

**ESTABLISHMENT OF A FINANCIAL INTERMEDIARY FUND
FOR PANDEMIC PREVENTION, PREPAREDNESS AND RESPONSE**

June 2022

ABBREVIATIONS AND ACRONYMS

AIDS	Acquired immunodeficiency syndrome
AMR	Antimicrobial Resistance
CARICOM	Caribbean Community
CDC	Center for Disease Control
CEPI	Coalition for Epidemic Preparedness Innovations
COVID	Coronavirus disease
CRW	Crisis Response Window
CSO	Civil Society Organization
DFAT	Department of Foreign Affairs and Trade
DPO	Development Policy Operation
FIF	Financial Intermediary Fund
G20	Group of 20
G7	Group of 7
GAFFSP	Global Agriculture and Food Security Program
GCFF	Global Concessional Financing Facility
GDP	Gross Domestic Product
GFF	Global Financing Facility
GIF	Global Infrastructure Facility
HEPR	Health Emergency Preparedness and Response Fund
HLIP	High Level Independent Panel
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IHR	International Health Regulations
IMF	International Monetary Fund
JFHTF	Joint Finance and Health Task Force
LIC	Low Income Country
MDB	Multilateral Development Bank
MDTF	Multi-donor Trust Fund
MIC	Middle Income Country
MPA	Multi-Phased Approach
ODA	Overseas Development Assistance
PPR	Prevention, Preparedness and Response
SARS,	Severe Acute Respiratory Syndrome
TAC	Technical Advisory Committee
TB	Tuberculosis
UN	United Nations
UNDP	United Nations Development Program
UNFCCC	United Nations Framework Convention on Climate Change

UNHCR	United Nations High Commissioner for Refugees
WBG	World Bank Group
WHO	World Health Organization

TABLE OF CONTENTS

I. Introduction	1
II. Sector Context and the WBG’s Experience in PPR	4
III. The Proposed FIF.....	8
A. Objectives and Value Added	8
B. Focus Areas for Financing.....	8
C. Proposed Structure, Governance and Operating Arrangements	9
D. Financing.....	15
IV. Alternatives Considered.....	16
V. Risks and Mitigation Measures	17
VI. Conclusion and Next Steps.....	19

ESTABLISHMENT OF A FINANCIAL INTERMEDIARY FUND FOR PANDEMIC PREVENTION, PREPAREDNESS AND RESPONSE

I. Introduction

1. **COVID-19 has highlighted the urgent need for collective action to augment the existing global health security financing system and to mobilize additional resources to build health systems and strengthen capacity for pandemic prevention, preparedness, and response (PPR).** Avoiding future pandemics requires investing substantially more in PPR; these investments will help avert the much larger costs that the world would incur if we were to be caught unprepared for the next global health crisis. Countries must step up *domestic investments* in the core capacities needed to strengthen health preparedness and prevent and contain future pandemics, in accordance with the International Health Regulations. This must be complemented by enhanced *external financing*, particularly for developing countries. The joint World Bank-WHO paper on PPR financing needs and gaps¹, prepared for the G20 Joint Finance and Health Task Force, estimated that external financing amounting to an additional US\$10.5 billion per year, over the next five years, is needed for investments at the country, regional and global level to strengthen the capacity of low-income countries (LICs) and middle-income countries (MICs). PPR is a global public good. Mobilizing the needed external financing to strengthen PPR in low- and middle-income countries and regions that are the most fiscally stretched and in need of financial support is the collective responsibility of the international community.

2. **Reinforcing the multiple actors that provide international financing for PPR and enhancing coordination remain critical priorities.** Multilateral Development Banks (MDBs), through their core funding mechanisms, are today the largest source of external financing for PPR in developing countries (Figure 1). Among MDBs, the World Bank Group (WBG) has been the largest provider of PPR financing, and IDA20 includes ambitious commitments to strengthen PPR. Other key actors include: the World Health Organization (WHO) and other specialized UN agencies engaged in PPR activities; global health institutions, like the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund), Gavi, the Vaccine Alliance (Gavi), and the Coalition for Epidemic Preparedness Innovations (CEPI), which are supported by FIFs for which the Bank serves as trustee; regional actors, like Africa Centers for Disease Control and Prevention (Africa CDC) and the Pan American Health Organization (PAHO), that have stepped in to perform critical coordinating and operational functions during COVID-19, demonstrating the value and potential of platforms in which countries have a direct stake; bilateral agencies; and philanthropic organizations.

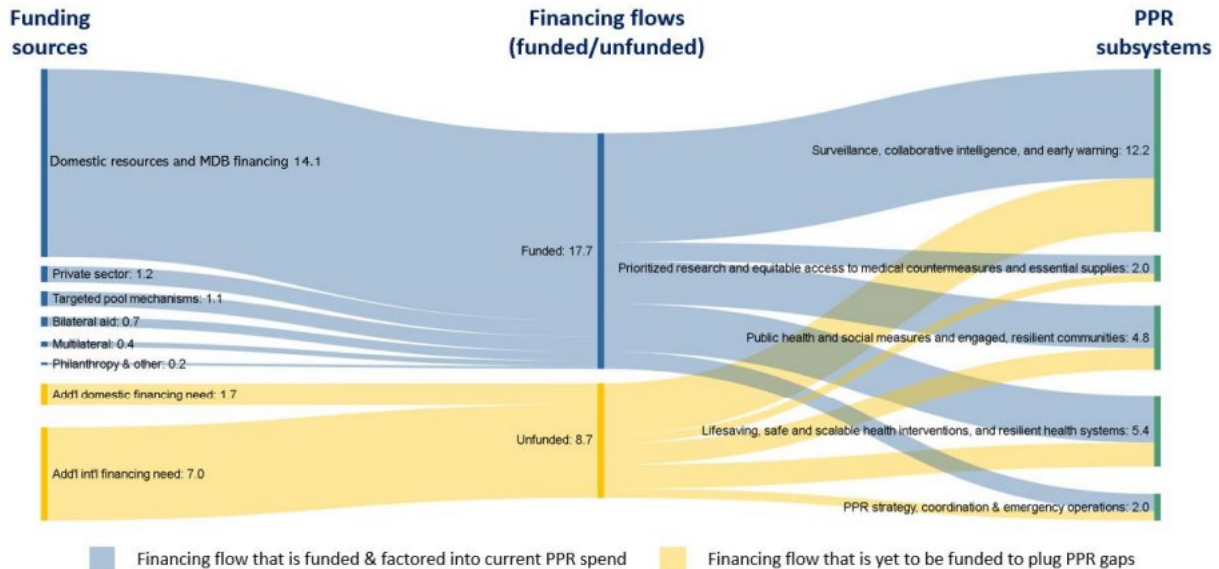
3. **At the same time, there is strong appreciation within the international community of the urgent need for a new multilateral financing mechanism dedicated to PPR financing.** The absence of a dedicated financing mechanism for PPR means that spending on other immediate needs can take priority over critical PPR investments some of whose return may only materialize in the future. A new multilateral financing mechanism would help to focus and sustain much-needed high-level attention on strengthening PPR during “peace time,” complementing existing mechanisms. It could mobilize significant additional financing for PPR. With the appropriate structure and design, it could: increase country investments in PPR; promote a more coordinated approach to PPR investments; and by convening key stakeholders, serve as a platform for discussion and advocacy around strengthening PPR (Box 1 clarifies key concepts). A new financing mechanism must however be viewed as one part of the solution to increase financing for PPR.

¹ “*Analysis of Pandemic Preparedness and Response (PPR) architecture, financing needs, gaps and mechanisms*”, Paper prepared by the WHO and World Bank for the G20 Joint Finance & Health Task Force, March 22, 2022. The paper estimated that an additional US\$31 billion per annum is needed over the next five years to strengthen the PPR capacity of low- and middle-income countries, about two-thirds of which will have to come from domestic financing.

Efforts are needed, in parallel, to enhance the governance of the wider global health security and PPR ecosystem.

Figure 1

Country PPR financing and needs, by source and PPR subsystems (US\$ billions)



Source: “Analysis of Pandemic Preparedness and Response (PPR) architecture, financing needs, gaps and mechanisms”, Paper prepared by the WHO and World Bank for the G20 Joint Finance & Health Task Force, March 22, 2022.

