



# Financing for Epidemic Response Activities

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There are several major sources of money that have supported and still may support outbreak response activities during the COVID-19 pandemic.

## 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. The COVID-19 pandemic should have triggered a full payout of the Class B notes after having exceeded all of the maximum thresholds for measuring outbreak severity. A full payout of the Class B notes would have raised \$95 million and triggered 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> There have been a number of logistical complications that have slowed the release of PEF funding, with no reported monetary releases as of March 31. Potential payouts from this system are projected to begin around the middle of May.<sup>3</sup>

On March 2020 the World Bank group announced that they had developed a new fast-track facility to support immediate needs as countries respond to COVID-19.<sup>4</sup> The potential \$12 billion includes a new \$8 billion from the International Bank for Reconstruction and Development (IBRD) (\$2.7 billion), the International Development Association (IDA) (\$1.3 billion), the Bank's existing portfolio (\$2 billion), and the International Finance Corporation (IFC) (\$6 billion). The IFC announced later in March that they had increased their contribution to \$8 billion, split evenly among the Real Sector Crisis Response Facility, the Global Trade Finance Program, the Working Capital Solutions program, and the Global Trade Liquidity Program.<sup>5</sup>

On April 2, the World Bank announced the first set of projects financed through the new fast-track facility for COVID-19 response.<sup>6</sup> The announcement noted that \$1.9 billion has been allocated for an initial set of projects across 25 countries and that there are ongoing conversations to develop a mechanism that would move an additional \$1.7 billion from current projects to aid in COVID-19 response efforts.<sup>7</sup> The World Bank also said in their announcement that they expect to deploy as much as \$160 billion over the next 15 months.

## World Bank's IDA Crisis Response Window

The IDA is the part of the World Bank that traditionally 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>8</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>9</sup> The Crisis Response Window has not been used during the COVID-19 pandemic.

As mentioned above, the IDA is one of the groups that have worked to establish the fast-track facility for COVID-19 response, and they are the group leading a number of the initial projects announced on April 2, 2020.

## International Monetary Fund (IMF)

The IMF has about \$1 trillion available to lend.<sup>10</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>11</sup>

The IMF has taken several steps to assist countries during the COVID-19 pandemic. On March 4, the IMF announced that they had made \$50 billion available to help in the response and recovery from COVID-19.<sup>12</sup> This sum was designed to provide rapid support for countries seeking financial support during the COVID-19 pandemic and included \$10 billion at zero interest for the countries with significant economic challenges.

The group also started a fundraising effort for their Catastrophe Containment and Relief Trust, which provides assistance to countries in the containment and recovery from public health and natural disasters.<sup>13</sup> This trust provided \$100 million to Guinea, Liberia, and Sierra Leone during the 2014 Ebola outbreak. The United Kingdom gave £150 million to the fund during these fundraising efforts.<sup>14</sup> In addition to these monetary contributions, the group has developed resources, including a webpage that tracks new economic policies from countries as the pandemic evolves.<sup>15</sup>

## National Governments

Total international development aid from governments is about \$200 billion per year.<sup>16</sup> Although much of this is allocated to specific uses in a typical year, there are already numerous examples of national governments providing monetary support and aid during the COVID-19 response. There are a number of wide-ranging examples, including donations to response efforts, like the United States' \$274 million investment for humanitarian aid;<sup>17</sup> donations of medical supplies, diagnostics, and operational knowledge, such as China's assistance during the height of Italy's COVID-19 outbreak;<sup>18</sup> and investments for longer-term solutions, including a growing group of nations that have donated roughly \$700 million to help the Coalition for Epidemic Preparedness Innovation reach its \$2 billion goal for its efforts to develop a safe and effective vaccine for COVID-19.<sup>19</sup> While it has been encouraging to see these initial donations, 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>20</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. As of April 6, 2020, there have been a number of sizeable donations from private organizations and individuals. The Bill and Melinda Gates Foundation have made a number of sizable donations to aid in the response to COVID-19, including donations totaling over \$100 million for several regions and an additional \$50 million, along with \$50 million from Wellcome and \$25 million from the Mastercard Impact Fund, to develop an initiative to increase the development and spread of COVID-19 therapeutics.<sup>21</sup> In addition to numerous large donations from private philanthropic organizations, individuals ranging from businessmen to celebrities have donated money and supplies to provide public health and economic support during the COVID-19 response.

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