



**The
Pandemic
Fund**
FOR A RESILIENT WORLD



Annex 4:

The Pandemic Fund: Guiding Principles on Co-financing, Co-investment, and Country Ownership

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This document was prepared by a Board-nominated technical Working Group (Working Group 2), comprising:

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This document summarizes the key recommendations that the Working Group submitted to the Pandemic Fund's Board for deliberation in December 2022. As such, this is not a Board-approved document.

Preamble:

Working Group 2 (WG2) has worked to fulfill the tasks requested by the Board following the second Pandemic Fund Board Meeting in October 2022 as described below:

- a. **Project level co-financing and co-investment:** Define matters related to project level “co-financing and co-investment”, which will include, inter alia, how the Pandemic Fund will define “co-financing and co-investment” for projects from various sources (e.g., domestic financing, Implementing Entities (IEs), bilateral sources, private sector etc.) to calculate the “additionality” / “catalytic impact” of its project financing and whether and how it will differentiate between countries in requiring domestic co-investment for projects, depending on country capacity to provide such co-investment; and
- b. **Funding proposal submission and application process:** Explore how potential beneficiaries and IEs would interact and come together around the submission of Funding Proposals/funding application process, with a view to ensuring alignment with the processes of beneficiaries and IEs.

WG2 met virtually on a near-weekly basis between October 27th and November 30th 2022. It produced an outcome document for the Board’s consideration, on which this note draws. Some of the key areas of discussion included:

1. Importance of maintaining flexibility and ensuring equity

WG2 recognized the importance of maintaining flexibility during the First Call for Proposals (CfP) and helping to ensure equity in the process. WG2 proposed several ways to maintain flexibility, including by: a) allowing all eligible countries to apply, rather than limiting the number of applications from select countries or IEs; b) not setting minimum requirements or targets for IE or country co-financing and co-investments within funding proposals; c) emphasizing the need for country-led proposals; and d) proposing the possibility of accepting Expressions of Interest (EOI) from countries which could then be further developed.

2. Differentiation of requirements and expectations

WG2 acknowledged that some countries are facing specific challenges, such as growing debt distress and fiscal space constraints, and that there are differences in PPR needs amongst countries. Therefore, WG2 agreed to differentiate requirements and expectations between such countries. Recommendations where differentiation could be applied are detailed within the outcome document.

3. Focus on country ownership, while encouraging coordination

WG2 felt strongly that proposals should be driven by countries, but within the discussions, acknowledged that, due to differences in capacities and resources, some countries may face challenges that can hamper coordination. WG2 proposed several ways to empower countries, including through a pre-proposal checklist, an Expression of Interest, and the designation of a Project Leader.

4. Special conditions for the first Call for Proposals (CfP)

WG2 prepared its outcome document with the view to develop definitions and principles in time for the first CfP. To ensure inclusiveness in the submission process, many flexibilities were envisaged which the Board may wish to revisit in the medium-long term and develop an updated Co-financing and Co-investment policy built on these principles and integrating lessons learnt from the first CfP – prior to any subsequent calls for proposals. WG2 also considered the submission/application process presented as a live paragraph that may be revisited, especially when new IEs are accredited by the Pandemic Fund.

Guiding Principles on Co-financing, Co-investment, and Country-ownership

1. Definitions

The following terms, as defined, should apply at the project level:

- a. **Co-financing** means the financial resources required from Implementing Entities (IEs) and/or other sources (e.g., philanthropies and potential future private sector sources of funding), in addition to the grant requested/received from the Pandemic Fund, to implement the Project or the part of the Project for which a Funding Proposal has been submitted;
- b. **Expected Co-Financing** means the amount of co-financing, based on ex-ante estimates identified in the Funding Proposal submitted to the Pandemic Fund;
- c. **Co-investment** means the financial resources and linked non-monetary policy commitments from Co-investor(s), in addition to the grant from the Pandemic Fund, to implement the Project or the part of the Project for which a Funding Proposal has been submitted; Co-investment could also include policy commitments and linked projects from the Co-investor(s) that would complement funding from the Pandemic Fund;
- d. **Expected Co-Investment** means the amount of co-investment, based on the Co-investor(s)'s co-investment or national/regional plan, in the Funding Proposal submitted to the Board; such expected co-investment may take the form of non-monetary policy commitments from the Co-investor(s);
- e. **“Funding Proposal”** means the **written application** submitted to the Pandemic Fund for grant funding needed for realizing a relevant project/for relevant activities.

