



## **A Proposed Financial Intermediary Fund (FIF) for Pandemic Prevention, Preparedness and Response Hosted by the World Bank**

### **WHITE PAPER**

*May 17<sup>th</sup>, 2022*

#### **I. Background, Objectives and Potential Value Added**

1. **COVID-19 has highlighted the urgent need for collective action to augment the existing global health security financing system and mobilize additional resources for increased investments in 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 have to 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 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 gaps<sup>1</sup> prepared for the G20 Joint Finance and Health Task Force (JFHTF) estimated that external financing amounting to an additional \$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 and middle-income countries. 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. Among MDBs, the World Bank Group has been the largest provider of PPR financing. IDA20 includes ambitious commitments to strengthen PPR. Other key actors include: the WHO and other specialized UN agencies engaged in PPR activities; multilateral agencies/pooled funds, like the Global Fund to Fight AIDS, Tuberculosis and Malaria, 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 CDC, AVAT, and 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.** Several of the existing institutions support elements of the PPR agenda; however, the absence of a dedicated institution

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<sup>1</sup> “*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 \$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.

for PPR means that spending on other immediate needs can take priority over equally urgent PPR investments, particularly in inter-pandemic years. 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 financing, 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. Efforts are needed, in parallel, to enhance the governance of the wider global health security and PPR ecosystem.

#### **Box 1: Clarifying Concepts: Prevention, Preparedness and Response**

##### **Disease outbreaks, epidemics, and pandemics**

Most disease outbreaks with pandemic potential have a zoonotic origin, caused by a pathogen spilling over from animals into humans. An **epidemic** refers to an increase, often sudden, in the number of cases of a disease in a particular 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, or environmental sectors, highlighting the importance of a multisectoral, “One Health” approach. However, routine health systems strengthening initiatives can also be included under the definition of PPR, as prevention and preparedness are often best supported through health systems strengthening, rather than by setting up of separate structures.

**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. There is an emerging consensus within the G20 and beyond that, among the various options available, a Financial Intermediary Fund (FIF) hosted by the World Bank would be the most fit-for-purpose vehicle to fill critical PPR financing gaps.**

- The idea of establishing a FIF at the World Bank to support PPR financing was originally put forward by the G20 High Level Independent Panel (HLIP)<sup>2</sup> and explored through a finance and health working group process under the G20 Italian Presidency. The G20 Leaders in their Rome Declaration (October 31, 2021)<sup>3</sup> noted that “*financing for pandemic prevention, preparedness and*

<sup>2</sup> “*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/>

<sup>3</sup> 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*

*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 pandemic prevention, preparedness and response”

- 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 as gaps<sup>4</sup> and on PPR financing modalities.<sup>5</sup> Following these extensive discussions and deliberations within the G20 JFHTF, the proposal to establish a FIF for PPR received broad support from G20 Finance Ministers and Central Bank Governors (FMCBG) at their meeting on April 20<sup>th</sup>; the Chair’s Statement from that meeting noted the following: “Given the support among many members to set up a FIF, the Presidency concluded that the World Bank should begin exploring the process to develop and set up a FIF, alongside discussions on potential key governance and operating arrangements, including ensuring the central role of the WHO.”
- 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-based support.

5. **The proposed FIF can add value, along several dimensions, for contributors, recipients and implementing entities.** The FIF would provide a dedicated stream of additional, sustained funding -- channeled through implementing entities -- towards critical functions to strengthen PPR in beneficiary countries, as well as at the regional and global levels. It could add value in the following ways:

- First, by channeling funds through implementing entities such as WHO and other UN agencies, the World Bank, and other MDBs, the FIF would **complement** the work of institutions already engaged in PPR, filling financing gaps, as needed, expanding their respective abilities to support capacity building at the country and regional level and potentially providing greater agility at the global level through initial bridge financing, as other sources are mobilized.
- 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, the FIF would offer the **flexibility** to work through the World Bank, MDBs, WHO and other UN agencies, and potentially other implementing entities, drawing on the comparative advantages of key institutions in the global health system and supporting PPR needs that will continue to evolve.
- Fourth, by bringing together MDBs and other organizations engaged in PPR financing, the FIF could help promote a more **coordinated and coherent approach to PPR** strengthening among the actors

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*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.”*

<sup>4</sup> “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.

<sup>5</sup> “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.

participating in the FIF by linking financing with existing, country-level planning processes, thereby also reducing transactions costs for client countries. More coordinated support also creates conditions for a more systematic dialogue about domestic financing for PPR.

- Fifth, by offering flexibility to mobilize non-ODA resources, including from philanthropies, the FIF could help bring further **additionality** in financial resources, expanding the pool of funding available for PPR.

