

Pandemic Emergency Financing Facility (PEF)

Operational Brief for Eligible Countries

February 2019



**PANDEMIC EMERGENCY
FINANCING FACILITY**

Introduction

The purpose of this document is to provide a brief overview of the Pandemic Emergency Financing Facility and how it works. It summarizes the main elements of the Operations Manual, which can be accessed at www.worldbank.org/pef. Both windows of the PEF, insurance and cash, are now operational. This version of the operational brief replaces the version dated December 2017.

1 What is the Pandemic Emergency Financing Facility (PEF)?

The Pandemic Emergency Financing Facility (PEF) is an innovative, insurance-based financing mechanism developed by the World Bank in consultation with the World Health Organization (WHO) and other development partners and the private sector, to provide surge financing for response efforts to countries affected by a large-scale outbreak to prevent the outbreak from reaching pandemic proportions. It can provide financing through two windows: insurance window and cash window. The objectives of the PEF are to: (i) make available essential surge financing to key responders, including governments, multilateral agencies and civil society organizations, to respond to an outbreak with pandemic potential and to minimize its health and economic consequences; (ii) help catalyze the creation of a global market for pandemic insurance instruments by drawing on resources from insurance, bonds and/or other private sector financial instruments. Through its operationalization, the PEF also aims to help encourage and strengthen ongoing efforts toward better country preparedness, which contribute to build strong and resilient health systems and accelerate the achievement of universal health coverage.

The PEF was set up for an initial period of 3 years, from July 2017 to June 2020. Work to extend the PEF to a second period is already underway.

2 Who are the beneficiaries of the PEF?

While every country in the world is susceptible to disease outbreaks, low-income countries with relatively weaker health systems tend to be more vulnerable and less capable of mobilizing the financial resources to effectively respond to large-scale outbreaks. Accordingly, all countries that qualify for credits from the Bank's International Development Association (IDA) are eligible to access PEF funds. In addition, international organizations and NGOs supporting response efforts in affected countries are also eligible to access PEF funds. These organizations are referred to as responding agencies.

3 How do countries join the PEF?

For the initial period of the PEF, countries do not need to “join” the PEF or enter into any formal agreement with the PEF management to be covered by the PEF. All IDA-eligible countries are by default already covered. Receiving governments will, however, sign standard grant agreements at the time that the resources are released.

It is advisable that countries review their existing pandemic preparedness and response plans to ensure that they are up to date and valid – and prepare plans if these do not currently exist. These

plans would need to be submitted along with the request for funds application. Therefore, we are advising countries to have their plans ready in advance rather than updating or preparing a plan at the time of the crisis. It is also strongly recommended that countries work closely with responding agencies in advance of a crisis so that coordination between the MOH and these organizations is strong and roles and responsibilities are clear and predefined.

4 How do responding agencies join the PEF?

International organizations and NGOs that wish to become eligible to access PEF funds need to become PEF-accredited. There are currently¹ four responding agencies that are PEF-accredited: WHO, UNICEF, UNFPA, and FAO. The World Bank (IBRD and IDA) have also become PEF-accredited. The role that multilateral development banks (MDBs) play as PEF-accredited agencies is to transfer PEF funds to the affected country and supervise the implementation of PEF-financed activities by the country. Other MDBs may become PEF-accredited. Procedures to become a PEF-accredited responding agency are being developed for other organizations that wish to seek accreditation.

5 How much does the PEF cost to countries?

For the initial period (July 2017 – June 2020), the PEF coverage comes at no cost for countries or responding agencies. The costs of premium payments for the insurance window and contributions to the cash window have been financed by donor contributions.

6 Do countries or responding agencies need to repay the funds?

No. The funds are 100% grant-based and do not need to be repaid.

7 What diseases does the PEF cover?

The insurance window covers large-scale outbreaks of a pre-established group of diseases identified as likely to cause major pandemics. This group of diseases includes: pandemic Influenza (new or novel influenza A virus), Coronaviruses (e.g. SARS, MERS), Filoviruses (e.g. Ebola, Marburg), Crimean Congo hemorrhagic fever, Rift Valley fever, and Lassa fever. The risk of large-scale outbreaks from these diseases has been modeled, which has been the basis to establish the premium cost and coverage of the insurance window. Outbreaks from diseases other than those listed would not be eligible for a payout from the insurance window.

