Research to inform the design of a catalytic fund

Local and international case studies - Final Report

This case study was commissioned by ilifa labantwana

In collaboration with harambee YOUTH EMPLOYMENT ACCELERATOR

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Purpose and intended audience for this document

This document provides case studies on local and international catalytic funds and platforms. It further summarises key lessons from these examples to help inform the design of potential future catalytic funds.

Purpose of this document

- To provide an examination of local and international catalytic funds and platforms
- To develop an understanding of their:
  - Core functions
  - Establishment and structuring
  - Governance and institutional arrangements
  - Fundraising and disbursement approaches and mechanisms
  - Progress monitoring and reporting

Intended audience

- Members of senior management from Ilifa Labantwana and Harambee
- Members of the project reference group

Acronyms (1/2)

The acronyms used in this document are defined below

Acronyms key

AFO	French Development Agency
AMC	Advance Market Commitment
ANC	African National Congress
ART	Anti-retroviral treatment
B4SA	Business for South Africa
BLSA	Business Leadership South Africa
BUSA	Business Unity South Africa
CCM	Country Coordinating Mechanism
CGD	Centre for Global Development
DACs	District AIDS Councils
DBSA	Development Bank of Southern Africa
DFID	Department for International Development
ECD	Early Childhood Development
EFA-FTI	Education for All - Fast Track Initiative
EMIS	Education Management Information Systems
ESPs	Education Sector Plans
EU	European Union
EXCO	Executive Committee
FMDP	Fund Managers Development Programme
FNB	First National Bank

GNI	Gross National Income
GPE	Global Partnership for Education
GPG	Gauteng Provincial Government
GTAC	Government Technical Advisory Centre
IATI	International Aid Transparency Initiative
IBRD	The International Bank For Reconstruction and Development
IDC	Industrial Development Corporation
IDRC	International Development Research Centre
IFFIm	International Finance Facility for Immunisation
ITAP	Independent Technical Advisory Board
JETP	Just Energy Transition Partnerships
JSRs	Joint Sector Reviews
JT	Just Transition
JTFM	Just Transition Financing Mechanism
KIX	Knowledge Information Exchange
LACs	Local AIDS Councils
LEGs	Local Education Groups
LMIC	Low- or Middle-Income Country
M&E	Monitoring and Evaluation

Acronyms (2/2)

The acronyms used in this document are defined below

Acronyms key

MCA	Maximum Country Allocation
MEL	Monitoring, Evaluation, & Learning
MIC	Middle-Income Country
MoE	Ministry of Education
MoU	Memorandum of Understanding
NBFIs	Non-Bank Financial Institutions
NBI	National Business Initiative
NECOM	National Energy Crisis Committee
NEDLAC	National Economic Development and Labour Council
NSP	National Strategic Plan
NSP	National Strategic Plan
PACs	Provincial AIDS Councils
PBO	Public Benefit Organization
PCC	Presidential Climate Commission
PEPFAR	President's Emergency Plan for AIDS Relief
PFMA	Public Finance Management Act
PIC	Programme Implementation Committee
PIC	Public Investment Corporation
PMO	Project Management Office
PPP	Public-Private Partnership

RMC	Resource Management Committee
RMF	Resource Mobilisation Fund
SA SME	South African Small and Medium Enterprises
SANAC	South African National Aids Council
SARS	South African Revenue Service
SAVCA	The Southern African Venture Capital and Private Equity Association
SCCs	Sectoral Coordinating Committees
SME	Small and Medium Enterprises
SMME	Small Medium and Micro Enterprises
SMME CPF	SMME Crisis Partnership Fund
TAC	Treatment Action Campaign
TBD	To be determined
TCA	Targeted Country Assistance
TIA	Technology Innovation Agency
TPON	The Power of Nutrition
TTT	Technical Task Teams
UAE	United Arab Emirates
UIF	Unemployment Insurance Fund
VC	Venture Capital

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Case study identification and selection approach

The team followed a three-step process to identify and select the nine funds or platforms on which case studies were developed

Step 1

Identified potential funds, platforms, facilities and mechanisms to investigate via broad desktop scan and suggestions based on existing knowledge and professional networks.

Step 2

Assessed each potential 'fund' (at a high level) across a range of criteria.

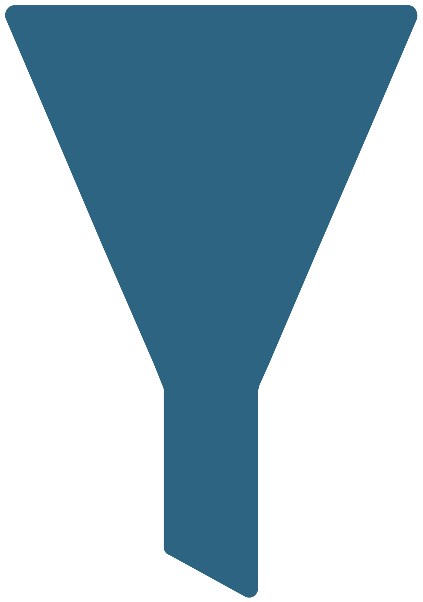
- How successful the fund has been in:
  - Unlocking additional funds
  - Supporting the development of a joint vision and action plan
  - Forming a PPP mindset among stakeholders
  - Achieving its other desired outcomes (typically social outcomes)
- The extent to which the fund:
  - Pooled expertise and not just capital
  - Has made use of effective multi-stakeholder governance arrangements
  - Has made use of varied, innovative and effective disbursement instruments
  - Can provide valuable and/or unique learnings
  - Has sufficient documentation on its operations (or we can gain access to sufficient information)

Step 3

Discussed and confirmed the funds, platforms and mechanisms on which case studies should be produced.

60+

funds



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selected

Overview of local funds, platforms and mechanisms selected (1/2)

Six local funds, platforms and mechanisms were selected for investigation and case study development in phase 1 of the project

Fund / platform	Description
Solidarity Fund	The Solidarity Fund was launched in response to the Covid-19 pandemic with the **goal of mobilising funding and uniting South Africans.** The Fund successfully **pooled over R4 billion** of funding and **received significant support and expertise** from individuals and organisations on a **pro bono basis**. Although the Fund was initially designed around three pillars that were believed to have the greatest potential for impact during the crisis, the **speed, integrity and effectiveness** with which it was executed led it to be mobilised for disaster relief purposes during the 2021 civil unrest and 2022 floods.
RMF	The Resource Mobilisation Fund (RMF) is a mechanism for business in South Africa to **pool resources** and **support the implementation of the President's Energy Action Plan** by **donating technical resources** to the National Energy Crisis Committee on an expedited basis. Although the RMF is very embedded in the work of government and has a close partner in the Presidency, it has established clear operating principles that seek to ensure the **independence and transparency** with which it will procure expertise for NECOM.
South African National AIDS Council	The South African National AIDS Council (SANAC) is a **coordinating body** responsible for **leading the country's response to HIV, TB and STIs**. It operates as a **multi-sectoral partnership** that brings together government, civil society, private sector, and other stakeholders to support the implementation of the National Strategic Plan. The story of the sustained pressure by the HIV-AIDS movement and subsequent restructuring of SANAC and refinement of the National Strategic Plan for HIV, TB and STIs provides a valuable case on social compacting in the face a significant crisis.
The Jobs Fund	The Jobs Fund is an initiative that was launched by National Treasury to **address the challenge of unemployment** in South Africa. It aims to **operate as a catalyst** for **innovation** and **investment** in activities which **directly contribute** to **sustainable job creation** initiatives and **long-term employment opportunities** across a range of sectors. **Government allocated R9 billion** to the Fund, which is being used to **co-finance** selected public, private and non-governmental organisations through a **challenge fund model.**

Overview of local funds, platforms and mechanisms selected (2/2)

Six local funds, platforms and mechanisms were selected for investigation and case study development in phase 1 of the project

Fund / platform	Description
sa sme FUND	The SA SME Fund was launched with the goal of **increasing the capital and business support** available to SMEs and **fostering an entrepreneurial spirit** in South Africa. The Fund operates as a **'fund of funds'** and works with **accredited venture capital and growth-oriented equity fund managers** that invest in and empower scalable SMEs. It has brought together a wide range of private sector participants, pools (and sometimes matches) funding across public and private sector institutions and has a structure that allows it to maintain independence in delivering on its mandate.
PRESIDENTIAL CLIMATE COMMISSION *Just transition financing mechanism*	The just transition financing mechanism (JTFM) is a vehicle that is being explored by the Presidential Climate Commission **to aid in mobilising and coordinating capital** to ensure that **no one is left behind** during the transition to a low-carbon economy. The JTFM will house a **Just Transition Fund**, for which the most suitable **institutional architecture and governance principles are being explored**. It is envisioned that capital will be aggregated from various public and private sources and distributed through two funding windows.

Overview of international funds, platforms and mechanisms selected

Three international examples were chosen to provide lessons from outside South Africa

Fund / platform	Description
GPE Transforming Education	The Global Partnership for Education (GPE) is a **global partnership platform**, with an **associated pooled fund**, that supports nearly **90 partner countries** to **develop and implement** their **education strategies.** Its aim is to provide citizens of developing partner countries with universal access to at least one year of pre-school education and 12 years of schooling. The GPE fund makes use of catalytic financing mechanisms such as the GPE Multiplier and the Debt2Ed initiative to mobilise additional financing to complement its contributions.
Gavi The Vaccine Alliance	Gavi, the Vaccine Alliance, is a **large, well-established PPP** that aims to **rectify market failure in the vaccine market** and increase the equitable and sustainable use of vaccines in low-income countries. The mechanics of change rely on Gavi's involvement **providing security to countries to adopt vaccine programmes**, and to **manufacturers to invest in new production capacity**. Programmes are funding through direct contributions and the use of **catalytic financing mechanisms**, such as matching, loan buydowns, advance market commitments and Vaccine Bonds.
The Power of Nutrition	The Power of Nutrition (TPON) is a financing and partnership platform that seeks to **reduce the cases of malnutrition in underdeveloped countries across Africa and Asia**. The core means by which TPON catalyses funds for its nutrition programmes is through a **two-stage matching mechanism** which is supported by both its anchor and implementing partners and provides the **opportunity to quadruple the impact of the investments**. TPON are in the process of updating their financing model to allow for a **more flexible fundraising approach** that includes **innovative financing mechanisms**.

Case study analysis framework: The catalytic fund value chain and key learning questions

The analysis framework to guide the development of the case studies was based on a catalytic fund value chain and a set of key learning questions. Information was predominantly gathered through desktop research; however, interviews were secured to supplement this for a small set of the funds profiled.

Conceptualising & designing	Establishing	Fundraising	Disbursing	Assisting	Monitoring & reporting
What is the challenge / background / motivation for the fund? What is the shared vision, goals and strategy? How were they developed? What are the core functions of the fund?	What was the process for the fund being established i.e., getting stakeholders to buy into the idea? How was the fund launched?	What is the fundraising strategy? What was the approach for raising initial capital investments? And repeat investments? How has it catalysed additional investment to the cause?	What gets funded and on what terms? What instruments are used? What is the decision-making framework? In the case of SA, how does or did this align with public procurement rules?	Is additional (non-financial) support provided to funding recipients? If so, what are the objectives and scope of this support?	How does the fund monitor and report to investors on the use of funds and progress towards the desired outcomes? Is learning incorporated to improve the fund's strategy operations? If so, how?

How is the fund itself structured, and legally incorporated, and why?

What are the governance arrangements to ensure accountability, transparency and trust?

Are there any other enabling factors that influence the fund's success?

Who are the champions and key stakeholders? How are their strengths leveraged?

Was a PPP mindset enabled and, if so, how? How did the fund, and the partners, create shared accountability? Did this help improve coordination?

What have the critical success factors been? What can be regarded as best practice across the different steps of the catalytic fund process?

What can we learn from the fund's general experience, successes, challenges and possible mistakes?

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Summary: Core purposes and functions of catalytic funds

While there is no universally accepted definition of a catalytic fund, their core purposes and functions can be inferred from the case studies developed.

Catalytic funds generally illustrate the **intent to act as a catalyst for positive change** by attracting **additional investment**, and **pooling resources or expertise** towards a **common cause**. They are often marked by the forming of **partnerships and improved coordination** to help **scale the impact** of the funds and resources that have been allocated to achieving specific development goals. They have also seen to be valuable in **addressing market failures** and **de-risking investments**.

Mobilise investment

Attract additional capital from public and private sources by providing the initial funding or incentives or using **innovative financing mechanisms**.

Formation of partnerships

Facilitate **collaboration between public and private sector** entities and the **formation of social compacts**.

Pool resources

Provide a platform to **pool financial resources and expertise** in order to **maximise impact**.

Improve coordination

Provide a platform to **improve the coordination of existing market and sector efforts.**

Address market failures

Help to improve resource allocation when market mechanisms fail. This has been done through **market making initiatives.**

Build capacity

Provide technical assistance, mentorship and capacity building to help increase the likelihood of success and sustainability programmes.

Test and scale

Provide a **testing ground for initiatives** with a few to scale these if found to be effective and cost efficient.

Mitigate risk

Demonstrate the social and economic **viability** of programmes and/or **take on first losses** to attract additional funders.

Key lessons summary (1/9)

Area	Lesson	Selected example(s) from case studies
Leadership	There is **often a single champion** or **small group of champions** that **drive the conceptualisation and formation** of the fund or platform. This **need not go hand-in-hand with seed funding**, but it **often does**.	**SANAC.** It was the Treatment Action Campaign that predominantly led: (i) the social movement putting pressure on government, and (ii) the negotiation for a restructured SANAC. The support of Deputy President Phumzile Mlambo-Ngcuka was also a key factor in the restructuring of the organisation. **Solidarity Fund**. Martin Kingston and Adi Enthoven among others from the private sector, and Minister Ebrahim Patel and President Ramaphosa from government, were reportedly instrumental in establishing the Fund. **Resource Mobilisation Fund**. Key individuals from B4SA and President Ramaphosa have championed the setting up of the RMF. **Global Partnership for Education**. The World Bank led the discussions and design of the GPE in the early 2000s and was also responsible for providing seed funding. **Gavi, The Vaccine Alliance**. The leadership of, and significant seed funding from, the Gates Foundation were key to launching Gavi at scale from the beginning. Having well-respected and influential partners on board from the start also helped to build confidence in the organisation. **The Power of Nutrition**. The initiative was founded through collaboration between the UK government's Department for International Development (DFID) and the Children's Investment Fund Foundation, with initial support from the UBS Optimus Foundation as the first investor
	Where the fund or platform **requires a strong public-private collaboration mindset**, the support of a **political champion or ministry** with **credibility to convene** and mobilise stakeholders **across public and private spheres** is crucial.	

Key lessons summary (2/9)

Area	Lesson	Selected example(s) from case studies
Guiding principles	It is good practice to have a set of **sound principles that guide key fund elements** such as the design of **governance structures**, **institutional arrangements and forms**, **procurement and disbursement** policies, and **monitoring and reporting** processes.	**Solidarity Fund.** From its conceptualisation through to its operations, the Fund was guided by a set of core principles that served as the "beacon against which its decisions and actions were measured." Several of these - notably independence, transparency, speed and scale - were especially important in directing the structures and decisions of the Fund. **Resource Mobilisation Fund.** The RMF has adopted a set of 10 operating principles that will seek to ensure the independence and transparency with which it will work with government and procure expertise for NECOM. Both funds have been deliberate in communicating these principles to the broader public.
	Adopting the principles of **independence and transparency** is especially valuable in **low public-private trust contexts** such as that of South Africa. **Clear communication of the principles** and **how adherence to them is demonstrated in fund governance and operations** is also of high importance to garner trust.	

Key lessons summary (3/9)

Area	Lesson	Selected example(s) from case studies
Alignment to broader public plan and policy	Catalytic funds or platforms **generally derive their goals and strategy from a common plan**, usually **that of a national government**. They mostly do this by **either aligning their efforts with an existing governmental plan** or they **participate in the co-development** and implementation of a **new, shared one**.	**Solidarity Fund and RMF**. Both these funds took the approach of getting behind the government's plan in responding to the relevant crises. **SANAC.** The initial versions of the 2006-2010 National Strategic Plan (NSP) for HIV, TB and STIs were regarded as appalling. The restructured SANAC focused its early efforts on enhancing this national plan. **GPE**. A primary function of the GPE's Local Education Groups is to support the development of a partnership compact and a jointly-developed, country-owned education sector plan.
Focused mandate	A **very focused mandate can be beneficial** for a catalytic fund in terms of its ability to: (i) **raise funds** with a **clear ask of donors**; (ii) **achieve trust-enhancing success early on**; (iii) **clearly measure and communicate** whether it is **achieving what it set out to achieve**.	**RMF.** The RMF's mandate and scope of support to the government and the Energy Action Plan are very targeted – it is only focusing on state capacitation in a few areas that it believes can shift the needle in a short space of time. This narrow, and time-bound ask, has reportedly helped the Fund with its difficult task of encouraging businesses to contribute to a common pot. **SA SME Fund.** The Fund's mandate is targeted towards the SME investment environment in South Africa and focuses only on investing in selected accredited fund managers, and other specific initiatives that provide support to SMEs and fund managers. This narrow focus on a cause, which many top business executives understand and believe in, has helped attract significant corporate funding.

Key lessons summary (4/9)

Area	Lesson	Selected example(s) from case studies
Legal forms	• Six of the eight established funds we reviewed are non-profit entities, five of which receive funding from government or public enterprises. • One non-profit – the RMF – only receives funding from private entities at this stage. • The only for-profit entity is the SA SME fund which also receives government funding. • The only public sector fund is The Jobs Fund that sits within GTAC in National Treasury. • Some funds have sub-funds or a separate trust account to accommodate the requirements of different funders (e.g. SA SME, GPE, SANAC). • SANAC is a non-profit organisation but operates as a quasi-public entity in that it is a trust that must comply with the PFMA as if it were a schedule 3A public entity. **Please see the slide below for additional details on the legal status.**	
Institutional home/partnership	In the case of South Africa, **the public institution(s) and individuals** with which a fund or platform **forms its partnership** are important for several reasons. Different public institutions and individuals vary in the extent to which they have the ability and credibility to: i. Deal effectively with **inter-ministerial complications** in programming; **ii.** **Convene** different sectors of society and mobilise support; and iii. Provide a **signal** that the requisite **political will is present** and will **lead to action.**	**Solidarity Fund.** The Fund had a close partnership with the Presidency, which demonstrated buy-in at the highest level. Close partnership with the Department of Health also helped to support better coordination. **Resource Mobilisation Fund.** Electricity planning and provision is often constrained by inter-ministerial complications. Given this, and the size and complexity of the challenge, it requires significant political will to solve it. The RMF's and NECOM's positioning within the Presidency are therefore critical if reforms are to be designed and implemented as quickly and coherently as possible. The Presidency, and possibly specifically the President, has a rare ability/credibility to convene business and mobilise support. **The Jobs Fund.** The Fund's positioning in National Treasury, a government department possessing a relatively high degree of independence and public trust, has contributed to the Fund maintaining its integrity, credibility and ability to partner well with private and NPO sector entities.

Summary of legal status of different funds

Type of legal entity	Public sector		Entity with joint public-private ownership	Private entity			
				Non-profit	For profit	Non-profit	For profit
	Government department or function	Public entities		With funding from the government or public entities		No financial contribution from public sector	
	The Jobs Fund (project management unit within GTAC and, more broadly, NT)			Solidarity Fund (NPC and registered as PBO) SANAC (Trust fund, a separate Trust account opened to receive funds from US Govt.) but must behave as if it is a schedule 3A public enterprise (comply with PFMA). Global Partnership for Education (Trust fund) GAVI (Swiss foundation, public charity) The Power of Nutrition (charitable trust incorporated in UK)	SA SME fund (Investment company), sub-funds are set up as limited liability partnerships	Resource Mobilisation Fund (NPO with PBO status)	
Disbursement type	• Financial - grants			• Financial support in the form of grants • In-kind in the form of provision of staff/technical expertise.	• Debt – loans • Equity investments (VC or growth)	• In-kind in the form of staff/ technical expertise	

Key lessons summary (5/9)

Area	Lesson	Selected example(s) from case studies
Governance	**Strong and independent governance** is a **necessary condition to crowd in private funding** and trust from the broader public.	**Solidarity Fund, RMF and SA SME Fund.** All these funds established governance structures that aim to ensure neither government nor any one private donor can dictate where and how funds are allocated. In addition, they all had or have reputable, highly-respected individuals in their governance structures.
Fund pooling	• One can get **often reluctant companies to contribute** to **common pots**, but it **may require a crisis** that affects everyone (e.g., Covid or load shedding), and is anticipated to be only for a **limited time-period**. • Pooling of public and private funds is **common internationally**, but usually takes the form of **grants/transfers from government to private non-profit entities** (e.g. charitable trusts, PBOs). • There are instances where the **South African government has transferred funds** to **private trusts/NPOs** (outside of crises), but it usually comes with the condition that the **entity complies with the PMFA** (when disbursing funds or procuring services) as **if it were a public entity.**	**Solidarity Fund and RMF.** Both funds are an example of where a range of private funders, from diverse groups and sectors (companies, philanthropies), have pooled funding for a common purpose, but this is unusual. Private companies and donors usually want more say in how funding is managed and disbursed. **GPE, GAVI and The Power of Nutrition.** All of these are private, non-profit entities that receive significant funding in the form of grants or transfers from governments or other public entities. **SANAC.** An example of a trust that has received significant funding from the South African government, but it appears to operate as a quasi-public entity (it must comply with PFMA) and the independence of the board may have been eroded over time.

Key lessons summary (6/9)

Area	Lesson	Selected example(s) from case studies
Catalytic financing mechanisms	The use of catalytic financing mechanisms to **crowd in funding** is relatively commonplace. A **prominent mechanism** that appears to be effective in **leveraging anchor funding to raise additional funds** from both private and public sources is that of **fund matching.**	**GPE.** Encourages countries to secure co-financing for their sector plans. Each $1 from the GPE Multiplier can be mobilised by: (i) $3 or more in grants and loans from multilateral development banks or bilateral donors, or (ii) $1 or more from the business community.[1] **The Power of Nutrition.** Catalyses funds for its country programmes via a two-stage (4x) fund match, supported by both its anchor funders and implementing partners. **Gavi.** Commitments by the Gates Foundation, UK DFID and others have been used to match contributions from corporations, foundations and other organisations. **The Jobs Fund**. Employs a challenge fund model where a 1:1 match is required by private and public sector recipients and a 1:0.5 match by NPOs and NGOs.
	A mechanism that has been tried and tested is **fund blending** in which an anchor funder provides a **first loss tranche** to **de-risk investments** and **attract additional investors**. However, this is only appropriate where a financial return on investment is expected in addition to the social return.	**SA SME Fund.** In the SMME Crisis Partnership Fund, a first loss guarantee has been provided by the Gauteng Provincial Government enabling intermediaries to provide loans to SMMEs at lower cost. In the Fund of VC Funds, the SA SME fund provided a first loss provision of R50 million to limit the downside to other investors and attract capital. It has managed to secure commitments from a pension fund (the first pension fund investment in VC in SA) and the National Department of Science and Innovation.
	The sale of **social bonds** on capital markets is another innovative financing mechanism that is used to raise **large volumes of funds** that are **immediately available**, while also raising awareness of social issues.	**Gavi.** Gavi's very successful IFFIm[2] financing model is vital to its fundraising. Donor pledges are turned into "Vaccine Bonds" and issued on capital markets. **The Power of Nutrition.** TPON is exploring the sale of impact bonds, whereby the coupon payments will be directed to nutrition programmes that incorporate an outcomes-based contract component.

Notes: 1. Contributions from the business community can be in-kind as well as financial, with the former requiring valuation and final approval from the GPE. 2. Gavi's International Finance Facility for Immunisation (IFFIm)

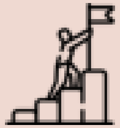
Key lessons summary (7/9)

Area	Lesson	Selected example(s) from case studies
Disbursements	**Most** of the catalytic funds or platforms profiled **only make use of grants seeking social returns** but emphasise the importance of measuring and reporting on these returns. It is only in one or two of the cases that we see the use of equity and/or debt finance.	**Solidarity Fund, RMF, GPE, Gavi, TPON and The Jobs Fund.** Grants, or donated resources, are the principal disbursement instruments of these funds and platforms. **SA SME Fund.** Makes use of equity and debt finance instruments. **JTFM.** Considering grant and blended finance windows to fund certain projects.
	While robust procurement/disbursement rules are necessary, the **efficiency with which disbursement decisions can be made** is a **strength of some funds**.	**Solidarity Fund.** The EXCO was empowered to make decisions and was supported by very frequent meetings of the Board. **SA SME Fund.** Intermediaries, experts in their field, are empowered to make investment decisions, reducing the time and cost of decision making to the SA SME Fund. **The Jobs Fund.** The use of very strict application and review criteria and processes have delayed the disbursement of the funds available.
M&E and reporting	Adhering to the **principle of transparency** by conducting **regular M&E and openly reporting** on fund use and progress is a key element of **building trust** in a mechanism.	**Solidarity Fund.** Key to earning trust was for the Fund to exercise "radical transparency". Accounting for every cent that was disbursed through extensive monitoring, reporting and open communication helped drive confidence in its effectiveness and integrity. **The Jobs Fund.** Rigorous M&E required by recipients supports trust in the Fund, but this has come at a cost with the Fund being regarded as somewhat exclusionary.
	Pooled reporting to funders can **save time and resources**. However, it is something that **needs to be negotiated** and agreed with donors upfront.	**Solidarity Fund.** Adopting pooled reporting enabled the Fund to focus its energy on impactful activities and not spend excessive time and resources on reporting. **GPE**. Following the nature of its pooled fund, the GPE also adopts a pooled reporting approach with all relevant reports made available on its website.

Key lessons summary (8/9)

Area	Lesson	Selected example(s) from case studies
Partnership formation 	In the South African context, although the **formation of partnerships** generally **commences at the national level**, it is often essential to establish **on-the-ground collaborations** at **provincial and district levels as well**. Decentralisation of partnership structures in this manner may be required for a fund or platform to effectively influence the implementation of programmes.	**Solidarity Fund**. Partnership and collaboration between private and public within the work of the Solidarity Fund extended to the provinces and districts. This was particularly important for initiatives with significant on-the-ground efforts such as the vaccination drive. **SANAC.** The restructured SANAC grew in "strength and legitimacy" between 2007-2011. However, an important gap in its ability to deliver on its mandate was at the provincial, district and local level. It therefore sought to develop capacity at these levels to strengthen collaboration within the partnership and its influence on implementation.
	There can be **trade-offs between inclusivity** in the partnership **and the efficiency** with which plans can be developed and implemented.	**SANAC.** By the end of the 2007-2011 NSP's implementation, SANAC was regarded to have become too bloated and unfocused. The out-going Deputy Chair argued that "instead of trying to do everything, the council needs to identify and agree upon a core business" and that this would call for a "slimmer, more efficient and less democratic structure." Supporting this would also require a simpler, more focused National Strategic Plan.

