Advancing DFI Financing for a More Equitable Response to Health Emergencies

OPTIONS AND NEXT STEPS

DFC U.S. International Development Finance Corporation

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Contents

I. Introduction

Origin and objectives of the initiative

Despite historic global efforts during the COVID-19 pandemic, the world was unable to equitably and rapidly distribute lifesaving vaccines, treatments, tests, and supplies (all forms of medical countermeasures, or MCMs). High-income countries (HICs) consistently received MCMs faster and in 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 vaccination[1] and, between May 2021 and May 2022, over 75 times more tests were 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, which significantly delayed their distribution.

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 accounted for an estimated 60–75% of vaccine delivery delays.[4] LICs & MICs need faster access to surge financing for vaccines as well as financing for other MCMs, including tests, treatments, personal protective equipment (PPE), and other supplies.

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.[5] The G7 Leaders committed to identifying opportunities in advance of the 2023 United Nationals General Assembly (UNGA) High-Level Meeting on Pandemic Prevention, Preparedness, and Response. This report summarizes these opportunities. Though this effort stems from a G7 Leaders commitment, the objective of the Hiroshima Commitment is to identify opportunities for all development finance institutions (DFIs) and regional and global health financing partners. Moving forward, this effort will broaden to include G20 partners.

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.**

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.

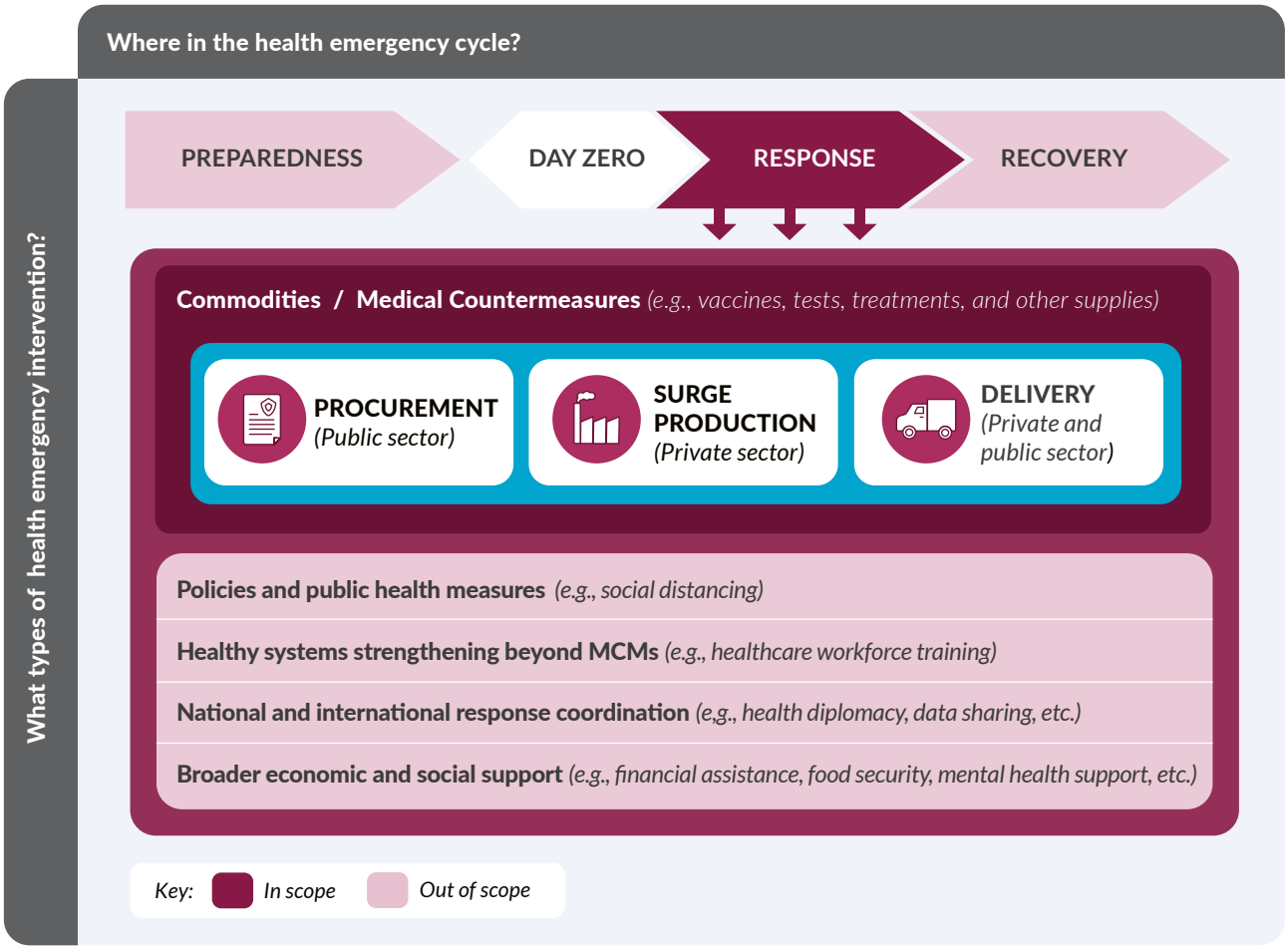
In fulfilling the commitment at the Hiroshima Summit, this report aims to:

