How a Pandemic FIF Should Be Different: Reflections on the World Bank White Paper

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In May, the World Bank issued a white paper on a new financial intermediary fund (FIF) for pandemic prevention, preparedness, and response. Building on the mandate issued by G20 finance ministers and the G20 Joint Finance & Health Task Force, and the earlier recommendations of the G20 High Level Independent Panel and the IPPPR, the white paper takes the next steps to make the new fund a reality – proposing principles, focus areas, organizational structure, and governance and inviting feedback from prospective FIF funders and the public.

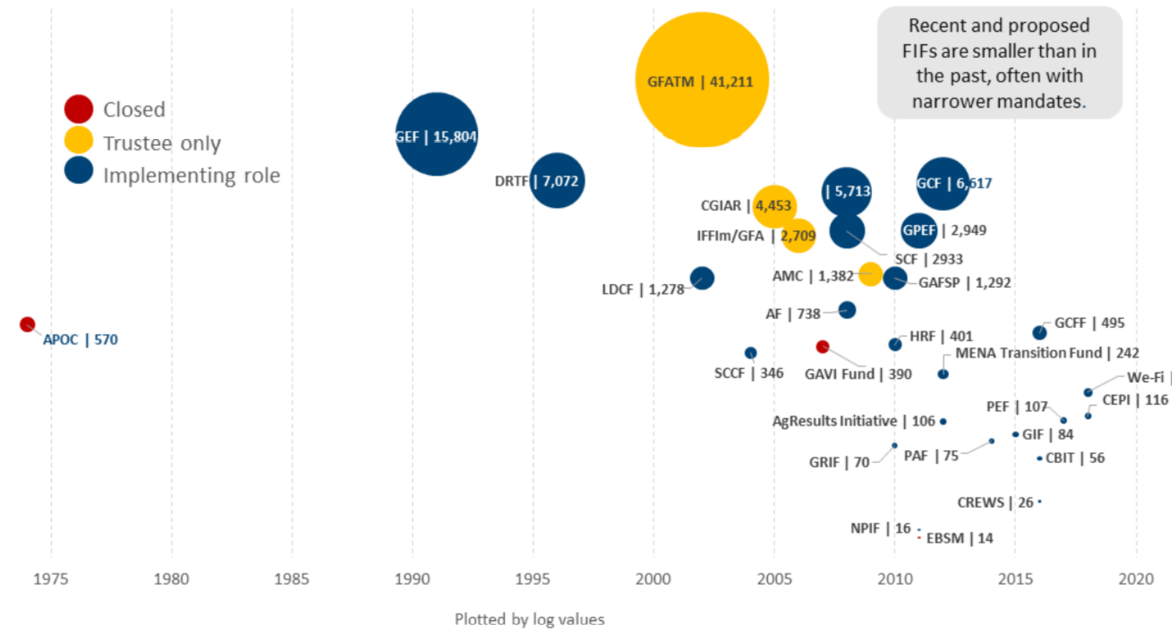
This document will be the basis for subsequent discussion and approval by the World Bank's Board, composed of 25 constituencies representing 189 country governments. In considering the proposal, the Bank's Board will decide if the new Fund meets its criteria and will assess the effort in consultation with the founding funders.

Here's what you need to know.

What is a FIF?

A FIF is a type of trust fund that pools public and private monies, increasingly in support of the provision of global public goods. FIFs come in all shapes and sizes, and the World Bank's level of involvement as a trustee, implementing entity, and Secretariat host varies (see figure 1 from World Bank). For example, the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) is the largest FIF to date with $41 billion in cumulative grant-making and operates its own independent secretariat and governance. GFATM provides straight grants to recipients to battle HIV/AIDS, tuberculosis, and malaria. At GFATM, the World Bank role is limited to acting as a financial trustee for the organization. By contrast, the Global Environment Facility, the next largest FIF, has a secretariat that is immersed in the World Bank structure and has a mandate to co-finance with the Bank itself and other multilateral development banks.

Figure 1. FIFs by year of establishment and cumulative funding (US$ million)



Source: *Financial Intermediary Fund Management Framework, World Bank (June 2019)*
https://fiftrustee.worldbank.org/content/dam/fif/documents/fif-framework.pdf

In the Case of the Pandemic FIF, the Proposal is Different

Preparedness is a public good, a multisectoral undertaking, and an area where governments act as the main financiers. Preparedness investments that strengthen surveillance, public health labs, and at-the-ready countermeasure manufacturing intersect with broader health sector needs to build better public health institutes or expand human resources for animal and human health. Improving the timeliness and accuracy of disease surveillance helps with a quicker response to a new pandemic risk, for example, but also with improving the quality of day-to-day health care in community clinics and in hospitals treating existing infectious diseases.

Yet maintaining an adequate level of investment in preparedness is a persistent challenge in lower-income countries. Even in relatively wealthy OECD countries, we see less than 2% of total public spending on health dedicated to public health and preparedness. This underinvestment is a function of pressing short-term needs that often displace longer-term agendas, as well as the absence of vocal constituencies (like bridge maintenance, if preparedness is working well, nothing happens!). Equally important, however, is that the benefits of preparedness are not fully realized by the country itself but instead by its neighbors or indeed the rest of the world, much like reducing carbon emissions redounds in global not just national benefits for the country that cuts emissions. As a result, country governments weighing only national costs and benefits will routinely underinvest. FIF money for pandemic preparedness is therefore aimed at getting policymakers to think beyond the short-term and at lowering the opportunity costs to government's own investment in public health, by measuring these domestic and global co-benefits and by providing income-tiered or co-benefit related subsidies to lending or grants for these uses.