Box 1: Clarifying Concepts: Prevention, Preparedness and Response

Disease outbreaks, epidemics, and pandemics

Disease outbreaks refer to an increase, often sudden, in the number of cases of a disease in a particular area. Most disease outbreaks with pandemic potential have a zoonotic origin, caused by a pathogen spilling over from animals into humans. **Epidemics** have a similar definition as outbreaks, but the term is generally used for a wider geographic area. A **pandemic** is defined as “an epidemic occurring worldwide, or over a very wide area, crossing international boundaries and usually affecting a large number of people”.

Prevention, preparedness, and response (PPR)

Prevention encompasses the systems, policies, and procedures to determine, assess, avoid, mitigate, and reduce public health threats and risks. This definition captures interventions needed to mitigate risk and reduce the likelihood or consequences of spillover events at the human, animal, or ecosystem interfaces. Such interventions frequently reside with agriculture, food, wildlife management, or environmental sectors, highlighting the importance of a multisectoral, “One Health” approach, but also include some health sector interventions (e.g., routine immunization against epidemic-prone diseases).

Preparedness refers to *ex-ante* actions that help mitigate losses when a disease outbreak occurs. It includes strengthening the capacities and capabilities at community, country, regional, and global levels to prevent, detect, contain, and respond to the spread of disease, mitigating economic and social impacts.

Response refers to *ex-post* actions taken in response to a disease outbreak to reduce its economic, social and health impacts.

4. Broad support has emerged among major shareholders for a new, multilateral financing mechanism for PPR to be established as a Financial Intermediary Fund (FIF) hosted by the World Bank.

- The idea of establishing a FIF at the World Bank to support PPR financing was originally put forward at the G20² and explored through an informal finance and health working group process under the G20 Italian Presidency. The G20 Leaders in their Rome Declaration (October 31, 2021)³ noted that *“financing for pandemic prevention, preparedness and response (PPR) has to become more adequate, more sustainable and better coordinated and requires a continuous cooperation between health and finance decision-makers, including to address potential financing gaps, mobilizing an appropriate mix of existing multilateral financing mechanisms and explore setting up new financing mechanisms.”* The Declaration called for the establishment of a G20 Joint Finance-Health Task Force (JFHTF) and asked that the Task Force *“report back by early 2022, on modalities to establish a financial facility... to ensure adequate and sustained financing for PPR.”*
- The needs and merits for a new multilateral financing mechanism and alternative modalities for the establishment of such a mechanism were discussed extensively within the G20 JFHTF, which is co-chaired by Indonesia and Italy, under the auspices of the G20 Indonesian Presidency. These discussions were supported by World Bank-WHO papers on financing needs and gaps⁴ and on PPR financing modalities.⁵
- At the Second Global Covid-19 Summit held on May 12, 2022, co-hosted by the Governments of the United States, Indonesia (holding the G20 Presidency), Germany (holding the G7 Presidency), Senegal (as Chair of the African Union) and Belize (as Chair of CARICOM), the proposal to establish a FIF at the World Bank received broad support.
- The G7 Finance Ministers and Central Bank Governors Communique, May 20, 2022, expressed *“support for the establishment of a Financial Intermediary Fund, housed at the World Bank, to catalyze investments in pandemic prevention, preparedness and response.”*⁶

5. Financial contributions announced to date towards the FIF. The United States Government has announced a contribution of US\$450 million towards this proposed FIF for the US fiscal year ending September 30, 2022, and it has signaled its intent to channel additional funds in the coming years; the European Commission has announced a contribution of US\$450 million; Germany has announced a contribution of Euros 50 million; Indonesia has announced a US\$50 million contribution; and the Wellcome Trust has announced a contribution of GBP10 million. Several other donors have also signaled their interest.

² *“A Global Deal for Our Pandemic Age”*, Report of the G20 High Level Independent Panel on Financing the Global Commons for Pandemic Preparedness and Response, June 2021. <https://pandemic-financing.org/report/>

³ The G20 Leaders Rome Declaration noted the following: *“We acknowledge that financing for pandemic prevention, preparedness and response (PPR) has to become more adequate, more sustainable and better coordinated and requires a continuous cooperation between health and finance decision-makers, including to address potential financing gaps, mobilizing an appropriate mix of existing multilateral financing mechanisms and explore setting up new financing mechanisms. We establish a G20 Joint Finance-Health Task Force (JFHTF) aimed at enhancing dialogue and global cooperation on issues relating to pandemic PPR, promoting the exchange of experiences and best practices, developing coordination arrangements between Finance and Health Ministries, promoting collective action, assessing and addressing health emergencies with cross-border impact, and encouraging effective stewardship of resources for pandemic PPR, while adopting a One Health approach. Within this context, this Task Force will work, and report back by early 2022, on modalities to establish a financial facility, to be designed inclusively with the central coordination role of the WHO, G20-driven and engaging from the outset low- and middle-income countries, additional non-G20 partners and Multilateral Development Banks, to ensure adequate and sustained financing for pandemic prevention, preparedness and response.”*

⁴See footnote 2.

⁵ *“PPR Financing Modalities”*, Paper prepared by the World Bank and WHO for the G20 Joint Finance & Health Task Force, March 29, 2022. See also, *“WHO White Paper Consultation: Strengthening the Global Architecture for Health Emergency Preparedness, Response and Resilience”*, May 4, 2022, which specifically highlights the need for a FIF.

⁶ <https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/world/G7-G20/G7-Presidency/2022-05-20-g7-communiqué.html>

II. Sector Context and the WBG's Experience in PPR

6. **The COVID-19 pandemic has demonstrated the disruptive nature of disease outbreaks.** Since the first documented case in December 2019, SARS-CoV-2 has reached every country in the world, resulting in significant mortality, overburdened health systems, and wide-scale economic and social disruptions. As of June 2022, more than 6.2 million COVID-related deaths have been officially recorded, while the excess mortality from COVID is estimated to be approximately three times higher. The combined supply- and demand-side shock resulted in a global recession – the deepest since World War II – with the global economy contracting by 4.4 percent in 2020 and the expected economic losses from the pandemic estimated at nearly US\$14 trillion up to 2024.⁷ COVID-19 has also disrupted delivery of essential services and exacerbated learning poverty, displacement, hunger, and gender-based violence.

7. **Previous outbreaks have also had far-reaching social and economic consequences.** The 2003 SARS pandemic, which was a modest outbreak relative to COVID-19, led to over 9,000 cases, 700 deaths⁸ and an estimated global economic loss of US\$52 billion. The Ebola outbreak in West and Central Africa in 2014-2016 was a major outbreak in the region, causing over 11,000 deaths, a GDP loss of US\$2.8 billion and a sharp rise in unemployment. The 2015-16 Zika outbreak led to over 17,000 infections⁹ and an estimated loss of US\$3.5 billion in the Latin American and Caribbean region.¹⁰ At the same time, HIV/AIDS, TB, malaria, and other communicable and non-communicable diseases remain important drivers of mortality that incur vast economic costs, and antimicrobial resistance (AMR) has emerged as a major threat, causing an estimated 5 million deaths per year.¹¹

8. **Weaknesses in prevention and preparedness for disease outbreaks and pandemics have been a longstanding concern.** Following the SARS and Ebola outbreaks, several commissions and reports made recommendations to address PPR gaps and much of this dialogue has resurfaced in the context of the COVID-19 pandemic.¹² Some important actions were taken following earlier outbreaks, most notably in 2005 a significant revision of the International Health Regulations (IHR), which requires that all countries are able to detect, assess, report, and respond to public health events and that they report progress on IHR implementation to WHO. The Ebola outbreak also accelerated the establishment of the Africa CDC.

9. **Despite progress, significant capacity gaps remain in key domains of PPR capacity, especially in LICs and some MICs.** Available data on preparedness capacity, such as the Global Health Security Index and the IHR State Party Self-Assessment Annual Reports (SPAR) and Joint External Evaluations (JEE), consistently show critical capacity gaps in key PPR areas, such as laboratory capacity, surveillance and reporting, risk communication, and the management of zoonotic disease risks. The COVID-19 pandemic has also revealed broader gaps in areas such as the development, manufacturing, and deployment of COVID-19 countermeasures, the lack of institutional arrangements for coordinated procurement and pre-positioned financing for countermeasures, the fragility of supply chains and international trade, while also highlighting the far-reaching implications from misinformation and lack of trust in government.