1. Outline practical steps to improve LIC & MIC access to surge financing for MCMs during health emergencies, thus reducing equity gaps;
2. Align DFIs around a collaboration framework to help prepare and enable DFIs to rapidly and effectively provide surge financing for MCM procurement, production, and delivery during health emergencies; and
3. Establish clear next steps for DFIs, as well as highlight gaps other actors must fill, in order to implement the proposed financing solutions.

Scope

This initiative focuses on accelerating financing for MCMs in response to a health emergency (see Figure 1). It seeks to identify financing solutions to accelerate the initial response to a health emergency after 'day zero' (see Box 1). Among the wide array of interventions required in the response to a health emergency, this initiative focuses on the procurement, surge production, and delivery of MCMs, as DFIs are well suited to provide financing support for MCMs.

Figure 1. Scope of the initiative



BOX 1. - What is 'day zero'?

The intention of this initiative is for DFIs to accelerate collaboration at the start of an emerging infectious disease outbreak. DFIs would coordinate with the World Health Organization (WHO) and other global health experts to align interventions before and after a globally recognized 'day zero' (e.g., a Public Health Emergency of International Concern, or PHEIC). DFIs could also look to other health emergency triggers, such as parameters set forth in the International Health Regulations (IHR) or Intergovernmental Negotiating Body (INB) processes, or other epidemiological indicators. For example, Fan (2023) shows that community impact, geographical spread, percentage of occupancy, expert perspectives, and other indicators may better define the need for international response.

*Sources: WHO, 2019, **Emergencies: International Health Regulations and Emergency Committees;** V. Fan et al., 2023,* **The When is Less Important Than the What: An Epidemic Scale as an Alternative to the WHO's Public Health Emergency of International Concern**

This initiative primarily focuses on the financing solutions and collaboration mechanisms for DFIs to implement; however, the report also notes the i) actions needed from other actors to enable DFI financing and ii) financing solutions other actors are better suited to provide. The core function of DFIs is to provide debt and equity to private sector actors with high potential for development impact and financial return (Box 2). In a health emergency, DFIs can help to provide surge financing to MCM manufacturers, supply chain logistics companies, health service providers, and other relevant enterprises using their debt and equity tools. There are also innovative financing tools that DFIs could deploy on 'day zero' of a future health emergency in collaboration with partners, including new models of risk-sharing with donors and development banks, bridge financing, and more. Despite this range of tools, there are many financing needs DFIs cannot address, including the vast need for non-returnable capital for MCMs, public health measures, and broader economic and social support. While these are not the focus of this initiative, this report notes these complementary needs.

BOX 2. - What are DFIs and what role do they serve?

The central function of DFIs is to provide debt (and for some DFIs, loan guarantees), equity, and other forms of investment capital to commercial entities that have potential for both development impact and financial return and that are aligned with foreign policy priorities. DFIs serve a complementary role to donor agencies and development banks, which primarily provide aid and sovereign loans, respectively, to LICs & MICs. Some DFIs (e.g., JICA, EIB, AFD) provide loans to sovereigns in addition to their investments in private sector entities. DFIs typically do not provide concessional financing. In a health emergency, donors and development banks typically provide the bulk of funding to procure and deliver MCMs. DFIs can serve an important complementary role by i) frontloading donor and development bank funding and ii) financing private sector actors. Importantly, some DFIs face constraints during the investment phase, including but not limited to the types of entities they can lend to, market dynamics, and the competitiveness of certain players. These restrictions could slow their potential response to health emergencies.

