



# Financing for epidemic response activities

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## Sources of Emergency Financing:

There are several major sources of money that could be used to support outbreak response activities.

### Pandemic Emergency Financing Facility

The World Bank Group's Pandemic Emergency Financing Facility (PEF) is a system designed to respond to specific types of pandemics. It consists of a cash window and an insurance window.<sup>1</sup> The cash window at one time had about \$50 million, all of which has been used to support the response to the ongoing Ebola epidemic in the Democratic Republic of the Congo. Discussions about the future of PEF are ongoing.

The insurance window is funded by 2 tranches of catastrophe bonds that pay out under specified conditions. A coronavirus pandemic would trigger a payout of the Class B notes after all of the following conditions have been met: It kills at least 250 people, lasts at least 12 weeks, has at least 250 new cases in the past 12 weeks, has an increasing average number of new cases over the past 12 weeks, and kills at least 20 people in a second country. The payout is based on the number of deaths and the geographic spread of the disease. A coronavirus pandemic that killed more than 2,500 people would trigger a full payout of the Class B notes, raising \$95 million. It would also trigger a 16.67% payout of the Class A notes, raising an additional \$37.5 million. A full payout of the Class A notes is triggered only by an influenza pandemic.<sup>2</sup>

### World Bank's IDA Crisis Response Window

The International Development Association (IDA) is the part of the World Bank that gives loans (called "credits") to low-resource countries for development. In order to be eligible for IDA credits, a country must have a per capita annual income of less than \$1,145. IDA meets every 3 years to raise money and decide how the funds will be spent; these are called Replenishment meetings. The 18th Replenishment, or IDA18, finances projects from July 1, 2017, to June 30, 2020.

Most IDA money is used for long-term development projects, but the Crisis Response Window (CRW) is a special pool of money devoted to helping countries respond to disasters.<sup>3</sup> It spent \$420 million to fight the 2014-2016 West Africa Ebola outbreak. The IDA18 replenishment raised \$3 billion for crisis response, and as of early 2020, \$2 billion was still unspent and available for immediate use. Additionally, the 19th Replenishment (IDA19) allocated \$2.5 billion to the Crisis Response Window, to become available on July 1, 2020.<sup>4</sup>

### International Monetary Fund

The IMF has about \$1 trillion available to lend.<sup>5</sup> However, these funds are meant to address temporary issues with a country's balance of payments and are not intended to be a form of development aid or response to a health emergency. Lending is usually conditional on economic policy changes, made after a period of negotiation, and will only be made if the IMF is confident that it will be repaid.<sup>6</sup>

### National Governments

Total international development aid from governments is about \$200 billion per year.<sup>7</sup> Although much of this is allocated to specific uses and could not be redirected, some percentage of it could be made available in a pandemic, and/or the total amount might be increased, if there were sufficient global coordination.

### Private Charity

The total endowment of the top 40 wealthiest charitable foundations is currently about \$500 billion.<sup>8</sup> Many of these charities have not historically been involved in health, and there are institutional limits on how much of the endowment could be spent, but some percentage of these endowments might be made available in certain circumstances.

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