

Financial Intermediary Fund – Concept Note on Mandate and Governance structure

The G20 process on the establishment of a Financial Intermediary Fund (FIF) to finance future pandemic preparedness and response (PPR) is in an advanced stage. In March 2022, the World Health Organisation (WHO) and World Bank presented a gap analysis for PPR financing and a proposal for a FIF. In their report, the WHO and the World Bank estimate the total annual financing need for the PPR system at 31.1 billion USD with an annual gap of 10,5 billion USD in PPR financing, considering current and expected financing for PPR. The next meeting of the joint Task Force of G20 Finance and Health Ministries is foreseen for 31 May 2022.

On the occasion of the second Global COVID-19 Summit, May 12, 2022, US President Joseph Biden, the President of the European Commission Ursula von der Leyen and the German Chancellor Olaf Scholz committed to cooperate on the establishment of a new Financial Intermediary Fund (FIF) for pandemic preparedness and global health security at the World Bank, including its sustainable capitalization, governance and structure and welcomed the support of the G20 under Indonesia's leadership, initial pledges to the FIF mount up to 962 million US dollars.

The G7 Health Ministers discussed and concluded in their G7 declaration with Annex dated 20 May 2022 a Pact for Pandemic Readiness, building on past and new initiatives. As a follow-up the G7 will develop a roadmap for practical cooperation for future action to implement the Pact, in close coordination with international partners and organizations. This concept note aims to identify existing synergies between G20 and G7 work and illustrates possible operating and governance structures for the future FIF.

(1) Mandate of the FIF:

The FIF's primary objective is to close existing gaps in pandemic preparedness and response on a local, regional and global level by setting up programs to mobilise and deliver additional financing on a long-term basis in order to incentivize through grants or concessional loans the integration of PPR-related themes. The focus of the FIF programs lies on concrete projects in partner countries including Lower and Middle Income Countries and institutions to build up, enhance and enable the pillars for better pandemic readiness and response:

- 1) surveillance systems and laboratories,
- 2) collection and networking of data, capacity building, training and workforce
- 3) quick response capabilities including research and development which could cover research, development and distribution of vaccines, therapeutics, diagnostics as well as rapid-response emergency measures for deployment during infectious disease outbreaks.

A lean secretariat, located in Geneva, would be in charge of the administration and project preparation for the Board and would be operated by the World Bank; secondments from other organisations like WHO would be possible and desirable.

The FIF will work in close cooperation with the WHO as the world's leading organization in global health policies which will deliver its expertise and knowledge through a Strategic and Technical Panel (STP) chaired by the WHO together with a veto right in favor of WHO. The STP will scrutinize and clear all projects and programmes elaborated by the secretariat to the Board Members with voting right. It will also fully participate in the elaboration of strategies and policies.

The Board of the FIF will decide about the measures to be implemented and the strategies to be pursued.

The FIF builds on the existing health architecture thus avoiding the creation of parallel and duplicate structures. Measures and services are designed to be integrated into existing PPR structures in countries and regions.

The One Health approach – including data on animal and environmental health – is a cross-cutting theme which should be considered in all of the Fund's activities. Other key criteria for the Fund are the principles of justice, transparency and accountability, avoidance of duplicate structures and fragmentation, methodological coherence, and the principle of additionality for all financing operations undertaken by the Fund.

Any future FIF projects have to be evaluated regularly with a view to efficiency, effectiveness, the appropriate use of funds and on the basis of measurable PPR targets. Transparency and accountability with regard to the use of funds have to be secured. The Mandate of the FIF could be combined with a sunset clause to decide or refine the content of programs, depending on whether the agreed objectives are met.

(2) Governance structure:

The World Bank's Financial Intermediary Funds are large-scale trust funds, which typically leverage public and private resources in support of international initiatives, enabling the international community to provide a direct and coordinated response to global priorities. The new Financial Intermediary Fund should take up the available expertise on managing funds as well as WHO's expertise on health related programs.

Depending on the outcome of the discussion on organizational structures, WHO and World Bank must intensively coordinate their approaches in order to safeguard policy and technical coherence. This can be ensured through a respective membership in the Board of the Fund (without voting right). A strong role of WHO should be ensured by the election of a Board Chair associated to the WHO, its leading role in the FIF's Strategic and Technical Panel and the use of existing WHO instruments in FIF processes. As with other funds, decisions should be taken by a Board, making the Board the Fund's highest decision-making body.

The Board should be composed of donor and recipient countries with voting rights and non-voting stakeholders (scientists, NGOs, some implementing organisations). If mandated the World Bank could act in an administrative capacity as the Trustee for the FIF. The Trustee's task is to assume fiduciary responsibility for the financial resources held in the trust fund. This includes financial management (depositing funds, safekeeping, disbursement), drafting of reports together with the Secretariat and maintaining an overview of the available and disbursed financial means/monies until the final payout from the FIF. The Trustee safeguards transparency for the various donors and neutrality towards implementing organisations. Contributions to the FIF would be voluntary.

A point to consider is whether, in addition, the FIF should be in a position to forward financial resources to existing organisations, if the recipient organisation is obliged to follow the same objectives as described in the FIF's mandate and demonstrates its capability to implement a program accordingly. The conditions of use would then be formulated in general terms, the overheads would be low and the FIF's accountability limited.