This kind of strategy is also appropriate as most countries in the world are growing economically and leaving low-income country status over time, barring longer-term effects of the current economic shocks. Basic preparedness is also affordable in most countries in the world, so the aim of the FIF is to increase salience and priority rather than cover costs fully. In addition, because complementary investment needs are large and require spend on items like human resources that imply recurrent, on-budget public investments, the aim of the pandemic FIF should be to co-finance operations and reforms with governments via multilateral development banks as a focus.

For Best Results, Most FIF Grant Money Should Blend with Concessional MDB Lending to Support Low- and Middle-Income Governments

Given the above arguments then, the main rationale behind housing new pandemic financing at the World Bank is to blend grants from the FIF with MDB policy and investment projects. Concessional lending to low-income countries can be done in partnership with IDA, for example, and adding some degree of concessionality to lending to middle-income country governments via IBRD and the regional development banks, for example. This concessionality creates incentives for governments to finance their on-budget spending via the MDB for these uses, and by using the MDB as a principal channel, FIF donors are also able to leverage their contributions (for more on how IDA leverages, see here). These new investments will be defined by national governments as a function of priorities and needs, and should help countries prevent and control pandemic risks, thereby making progress towards agreed upon international standards of preparedness. The proposal follows the model of the Global Environment Facility, which acts as the financial arm of several climate conventions and treaties. The white paper could set out this rationale and approach more clearly, as well as the ways in which the new FIF can do better on blending than previous efforts.as well as the ways in which the new FIF can do better on blending than previous efforts.

Other, More Modest Investments Outside of MDBs are Needed Too

There are other kinds of complementary investments that should be made by a pandemic fund outside of the MDB system. Fragile states, where a government is unable to operate, may require financing to United Nations (UN) agencies, to non-UN global health organizations, or to humanitarian non-governmental organizations. Regional organizations or global health organizations can also generate economies of scale in surveillance or public health campaigns or regulatory oversight. Private firms can enter partnerships with governments and international bodies like CEPI to co-invest with development finance institutions in the development and manufacture of medical countermeasures. Civil society organizations, universities, and academic networks provide vital, complementary data on outbreaks and associated mortality when government is slow to respond or may directly generate genomic sequencing that requires more systematic support.

The white paper refers to UN organizations as potential implementing agencies but is less clear on whether and how other kinds of entities would be eligible. And while the bulk of monies should be channeled directly to low- and middle-income country governments via MDBs, a share should certainly be reserved for these other kinds of uses that will be important to the mission and effectiveness of the fund. In a next version of the document, I hope to see regional organizations like the African Union and the Africa CDC, the Caribbean Regional Public Health Agency and others on the list of potential implementing partners, along with GFATM, Gavi, CEPI and other non-UN global health organizations. Granting to civil society organizations or universities could be handled via a small grants programs through a non-UN global health funder or an organization like the UNDP as is done by the Global Environment Facility.

The FIF Needs to Be Large Enough to Make a Difference (More than a Billion!)

As many have already noted, the success of this new FIF will depend entirely on whether it is large enough to make an impact and whether its financing is additional to existing global health funding. A billion-dollar fund won't go far to leverage MDB lending to reduce pandemic risks (and note that the costs of COVID-19 are now in the many trillions!). Likewise, the extent of non-MDB grants must also depend on the total resourcing of the fund. (Experts from the G20 HLIP and the IPPPR estimate the FIF should be financed to the scale of ten billion dollars.)

There are no easy answers given the many competing priorities, but the engagement of the entire World Bank Board and largest shareholders should drive a larger fund. This is an opportunity for Bank management and executive directors to think together about how to finance global public goods more effectively across the international system – to assure fair share contributions that start from shares owned by countries today at the World Bank, for example, and to use a FIF to interact with and mobilize the MDB system and global health architecture as a whole. More discussion of this rationale should be a part of the white paper and can be used to engage potential funders in ways that have not traditionally informed the development of FIFs set up to date and could potentially be a test case to expand these approaches to other FIF.

Response Financing is Also Necessary, but the FIF is Centered on Preparedness

Better country-level preparedness is the best insurance policy against the need for financing for future pandemic response. But there are always risks of global spread and novel threats, and issues around acquisition and manufacturing of medical countermeasures in the case of pandemic flu or novel pathogens require global mechanisms for response.

As co-authors and I noted in earlier work, low- and middle-income governments and the agencies operating on their behalf failed to make or finance "at risk" purchases of vaccines and other countermeasures in advance of licensure, which delayed vaccine and antiviral access and equity. In this same piece, we propose that the World Bank build an operational policy to avoid such perverse outcomes in the future, noting that the total amount of funding required in March 2020 was the same that was eventually mobilized by March 2022 and that the MDB system had ample liquidity though no mandate to take on these at-risk purchases.

The FIF proposal should be accompanied or followed by a new policy on pandemic response financing using the existing resources of the World Bank, perhaps backed by donor guarantees. While "response" is in the title of the current white paper, it is difficult to see how the new FIF could accommodate response financing as well as preparedness for emerging threats in its current version, and indeed different operational arrangements inside the Bank could meet this need with less bureaucracy.