Key lessons summary (9/9)

Area	Lesson	Selected example(s) from case studies
Other enablers of fund success 	Several of the funds or platforms **lean on expert advice** to support elements such as policy review and development, disbursement decision making, and progress assessments. **Panels or task teams of experts** are often set up to **deliver such activities.**	**Solidarity Fund.** Made use of technical advisory panels to help guide EXCO decision making within each of the Fund's pillars. **SANAC.** The critical NSP for HIV, TB and STIs for 2007-2011 (while including input from a diverse range of stakeholders) was handed over to a task team of experts for finalisation. **GPE**. Multi-stakeholder local education groups are responsible for drafting the education sector plans, but an independent technical advisory panel provides expert input. **RMF**. Makes use of a procurement advisory panel which has supported the development of the Fund's procurement policy and provides other advice to the Board as required. **Gavi**. An independent review committee evaluates country support applications. **SA SME Crisis Fund**. An experienced investment committee makes investment decisions. **The Jobs Fund.** Makes use of technical evaluation committees comprising experts.
	Technical assistance appears to be required in certain instances to help improve elements of programme implementation, **frequently within the realm of M&E.**	**GPE.** M&E capacity building is provided to certain developing country partners. **Solidarity Fund.** Several smaller implementation partners needed to be provided with additional administrative support to fill monitoring capacity gaps. **Gavi**. Targeted assistance is provided to specific countries and includes information and expertise sharing, and training and consulting services across a wide range of areas.
	Advocacy is invested in where the challenge may not be properly understood and prioritised by the government.	**GPE**. The GPE has a dedicated advocacy sub-fund (Education Out Loud) that seeks to strengthen civil society organisations to mobilise citizens and affect policy change. **TPON**. Invests in advocacy efforts to encourage public institutions to prioritise nutrition.

Contents

Overview and background

The Solidarity Fund was launched in March 2020 to mobilise funding and unite South Africa in the fight against Covid-19. It represents the largest mobilisation of private and public funding in South Africa to date and serves as a remarkable example of social partnership and cooperation.

Fund overview

Sector: Healthcare, humanitarian response, and disaster management.

Established: 2020

Primary goal: To mobilise funding to bolster efforts to detect and prevent the spread of Covid-19 while providing care to those infected and support to those that are vulnerable to the impacts.

Priority areas:

- **Health response**. Support the health system response and support/protect frontline workers.
- **Humanitarian effort.** Provide support to the most vulnerable households and communities.
- **Communication and behaviour change**. Unite the nation in action and encourage behaviour change.

Fund size: Over R4 billion in funding was raised – the biggest joint mobilisation of private and public funding ever seen in South Africa.

Background

- The Fund was launched in South Africa in March 2020 by President Cyril Ramaphosa to **mobilise funds and unite South Africans** in combatting the Covid-19 pandemic.
- With the concept being initially championed by two prominent business and government leaders, the Fund was formed at unprecedented speed and **brought business, government, civil society, academia and philanthropic organisations together** to strengthen the country's response to the pandemic.
- The Fund was supported with significant donations in its early stages from **prominent South African families, businesses and philanthropies.** Even **everyday South Africans** began giving generously of what they could.
- The Fund was also provided with extensive support by organisations and individual professionals who gave of their time and expertise on a pro bono basis.
- The Fund was initially designed as a singularly-focused vehicle that would enable South Africans to **pool resources** in response to the pandemic. However, given the **speed, integrity and effectiveness** with which it operated, it was called on by government to also **mobilise resources to support those affected by the civil unrest** in Kwa-Zulu Natal (KZN) and Gauteng in 2021, and **by the flooding** in KZN and parts of the Eastern Cape in 2022.
- Having fulfilled its mandate during these crises, **the fund remains in a scaled-down form** and is **ready to be mobilised again** as a highly-effective platform and contribution mechanism should it be required.

Source: (i) Solidarity Fund website (https://solidarityfund.co.za/); (ii) Solidarity Fund (2023), *Consolidated Report*.

Fund conceptualisation

The Solidarity Fund was conceptualised, designed and announced over a period of seven days. It was established with a set of guiding principles, that helped to align stakeholder thinking and ultimately define the mandate, governance, focus areas and on-going decision making of the Fund.

Fund conceptualisation

16 March 2020

A special National Economic Development and Labour Council (NEDLAC) meeting was held and the idea of an independent, coordinated effort between business, government and community to fight COVID-19 was raised.

- Business for South Africa (B4SA) obtained assistance from a range of experts to establish the Fund and operationalise it as fast as possible.
- The basic structure, focus areas and governance principles were defined.
- The brand and website were designed, the process to register as a public benefit organisation (PBO) started, a bank account was opened, and the Board Chair and Deputy Chair were appointed.

23 March 2020

Fund announced by the President.

Guiding principles

- **Strong, independent Board of Directors**
- **Empowered and accountable leadership**
- **Alignment with national strategy**
- **Frictionless**
- **Transparency**
- **Speed and scale**

Fund mandate

1 To **mobilise and coordinate** financial and in-kind contributions from South Africans and members of the international community.

2 To use the funds raised and other in-kind contributions to **ameliorate both the health crisis and the social consequences** of the pandemic.

3 To **bring South Africans together** in combatting Covid-19.

Legal form

The Solidarity Fund was constituted as a **Non-profit Company without members** under the Companies Act .

The fund was registered with the South African Revenue Service (SARS) as a **Public Benefit Organisation**. This enabled:

- Tax exemption for the Fund in terms of section 10(1)(cN) of the Tax Act.
- Donors of the Fund to claim a tax exemption on the funds donated.

Source: (i) Solidarity Fund (2023), *Consolidated Report*; (ii) Solidarity Fund website (https://solidarityfund.co.za/).

Fund design

The Fund was initially designed around three focus areas, or pillars, that were believed to have the greatest potential for rapid impact at scale. Following a mandate extension to include disaster relief, two additional pillars were established to help address the impacts of the 2021 civil unrest and 2022 floods.

Fund design

- Using the **best evidence and information** that was available at the time, the Fund organised its response to the pandemic around levers that were believed to hold the **greatest potential for impact at scale** and that **could be implemented quickly**. The initial **three pillars** were: (i) the health pillar, (ii) the humanitarian pillar, and (iii) the behavioural change communications pillar. In 2021 and 2022 when the Fund heeded a call from the Presidency and was mobilised **for disaster relief purposes, two additional pillars were added**, namely: (iv) the humanitarian crisis relief fund pillar and (v) the flood response pillar.
- This request for an extension in the Fund's mandate was due largely to its **well-earned reputation** as a **trusted and effective** resource mobilisation and coordination mechanism.

Initial

Health response pillar

- Strengthen the health system's response
- Protect those on the frontline by providing PPE
- Support testing and vaccine rollout

Humanitarian effort pillar

Protect those at risk of:

- Hunger
- Gender-based violence

Behaviour change communications pillar[1]

Promote positive changes in behaviour to:

- Slow the spread of the virus
- Get vaccinated

Subsequent extension

Humanitarian crisis relief fund pillar

- Business recovery support
- Medical support
- Humanitarian support and food relief

Flood response pillar

- Food relief and essential products
- Shelter support for those displaced
- Psychosocial support

Funds ring-fenced and managed separately from Covid-19 response funds.

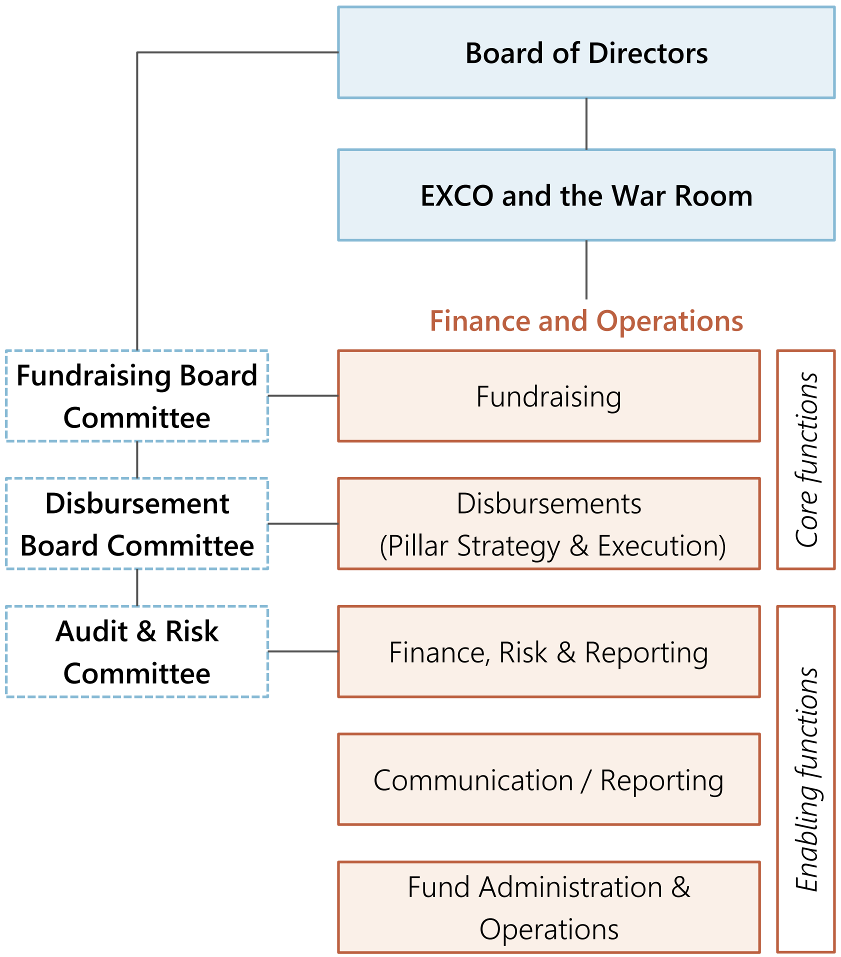
Notes: 1. The Fund ran an "almost constant" stream of national communications campaigns to educate the public and influence behaviour change.

Source: (i) [Solidarity Fund website (https://solidarityfund.co.za/)](https://solidarityfund.co.za/).

Governance framework

The governance framework was firmly underpinned by the establishment of a reputable and independent Board. Based on the Board's composition, the Fund would work closely with government, business and civil society but would remain completely independent whilst ensuring transparency.

Governance framework



Composition and roles

Board of Directors

- To maximise trust in the Fund, and the effectiveness with which it could mobilise and coordinate resources, a Board of highly-respected and independent Directors was selected based on their **ability to maintain strong governance and transparency** in the fund. Emphasis was also placed on the Board **representing all social partners** (government, business and civil society) and all segments of the population.
- Relevant stakeholders, including the President, were engaged when deciding on the process to select Board members.
- The Board provided strategic and operational support to the Fund. This was generally done through **three Board committees**, two of which provided support to the two core functions of the Fund (Fundraising and Disbursements) and one to ensure financial control and compliance with regulatory requirements and accounting standards.

Executive Committee and the War Room

- The EXCO was comprised of a team **skilled and experienced individuals**, selected for their ability to "get the job done." Along with three members of the independent board, and sometimes other advisors, the EXCO met daily in a structure known as the **War Room** which was **established to enable rapid decision-making**.

Finance and Operations

- The Fund's core and enabling operational functions, and delivery of its end-to-end business processes, were conducted by **partners** who volunteered to dedicate their **administration, legal, contracting, governance and financial and asset management skills** and expertise on a **pro bono basis**. This later shifted to a more sustainable cost-recovery model.

Source: (i) Solidarity Fund website (https://solidarityfund.co.za/); (ii) Solidarity Fund (2023), *Consolidated Report*.

Fundraising

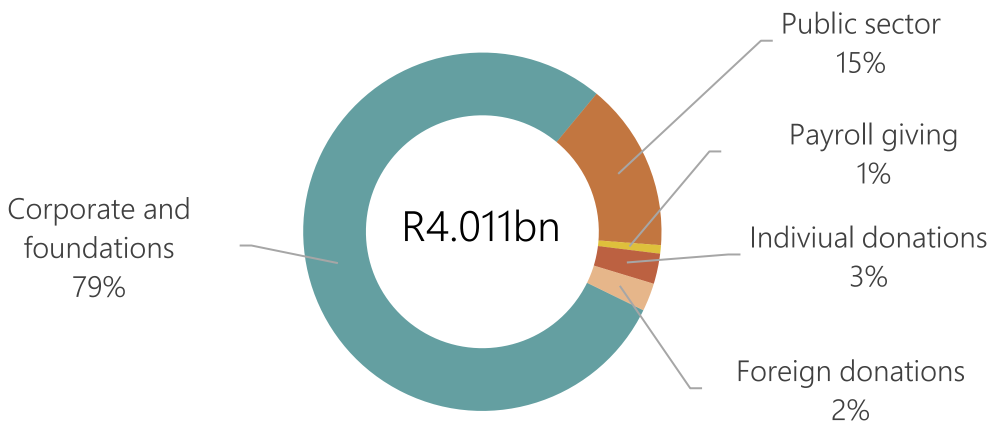
Supported by the Fundraising Board Committee and a clear strategy, a dedicated donor team were successful in leveraging their vast networks in business and philanthropy for Covid-19 response funds while the disaster relief pillars received most of their support from the South African government.

Fundraising strategy and approach

The Solidarity Fund's fundraising strategy was to directly **target large corporates and foundations** through a **dedicated donor team** led by **key account managers** that were selected based on their **relationships with potential donors**. The Solidarity Fund also made it possible for **any South African to contribute to the cause**. As a result, the largest single donation was R1 billion while the smallest donation was R1.

	Sources	Approach
Priority donors	**Large corporates**	• Proactively engaged businesses by leveraging networks • Personally engaged corporate leadership • Established a sense of competition between organisations
Priority donors	**Large foundations**	• Proactively leveraged networks • Personally engaged with leaders of large foundations
Additional channels	**Small corporates and foundations**	• Engaged with and activated NGOs and fund-raising foundations that had the capabilities and networks required to mobilise support
Additional channels	**Individuals**	• Made a wide variety of direct giving channels easily accessible such as crowd-funding platforms, payroll contributions, collections at grocery outlets, bank rewards programme conversions, and details on the Fund website • Launched marketing campaigns to inform individuals on the ways in which they could contribute.

Funds raised



R3.48bn dedicated to **Covid-19 response**

R523m dedicated to **disaster relief**

The ***South African government was the largest donor*** *of* ***disaster relief funds*** *to the Solidarity Fund,* ***contributing R400m.***

Source: (i) Solidarity Fund website (https://solidarityfund.co.za/).

Disbursement of funds and project implementation

Despite the urgent need for projects to be implemented as rapidly as possible, the Fund followed a thorough process when determining what initiatives would be funded. Implementation was generally carried out by large established organisations with the requisite capacity and national reach.

Determining what to fund

Areas of need were mostly identified proactively by the Board and EXCO through needs analyses and engagement with technical advisory panels for each pillar.[1]

The Fund sought to provide grants to projects/interventions that:

- Were **catalytic and complemented or augmented** government efforts
- **Provided gap funding** to help accelerate critical intervention delivery.
- **Addressed specific challenges** that arose as a result of Covid-19 or were exacerbated by the crisis.
- **Were delivered by non-state actors at scale** (relative to the challenge).
- **Enabled and supported a coordinated responses across social partners** to accelerate solutions.

Project approval process

The Fund made use of **multiple levels for review and discussion** of projects. This enabled a robust examination of the project's potential impacts as well as its alignment with the Fund's mandate. The process was as follows:

Pillar leads & technical advisory panels

Pillar leads and advisory panels **identified projects** and **developed relevant documentation**.

War Room/Executive Committee

Pre-approved proposals submitted by pillar leads and the technical advisory panels.

Board Disbursement Committee

Approved **projects of between R20 million and R100 million**.

Board

Responsible for **approving projects over R100 million.**

Implementation

- Projects were implemented by **a range of partner organisations from civil society, and private and public sectors**[2] that had the capacity, expertise and reach to implement projects at scale and could be relied on to provide **on-going reporting**. As a result, implementing partners tended to be large organisations with a national footprint.
- The Fund also **worked closely with local and national government** to support project design and implementation. Relevant government departments (e.g., The Departments of Health and Social Development) were also leveraged for their reach as were national structures such as the House of Traditional and Khoisan Leaders (which helped the Fund expand its reach in rural areas).

Notes: 1. These panels comprised professionals and advocates considered experts in the given area. 2. Implementation partners were generally identified through the needs analyses conducted by the Fund and through professional networks. In some instances, they were selected through closed or open requests for proposals.

Source: (i) Solidarity Fund (2023), *Consolidated Report*.

Monitoring, reporting and communications

The Fund's ability to operate effectively hinged on the trust vested in it. A fundamental ingredient for fostering this trust was its unwavering commitment to transparency. This commitment was evident in the Fund's approach to monitoring, reporting, and communicating on its activities and impact.

A firm commitment to transparency

A key objective of the Solidarity Fund was for it to ensure its own **independence** while being a "**transparent entity, accountable to society at large**." An **unwavering commitment to transparency** was therefore carried through in the **work of the Fund** and in the **measurement, reporting and communications** with key stakeholders and the country as a whole.

Monitoring

- The Fund sought to account for every cent disbursed and monitoring was therefore conducted on all projects.
- The extensive monitoring translated into stringent evidence requirements for implementation partners.

Challenges

- Many partners, even large established ones, were stretched by the requirements.
- Several smaller partners needed to be provided with additional administrative support to fill monitoring capacity gaps.

Reporting

- With the Solidarity Fund operating at speed, a decision was made to report back to donors on a pooled basis rather than individually.

  Project level reporting. Interim and final impact reports were produced for each project.

  Fund level reporting. An interim report was produced after the initial six-months of the Fund. Thereafter, annual integrated reports on the Fund's finances and impact were produced.

- All reports were published on the website to ensure transparency.

Communications

- A corporate communications team followed a proactive, multi-pronged approach in delivering clear communication on the Fund's governance, mandate, activities and impact. This involved:

  Stakeholder engagement. Providing stakeholders with regular news, reports and details.

  Media relations. Proactively engaging the media and positioning the work and impact of the Fund.

  Owned channels. Making use of the Fund's website and social media platforms to engage the public.

The Solidarity Fund's approach to monitoring, reporting and communications has helped it not only honour the trust initially placed in it but further engendered confidence in its ability to deliver on what was expected and hold itself and its partners accountable.

Source: (i) Solidarity Fund website (https://solidarityfund.co.za/); (ii) Solidarity Fund (2023), *Consolidated Report*.

Key learnings (1/2)

The Solidarity Fund provides numerous learnings that could help inform the design of future catalytic funds.

Relevant key learnings		
	Learning	**Description**
1	**A strong set of core principles is valuable in guiding strategic and operational decisions**	• From its conceptualisation through to its scale down, the Fund was guided by a set of core principles that served as the "beacon against which its decisions and actions were measured." Several of these were especially important in ensuring the Fund was not only trusted but also effective in responding rapidly.
2	**A clear strategy and mandate need to be in place and communicated early on**	• Although the work it took on was varied, the initial fund structure was relatively simple with three clearly-defined pillars. • It was also important that the strategy and mandate of the Fund were clearly communicated before the Fund was mobilised. This ensured that the public and subsequently staff and the network of partners were aware of its "true north."
3	**The establishment of a reputable, independent and representative Board helps garner early trust**	• A Board and Executive management team comprising reputable, highly-respected individuals representing all social partners was particularly important for the Fund to garner trust, and raise capital and support, despite it being newly formed at the time. • Equally important for trust in the Fund was the fact that Board, while leveraging strong partnerships with government and business, was set up as an independent entity allowing the Fund to draw vital characteristics from this independence. Also crucial was the "clear and publicised positioning as independent from government and business."
4	**An empowered Executive with a supportive governance framework can make good decisions rapidly**	• The Fund's ability to adhere to its principle of operating at speed was made possible by an Executive that was empowered to make informed and effective decisions through a "supportive governance structure that was able to turn decisions around quickly." • Strong governance and the associated processes generally take time. In the case of the Solidarity Fund, this was counteracted with more frequent meetings of key structures. • The use of technical advisory panels comprised of experts from various sectors was also critical for the Fund's leadership to make the most informed decisions regarding disbursing "money in the right places at the right time in partnership with the right organisations."
5	**Association with influential individuals can attract both capital and talent**	• The Fund's association with the Presidency and highly-regarded businesspeople increased the attractiveness of the Fund for financial and volunteer support. In addition, large and high-profile donations from leading businesses, prominent families and government in the Fund's early stages sent a signal to other potential donors and the general public that the Fund was something to get behind

Source: (i) Solidarity Fund website (https://solidarityfund.co.za/).

Key learnings (2/2)

The Solidarity Fund provides numerous learnings that could help inform the design of future catalytic funds.

Relevant key learnings		
	Learning	**Description**
6	**Alignment with, and buy-in from, government assists in streamlining and scaling implementation**	• The Fund recognised that scale requires the State, and it therefore got behind government's plan. The government was also bought into the Fund with three cabinet ministers on the Board. • This fostered close collaboration which helped in streamlining not only the Fund's set up but also the implementation of projects, with government being very open to partnership at a provincial and district level. Significant complications arose when implementing agents did not incorporate requirements stipulated by government departments when executing projects.
7	**A broad selection of public benefit activities and broad wording in an MOI can prevent restrictions and delays**	• A broad range of public benefit activities were selected when registering the Fund as a PBO. This prevented restrictions on certain activities that needed to be performed by the Fund but may not have been originally foreseen. • The same was not true of the wording in the MOI as this document needed to be updated twice to enable appropriate responses to the 2021 civil unrest and 2022 floods.
8	**The size and urgency of the crisis created a unique situation in which diverse contributions and partnerships were mobilised**	• The Fund's ability to successfully raise money from a wide variety of sources ranging from a R1 contribution at a till at Checkers to a R1 billion donation was largely born of the size and urgency of the crisis. In addition, its ability to lean on the pro bono expertise of over 200 highly skilled and networked individuals was mostly to do with the fact that it was a one in 100-year event with significant numbers of businesses entering a holding pattern. • Nevertheless, the Fund made use of these financial and in-kind contributions to implement a collective and much stronger response to the pandemic.
9	**An unwavering commitment to transparency builds trust**	• A key means of earning trust, other than being united in a shared crisis and through leveraging strong relationships, was for the Fund to exercise what it termed "radical transparency." Accounting for every cent that was disbursed through extensive monitoring, reporting and open communication helped drive confidence in the Fund's effectiveness and integrity.
10	**Pooled reporting saves time and resources**	• Adopting pooled reporting enabled the Fund to focus its energy on impactful activities and not spend excessive time and resources on reporting. Reporting was focused on clear indicators of success which is a requirement for almost all funders.

Source: (i) Solidarity Fund website (https://solidarityfund.co.za/).

Contents

Overview and background

The Resource Mobilisation Fund builds on the success of the Solidarity Fund to bring together government and the resources of the private sector to mobilise the expertise required support the rapid implementation of key initiatives in the President's Energy Action Plan.

Fund overview

RMF
RESOURCE MOBILISATION FUND

Sector: Energy

Established: 2023

Description: The Resource Mobilisation Fund (RMF) is a mechanism for business in South Africa to pool resources and support the implementation of the President's Energy Action Plan by donating technical resources to the National Energy Crisis Committee (NECOM) on an expedited basis.

Funds raised to date: ZAR 100-200 million

Background

- Given a **protracted and worsening energy crisis** in South Africa, the President launched the **Energy Action Plan** in July 2022. The **NECOM**, a structure comprising **relevant government departments and Eskom**, was established at the same time to coordinate the government's response to the energy crisis, including **implementing the Energy Action Plan.**
- To make a significant impact on the crisis as rapidly as possible, NECOM would need to **execute complex regulatory, legislative, and policy changes**. The South African government acknowledged that the **skills for such undertakings** were **not readily available** within the public sector.
- The President requested that the business sector help **capacitate NECOM** to deliver on the Plan and its aims of:
  - i. Reducing the severity and frequency of loadshedding in the short term; and
  - ii. Achieving a secure and sustainable supply of energy for South Africa in the long term.
- **Building on the success and experience of the Solidarity Fund**, various individuals and private sector organisations joined forces to create the Resource Mobilisation Fund. Officially launched in March 2023, the RMF was set up to **source private sector funding to procure and then donate capacity** into government, and specifically **into NECOM for use by NECOM**.
- It was anticipated that the expertise that would be donated to NECOM would include a **Project Management Office** (PMO) and specialist **legal, energy modelling, and engineering skills** over a **one-to-two-year period**.
- The RMF is also exploring supporting government with two other national challenges: **transport and logistics**, and **crime and corruption**. Currently, however, it is **only formally supporting government** in responding to the **energy crisis.**
- The RMF, while a nascent initiative, provides another **valuable template for a public private partnership** in South Africa to address shared crises and challenges.

Sources: RMF Launch Presentation (March 2023); Business for South Africa Website (https://www.businessforsa.org/the-rmf/); Interview with Siven Maslamoney (17 January 2024); Mavuso (2023).

Core functions and operating principles of the RMF

Although the RMF is very embedded in the work of government, it has established clear operating principles that seek to ensure (and communicate) the independence and transparency with which it will procure expertise for NECOM.

Core functions

1. **Co-ordinate** the **contribution of the business sector** (and philanthropic donors) to the Energy Action Plan.
2. **Source, procure and deploy resources** as identified by NECOM for the Energy Action Plan.
3. **Provide M&E feedback and reports** to funders and other stakeholders.
4. **Establish policies** to achieve the RMF's objectives in a **fair and transparent manner**, ensuring integrity is maintained.