	AID	SOVEREIGN LENDING	PRIVATE SECTOR LENDING
DFIs		✓	✓
Development banks	✓	✓	✓
Donor agencies	✓		

Key: ✓ *Some entities* ✓ *All entities*

This DFI initiative complements a wide range of concurrent global and regional initiatives to improve health emergency preparedness and response, prompted by the COVID-19 pandemic. In December 2021, WHO Member States established an intergovernmental negotiating body (INB) to draft and negotiate an international instrument to strengthen pandemic prevention, preparedness, and response.[6] Additionally, WHO Member States are also negotiating amendments to the International Health Regulations (IHR) 2005, an international legal instrument that governs the role of the WHO and its member countries in identifying, responding to, and sharing information about events that might constitute a PHEIC.[7] In addition, South Africa and Norway have co-led a multistakeholder process to discuss the elements of an interim mechanism to enhance collaboration for timely and equitable access to MCMs against pandemic threats. At the Hiroshima Summit, in addition to the commitment above, G7 Leaders also committed to launching a broader MCM Delivery Partnership for equitable access (MCDP). Meanwhile, the G20 has significantly advanced discussions related to financing for health emergency preparedness and response. In 2021, the G20 established a High-Level Independent Panel on Financing the Global Commons for Pandemic Preparedness and Response, which issued a series of recommendations to meet financing gaps in pandemics.[8] One of the major outcomes from this was the establishment of the Pandemic Fund, which has been developed to address long-standing gaps in pandemic preparedness—an important complement and precursor to pandemic response efforts. The Pandemic Fund is a collaborative partnership among donor countries, co-investors (countries that are eligible to receive funding), foundations, and civil society organizations (CSOs). It is hosted by the World Bank, with WHO as technical lead. As part of the ongoing G20 Joint Finance-Health Task Force, WHO and the World Bank have been mapping existing pandemic response mechanisms and gaps in order to inform a set of recommendations for optimized surge financing for MCMs in future pandemics.[9] This work will remain closely aligned with G20 initiatives. Other high-profile initiatives, such as the Independent Panel for Pandemic Preparedness and Response, have offered important proposals to strengthen the architecture for global health security and provide useful insights into health emergency response.

The goal of this DFI effort is to provide operational, pragmatic solutions that can plug into and strengthen the international MCM ecosystem, recognizing that a new health emergency could occur at any time.

Regional actors are also bolstering local manufacturing capacities to ensure sufficient supply, for example, through South Africa's Aspen Pharmacare, Senegal's Institut Pasteur de Dakar, and Africa CDC's Partnership for Vaccine Manufacturing in Africa (PAVM), as well as the planned launch of Gavi's African Vaccine Manufacturing Accelerator (AVMA) to support this rapidly expanding ecosystem. **Many DFIs will continue to invest in strengthening regional manufacturing capacity in between emergencies to create diversified and resilient supply chains.**

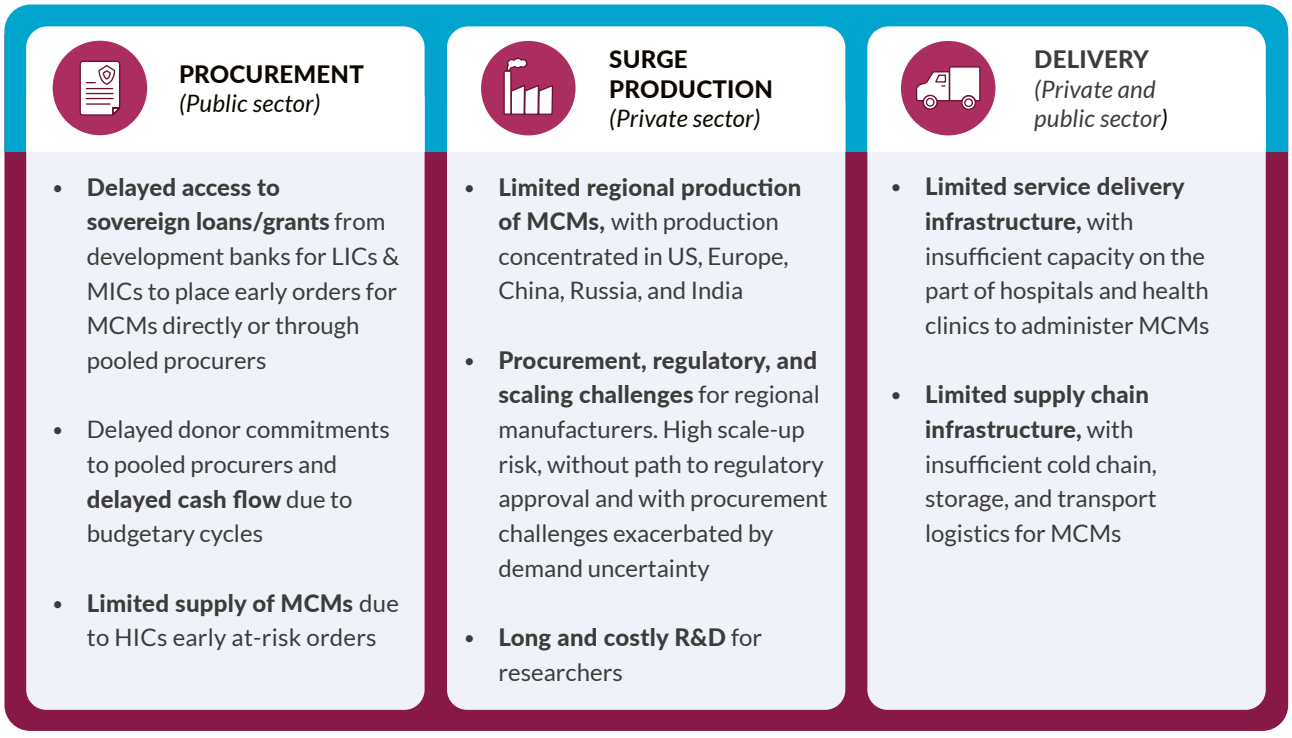
6. WHO, 2021, Intergovernmental Negotiating Body.
7. CDC, 2023, International Health Regulations.
8. Pandemic Financing, 2021, G20 High Level Independent Panel on Financing the Global Commons for Pandemic Preparedness and Response.
9. WHO & World Bank, 2023, Mapping Pandemic Response Financing Options and Gaps.