6. **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. Second, resources mobilized for the FIF would *add to, and not substitute for, existing ODA* for global public health and other priorities. It would be designed to *catalyse* funding from private, philanthropic, and bilateral sources. Third, it would have the *flexibility* to work through existing institutions engaged in PPR financing; this would enable it to promote coordination among exiting institutions and serve as an integrator rather than become a new silo that only furthers fragmentation. It would also have the flexibility to adjust over time as needs and the institutional landscape evolves. Fourth, it would be able to *incentivize countries* to increase financing for PPR. Fifth, it would be designed to reflect *inclusivity*, while ensuring *streamlined and efficient governance and operating procedures*.

7. **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.

8. **Financial contributions.** The United States Government has announced a contribution of \$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 \$450 million; Germany has announced a contribution of Euros 50 million; and the Wellcome Trust has announced a contribution of GBP 10 million. Several other donors have also signaled their interest.

## II. Focus Areas for Financing

9. **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 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 all levels. The FIF could immediately start by providing financing to strengthen country-level capacity in the areas of prevention, detection, and response with a focus on low- and middle-income countries that are most in need of support; build regional capacity for PPR functions; strengthen 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 listed by the International Health Regulations (2005)* and the OIE International Standards, including: 1) disease surveillance; 2) laboratory systems; 3) emergency communication and management; 4) 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.
- **Build regional and global capacity:** Expand financing to regional and global institutions across multiple domains, including surveillance, reporting & information sharing, shared public health assets, regulatory harmonization, and capacity for coordinated development, procurement 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.

- **TA, 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 peer-to-peer learning, learning events, targeted technical assistance, systematic monitoring of PPR capacities and domestic spending on PPR, etc.

### III. Proposed Organizational Structure and Design Features

10. **In line with the organizational structure of other FIFs, the structure of the proposed FIF would be organized around four main elements -- a governing board, a secretariat, a trustee, and the FIF implementing entities – as outlined below.**

- 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 could be informed by technical advisory bodies, like a technical advisory council and/or scientific/technical advisory panel, to bring in technical expertise from the WHO as well as other specialized health expertise, as needed.
- At the heart of each FIF is a type of trust fund (TF) for which the World Bank serves as limited **trustee**<sup>6</sup>; the Bank would serve as limited trustee for the proposed FIF. The World Bank is 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 term for the trust fund is agreed, and this can be subsequently extended with the consent of the 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. To incorporate technical expertise from the WHO, the international organization responsible for pandemic preparedness, the secretariat could consider including seconded expert staff from the WHO, as appropriate.
- 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. It is proposed that in its initial phase, the implementing entities for this proposed FIF include MDBs engaged in PPR, the WHO, and other relevant UN agencies. However, other entities could be included, should the FIF’s founding donors so determine.

11. **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) as 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 partner, where the World Bank Group entities, along with other implementing entities, would appraise and provide implementation support for FIF-financed projects.

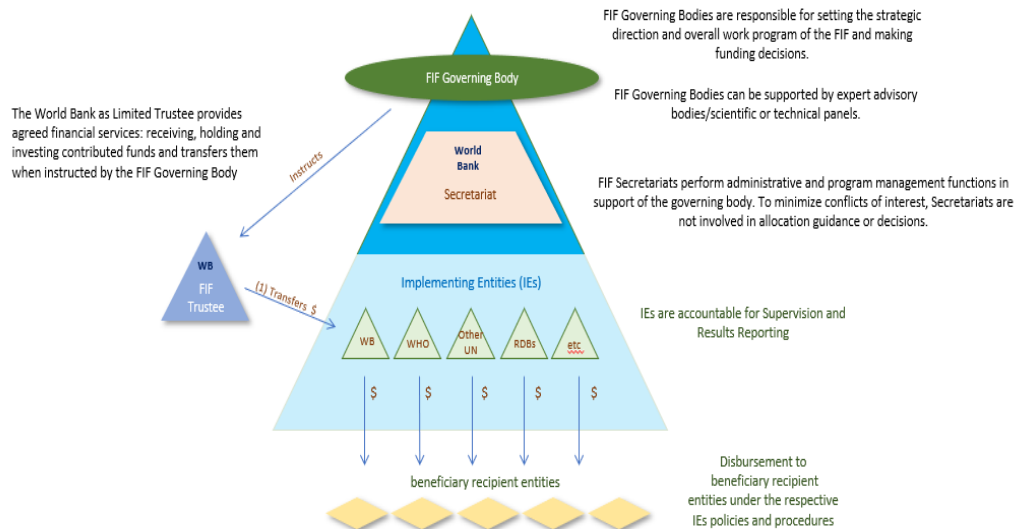
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<sup>6</sup> The World Bank’s trustee role in FIFs is “limited” from a fiduciary point of view. Its oversight responsibilities end when funds are transferred to eligible implementing entities who then become accountable for the oversight and use of funds in line with their own policies and procedures.