Operating principles

Independent procurement process	1	**All decisions** are **taken by the Board**, based on the NBI and Procurement Advisory Panel recommendations.
	2	The **government cannot select the supplier** whose goods or services are funded by donations to the RMF.
	3	The government **cannot determine the pricing, terms of payment or negotiate contracts** with suppliers.
	4	**Suppliers** will be **contracted and paid by the RMF**, and **no funds will be provided to government.**
	5	Each resource donated will be the **subject of a resource donation agreement** between RMF and Presidency.
Transparency: governance & reporting	6	The RMF Board will take **all decisions independently of government and business structures**.
	7	A **reporting structure** between the Presidency and RMF will **enable regular updates** on resources donated and progress on the Energy Action Plan.
	8	Quarterly **feedback and reporting** will be provided to all **donors and the public at large**.[1]
RMF & govt. right of refusal	9	The Presidency **can elect not to receive the donated services**, **or a supplier** as selected by the RMF.
	10	The RMF **can elect not to make a donation of services** to the Presidency.[2]

Notes: 1. As was the case with the Solidarity Fund during the Covid-19 pandemic, the RMF plans to account publicly on a regular basis to build trust and confidence in the mechanism. 2. The RMF will consider all capacity requests from NECOM / the Presidency but can decline requests if the support requested exceeds available resources or is beyond the scope of the agreement between the Presidency and the RMF.

Sources: RMF Launch Presentation (March 2023); Business for South Africa Website (https://www.businessforsa.org/the-rmf/).

RMF governance

The RMF Board holds ultimate responsibility for the decision making of the Fund. However, it has a lean structure, delegating most of its operational functions to trusted service providers. It supplements this with external expert advice regarding pivotal areas such as its procurement policy and decisions.

Governance structure and legal form

RMF Board

Four members:

- *Martin Kingston (Chair)*
- *Cas Coovadia*
- *Faith Khanyile*
- *Phumzile Langeni*

** Govt. able to nominate a director, who will act independently of govt.*

Procurement Advisory Panel

Four experts with public and private procurement expertise

Service Providers

- *National Business Initiative*
- *Business Unity South Africa*
- *Motlanalo*
- *SGA Law Africa*

Legal form

The RMF was set up as an **NPO voluntary association** and has received **PBO status from SARS** for: "The provision of funds, assets, services, or other expertise by way of donation to department of state or administration in the national or provincial or local sphere of government of the Republic."

Roles and responsibilities

RMF Board. The RMF Board is **responsible for all decision making** of the RMF. This includes: (i) fundraising; (ii) final procurement and appointment of service providers; (iii) the RMF budget; and (iv) the communications strategy to ensure transparency and feedback to stakeholders.

Procurement Advisory Panel. The Procurement Advisory Panel's role is to provide **advice to the RMF Board as required**. One of is **most important contributions** has been the drafting of the **procurement policy** with input from KPMG and ENS. While private donor funds are not subject to the PFMA, the RMF **procurement policy adheres to PFMA rules**. This has been done so that: (i) business is **not seen to be vested** in its support of the Plan; and (ii) if **public funds are to be transferred** to the RMF at a later stage, the services procured **will not violate the PFMA**.[1]

Service providers. Service providers are contracted by the RMF Board to deliver several operational functions.

National Business Initiative (NBI). The **NBI has been contracted to deliver most of the RMF's operational functions**, including: (i) identifying, sourcing, screening, contracting, deploying, coordinating, and managing the technical capacity into NECOM; (ii) providing mentoring and support to contracted resources; and (iii) delivering the accounting, M&E and reporting functions of the Fund.

Business Unity South Africa (BUSA). BUSA is responsible for **procuring expert technical and communications advice** and project management services for the RMF.

Motlanalo. Serve as the **auditors of the Fund**.

SGA Law Africa. Performs the role of **company secretary**.

Notes: 1. The President originally wished for government funds to be allocated to the RMF to replicate the speed and action of the Solidarity Fund. However, this would have required a national state of disaster to be declared. This was attempted but later removed following criticism from Parliament and other sections of society.

Sources: RMF Launch Presentation (March 2023); Business for South Africa Website (https://www.businessforsa.org/the-rmf/).

Institutional arrangements and other PPP effectiveness enablers

Given the inter-ministerial nature of energy and the political will present to solve the crisis the RMF, like NECOM, has its institutional home in the Presidency. In addition to its credible political backing, this PPP's effectiveness is supported by other enabling factors.

Institutional arrangements of the RMF PPP

The **Presidency established NECOM** as a structure under its control, with the **President serving as chair**: The key reasons for this are: (i) the **inter-ministerial nature** of energy in SA; and (ii) the level of **political will required** and present to solve the challenge.

The **relationship and working arrangements** between the RMF and the Presidency are **governed by a Memorandum of Understanding (MoU)** signed by the two parties.

A **joint strategic oversight committee** has been formed in which **relevant government and RMF stakeholders** meet to **ensure that approaches are coordinated**, appropriate **oversight is provided**, **progress is monitored**, and **relevant actions** are taken to **address any challenges**. The oversight committee is expected to meet on a fortnightly basis and provide feedback to the President every six weeks.

Other enablers of the RMF PPP's effectiveness

A genuine willingness to partner

There are **many pockets in government** that recognise that the **big challenges** facing South Africa **cannot be solved by the public sector alone** and that the country needs its best resources brought together. The Presidency is one such pocket **willing to go beyond handshakes** to form **firm partnerships** underpinned by **detailed plans** with **clear accountability**.

An integrated approach from business

Organised business needed to form an **integrated approach** in its support to solving the energy crisis. Government **does not have the capacity**, or desire, to deal with **multiple private sector partners**. It has been crucial for the RMF to **crowd-in as much of the interest and resources** as possible to support a **shared energy crisis agenda.**

Trust

Any effective partnership must be **based on trust.** The RMF is **building on the trust between public and private partners** that the Solidarity Fund was so successful in growing.

Sources: (i) Creamer Media interview with Martin Kingston (29 June 2023); (ii) Interview with Siven Maslamoney (17 January 2024).

Learnings (1/2)

The RMF provides several valuable lessons that could apply to the case of future catalytic funds.

	Learnings	
	Learning	**Description**
1	**A strong emphasis on independence is needed, supported by a board of reputable individuals**	• The RMF has established itself with independence as arguably its strongest guiding principle. This is seen in its governance structure, reputable members of the Board, its MoU with the Presidency, and in its procurement policies and processes. • The RMF has also been intentional about communicating this independence with the stakeholders involves as well as the broader public.
2	**Transparency is also crucial to build trust in the mechanism**	• Drawing on the lessons from the Solidarity Fund, the RMF has committed to account publicly, transparently and regularly not only to donors but to all private and public stakeholders. In addition, it has agreed with government on a common approach to communicating progress. The Fund sees this as one of the only ways that it can build confidence and trust.
3	**A robust procurement policy has been developed to further enhance trust**	• Although it is not subject to the PFMA at this stage, the RMF has developed PFMA-aligned procurement rules and processes. This has been done to enhance trust from both government and business that its procurement will be conducted in a fair and transparent manner. In addition, if government is to allocate funds to the RMF, its procurement will already adhere to PFMA requirements.
4	**The RMF is getting behind government's strategy and plan for the energy crisis**	• Like the Solidarity Fund before it, the approach the RMF has taken is to get behind a government plan and not develop its own. It can be expected that this will support the scale of impact that the Fund can achieve.
5	**The RMF's positioning within the Presidency is of importance for several reasons**	• Electricity planning and provision in South Africa is often constrained by inter-ministerial complications. Given this, and the size and complexity of the challenge, it requires significant political will to solve it. The RMF's and NECOM's positioning within the Presidency are therefore critical if reforms are to be designed and implemented as quickly and coherently as possible. • The Presidency and possibly specifically the President, has a rare ability / credibility to convene business and mobilise support. There are few Ministries and Ministers in South Africa that have the standing in business circles to achieve this.

Learnings (2/2)

The RMF provides several valuable lessons that could apply to the case of future catalytic funds.

Learnings		
Learning		Description
6	**The RMF has a narrow, focused mandate which helps it mobilise resources and increase the likelihood of confidence-enhancing early success**	• The RMF's mandate and scope of support to the government and the Plan is very targeted – it is only focusing on state capacitation in a few areas that it believes can shift the needle in a short period of time. This is important because: i. It is very difficult to secure contributions from business for a common pot, but this is made easier when there is a clearly defined and more manageable scope; and ii. The initiative is more likely to achieve success early on which can help build confidence in the mechanism.
7	**The energy crisis and the RMF's mechanics of an effective partnership with government may have cross sector applications**	• There are some valuable parallels between the collective response needed to solve the energy crisis and what is needed for South Africa to solve for parallel causes. Several of these include: i. The energy crisis is not a national state of disaster as was the case with the Covid-19 pandemic; ii. Although energy is in crisis, it is a slower burn issue whereas the Covid-19 was extremely urgent; iii. The energy sector requires inter-ministerial collaboration; and iv. The collective response from business, through the RMF, is even more embedded within government work.

Contents

SANAC overview and background

SANAC is a multi-sectoral partnership that leads and coordinates South Africa's response to HIV, TB and STIs. While it was established in 2000 to perform this role, it was only after several years of significant political contestation that the body was reformed to deliver on its mandate.

Overview

Established: 2000

Sector: Healthcare

Description: The South African National AIDS Council (SANAC) is a coordinating body responsible for leading the country's response to HIV, TB and STIs. It operates as a multi-sectoral partnership that brings together government, civil society, private sector, and other stakeholders to address these public health and social challenges in a comprehensive fashion.

Mission: To provide effective leadership and coordination of the national multi-sectoral HIV, TB and STIs response in pursuit of ending AIDS in South Africa.

Mandate: The overarching mandate of SANAC is to coordinate and support the implementation of the National Strategic Plan (NSP) for HIV, TB and STIs.

Priority objectives regarding the response to HIV, TB and STIs:

1) Fostering dialogue and partnerships among all stakeholders involved.
2) Overseeing the country's response.
3) Advising government on policy and strategy, and related matters.
4) Mobilising resources domestically and internationally (incl. estimating the needs).
5) Ensuring M&E of progress against the targets in the NSP.
6) Strengthening governance at national, provincial, district and local levels.

Background

- Between 1990 and 1998 **HIV prevalence** in South Africa rose from **0.7% to 22.8%.**[1] With the recognition that a national, **multi-sectoral body was needed** to coordinate efforts and resources in response to the epidemic, **SANAC was officially established in 2000**.
- Despite the need for such a body, SANAC was mostly regarded as "**dysfunctional**" in its early years (2000 to 2005). One of the core reasons for the Council's lack of effectiveness was the **divisive battle** regarding **prevention and treatment** playing out between **HIV/AIDS activists** and the **AIDS dissident/denialist faction** of the African National Congress (ANC).
- Through one of the most **effective activist movements** ever seen in the country, largely **spearheaded by the Treatment Action Campaign (TAC**), a "**negotiated transformation**" of SANAC and government policy was brought about. Crucial to this negotiation process was also the **support of Phumzile Mlambo-Ngcuka**, the then Deputy President of South Africa.
- The restructured, state-civil society SANAC, while not without its challenges, was able to **construct an NSP (2007-2011**) that was "developed on the **basis of scientific evidence**, **human rights** and **meaningful consultation**." The new SANAC, improved NSP and consequent **increase in anti-retroviral treatment (ART) provision**, among other effective programmes, **averted hundreds of thousands of deaths.**
- SANAC provides a valuable case study not only on **how a multi-sector and stakeholder partnership platform can be formed or reformed to address a shared crisis**, but also **how civil pressure** can **force government** to create a formal role for non-state actors in formal state institutions and **better respond to the needs of society.**

Sources: (i) SANAC (2017), *Annual Plan; National Strategic Plan for HIV, TB and STIs (2017-2022)*; (ii) South African Government (2000), *HIV/AIDS & STD Strategic Plan for South Africa 2000-2005*; (iii) Heywood (2016); (iv) Powers (2013); (v) Heywood (2012).

National Strategic Plans implemented since 1994

South Africa has developed and implemented five national strategic plans since 1994. These plans have varied significantly in quality with this being largely influenced by the process followed to develop them. The strongest plan to date (2007-2011) provided sufficient opportunity for civil society and expert input.

National Strategic Plans

South Africa's National Strategic Plans for HIV, TB and STIs outline the country's **strategy and framework** for the multi-sector partnership along with the goals, objectives and activities associated for the planning period. South Africa has **developed and implemented five NSPs since 1994**.

Plan 1	*Plan 2*	*Plan 3*	*Plan 4*	*Plan 5*
1994-1999	*2000-2005*	*2007-2011*	*2012-2016*	*2017-2022*
Strong on human rights and drawn up by the National AIDS Convention of SA with the "**full involvement of civil society** in **close co-operation with government** leaders."[1]	A **weak plan** with insufficient opportunity for input from civil society and experts. **Influenced by AIDS denialism**. Plan and SANAC were largely ignored.	An "**ambitious and expansive plan**" that broke the back of AIDS denialism and **rapidly expanded ART** and many other programmes known to have efficacy.	**Too complex and unfocused**, born of a process that "allowed everyone to throw in their pet projects", **not distinguishing priority projects** clearly enough.	To be completed based on insights from interview with Mark Heywood

Key reasons for 2007-2011 NSP's relative strength

The govt. agreed to **pause the finalisation** of an "appalling" 2006-2010 NSP, **restructure SANAC** and allow the new Council to **strengthen the Plan.**

A plan development process that allowed for far **greater levels of participation** and input from civil society.[2]

A tendency to **favour the input of experts**, evidenced by the NSP being finalised by a national expert task team.

The establishment of **hard targets and measurement** for key areas such as treatment availability.

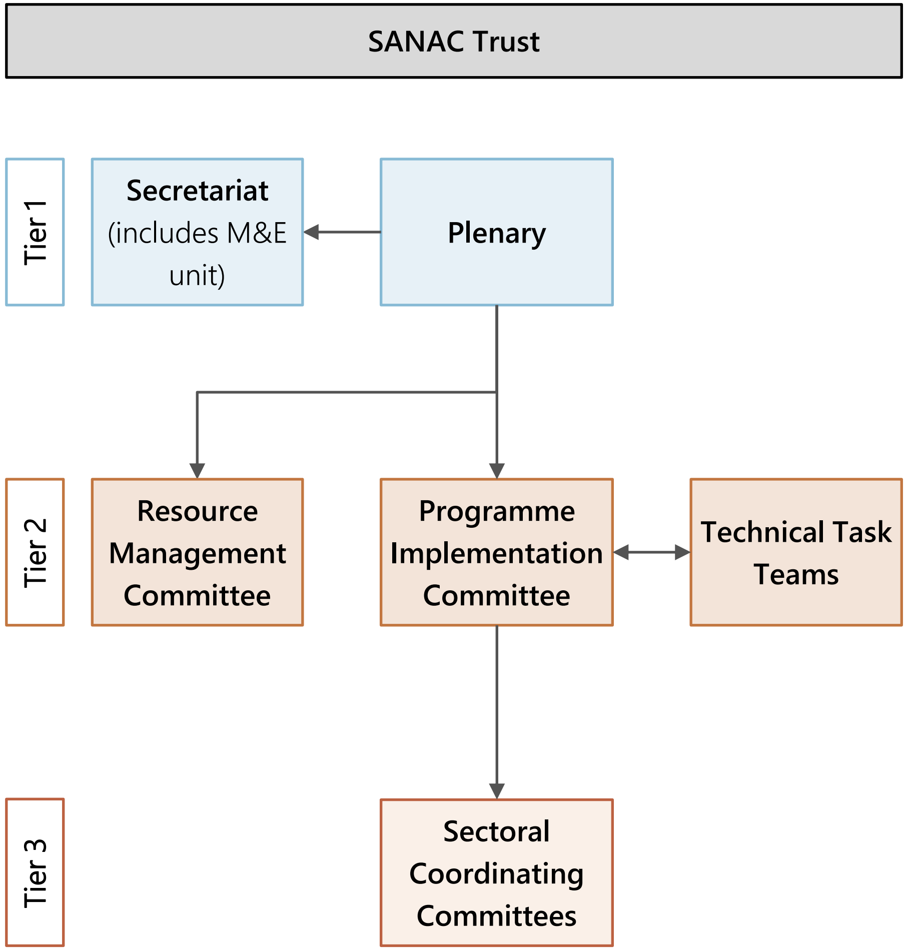
Notes: 1. The plan did not succeed, not because it lacked merit, but rather because it coincided with the initial years of South Africa's liberation where the government faced many urgent priorities. As a result, there was insufficient political will to implement it. 2. Following this input, a National Civil Society Conference on Implementing the NSP pulled together non-state SANAC participants to establish a unified direction on NSP implementation.

Sources: (i) SANAC (2017), *Annual Plan; National Strategic Plan for HIV, TB and STIs (2017-2022)*; (ii) Heywood (2016).

Implementation: The restructured SANAC

The negotiated and restructured SANAC was designed to operate with a three-tier structure with government and civil society representation within the formations at each tier.

Restructured SANAC Organogram (2008)



Compositions and roles

SANAC Trust[1]. As the legal entity comprising Trustees appointed from government and civil society, the objectives of the Trust are to provide secure funding for SANAC and to promote the execution of its mandate.

Plenary. Serves as SANAC's political leadership and is chaired by SA's Deputy President, with a deputy chairperson from civil society and representatives of seven govt. departments and 17 civil society sectors.

Secretariat. Facilitates the implementation of SANAC's mandate and drives all related activities (administrative, logistical and technical) as directed by Plenary leadership and the broader Plenary. It holds an M&E Unit which is a central coordinating body of the NSP and implements relevant M&E frameworks.

Programme Implementation Committee (PIC). Primary function is to share experiences, review NSP implementation, and make recommendations to the Plenary. It is made up of no more than 25 members: a chairperson, and representatives from the Plenary's same seven govt. departments and 17 civil society sectors.

Technical Task Teams (TTTs). The core objectives of the TTTs are to provide expert advice to the PIC on key areas and make recommendations to the PIC regarding the NSP and any policy gaps. Each TTT is made up of no more than 12 members: a govt. member and civil society member of the PIC as co-chairpersons, and up to four persons nominated by govt. and six persons nominated by civil society.

Resource Management Committee (RMC). Serves as SANAC's fundraising arm. The Minister of Health is the chairperson, with two further representatives out of relevant Ministers from the Inter-Ministerial Committee, and seven from selected civil society sectors.

Sectoral Coordinating Committees (SCCs). Ensure that the implementation of sectoral specific programmes are effectively coordinated and reviewed, and that the PIC is provided with information on these programmes. The seven SCCs are comprised of govt. and civil society members and are led by various govt. departments.

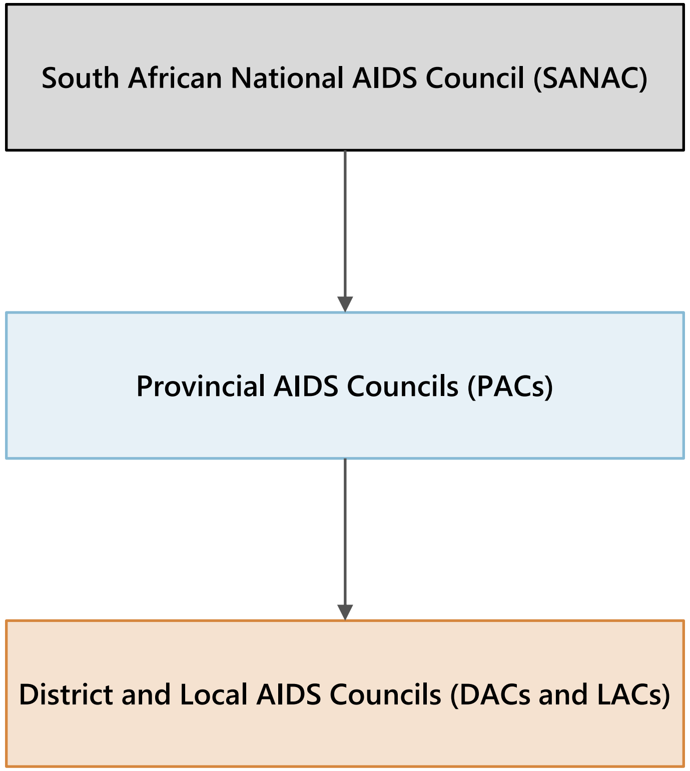
Notes: 1. The Trust was established by Cabinet and is required to comply with the Public Finance Management Act (PFMA) and Treasury Regulations as if it is a Schedule 3(A) public entity as defined in the PFMA, with certain exemptions.

Source: (i) SANAC (2008), *SANAC Procedural Guidelines*.

Implementation: National, Provincial, and District structures

To support the implementation of the National Strategic Plan (NSP), the restructured SANAC retained the institutional arrangement of AIDS councils at provincial, district and local levels. However, the capacitation of these councils only received attention toward the end the 2007-2011 NSP's implementation.

National, Provincial, and District Structures



Description

- In addition to coordination at the national level, important institutional structures in the form of **provincial, district and local AIDS councils (PACs, DACs, and LACs)** were **retained under the umbrella of the new SANAC.**
- In line with South Africa's pseudo-federal government system, these structures were (and still are) critical for **coherent implementation** of the NSP.

Provincial Aids Councils

- Each province in South Africa is required to **establish and maintain its own PAC** that formulates **Provincial Strategic Plans** and **co-ordinates its response to HIV, TB and STIs.** The Provincial Premier chairs the PAC.

District and Local AIDS Councils

- All provinces are to also **set up DACs and LACs** to help **coordinate work on the ground**. While the exact composition of DACs and LACs is **expected to vary to enable more geographically-relevant responses**, their terms of references are mostly **derived from SANAC's mandate and goals**. District and local mayors are intended to chair these councils.
- Despite their importance, DACs and LACs have been reported to **face a several challenges** including: (i) a **lack of understanding/clarity of their mandate**, (ii) **confusion regarding roles and responsibilities of members** and **how they should arrange themselves** institutionally, and (iii) **a lack of support from elected political leadership.**
- **Toward the end of the 2007-2011 NSP's implementation**, with national debates on key policy issues mostly resolved, the **strengthening of PACs, DACs and LACs became a priority for SANAC**.

Source: (i) SANAC (2008), *SANAC Procedural Guidelines*; (ii) SANAC website (https://sanac.org.za/); (iii) Centre for Municipal Research and Advice (2007), *Local AIDS Councils and the Civic Role of Local Government*; (iv) Heywood (2012).

Fundraising and disbursements

SANAC was mandated to estimate and mobilise the funds needed to implement the NSP. Along with National Treasury support through departmental budgets, the Global Fund has played, and continues to play, a significant anchor funding role for SANAC and the National Strategic Plan.

Fundraising

- Funds for NSP implementation have primarily been raised from two sources:
  - **i. Large international donors** (e.g., the Global Fund and the U.S. President's Emergency Plan for AIDS Relief – PEPFAR); and
  - **ii. National Treasury** (mostly through departmental budgets).

- While **South African government funding** for HIV/AIDS **increased significantly in the late 2000s**, the **Global Fund** was a **key funder of the NSP via SANAC**. This was **reflected in the objectives of the Resource Management Committee** at that time which were to:
  - i. Co-ordinate the submission of the national proposal for grant funding from the Global Fund;
  - ii. Select one or more appropriate organisation(s) for Global Fund grants;
  - iii. Monitor the implementation of activities under Global Fund approved programmes, including approving major changes in implementation plans;
  - iv. Evaluate the performance of Global Fund programmes; and
  - v. Determining other sources for resource mobilisation to support the implementation of the NSP.

- **SANAC continues to serve as the Global Fund's Country Coordinating Mechanism (CCM) in South Africa**.[1]

Disbursements

- SANAC, through the RMC, was responsible for fundraising for the NSP but was **not responsible for directly managing fund disbursements** for the entire Plan. Rather, SANAC was **required to play the coordinating and oversight role** in the implementation of the NSP, working with various stakeholders across the different sectors government and civil society.

- Disbursements from the Global Fund were, however, **required to be integrated into the coordinated national response**. This was reported to be something that was **not done effectively** in the implementation of the 2007-2011 NSP.

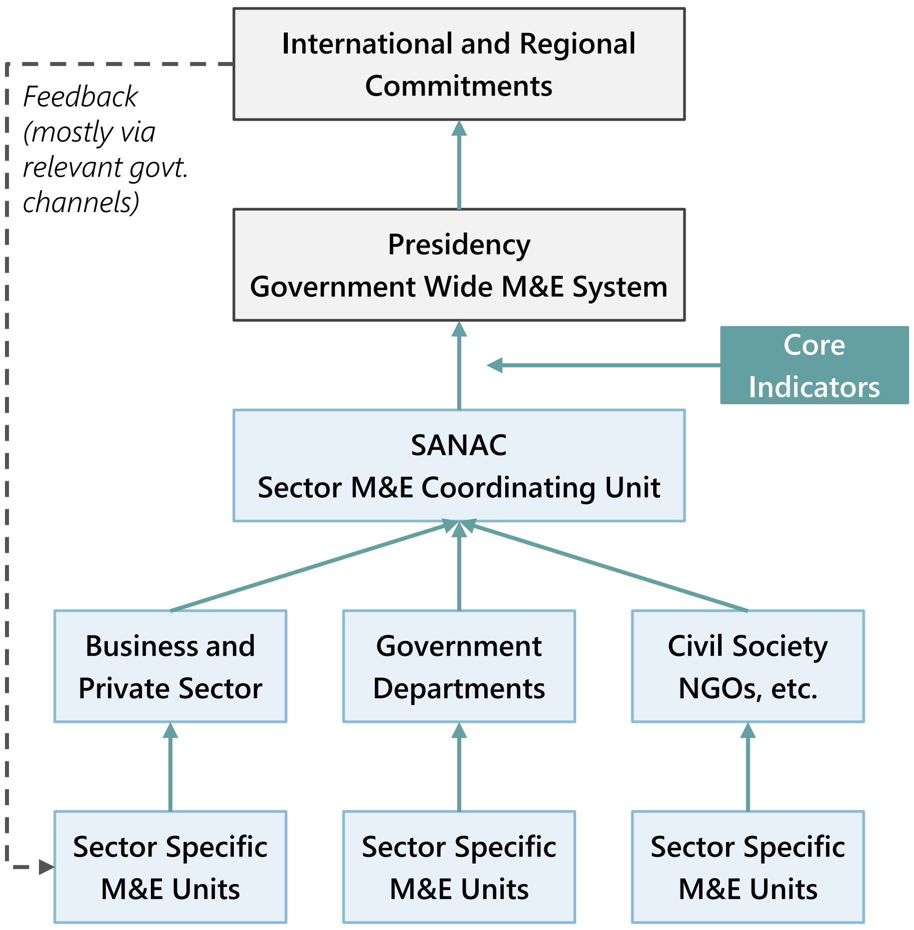
Notes: 1. Global Fund CCMs are national committees that submit funding applications for the Global Fund and oversee grants on behalf of their countries.

Source: (i) SANAC (2008), *SANAC Procedural Guidelines*; (ii) Global Fund Website (https://www.theglobalfund.org/en/country-coordinating-mechanism/); (iii) Heywood (2012).