Methodology

DFIs, multilateral and regional partners, and other global health stakeholders engaged in multiple consultations and convenings between June and September 2023 to identify concrete opportunities to accelerate financing for MCMs in health emergencies. The participating DFIs, with support from USAID and Dalberg Advisors, led over 45 consultations across providers of development financing, global health organizations, donors, and other partners to pinpoint key financing gaps that emerged during the COVID-19 pandemic. Through these comprehensive efforts, the participating DFIs collectively identified the financing challenges DFIs are well suited to address (see Figure 2) and discussed the seven most promising financing opportunities in a group convening. Based on this discussion, the participating DFIs prioritized four solutions with design questions to focus on in advance of UNGA: i) expanding liquidity facilities for donor financing, ii) establishing bridge facilities for LIC & MIC self-financing, iii) ensuring sufficient working capital for the surge production of MCMs in LICs & MICs, and iv) enhancing use of guarantees (volume and procurement guarantees) to support surge procurement and expansion of production of MCMs to increase access in LICs & MICs. Drawing on additional individual consultations, participating DFIs refined the design of the solutions and solicited feedback from global health organizations through two additional convenings. Finally, in a third convening, participating DFIs aligned on next steps to establish a collaboration framework across DFIs. This document is the output of these conversations, which all participating DFIs were invited to comment upon.

The paper represents a snapshot in the development of the proposed financing solutions; the next steps outlined here provide further detail on the outstanding questions to answer beyond the 2023 UNGA meetings.

Figure 2. MCM financing gaps DFIs could address (non-exhaustive)



Overview of the document

Sections II, III, and IV of this document outline the seven promising financing solutions for DFIs to pursue to improve procurement, surge production, and delivery of MCMs in health emergencies. The four solutions noted above are discussed in greater detail, as they are more complex to operationalize (e.g., they involve the establishment of new mechanisms). These four solutions will be developed further after September 2023.

Section V describes the new proposed collaboration framework to coordinate actions across DFIs and accelerate co-investments for MCMs during health emergencies.

Sections VI and VII conclude with a call to action for other actors beyond DFIs and next steps for this work.

II. Priority DFI financing solutions to accelerate MCM *procurement*

I. CREATING AND EXPANDING SHARED LIQUIDITY FACILITIES FOR DONOR-FINANCED PROCUREMENT

Focus solution of this report

COVID-19 context

The unprecedented need for rapid liquidity to procure MCMs during COVID-19 posed significant challenges for LICs & MICs in achieving equitable access to MCMs. Delayed donor commitments and cashflow to pooled procurers prevented procurers from placing timely orders for MCMs on behalf of LICs & MICs during COVID-19, giving HICs an advantage in accessing the limited supply available. Numerous political and economic challenges delayed donor pledges, while payouts of pledges to procurers took time due to parliamentary and budgetary processes. Even with payouts, coverage of the range of necessary MCMs was insufficient, with an overemphasis on vaccines. It should be noted that a major challenge to providing liquidity for global health organizations is the limitation on the use of multilateral development bank (MDB) funds flowing directly to those organizations, a challenge that has persisted throughout the pandemic.

Despite these challenges, the urgency for liquidity during COVID-19 also pushed global health financing architecture to innovate in deploying funds more rapidly. The UNICEF Vaccine Independence Initiative (VII) provided bridge financing for donor-funded procurement of PPE, tests, treatments, vaccines, and more. The European Investment Bank (EIB) issued $200 million in liquidity to frontload European Union (EU) commitments to the Gavi COVID-19 Vaccines Advanced Market Commitment (COVAX AMC), with support from a European Commission (EC) guarantee. Funds were fully drawn from the facility,[10] which was later expanded to $1 billion.[11] The United States International Development Finance Corporation (DFC) also issued $1 billion in liquidity to frontload pledges for the COVAX AMC.[12] Though these facilities represent important progress, they took over a year to launch; financing could be greatly accelerated in the future.

