

Advancing DFI Financing for a More Equitable Response to Health Emergencies

OPTIONS AND NEXT STEPS

Chair's Summary

The Need for MCM Financing

Despite historic global efforts during the COVID-19 pandemic, the world was unable to equitably and rapidly expand the procurement, production, and distribution of lifesaving vaccines, treatments, tests, and supplies (all forms of medical countermeasures, or MCMs). High-income countries (HICs) consistently received MCMs faster and at higher volumes than low- and middle-income countries (LICs & MICs): some LICs & MICs had to wait up to 100 days longer than HICs to administer their first vaccination¹ and there were over 75 times more tests administered per day in HICs than in LICs.² Donors pledged 2.1 billion vaccine doses to LICs & MICs,³ yet the mechanisms for financing those doses and delivering them quickly had to be built from scratch.

The lack of timely and sufficient financing for procurement, production, and delivery of MCMs was a significant driver of inequities in MCM access—and consequently, in health outcomes—during the COVID-19 pandemic. One study estimates that delays in LICs & MICs signing purchase agreements due to limited financing account for an estimated 60–75% of vaccine delivery delays.⁴ A number of global efforts are already mapping and developing policies around financing for MCM procurement, production, and delivery for health emergencies, including the G20 Joint Health and Finance Task Force, G20 High Level Independent Panel on Financing the Global Commons for Pandemic Preparedness, the Independent Panel for Pandemic Preparedness and Response, the Intergovernmental Negotiating Body, and the Johannesburg Process. Regional actors are also leading the effort in bolstering local manufacturing capacities, for example, through South Africa's Aspen Pharmicare, Senegal's Institut Pasteur de Dakar, Africa Centres for Disease Control and Prevention (Africa CDC) Partnership for Vaccine Manufacturing in Africa (PAVM), and the planned launch of Gavi's African Vaccine Manufacturing Accelerator (AVMA) to support this rapidly expanding ecosystem.

1. B. Duroseau, 2023, [The Impact of Delayed Access to COVID-19 Vaccines in Low- and Middle-Income Countries](#).

2. S. Narayanasamy et al., 2022, [Global Inequity of COVID-19 Diagnostics: Challenges and Opportunities](#).

3. A. Rouw et al, 2022, [Vaccinating the World: How Does the U.S. Stack Up Against Other Donors?](#)

4. IMF, 2022, [Finance Vaccine Equity: Funding for Day-Zero of the Next Pandemic](#).

5. Health emergencies include epidemics, pandemics, and more.

The Hiroshima Commitment

At the Hiroshima Summit in 2023, G7 Leaders committed to working together to identify concrete and operational steps to improve LIC & MIC access to development finance for MCMs in health emergencies in advance of the 2023 United Nations General Assembly High-Level Meeting on Pandemic Prevention, Preparedness, and Response.⁵ This document summarizes the actions taken to advance that commitment.

G7 LEADERS' HIROSHIMA COMMITMENT:

“ We commit to work across providers of development finance, for the purpose of identifying concrete options this summer for providing for the liquidity for global health organizations to procure and deliver MCMs earlier in a crisis.

Though this effort stems from a G7 Leaders commitment, the objective of the Hiroshima Commitment is much broader and more inclusive. The G7 development finance institutions (DFIs), International Finance Corporation (IFC), and European Investment Bank (EIB) (collectively referred to as “DFIs” in this document) and their partners aimed to elucidate tangible opportunities for both DFIs and other bilateral, regional, and multilateral funders to provide rapid financing for (1) procurement, (2) surge production, and (3) delivery of MCMs in health emergencies. In particular, the participating DFIs and their partners sought to identify innovative financing tools—including new models of risk sharing with donors and development banks, bridge financing, and more—that DFIs could deploy in collaboration with partners on ‘day zero’ of a future health emergency. Through this effort, the participating DFIs and their partners also intend to establish a framework for DFIs to effectively collaborate with each other and with other global health stakeholders at the start of a health emergency in order to rapidly deploy capital. Finally, this effort sought to complement, not duplicate, ongoing policy discussions regarding the MCM ecosystem, such as those in the Intergovernmental Negotiating Body, the Johannesburg Process, and the MCM Delivery Partnership for equitable access, by providing concrete options for financing solutions that will be needed to operationalize MCM surge procurement, production, and delivery during health emergencies in the future recognizing the next health emergency or pandemic could arise at any time.