12. **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 to contribute its technical expertise to the FIF's design and operations.** The FIF will draw on and incorporate technical expertise and guidance from the WHO, and other global and regional leaders. Further, it will explore linkages with the G20 JFHTF and any new global health-finance coordinating platform. Figure 1 below illustrates what the structure of the proposed FIF could look like.

**Figure 1**

Illustration of PPR FIF Based on Key Characteristics of Financial Intermediary Funds



#### IV. Governance

13. **The proposed FIF would have its own, independent governing board, which would carry out its duties based on an agreed governance framework.** The governance framework would be designed and negotiated among the FIF's founding donors, implementing entities and the World Bank, and endorsed by the governing board, so that it is in place when the FIF is opened for business. In line with other hosted FIFs, the governance 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, the FIF would have a governance structure that balances inclusivity with simplicity and efficiency, to support streamlined and efficient decision-making and implementation.

14. **The composition of the governing board of the proposed FIF, the roles/responsibilities of members, the preferred decision-making process, and how to ensure that the governing board will be appropriately informed by technical expertise, are matters that would ultimately be decided by the founding donors, drawing on input from a broad-based consultation process.** Existing practices/arrangements followed by FIFs are illustrated below to indicate available options for the proposed FIF.

##### *Governing board*

15. **The FIF's governing board would comprise decision-making members and non-decision-making members or observers.** At a minimum, decision-making members would include the donors to

the FIF.<sup>7</sup> 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 observers, 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 (see below).

16. **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.

### *Decision-making*

17. **Following the practice used by other FIFs, and in keeping with the spirit of FIFs as multilateral partnership programs, FIF decision-making would be made 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.

### *Observers*

18. **Per standard practice, the FIF's governing board would include non-decision-making members, as observers.** 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. The rationale for the latter is to avoid real or perceived conflicts of interest between those who decide on funding needs/allocations and those who receive funding, either as implementing partners or as final beneficiaries. At a minimum, observers would include the FIF secretariat and the World Bank in its role as FIF trustee, ensuring they are available to the governing body as needed. Other entities typically serving as observers include the FIF's implementing entities, including, in this case, the WHO. Where representatives of recipient countries don't serve on the governing board as decision-making members, they are typically included as observers, in most cases following the constituency-based approach described above.

19. **Representatives from the G20JFHTF or its secretariat, and/or from any other G20 joint finance and health coordination platform, should it be established in the future, could be included as observers on the FIF's governing board to ensure the necessary linkages with the G20's finance and health coordination efforts.** As observers, these representatives could inform discussions by the FIF's governing board, for example, on financing gaps and priorities, as well as experiences and best practices. Box 2 provides examples of FIF governing boards that draw on expert observers and illustrates arrangements through which these experts can contribute. Further, the observer pool could be broadened out, as needed, to include other multilateral institutions, civil society organizations (CSOs) and/or the private sector.

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<sup>7</sup> Limited exceptions occur in the case of FIFs established as special purpose financial vehicles.

### *Balancing inclusivity with efficiency*

20. **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. For example, the Climate Investment Funds (CIFs) governing bodies<sup>8</sup> are structured to be equally balanced between eight representatives from contributor countries (or groups of such countries) and eight representatives of eligible recipient countries (or groups of such countries). The Global Environment Facility (GEF) Council has 32 Members representing constituency groupings covering over 180 countries, with 14 Members from developed countries, 16 Members from developing countries and two Members from economies in transition. Similarly, CSO observers could be included through a constituency-based approach. Periodic reviews of the composition of constituencies would be required, including to ensure that membership within and across constituencies remains balanced, and to select the representative and alternate representative for each constituency.

#### **Box 2. Examples of How Expert Observers Contribute to FIF Governing Boards**

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 MENA 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.<sup>9</sup>

### *Expert advisory bodies*

21. **The FIF's governing board could be supported by an advisory body comprising technical experts, including from the WHO.** The boards of many existing FIFs do benefit from advisory councils or scientific/technical panels, comprising highly specialized experts. Such bodies can help ensure FIF governing boards are appraised 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 3 provides examples of FIF governing boards that are supported by advisory bodies. In the case of the proposed FIF, an advisory council/technical advisory committee comprising leading experts from the WHO and other organizations or institutions, could 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 committee can help ensure that calls for proposals and their evaluation and assessment as well as results reporting on

<sup>8</sup> Reference is made to the Clean Technology Fund (CTF) Trust Fund Committee and the Strategic Climate Fund (SCF) Trust Fund Committee.

<sup>9</sup> 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.



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 advisory council/technical advisory committee 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 3. 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 “bankable projects.” 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.