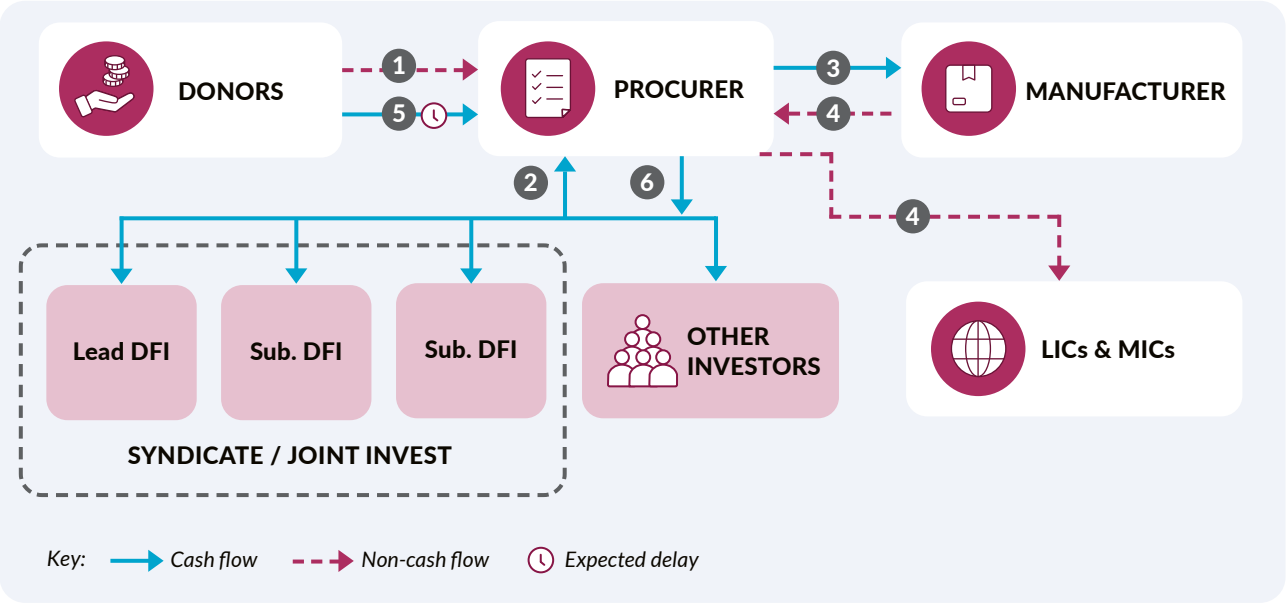
Proposed Future Facility

Willing DFIs could establish a new shared liquidity facility and/or expand individual liquidity facilities with global health pooled procurement organizations.

10. EIB, 2021, EIB Increases Support for COVAX and Backs €1.5 Billion Clean Energy, Water, Health and Education Investment.
11. EIB, 2022, President Hoover Pledges €1 billion New Support for COVAX.
12. DFC, 2022, DFC Financing Up to $1 Billion for Gavi COVID-19 Vaccine and Ancillary Supply Purchase and Delivery.

For a more equitable response to future health emergencies, willing DFIs could establish a new shared liquidity facility and/or expand individual liquidity facilities with global health pooled procurement organizations. Progress has already been made through EIB's expansion of its liquidity facility with Gavi for core and outbreak vaccines. Beyond Gavi, additional facilities with different global pooled procurers could ensure comprehensive procurement of all MCMs, including tests, treatments, and other supplies. Willing DFIs could join EIB and/or extend this liquidity to other global health organizations, such as Global Fund or WHO. Each facility could be structured as a syndicate, capitalized via a co-investment agreement with the procurer that is established before 'day zero.' This could allow procurers greater and faster access to liquidity for MCMs in future health emergencies, thereby accelerating access for LICs & MICs. This facility may be ideally suited to global procurers that are typically donor financed, but it could also be applicable to regional procurers. Figure 3 provides more detail on a proposed application of this facility.