⁷ IMF World Economic Outlook, June 2021; IMF World Economic Outlook, April 2022

⁸ <https://www.cdc.gov/sars/about/fs-sars.html>

⁹ https://www3.paho.org/hq/index.php?option=com_content&view=article&id=11599:regional-zika-epidemiological-update-americas&Itemid=41691&lang=en

¹⁰ Yamey, Gavin, et al. "Financing of international collective action for epidemic and pandemic preparedness." *The Lancet Global Health* 5.8 (2017): e742-e744.

¹¹ Murray, Christopher JL, et al. "Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis." *The Lancet* (2022).

¹² See, e.g.: International Working Group on Financing Preparedness. 2017. *From Panic and Neglect to Investing in Health Security: Financing Pandemic Preparedness at a National Level*. World Bank, Washington, DC. and Moon, Suerie, et al. "Will Ebola change the game? Ten essential reforms before the next pandemic. The report of the Harvard-LSHTM Independent Panel on the Global Response to Ebola." *The Lancet* 386.10009 (2015): 2204-2221

10. **While the importance of prevention and preparedness is widely recognized, adequate funding has not followed.** At the domestic level, financing for preparedness has been estimated to account for between one and three percent of total government spending on health, which translates into US\$0.10 to US\$0.30 per capita in LICs and US\$0.40 to US\$1.10 per capita in lower middle-income countries. At the international level, development assistance dedicated to strengthening PPR amounted to roughly US\$0.5 to 1 billion per year prior to the COVID-19 pandemic, accounting for only one to two percent of total development assistance for health.¹³

11. **PPR is essential to the WBG's twin goals, and financing has increased over time through both PPR-specific and -supportive operations.** Following the Ebola outbreak in West Africa, pandemic preparedness was incorporated as an explicit policy commitment in IDA18. Since then, PPR commitments were expanded in IDA19, and are front and center in IDA20. This sustained commitment to the PPR agenda has been accompanied by a significant scale-up in support of health systems, human capital, and addressing climate change.

12. **The Bank currently has an active portfolio of US\$30 billion to support health system strengthening in over 100 countries, with financing supporting core health system capacities that are key to PPR.** Focusing on projects specifically designed to support core PPR functions, the Bank committed US\$133 million in IDA financing per year between FY15 and FY19. However, IDA PPR financing more than quadrupled in FY20 and FY21 reaching US\$589 million per fiscal year; over the same period IBRD provided US\$612 million per fiscal year in PPR financing. These amounts include significant support to PPR through the Global COVID-19 Multi-Phased Approach (MPA), accounting for around 30 percent of committed funds.¹⁴ In addition, the World Bank has also supported the PPR agenda through operations outside the health sector through a "One Health" approach, and currently finances 56 projects in 35 countries that address AMR¹⁵ (Box 2 presents some highlights of the Bank's operational support for PPR).

13. **The WBG has also played a key role in responding to disease outbreaks.** The Bank was a vital member of the global coalition that fought the Ebola outbreak in West Africa (2014–15), committing US\$1.62 billion for Guinea, Liberia, and Sierra Leone for emergency response and longer-term preparedness.¹⁶ Similarly, for the 9th and 10th Ebola virus outbreaks in the Democratic Republic of Congo in 2018 and 2019, the IDA Crisis Response Window (CRW) provided US\$258 million in financing. The Bank has also provided support in response to other outbreaks, including Avian Flu (covering more than 50 countries), SARS, Swine Flu, and Zika. More recently, the WBG's COVID-19 response package has

¹³ Overall Development Assistance for Health (DAH) has been estimated at nearly US\$40bn per year in the period prior to COVID. Although DAH is substantial, only a small share, estimated at around 1-2.5% (approx. US\$0.5-1 billion) is directed at supporting core PPR functions at global and country level, with the remainder going to disease specific programs (nearly 75%) and broader health system strengthening. For details, see Kraus, Jessica, et al. "Measuring development assistance for health systems strengthening and health security: an analysis using the Creditor Reporting System database." *F1000Research* 9, no. 584 (2020): 584; and Micah, Angela E., et al. "Tracking development assistance for health and for COVID-19: a review of development assistance, government, out-of-pocket, and other private spending on health for 204 countries and territories, 1990–2050." *The Lancet* 398.10308 (2021): 1317-1343.

¹⁴ For example, in Ghana, the US\$35 million operation covers support for strengthening national laboratories to provide real time disease surveillance and outbreak reporting systems. Similarly, in Mongolia, the US\$26.9 million operation is helping to strengthen capacity for a multi-sectoral response, at the interface of environmental, veterinary, and public health services, to contain the future spread of new viruses of animal origin, at source; while, in Ethiopia, the US\$82.6 million project has helped boost laboratory and testing capacity and other preparedness-related infrastructure and supported the development of a Risk Communication and Community Engagement Strategy.

¹⁵ The lending portfolio, which includes current commitments as of February 2021, is estimated to be between 0.62 and 2.32 billion USD with 0.62 billion in financing being specifically allocated for AMR investments and an additional 1.7 billion having been tagged as addressing AMR in operations aimed at strengthening agriculture, health, water, sanitation and hygiene systems.

¹⁶ This included over US\$1 billion of commitments from IDA (of which, US\$420 million was from the CRW). In addition, US\$450 million from the IFC supported continuity of trade, investment, and employment in the three countries.

been the largest and fastest crisis response in our history, reaching clients across the income spectrum with unprecedented speed and scale, while maintaining focus on long-term goals. The Bank’s health response alone has included commitments of over US\$15 billion through the Global COVID-19 Multi-Phased Approach (MPA). Of this, US\$6.5 billion is in IDA financing and around one third of this is on grant terms. Bank financing has helped save lives, including through support to the acquisition and deployment of vaccines; protecting the poor and vulnerable; saving jobs and business; and, building a more resilient recovery. The IFC has been actively helping to expand emerging market vaccine production, especially in Africa, and to make available critically needed equipment and supplies through its US\$4 billion Global Health Platform.

14. **The financial models of WBG institutions have the flexibility to provide longer term, sustainable financing for health preparedness as well as surges during crises.** The huge surge in Bank financing for COVID-19 was enabled by several key aspects of its financial structure. These include the recent IBRD and IFC capital increases, the IBRD’s crisis buffer – which was explicitly designed to respond to crises – and IDA’s ability to front-load its support and accelerate its access to global capital markets. With strong support from members, the Bank moved quickly to bring forward IDA19 resources and accelerate the IDA20 replenishment, which includes funding from the capital markets. For example, in 2022, IDA issued a 20-year euro-denominated Sustainable Development Bond that raised Euros 2 billion and was heavily oversubscribed.

Box 2. Highlights of World Bank Operational Support for PPR

Regional, multi-country projects have been at the heart of World Bank financing for strengthening PPR over the past decade, with a strong focus on Sub-Saharan Africa. The first large-scale project focused on PPR was the *East Africa Public Health Laboratory Networking Project*, approved in 2010, strengthened regional coordination of laboratory capacity for TB and broader public health challenges. Later, the 2014–2016 Ebola outbreak in West Africa exposed the need for multi-sector engagement and cross-country collaboration to prevent, detect and respond to disease outbreaks. This led to the launch of the *Regional Disease Surveillance Systems Enhancement (REDISSE) Program* in 2016, which initially focused on Guinea, Senegal, and Sierra Leone before expanding to cover 16 countries. REDISSE has established regional coordination structures, built human resource capacities, and strengthened surveillance, testing, border screening, case management and infection prevention and control – all competencies that were tapped during the COVID-19 response. Other regional projects have supported the Africa CDC and other sub-regions to strengthen disease surveillance and response to infectious disease outbreaks in cross-border areas and strengthen laboratories, for example the *Southern Africa TB and Health Systems Support Project*, approved in FY16, and the *Africa CDC Regional Investment Financing Project*, approved in FY20. The experience with regional PPR projects in Africa has stimulated similar approaches elsewhere, including the *Organization of Eastern Caribbean States Regional Health Project*, which was approved in 2019 and focuses on investments in improved health facilities and laboratory capacities, public health surveillance and emergency management, and institutional capacity building for preparedness.