Recognizing that major outbreaks from other known or unknown pathogens may occur, the insurance window is complemented by a cash window, which gives the PEF the flexibility that the insurance window cannot provide. The cash window covers all diseases covered by the insurance window, as well as other infectious diseases caused by pathogens that are not currently endemically transmitted within the human population, which include new or unknown pathogens.

¹ As of February 2019

8 What can PEF funds be used for?

PEF funds can be used to finance the cost of response efforts during an outbreak, in line with what is described in the country response plan. This includes, but is not limited to, deployment of human resources, drugs and medicines, essential and critical lifesaving medical equipment (including personal protective equipment), logistics and supply chain, non-medical equipment, essential life-saving goods, minor civil works (such as setting up temporary care centers), services, transportation, hazard payments, communication and coordination, etc.

9 Can funds be used to finance preparedness?

No. The PEF is a facility to finance surge response. Funds will only be made available in times of crises, for countries that have been affected by an outbreak. Countries neighboring an affected country, but that have not been affected by the outbreak themselves, are not eligible to receive PEF funds.

10 When can PEF funds be accessed?

For funds to be accessed, an outbreak needs to meet the activation criteria, which are different for each window. For the insurance window, the activation criteria – or trigger – is parametric, and is measured in terms of outbreak size (number of cases or deaths), spread (number of countries affected), and growth (over a period of time). When an outbreak has reached a certain level of severity, which is measured through publicly-available data published by WHO, the facility is triggered and only then can affected countries access the funds. Details on the exact measures for activation can be found in the Operations Manual and on the PEF Term Sheet.

Activation of the PEF Cash Window follows a three-step process based on (i) pathogen type; (ii) epidemiological thresholds; and (iii) technical assessment. To meet the criterion of *pathogen type*, the pathogen causing the outbreak must be identified as one that is currently not endemically transmitted within the human population. This includes all pathogens covered by the PEF insurance window plus viruses with a primary zoonotic reservoir and novel viral pathogens which are genetically determined to originate from a zoonotic source. Pathogens not posing an acute regional or global pandemic threat are excluded. *Epidemiological thresholds* for each pathogen type, in terms of number of cases, have been established with the intention of providing more flexible than the PEF insurance window in terms of thresholds of activation while retaining the primary goal of mitigating severe epidemic threats with regional or global pandemic potential. Once the indicative threshold is reached, this criterion is met. An event that is deemed eligible according to pathogen type and that has reached the epidemiological thresholds is then referred to subject-matter experts from the WHO STAG-IH² for a *technical assessment*. The assessment of the STAG-IH is used, together with any other information that may be deemed relevant, to determine if an outbreak is eligible for a payout from the cash window.

² Strategic & Technical Advisory Group for Infectious Hazards

11 Who determines when the activation criteria have been met?

For the insurance window, the PEF has a calculation agent, a third-party observer, monitors the progression of an outbreak (based on publicly available data published by WHO) to calculate whether the activation criteria or trigger has been reached. Once this happens, the calculation agent sends a notification to the PEF Treasury Manager, who then proceeds to inform the investors of their capital loss and/or reinsurers that payments are due.

For the cash window, following the 3-step process described above, the PEF Coordinator presents a recommendation to the Steering Body. All decisions on payments from the cash window will be made by the PEF Steering Body.

12 How do countries access PEF funds?

Regardless of the window, countries will need to submit a request for funds application (available in the Operations Manual) to the PEF Coordinator. There is one request for funds application for each window. The request for funds application must be accompanied by the country's response plan and the outbreak risk assessment conducted by or endorsed by WHO.

In their request for funds application for payout from the insurance window, countries must indicate the proportion of funds to be transferred to responding agencies supporting the government in their response efforts. This requirement is optional for payouts from the cash window.

13 How do responding agencies access PEF funds?

Responding agencies can access funds for two purposes: (i) to support a country response; or (ii) for a regional response. To access funds to support a country response, the request for funds application will come from the country, specifying which responding agencies will be supporting the response efforts in the country and in which proportions the funds should be allocated to each. Prior consent from the identified responding agencies needs to be indicated.

To access funds for a regional response, responding agencies need to submit a request for funds application (included in the Operations Manual) directly to the PEF Coordinator, attaching their regional response plan.