Figure 3. Diagram of proposed liquidity facilities for donor financing



Proposed process
1. Donors pre-pledge funding to purchase MCMs for LICs & MICs
2. DFIs (and potentially other investors) provide bridge financing against donor commitments, giving procurers immediate liquidity to place orders
3. Procurer(s) place early orders with manufacturers for MCMs
4. Manufacturers supply MCMs to procurers, then procurers and implementing partners distribute MCMs to countries
5. Donors pay commitments to procurers after budget processes
6. Procurers repay DFIs over time

Next steps

DFIs and other participating organizations should consider the following to prepare this facility for future health emergencies:

Actions for DFIs

- **Establish new syndicate liquidity facilities** between willing DFIs or **expand existing capabilities of the DFC and EIB liquidity facilities** with Gavi, each governed by its own loan agreement
- Provide **liquidity financing based on credible donor pledges** (e.g., from HICs) to procurers to place orders for MCMs early in a health emergency. Participating DFIs will need to align on how donor commitments (e.g., announced, contracted) qualify for each DFI to capitalize the facilities
- **Since donor pledges may be delayed, calculate the need for first-loss guarantees to cover donor credit risk,** determined by a risk assessment of the procurer (e.g., credit rating) based on its fundraising track record
- Align collectively on **maximum exposure limits, expected returns, and mechanics for sharing risk**
- Identify and address **procurers' borrowing and DFI lending restrictions** (e.g., UNICEF or other UN agencies)

Challenges and critical support needed from others

- Ideally, **donors would pledge funds ahead** of a future health emergency to allow the liquidity facility to act on 'day zero'
- In case of delays, **first-loss guarantees are needed** for DFIs to provide bridge financing before pledges are made; these guarantees can come from:
  - **Public / Philanthropic donor funds**
  - **Procurers' own funds,** if their balance sheets allow
  - **DFIs sharing the remaining risk,** if acceptable, depending on the percentage and proposed structure
- Ideally, **regulators could also expedite approval of MCMs in health emergencies** given the lengthy time needed for regulatory approval (e.g., WHO Emergency Use Listing Procedure (EUL) / Stringent Regulatory Authorities (SRA) Emergency Use Authorization (EUA)) and HIC risk tolerance for placing orders ahead of stringent approvals

These next steps are critical to minimizing further delays in surge financing for MCMs and in leveraging best practices from similar facilities used during COVID-19.

II. CREATING AND EXPANDING BRIDGE FACILITIES FOR SELF-FINANCED PROCUREMENT BY LICs & MICs

Focus solution of this report

COVID-19 context

LICs & MICs experienced similar needs for rapid liquidity to frontload self-financing of MCM procurement during COVID-19. Delayed access to sovereign loans and grants, as well as internal budgetary limitations, impeded LICs & MICs' ability to place timely orders, either directly or through pooled procurers. Sovereign financing delays gave HICs a timing advantage in accessing limited supplies. UNICEF's VII facility, with support from the Bill & Melinda Gates Foundation (BMGF) and Swedish International Development Cooperation Agency (Sida), overcame some of these challenges by placing advance orders for MCMs, then allocating MCMs to countries based on demand and ability to repay rather than waiting for countries to place orders themselves. While this helped mitigate some delays, there was not enough liquidity to place the scale of advance MCM orders needed for COVID-19. With greater liquidity, this innovative mechanism for advance purchasing could be replicated in future health emergencies. At the regional level, the African Union (AU), African Export-Import Bank (Afreximbank), Africa Centres for Disease Control and Prevention (Africa CDC), and the World Bank launched the African Vaccine Acquisition Trust (AVAT) in 2020 to secure vaccine doses to complement global pooled procurement mechanisms and provide supplemental logistics to vaccinate at least 60% of the African continent against COVID-19.[13]

Proposed Future Facility

DFIs could establish a new shared bridge financing facility and/or expand existing individual bridge facilities with regional and global health pooled procurement organizations.