## **V. Operating Modalities, Reporting and Risk Management**

22. **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.** Operating modalities would be set out in the FIF’s Governance Framework and Operations Manual that would be adopted by the governing board. 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

### *Choice of implementing entities*

23. **Resources from the FIF will be channeled to programs/projects through a set of accredited implementing entities.** The recommended set of implementing entities for the proposed FIF will be determined through a consultative process with the founding donors and subject to the no objection of the World Bank, as FIF Trustee. As per the World Bank’s FIF Management Framework (2019)<sup>10</sup>, 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. The inclusion of global and regional organizations, beyond MDBs and UN agencies, as FIF implementing entities is possible although it would require a World Bank policy waiver, subject to a risk-based review. It may be noted that the provision of ‘direct access’ in which sovereign national entities receive funding

<sup>10</sup> Financial Intermediary Fund Management Framework, World Bank, June 2019.

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.

### *Allocation of funds*

24. **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 to be submitted by the implementing entities. 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).

25. **The secretariat would issue calls for proposals, after approval by the governing board, to seek submissions by implementing entities, and screen such proposals for overall consistency with the FIF’s requirements.** Decisions on funding allocations would be made and approved by the governing board, taking account of the availability of resources in the FIF as reported by the Trustee and other criteria, as agreed by the governing board and detailed in the FIF’s operations manual, endorsed by the governing board. 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.

26. **Eligible funding proposals would typically be reviewed, in detail, and assessed, by external technical experts (e.g., a technical advisory panel), for the governing board’s final review and decision.** This process would use a scoring system or any other means agreed to by the governing board and 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 established by it. 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.

### *Tracking, Reporting and Results Monitoring*

27. **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.

28. **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.

### *Risk Management*

29. **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 partners 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.

*Flexibility to adjust, over time*

30. **Once established, 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.

31. **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.

## VI. Financing

32. **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.

33. **On the replenishment process, this 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.

34. **For the sake of simplicity and to get the new FIF off the ground as quickly as possible, it is proposed that the FIF 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.

## VII. Questions for Feedback and Next Steps

35. Given the urgency to start scaling up investments to strengthen the capacity of low- and middle-income countries to prevent and prepare for future global health crises, this FIF is being developed within

a compressed timeframe, with the goal of having its establishment approved by the World Bank's Board of Executive Directors by the end of June 2022. As we work to develop the design of the FIF, we would welcome written feedback on this paper by no later than May 31, 2022. Feedback on the questions listed below would be particularly valuable:

***Focus of FIF financing:***

- Given the substantial financing needs identified by various independent reports at country, regional and global levels, while also recognizing that the FIF's financing priorities could change over time, and that it would ultimately be the prerogative of the FIF's governing board to set the priorities, what would be the optimal balance between priorities at these three levels in the initial phase of the FIF's operationalization?

***Governance:***

- Based on the alternative arrangements that different FIFs follow in terms of the structure and composition of their governing boards, as presented above, we would welcome views on the composition of the governing board for the proposed FIF and on how best to incorporate the representation of recipient countries in a manner that balances inclusivity with the need for efficient decision-making and implementation. To facilitate efficient governance, the majority of FIFs group recipients into constituencies. How should recipients be grouped? For example, one seat per region? Or should limitations be set on the number of countries in any one constituency to facilitate coordination within the constituency, which would result in a different number of seats per region?
- How could representation from CSO observers be best reflected on the FIF's governing board? Would a constituency-based approach work?
- How could the FIF's governing board best leverage scientific/technical advice from WHO and other expert organizations/individuals? (e.g., through a technical advisory body and/or as observers to the governing body?)
- What would be the best way to establish linkages between the proposed FIF and the G20 JFHTF and/or any other G20 finance and health coordination platform established in the future?

***Operating modalities, funding allocation, funds flow and resource mobilization:***

- How can the FIF's operating modalities be best structured to incentivize/catalyze country investments in PPR?
- Should the FIF include eligibility for financing private sector activities and if so, which implementing entities should be engaged for this purpose (FIFs primarily fund such activities through the private-sector arms of MDB groups)?
- Based on the relative merits and disadvantages of alternative replenishment approaches described above, should the proposed FIF aim for regular replenishments (e.g., every three or five years) or *ad hoc* replenishments?

**36. Next steps and timeline.** Drawing on inputs from this consultation process, the FIF's founding donors, the World Bank, WHO and other key stakeholders, would work together on the broad arrangements for the FIF. Upon agreement on such broad arrangements, the proposal will proceed through internal review within the World Bank and be submitted for approval by the World Bank's Board of Executive Directors in June 2022. Subject to the World Bank Board's approval, the founding donors, the World Bank, WHO, and other key stakeholders would work together to agree on the detailed design and negotiate the governance, operating arrangements, program details and legal agreements for the FIF, with the goal of opening the FIF for business later this year.