The World Bank has also supported the PPR agenda through operations outside the health sector as part of “One Health”. In Vietnam, for example, the *Livestock Competitiveness and Food Safety Project* introduced good animal husbandry practices to smallholders of livestock production. As a result of improved biosecurity measures and upgrades to slaughterhouses and sanitation in wet markets, the project has contributed to significant improvements in food safety along the food value chains for pork and poultry, reducing the impact of food-borne zoonoses and risks related to antimicrobial resistance. PPR investments based on a “One Health” approach have important co-benefits related to climate change, biodiversity loss, and transformation of food systems.

In addition to projects that support PPR directly, the Bank is also financing various projects that seek to address AMR. The WBG currently finances 57 projects globally that address AMR, which include interventions such as: improving surveillance systems; strengthening laboratory capacity; institution and capacity building; water, sanitation, and hygiene improvements in healthcare facilities; and prevention, detection, and treatment of TB.

The WBG has supported policy and institutional reforms related to the PPR agenda through a variety of financing instruments, including Development Policy Operations (DPOs) and Catastrophe Deferred

Drawdown Options (CAT-DDOs). Although an explicit focus on disease outbreak preparedness in DPOs remains rare, a growing number of DPOs and CAT-DDOs focus on climate change, deforestation, and crisis and risk management capacity, and hence support PPR by addressing both drivers of disease outbreaks and response capacity. More recently, CAT DDOs have prioritized PPR more explicitly. An example is the recently approved *Colombia - Third Disaster Risk Management Development Policy Loan* (P176650), which includes a broad set of policy actions related to climate and forest policy, fiscal resilience, disaster risk management, housing legislation and public health risks, and the project’s results framework includes indicators related to the development of a ten-year public health plan that incorporates health risks and emergencies, as well as the development of public health risks maps (with a focus on dengue and malaria in particular) at the subnational level.

15. **World Bank-managed trust funds have played a key role in building evidence, convening stakeholders, and co-financing projects.** Trust funds supported by the Government of Japan, Resolve to Save Lives, the Bill and Melinda Gates Foundation, Gavi, the Global Fund, the Australian Department of Foreign Affairs and Trade (DFAT), and other partners have supported analytical work, technical assistance, operations, and other engagements at country and regional levels. More recently, the Health Emergency Preparedness and Response Trust Fund Umbrella Program (HEPR Program) was established to provide incentives to countries to increase investments in preparedness.¹⁷ Two years since its approval by the Bank’s Board, the HEPR Program has mobilized US\$211 million in resources and awarded grants of more than US\$106 million to 32 countries with the highest need for health emergency preparedness and response work. The HEPR also supports innovations and learning in the PPR domain, thus complementing the FIF by strengthening the WBG PPR projects.

16. **The Bank has also been instrumental in establishing and supporting several FIFs that are critical for strengthening PPR.** The Bank, in its role as a trustee, manages the contributions, investment management, cash transfer, accounting, and financial reporting for some of the key FIFs in the global health space, including: CEPI, to support vaccine development; the International Finance Facility for Immunization (IFFIm) to support Gavi; the Global Fund; and the Advance Market Commitment for Pneumococcal Vaccines. These initiatives have dramatically reduced the time needed to develop vaccines and make them widely accessible in developing countries.

17. **Analytical work and partnerships have been cornerstones of the Bank’s support for pandemic preparedness.** The WBG has an extensive track-record of leading or coordinating studies, research, and dialogue, including to distill lessons, shape policy and reform agendas, and provide data to support decision making.¹⁸ In addition, through its partnerships with WHO, the Global Pandemic Monitoring Board, CEPI, the African Union and Africa CDC, and other institutions, the Bank has contributed to shaping the global PPR agenda. In the context of the COVID-19 pandemic, many of these partnerships have deepened, and others have been formed, including with the International Monetary Fund (IMF), WHO and World Trade Organization (WTO) to convene the *Multilateral Leaders Task Force on COVID-19*. The Bank will also continue to support the G20, G7 and other stakeholders to strengthen global PPR governance and coordination. Going forward, the WBG is committed to work towards aligned and coordinated action, both in the response to COVID-19 and in strengthening PPR for the long term.

18. **The World Bank is part of a broader global health landscape, populated with many different actors, both public and private, that provide international financing for PPR.** The existing set of

¹⁷ The HEPR Program, successor to the Pandemic Emergency Facility (PEF) was approved by the World Bank Board on 17 June 2020 as a multi-donor trust fund umbrella program in response to the short term COVID-19 pandemic and future health emergencies, and to help countries with catalytic, upstream, and incentive financing for future health emergency preparedness.

¹⁸ Key past reports include “Pandemic Preparedness Financing – Status Update” (2019), “[Money & Microbes – Strengthening Clinical Research Capacity to Prevent Epidemics](#)” (2018), [Lessons Learned in Financing Emergency Response to Epidemics \(2018\)](#), and “[From Panic & Neglect to Investing in Health Security - Financing Pandemic Preparedness at the National Level](#)” (2017).

institutions includes other MDBs; UN agencies, notably the WHO; global health institutions, like the Global Fund, Gavi and CEPI; bilateral partners and organizations; philanthropies; and private sector actors. They are already playing an important role and some of them offer a range of financing mechanisms/modalities that support PPR investments and health systems strengthening, more broadly.

19. *As noted above, while existing institutions and platforms involved in global health financing efforts must be reinforced and better coordinated to provide the necessary support to strengthen PPR, there is broad consensus that developing countries deserve more and better financial support from the international community that is aligned with their needs. The proposed FIF can be an important part of the solution and add value to the existing PPR landscape.*

III. The Proposed FIF

A. Objectives and Value Added

20. **The objective of the FIF is to provide a dedicated stream of additional, long-term funding for critical PPR functions in IDA and IBRD countries, through investments and technical support at the national level, as well as at the regional and global levels.** The FIF is expected to add value, along several dimensions, for contributors, recipients and implementing entities, in the following ways:

- First, the FIF could help bring **additionality** in financial resources for PPR, including through the mobilization of non-ODA resources, for example, from philanthropies. It may be noted in this context that the FIF has already mobilized funding from a philanthropy and other, similar organizations have signaled an interest in contributing.
- Second, financing from the FIF could be used to **incentivize** countries to invest more in PPR, including through blending of MDB resources to further increase concessionality and matching of domestic resources.
- Third, by bringing together key institutions engaged in PPR and health system financing, the FIF will help promote a more **coordinated and coherent approach to PPR** strengthening by linking financing with existing, country-level planning and prioritization processes, thereby strengthening alignment and complementarity of PPR and health system strengthening and reducing transactions costs for client countries. More coordinated support also creates conditions for a more systematic dialogue about domestic financing for PPR.

21. **The following key principles would underpin the FIF's design:** First, it would complement the work of existing institutions that provide international financing for PPR, drawing on their comparative advantages. Second, it would be designed to *catalyse* funding from private, philanthropic, and bilateral sources. Third, it would serve as an integrator rather than become a new silo that only furthers fragmentation. Fourth, it would have the *flexibility* to work through a variety of existing institutions and adjust over time as needs and the institutional landscape evolves. Fifth, its structure would be designed to reflect *inclusivity*, while ensuring *streamlined and efficient governance and operating arrangements*. Sixth, it would operate with high standards of *transparency* and *accountability*.

22. **Given the legitimate concerns that have been raised around fragmentation of the global health finance architecture, it is important to note that a new FIF, hosted by the Bank, would not entail the creation of a new standalone institution that would add to further fragmentation.** The FIF would be designed to draw on existing institutions, building on their respective comparative advantages.