Monitoring and evaluation

The 2000-2005 NSP did not include targets for critical response elements and was silent on exactly how the plan would be monitored and evaluated. Rectifying this was therefore a priority for the new SANAC in the 2007-2011 NSP and a comprehensive M&E structure and framework were designed.

National M&E Structure for the 2007-2011 NSP



Description

The M&E framework for the 2007-2011 NSP was based on two sets of indicators. The first set (the primary or core indicator set) would measure the outcomes of the NSP. The second set (the comprehensive set) would cover all goals, objectives and interventions and be presented in terms of inputs, processes, and outputs and outcomes.

Role of SANAC's Sector M&E Coordinating Unit

Outlined in the 2007-2011 NSP, the role of the SANAC's M&E Unit was envisaged to include:

i. Developing M&E and reporting guidelines for the NSP;
ii. Developing the terms of reference for the NSP's mid-term and 5-year reviews, and initiating coordinating the reviews;
iii. Establishing mechanisms for data collection and coordinating reporting from various sectors;
iv. Assessing the readiness of sector M&E mechanisms, and collecting baseline data on core indicators;
v. Linking with the Presidency's government wide M&E system, and the reporting mechanisms of international and regional indicators (indicators with which the NSP would align).

Each sector specific M&E unit was to report to SANAC twice a year through relevant channels in the form of mid-year and end-year reports.

Mid-term and 5-Year Reviews

The 5-year review would primarily be an outcomes assessment. The NSP's mid-term review would focus on assessing how the available inputs had been used and what outputs and short-term outcomes had been achieved. More importantly, the mid-term review was intended to unpack the challenges, and understand the various players, and their interactions, and how the latter could be improved.

Source: (i) South African Government (2007), *National Strategic Plan for HIV, TB and STIs, 2007-2011*.

Challenges faced by the restructured SANAC

The restructured SANAC faced several challenges in delivering on its mandate. The most important of these related to insufficient funding, a bloated structure, a lack of authority and capacity to directly influence and coordinate NSP implementation.

Key challenges faced

1 Insufficient funding

- Securing sufficient levels of sustainable funding for the 2007-2011 National Strategic Plan was something that SANAC was unable to achieve. One of the core reasons for this was that the Resource Management Committee was largely dysfunctional. Fortunately, the South African government had increased the fiscal allocations to HIV/AIDS significantly during those years. However, certain pillars of the NSP were not funded under the government's medium term expenditure framework.
- With SANAC itself receiving little funding from government, the functioning of civil society sectors within its structure was largely dependent on limited donor funding and the voluntary work of non-state participants. This sometimes-constrained participation by civil society and was arguably one of the reasons why the NSP 2007-2011 mid-term review found that many of the civil society sectors were not operational beyond the engagement of a few individuals.

2 A bloated structure

- The 2007-2011 NSP needed to be a "bumper edition" given how far behind South Africa was in its HIV/AIDS response. However, it possibly saw SANAC taking on too much too soon and becoming an even more bloated structure than it had been before, impeding its ability to focus and make decisions on the elements of NSP implementation that really mattered.
- Another factor that contributed to this that the lengthy restructuring of SANAC lacked leadership and vision, causing it to fall prey to a common problem in South African politics – the over-filling of structures with too many individuals that seek to serve themselves.

3 Implementation weaknesses

Non-binding recommendations. The South African government operates on a quasi-federal system where national bodies set policies and the lower levels of government implement them. SANAC was positioned "as an intermediary between the Presidency and the Department of Health".

While SANAC established a relatively strong platform for collaboration and coordination at the national level, the SANAC structures at the provincial and district levels (AIDs councils) were poorly capacitated. This meant that SANAC was more successful in influencing policy decisions than in ensuring effective implementation. As such, the strengthening of its AIDS councils became a priority for SANAC toward the end of the 2007-2011 NSP.

Sources: (i) Heywood (2012); (ii) Powers (2013); (iii) SANAC (2017), *National Strategic Plan for HIV, TB and STIs, 2017-2022*.

Key learnings

The SANAC case study provides several lessons that can be applied to potential funds

Relevant key learnings

	Learning	Description
1	**Sustained civil society pressure and a political champion were key in enabling SANAC's transformation**	A multi-pronged and sustained campaign of pressure from civil society was required for government to change policy and agree to negotiations of a new structure for SANAC. A pivotal factor facilitating this transformation was the support of a prominent political figure, Deputy President Phumzile Mlambo-Ngcuka.
2	**The restructured SANAC got behind the development of the national plan**	The initial versions of the 2006-2010 National Strategic Plan (NSP) were regarded as "appalling." In response, the restructured SANAC focused its early efforts on enhancing this national plan. The decision to of civil society in SANAC to collaborate with the government, rather than creating a separate plan, was essential for driving widespread change.
3	**The critical NSP of 2007-2011 was inclusive but leaned heavily on expert advice**	• The participation of a diverse range of civil society stakeholders in the development of the 2007-2011 NSP and subsequent conferences on its implementation, supported civil society's buy in to the plan. • However, the ultimate refinement of the NSP sat with a task team of experts with the necessary knowledge and experience to ensure that the final version could advance the necessary catch-up in South Africa's HIV/AIDS response.
4	**Plans need to be strategic and focused, as do the associated operational structures**	• By the end of the 2007-2011 NSP's implementation, SANAC was regarded to have become too bloated and unfocused. The out-going Deputy Chair argued that "instead of trying to do everything, the council needs to identify and agree upon a core business" and that this would call for a "slimmer, more efficient and less democratic structure." Supporting this would also require a simpler, more focused NSP.
5	**Provincial and district capacity is critical if a body is to influence implementation**	• The restructured SANAC grew in "strength and legitimacy" between 2007-2011. However, an important gap in its ability to deliver on its mandate was at the provincial, district and local level. It therefore sought to develop capacity at these levels to influence and coordinate activities on the ground.

Source: (i) Heywood (2012).

Contents

Overview and background

The SA SME Fund seeks to improve the support that is available to SMEs in South Africa through the provision of capital and training to accredited venture capital and growth fund managers.

Fund overview

Sector: Business development/social impact investment

Established: 2016

Vision: To create an enabling ecosystem to empower high potential businesses in South Africa to scale and change the trajectory of economic growth in the country.

Primary goal: To improve the SME investment ecosystem and stimulate entrepreneurship in South Africa through the provision of capital and business support to accredited venture capital and SME growth fund managers.

Priority areas:

- Support venture capital funds
- Support growth-orientated funds

Fund size: R2.3 billion

Background

- The SA SME Fund ("the Fund") was **launched by members of the CEO Initiative** (including 50 of South Africa's largest corporates and the Public Investment Corporation (PIC)) in 2016 with the **goal of improving the capital and business support that is available to small and medium enterprises (SMEs) and fostering an entrepreneurial spirit** in South Africa.
- The Fund operates as a **'fund of funds'** and works with existing **accredited venture capital and growth-oriented equity fund managers** that invest in and empower scalable SMEs. This structure **prevents the duplication of efforts** and allows the SA SME Fund to reach a broader network of businesses, allowing a more significant impact.
- The creation of this central fund that is **managed by trusted and well-respected South African business owners and CEOs** has helped to **attract greater funding** to the cause through the leveraging of their networks and by **de-risking investments** for third-party investors.
- Additionally, as part of the vision to improve the broader ecosystem for entrepreneurship, **the Fund recognises the importance of creating an enabling legal and regulatory framework for SMEs, and improving the digital skills base and IT infrastructure that is available**. As such, the Fund supports programmes such as the First Time Fund Managers Development Programme (FMDP) to facilitate the growth and development of partner fund managers.
- **Despite the economic challenges and uncertainty** that the country and world are facing, the **SA SME Fund continues to receive investments** from both business and government.

Source: (i) SA SME Fund website (https://sasmefund.co.za/); (ii) SA SME Fund (2017), *SA SME Fund Integrated Report.*

Fund conceptualisation and design

The Fund operates as an investment vehicle that invests in growth and venture capital funds as well as other initiatives that enable entrepreneurship and support for SMEs in South Africa. Investments are chosen based on their ability to aid in achieving the Fund's eight impact goals.

Fund design

- The Fund is designed as a **fund of funds** to support the vision of improving the entrepreneurship and SME investment ecosystem in South Africa, without duplicating the efforts of existing venture capital and growth funds.
- It is registered and operates as **a registered investment vehicle** that is overseen by an executive management team, who report to an independent board of directors. Additionally, **all investments made are approved by an independent investment committee** that ensures operations are in line with the Fund's mandate.
- The Fund's **investment mandate is centred around eight impact goals.**

The Fund is designed to reach these impact goals through two pillars, namely:

(i) **Providing capital investments** to partner funds; and

(ii) **Supporting and launching industry-building initiatives**.

The pillars comprise various investment vehicles (funds), and initiatives such as accelerators, training and other initiatives.

Social Impact goals

1. Leverage **additional capital** to invest in SMEs
2. Grow South African **venture capital** industry
3. Commercialise and showcase **South African intellectual property**
4. Build the narrative of **business as a national asset**
5. Promote growth of SMEs
6. Help scale innovative SMEs
7. Create and incubate new, mainly **black, fund managers**
8. **Transformation**

Fund mechanisms

Investment vehicles	SMME support initiatives		
Funds	Accelerators	Training	Other
1. SA SME Fund I 2. Fund of VC Funds 3. Debt Fund/SMME Crisis partnership Fund	1. Grindstone 2. Endeavour Local Scale Up	Fund Manager Development Programme I & II	1. CEO Circle Award 2. #payin30 initiative

Source: (i) SA SME Fund (2022), *SA SME Fund Integrated Report*.

Investments: Fundraising and disbursements

Funds have been raised by public and corporate investors and assigned to one of three funds. Each of these three funds have intermediaries they fund, which, in turn, screen and invest in small and medium enterprises.

The flow of investment funds

Total funding raised

SA SME Fund – Total assets under management now ~R.2.2bn.

2016

Initial commitments of **R1.4bn** raised from corporate South Africa, the UIF, Compensation Fund and the PIC to the SA SME Fund I. Fund raising was closed after initial commitments.

2021

During the 2021 financial year, the Fund had **committed its total investment capital**, and was given approval by the Board to **raise new funds**. Approximately **R500m** has been raised from investors to date, including contributions from the Consolidated Retirement Fund and the **Department of Science and Innovation**.

2022

In 2022, the SMME Crisis Partnership Fund, a debt fund, was launched. ***R300m** committed by* **Gauteng Provincial Government, and the Industrial Development Corporation (IDC).**

Investment vehicles (Funds)

1. **SA SME Fund I**
   (i) Growth pillar: Invest in fund managers and intermediaries
   (ii) Venture capital pillar: Invest in innovative and sustainable venture capital funds.

2. **Fund of VC Funds**
   A continuation of the efforts to raise funds for VC Funds. It is structured as a limited liability partnership with first loss provision provided by the SA SME Fund. No investor fees are charged.

3. **Debt Fund/SMME Crisis partnership Fund (SCPF)**
   A Limited Partnership Agreement with the GPG/IDC Township Economy Partnership to provide debt finance to SMEs in Gauteng for 2 years. GPG is providing the first loss guarantee.

Investees/Intermediaries

Growth and Venture Capital Funds

Equity stakes

SA SME growth and VC funds invested equity in 20+ portfolio SMEs during FY2022.

SME Debt finance

By Feb 2022 the SA SME had provided five non-bank financial institutions with facilities to fund SMEs. The impact outcome in FY2022 included:

480 SMEs financed	**903** loans provided
R598m disbursed	**Over 80%** of financing provided to black entrepreneurs

Source: (i) SA SME Fund (2022), SA SME Fund Integrated Report.

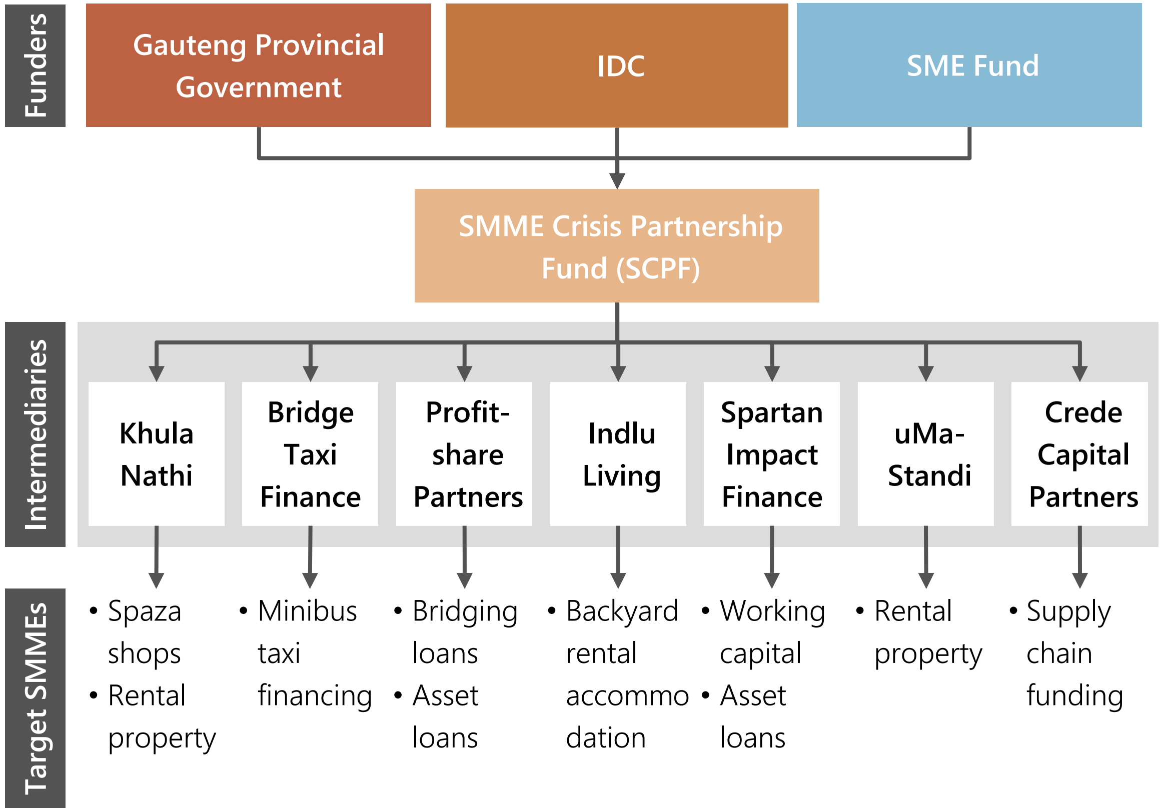
SMME Crisis Partnership Fund

The R300 million SMME Crisis Partnership Fund (SCPF) is an interesting collaboration between government and the private sector. The Gauteng Provincial Government has invested R100 million in the fund and provides the first-loss guarantee. This has helped to lower risk and crowd-in private sector funding.

Key Points

- The SMME Crisis Partnership Fund (SCPF), a **R300 million debt fund** for SMEs based in Gauteng townships, is a ground-breaking **partnership between government and the private sector.**
- The **Gauteng Provincial Government has provided a R100 million first loss guarantee**, meaning it will assume the first portion of any losses. The IDC and the SA SME Fund have each contributed R100 million. The SMME Crisis Partnership Fund's capital has been committed to seven **private sector intermediaries**, who have aimed to disburse the funding within eight months.
- The intermediaries will provide loans of up to R1.5 million per qualifying enterprise leaning on technology to reduce turnaround times and reach more SMMEs. The SA SME Fund will use its technical expertise, experience, and sector specialists in the township economy to help reach township enterprises. "The SA SME Fund believes that this partnership with the Gauteng Government and the IDC is an effective way of leveraging different skills sets and pools of capital to support entrepreneurs and help SMEs grow."
- The intention is to **replicate this model** across other provinces and at the level of national government.

Structure of the SMME Crisis Partnership Fund



The SMME Partnership Fund ensures that the government bears the risk of non-repayment, reducing the risk of loss for the private sector.

Source: (i) Bizmag (2022), *SA SMME Crisis Partnership Fund launched for Gauteng's township businesses*.

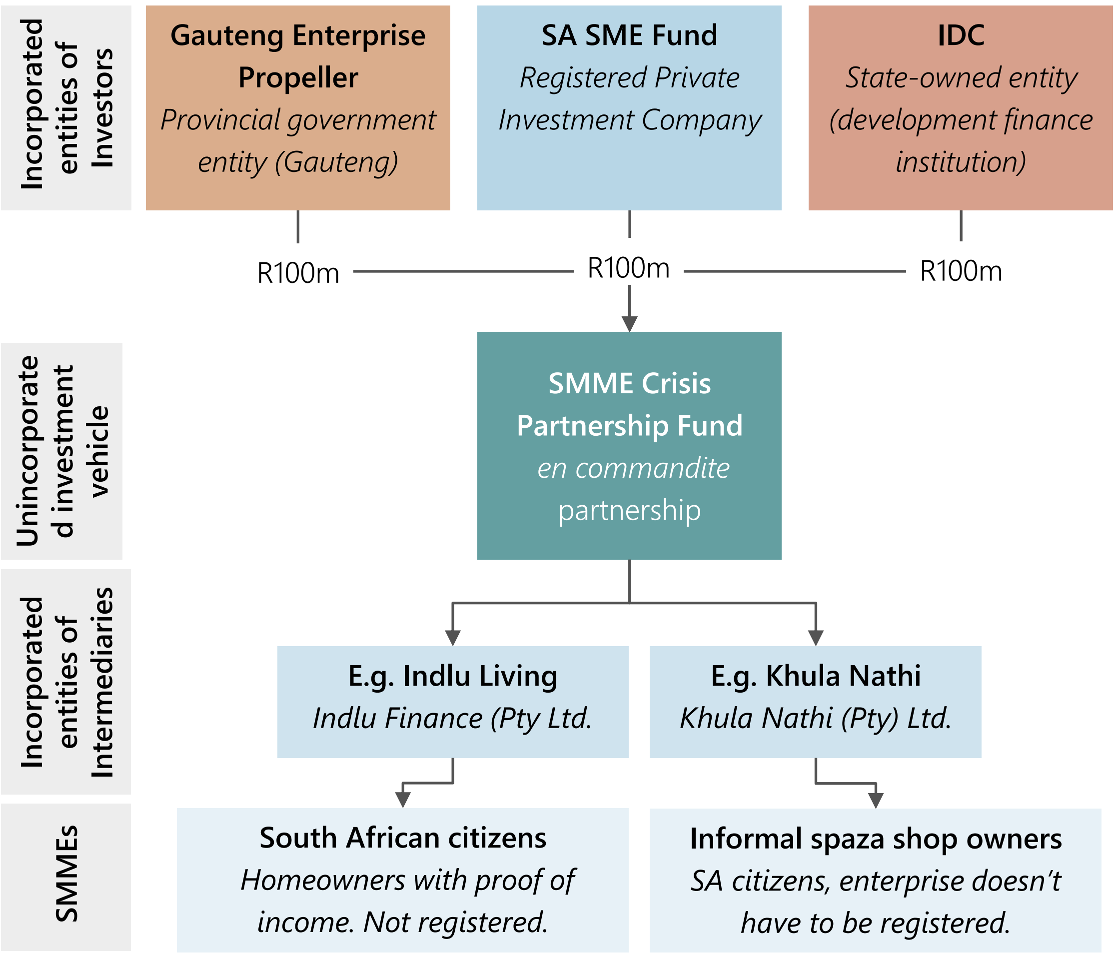
Legal structure of the SMME Crisis Partnership Fund

The SCPF was formed as single investment vehicle known as a limited liability partnership. This structure i) enables pooling of public and private funds without the need to establish another legal entity, and ii) limits the involvement of passive investors in day-to-day investment decisions.

Key Points

- The SCPF has formed a **single investment vehicle known as an *en commandite* or limited liability partnership**. A limited liability partnership is one of the commonly used legal structures to pool investors' funds. The contract is between a general partner, the SA SME fund in this case, and other more 'passive' investors who provide capital to be invested.
- The general partner has **full discretion**, within the bounds of the contract or partnership agreement, on how and where to invest the funds. The essence of a limited liability partnership is that it is an **unincorporated entity**, thereby **avoiding the establishment of a separate legal personality** and associated formalities, while nevertheless achieving limited liability for its investors (partners).
- The **SMME Crisis Partnership Fund agreement states** that the R300 million in funds raised will be paid to intermediary companies who, in turn, will provide direct loans to business owners within townships. The use of **intermediaries increases the reach of the fund** and enable it to more effectively provide debt funding to a wide range of business owners who specialise in lending to particular types or subcategories of SMMEs.
- **Intermediary firms manage the application and credit processes**, and agreements ensure the interest paid by SMMEs on finance obtained is as low as possible (maximum of 1% per month).

Legal structure of the fund

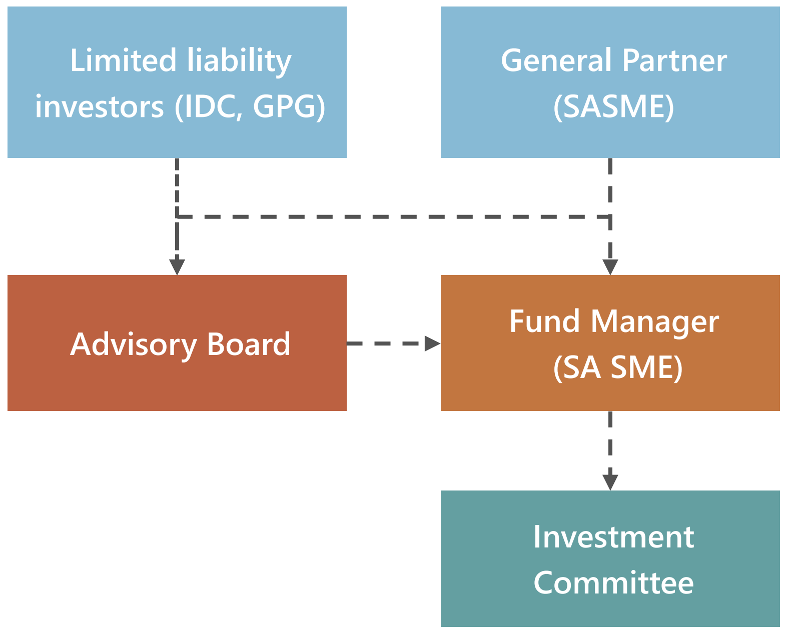


Source: (i) SA SME Fund (2022), SA SME Fund Integrated Report, (ii) Bowmans (2023), *SA Fund Finance.*

Governance Structure of SMME Crisis Partnership Fund

The legal/governance structure of the fund enables the pooling of private and public sector funds but limits the extent to which the passive (in this case public investors) can interfere in day-to-day activities. Investment decisions remain at the full discretion of general partner and its independent investment committee.

Governance Structure



Investors. There are two types of investors in the fund, (i) limited liability investors including the IDC and Gauteng Government that invest passively and (ii) the the general partner (the SA SME fund) who has full discretion, within the bounds of the contract or partnership agreement, in terms of how and where to invest the funds.

Fund Manager. The Fund Manager is the general partner. In this case, SA SME which is a privately held fund, has a Manager, has a manager that is independent of government.

Advisory Board. The Advisory Board is comprised of members appointed by the investors. These members are independent in that they are not employees of the Fund Manager. The Advisory Board ensures that the Fund's guidelines, policies and procedures are adhered to. The Fund Manager may raise reasonable objections to the appointment of a prospective candidate e.g., reputational, or legal (criminal/fraud).

Investment Committee. The Investment Committee is established and hosted by the Fund Manager. The members are individuals independent from the Fund Manager who possess the requisite industry, technical, and financial skills to make investment decisions in accordance with the investment mandate and terms of the Fund. The SA SME Fund appointed individuals with extensive private equity and SME experience.

It may be worth investigating whether this form of investment vehicle can be used to pool funds that aim to generate social rather than financial returns.

Sources: (i) PMG (2022), Question to Minister of Trade, Industry and Competition.

Industry building initiatives

The Fund provides additional business support to SMEs through partner accelerator programmes. It also supports the training of potential fund managers and transformation in the sector through skills development programmes. Other initiatives include encouraging corporates to pay SMEs within thirty days.

Industry building initiatives

1 Accelerator partnerships

Grindstone

- A structured entrepreneurship development programme that is designed to support high-potential businesses in establishing the essential foundations necessary for rapid growth, sustainability, and attracting investment.
- The Fund has supported 70 entrepreneurs through the programme.

Endeavor Local Scale-Up

- An accelerator programme that offers customised business mentoring and grants South African entrepreneurs access to the Endeavor network, aiding and accelerating their growth journey.
- The Fund has partnered with endeavour to support the participation of 10-15 businesses over 3 years.

2 Training

Fund Manager Development Programme I:

- Partnership with SAVCA and FNB to train new, specifically black and female, Private Equity and Venture Capital Fund Managers, to promote transformation in the sector.
- The programme seeks to develop the personal and professional skills of potential managers and assist in raising funds for their new fund.

Fund Manager Development Programme II:

- The second programme launched focused more specifically on training new Venture Capital fund managers.

3 Other initiatives

#payin30 campaign

PAYIN30

- Campaign to encourage corporates to pay SME suppliers in 30 days to help alleviate cash flow constraints
- Led by the SA SME Fund, BLSA and B4SA
- Over 50 CEOs committee to the shorter payment terms for SMEs

CEO Circle Entrepreneurs 2019

CEO circle ENTREPRENEURS 2019

- Selection process to identify seven medium-sized businesses that could be grown significantly.
- 143 nominated companies
- Seven medium-sized black businesses were selected.
- Each one paired with top-level mentors and given a personalised support pathway (personalised plan to accelerate growth).

Personalised support pathway:

Introductions to capital providers (debt/equity)

Matched C-suite mentors

Introduction to senior executives of relevant corporates

Other tailored business support

Source: (i) SA SME Fund website (https://sasmefund.co.za/); (ii) Grindstone website (https://www.grindstonexl.com/); (iii) Endeavor South Africa Local Scale-up website (https://endeavor.co.za/local-scale-up/); (iv) SA SME Fund (2022), SA SME Fund Integrated Report.

Key learnings

The SA SME Fund provides three learnings that could help inform the design of future catalytic funds.