2. Principles to Guide Co-financing and Co-investment

- Funding requests to the Pandemic Fund should be based on a national or regional priority plan with a roadmap for implementation that is costed; country-specific funding requests should be based, for example, on a National Action Plan for Health Security (NAPHS), Joint External Evaluation (JEE), IHR State Party Self-Assessment Annual Reporting (SPAR), Performance of Veterinary Services (PVS) pathway, or similar. Projects to be supported through such funding requests should include a co-financing element and co-investment elements; the timeline for implementing the co-financing and co-investment requirements should be flexible.
- **Co-financing and co-investment should seek to bring new, additional resources over time.** Co-financing should focus on attracting **new resources** over time from IEs, governmental donors, philanthropies, and the private sector. The choice of IE(s) will have a major impact on the extent and ease of co-financing. Co-investments should focus on attracting **new resources** over time from domestic and regional resources, including through domestic resource mobilization. Additional co-investment is key to avoiding the crowding out of other health investments and diverting money from other budgetary priorities that may be connected.
- **Countries shall lead in applying for funding from the Pandemic Fund, especially for single-country proposals and proposals involving a small number of countries.** Additionally, countries should choose, coordinate, and co-create proposals with IEs and, if possible, with other countries. A main purpose of the

Pandemic Fund is for countries to grow political will and sustainable avenues and financial resources for supporting pandemic prevention, preparedness and response (PPR).

- **Governments (provided the country is not debt distress or at risk of debt distress) should be encouraged to provide some level of co-investment in the form of domestic financing from the onset to demonstrate commitment.** Further, governments should be encouraged to commit to progressively increasing such co-investments over time, taking into account individual country contexts and the capacity to make such investments.
- **While all countries should be encouraged to include a domestic financing plan and timeline, there shouldn't be a one-size-fits-all requirement.** This is important in order to avoid disincentivizing proposals from least-developed countries or those that are in debt distress or at risk of being in debt distress.
 - **For countries that are less able to co-invest with domestic financing:** The plan should include leveraging national investments and incentivizing the use of MDB country lending for preparedness to complement funds from the Pandemic Fund. Countries also could buy down interest rates or repayments on existing loans if they commit to achieving a specific level of preparedness through receipt of funding. Investments from other donors and sources could complement funding from the Pandemic Fund.
 - **For countries that are able to invest with domestic financing:** The plan should include leveraging national co-investments and leveraging and incentivizing investments from other donors and sources to complement funding from the Pandemic Fund.
- **Countries should be encouraged to support cross-border and regional and global capacity building with their Pandemic Fund proposals.** Countries that apply for Pandemic Fund funding should be asked to use their Pandemic Fund proposals to highlight how their activities will connect to and build regional and global capacity.
- **Regional and global functions of the Pandemic Fund could be promoted through specific calls and investments.** While the nature of global and regional projects is likely to differ from national projects, applicants, including but not limited to IEs, should be incentivized to mobilize co-financing for regional and global functions, taking into account the various co-financing and co-investment modalities defined above.

3. Recommendation on Information related to Co-financing and Co-investment in Funding Proposals

Indicative information about expectations for co-investment should be included in the funding proposals submitted through calls for proposals, for the sake of transparency.

Co-financing and co-investment for national functions:

- Funding proposals should provide a phased domestic resource mobilization plan (building on a National Action Plan for Health Security (NAPHS), JEE/SPAR, PVS GAP analysis, or other relevant plans in place) to account for contributions towards the specific project, with a timeline, calculated on a sliding scale,

based, for example, on Gross National Income (GNI) and the amount of funding requested. Preferably, the level of domestic resources should increase over time.

- Funding proposals should seek to demonstrate how they intend to use co-financing and/or co-investment to support projects that are intended to improve national pandemic PPR functions. Such demonstration may be in the form of a national priority plan with a roadmap for implementation.
- Funding proposals should include information on how co-financing and co-investment will be done, where the resources will be coming from, and a demonstrated contribution to the funding proposal (i.e. relative contribution to the project and qualitative description).
- The additionality of co-investment is key to avoiding crowding out other health investments. This must be demonstrated in the application, by detailing how the domestic contribution will be financed and ensure its sustainability.
- Funding proposals should demonstrate how activities will be coordinated and results maximized, and should demonstrate efficiency as well as how financing from the Pandemic Fund will be blended with existing national, donor-funded, or MDB financing, including existing projects.
- Countries could submit a plan for applying for or leveraging existing resources that would complement, strengthen, bolster, and sustain the Pandemic Fund proposal, being mindful of avoiding double counting or repurposing of other funds. In addition to an IE, or in the case where an MDB is the IE, countries could work with one or more MDBs to create a proposal for Pandemic Fund funding that would target specific gaps and leverage both national investments and MDB country lending. Countries also could buy down interest rates or repayments on existing loans if they commit to achieving a specific level of preparedness through receipt of Pandemic Fund funding. Countries could receive tranches of funding based on completion milestones.