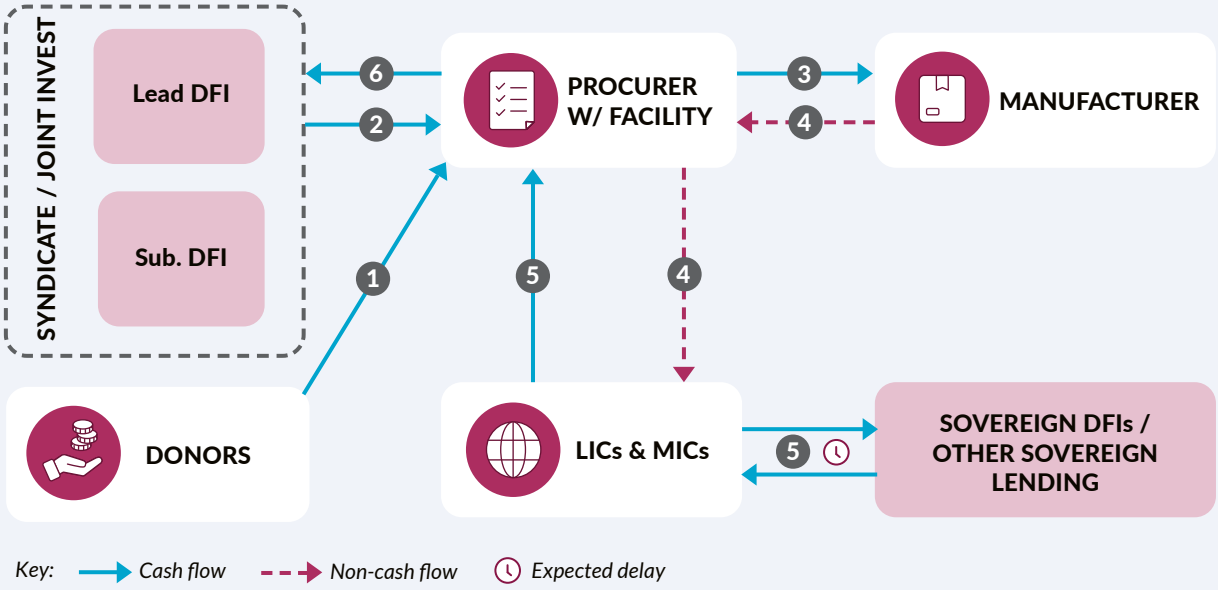
To enable procurers to place orders of MCMs on behalf of LICs & MICs earlier in a future health emergency, DFIs could establish a new shared bridge financing facility and/or expand existing individual bridge facilities with regional and global health pooled procurement organizations. DFIs could act as upfront funders to increase the scale of initial funding for regional and global pooled procurers, such as AVAT, African Medical Supplies Platform (AMSP), or the Pan American Health Organization (PAHO), to place bulk orders. Willing DFIs could expand past facilities for self-financing, such as UNICEF VII, PAHO's Revolving Funds, and Afreximbank's AVAT facilities, by providing upfront funding to significantly increase the capitalization of the facility. This could enable pooled procurers to place early orders for MCMs at greater scale. Self-financing countries could then access the facility using their own funds or pre-approved financing from sovereign lenders, such as development banks and some DFIs, to fund these purchases.

13. Africa CDC, 2021, African Vaccine Acquisition Trust (AVAT) Announces 108,000 Doses of Vaccines Arriving in Mauritius as Part of the First Monthly Shipment of Johnson & Johnson Vaccines.

Centralized regional bodies (e.g., African Union) could also act on behalf of LICs & MICs to streamline transactions with procurers. Each facility could be structured as a syndicate capitalized via a co-investment agreement with the procurer. By providing additional liquidity to global and regional pooled procurers, the facilities could provide LICs & MICs with greater access to self-financed MCMs. Supporting regional procurers may also help support regional manufacturing, as regional procurers may be more likely to purchase regionally. Figure 4 provides more detail on a proposed application of this facility.

Figure 4. Diagram of proposed bridge facilities for country financing

Based on UNICEF VII / Afrexim AVAT bridge facilities



Proposed process

1. Funders contribute a first-loss tranche based on a risk assessment of the procurer and self-financing LICs & MICs
2. DFIs capitalize a facility housed within a procurer
3. Procurer(s) place early orders with manufacturers for MCMs
4. Procurer and implementing partners allocate and distribute MCMs to countries with ability to repay
5. LICs & MICs (or regional entity on their behalf) repay facility as funds are released from national budget or sovereign loans
6. Procurer repays only DFIs over time (donors would absorb risk of non-repayment)

Next steps

DFIs and other participating organizations should consider the following to prepare this facility for future health emergencies:

Actions for DFIs

- **Establish new syndicate bridge facilities** with willing regional/global health pooled procurement organization (e.g., PAHO, AVAT/AMSP, UNICEF), governed by separate loan agreements
- **Calculate the need for first-loss guarantees to cover country credit risk,** determined by a risk assessment of the procurer (e.g., credit rating) based on country default record
- *Optional:* DFC or other insurers could offer **political risk insurance** to procurers in the case of contract breaches with countries that default

Challenges and critical support needed from others

- Ideally, **negotiate sovereign financing** ahead of a future health emergency
- Explore **reforms to enable direct financing of global pooled procurement** mechanisms (e.g., Gavi) using funds from MDBs
- Regulators could ideally **expedite regulatory approval** of MCM in health emergencies to expedite procurement for LICs & MICs (see Solution I for more detail)
- In case of country default, **first-loss guarantees are needed** from:
  - **Public / Philanthropic funds**
  - **Procurers' own funds,** if balance sheets allow
  - **DFIs sharing remaining risk,** if acceptable, depending on the percentage and proposed structure
- **Identify regional bodies** (e.g., African Union) to negotiate on behalf of LICs & MICs in their region to increase bargaining power and efficiency
- *Optional:* If there are delays in country pledges or sovereign financing, MedAccess could offer **procurement guarantees to procurers** before pledges come in

Some of the next steps required for the bridge facility for country financing are similar to those needed for the liquidity facility for donor financing (see above). Participating DFIs can streamline these activities by collaborating across solutions (see Section VI).