14 Is there a template or format for the response plan?

No. Countries and responding agencies should use their own format for response plans. The plan presented may, but does not have to, be for the specific request for funds application being submitted. If the plan presented is more comprehensive than the specific request for funds, as would be the case in, for example, a national outbreak response plan, then it is implied that the PEF fund would be contributing to a portion of or a surge in activities described in that plan. Countries may also choose to submit specific plans for the amount of funds being requested. What should be clear is that PEF funds are not meant to cover the cost of implementing the entire national response, but to be contributing to it.

15 How much money is available in the PEF?

The PEF, under its insurance window, has the capacity to provide payments up to a maximum of US\$ 425 million during its initial 3-year period for all qualifying outbreaks combined. However, there are established ceilings of maximum payments for each of the disease families covered. The maximum payout per disease is capped at US\$275 million for pandemic Flu, US\$150 million for Filovirus, US\$195.83 million for Coronavirus, and US\$75 million for other covered diseases (Rift Valley, Lassa Fever, Crimean Congo).

With the exception of pandemic flu, which once triggered will pay 100% of the payment in a single tranche, payouts will be layered. Within the ceilings for non-flu diseases there are thresholds of activation that determine the amount of funds to be paid from the capital and reinsurance markets to the PEF and subsequently to affected countries and responding agencies. At each threshold level the availability of funds to be paid out will be predetermined as a percentage of the maximum payout under each disease family. Allocations between affected countries will be calculated based on the number of cases and the population of each affected country at the time of activation. More details on payment amounts per threshold and calculation of allocations per country can be found in the Operations Manual.

The cash window has the capacity to pay up to \$50 million. The availability of funds in the cash window can expand, with more donor contributions, or contract, as it is used.

16 How much money will a country get?

It depends. When requesting funds from the insurance window for a non-flu disease, the amount to be allocated to each country applying for funds will be determined by a factor of (i) the amount of funds coming into the facility from the insurance, which is known; (ii) the populations of the countries requesting funds; and (iii) the number of cases (not deaths) in each country. The formula applied to determine the allocations is detailed in the Operations Manual.

When requesting funds from the insurance window for pandemic flu disease, the amount to be allocated to each country applying for funds will be determined by a factor of (i) the amount of funds coming into the facility from the insurance; and (ii) the populations of countries requesting funds. The criteria applied to determine the allocations are detailed in the Operations Manual.

The payout amounts from the cash window are determined by the Steering Body, on a case by case basis, and are expected to be between US\$1 million and US\$5 million, but may be more if so approved by the Steering Body.

17 How much money will a responding agency get?

It depends. For applications for country support for a non-flu disease, the amount to be allocated to each responding agency will be determined by a factor of (i) the distribution of country ceiling amounts between a country and responding agencies as a group (detailed in the Operations Manual); and (ii) the determination from the country of how the funds destined to responding agencies as a group will be distributed among each responding agency (indicated in the request for funds application).

The distribution of funds between countries and responding agencies for pandemic flu are pre-determined and described in the Operations Manual.

18 Can a country apply for funds more than once?

Yes. Under the insurance window, the activation criteria for non-flu diseases under the insurance window are layered, meaning it can be triggered several times as the outbreak's severity progresses in terms of number of deaths, or number of countries affected, or both. If the insurance window is triggered a second or third time countries who have applied and received funds before, as well as newly affected countries, can submit requests for funds application. The activation criteria for flu is not layered and therefore only pays once.

Countries may apply more than once for financial assistance for the same outbreak under the cash window as well.

19 Why not invest in preparedness instead?

Investing in pandemic preparedness and protecting people and economies from disease outbreaks is in every country's best interest and must be a priority. The World Bank, as well as many other development partners around the world, are investing in strengthening pandemic preparedness, particularly in low income countries. However, even the best prepared countries will need to mobilize major resources for response to a large-scale outbreak, particularly for outbreaks that exceed the financial capacity of a country. While every country in the world is susceptible to disease outbreaks, low-income countries with relatively weaker health systems tend to be more vulnerable and less capable of mobilizing the financial resources to effectively respond to major outbreaks.

*For more information and to learn more visit worldbank.org/pef
or email PEFcoordinator@worldbank.org*