

RESOURCE MOBILIZATION ANNUAL UPDATE

OVERVIEW

A decision was taken at the third Investors Group meeting in Geneva to retain Resource Mobilization (RM) as a regular item on the agenda and for the Secretariat to provide annual updates at the last Investors Group meeting of every year.

This paper provides an update on Resource Mobilization activities and outlines strategic objectives for the next two years based on consultations with the GFF Trust Fund Committee members.

This paper needs to be reviewed in conjunction with papers GFF/IG4/4 Health Financing: Domestic Resource Mobilization and GFF/IG4/8 Private Sector Progress Update.

ACTION REQUESTED

The Investors Group is asked to endorse the GFF resource mobilization priorities for 2017-18 and discuss areas where they can best contribute to the process.

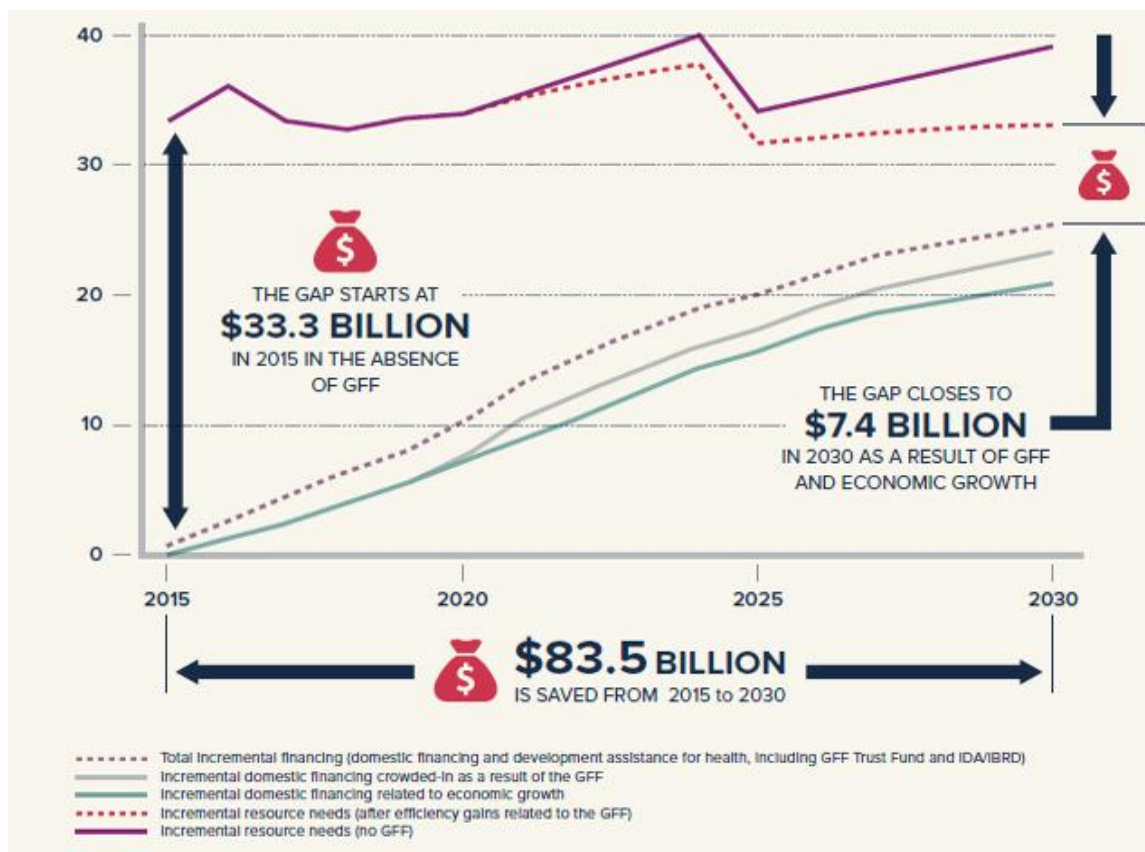
INTRODUCTION

Financing the SDGs will require new ways of approaching development finance that go beyond the traditional emphasis on official development assistance (ODA), given that ODA represents a diminishing share of external financing flows to developing countries: the volume of remittances is now four times that of ODA, and foreign direct investment six times ODA. Taking this broader perspective is critical for RMNCAH, given that the *additional* annual financing needs for RMNCAH is roughly equivalent to the *total* volume of all development assistance for health (DAH) for all diseases and conditions.

