar models.

d. Debt2Health

Debt2Health converts debt repayments into lifesaving investments in health. Under individually negotiated “debt swap” agreements, a creditor nation foregoes repayment of a loan when the beneficiary nation agrees to invest part or all of the freed-up resources into a Global Fund-supported program. It is a win-win situation: the creditor knows that the cancelled debt is going directly to programs already part of the national health strategy and that are supported and monitored by the Global Fund partnership; the debtor gets both loan elimination, but more importantly, a substantial source of health investment. To date, debts swapped under Debt2Health agreements total close to €170 million, involving Australia and Germany on the creditor side; Côte d'Ivoire, Egypt, Ethiopia, Indonesia and Pakistan on the beneficiary side.

e. Social Impact Bonds

Social impact bonds focus investments toward programs that yield effective social outcomes – in this case, impact in the fight against HIV, TB and malaria. An investor (a donor or private sector organization, for example) provides upfront financing to a service provider that delivers the programs (often a nongovernmental organization). If the pre-agreed outcomes of the program are met, the outcome payer (usually the government or a donor) repays the investment, sometimes with interest. In some cases, charitable foundations or organizations may guarantee all or part of the social impact bond, to provide additional security for the investor.

f. Product (RED)

Product (RED) was founded in 2006 to harness the power of people and companies to help fight AIDS. (RED) partners with the some world's best known brands (Apple, Salesforce, Beats, Coca Cola, etc.) and they

contribute up to 50% of profits from (RED)-branded goods and services to the Global Fund. To date, (RED) has generated more than \$475 million for the Global Fund. 100 percent of that money goes to work on the ground – no overhead is taken.

V. Conclusion: Useful lessons

As CERF sets out to increase its annual funding to \$1 billion, it may explore a resource mobilization strategy built around multi-year pledges. If so, there are a number of lessons that can be drawn from the experiences of health and education-focused special-purpose funds. The most important of these can be summarized as follows:

- ✓ The importance of a credible track record and a well-researched, compellingly written and presented investment case;
- ✓ The importance of having strong internal (institution's leadership) and external (donor-country political leadership, UN leadership) champions;
- ✓ The importance of advocacy and having strong, high-level champions;
- ✓ The importance of investing in a strong resource-mobilization and communications capacity – with its unique skillsets and expertise – on a permanent basis, and to develop country-by-country strategies both for securing pledges and for converting pledges to actual contributions;
- ✓ The importance of securing a host country that can help drive advocacy and support from other donors;
- ✓ The importance of finding the “right” funding target; large enough to become politically “interesting” but not so large that it is a set-up for failure.

The most important lesson of all is that replenishment funding processes take time to develop and they tend to mature and become more successful with time. As success is very much a result of meeting realistic expectations rather than achieving some arbitrary goal set in comparison to other actors, any resource mobilization strategy therefore needs to take this element into account by developing long-term goals and initially setting ambitious but incremental and realistic expectations.