B. Focus Areas for Financing

23. **The FIF would allocate additional financing where investments are most urgently needed to bolster PPR, plugging key capacity gaps at all levels – as identified by the G20 High Level Independent Panel (HLIP) report as well as by the World Bank-WHO paper prepared for the G20.** Although financing priorities are dynamic, will evolve over time, and will ultimately be determined by the FIF’s Governing Board, recent analysis on needs and gaps points to need for financing to support PPR at country, regional and global levels. The FIF could immediately start by providing financing to strengthen and sustain country-level capacity in the areas of prevention and preparedness, with a focus on low- and middle-income countries that are most in need of support; build regional capacity for PPR functions and coordination; strengthen key global PPR functions; and support TA, analytics, learning and convening:

- **Strengthen country-level PPR capacity** by plugging capacity and capability gaps at country and local level in core domains of the International Health Regulations (2005) and the World Organization for Animal Health (OIE) International Standards, including: 1) disease surveillance; 2) laboratory systems; 3) emergency communication, coordination and management; 4) critical health workforce capacities; 5) community engagement. Needs will be contextual and country-specific, and financing priorities would be based on country-driven assessment and coordination efforts and guided by the plans and priorities of beneficiaries and One Health principles. The FIF could also strategically invest in health systems at community and primary health care level to strengthen synergies between the health system and PPR capacity.
- **Build regional and global capacity** by expanding support to regional and global institutions across multiple domains, including surveillance, reporting and information sharing, shared public health assets, regulatory harmonization, capacity to support public health workforce in LICs/MICs, and capacity for coordinated development, procurement, distribution and deployment of countermeasures and essential medical supplies. Progress in these areas will require supporting capacity of existing global/regional institutions and building dedicated PPR entities, such as the one proposed by the African Union in October 2021, modeled on the European Health Emergency Preparedness and Response Authority.
- **Support technical assistance, analytics, learning and convening.** Financial support to countries and regional/global institutions should be complemented by activities to elevate the PPR agenda, support cross-country learning, and promote collective accountability. This could include *inter alia* peer-to-peer learning, learning events, targeted technical assistance, systematic monitoring of PPR capacities and domestic spending on PPR.

C. Proposed Structure, Governance and Operating Arrangements

24. **The proposed structure, governance and operating arrangements presented below draw on good practices from FIFs, and on the feedback received through stakeholder engagement on a [White Paper](#) issued by the Bank on May 17th, 2022.** Details would need to be agreed among the founding donors, the World Bank, WHO and other stakeholders, keeping in mind the key design principles noted above. These details would be endorsed at the first meeting of the FIF’s Governing Board, expected to take place in fall 2022. Recognizing that consultations are ongoing, we will update Executive Directors should there be any significant deviations in the final structure or governance.

1. Structure

25. **In line with the organizational structure of other FIFs, the proposed FIF would be organized around the following main elements:**

- An independent **Governing Board** would serve as the FIF’s decision-making body, with responsibility for setting the strategic direction, governance and operational modalities, and work program of the FIF, and for making funding decisions. The Governing Board is expected to be informed by a **technical advisory panel**, that would bring in technical expertise from international

organizations, governments, and the private sector, as well as other specialized health expertise, as needed, to advise the FIF's Governing Board on funding priorities, evaluation of funding proposals, recommendations on funding allocations to projects, etc.

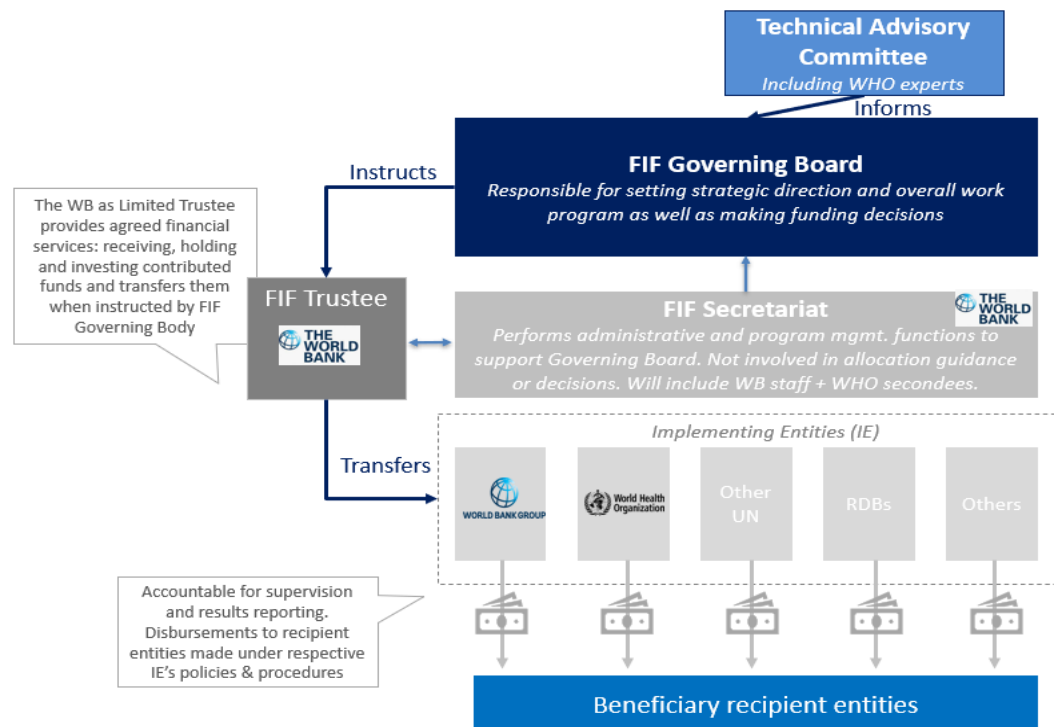
- The World Bank would serve as limited **trustee**, as it does for all FIFs.¹⁹ The World Bank is already the trustee for all 27 existing FIFs, building on a well-established financial, investment management and accounting platform developed by the World Bank over the past three decades, as well as experienced specialized legal and treasury services. When a FIF is established an initial duration for the trust fund is agreed, the term of which can be subsequently extended with the consent of its governing board and the World Bank.
- Administrative functions, including support to the Governing Board in the delivery of its roles and responsibilities, would be performed by a **secretariat** housed at the World Bank. The Bank currently houses two-thirds of FIF secretariats (18 secretariats). Secretariat staff would be World Bank employees, subject to Bank rules and reporting lines. The secretariat would include expert staff from the WHO on a secondment as per the World Bank's Human Resources policies, to help support and coordinate the technical advisory panel.
- The FIF would transfer resources to a set of agreed **implementing entities**, which are the operational arms of the FIF, to carry out the FIF's work program at country, regional and global level. A core feature of FIFs is that implementing entities carry out FIF-funded activities using their own policies and procedures, including for project preparation, appraisal, supervision, and monitoring.

26. **The World Bank is expected to play three roles in the proposed PPR FIF, drawing on its financial and program management, operational and legal expertise and experience in establishing and managing FIFs:** (i) trustee, where the World Bank would hold and transfers donor funds to external entities based on instruction of the FIF governing body; (ii) secretariat, where the World Bank would provide program management and administration services to the FIF and support its governing body; and (iii) implementing entity, where WBG institutions would appraise and provide implementation support for FIF-financed projects. In each of these capacities, and in line with other FIFs, the WBG would be represented as an Observer on the FIF's Governing Board.

27. **Within these standard structural parameters, the proposed FIF would build on the existing global health architecture for PPR, including the IHR (2005) and associated monitoring mechanisms, ensuring a central role for the WHO.** As the international organization with responsibility for pandemic preparedness, it is envisaged that the WHO would support the FIF as follows: (i) member of the technical advisory panel, along with other leading experts; (ii) participation in the secretariat, through seconding staff who would help support and coordinate the work of the technical advisory panel; and (iii) implementing entity. In these capacities, and in line with other FIFs, the WHO would be represented as an Observer on the FIF's Governing Board. Figure 2 below illustrates what the structure of the proposed FIF could look like.

¹⁹ The World Bank's trustee role in FIFs is "limited" from a fiduciary point of view. Its oversight responsibilities end when funds are transferred to eligible implementing entities who then become accountable for the oversight and use of funds in line with their own policies and procedures.

Figure 2
Proposed Organizational Structure



Note: Structure is consistent within the broad parameters of the WB's FIF Management Framework (2019) and experience/good practices from other FIFs.

2. Governance

28. **The FIF's governance would be anchored in its Governance Framework.** The framework would be endorsed by the Governing Board at its first meeting. In line with other hosted FIFs, the framework would be guided by two overarching principles: first, the FIF's Governing Board would operate independently from the governance of the host institution (i.e., the World Bank, in this case), and second, it would balance inclusivity with agility.