This Chair’s Summary and corresponding Options Report summarize the concrete opportunities that DFIs, multilateral and regional partners, and other global health stakeholders identified in a series of consultations between June and September 2023 to increase emergency financing for MCMs in LICs & MICs. These include opportunities for DFIs to lead, working with partners, as well as financing gaps and opportunities best suited for other actors to take the lead in addressing. Collectively, they create a holistic set of financing options for procuring, spurring production of, and delivering vaccines, tests, treatments, and supplies for future health emergencies.

Outcome: Financing Solutions for MCMs in Health Emergencies

Participating DFIs and their partners are confirming their resolve to further develop and participate in a set of critical financing tools to accelerate the procurement, production, and delivery of MCMs at the beginning of a future health emergency. Several of these tools are high priorities for DFIs to further design, collaborate on, and co-invest in.

Specifically, participating DFIs propose to work toward establishing:

- **Liquidity facilities for donor-financed procurement.** DFIs will work toward establishing a shared liquidity facility among willing DFIs and global health pooled procurement organizations to ensure access to liquidity on ‘day zero’ of a health emergency. Progress has already been made through the EIB’s expansion of its liquidity facility with Gavi for core and outbreak vaccines; however, mechanisms are not yet in place that could extend this liquidity to other global health organizations, such as Global Fund or the World Health Organization (WHO), for the acquisition of tests, treatments, and other supplies. In this new shared facility, willing DFIs could provide short-term loans to bridge potential delays in donor pledges to procure MCMs for LICs & MICs at the same time as HICs, while waiting for funds from donors to be released. Ideally, donor pledges would be committed ahead of a health emergency. However, since there will likely be delays in donor pledges during an emerging global health crisis, DFIs could work toward the establishment of a first-loss guarantee from the procurer’s own balance sheet or other funders to minimize risk. It should be noted that a major challenge to providing liquidity for global health organizations is the limitation on use of multilateral development bank (MDB) funds flowing directly to those organizations, a challenge that has persisted throughout the pandemic.
- **Bridge facilities for self-financed procurement by LICs & MICs.** DFIs will work toward expanding existing bridge facilities, such as Afrexim Bank’s African Vaccine Acquisition Trust, the Pan American Health Organization Revolving Funds, UNICEF’s Vaccine Independence Initiative, and the COVAX Cost Sharing Mechanism, and establishing a new, shared facility among willing DFIs as upfront funders. These efforts would aim to increase the magnitude of initial funding for procurers to place bulk orders on ‘day zero’ of a health emergency. Self-financing countries could access facilities using pre-approved financing from sovereign lenders, such as development banks and some DFIs, to fund these purchases. The risks of contract breaches on the part of LICs & MICs can be mitigated both via a first-loss guarantee from the procurer’s own balance sheet or funders and/or via political risk insurance carried by procurers.
- **A working capital facility for LIC & MIC surge production.** DFIs will work toward supporting the provision of surge financing for LIC & MIC manufacturers to scale up production of MCMs during a health emergency (e.g., through the expansion of production lines to add capacity, addition of fill/finish capacity, and other investments that could allow LIC & MIC manufacturers to scale up and/or pivot production). To achieve this goal, willing DFIs would be looking to establish a syndicate facility to provide working capital and capital expenditure financing to select manufacturers based on demand and supply gaps. Willing DFIs and intermediaries could coordinate with technical health organizations (e.g., Africa CDC, Coalition for Epidemic Preparedness Innovations, FIND, Gavi, WHO) to pre-define a network of LIC & MIC manufacturers that are equipped with a breadth of pharmaceutical manufacturing capabilities (e.g., with sufficient quality assurance / quality control capacity), with the aim of mitigating uncertainty around MCMs’ needs during novel outbreaks. The pre-defined network would require recurring monitoring, such as periodic screening of technical and financial capacity to be able to quickly deploy working capital during a health emergency.