The GFF acts as a pathfinder in a new era of financing for development by pioneering a model that shifts away from a focus solely on official development assistance to an approach that combines domestic financing, external support, and innovative sources for resource mobilization and delivery (including the private sector) in a synergistic way.

Incremental RMNCAH resource needs are estimated to be approximately US\$33.3 billion a year in 2015. The gap closes to US \$7.4 billion by 2030 as a result of economic growth and the effects that the GFF has by reducing financing needs by generating efficiencies through smarter financing, by crowding in additional domestic resources, and by mobilizing DAH and improving coordination of this assistance, as shown in Figure 1.

Figure 1: Bridging the financing gap for RMNCAH



The GFF has a four-pronged approach to mobilizing additional domestic and external resources:

1. Domestic resource mobilization;
2. Complementary financing (DAH and private capital);
3. Concessional finance (IDA/IBRD);
4. The GFF Trust Fund.

GFF resource mobilization priorities for 2017-18 will focus on:

- support to Governments for increased domestic resource mobilization and public financing for health and that RMNCAH receives adequate resources and that access and equity issues are addressed;
- increasing partner engagement in the development and implementation of country Investment Cases and Health Financing Strategies to further align investments, increase efficiencies and provide GFF countries with increased opportunities for complementary financing;
- defining pathways for effective partnerships with private sector partners to draw in additional resources and expertise;
- mobilizing international private capital through innovative financing mechanisms that increase investments in RMNCAH;
- identifying opportunities for increased levels of concessional financing and additionality in RMNCAH financing;
- broadening the donor base of the GFF Trust Fund to respond to increasing country interest and demand in 2017-18;
- building momentum towards the first GFF Trust Fund Replenishment meeting to take place in 2018 covering resource needs for 2019-21.

DOMESTIC RESOURCE MOBILIZATION

Figure 1 highlights the fact that by far the largest share of financing for RMNCAH will come from domestic resources. If economies continue to grow at historical rates, the resulting increased expenditure on health will close roughly half of the financing gap for RMNCAH by 2030.¹

However, there is considerable scope to do more. The paper GFF/IG4-4 “Health Financing: Domestic Resource Mobilization” examines two key pathways for increasing domestic resource mobilization:

- Increasing general government revenue, particularly in those countries where the ratio of general government expenditure to GDP is below the median for low and lower-middle income countries (holding the share going to health constant); and
- Increasing the share of government expenditure going to health, particularly in those countries that allocate below the median for low and lower-middle income countries.

¹ See Annex 2 of the GFF Business Plan for more details about this modeling.

The domestic resource mobilization potential in the 16 GFF countries from these two approaches is enormous: more than US\$23 billion in additional resources can be generated annually for health in the GFF countries through the combination of increasing general government expenditure as a share of GDP to median levels and modestly increasing the prioritization of health within government spending. There is significant heterogeneity among the GFF countries as to how much can be mobilized through these approaches, but half of the GFF countries can double per capita government health expenditure, which would have a dramatic effect on closing the financing gap for RMNCAH. This is an optimistic scenario and would require challenging reforms at country level that are inherently political and will not occur overnight, but it does give a sense of the magnitude of gains that are possible.