Relevant key learnings		
	Learning	**Description**
1	**The "fund of funds" structure of the SA SME fund enables it to attract funders with different priorities and pool public and private sources of capital**	• The SA SME has been designed as a fund of funds which is useful because it enables different funders to allocate funding according to their distinct priorities. For example, the Gauteng Provincial Government's priority is to support SMMEs in Gauteng townships.
2	**All three SA SME funds make use of intermediaries to screen applications from and invest in SMMEs**	• This enables the Fund to support and empower existing fund managers in the sector, while attracting additional funds and strengthening skills, regulation and business support for SMEs. Through the partnerships with accredited fund managers, the fund is also able to reach a broader network of SMEs with more tailored support than would have been possible as a single entity. • This structure also prevents the duplication of effort within the SME funding sphere.
3	**The SMME and VC sub-funds are structured as limited liability partnerships which enables pooling of public and private funds in an independently managed investment vehicle**	• The legal/governance structure of the SMME crisis partnership sub-fund has several advantages – it enables the pooling of funds from both private and public sector entities towards a common investment goal. The structure is governed by a partnership agreement and advisory board representing all investors but limits the extent to which the passive (in this case public sector entities) can interfere in day-to-day investment activities and decisions.

Key learnings

The SA SME Fund provides three learnings that could help inform the design of future catalytic funds.

Relevant key learnings		
	Learning	Description
4	**The first loss feature of two sub-funds helps to de-risk the investment for other investors and attract additional capital**	• In the case of the SMME Crisis Partnership Fund, a first loss guarantee has been provided by the Gauteng Provincial Government (Via the Gauteng Enterprise Propeller). This de-risks capital invested by private sector and other public entities and enables intermediaries to provide loans to SMMEs at lower cost (lower interest rates). • In the case of Fund of VC Funds, the SA SME fund provided a first loss provision of R50 million to limit downside to other investors and attract capital. It also managed to secure commitments from a pension fund (the first pension fund investment in VC in South Africa) as well as from the National Department of Science and Innovation.
5	**Over 50 well-known and respected CEOs championed the initiative alongside the PIC, helping to garner significant support**	• The Fund was established by the CEO Initiative which is made up of over 50 CEOs and representatives from the Public Investment Initiative (PIC) and remains overseen and supported by highly experienced individuals. This has assisted in establishing trust and credibility in the SA SME Fund. • In addition, participating CEOs have been able to leverage of their personal networks to attract capital to the Fund.

Contents

Overview and background

The just transition financing mechanism is a vehicle that is being explored by the Presidential Climate Commission to aid in mobilising and coordinating capital to ensure that no one is left behind during the transition to a low-carbon economy.

Organisation overview

PRESIDENTIAL CLIMATE COMMISSION

Just transition financing mechanism

Sector: Various

Established: Currently being explored

Description: The Just Transition Financing Mechanism (JTFM) as a vehicle that is being established by the Presidential Climate Commission (PCC) to aid in mobilising additional capital and coordinating public and private sector efforts towards a just transition.

Primary Goal: To establish a financing mechanism through which the scale and impact of just transition efforts can be optimised to ensure that the benefits of environmental sustainability are equitably distributed and that no one is left behind.

Priority areas:

- Addressing the social and economic outcomes of moving to a low-carbon economy, ensuring that no one is left behind during the shift.

Background

- As a coal-dependent economy, **South Africa is under pressure to transition its economy to align with international policies**. Instruments, such as carbon border taxes, are a risk to South Africa as exports may become uncompetitive.
- The Presidential Climate Commission (PCC) was established as an entity with the purpose to **"oversee and facilitate a just and equitable transition towards a low-emissions and climate resilient economy".**
- Having established the national policy guide for the Just Transition in the form of the Just Transition Framework, the PCC is now **exploring the institutional design and governance structure of a dedicated JTFM** that can aid in **mobilising additional capital and coordinating existing funding** for a just transition.
- It is envisioned that the JTFM vehicle will work **with government, business and existing financial institutions** to optimise the impact of each party's efforts.
- It is likely that the JTFM will **house a Just Transition Fund** that raises funds from a variety of stakeholders and distributes the funds through **two investment windows, namely (i) a grant making window and (ii) a blended finance window**.
- In November 2023, the PCC **published a draft proposal of the JTFM to report on the findings** from the analysis conducted thus far and the practicalities of developing such a mechanism. This is **available for public comment**.

Source: (i) PCC (2023), *Scaling finance to support a just transition: The potential of a just transition financing mechanism*; (ii) PCC (2023), *Concept note on proposed arrangements for a just transition financing mechanism*.

Investments required and the barriers hindering them

The PCC has completed an analysis of the barriers that exist in the financial ecosystem for South Africa's Just Transition and has highlighted the necessary functions required in the design of the JTFM to address these.

Investments required to reach a just transition

To obtain a just transition, it is necessary to **invest in projects that improve social, economic and climate resilience**. The PCC have highlighted three types of investments that are required:

1. **Investments in economic diversification that** will enable new jobs and provide improved access to good quality services and infrastructure, as well as water and land.
2. **Investments into equipping and strengthening** workers and small, medium, and micro enterprises to contribute towards transforming the economy.
3. **Investment into the establishment and operation of political structures and institutional arrangements** to coordinate just transition policy responses, stakeholder engagement and project implementation.

Key barriers in the Just Transition finance ecosystem

Conceptual challenges
There are discrepancies in the market regarding the definition of a just transition project. Available funding, such as conventional climate and development finance, often fails to acknowledge the socio-economic goals associated with a just transition.

Information asymmetries
The absence of standardised just transition indicators, metrics and available data make it challenging to accurately assess the potential impact of investments. This is detrimental to investor confidence and makes it challenging to make informed investment decisions.

Financial and economic barriers
The nature of just transition projects make it difficult to accurately price risk into investments and there is a lack of financial instruments available to provide the risk tolerant and patient capital that is required.

Market and structural barriers
Existing pricing models are not equipped to account for externalities, such as the social benefits and environmental risks of just transition projects.

Reputational and regulatory risks
South African policy is less developed in this area, which provides reputational and regulatory risk.

Source: (i) *PCC (2023), Concept note on proposed arrangements for a just transition financing mechanism*; (ii) *PCC (2023), Scaling finance to support a just transition: The potential of a just transition financing mechanism*.

Requirements of the JTFM

The just transition financing mechanism should be designed in such a way that it is able to fulfil the defined set of functions that have been identified as necessary to addressing barriers and achieving the desired outcomes.

Functions required by the JTFM to address barriers

- **Matchmaking** of financial resources to projects throughout the project lifestyle.
- **Blending/structuring** funding to combine grants, equity and debt to finance projects to maximise outcomes and minimise risks. This will help to attract a range of investors.
- **Facilitating collaboration** between stakeholders, communities and municipalities.
- **Project assessment and tagging** to analyse its efficiency in reaching just transition objectives and achieving long-term sustainability.
- **Mobilising and aggregating funding** from a variety of sources with use of appropriate blending mechanisms.
- **A framework or methodology** to assess projects based on their ability to reach objectives of the just transition.
- **Project support** throughout each stage of the development process, including conceptualisation, technical assistance, capacity development, regulatory and compliance guidance, engagement with stakeholders, environmental and social impact assessments and the execution of projects.

Prioritisations and possible timeline

Short-term (1-2 years)

Functions
- Project identification & preparation
- Capacity building
- Technical assistance
- Engagement with stakeholders

Desired outcomes
- Improved understanding of financing environment
- A selection of possible interventions
- Formation coordination mechanism

Medium-term (3-5 years)

Functions
- Mobilising funding
- Matchmaking
- Capacity building & technical assistance
- Blending of investments
- Engagement with stakeholders

Desired outcomes
- Financing mobilised, unlocked and allocated
- Authorisation of JT interventions
- Government entities able to manage and deliver just transition

Long-term (Beyond JETP)

Functions
- Strengthened local economic ecosystems
- Stakeholder engagement

Desired outcomes
- Transition to a low-carbon economy
- Establish a just, climate resilient society by 2050.

Source: (i) PCC (2023), *Scaling finance to support a just transition: The potential of a just transition financing mechanism*.; (ii) Next steps discussion for JTFM (2023) (link not provided – document not in public domain).

Option 1: Task Team or Advisory Body

The PCC is exploring three options for the JTFM, each varying in the scope of activities required by the implementation of the entity. The first option is a task team or advisory body that will act as a public sector co-ordination mechanism to support fundraising and provide light oversight of JT projects.

Option 1: Task Team/Advisory Body/SPV | **Option 2:** Independent aggregator | **Option 3:** Just Transition Fund

Option 1: Task Team or Advisory Body or Special Purpose Vehicle

Role

- A "public sector coordination mechanism" established to facilitate **greater collaboration in the Just Transition.**
- **The entity will support fundraising and provide light oversight** of activities and projects.
- Provides **strategic input and resolves resourcing issues** for key stakeholders to overcome barriers.

Legal form

- A task team or advisory body that requires an **independent advisory body or task team with a decision-making committee and reporting function** to assist in the allocation of funds.

Financial intermediation

- No **financial intermediation roles within the entity** but could approach target funders and assist in matching funders to initiatives that are relevant to the Just Transition.

Advantages

- **Fast to establish**, and is **agile and responsive** to evolving conditions
- **Structure is flexible** and allows for experimenting and learning
- **Access to some government funding** from public entities who fund governments
- **Reliant on robustness of existing institutions'** fiduciary processes

Disadvantages

- **Limited political commitment to the initiative** (unless housed within a government institution such as the Presidency)
- **Limited accountability**
- **Limited access to private funding or certain donors** that require an independent structure
- **Possibly limited capacity and capability** to undertake ambitious task

Note: *The three options are not mutually exclusive in their implementation. For example,* ***Option 1 can be established in conjunction with Option 2 or Option 3.***

Source: (i) *PCC (2023), Concept note on proposed arrangements for a just transition financing mechanism.*

Option 2: Independent aggregator

Option 2 is the incorporation of a separate legal entity, either a public institution or a public benefit organisation that receives pooled funds through a range of innovative approaches to finance a range of projects relating to the just transition.

Option 1: Task Team/Advisory Body/SPV

Option 2: Independent aggregator

Option 3: Just Transition Fund

Option 2: Independent aggregator

Role

Provides coordination, fundraising and grant making to supplement official public capital flows.

Legal form

- A **separate legal entity to receive the pooled funds.**
- Formed as either a **statutory public institution or a public benefit organisation (trust or company).**

Financial intermediation

- Conduct **grant fundraising and making** with **target funding sources outside of the public sector.**
- **Able to fund all just transition projects** seeking grant-funding, using **innovative, market-aligned approaches** to catalyse additional revenue streams associated with impact investing.
- The **PFMA framework requires consideration for the receipt of public funds and fiscal allocations**.

Advantages

- Relatively **quick to establish.**
- **Provides flexibility** and access to different methods of raising funds
- **Independence and associated governance is likely to attract a wide range of funders**.
- **Able to recruit the necessary expertise** for the just transition.

Disadvantages

- The flow of funds within and outside the mechanism poses the **risk of generating confusion, redundancy, and conflicts**, among both government entities and funders.
- Coordination mechanism **lacks political support and becomes redundant.**

Source: (i) *PCC (2023), Concept note on proposed arrangements for a just transition financing mechanism*.

Option 3: A Just Transition Fund (1/3)

Option 3 involves the incorporation of a separate legal entity that has a financial service license to raise and disburse funds for a range of projects. There are different forms the fund could take, including a fund of funds.

Option 1: Task Team/Advisory Body/SPV	**Option 2:** Independent aggregator	**Option 3:** Just Transition Fund

Option 3: Establish a new entity to house the Just Transition Fund

Role

To **raise and disburse all types of funding for projects and activities** (grants, debt, equity, etc) and could serve as vehicle for public funding to fund all just transition activities.

Legal form

Separate legal entity with a relevant financial service license, likely a DFI, fund or bank depending on its activities and ownership structure.

Financial intermediation

- **If a fund structure was selected, it could also take multiple forms** including a **fund of funds** with different funding objectives and activities separated into individual underlying funds.
- Should public funds be used, fiscal and PFMA considerations must be taken into account.

Advantages

- Strong signal of political commitment
- Likely to be well resourced and be **able to attract a wide range of funding.**
- Diversity in funding instruments allows a broad range of activities access to funding.
- Transparency enhanced through institutionalised policies, processes and structures.
- The ability to leverage private contributions allows for effective blending of available funds.

Disadvantages

- Takes a **long time to establish** and has **high fixed operating costs**.
- Existing fund managers are not suited to grant making for social projects
- Risk (real or perceived) of state capture/political interference
- **Coordination mechanism lacks political support** and becomes redundant
- Will be subject to **additional onerous obligations** and compliance regulations.

Source: (i) *PCC (2023), Concept note on proposed arrangements for a just transition financing mechanism*.

Option 3: Potential institutional and legal options to house a Just Transition fund (2/3)

The choice of institutional architecture and governance principles such as independent decision-making, oversight and the budget cycle is important to consider when establishing the JTFM entity. Each of these provide the parameters and guidelines for the functioning of the entity.

Institutional architecture

The PCC have **highlighted five possible options for the institutional design** of the JTFM. In doing so it considered the following functional and institutional criteria.

(i) **Functional criteria**: ability to provide Planning and advice, mobilisation, allocation, technical assistance and reporting.

(ii) **Institutional criteria:** Speed to market, longevity, political economy, simplicity of structure, governance and accessibility.

The options include[1]:

Decreasing level of public sector involvement

i	**A new fully public-sector entity** created in terms of the PFMA that operates independently with a board, management and staff to execute on the mandate. Could create a new entity or be housed within an existing public entity.
ii	**Entity created in terms of the Public Service Act.** The PSA allows for the creation of a "Government Component" within a particular department.
iii	**Entity created and managed within the control of an existing PFMA entity**, which has the required governance structure and mandate to do the work.
iv	**A jointly owned public-private entity**, such as jointly owned state-owned enterprises (e.g. Telkom) and jointly managed trusts (e.g. Health Foundation).
v	**A fully private entity** where the JTFM is incorporated as a private company or a trust.

Governance priorities

Decision making

- It is recommended that the entity has **a diverse range of stakeholders in its governing body** to introduce a level of **independence in decision-making**. Members should include those such as policy-makers, environmental experts, and independent economic and finance experts.
- **Donor funds are often contingent on independence in decision-making** so having the recommended structures in place **will likely attract a broader range of funds.**

Oversight

- A **separate panel should be appointed** to provide **independent reviews of JTFM** activities and fulfil monitoring and reporting roles.
- Measures, over and above the internal governance structure, should be incorporated to provide **external accountability,** including but not limited to an **internal audit or external auditors**.

Budget cycle

- **Any funding received from SA government is subject to the Public Finance Management Act (PFMA)** and the annual budget process of the South African government.
- It is advised that the JTFM **adopts the budget cycle of the SA government** as a number of the projects it is likely to fund are of national, provincial or local governments. This will be **beneficial regarding the receipt of government funds and forming part of their procurement processes**.

Notes: 1. Of these five institutional arrangements, three broad options have been chosen and explored. Details of these three options are shown in the following slides.

Source: (i) PCC (2023), *Scaling finance to support a just transition: The potential of a just transition financing mechanism*.

Option 3: Potential fundraising and disbursement mechanisms for a just transition fund (3/3)

The Just Transition Fund will aim to address the under-provision of vital high impact investments. It is envisaged that the JTF would source and pool funding from a range of entities. The funding would be disbursed to critical and designated investments through grant making a blended finance window.

Just Transition Fund

Potential sources of funding

Capital aggregated from various sources and pooled into a Just Transition Fund:

1. Developmental Funders
2. International climate Fund
3. Adaption Fund
4. Philanthropic Funders
5. Private element.
6. Corporate social investment

Just Transition Fund

Disbursement Mechanisms

High impact investments that are under-funded, and fall into **two categories:**

Critical investments

- Investments that play a **key role in establishing resilience to changing economic and environmental conditions** but as a result of market failures **do not have a business case**.

Designated investments

- High priority interventions that are in line with the objectives of the just transition.
- Likely recipients would be projects or enterprises that are unlikely to attract funding on their own as they have a **marginal business case, that becomes bankable only when de-risked** and/or improved.

It is envisioned that the JTF would constitute **two funding windows:**

Grant making window

- Targets **critical projects** from which no capital recovery is expected, such as R&D, running pilots of innovative technologies and supporting development of **community and worker ownership** models in a decentralised electricity system
- It is expected that these activities will **create and catalyse economic activity and aid in diversification of the economy.**
- Increase capital flows to impact investors – especially those targeting training and development, particularly in cases where mechanisms based on outcomes-based contracting are used.

Blended finance window

- Targets d**esignated projects from which a below-market return is expected.**
- A range of **concessional financial instruments may be considered** to operationalise this funding window, including guarantees or other risk-sharing instruments, conditional debt, and early-stage risk capital. E.g., funding that converts to non-repayable grants if the initiative fails.

Notes: It is envisioned that projects may also access both windows as required.

Source: (i) *PCC (2023), Concept note on proposed arrangements for a just transition financing mechanism*.

Learnings

The design process for the JTFM provides several valuable lessons that could apply to the design of future catalytic funds.

Learnings		
1	**The objectives and mandate of the fund should determine the institutional structure thereof**	• The institutional structure of the fund should be determined based on the objectives and mandate agreed upon for of the Just Transition Financing Mechanism. • Aspects of the institutional structure should be carefully considered before incorporation, for example the complexity of the PFMA reporting requirements and the implications for the fund should be taken into consideration.
2	**Establishing the entity within an existing PFMA entity**	In order to speed up the process of instituting a JTFM that is able to receive public funds, establishing the entity within an existing PFMA entity has been explored. The following considerations were identified: • Setting up a new entity would require long lead times, whereas housing the mechanisms within an existing PFMA entity would provide operation ease, speed to market and benefit from financial and governance structures that are already PFMA compliant. • Disadvantages lie in the association of the JTFM with its "parent" organisation, which may be viewed negatively by funders. • Various government departments, GTAC or DBSA have been explored – each has advantages and considerations in terms of organisational capacity, expertise and alignment with the facility's objectives.
3	**Public-private Partnership in the South African context can be advantageous, but are also associated with risks**	• A PPP is advantageous as it provides private sector efficiency with public sector oversight and support. It leverages the specialised expertise and financial resources or private entities while being guided by government regualtion and public funding. • PPP structure also brings its own challenges pertaining to conflicts of interest and accountability. Private entities might consider profit over public welfare creating ethical and operational dilemmas. Furthermore, they aren't subject to the same level of scrutiny and transparency as fully public entities, which mighty cause concerns around accountability. • To mitigate these risks, a robust governance structure would need to be put in place – including transparent financial reporting, ethical operations and regular evaluations to ensure quality control and bolster stakeholder trust
4	**Making use of more than one funding window has been beneficial in international case studies**	• The Canadian and EU just transition financing models consist of more than one funding windows. • It has been proposed that a Just Transition Fund makes use of two funding windows, namely: Grant funding window and a blended finance window. This allows critical projects, that do not have an adequate business case, access to grant funding, while other designated high priority projects have access to blended finance, that is structured based on the risk-profile of the initiative.

Contents

Overview and background

The Jobs Fund is a South African government initiative that seeks to address unemployment. It makes use of a challenge fund model in providing co-financing to projects that address labour supply and demand barriers through job creation models that are sustainable, scalable and replicable.

Fund overview

Sector: Employment

Established: 2011

Primary aim: The Jobs Fund aims to operate as a catalyst for innovation and investment in activities which directly contribute to sustainable job creation initiatives and long-term employment opportunities.

Priority areas:

- Enterprise development
- Infrastructure investment
- Support for work seekers
- Institutional capacity

Fund size: ZAR 9 billion

Background

- The Jobs Fund was launched by National Treasury in 2011 to **address the challenge of unemployment** in South Africa. The goal is to **support initiatives** that provide **sustainable and scalable job creation** across a range of sectors and lay the **foundation for improved employment prospects**. Government allocated R9 billion to the Fund to deliver on this mandate.
- The Fund addresses **institutional barriers**, as well as **labour supply and demand barriers** via the provision of funds through **four windows**, namely: (i) enterprise development, (ii) infrastructure investment, (iii) support for work seekers, and (iv) institutional capacity.
- **A challenge fund model** is used to select and disburse co-financing to eligible public, private and non-governmental organisations.
- After **10 funding rounds**, the Fund had supported **163 projects** which have facilitated **more than 310 000 jobs, placements and internships**. The 11th call for proposals is in progress.

Sources: (i) The Jobs Fund Website (http://www.jobsfund.org.za/Default.aspx)

The overarching goals and objectives

The Fund does not seek to address long-term structural causes of unemployment, but rather aims to support short-to-medium term job creation while laying the foundation for longer term employment. This is achieved by selecting projects whose goals align with the impact criteria and objectives of the Fund.

Goals of the Jobs Fund

Through providing co-financing to public, private, NGO and NPO initiatives, the Jobs Fund seeks to **lay foundations for longer term employment** by:

1. **Supporting job creation** in the short-to-medium term
2. **Identifying job creation models** that are **scalable, replicable, and sustainable**

The overarching objectives

- **Test innovative solutions** for job creation through interventions in both the demand and supply side of the labour market
- **Share risk** through the requirement that government funds are **matched** with **private sector investment**
- **Encourage** the **adoption, replication and scaling** of job creation models used by successful organisations
- **Promote** further **collaboration and investment** from private sector organisations and NPOs in the medium- and long-term

Application criteria

Applications are **initially considered** based on their ability to meet the **prescribed funding and eligibility criteria**. Eligible projects are then assessed on their **contribution to achieving the set of impact criteria**. The **competitiveness** of each project application is a key consideration. The impact criteria relate to the project's ability to:

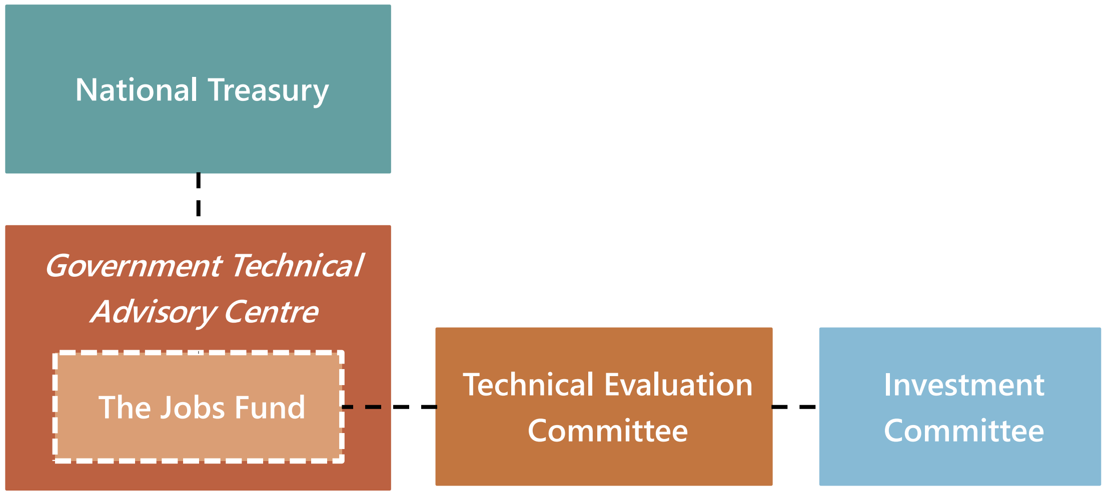
- Have significant **social impact** measured by ability to **create jobs**, **support businesses and stimulate entrepreneurship**
- **Provide additionality**, i.e., would not have otherwise taken place without the Jobs Fund's support
- Show **evidence** of achieving **sustainability beyond the two-year funding term**
- **Provide sufficient matched funding** and offer value for money
- Show **innovation in their approach** to job creation
- **Be scaled and replicated**
- Contribute to **systemic change**
- **Demonstrate the capacity** required for implementation

Source: i) The Jobs Fund (2023), *Siyasebenza: December 2023 Newsletter*, (ii) The Jobs Fund (2023), *Request for Applications Funding Round 11*

Governance structure

The Fund is an investment portfolio that is housed in, and managed by, National Treasury's GTAC. Its status as a public institution requires that it comply with the PFMA. Eligible projects with high impact potential are selected by an independent investment committee that supports the Jobs Fund.

Governance Structure



National Treasury allocated public funds to the Jobs Fund and oversees the Government Technical Advisory Centre (GTAC).

Government Technical Advisory Centre (GTAC) is the Technical Advisory function of the National Treasury and is the government department in which the Fund is housed and managed.

The Technical Evaluation Committee consists of managers from the Jobs Fund as well as other technical experts who may advise on specific projects. The committee assesses all proposals based on defined criteria and makes recommendations to the Investment Committee on which initiatives the Fund should support.

The Investment Committee has executive power and is responsible for final selection and approval of eligible projects. The committee is independent from the management of the Fund.

Legal Structure

- The Jobs Fund is a project management unit that is situated in, and **administered by, the Government Technical Advisory Centre** on behalf of the National Treasury.
- As a body within a public institution, the Fund is required to comply with the **Public Finance Management Act (PFMA).** This necessitates **thorough due diligence** processes, and projects may be required to provide supplementary reports, updated company resolutions and additional information on an ad hoc basis.

Source: The Jobs Fund Website (http://www.jobsfund.org.za/) , (ii) The Jobs Fund (2023), *Jobs Fund 11th Funding Round Frequently Asked Questions and Answers*, (iii) GTAC website, (https://www.gtac.gov.za/about-us/)

Funding windows

The Fund allocates grants to projects that reduce barriers to labour demand and supply and encourage job creation. It funds these projects through one of four windows, namely: (i) enterprise development, (ii) infrastructure, (iii) support for work seekers and (iv) institutional capacity building.

Funding windows

1) Enterprise development	2) Infrastructure[1]	3) Support for work seekers	4) Institutional capacity building
• Initiatives that develop commercial approaches to long-term job creation, by improving market access, broadening supply chains and/or reducing risk. • The goal is to identify new and innovative business models, products and markets.	• Infrastructure projects may be financed in the case that the provision of infrastructure will create an enabling environment for the creation jobs.	• Initiatives should seek to improve the quality of labour supply through the provision of training and entrepreneurial development. Active work seekers, particularly youth, should then be linked to formal employment opportunities and job placement.	• Projects that improve efficiency of business operations through the removal of barriers and promotion of innovation. • This seeks to address institutional weaknesses that constrain the demand for labour.
Examples			
110 projects contracted *(65% of total grant funds)*	**10 projects contracted** *(12% of total grant funds)*	**37 projects contracts** *(20% of total grant funds)*	**6 projects contracted** *(3% of total grant funds)*

Note: 1) Infrastructure projects should have a clear link to enterprise development, support for work seekers or intuitional capacity building. As such, applications for infrastructure should be made under the relevant funding window.