29. **The FIF's Governing Board would comprise decision-making members and non-decision-making members and carry out its duties based on the agreed Governance Framework.** At a minimum, decision-making members would include the donors to the FIF.²⁰ In some FIFs, this is limited to donors who make contributions above a specified threshold. In the majority of FIFs for which the World Bank houses the FIF secretariat, representatives of recipient countries/regions are represented on the Governing Board. They could serve either as decision-making members or as non-voting members, depending on a determination on how best to manage real or perceived conflicts of interest between those deciding on funding allocations and those receiving funds as final beneficiaries. The Bank (as trustee, secretariat and one of the implementing entities), WHO, and other FIF implementing entities, would serve as Observers.²¹ The FIF's governance would ensure dedicated processes to capture the voices of Civil Society Organizations (CSOs).

²⁰ Limited exceptions occur in the case of FIFs established as special purpose financial vehicles.

²¹ Observers typically have the necessary access and opportunity to contribute to all key discussions in FIF governing boards except final decision-making, particularly around funding allocations and matters pertaining to such allocations.

30. **Depending on the size of the new FIF, a constituency-based approach could be adopted to bring in broad-based representation on the Governing Board, while ensuring efficiency in governance and implementation.** Drawing on practices in some existing FIFs, the FIF's Governing Board could include constituency groupings representing donors and recipients, with the latter organized by regions.

31. **The Governing Board would have a Chair or co-Chairs, either selected from among the decision-making members or appointed as an independent Chair with no organizational affiliation.** In line with governance best-practice, Chairs/co-Chairs typically serve fixed terms, although these can be renewed. Consistent with best practice, Chairs do not have decision-making rights. Where Chairs are selected from among the decision-making members, another representative from that organization or constituency then participates and serves in the decision-making capacity.

32. **Following the practice used by other FIFs, and in keeping with the spirit of FIFs as multilateral partnership programs, decision-making is expected to be by consensus, although unanimity would not be required.** In consensus-based approaches, the Chair(s) seek broad agreement among stakeholders, working together to find mutually acceptable solutions where disagreements surface and/or allowing stakeholders to express dissent without blocking decisions. This approach to shared governance is in line with the underlying basis of FIFs as vehicles for collective action and has been a core principle of FIF governance since the first FIF was established in 1992. This is also in line with the consensus approach to multilateral decision-making more generally and is familiar to the sovereign states which sit on FIF governing bodies. In the event consensus is not possible, most FIFs allow for a decision to be made on the basis of a formal vote.

Box 3. Examples of How Expert Observers Contribute to FIF Governing Bodies

The governing board of the Global Concessional Finance Facility (GCF) includes UNHCR as an observer, drawing upon the agency's expertise on refugee issues. The GCF was established as an outcome of the International Stakeholders Round Table for the Middle East and North Africa Region which convened participants from 50 countries and international organizations to address challenges to countries in the Region impacted by forced displacement driven by the Syrian refugee crisis. GCF was subsequently expanded to help address the Venezuelan refugee crisis. GCF provides grant resources that can be blended with MDB lending to support middle-income countries hosting substantial refugee populations. The governing body benefits from UNHCR's participation as an observer. Through its participation, UNHCR provides updates to the governing body on refugee situations, outcomes of needs assessments, and ongoing national and international responses.

The Adaptation Fund (AF) was created as part of efforts to implement the Kyoto Protocol, which sets binding emissions reduction targets and was negotiated as part of the UN Framework Convention on Climate Change (UNFCCC). As such, AF meetings are open to attendance from representatives of UNFCCC Parties, the UNFCCC Secretariat, and other UNFCCC accredited observers. The Board may issue invitations to specific observers from among this broad pool to ensure representation on matters of concern to the body or agency they represent. Similarly, the Board may request observers to make presentations on matters under consideration.²²

33. **The FIF's Governing Board would be supported by a technical advisory panel.** The boards of many existing FIFs benefit from technical advisory bodies, comprising highly specialized experts. Such bodies can help ensure FIF governing boards are apprised of the latest knowledge and developments related to the issue/topic that the FIF is designed to support, and they can also help with the assessment of funding proposals. Box 4 provides examples of FIF governing boards that are supported by advisory bodies. In the

²² For example, during a governing board session to allocate program funding, implementing entities appear only to present and/or answer questions about funding proposals they have submitted, but are not present for discussions on proposals submitted by other implementing entities.

case of the proposed FIF, a technical advisory panel comprising leading experts, including from international organizations, specialized health institutions, governments, and the private sector, is expected to play an important role in advising the Governing Board on the status of PPR capacity at country, regional and global levels, emerging lessons and priorities, and significant developments in the areas of broader PPR governance and oversight. In this way, the **technical advisory panel** can help ensure that calls for proposals and their evaluation and assessment as well as results reporting on funded proposals, along with any adjustments needed to the FIF’s operational modalities over time, are aligned with the evolving global framework for PPR standards, governance, and good practice. Where there is any overlap between organizations on the technical advisory panel and implementing entities, roles would need to be structured to minimize risks of conflicts of interest (real or perceived) in line with governance best practices.

Box 4. How Advisory Bodies Support FIF Governing Boards

The Global Agriculture and Food Security Program (GAFSP) provides grants to support the development of national agricultural and food security investment plans in low-income countries and investment in projects that are part of these plans. End-recipients must demonstrate commitment to a comprehensive approach for increasing agricultural productivity and improvements to food security. The GAFSP Steering Committee (i.e., its governing body) is supported by a Technical Advisory Committee (TAC) of up to 12 members that provides advice to the Steering Committee. TAC members are experts in agriculture and food security and provide advice on project proposals, ensuring consistency with the objectives, modalities and procedures of the GAFSP. TAC members also assess the quality assurance processes used for agriculture and food security plans of the recipient countries and regions, the level of expenditure on agriculture and food security, the conduciveness of policy frameworks and safety nets, and relative magnitude of needs, to help inform Steering Committee decisions. GAFSP Coordination Unit (i.e., secretariat) staff do not participate in the TAC and are not involved in assessing funding proposals.

The Global Infrastructure Facility (GIF) was established to promote investments in sustainable infrastructure and strengthen the pipeline of projects that attract private sector engagement. In addition to capacity and project development the GIF serves as a collaboration platform. The GIF structure includes an Advisory Council, membership in which is voluntary (and unreimbursed); the Advisory Council is comprised of Governing Council members and “Advisory Partners” from institutional investors, commercial and investment banks, infrastructure finance organizations, and developers. The Advisory Council meets bi-annually and serves a convening and collaboration function, sharing experiences, promoting solutions to sustainable infrastructure and innovation and discussing current topics and trends.

35. **Opportunities for the FIF to be guided by the work of the G20 JFHTF or its successor, and for the FIF to inform the coordination work of the JFHTF, would be leveraged.** Though the FIF would be directly accountable to its Governing Body, there are opportunities for the FIF to benefit from the work of the JFHTF or its successor, and for the FIF to inform the finance-health coordination work of the JFHTF.

3. Operating Modalities

36. **The World Bank will draw on good practices to ensure a streamlined and efficient operating structure and processes for the FIF as well as transparency and accountability, and with clear results indicators that help inform operations.** Operating modalities would be set out in the FIF’s Operations Manual that would be adopted by the Governing Board at its first meeting. These documents would set out, among other things, the FIF’s operating principles, including eligibility, resource allocation criteria and processes, and a common approach for implementing entities to submit funding requests, reporting, disclosure, and conflict of interest.

37. **Resources from the FIF will be channeled to programs/projects through a set of accredited implementing entities.** As per the World Bank’s FIF Management Framework (2019)²³, in FIFs for which the World Bank houses the secretariat (and thereby provides the FIF its legal personality), eligible implementing entities are MDBs (including Regional Development Banks), the IMF, and UN agencies. These are entities with whom most donors have separate Board-level relationships, ensuring familiarity with applicable policies and procedures and providing additional means for oversight and accountability.

38. **The FIF’s founding donors and other stakeholders have recommended that, in addition to MDBs and UN agencies, leading international global health agencies -- CEPI, Gavi and the Global Fund -- be included as implementing entities.** Inclusion of these entities would require a waiver. As such, following approval by the Executive Directors of the FIF’s establishment, and prior to the FIF’s launch, the Bank will complete the due review processes, including a comprehensive risk assessment of each proposed entity, required for the inclusion of implementing entities in any recommendation for a waiver.²⁴

39. **The FIF could allocate funding either through regular (semi-annual or quarterly) calls for proposals to be submitted by the implementing entities or through *ad-hoc* calls for proposals. In both cases, the frequency and size of calls would depend on amounts contributed and when donor funds are paid into the FIF.** Regular calls provide predictability for both implementing entities and the countries in which activities will be undertaken, while *ad hoc* calls allow flexibility but can increase transaction costs (e.g., need for an “always on” Board, proposal development without clear assurances of funding availability at the time).