There are also opportunities to generate more private revenue for health from domestic sources, although the origin of these resources is critical: out-of-pocket expenditure (OOPs) is already a significant share of total health expenditure in almost all GFF countries, which is problematic as out-of-pocket payments for health both deters women, adolescents, and children from accessing health services and can result in financial catastrophe and impoverishment. Thus the expansion of repayment schemes that pool resources and protect against catastrophic health expenditures is the main agenda. In addition, there are discussions underway in a number of GFF countries about in-kind or technical resources that can be provided by the private sector, such as by utilizing the expertise of five private companies to support six high-need counties in Kenya (e.g., through telemedicine and digital clinic solutions approaches) or by tapping the communications experience and networks of telecommunications companies in Cameroon.

Complementing the efforts on domestic resource mobilization is an emphasis on improving efficiency. The World Health Organization has estimated that 20-40% of health spending is wasted, so the scope for improvement is considerable, both from addressing allocative efficiency (“doing the right things”) and technical efficiency (“doing things the right way”). In most GFF countries, a complementary quick win is to focus on ensuring that the ministry of health fully executes the budget that it is provided (including by addressing any problems in public financial management that make this difficult).

The GFF supports countries to generate additional domestic financing in a number of ways:

1. **Assess** the best options for addressing the domestic resource mobilization agenda; for example, by conducting fiscal space analysis or estimating the revenue generation potential of different options for raising additional resources (such as through “sin” taxes);
2. **Develop strategies** for increasing domestic resources for health through the support of the preparation of health financing strategies; and
3. **Provide implementation support** of key domestic resource strategies (e.g., translation of high-level strategic directions into implementation plans with actionable steps, support to the implementation of the chosen policies through a combination of technical assistance, financing, capacity building and institutional strengthening).

In all of these areas, engagement with ministries of finance in addition to ministries of health is critical to ensure buy-in for key reforms, so the GFF health financing work helps to facilitate this.

Details on the approaches and progress to date applying them in the initial GFF countries can be found in GFF/IG4/4 Health Financing: Domestic Resource Mobilization.

COMPLEMENTARY FINANCING

While the bulk of additional resources for RMNCAH will come from domestic sources, external support is still important in a number of GFF countries. Development assistance for health exceeds US\$35 billion annually, having grown quite rapidly over the past fifteen years (although it has plateaued over the past several years).

The partnership model of the GFF is explicitly geared toward improving the efficiency and coordination of this financing. In particular, through the Investment Case process financiers are engaged in identifying priorities and then aligning their financing to them. This simultaneously strengthens the focus on evidence-based interventions, and reduces duplication between financiers and gaps in financing for critical priorities.

In practice, several different models for the provision of complementary financing have emerged:

- Directing bilateral/multilateral financing to the priorities in Investment Cases using each donor's normal modalities for providing support;
- Establishing trust funds at the World Bank to support implementation;
- Providing dedicated resources to finance technical assistance.

The most common approach is the first of these, orienting bilateral/multilateral financing to address the priorities identified in an Investment Case. In this model, a development partner uses its normal procedures (which could involve directly financing the government or working through civil society, the private sector, the United Nations, or other actors) to channel resources that finance key areas of the Investment Case. This is for example the case with JICA financing in several GFF countries.

For example, in Cameroon the Investment Case specifically focuses on four regions with the worst RMNCAH indicators, so the discussions around complementary financing have been oriented to how development partners can direct their financing to these regions. The World Bank will support the government's expansion of a package of maternal and child health services through results-based financing and the French cooperation will scale up a voucher program. In Uganda, the emphasis was on delivering a comprehensive package in a more synergistic way than is currently the case, such that, for example, demand-side approaches being scaled up by USAID complement the financing provided by the World Bank to strengthen the delivery of services.

The second modality is the establishment of a local trust fund at the World Bank to contribute directly to implementing the Investment Case. For example, this is the approach adopted by USAID in Tanzania, where a US\$46 million single-donor trust fund has been created to support RMNCAH results.