Source: The Jobs Fund Website (http://www.jobsfund.org.za/); (ii) The Jobs Fund (2023), *Request for Applications Funding Round 11*

The challenge fund model

The Jobs Fund elected to employ a challenge fund model. This model is used internationally and has been recognised as an effective financing mechanism to leverage additional funds and participation, as well as to identify and select the best value-for-money projects.

Background

- The concept of challenge funds was first used in the 1990s by the UK Department for International Development (DfID) as an **alternative mechanism for providing development assistance**.
- The model was designed to **aid in attracting and leveraging private sector investment** and expertise to assist government in **solving social and developmental challenges.**
- Since the 1990s, challenge funds have been accepted internationally as an **effective means** of disbursing donor money across a variety of contexts and sectors.

Applicability to the Jobs Fund

The challenge fund model was identified as an **appropriate mechanism for the Jobs Fund** as a central function of the model is to use **finite interventions** to stimulate **long-term change** in the way that supply chains and markets work to overcome existing barriers.

The challenge fund model

Challenge funds are based on four core principles

Co-investment
Project partners are required to provide match funding. This crowds in support and encourages participation from the private sector.

Competition
Applications compete against one another based on transparent and predefined criteria. Approval processes are often via independent, expert committees.

Transparency
The funding eligibility criteria, and application and assessment processes are clear and are open to all public, private and civil society organisations.

Collaboration
The matched funding principle unites public and private sectors, and civil society towards achieving their goals, while also distributing risk and accountability.

These principles facilitate and enable:

- The identification of the most cost-effective solutions offered by the market;
- Active engagement with market players;
- The solving of complex developmental problems by encouraging investment in innovation and allowing the market to develop the solutions; and
- Collaboration with private sector to scale interventions at a given level of government expenditure.

Source: (i) The Jobs Fund (2021), *Challenge Funding - A Tool for Positive Social Impact: Catalysing Investment and Innovation,* (ii) The Jobs Fund Website (http://www.jobsfund.org.za/Default.aspx)

The challenge fund model in operation within the Jobs Fund

The challenge fund model has been used within the Jobs Fund to good effect with public, private and third sector organisations being supported to drive job creation initiatives. Given funding realities, NPOs and NGOs were not required to raise match funding at the same ratio as their public and private counterparts.

Flow of funds

1 NT provided a once-off injection of R9bn to capitalise the Fund.

2 The Fund disburses money to eligible projects (selected by the investment committee) contingent on the organisation having raised the required match funding. Match funding can be raised by project partners themselves or can be received from a third-party investor.

3 Jobs Fund grant and matched funds flow to selected job creation projects.

Applications require:
*A **minimum** grant **of R5 million,** and a minimum match funding **ratio of 1:1 for private and public sector and 1:0.5 for NPOs and NGOs.**[1]*

National Treasury
Once off injection of R 9 billion

Jobs Fund
Disbursed R6.7bn thus far

Non-governmental organisations

Other funders provide matched funds
R13.6bn match funding raised

Private / public sector organisations

*The initiative must be **fully implemented** within **two years**, including having reached **the impact and job creation targets**.[2]*

Job creation initiatives
R20.3 bn total portfolio

*Seed funding is distributed, but subsequent disbursements are **paid quarterly** based on the project meeting the **required performance threshold** of 80%, **submitting evidence** in quarterly reports, and meeting other relevant **quarterly disbursement conditions**.*

Notes: 1) The Jobs Fund will consider funding project administration costs and other expenditure that contributes to building the capacity at applicant or grant recipient level, 2) In the past, projects had 3-5 years to implement and a further 2 years of monitoring.

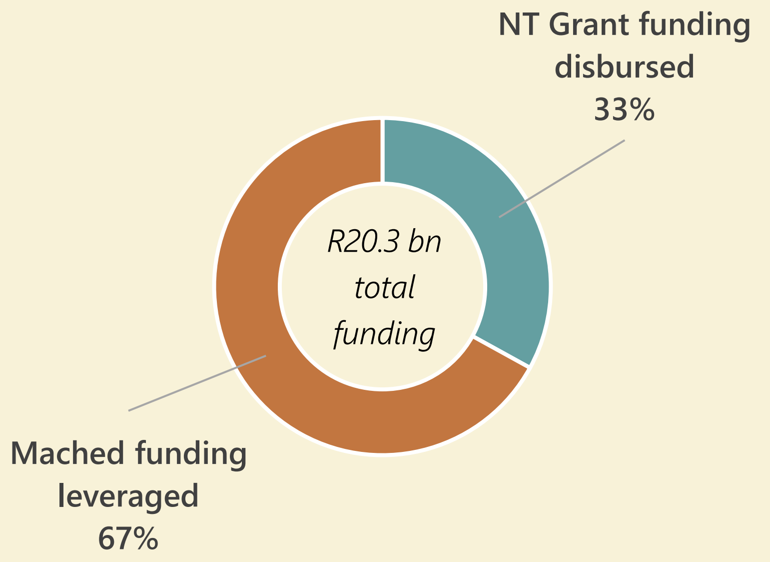
Source: (i) The Jobs Fund Website (http://www.jobsfund.org.za/Default.aspx); (ii) The Jobs Fund (2023), *Jobs Fund 11th Funding Round Frequently Asked Questions and Answers*, (iii) The Jobs Fund (2023), *Siyasebenza: December 2023 Newsletter*

Performance of the Fund thus far

The R6,7 billion National Treasury grant funding disbursed to date has successfully leveraged an additional R13,6 billion in match funding. This has supported 163 projects across the four funding windows which have facilitated 310 093 jobs, placements and internships.

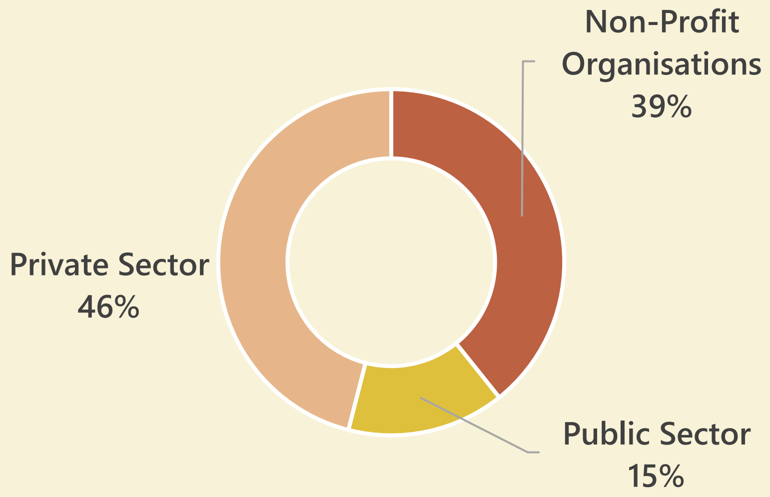
Funds raised

- The Fund has a achieved a 1:2.03 matching ratio with R6.7 billion in grant funding from National Treasury being used to leverage an additional R13.6 billion from partners.[1]



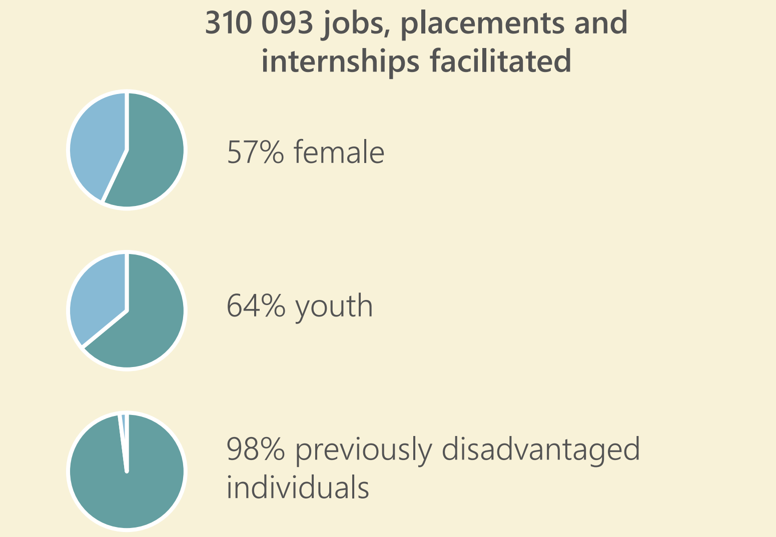
Projects supported

- The Fund has supported 163 projects across the 10 calls for proposals.
- This includes 75 projects in partnership with private sector, 64 with non-profit organisations, and 24 projects in collaboration with the public sector.



Jobs created

- The Fund surpassed its target of stimulating 150 000 permanent jobs.
- As of December 2023, 310 093 jobs, placements, and internships had been facilitated by the Fund.
- Additional returns have been stimulated to the fiscus in the form of VAT and PAYE.



Notes: 1) In theory, the Jobs Fund should have achieved a maximum of a 1:1 matching ratio given its stipulated matching requirements. However, several projects exceeded this matching requirement. This was particularly true for projects that used disbursements from the Fund to offer a first loss capital guarantees. An example of this is the Ashburton Credit Enhancement Fund that achieved a 1:10 matching ratio due to the first loss guarantee attracting additional investment.

Source: (i) The Jobs Fund (2023), *Siyasebenza: December 2023 Newsletter*

Challenges faced

The Fund has faced challenges in distributing the allocated funds timeously and on a sufficiently wide scale. These challenges can be partially attributed to the strict nature of the Fund's application and evaluation procedures. These have, at times, been criticised for being excessively bureaucratic.

Key challenges faced	
1 **Longer than planned disbursement timeframe**	• The Fund was **unable to disburse the allocated public money** in the three-year **timeframe** that was **initially envisioned. Revised forecasts** continue to **underestimate** the timeframe required to **disburse the funds.** The **8th round of funding** was **intended to be the last**, however in FY2018/19 the Fund expenditure was only **71% of the projection**. This was partly due to **economic slowdown and drought**, which impacted project viability and implementation, particularly in relation to projects in the agriculture sector. • The Fund has also been criticised for being overly bureaucratic in its procedures. The **Fund's disbursement** of grants takes place quarterly and is **based on projects reaching the required performance threshold, submitting evidence of job creation and effective use of funds, and the projects meeting the quarterly disbursement conditions**. This requires **rigorous review processes by the Fund** to determine the accuracy of the information as well as whether subsequent quarter projections are reasonable and feasible. Although effective in assuring **value-for-money in the use of funds**, the bureaucratic processes and stringent criteria have resulted in a **significant efficiency trade-off**.
2 **Not widely accessed**	• Although the Fund has been successful in fulfilling its mandate, there have been criticisms that the Fund has **been somewhat exclusionary** due to its **strict eligibility criteria**, and **onerous application and M&E processes**. This has **limited the accessibility** of the Fund as many potential implementing partners do **not have the capacity and capabilities** to meet the requirements. • **Limited capacity in rural areas has also** meant that projects in **underserved provinces have not been able to access funding from the Jobs Fund.** This has been particularly true for the Northern Cape and Free State. • Throughout its lifetime, the Fund has endeavoured to **make the grants more accessible**. The Fund has run a **pre-funding round roadshow** in every province with government departments and development stakeholders to **inform potential grantees** what the new funding round is about, the history of previous rounds, and what the Fund is seeking in applicants. The Fund then **makes a team available** to help **streamline and target projects** that wish to apply.

Source: (i) Jobs Fund National Treasury Briefing (2019). , (ii) Interview with Andrew Donaldson, Deputy Chairperson of the Jobs Fund (4 March 2024)

Key learnings (1/2)

The Jobs Fund provides several valuable lessons that could apply to the case of future catalytic funds.

Learnings		
	Learning	**Description**
1	**Challenge funds can be an effective means of raising and distributing additional funding**	The challenge fund model has been used effectively by the Jobs Fund to attract and select value-for-money projects through its competitive application process, while also crowding in additional funds for job creation through the match funding mechanism. However, like match funding, the model is best suited to fixed-term intervention funding.
2	**Emphasis on sustainability is important in fixed term support**	Given the fixed-term nature of support, selecting projects that are more likely to operate sustainably post-funding or catalyse permanent impact on employment has been a key feature of the Fund.
3	**Fund disbursement has taken significantly longer than initially anticipated**	When the Fund was established in 2011, it was envisaged that all funds would be matched and disbursed within a three-year period. The key reasons for its significantly extended disbursement timeline relate to: i. The economic and environmental conditions constraining the viability of projects. ii. The strict application and review criteria and processes. iii. A lack of capacity among rural organisations and institutions to meet the stipulated application thresholds and access funds.
4	**In a low public-private trust context, the Fund has maintained trust and credibility**	The Fund's ability to maintain its trust and credibility may largely be attributed to: i. The rigorous application and M&E processes required by implementing partners. However, this has come at a cost with the Fund being regarded as somewhat exclusionary. ii. Its positioning within National Treasury. While other catalytic funds in South Africa have sought to position themselves 'outside' of government, the Jobs Fund has not. Over the period of state capture, it appears to have maintained its integrity and credibility. This is arguably due to its positioning within a government department that possesses a relatively high degree of independence and public trust.

Key learnings (2/2)

The Jobs Fund provides several valuable lessons that could apply to the case of future catalytic funds.

Learnings		
Learning		Description
5	**The Fund leans on expert advice**	Like many of the other catalytic funds profiled, the Jobs Fund seeks input from experts to support its decision making. This is illustrated in its use of technical experts alongside Fund managers in the technical evaluation committee and in the investment committee.
6	**It put the challenge for new solutions to the problem to the partners**	The Fund is clear in its objective of sustainable employment creation but is not prescriptive in the modalities to be employed by grantees / partners. This approach can encourage innovative solutions to emerge from the many organisations that possess a thorough understanding of on-the-ground realities.

Contents

Overview and background

The Global Partnership for Education (GPE) is a partnership platform and pooled fund that focuses on transforming education systems in lower-income countries. Its aim is to provide citizens of partner countries with universal access to at least one year of pre-school education and 12 years of schooling.

Overview

Established: 2002

Sector: Education

Mission: To mobilise partnerships and investments that transform education systems in developing countries, leaving no one behind.

Goal: To accelerate access, learning outcomes and gender equality through equitable, inclusive and resilient education systems fit for the 21st century.

Priority areas:

1. Access to education
2. Early learning
3. Equity, efficiency and volume of domestic financing
4. Gender equality
5. Inclusion
6. Learning
7. Quality teaching
8. Strong organisational capacity

Background

- The GPE originated as the **Education for All - Fast Track Initiative (EFA-FTI)** and was launched in 2002 during the World Education Forum in Dakar, Senegal.
- **Spearheaded by the World Bank,** it was established to **mobilise resources for education** and to provide **technical and financial assistance to developing countries** committed to achieving **universal access to primary education.**
- In line with its **rebranding as the GPE in 2011**, the organisation's mandate broadened to include the **entire education continuum**. It also placed greater focus on **education quality** and **expanding collaborations and funding** by positioning itself as a **global body** that could **raise capital from a wider range of stakeholders.**
- The GPE is now a **global partnership platform**, with an **associated pooled fund**, that supports nearly **90 partner countries** to **develop and implement** their **education strategies.**
- It has become **the world's largest partnership platform and fund that focuses** exclusively on **transforming education systems** in lower-income countries.

Sources: (i) GPE website (https://www.globalpartnership.org/); (ii) GPE (2023), *GPE Factsheet*; (iii) GPE (2022), *Strategic Plan 2025.*

Theory of change

The GPE's aim is to tackle the challenge of low levels of access to quality education, and related issues of insufficient funding, as well as high fragmentation in donor programming. It does this by fostering global and country-level partnerships to mobilise greater funding and strengthen education systems.

Key challenges

1. **Low levels** of **access** to, and **completion** of, **quality education** especially for children in **marginalised and vulnerable communities.**
2. **Insufficient financial resources** for education programmes in low-income countries.
3. **High fragmentation and duplication** in international development partner / donor programming. High **'transaction costs' incurred by governments** working with multiple donor partners.

Theory of change

GPE Global/Cross-National Level Outputs

Mobilise **more and better aligned donor financing.**

Build **stronger partnerships.**

GPE Country-Level Outputs

Strengthen **education sector planning and policy** implementation.

Support **mutual accountability** through effective and **inclusive sector policy dialogue and monitoring.**

GPE financing efficiently and effectively supports the **implementation of sector plans** focused on improving access, quality, equity, efficient delivery and learning.

Intermediate Outcome

Effective and efficient education systems delivering equitable, quality educational services **for all.**

Impact

Improved and more equitable student learning outcomes through quality teaching and learning.

Increased **equity, gender equality and inclusion** for all in a full cycle of quality education, **targeting the most marginalised.**

Sources: (i) GPE website (https://www.globalpartnership.org/); (ii) GPE (2017), *Theory of Change 2020.*

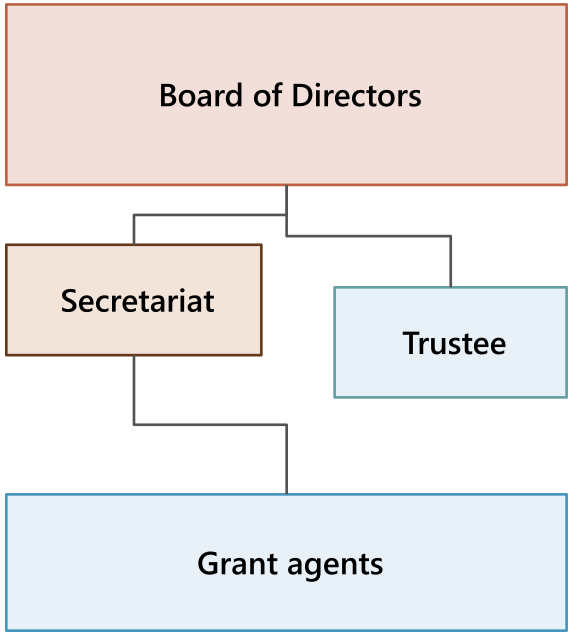
Partnership and fund governance at the global level

At the global level, GPE's governance closely mirrors its funding sources – with representation from donor countries, international development organisations (e.g., World Bank, UNICEF, UNESCO), philanthropic foundations, private sector corporations and businesses, and developing country partners themselves.

The GPE Fund

Contributions from donors are made into **the GPE 'Trust Fund' from** which the activities of the organisation are supported. These are generally country-level programmes and other enabling initiatives at the global and regional level.

Fund governance structure



Board of Directors. Set the **partnership's policies and strategies** and oversees the work of the Secretariat. **Comprised of 40 members representing all constituencies:** 12 from developing partner countries (divided on a geographical basis); 12 from donor countries; 6 from multilateral agencies and regional banks; 6 from CSOs (incl. teachers); 4 members from private sector and foundations. The Board is made up of **several standing committees** to deal with elements of GPE's strategy, policies and operations.

Secretariat. Provides operational and administrative support to the partnership and facilitates collaboration with all partners. Comprised of a team of professional and administrative staff employed by the World Bank.

Trustee. Oversees and administers the Trust Fund. The International Bank for Reconstruction and Development (IBRD) is the Trustee.

Grant agents. Oversee the application for, and disbursement and management of, GPE funds allocated to partner countries, ensuring that funds are used effectively for the implementation of education programmes. Grant agents can be international organisations (e.g., the World Bank itself)[1], development agencies or other entities with the required capabilities. Developing country partner governments play a role in selecting the grant agent. This process usually begins with the government issuing an EOI.

Notes: The World Bank is the grant agent for around 70% of the GPE's grants.

Sources: (i) GPE (2023), *GPE Fund Governance Document*; (ii) GPE website (https://www.globalpartnership.org/).

Partnership at the country level: Governance

At the country level, the GPE helps to establish multi-stakeholder collaboration and coordination forums called Local Education Groups (LEGs). These generally comprise representatives from the developing country government as well as local and international development community partners.

Key stakeholders and roles

Government representatives

The Ministry of Education **chairs or co-chairs** the LEG and provides **leadership and oversight** for the development and implementation of **education sector plans (ESPs).** Other relevant ministries or agencies often participate in the LEG.

Coordinating agency

Supports the government by **facilitating the functioning of the LEG** and effective policy dialogue, promoting communication among stakeholders, and aligning activities with national education priorities. It plays an especially important role in the **development of the partnership compact.**

Civil Society Organisations (CSOs)

CSOs, including NGOs, advocacy groups, and community-based organisations, contribute to the LEGs by **representing community interests** and providing **input based on realities on-the-ground.**

Teacher organisations

Represent the interests of teachers in the LEGs and provide input on topic such as teacher training, professional development, and curriculum development.

Development partners and donors (international organisations and private sector)

Collaborate in the LEG to **align their support with national education priorities**. They also provide **financial assistance, technical expertise** and other resources to **support ESP implementation**.

Grant agent

In addition to fund disbursement and financial management, grant agents conduct **the monitoring and reporting on funds** and act as a link to GPE at the global level.

Sources: (i) GPE (2019), *Principles Toward Effective Local Education Groups*; (ii) GPE website (https://www.globalpartnership.org/).

Partnership at the country level: LEG functions

LEGs have four main functions. The most important of these is the formation of a partnership compact and a jointly-developed, country-owned education sector plan (ESP). Related to this, LEGs also seek to raise financing, reduce fragmentation in funding and programming, and foster mutual accountability.

Functions of the LEGs and their policy dialogue

Supporting **partnership compact** and **sector plan development**, implementation and monitoring	This is the **primary function** of the LEGs and aligns with the **GPE's approach to system transformation.** It is implemented in **three steps:** **Step 1: Assess & diagnose.** The LEG identifies bottlenecks and reforms that can drive system change. An Independent Technical Advisory Panel (ITAP)[1] adds input. **Step 2: Prioritise & align.** The Ministry of Education and LEG prepare a partnership compact and ESP to align partners and resource behind a common reform agenda. **Step 3: Act, learn & adapt.** The country and partners implement the programmes, with emphasis on improved results tracking to support accountability and course correction.
Addressing **financing and resource use**	This function involves the LEG and its partners advising the MoE on **effective financial planning and monitoring,** identifying **improved strategic uses** of domestic and international financing, and **exploring additional sources and avenues of financing.**
Promoting **harmonisation and alignment**	This generally centres on facilitating discussion on how **various partner plans and investments** can **contribute to the single county-led plan** and **exploring and leveraging complementarity** and the **potential for joint programming.**
Fostering **mutual accountability**	**Mutual accountability** is intended to be at the **heart of the LEG.**[2] A means through which this is promoted is **joint performance measurement and monitoring via joint sector reviews** which enable reflection on respective commitments and responsibilities.

Principles for effective LEGs

LEGs are not **without their challenges**. The GPE has found that **several principles** can help address the challenges and **support effective function delivery.**

Organisational principles

- The mandate, functions and objectives are clear and agreed.
- The partnership framework generates inclusion and engagement.
- There is a clear governance structure for sector coordination.
- Working arrangements are flexible, 'fit-for-purpose' and well-communicated.
- Regular monitoring contributes to learning and improved performance.

Collaborative principles

- Leadership and ownership are demonstrated in practice.
- Key actors contribute to healthy partnership dynamics.

The presence of **strong government leadership, strong LEG governance** and **mutual accountability** seem to be most **closely associated with LEG effectiveness.**

Notes: 1. The ITAP is a global pool of education experts on which the GPE and LEG draws. For each country, four experts are contracted to provide an independent assessment of a country's status. 2. A GPE Accountability Matrix has been created and can be used to outline the partners' duties, specify their responsibilities, accountability, and to whom they are answerable, both as partners and in relation to GPE grants.

Sources: (i) GPE (2019), *Principles Toward Effective Local Education Groups*; (ii) GPE (2023), *GPE 2022–2026 Study: Country-Level and Thematic Evaluation - Final Inception Report*; (iii) GPE website (https://www.globalpartnership.org/); (iv) GPE (2020), *Accountability Matrix*.

Fundraising and disbursement

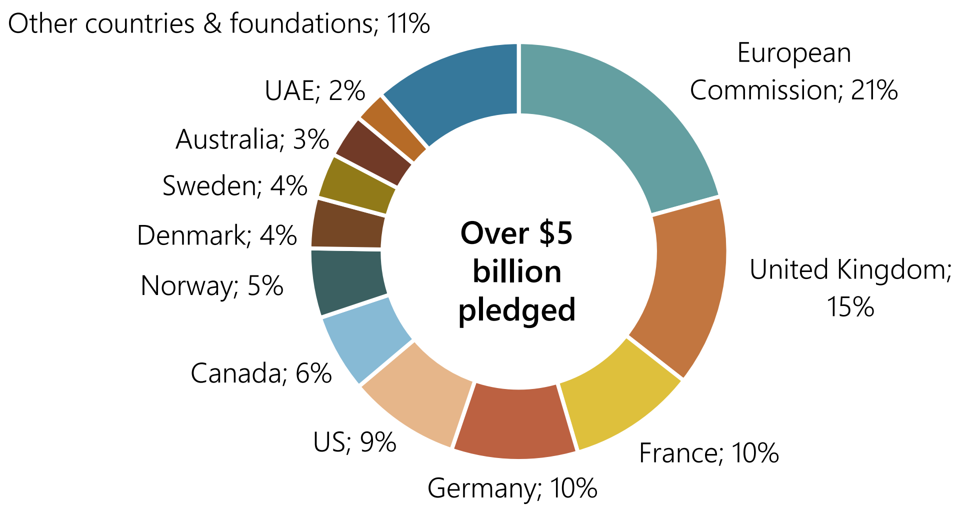
At the global level, the GPE's approach to fundraising from donor countries is based on a replenishment model. The funds are mostly disbursed to developing country partners as grants; they are however, also used to crowd-in additional country-level investment through innovative finance instruments.

Global fundraising

Replenishment model

- The GPE primarily raises its funding at the global level through **periodic pledging conferences** referred to "**replenishment conferences**." Conducted every three to four years, these are gatherings where **donor countries** and **other partners** pledge **multi-year financial commitments** to the Fund.
- **Fundraising targets** for each replenishment cycle are based on the **GPE's strategic plan** and the estimated funding requirements to meet its goals.

Donor contributions 2021-2025



Disbursement

Implementation grants

- Developing country partners apply for and receive system capacity and system transformation grants to assist them in executing on their ESPs.
- A portion of GPE grants are made on a **results-based financing basis** to help drive performance. Grant funds are allocated in tranches with successive tranche payments contingent on achieving results in line with the strategies in the ESPs[1].

Mobilising additional funding

- At the country level, the GPE uses its capital, and the structures it supports, to mobilise additional funding and resources for the education sector.
- Of particular importance to the GPE is "**leveraging more and better domestic financing as the most significant and sustainable form of education funding**." The GPE approach to this centres on:
  1. Evidence-based budget advocacy
  2. Incentivising additional contributions through **innovative finance instruments such as the GPE Multiplier and Debt2Ed.**
     - Between 2018 and 2022, over $480 million was allocated to GPE Multiplier grants. This helped unlock more than $2 billion in co-financing from additional partners.