40. **Decisions on funding allocations would be made and approved by the Governing Board, based on the criteria and process detailed in the FIF’s Operations Manual and guided by impact.** In response to the calls for proposals, implementing entities would submit funding proposals, in writing, and in accordance with the template and guidelines set out in the FIF’s Operations Manual. The secretariat would screen funding proposals submitted to ensure completeness and overall consistency with the FIF’s Governance Framework, Operations Manual, and results framework (as applicable), utilizing a process and timeline agreed upon and endorsed by the Governing Board. Eligible funding proposals would typically be reviewed, in detail, and assessed, by external technical experts (e.g., the technical advisory panel mentioned above), for the Governing Board’s final review and decision. This process would use a scoring system, or any other means laid out in the Operations Manual. All funding proposals reviewed by the experts, and their accompanying assessments, would be forwarded to the Governing Board for review and decision. The Governing Board would approve and award funding for proposals based on criteria it will establish. These criteria would be subject to periodic review after the first call for proposals. Allocations made by the Governing Board would be committed and transferred by the Trustee to the implementing entity, used by the implementing entity, reported upon by the implementing entity, and returned where applicable to the FIF by the implementing entity.

41. **Reporting and Results Monitoring.** The secretariat would track progress based on reports submitted by the implementing entities, and compile regular reports based on individual progress reports received from implementing entities during the reporting period. In addition, the Trustee would submit to the Governing Board annual reports on the financial status of the FIF. This reporting system would help the Governing Board to oversee allocations and achievement of outputs and outcomes for FIF-financed activities.

²³ Financial Intermediary Fund Management Framework, World Bank, June 2019.

²⁴ Inclusion of any additional implementing entities after the FIF is launched would be led by the FIF’s Governing Board, with the Bank’s “no objection”, as laid out in the FIF Management Framework (2019). It may be noted also that the provision of ‘direct access’ in which sovereign national entities receive funding directly from a FIF is not permitted in World Bank hosted FIFs. In other words, FIFs must channel funds through intermediary entities that must take responsibility, and have the capacity for, project preparation, appraisal, and supervision of projects, using their own policies and procedures.

42. **Each funding proposal submitted by an implementing entity would have a results framework,** which the implementing entity would be responsible for tracking, monitoring, and reporting, based on a format endorsed by the Governing Board. In addition, if the FIF includes an overarching results framework at the partnership level, this would need to be endorsed by the Governing Board. Each funding proposal would then need to link project-level indicators with the overall results framework. Implementing entities would track, monitor, and report on progress.

43. **Risk Management.** Each implementing entity would be responsible for the management of risks associated with the respective projects and programs implemented by them, and reporting on such risks and mitigation measures, as appropriate, as part of its progress and results reporting. The Trustee would manage financial risks associated with administration of the FIF and its resources until such time as they are transferred to implementing entities or returned to contributors in accordance with the provisions of the Contribution Agreements. The Governing Board would have oversight of the risk management approach and risk appetite at the portfolio level.

44. **FIFs naturally evolve in response to new opportunities, lessons learned and other changes in the environment.** When considering significant changes or a restructuring, risks need to be assessed and managed in the same way as they are when a FIF is first set-up. This includes ensuring the proposed approach is in line with risk appetite of the FIF's participants and that all parties agree to continue in their roles in the FIF under the new structure, including donors and the World Bank. In the case of the World Bank, a so-called "lifecycle review" will be undertaken to assess the impact of any proposed restructuring on each of the World Bank's roles within a FIF.

45. **The proposed FIF would incorporate strong transparency and accountability criteria, with full buy-in from implementing entities where much of the monitoring and reporting burden would fall.** In line with good practice, the FIF's governance framework, operations manual, contribution agreements signed with contributors, financial procedures agreements signed with implementing entities, financial and progress reports, and other reviews and evaluations would be made publicly available.

D. Financing

46. **Contributions to the FIF would be voluntary.** As per the World Bank's FIF Management Framework (2019), setting up the new FIF requires donors to commit to large scale financing (with at least three donors, and a minimum amount totaling US\$200 million, at inception) and financial sustainability to meet the criteria set out in the Framework. These criteria have been met. It is imperative that FIF financing be truly additional, and not merely take existing resources from other important development priorities, and that it be sustained. In the near term, the viability of the proposed FIF will depend primarily on ODA and the robust initial pledges from founding donors. Over the longer-term, sustainable financing will be needed to ensure that the FIF and PPR efforts remain financed as a high priority.

47. **The replenishment process would depend, among other things, on the size of the FIF.** Smaller FIFs are typically replenished on an *ad hoc* basis. Regular replenishment cycles become more common in larger, more established FIFs but have been considered in smaller FIFs where "strategy outlook cycles" exist (e.g., five-year strategies), as a means to tie funding to strategy.

48. **For the sake of simplicity and to get the new FIF off the ground as quickly as possible, the FIF will be set up on a grants-in/grants-out basis.** Most FIFs provide concessional financing on a grants-in/grants-out basis, with donor contributions received as grants and funding provided to implementing entities on a grant basis. This includes health-sector FIFs. Grants can provide fully concessional project financing or concessional boosts to other instruments in the implementing entities' toolkits (e.g., core lending in the case of the MDBs). In some cases, grants are also used to encourage complementary funding, in which implementing entities mobilize additional resources from other sources to be used alongside grant

funding from the FIF. More complex financing structures exist in a limited number of FIFs and require a substantial due diligence process before the World Bank agrees to provide trustee services.

IV. Alternatives Considered

49. As part of the analysis carried out by the Bank and WHO for the G20 JFHTF, various options were examined. The analysis concluded that a FIF hosted by the World Bank would be the most fit-for-purpose vehicle to fill critical PPR financing gaps.²⁵ The alternatives considered were as follows:

50. UN Multi-Donor and Multi-Partner Trust Funds: Within the UN system, there are *Multi-Donor and Multi-Partner Trust Funds* that are mainly administered by the Multi-Partner Trust Fund (MPTF) Office at the UNDP.²⁶ The MPTF Office facilitates UN coherence and development effectiveness in addressing multifaceted issues—such as humanitarian crises, peacebuilding, recovery, and development. The MPTF Office assists the UN system and national governments in establishing and administering pooled financing mechanisms, multi-donor trust funds and joint programs.

- *Assessment:* These funds are geared to operate largely through UN agencies and as a result they are not fully complementary to supporting the existing spectrum of entities working in PPR. Such funds have not historically drawn from and worked systematically with non-ODA financing sources and may not be in a strong position to leverage these important potential sources of additional funding. Such funds may not as efficiently incentivize recipient countries to utilize other important domestic financing such as through MDBs, and particularly IDA.

51. World Bank Multi-Donor Trust Funds (MDTF): The option of working through an existing World Bank MDTF or establishing a new one was also considered as an alternative. For example, the HEPR was established as an MDTF to help incentivize investment in preparedness in IDA-eligible countries through co-financing grants and to enable response to major disease outbreaks where access to other sources of financing is limited, such as countries in arrears. HEPR was considered as an alternative to the proposed FIF given its core objective of supporting health systems strengthening and preparedness and its ability to co-finance operations at the country and regional level. HEPR could also accommodate donor contributions earmarked for global health security.

- *Assessment:* Working through the HEPR or establishing a new MDTF was deemed to be less appropriate in this context, given the objective of facilitating coordination and financing across the range of agencies involved in PPR, leveraging on distinct comparative advantages, and support for global level activities through institutions like the WHO. MDTFs are designed first and foremost to leverage the World Bank's operations platform. Contributors to MDTFs set the strategic directions and parameters for the trust fund but delegate operational decisions to the Bank. MDTFs complement the Bank's core business, providing additional resources for technical assistance and co-financing in support of Bank lending operations, often supporting activities for which recipients are unwilling or unable to borrow. For example, MDTFs have been critical to support the knowledge agenda, capacity building and work in fragile states.