The third approach is to set up dedicated mechanisms to finance technical assistance. In light of a context of increased decentralization, Kenya developed an "Investment Framework" that set the overarching policy direction for the country but then encouraged each county to develop its own investment case. This is a challenging

exercise given capacity constraints at the decentralized level, so DFID and USAID have agreed to support this and are in the process of setting up mechanisms to finance technical assistance to the counties.

The process of securing complementary financing in this manner is occurring to varying extents in every GFF country. A number of lessons have been learned to date about how to do this:

- Early engagement of key financiers is critical: potential financiers are more likely to support the priorities in the Investment Case if they feel that they have been part of the process that develops them and so feel some measure of ownership toward the priorities;
- Strong government leadership is key: in countries where the government has proactively engaged with potential financiers and strongly argued to direct financing toward the priorities in the Investment Case, more progress has been made in reducing duplications and eliminating gaps in financing;
- Timing matters: it is easier for donors to align their financing if the priorities of the Investment Case are identified in time to inform the development of a new donor program/project, rather than expecting that a donor will restructure its existing investments in light of the development of the Investment Case; inevitably there are multiple donor cycles in one given country so it is never possible to ensure that the Investment Case is done at a time that can optimally shape every donors new financing, but it is important to be attentive to these cycles so as not to miss opportunities;
- Support from headquarters is important: several of the major financiers that are core supporters of the GFF (e.g., JICA, USAID) have been proactive about ensuring that their country offices are well-informed about the GFF process and encouraged to participate in it, which has contributed to greater engagement at national level; to facilitate this, structured conversations at the global level have recently been initiated;
- In-country engagement can bring in new partners: the GFF Investors Group includes many of the major financiers of RMNCAH globally, but in-country processes have facilitated the engagement of new development partners that have not participated in the Investors Group, including the governments/aid agencies of Belgium, France, Germany, Korea, Sweden, and the European Commission.

Several ongoing issues have made the process of securing complementary financing more challenging. First, resource mapping is intended to be a core part of the Investment Case process so as to ensure that the document is based on a realistic sense of the resources available. However, in many of the GFF countries it has proven difficult to get estimates of planned financing from major bilateral and multilateral financiers. This is an area in which further support from Investors Group members will be important.

Second, some governments have not fully assumed their leadership roles with regard to working with external financiers to align their support to nationally-agreed priorities. In some cases this is as a result of unequal power relationships between donors and national governments, whereas in other situations capacity constraints are ongoing challenges, but the effect is that the efficiency gains that can be achieved through better coordination are not being fully realized in some countries.

The discussion above focuses on complementary financing from public sources, which constitute the majority of planned financing of Investment Cases. However, private resources can also make important contributions to complementary financing. National-level efforts were already mentioned above in the section on domestic

resource mobilization, but there are also several global-level efforts are underway to generate private resources to complement this.

A collaboration with Merck for Mothers is being developed to bring expertise and grant financing to support the government to institutionalize innovative supply chain solutions in Senegal (in partnership with the Bill and Melinda Gates Foundation) and to exploring how private providers could be used to decongest overcrowded public facilities in Kampala, Uganda. In Cameroon, a development impact bond is being set up that would use private capital to provide the initial financing to scale up kangaroo mother care (a priority intervention in the Investment Case), with investors being paid back at rates that will vary depending on the country's performance in rolling out kangaroo mother care.

The GFF Trust Fund is also using its resources to de-risk the expansion of the Medical Credit Fund (MCF), a non-profit health investment fund that is partnering with local banks to provide financing for small and medium enterprises in four African countries (with more to be added after the current financing round). Every dollar of the GFF grant will leverage several dollars of private investment into MCF, expanding greatly the pool of capital available at country level to make loans to SMEs. Exploratory work is also underway to determine which innovative financing approaches offer the best opportunities for the GFF Trust Fund.