Notes: 1. Results-based funding is an approach where a funder makes payments to an agent conditional on achieving pre-defined results. Results are defined in advance and funding is only released upon the achievement of these results that are verified independently and funding is only released upon the achievement of these results that are verified independently (OECD)

Sources: (i) GPE website (https://www.globalpartnership.org/); (ii) GPE (2022), *Strategic Plan 2025*.; (iii) GPE (2022), *GPE Multiplier Factsheet*.

Disbursement: Innovative finance instruments

Two of the GPE's most prominent innovative finance instruments are the GPE Multiplier and Debt2Ed. The GPE Multiplier functions as a matching mechanism of varying multiples depending on the source of funds, while Debt2Ed exchanges debt for education investments either through debt swaps or loan buy-downs.

GPE Multiplier

Purpose

To maximise the impact of GPE funds by **encouraging developing country partners to secure co-financing** from additional donors for education.

How it works

- Eligible developing country partners work with potential donors to raise additional external funding and apply for a Multiplier grant.
- Each $1 from the GPE multiplier can be mobilised by:
  - $3 or more in: (i) multilateral development bank grants and loans, (ii) bilateral donor grants and loans, or (iii) non-traditional instruments.
  - $1 or more from the business community or foundations – now known as the GPE Match mechanism. Contributions from this source can be in-kind as well as financial, with the former requiring valuation and final approval from the GPE.
- The funds can be used as a conventional grant or to reduce the interest rate on concessional lending from multilateral development banks or other donors.

Debt2Ed

Purpose

To increase the amount of education funding in partner countries by **transforming debt into investments in education**.

How it works

- Converts partner country debt service repayments into investments in education either through a debt swap or a loan buy-down, with both transactions involving the relevant creditor entering into an agreement with the country.
  - In the debt swap arrangement, the lender agrees to decrease the payments for debt service on an existing loan. The recipient country pledges to allocate the "saved funds" to its education sector.
  - In the loan buy-down arrangement, either the lender or a third party covers the interest and/or principal payments for a loan on behalf of the recipient country. The recipient country then directs the equivalent funds toward its education sector.[1] Both the debt swap and loan buy-down agreements immediately unlock additional funding from the GPE Multiplier.

Notes: 1. With a GPE supported loan buy-down, the arrangement may be contingent on jointly agreed goals e.g., improving education access or implementing policy reforms.

Sources: (i) GPE (2022), *GPE Multiplier Factsheet*; (ii) GPE (2021), *GPE Match Factsheet*; (iii) GPE (2023), *Debt2Ed Factsheet*.

Technical assistance and other key enablers

To support partner countries in implementing their programmes and strengthening their education systems, the GPE provides various forms of technical assistance. Other key enablers in GPE's approach include support for advocacy, and knowledge and innovation sharing through sub-funds.

Technical assistance initiatives

Current Initiatives

Monitoring, Evaluation & Learning (MEL)

Objective: To support country capacity to generate, learn from and use evidence by strengthening data systems and supporting MEL of country programmes.

Implementing partner: Social Impact

Education Data Leadership Programme

Objective: To use business knowledge to help education ministries improve their ability to gather, organize, store, and share education data (via country EMIS functions).

Implementing partners: Cisco, Microsoft

Climate Smart Education Systems

Objective: To help countries include climate change adaptation and environmental sustainability in their education plans, budgets, and strategies

Implementing partners: Save the Children and UNESCO

Under Development

School Nutrition Technical Assistance Facility

Objective: To improve countries' ability to create more sustainable and gender-inclusive nationally-owned school meal programmes.

Implementing partners: School Meals Coalition and World Food Programme

Technology for Education

Objective: To enhance the ability of partner nations to use technology for increasing children's access to education and improving learning results.

Implementing partners: TBD

Other key enablers

Advocacy & social accountability support

Objective: To strengthen civil society organisations to mobilise citizens and affect policy change in the education sector.

How it works: Through a dedicated fund, Education Out Loud, grants are made to CSOs to promote greater inclusivity for marginalised and local groups and to enhance their capabilities and strategic influence in policy processes. Funding is also used to improve CSO data gathering processes to enhance their monitoring of government commitments.

Implementing partner: Oxfam Denmark (fund manager)

Knowledge sharing and innovation

Objective: To help countries identify and close knowledge gaps, strengthen their ability to use knowledge, and scale innovations.

How it works: Through a dedicated fund, Knowledge Innovation Exchange (KIX), KIX Regional Hubs provide space for countries to share knowledge, innovation and good practices. KIX also funds applied research in partner countries through grants.

Implementing and financing partner: International Development Research Centre (IDRC).

Sources: (i) GPE website (https://www.globalpartnership.org/); (ii) Education Out Loud Website (https://educationoutloud.org/); (iii) Knowledge Innovation Exchange (KIX) Website (https://www.globalpartnership.org/what-we-do/knowledge-innovation); (iv) Knowledge Innovation Exchange (KIX) Factsheet.

M&E within the GPE

The GPE invests significant resources in M&E, commissioning a variety of evaluations from its global office. At the country level, the organisation proposes the execution of joint sector reviews, led by the developing country partner through the local education group.

	Monitoring	Evaluation
Globally-led (Secretariat)	• **Strong emphasis** is placed on **data collection, dissemination and use** throughout the GPE. • GPE's global and grant-level monitoring is based on its results framework which is aligned to the GPE strategy. • Results are **compiled and shared via annual reports** which seek to provide a snapshot of **GPE's achievements** and **areas for improvement**, and to **support the Board** and its **standing committees' decision making.** • GPE reports back to donors in a **pooled manner.**	GPE **commissions regular independent evaluations** in line with a **five-year evaluation programme**. This includes: 1. Country-level evaluations (sample-based), 2. Thematic evaluations of GPE priority areas, 3. Process and programmatic evaluations and reviews (e.g., of the Multiplier, KIX and Education Out Loud, 4. Systematic reviews (e.g., of GPE impact on teaching quality), and 5. A final strategic evaluation incorporating the above.

Country-led

- Although not part of GPE's corporate M&E strategy, **Joint Sector Reviews (JSRs),** led by the developing country partner government through the LEG, are the **proposed model** for **country-level monitoring and improvement** of **education sector plan implementation.**
- They should be **comprehensive assessments of the education sector**, involve a wide range of stakeholders, be data and evidence-based, align with existing country planning and monitoring systems and routines, and provide **valuable feedback on what is working** and **what requires improvement regarding the ESP and the LEG itself.**
- The **effective implementation of JSRs** are intended to be **a key means** through which **mutual accountability for plan implementation is supported** within the LEGs.

Transparency

The GPE **discloses information** about its **funding sources, allocations, and results on its website** which helps to provide stakeholders, including donors and the public, with **visibility into how funds are used**.

Source: (i) GPE website (https://www.globalpartnership.org/); (ii) MDF (2020), *Independent Summative Evaluation of the Global Partnership for Education 2020: Final Report*.

Common country-level challenges

The GPE has faced several challenges in driving education system transformation within its partner developing countries. The most common are (i) a failure to effectively execute well-designed sector plans, (ii) insufficient engagement of key stakeholders in policy discussions, and (iii) bureaucratic funding processes.

Common country-level challenges	
1. Execution of sector plans	The GPE has been **increasingly effective** in creating **more inclusive policy development processes** which have **improved the quality of ESPs**. However, **ESP implementation and monitoring** towards more efficient education systems **remains a challenge in many countries**. The reasons for this relate to the fact that: i. Achieving the **broad sector-wide goals** of the GPE **are contingent on many factors** outside the GPE's control (e.g., technical capacity in government); **ii.** **LEG effectiveness varies** across countries – LEGs have generally been **more successful in enabling dialogue around the development of ESPs** than in **influencing implementation** and on-going **strategic decision making**, and iii. There is a **lack of clarity in responsibilities** and the level of effort required **for undertaking joint sector reviews**.[1] An evaluation of GPE's approach found that supporting the **implementation of an ESP is possibly too ambitious** an exercise and that the organisation needed to be **more targeted in its support**. It therefore recently shifted its model to rather **fund priority reforms** (usually contained in the ESP) but **emerging from an additional 'enabling factor analysis'.**
2. Stakeholder participation	Stakeholder participation is an area in which most LEGs have improved. However, they still face challenges in **securing active rather than token representation** from **certain groups such as CSOs**. The reasons for this centre on **CSOs not having sufficient financial resources** (e.g., for travel) **to participate**. Such organisations have been reported to be **valuable contributors** to LEGs given their **on-the-ground experience** and their absence **is felt in the quality of the dialogue**. Private education providers are also reported to be largely absent from LEG structures and participation.
3. Slow grant-making processes	The GPE's grant allocation process from the initial decision on the maximum country allocation (MCA) for a country to first disbursement takes on average **more than 40 months**. This can **strain the level of commitment and ownership** in partner countries. The main reasons for this include: i. The **limited capacity** of many developing country governments to **undertake the technical exercises** of analysing their education sectors and developing sound plans and priority reform lists. In addition, the plans need to be **agreed by many senior stakeholders** representing different constituencies. As such, it is also a **time-consuming political exercise**; and ii. The **level of rigour** in the applications and reviews; and

Notes: 1. According to the GPE's 2019 Results Report, only 26 out of 61 countries undertook a JSR. This increased to 28 in 2020.

Source: (i) MDF (2020), *Independent Summative Evaluation of the Global Partnership for Education 2020: Final Report*. (ii) Interview with Florian Rabenstein, Education Specialist at GPE, (2 February 2024).

Key learnings (1/2)

There are several insights from the experience of the GPE partnership platform and fund that could be useful in the design of future catalytic funds for South Africa.

Relevant key learnings		
	Learning	**Description**
1	**LEGs are critical to the GPE's ability to achieve its country-level objectives**	The country level multi-stakeholder collaboration and coordination forums (LEGs) are the mechanism by which the GPE has managed to align multiple stakeholders behind common education system goals. The shared strategic intent and related responsibilities are articulated in a partnership compact and education sector plan. These LEGs are also used to advise the government on various elements that can drive improvements in education systems e.g., more strategic use of funds.
2	**LEG effectiveness is strongly correlated with only a few factors**	LEG effectiveness varies significantly across countries but the most successful generally possess strong government leadership, LEG governance and mutual accountability.
3	**Catalytic finance instruments can be effective in crowding in funding**	The GPE uses its funds to leverage additional resources at the country level. This is done through catalytic finance instruments. The GPE multiplier appears to be an effective instrument in encouraging developing partner countries to crowd-in additional funding from other donors.
4	**For systemic change, there is a need to provide additional assistance**	The GPE's in-country programmes go beyond the funding of country-led education ESPs. The additional provision of enabling systemic initiatives relating to technical assistance, support for advocacy and social accountability, and knowledge and innovation sharing among partner countries are important features of GPE's efforts to drive systemic change.
5	**JSRs are key to mutual accountability and ESP improvement but prove difficult to implement**	The implementation of joint sector reviews by LEG stakeholders is seen to be a key means through which mutual accountability can be fostered, and ESP implementation improved. However, this has proved challenging to achieve in many of the GPE developing partner countries.

Key learnings (2/2)

There are several insights from the experience of the GPE partnership platform and fund that could be useful in the design of future catalytic funds for South Africa.

Relevant key learnings		
	Learning	**Description**
6	**Quality ESP development has not translated into effective ESP implementation**	While the GPE can be regarded to be successful in many areas, its efficacy regarding ESP implementation and these plans' contributions to creating more effective education systems is a key challenge facing the organisation. The organisation has recently altered its approach to focus on supporting more targeted sets of priority reforms that are expected to make a significant systemic impact.
7	**Time-consuming grant processes can take a toll on country commitment**	The GPE has high quality standards and rigorous processes for its grant applications. However, these have been criticised as being too time-consuming for many countries. This can and does negatively impact country buy-in and commitment. The organisation has taken steps to be more flexible and take into consideration the level of capacity within developing partner country governments to undertake the application process.
8	**GPE operates with a de facto fund of funds structure**	While most donors contribute to the overall pooled fund, these pooled resources are often allocated to sub-funds such as Education Out Loud or Knowledge Innovation Exchange. Donors can also specify their areas of interest and choose to earmark their contributions for GPE sub-funds.

Contents

Overview and background

Gavi, the Vaccine Alliance, was established in 2000 with the aim of rectifying market failure in the vaccine market and increasing the equitable and sustainable use of vaccines in low-income countries.

Organisation overview

Sector: Healthcare

Established: 2000

Description: Gavi is an international organisation that seeks to increase immunisation against deadly diseases through the fostering of public and private sector collaboration and market-shaping efforts.

Mission: To save lives and protect people's health by increasing equitable and sustainable use of vaccines.

Priority areas:

- Vaccine and cold chain equipment market shaping
- Vaccine support
- Health system strengthening support
- Cold chain equipment optimisation support

Background

- In the late 1990's, international immunisation efforts were inadequate, leaving nearly 30 million children in developing nations only **partially immunised** or **without any vaccinations at all.** This made them **vulnerable to preventable deadly diseases** and led to high levels of infant mortality.
- Underpinning this challenge was **severe market failure due to the unaffordability of powerful, new vaccines to lower-income countries.**
- This motivated The **Bill & Melinda Gates Foundation** to invest as a founding partner in Gavi. They provided the seed capital for the initiative through an initial five-year pledge of US$ 750 million. Since then, the Vaccine Alliance has raised over US$ 4 billion.
- Over and above the money that was pledged, the Gates Foundation, and other founding partners such as UNICEF, sought to **encourage manufacturers to lower vaccine prices for the poorest countries** in return for long-term, **high-volume and predictable demand** from those countries.
- In 2000, that idea became the Global Alliance for Vaccines and Immunisation – today Gavi, the Vaccine Alliance.

Source: (i) Gavi, The Vaccine Alliance website (https://www.gavi.org/).

Business model

By leveraging of economies of scale and guaranteeing long-term funding, Gavi helps address some of the failures in the vaccine market. The mechanics of change relies on Gavi's involvement providing security to countries to adopt vaccine programmes, and to manufacturers to invest in new production capacity.

The challenge

Gavi's business model / approach

Market failure

Uncertain funding and demand for vaccines in low-income countries meant that vaccine manufacturers were not incentivised to invest in production capacity and develop new products at affordable prices.

Vaccines remained expensive and there was a long lag between when a new vaccine was introduced in a rich country and when it was made available in low- and middle-income countries.

Gavi's business model sees it draw on partner strengths to:

1. Aggregate demand in low-income countries to leverage economies of scale
2. Guarantee long-term funding to countries through long-term donor support commitments

Brings down the price of vaccines

Provides security for countries to adopt vaccine programmes

Makes it possible for manufacturers to invest in new production capacity

Accelerates access to new vaccines and improves countries health and immunisation systems leading to greater immunisation coverage

Healthier, more productive populations and greater prosperity

Countries are better able to pay for their vaccine programmes and eventually transition out of Gavi support.

Source: (i) Gavi, The Vaccine Alliance website (https://www.gavi.org/).

Partners

Gavi's partnership model is one of two key factors that sets it apart from other actors in global health. The well-established public-private partnership combines the strengths of a range of experienced partners to create an effective alliance.

Gavi Partners

UNICEF procures the vaccines and helps countries identify and overcome barriers to immunisation coverage. It supports countries in applying for and implementing health system strengthening grants. Additionally, UNICEF collaborates with other partners to ensure communities have accurate and reliable information regarding vaccines.

WHO sets technical specifications for vaccines and prequalifies all vaccines supported by Gavi. They also provide input on cold chain and vaccine management, training and post-introduction analysis of vaccines.

Governments of implementing countries take the lead in identifying their immunisation needs, implementing vaccine programmes and co-financing their vaccines.

Civil society partners provide a holistic understanding of the communities. This is key to reaching zero-dose and under-immunised children, missed communities and hard-to-reach areas.

Vaccine manufacturers scale-up supply of suitable vaccines to meet demand.

The Gates Foundation plays a technical and financial role in shaping vaccine markets. It helps to gather data to inform decision making and provides financial support for market investments in a range of activities from vaccine discovery and delivery to product innovation, and new market entrants.

The World Bank has taken a leading role in formulating Gavi's economic and financing strategies and ensuring that countries can successfully transition out of financial support.

Governments of donor countries are Gavi's principal benefactors, providing approximately three-quarters of total funding.

Research agencies enable Gavi to generate and communicate the evidence required by global and national decision-makers to make the case for the introduction of new and underused vaccines.

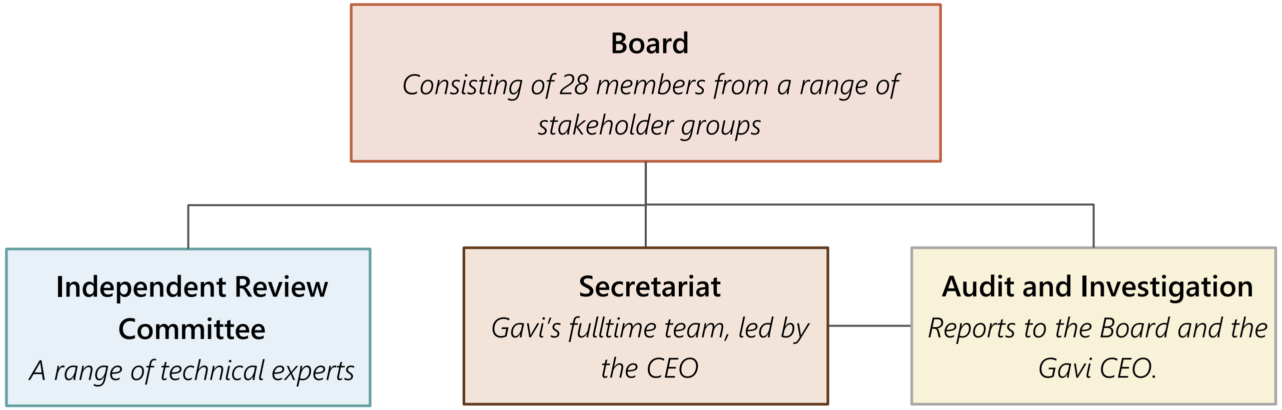
Private sector partners such as financial institutions, technology and logistics companies, healthcare companies

Source: (i) Gavi, The Vaccine Alliance website (https://www.gavi.org/).

Governance

All activities carried out by Gavi, and associated entities are governed by a range of corporate policies. This contributes to ensuring efficiency, transparency and accountability.

Governance structure



Legal form

Gavi is a Swiss Foundation with international institution status in Switzerland and public charity status in the United States. This allows Gavi to be recognised as a **foreign equivalent** of a US public charity, which:

- Exempts Gavi from US federal income tax and state tax
- Enables private organisations to contribute to Gavi without having to take responsibility for ensuring funds are used appropriately, which requires extensive reporting and legal work

Gavi is also associated with two other organisations: **IFFIm and COVAX**

- Gavi is sole member of IFFIm, its Vaccine Bond financing mechanism
- Co-leading COVAX, the vaccines pillar of the Access to COVID-19 Tools Accelerator.

Description of the role of each entity

Board

The board is responsible for setting the strategic direction and policies and providing oversight for operations of the Vaccine Alliance and its programme implementation. The board comprises 28 members from a range of stakeholder groups, including representatives from UNICEF, WHO, World Bank, the Bill and Melinda Gates Foundation, governments from implementing countries and vaccine industry experts.

Independent Review Committee

The Independent Review Committee consists of technical experts responsible for evaluating applications for new and extended support from countries, providing guidance on their eligibility for funding, and ensuring alignment with Gavi's strategic objectives and Gavi Policies.

Secretariat

The Gavi Secretariat is responsible for the daily operations of the Vaccine Alliance. Its responsibilities include coordinating the approval of programmes and mobilising the resources to fund them, developing policy, implementing Gavi's M&E, and managing legal and financial activities.

Audit and Investigation

Plays an important role in the monitoring and reporting of Gavi's activities. To ensure independence, Audit and Investigations reports to the Gavi CEO and the Gavi Board.

Source: (i) Gavi, The Vaccine Alliance website (https://www.gavi.org/).

Fundraising

Gavi's fundraising strategy rests on four pillars - fundraise, co-finance, promote competition and leverage civil society networks. Public and private partners of the alliance pledge their support via mechanisms including direct contributions, innovative financing mechanisms and co-financing by implementing countries.

Resource mobilisation / Fundraising

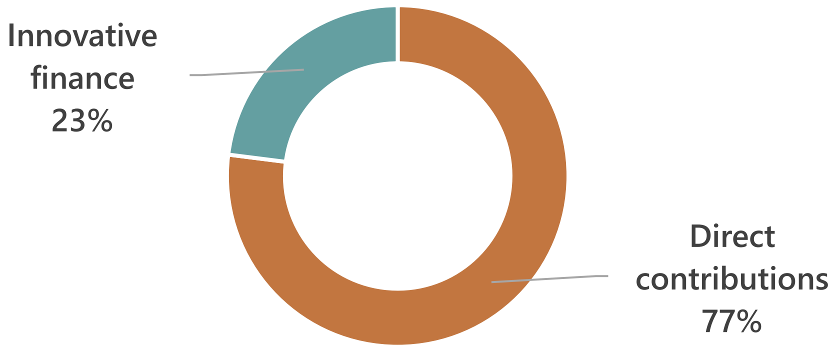
Gavi's resource mobilisation process rests on four main pillars.

1. **Fundraise.** Approaching current and new public and private partners to make contributions either directly or via other innovative finance mechanisms.
2. **Co-finance.** Increasing ownership of implementing countries by encouraging co-financing.
3. **Promote competition.** Influencing market shaping through new market entrants and price reductions in vaccine manufacturing.
4. **Leverage civil society networks.** Mobilise the advocacy reach of civil society networks while involving a wide range of partners.

Gavi raises funds in **5-year funding cycles** via both **direct contributions and innovative finance instruments**:

- **Direct contributions** from donors and investors are often long-term commitments that make up the majority (77%) of Gavi's funding. This allows Gavi to provide programme predictability and shape vaccine markets.
- **Innovative finance mechanisms** e.g., IFFIm, Gavi Matching Fund, Pneumococcal AMC, Loan Buy-downs, INFUSE allow Gavi to catalyse additional funding through innovative mechanisms.

Gavi's funding portfolio



The majority (77%) of Gavi's funds are raised through direct contributions from donors and investors through long-term funding commitments.

Source: (i) Gavi, The Vaccine Alliance website (https://www.gavi.org/).

Innovative financing mechanisms

While most funds raised (77%) are direct contributions, Gavi has employed a range of innovative financing mechanisms described below, to supplement the direct contributions made by donors and investors. These now account for the remaining 23% of total funding raised.

Innovative financing mechanisms used by Gavi	
Mechanism	**Description**
International Finance Facility for Immunisation (IFFIm)	• The IFFIm financing model is built on partnerships between donor countries, private investors, the World Bank and Gavi. • IFFIm receives long-term pledges from donor countries - currently 10 donors have pledged US$ 8.9 billion over 32 years. These pledges are then turned into bonds (with the World Bank as treasurer) and are issued on capital markets. Investors in these Vaccine Bonds receive a secure rate of return while diversifying their portfolio and helping to save lives. These investments provide large volumes of funds that are immediately available for Gavi's programmes. • IFFIm is a vital component to Gavi's capital structure and a powerful and award-winning financial tool.
Gavi Matching Fund	• Multiplies private sector partners' impact by doubling their investment • Commitments by the Bill and Melinda Gates Foundation, the UK Department for International Development and others have been used to match contributions from corporations and their employees, foundations and other organisations
Advance Market Commitment (AMC)	• Through a forward-looking binding contract from donors and international agencies guaranteeing a viable market for target vaccines, AMCs encourage vaccine makers to develop/build manufacturing capacity for urgently needed vaccines • Guarantees a pre-agreed price for the first doses of vaccines sold to developing countries, so that companies can re-coup their investment costs • The AMC approach was initially only used to target Pneumococcal disease prevention as it is the leading vaccine-preventable cause of death among children, however, in 2022 this approach was used to increase the production of Covid-19 vaccinations.
Loan buydowns	• An innovative financing mechanism between Gavi, the French Development Agency (AFD) and the Bill and Melinda Gates Foundation that provides Gavi with low-interest loans to improve immunisation coverage across Africa's Sahel region.

Source: (i) International Finance Facility for Immunisation website (https://iffim.org/about-iffim); (ii) Gavi, The Vaccine Alliance website (https://www.gavi.org/).

Fund disbursement

Gavi's model is designed to assist low-income countries in initiating and executing immunisation programmes. However, it emphasises that financial sustainability and country ownership are crucial components within its funding framework.

Gavi's funding model

Eligibility:
Gavi's aim is to focus on the poorest countries and thus the basis for eligibility is **Gross National Income (GNI) per capita** – only countries below a certain threshold are eligible for support. This threshold is adjusted for inflation on an annual basis.

Sustainability and funding terms:
Gavi seeks to ensure that these countries can **independently sustain high immunisation coverage after its support ends**. Gavi has policies in place regarding **transitioning and country co-financing** to help achieve this. **All countries applying to Gavi for new vaccine support co-finance a portion of the cost**. The co-financing requirement for individual countries depends on their transition phase and vaccination strategy per an eligibility and transition policy.

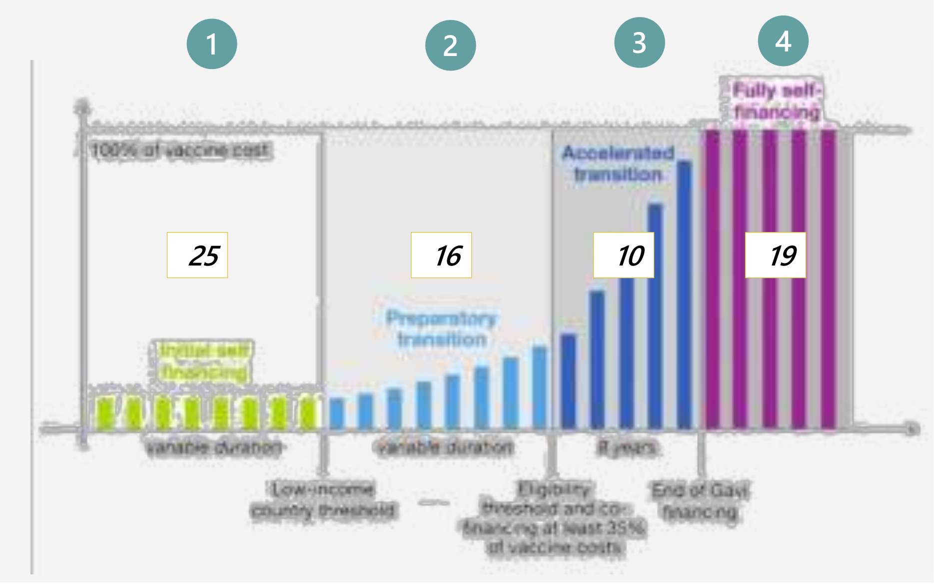
Eligibility, transition and exit

1. In the **initial self-financing phase**, governments are required to contribute a flat amount of **US$ 0.20 per dose** for any Gavi-supported vaccine. This reinforces country ownership from the start and builds procurement capacity without discouraging new vaccine adoption.