Co-financing and co-investment for regional or global functions:

- The principles above are focused mainly on national and/or cross-border proposals. For Pandemic Fund financed projects that are specifically intended to bolster regional or global capacity, proposals should seek to demonstrate if and how co-financing and/or co-investment will be mobilized. While the nature of global and regional projects is likely to differ from national projects, applicants, IEs and others should be incentivized to mobilize co-financing for regional and global functions, taking into account the various co-financing and co-investment modalities defined above. Regions and regional organizations submitting applications should be incentivized to contribute co-investments for regional functions. This differs from regionally or multi-country coordinated proposals, which shall first and foremost be guided by requirements for national functions.

4. Country-ownership principles

- Proposals driven by countries should be linked to NAPHS and/or other national or regional plans. Long-term implementation/results cycles (5 years) could be supported to promote ownership and sustainability in national PPR activities.
- For single-country proposals, it is recommended to give preference to proposals that ensure the strongest level of country ownership, bearing in mind that for such requirements to actually be met, countries' needs and challenges would need to be considered. Country ownership should be ensured by

strengthening country leadership, recognizing the full sovereign power of the Co-investor(s), which are in the end fully responsible for planning, resourcing, executing, and monitoring their national response. The Pandemic fund will aim to help countries find the solutions to their PPR problems in the spirit of real partnership.

- Equating government with countries may be shortsighted, as many global health actors use influence over governments to push a specific agenda, thereby distorting national goals. To avoid funding projects and activities that suffer from bad governance, it would be important for the Pandemic Fund to require Funding Proposals to present some provisions on engagement across all stakeholders in society and incorporate the voices of citizens and civil society organizations, especially those most in need.
- To foster mutual accountability and learning, increased sharing of information and greater transparency on the funding proposals should be encouraged. Complete and comprehensive knowledge-sharing between the Pandemic Fund and Co-investors would allow for better planning, implementation, and monitoring and evaluation of projects. Moreover, greater transparency of information could help citizens to hold their governments and civil society accountable for the funding they receive to implement the project funded by the Pandemic Fund.

5. Fostering Coordination between Co-investors and Implementing Entities

To ensure effective coordination between Co-investors and IEs from the opening of the submission/application process for each Call for Proposals, the following procedural passage is suggested for inclusion in the submission/application process:

- To promote coordination among actors around project proposals and manage the number of proposals coming in, it is recommended that an Expression of Interest be issued ahead of the actual Call for Proposals. Interested applicants can fill an online form on the Pandemic Fund site with a short, preliminary expression of interest to receive funding for the project they intend to submit for funding under the upcoming CfP. This way the Secretariat would be able to perform a reconnaissance of the interest for the CfP and, possibly, put together stakeholders that intend to submit projects with similar outcomes, with the purpose of merging and coordinating the different applications. This would not be a mandatory step for applicants, such a form would not be binding for submitters and in no way would affect the evaluation of projects submitted for the CfP.
- In addition, in order to incentivize the submission of projects involving multiple IEs and countries while, on the other hand, addressing the issue of coordination among project stakeholders and the Secretariat, it is recommended to include among the project requirements the indication of a Project Leader who, in most cases, would be a national agency representative dedicated explicitly to the project submitted or, in exceptional cases (e.g. impossibility for a country to indicate someone due to change of governments or strong instability), a representative of an accredited IE. The role of the Project Leader would be to act as a focal point for the Secretariat to communicate with the stakeholders involved in the project. The role would not create further burden for the Project Leader in terms of reporting and results assessment.

6. Recommendations on Scoring Proposals for Co-financing and Co-investment

It is recommended that a specific set of proposal “scoring criteria” for co-financing and co-investment be developed, and that flexibility be encouraged on how these criteria are included, with due recognition to country circumstances. Such a rubric should be used as part of the scoring of proposals by the Technical Advisory Panel (TAP). The TAP should also include one or more experts in domestic resource mobilization. In scoring, consideration should be given to domestic resource mobilization, leveraging of existing grants and loans, and/or incentivizing the use of IDA and other MDB financing. Examples of how this could be implemented include scoring proposals higher that contain: policy commitments; explicit linkages to existing or new donors; governmental and/or MDB resources for preparedness; a pathway and timeline to some level of domestic resource mobilization; and use of existing MDB resources for preparedness. Transparency should be built into the proposal process from start to finish at country/regional entity levels and at the IE level to include regular progress updates.