CONCESSIONAL FINANCING (IDA/IBRD)

The GFF Trust Fund provides catalytic funding to close the financing gap by linking to IDA and IBRD financing. This improves the quality of IDA/IBRD financing by strengthening the process of identifying national priorities and creates a multiplier effect focused on evidence-based results. The availability of GFF Trust Fund financing has encouraged countries to allocate additional IDA or IBRD financing to health, as was the case in the DRC, Ethiopia, and Vietnam.

In an example of how GFF Trust Fund resources can be used flexibly to encourage additional investments in the health of women, children, and adolescents, two “buy-downs” are being prepared, in Guatemala and Vietnam. In these, grant resources are used to improve the lending terms for countries that access IBRD financing.

To date six projects with GFF Trust Fund financing linked to IDA resources have been approved by the World Bank Executive Directors. As shown in the table below, the overall ratio of GFF Trust Fund grants to IDA is 1:4.3 in these countries. In addition to this, indicative GFF Trust Fund allocations have been made to 12 countries (the ten GFF countries not listed below and second allocations to the DRC and Nigeria). The final trust fund allocations and IDA/IBRD financing are not considered finalized until approval by the Executive Directors, but the current indication is that this ratio will improve as a result of these additional projects.

Country	Board Date	GFF Trust Fund (US\$ millions)	IDA (US\$ millions)	IBRD (US\$ millions)
Tanzania	5/28/2015	\$40	\$200	
DRC (CRVS)	3/29/2016	\$10	\$30	
Cameroon	5/3/2016	\$27	\$100	
Nigeria (emergency project focused on the northeast)	6/7/2016	\$20	\$125	
Kenya	6/15/2016	\$40	\$150	
Uganda	8/4/2016	\$30	\$110	
Board Approved		\$167	\$715	
Projects under preparation (indicative figures)		\$251	\$1,296	\$100
Total Commitments (indicative figures)		\$418	\$2,011	\$100

THE GFF TRUST FUND

The GFF Trust Fund provides catalytic funding to countries in three ways:

- By providing financial and technical assistance to support the development of country Investment Case and Health Financing Strategies mobilizing and improving the efficiency of domestic and external financing for RMNCAH;
- By linking GFF Trust Fund grants with IDA and IBRD financing, which improves the quality of IDA/IBRD financing by strengthening the process of identifying and implementing national priorities;
- By crowding-in private financing, including through de-risking private investments and social impact bonds.

Resources from the GFF Trust Fund have been allocated to a total of 16 countries to date. These countries represent a *Learning Phase* for the GFF in terms of differentiation in approaches in low and lower-middle income countries, commitment to raise domestic resources, opportunities for joint finance with partners and geographic balance. This initial set of countries include:

- Frontrunner countries: DRC, Ethiopia, Kenya and Tanzania;
- Second wave countries: Bangladesh, Cameroon, Vietnam, Liberia, Mozambique, Nigeria, Senegal and Uganda;
- Four countries announced at UNGA: Guatemala, Guinea, Myanmar and Sierra Leone.

Additional pledges to the Trust Fund are required to enable GFF to respond to interest expressed beyond this initial set of 16 GFF eligible countries. The cost of reaching all 62 GFF-eligible countries with one grant (based on the resource allocation formula contained in the GFF Business Plan) was estimated at US\$2.56 billion. To date the signed commitments to the GFF Trust Fund are US\$ 510 million equivalent current value, leaving a sizeable funding gap.

GFF TRUST FUND	
Initial estimates	US\$ 2.56 billion
Signed contributions current value	US\$ 510 million
Funding gap	US\$ 2.05 billion

The majority of Trust Fund commitments of US\$ 508.2 million is allocated directly to GFF countries (91%, including \$418m for country grants and \$45m for country support activities), with the following costs making up the balance: Secretariat costs (5%), Knowledge, Learning and Communications (1%), Trust Fund Administrative fee (0.8%) and Contingency funding (2%).