2. When a country enters the **preparatory transition phase**, the government's contribution increases by 15% per year. In this phase, the co-financing requirement is a percentage of the price of vaccines.

3. A country enters **accelerated transition** when a country's **average GNI per capita over the past three years exceeds the eligibility threshold and its co-financing level reaches at least 35 percent.** Over a period of eight years the country's government increases its contribution until it is paying for 100% of the cost.

4. **Fully self-financing** phase. The implementing government pays the full cost of the vaccines used.



xx Number of countries supported by GAVI in each phase

Notes: While co-financing is mandatory for vaccines used in routine immunisation, governments are not required to co-finance vaccines for one-time immunisation campaigns, and no co-financing is required for vaccine use for outbreaks.

Source: (i) Gavi, The Vaccine Alliance website (https://www.gavi.org/).

Eligibility and transition model: Critiques

Concerns have been raised by the Centre for Global Development around the sustainability of the eligibility and transition model used by Gavi as a result of the effects that the Covid-19 pandemic and geopolitical tensions have put on LMIC economies. Gavi has launched the MIC approach to attempt to deal with this.

Concerns raised

The Centre for Global Development (CGD) has critiqued the sustainability and projected success of Gavi's eligibility and transition model. They highlighted the current threats to transition that are being faced by to transition prospects faced by many low- and middle-income countries, namely:

- **High inflation, rising interest rates, currency depreciation, mounting debt** and other shocks as a result of the Covid-19 pandemic.
- Rising debt-to-GDP ratios and **debt servicing costs** that crowd out social-sector spending, including that spent on health.
- **Donor budgets are under pressure** amid a shifting global landscape.
- **Health systems are still recovering** from the effects of the pandemic
- The growing portfolio of **new and potentially more expensive vaccines** are likely to increase the cost of immunisation programmes.

Key findings by the CGD[1]

Takeaway 1: Transition prospects remain consistent when compared to pre-COVID-19 projections, despite a few exceptions.

Takeaway 2: It is projected that ~40 countries are going to remain eligible for Gavi support past 2040, which has raised questions around funding commitments in the long-term and achievement of the SDG goals. These findings indicate that it may be necessary to explore alternative avenues to achieve financial, programmatic, and operational sustainability.

The CGD has raised four policy recommendations:

1. Reconsider the use of GNI-based thresholds for eligibility and ability to transition.
2. Re-examine approach to prioritisation of resources and value for money of support provided
3. Adapt Gavi's operational framework and methods of involvement, particularly in unstable and conflict-prone regions.
4. Align approaches with other global health mechanisms such as the Global Fund and the Global Financing Facility.

What is Gavi doing about it?

- **Gavi has launched a new approach for middle-income countries (the "MIC approach")**. This seeks to address some of the post-pandemic threats faced by countries that have transitioned out of Gavi support **(to prevent backsliding),** as well as to **drive immunisation support in middle-income countries that have never been eligible Gavi support**. Other tailored support including technical assistance, and specific programmes for fragile middle-income countries is included.
- In 2022, Gavi extended the overall duration of the accelerated transition phase from **five to eight years** and introduced a requirement for countries to **co-finance at least 35 percent of vaccine costs** to enter the accelerated transition phase.
- Gavi has **not, as of yet, reported on any changes in response to the policy recommendations** suggested by the CGD, but these may be considered for Gavi's next strategic period ("Gavi 6.0").

Notes: 1. CGD constructs country-specific projections of annual GNI per capita up to 2040 using April 2023 data as a measure of the current outlook and data from April 2017 as a pre-covid proxy. They constructed two growth scenarios to determine Gavi's eligibility threshold – one that uses 4% annual inflation, and one that uses 2% annual inflation.

Source: (i) Centre for Global Development (2023), Projections of Eligibility and Transition Trajectories up to 2040; (ii) Gavi, The Vaccine Alliance website (https://www.gavi.org/).

Types of support

Many of the countries Gavi supports have weak health systems, poor implementation practices, and inadequate infrastructure to effectively vaccinate children in all areas. To increases is chances of success, Gavi complements its market-shaping and financing efforts with additional assistance initiatives.

Gavi's support offerings[1]

Vaccine support

- Gavi provides support in the form of **vaccines and associated supplies**. While Gavi provides the vaccines, implementing countries are required to co-finance them.
- Financial support is provided to help facilitate the introduction and implementation of these vaccines – this includes **Vaccine Introduction Grants and Campaign Operational Support.**
- Gavi also funds **emergency vaccine stockpiles** in the event of disease outbreaks.

Health system strengthening

- Gavi provides **Health Strengthening Support grants** to aid countries in strengthening their healthcare system in order that they are able to more sustainably roll out vaccines
- Gavi encourages the prioritisation of **five strategic focus areas** – (i) data, (ii) the supply chain, (iii) country leadership and management, and (iv) demand promotion, and (v) service delivery

Equity Accelerator Funding

- Equity Accelerator Funding is dedicated to specifically helping countries reach zero-dose children and missed communities.
- This funding is only available to countries that provide a tailored strategy with how to reach these children in a way that they were unable to do through the health system strengthening support.

Cold Chain Equipment Optimisation

- Under the Cold Chain Equipment Optimisation Platform Gavi jointly **invests in the purchasing and deployment of cold chain equipment** and in the training of healthcare workers to use it
- This helps **address the challenges of upgrading and expanding the vaccine cold chain** with higher-performing cold chain equipment and is key to **reaching children in remote areas** for vaccination.

Technical assistance provision

Targeted country Assistance (TCA)

- Targeted technical assistance is **not part of Gavi's core support portfolio** but is provided to specific countries that are most in need. This assistance includes **information and expertise sharing, and training and consulting services**. TCA is **provided by specialists in the relevant field** – primarily core Gavi partners
- This assistance is intended to be tailored to the countries needs and help to integrate immunisation into the health care provision while supporting vaccine and health strengthening investments provided by Gavi.

Source: (i) Gavi, The Vaccine Alliance (2023), *Gavi Application Process Guidelines*.

Monitoring and reporting

Gavi employs comprehensive monitoring and reporting procedures across all facets of its operations. These documents are openly accessible to the public, ensuring that donors and other stakeholders can review them. This commitment to transparency enhances the visibility of the organisation's activities.

Monitoring and reporting

Reporting on internal controls

- Part of the monitoring and reporting function of Gavi is **carried out by the Audit and Investigation office**, an independent function that reports to the Gavi Board.
- Its role is to provide the management and stakeholders of Gavi with assistance **in evaluating and strengthening processes that relate to control, governance, and risk management**.
- Specific functions include: (i) Internal Audits, (ii) Programme Audits, (iii) Investigations and counter-fraud, and (iv) whistleblower Reporting.

Measuring and reporting on progress

- Routine **monitoring and reporting guidelines** of Gavi's progress is detailed in the **"Gavi Measurement Framework".** This framework was developed by the Gavi Secretariat in consultation with partners and technical experts and is tailored every five years in line with Gavi's most recent strategy.
- The framework is designed to **measure Gavi's progress towards reaching its objectives and achieving its mission**.
- The framework includes
    - **i. Strategy Performance Monitoring**, which is measured against Board-approved indicator targets, and provides insight into specific programme and country trends.
    - **ii. Strategy Implementation Monitoring** which are intermediary indicators to monitor whether Gavi is on track to reach the objectives outlined in its strategy.
- These results are reported annually to the Gavi Board and the public via the **Strategy Programmes and Partnerships updates to the Board** and the **Annual Progress report**, respectively.

Transparency

- Gavi is a **part of the International Aid Transparency Initiative (IATI).** IATI is an initiative that seeks to make information regarding aid spending more transparent and easier to access. Its primary goals are to **(i) improve transparency, (ii) Enhance accountability, (iii) support informed decision-making and (iv) establish coordination** among aid providers.
- By being part of this initiative, Gavi **provides all stakeholders with the ability to access, compare and analyse aid-related information**, which is beneficial to both donors and recipient countries.

Source: (i) The International Aid Transparency website (https://iatistandard.org/en/); (ii) Gavi, The Vaccine Alliance website (https://www.gavi.org/); (iii) Gavi, The Vaccine Alliance (2021), *Gavi 5.0 Measurement Framework (2021-2025)*.

Key learnings (1/2)

There are several key learnings that we can take from the Vaccine Alliance case.

Relevant key learnings		
	Learning	**Description**
1	**A prominent champion and influential founding partners were key to early success**	The **leadership of, and significant seed funding from, the Gates Foundation** was key to launching Gavi at scale from the beginning. Having **well-respected and influential partners** on board from the start also helped to **build confidence in the organisation** and propel its early momentum.
2	**Seeking to solve the root cause of the problem helps yield greater impact**	The founding members of Gavi acknowledged that the root of the immunisation challenge was a **severe market failure**. By working with vaccine manufacturers in tackling this failure, Gavi has increased the scale and sustainability of its impact.
3	**Involvement of a broad range of partners adds complexity, but has been worth it**	Gavi realised early on that for the organisation to be most effective they would need to work with **a broad range of partners**. **Involving civil society organisations** has been particularly key to Gavi's success. These organisations have brought **different and important perspectives** given their in-depth knowledge of the communities in which the vaccines are rolled out.
4	**Gavi goes beyond funding to build enabling capacity in-country to improve its ROI**	Gavi partners **work with the Ministries of Health in implementing countries to train staff and boost capacity** of on the ground healthcare workers. This **increases the efficacy** of immunisation programmes and **enhances sustainability.**

Key learnings (2/2)

There are several key learnings that we can take from the Vaccine Alliance case.

Relevant key learnings		
	Learning	**Description**
5	**Sustainability and country ownership are core elements of Gavi support, however, there are concerns around the ability to achieve this**	Country governments bear the responsibility of steering the vaccination programme and are required to co-finance vaccine procurement from its inception. Gavi's assistance encompasses an exit strategy, striving for countries to achieve self-sufficiency when external support ceases. Although this eligibility and transition strategy has been successful in the past, there is, however, uncertainty around the sustainability of this model in the post-Covid-19 era. Although the Gavi Board has been flexible in their approach and have launched the MIC Approach, it is predicted by the CGD that up to 40 countries may still be dependent on Gavi after 2040.
6	**Donor contributions can go further with the use of innovative financing mechanisms**	Gavi makes use of a range of **innovative financing mechanisms to crowd in funding** beyond its direct contributions from donors. A total of 23% of Gavi funds are mobilised through such mechanisms.
7	**Independent review committee**	The use of an **independent review committee** to assess countries' proposals for support has **helped to build trust with countries** and led to a growing number of high-quality applications for support.
9	**The main eligibility and transition criteria (GNI per capita) is too crude – doesn't reflect ability to pay**	The programme relies heavily on gross national income (GNI) criteria for funding eligibility and readiness for transition. **It is believed that eligibility defined primarily by GNI is no longer fit for purpose in the post-COVID era**. Gavi could consider **additional indicators** that better reflect countries' fiscal and programmatic readiness for transition as **a complement to the GNI indicator**. For example, an indicator like post-interest general government expenditure per capita could be a valuable measure of fiscal space and ability to pay for immunisation.

Contents

Overview and background

The Power of Nutrition is a financing and partnership platform that seeks to reduce cases of malnutrition in underdeveloped countries across Africa and Asia.

Fund overview

THE POWER OF nutrition

Sector: Healthcare

Established: 2015

Description: The Power of Nutrition is a global foundation that operates as a partnership between governments, businesses, and philanthropic organisations.

Primary goal: To raise money and create partnerships to advance the fight against malnutrition in Africa and Asia.

Priority areas:

- Initial strategy: Focus on stunting and health systems specifically
- Latest strategy: Address malnutrition in all forms through a multi-sectoral approach

Fund size: $540 million of funding has been mobilised toward improving child nutrition outcomes.

Background

- The Power of Nutrition was officially formed in 2015, in **response to the global challenge of stunting** in children under five, and the belief that **nutrition is an investment that has a long-lasting impact**.
- The initiative was founded through collaboration between the UK government's **Department for International Development (DFID)** and the **Children's Investment Fund Foundation**, with initial support from the **UBS Optimus Foundation** as the first investor. The **World Bank and UNICEF** also joined as founding implementing partners.
- The organisation has sought to **address the severe shortage of funding in nutrition** by **mobilising new resources** that would be targeted at preventing undernutrition and improving infant development and potential.
- Since its inception, The Power of Nutrition has **grown its network of donors and implementing partners** and **works closely with governments to maximise scale**.
- Although progress has been made in reducing stunting levels in children, **malnutrition remains prevalent across the globe.**
- The Power of Nutrition's latest strategy (2022-2025) takes more of a **multi-sectoral approach and** seeks to **increase the organisation's reach through more attractive innovative financing models and through positioning itself as a champion for the sector as a whole** (rather than in defined projects only).

Source: (i) The Power of Nutrition website (https://www.powerofnutrition.org).

Conceptualisation, goals and focus

The Power of Nutrition was established in 2015 in response to the shortage of funding available in the nutrition sector and the need to assist underdeveloped countries to design and implement programmes able to sustainably improve the nutrition and developmental outcomes of children.

Conceptualisation

The Power of Nutrition (TPON) was conceptualised following the first Nutrition for Growth Summit hosted in 2013 and was officially established in 2015 through collaboration between its founding partners. TPON serves as a global platform for financing and partnerships whereby donors and implementing partners - including businesses, philanthropies, and donor governments - can combine resources to increase the scale of their impact on nutrition in Africa and Asia.

Goals

Address the deficit of funding that is targeted at reducing global malnutrition by **leveraging funding opportunities in the sector**.

Develop and implement programmes that improve nutrition outcomes in countries with a high burden of stunting in children under five.

Means by which TPON seeks to achieve its goals

1 **Raise new funds for nutrition.**
TPON aims to **unlock new funding for nutrition** by tapping into a group of nontraditional donors, such as private businesses and high net worth individuals. This is done through a range of fundraising strategies, including hosting events, engaging one-on-one with individuals, and capitalising on the networks of the board and staff.

2 **Co-finance donors' investments.**
TPON aims to **provide an attractive investment proposition** to donors through a matching model that guarantees the quadrupling of each initial contribution.[1] This has experience some success in attracting additional funding to the sector.

3 **Invest in ambitious programmes that deliver results at scale**.
TPON uses the funds to support interventions that have been found, based on evidence, to have the greatest impact on improving nutrition for mothers and young children. It favours interventions that are able to be scaled, catalyse systemic change, and operate sustainably.

4 **Reinforce the prioritisation of nutrition among partner countries and key institutions.**
TPON seeks to structure its programmes in a way that helps partner governments strengthen systems that deliver nutrition services. The advocacy efforts of the organisation have also been expanded to encourage the prioritisation of nutrition across the globe.

Notes: 1. Details of this mechanism are provided in the following slide.

Source: (i) Mathematica and Avenir Health (2020), *Evaluation of the Power of Nutrition: Findings from the Midline Assessment*.

Catalysing additional funding for nutrition

The core means by which TPON catalyses funds for its country nutrition programmes is through a two-stage matching mechanism which is supported by both its anchor funders and its implementing partners. This mechanism has incentivised nontraditional donors to contribute to the cause.

TPON's Fundraising Model (2015-2022)

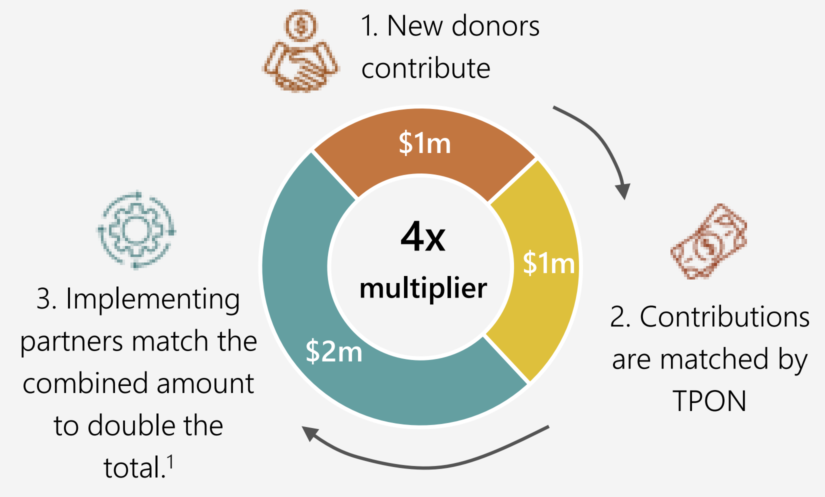
TPON anchor donors

Department for International Development

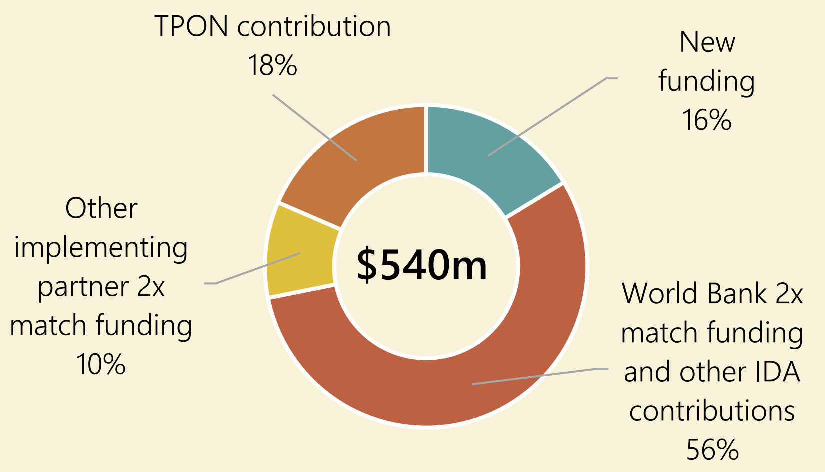
CHILDREN'S INVESTMENT FUND FOUNDATION

UBS Optimus Foundation

Two-stage matching approach



Outcome: Funds raised (2015-2022)



Description

- TPON employs a **two-stage fund matching mechanism** two offer **potential non-traditional donors an attractive proposition** of quadrupling the impact of their giving.
- In stage 1, TPON uses the funds from its **anchor donors** to **match contributions** from private 'investors' and in stage 2, the total is then **once again matched** by TPON's implementing partners (generally either the World Bank or UNICEF depending on the geography).
- Although the funds raised between 2015 and 2022 **indicate a promising portfolio leverage of 6x and not 4x**, indications are that this is **more a result of new funds raised being below target**, and **anchor donors and implementing partners electing to continue** with programmes regardless of new funds being present.

Notes: Implementing partners such as World Bank, UNICEF and NGOs play a critical role beyond that of 2x match funding provision. They also play a leading role in implementing programmes that support governments scale up nutrition interventions.

Source: (i) The Power of Nutrition (2023), The Power of Nutrition Achievements 2015-2022; (ii) The Power of Nutrition (2022), Transforming Global Nutrition Financing: Future Direction Strategy 2022-2025.

Challenges within TPON's approach

TPON's approach to catalysing funding for nutrition, and specifically its programmes, has not been without its challenges. As a result, the organisation has responded by revising its matching model slightly and starting a venture that will explore various innovative financing mechanisms for nutrition.

Constraints of TPON's (2015-2022) fundraising approach

Although TPON successfully attracted new funds to nutrition, the total **funds raised from new donors was below target**. An evaluation of TPON highlighted several **constraints** regarding its ability to raise this funding:

1. **There is a limited pool of 'private investors' interested in nutrition.** Feedback from donors noted that TPON's objectives were not aligned with their investment priorities.
2. **While some donors value being part of a large programme, others prefer to have greater control over the investment.** Some donors believe that TPON adds an unnecessary layer of complication by acting as a middleman and would prefer to have greater level of control over the programme design and implementation.
3. **Donors desire more frequent and detailed feedback from their investments than TPON currently provides.** Although TPON has a rigorous M&E framework, some donors felt that engagement around key learnings and the impact of their investment had been limited. This has led to disengaged donors who are unlikely to make a repeat investment.
4. **Sensitivities in the nutrition sector around private sector priorities can limit the opportunities.** Some corporate donors were deterred from investments in TPON as a result of its tendency to advocate for breastmilk substitutes and "promote" products of a certain brand. These corporates had ethical concerns and chose not to back the organisation.
5. **TPON's co-financing model was too narrow.** Implementing partners like UNICEF lean on an approach of mobilising increased domestic resources for programmes but in TPON's model, these resources did not count towards the 2x co-financing commitment.[1] This would stall and prevent certain programmes from being launched.
6. **The large co-financing requirement prevented new international NGOs from becoming implementation partners of TPON as they were not able to meet the 2x threshold.** This slowed programmes as many NGOs needed to coordinate to raise the funds to match to fulfil the match obligation.
7. **A high proportion of TPON's anchor donor funds (such as from CIFF) had restrictions on how they could be used, which limited its flexibility.** Stakeholders believe that less restricted anchor funding would make it easier to raise funds.

Updated strategy

In response, TPON has shifted its fundraising strategy towards **one based on two-pillars:**

1. **Nutrition Flex**
An **updated form** of the original matching model that **incorporates more flexible partnership criteria to allow participation** from a wider range of stakeholders.

2. **Nutrition Ventures**
TPON established an entity that seeks to **identify, trial, develop and scale innovative funding mechanisms** in the nutrition sector generate more and improved funding.

*TPON has observed a **surge in investor demand for instruments that offer environmental and social benefits** and is exploring various innovative financing mechanisms and investments to take advantage of this trend*

Notes: 1. It is not clear whether TPON's contention was regarding this. It is possible that these domestic funds were already allocated to nutrition by the government in question and, as such, were not additional.

Source: (i) The Power of Nutrition (2022), *Transforming Global Nutrition Financing: Future Direction Strategy 2022-2025*; (ii) The Power of Nutrition (2023), *Annual Report and Financial Statements for the year ended 31 December 2022*; (iii) Mathematica and Avenir Health (2020), *Evaluation of the Power of Nutrition: Findings from the Midline Assessment*

Innovative financing mechanisms

Nutrition Ventures has identified a range of innovative financing mechanisms that have been used successfully in other sectors. They are currently exploring which of these have the greatest suitability for use in the nutrition sector.

Innovative financing mechanisms used in other sectors[1]

Category	Examples of instruments	Why is this innovative?
Gift/donation aggregation	• Lottery • Crowdfunding • Pooled grant funds	• A broader variety of donors can access projects that would otherwise be inaccessible. • Strategic value for corporate donors who see donations, including resources in-kind and grants, as a way to build customer loyalty
Pay-for-results	• Outcomes-based finance contracts • Development impact bonds	• Shifts risks away from funders • Recipient discretion and autonomy to execute based on their expertise • Increased accountability as a result of risk-sharing and the need for verification of outputs and/or outcomes
Blended finance and impact investing	• Impact investment fund • Bridge fund	• Enhance impact by combining investors knowledge and resources • Deliver risk-adjusted returns and achieve high impact
Market guarantees and insurance instruments	• Loan guarantee programme • Parametric insurance • Advance market commitments	• Address market failures and create incentives for investments • Stimulate competition and provide incentives for firms to invest in more efficient, large volume product facilities that can deliver competitive prices • Provides access to affordable products in LMIC
Social bonds of notes in capital markets	• Sovereign or corporate bonds • Donor guarantee bonds • Debt swaps	• Access large amounts of private sector funding and use proceeds from bond issuances for social projects • No need to compromise profit in order to have a social impact • Improves private sector awareness of social issues and solutions

Innovative financing being explored by TPON

Pay-for-results

- Making use of **outcomes-based financing contracts** to implement community-based solutions that will aid in detecting and treating severe acute malnutrition (SAM) at scale.
- Helping local producers to scale the development and disbursement of an innovative treatment for SAM.
- TPON envisages using a **phased financing approach** that **starts with grant financing followed by a results-based structure**, and then impact investing.

A “Rhino Bond” for Nutrition

- Envisages a replication of the World Bank initiative that uses the **sale of social bonds in capital markets** to raise funding for black rhino conservation in South Africa.
- It is proposed that **coupon payments on the bonds be directed to nutrition programmes that incorporate an outcomes-based contract component.** Outcome funders will pay the value of the coupon to those that have invested in the bond, contingent on pre-determined results being achieved.

Note: 1. Table adapted by author from Maximising resources for Nutrition (2023).

Source: (i) The Power of Nutrition and Palladium (2023), *Maximising resources for Nutrition*; (ii) The World Bank (2022), Wildlife Conservation Bond Boosts South Africa’s Efforts to Protect Black Rhinos and Support Local Communities.

Key learnings

The Power of Nutrition provides several learnings for future potential catalytic funds.

Relevant key learnings		
	Learning	**Description**
1	**It was difficult to attract new donors**	• TPON experienced some success in attracting what they termed new donors to nutrition. However, this proved more challenging than originally anticipated. The core reasons include: (i) there being a limited pool of donors interested in funding nutrition; and (ii) some donors preferring to maintain control over the use of their funds and being kept more informed regarding fund use and programme progress.
2	**The matching mechanism seeking to unlock programmes had its own built-in constraints**	• TPON sought to expand its footprint by not only crowing in funds from non-traditional donors but also by growing its network of implementing partners. While the 4x proposition could be considered very attractive to potential donors, the requirement for implementing partners to match the combined new donor and TPON contributions proved too restrictive and halted several programmes. Other restrictions, such as increased domestic funds mobilised by an implementing partner not qualifying as matched funding, also appear to have stalled programme implementation.
3	**The challenges experienced have brought about a change in strategy**	• TPON has had to respond to the limitations of its original matching model by building in more flexibility regarding partnership requirements. It has also undergone a rebranding of the mechanism to communicate this to potential participants. • Outside of seeking to leverage its anchor donor funds to catalyse new investment in nutrition, the organisation is looking to explore other innovative finance mechanisms with potential application in the nutrition space.
4	**Reinforcing the prioritisation of nutrition was an important objective of the programme**	• TPON has expanded the advocacy efforts of the organisation to encourage the prioritisation of nutrition across the globe.