- **Guarantees to expand LIC & MIC access.** DFIs will explore joining British International Investment (BII) in providing further funding to MedAccess, enabling it to offer more procurement guarantees to expand procurement capacity and volume guarantees to support manufacturers of critical MCMs (including producers based in LICs & MICs) in scaling production to respond to a future health emergency, in return for pre-agreed ceiling prices and/or supply commitments. Willing DFIs would establish a structure to jointly capitalize MedAccess and develop structures that enable DFIs with appropriate risk/return requirements to participate, noting greater risks and uncertainties during health emergencies.

In addition, participating DFIs will continue to support additional existing financing tools, both individually and in collaboration with others. These include:

- **R&D financing for new MCMs.** Some DFIs with greater risk appetite could continue providing venture financing to support R&D for new technologies and products—these DFIs will be better prepared to rapidly scale up investment during a novel health emergency.
- **Loans and loan guarantees to support delivery and supply chain infrastructure.** Many DFIs provide loans and loan guarantees that could be used to invest in logistics companies and health facilities, or the financial institutions that on-lend to them, to accelerate delivery of MCMs. These DFIs will be better prepared to scale up investments, in coordination with country response efforts, during a future health emergency.

DFI Collaboration Framework

Participating DFIs further commit to establishing a new collaboration framework for health emergencies. This collaboration framework would be open to all DFIs and could help ensure that DFIs are prepared and able to quickly deploy needed financing tools in a coordinated manner in future health emergencies, thereby accelerating liquidity for MCM access. It could provide coordination, communication, and information sharing norms (e.g., quarterly meetings) for the financing solutions outlined above, as well as protocols for decision making and co-investment in health emergencies (e.g., sharing due diligence, developing co-investment agreements and syndicate structures, and executing financing on ‘day zero’). The collaboration framework will complement broader international efforts to strengthen pandemic preparedness and response. There are ongoing discussions among DFIs on the collaboration structure, which could include a secretariat with rotating leadership and solution-specific working groups. At the United Nations General Assembly, DFIs may launch a Joint Statement of Intent to join this collaborative effort to respond to future health emergencies more rapidly and cohesively. This statement affirms commitment to collaborate both between and during emergencies through working groups that will meet regularly; advance surge financing; coordinate with national, regional, and global stakeholders; and provide progress updates periodically through the G7 process next year.

Next Steps

These DFI-led solutions will require complementary financing and involvement from donors, procurers, and development banks to ensure success. To be efficient and ready for the next crisis, it is essential to support the development of local and regional actors, including procurers and manufacturers, in the long run and to build strong collaborations between DFIs and other stakeholders. DFIs have neither the mandate nor tools to solve all barriers LICs & MICs face in procuring, producing, and delivering MCMs. For example, they lack the tools to address shortages of raw materials, supply chain disruptions, demand generation, or other activities where capital cannot be recouped. Complementary financing is also necessary for the success of many of the solutions DFIs can participate in. Funders and development banks will need to provide pre-committed funding for procurement of MCMs, against which DFIs can provide bridge financing; first-loss guarantees to de-risk donor delays or country defaults; sovereign funding for countries to procure MCMs; and additional technical assistance for procurers, countries, and manufacturers, among other contributions.

The participating DFIs look forward to advancing these initiatives in the coming months through continued collaboration with partners across the global health and development finance communities. The group aims to develop a final collaboration framework and contingent co-investment terms for specific financing solutions among willing DFIs and partners by September 2024. Together, we can ensure more equitable access to lifesaving MCMs for LICs & MICs in a future health emergency.

Note: Canada is supportive of the efforts of participating G7 DFIs and their partners to develop and participate in a set of critical financing tools to accelerate the procurement, production, and delivery of MCMs at the beginning of a future health emergency.