New pledges to the GFF Trust Fund are now urgently needed to reach additional countries in 2017. The resource mobilization objectives for the next two years are to expand the GFF Trust Fund donor base in 2017 while building momentum for a GFF pledging event to take place in 2018.

Factors taken into consideration regarding the timing of the GFF Trust Fund replenishment included:

- Respecting IDA and GFATM fundraising processes restricting GFF donor outreach until 2017;
- Political shifts and elections taking place in 2016-17 (e.g. EU, France, Germany, Netherlands, UK, US);
- 2017 ODA budget decisions have largely already been taken;
- Current focus on the migrant crisis & climate change;
- Time needed to finalize more country Investment Cases and Health Financing Strategies, collect data and stories to build a solid evidence base and proof of concept for the GFF model.

The best window for a GFF replenishment event is found to be 2018 to cover resource requirements for 2019-2021. This timing aligns well with the replenishment cycles of GFF partners (Gavi 2016-2020, IDA & GFATM both 2017-19).

Work is currently underway to put in place the necessary preconditions for an effective RM strategy. This includes the development of a crisper value proposition for both the GFF *Facility* and GFF *Trust Fund* and defining precise resource requirements for the replenishment period and outcomes to be achieved as a result. Resource mobilization efforts will draw on critical learning from the initial GFF countries, initial results, and extensive consultations with GFF Trust Fund partners and interested new donor partners in 2016-17.

Once the IDA replenishment is completed in December 2016, the GFF leadership and partners, along with World Bank Group leadership, will be proactively reaching out to donors to expand the GFF Trust Fund donor base.

Priorities for 2017-18 include:

- consultation with interested partners and potential new donors, including technical meetings and visits to both public and private sector partners;
- strengthened engagement with CSO and Parliamentary constituencies;

- inviting interested partners and prospective donors to attend Investors Group meetings as observers;
- increased engagement of partners at country level;
- leveraging of high level global events, panels, round tables (e.g. WEF, World Bank Spring and Annual Meetings, UNGA, expert panels, think tanks, academia, etc.);
- cultivation of GFF champions and ambassadors from among the GFF Investors Group and broader partnership;
- developing and launching a global communications, advocacy and social media strategy in support of RM.

A timeline for high level events to be organized and/or leveraged to increase awareness of and commitment to the GFF Trust Fund is outlined in Annex 1. Together these efforts will also set the groundwork for the first GFF Trust Fund pledging event in 2018.

The active engagement of Investor Group members is needed to help build high level support for the GFF mission, principles & activities of GFF and promote active engagement of wide range partners supporting GFF Global Strategy, as outlined in Governance Document GFF/IG1/3, Sept 2015. The GFF Secretariat will facilitate timely engagement of Investor Group members to strengthen complimentary financing of GFF investment cases at country level as well as for global advocacy for resource mobilization for the RMNCAH agenda.

ANNEX 1: ADVOCACY EVENT TIMELINE

2017		
Date	Event	Activity
January 17-20	<ul style="list-style-type: none"> World Economic Forum, Davos 	GFF presence and advocacy
March	<ul style="list-style-type: none"> Launch GFF Annual Report 	Advocacy and outreach
April 21-23	<ul style="list-style-type: none"> WB Spring Meetings 	GFF Event
April 24	<ul style="list-style-type: none"> GFF 5th Investors Group Meeting 	Discussion on resource mobilization
May 22-26	<ul style="list-style-type: none"> World Health Assembly 	GFF Event
May 26-27	<ul style="list-style-type: none"> G7 Summit, Taormina, Sicily, Italy 	Advocacy and outreach
September 12-19	<ul style="list-style-type: none"> United Nations General Assembly 	GFF Event
October 13-15	<ul style="list-style-type: none"> WB Annual Meetings 	GFF Event
November	<ul style="list-style-type: none"> Sixth Investors Group Meeting 	Resource Mobilization Annual Update



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