Due to their design to leverage the Bank's operations platform, MDTFs do not meet the key principle of flexibility to work through all major existing institutions engaged in PPR financing, as an integrator that is able to adjust rapidly to the evolving landscape. While MDTFs do allow for transfers of funds to other organizations (i.e., MDBs and UN agencies), they are not intended where large-scale transfers

²⁵ "PPR Financing Modalities", op.cit.

²⁶ <https://mptf.undp.org/overview/office>

to other organizations may be required, and, in principle, cap transfers at 30 percent of total contributions

Other trust funds with complementary activities include the Global Financing Facility (GFF), which is targeted to maternal child health, and Food Systems 2030, which focuses on sustainable food systems through the nexus of improved livelihoods, safety and nutrition. As part of this, the trust fund includes support for prevention of zoonotic diseases. Neither of these would be suitable to accommodate the proposed FIF's objectives, for the reasons noted above; however, it will be important to be aware of potential overlap in some areas and ensure the new FIF remains complementary to minimize any risk of undermining the Umbrella TF programs – especially the HEPR – through fundraising competition.

52. A new FIF at the World Bank: FIFs are an important part of the World Bank's development finance toolkit.²⁷ FIFs are a type of trust fund for which the World Bank provides tailored administrative, operational, legal, and financial services. As noted above, FIFs mobilize and pool resources from a variety of sources (ODA and non-ODA) and channel those resources through existing institutions (implementing entities). FIFs are intended to provide large-scale financing over a long-term horizon. They are multilateral mechanisms, usually benefiting from broad support over time, to foster collective action through collective governance.

- *Assessment:* i) Through the flexibility of its design, the new FIF can be highly complementary to the work of existing PPR financing institutions, including through their designation as implementing entities. In this context, the World Bank, as an implementing entity, is well placed to implement many of the country and regional activities envisioned by the FIF and benefit from the additional resources that would be made available; ii) FIFs can receive and manage financing from ODA and non-ODA sources; iii) FIFs can act as integrators, bringing together the full experience of existing PPR financing institutions to optimize investments and impact, and help catalyze and incentivize the use of core MDB financing, as well as financing from UN agencies and other actors involved in PPR financing; and iv) a FIF at the World Bank would not require establishing a new institution - not only would this present benefits in terms of cost effectiveness, relative to establishing a new, legally independent institution that would become a permanent part of the health architecture, but it would also safeguard against a further crowding of the global health finance architecture.

53. *In summary, each of the three options above provide a potential capacity to mobilize and deploy additional, long-term resources for PPR, including from non-ODA sources, thereby expanding the pool of funding available for PPR, and to incentivize governments to invest more in PPR. However, a FIF hosted at the World Bank presents some unique benefits, as noted above, to support collective efforts to strengthen PPR with an eye toward the next pandemic.*

V. Risks and Mitigation Measures

54. **Key risks to be assessed in a FIF-supported partnership include: i) strategic risk; ii) operational risk; iii) stakeholder risk; iv) financial risk; v) legal risk; and vi) portfolio risk.** A summary of the initial risk assessment of the proposed FIF across these six dimensions is provided below.

55. **Strategic risk:** The proposed FIF is well-aligned with the Bank's strategy, objectives and priorities on PPR, most recently articulated in the PPR Position Paper that has just undergone Bank-wide review. PPR is also a key corporate priority with ambitious IDA20 commitments. The FIF is expected to focus attention on this important agenda and complement support provided by IDA and IBRD. The FIF's value proposition for Bank clients is supported by strong diagnostics. It is worth mentioning also that the

²⁷ See: <https://fiftrustee.worldbank.org/en/about/unit/dfi/fiftrustee>; <https://fiftrustee.worldbank.org/content/dam/fif/documents/fif-framework.pdf>

membership of the FIF's Governing Board is expected to be familiar with the Bank, other MDBs, WHO, and other key global health actors, and will be able to leverage on the comparative advantages of these entities. The Bank's participation in the FIF's Governing Board (in each of its separate and distinct capacities as trustee, secretariat and implementing entity) will provide additional opportunities to ensure alignment with Bank strategy, objectives, and priorities.

56. **Operational risk:** The proposed FIF does not present any known operational risks related to the Bank's ability to carry out its responsibilities as trustee, secretariat and implementing entity, consistent with its operational policies and procedures. The Bank's limited trustee and fiduciary responsibility ends when funds are transferred to implementing entities. The design of the FIF is not expected to impede the Bank's ability to fully and consistently carry out its responsibilities as limited trustee, stipulated in its agreements with FIF partners, within the Bank's policies and procedures. Similarly, the risk of operational issues arising from the Bank's secretariat functions is also low, given the mandate and functions of FIF secretariats and the Bank's demonstrated capacity and track record in performing this role. Operational risks from the Bank's potential implementing entity role are also likely to be low. As an implementing entity, if the Bank receives funds from the FIF to prepare and implement projects, those projects would be carried out in accordance with the Bank's operational policies and procedures and would build on the Bank's strong track record of regional and country operations aimed at strengthening PPR. Moreover, any FIF financing to the WBG would be as co-financing to Bank operations in established areas of support.

57. **Stakeholder risk:** This risk relates to how the FIF can potentially impact the Bank's relationships and reputation with partners and public opinion. The FIF has broad support from the international community, including the Bank's major shareholders and beyond, the WHO, other global health agencies, philanthropies and CSOs. It will be important to continue to broaden and sustain this support during the FIF's design phase and once it is launched. The Bank has led an engagement process with a broad set of stakeholders, which will contribute to the proposed FIF's design – a process in which the Bank is actively involved. When the FIF is launched, its Governance Framework and Operations Manual, which will clarify roles and responsibilities of involved parties, will be made public. The Bank, as secretariat, will prepare and implement a communications strategy and will participate actively in the FIF's Governing Board in its various capacities.

58. **Financial risk:** There are no known financial risks associated with this FIF, given the Bank's strong capacity and track record in serving as limited Trustee for FIFs, coupled with the simple financial structure of this FIF (grants in/grants out). The FIF would be an off-balance sheet vehicle with no potential impacts on the balance sheets of IBRD or IDA or their perceived standing in financial markets. Furthermore, the Bank will recover costs in line with its current cost recovery policy.

59. **Legal risk:** Legal and governance documents to establish the FIF will be negotiated by the Bank's Legal team such that they do not contain any provisions that could lead to an erosion or loss of privileges and immunities by explicitly or implicitly agreeing to, among others, the application of national law on Bank activity, jurisdiction of local courts over the Bank, contractual or third-party claims against the Bank, or Bank obligation to perform activities that are or may be perceived as outside the Bank's mandate.

60. **Portfolio risk:** Portfolio risks pertain to how the specific FIF relates to/impacts the overall FIF or trust fund portfolio and the larger aid architecture, including IDA and IBRD. This FIF has a clear mandate and objectives, and it will play a complementarity role within the larger global health financing architecture. With respect to IDA and IBRD, the FIF is expected to play a complementary role by co-financing IDA and IBRD operations or fill gaps, as needed. The FIF could compete with other trust funds, IDA, etc., resulting in fundraising competition. It may be noted in this context that one of the key principles underpinning this FIF is additionality, i.e., it will seek to mobilize additional resources, including from non-ODA sources. The FIF has already mobilized a commitment from [one] philanthropic institution, and other philanthropies have signaled serious interest. Furthermore, the Bank can play an active role in mitigating portfolio risk, through its involvement in shaping and designing the FIF, and participation in the FIF's Governing Board.

VI. Conclusion and Next Steps

61. **The aim is to launch this FIF by fall 2022, assuming the Bank's Board approval of the establishment of the FIF in June.** The FIF's Governing Board is expected to have its first meeting in September or October 2022, at which time the FIF will be launched and become operational. At that meeting, the Governing Board is expected to endorse the FIF's Governance Framework and Operations Manual. As noted above, should the final structure, governance and operating arrangements deviate significantly from the description provided in this paper, Management will update Executive Directors accordingly.

62. **Executive Directors are hereby requested to approve Management's proposed approach, as described herein, including:** i) the establishment of the proposed Financial Intermediary Fund at the World Bank and ii) World Bank support to the FIF by acting as Secretariat, Trustee, and Implementing Entity.