III. Priority DFI financing solutions to accelerate MCM surge *production*

I. IDENTIFYING RAPID WORKING CAPITAL FOR REGIONAL SURGE PRODUCTION

Focus solution of this report

COVID-19 context

Limited regional manufacturing of MCM during COVID-19 exacerbated global inequities in MCM access. MCM production is concentrated in the U.S., Europe, China, Russia, and India, so when supply chain disruptions and export bans occurred, some LICs & MICs faced delays in MCM supply. Access to capital was delayed for regional manufacturers seeking to increase production; in some cases, it took over a year for investors to finance nascent manufacturers. Other challenges that impeded surge production included insufficient raw material sources, reliance on tech transfers, lengthy regulatory approval processes, and uncertain demand and offtake.

DFIs and other investors provided working capital and capital expenditure financing to regional manufacturers to finance MCM production, creating an opportunity to build on these investments. One prominent example was a joint investment in Aspen Pharmacare to fill-finish COVID-19 vaccines. The €600 million syndicate facility is led by International Finance Corporation (IFC) with other funding from Proparco, DEG, and DFC.[14]

Proposed Future Facility

DFIs could extend working capital and capital expenditure financing directly or via intermediaries to a pre-defined network of manufacturers.

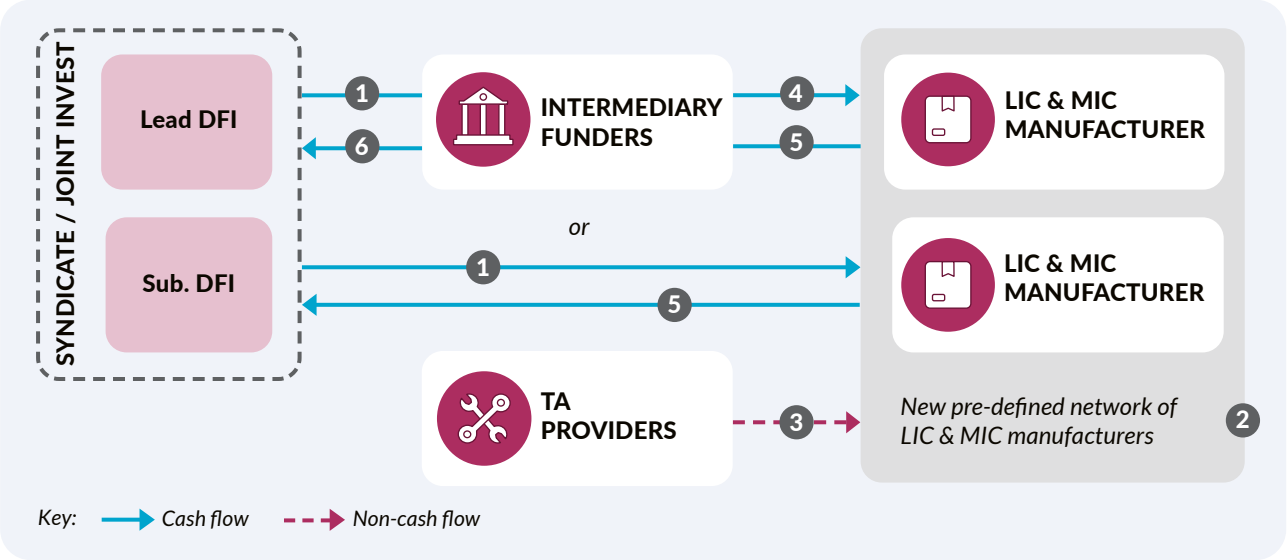
To scale up regional production of MCMs in LICs & MICs in a future health emergency, DFIs could extend working capital and capital expenditure financing directly or via intermediaries to a pre-defined network of manufacturers. This working capital facility would be intended for regional manufacturers that do not have easy access to commercial capital to expand production lines and capacity. DFIs could potentially invest directly in larger manufacturers (e.g., many vaccine manufacturers), whereas investment through an intermediary (e.g., regional banks, health impact funds) is likely most efficient for smaller manufacturers (e.g., many diagnostics and therapeutics manufacturers). Investing via health-focused impact funds may also facilitate blending donor and DFI financing. DFIs could pre-screen the financing and technical capabilities of interested manufacturers and intermediaries between health emergencies and establish draft investment terms—and would need to update this analysis on a periodic basis leading up to a health emergency.

14. IFC, 2021, IFC, Proparco, DEG and DFC Support South African COVID-19 Vaccine Maker, Aspen.

To pre-define the network of LIC & MIC manufacturers and eligibility criteria, financiers could build on existing efforts from technical health organizations (e.g., Africa CDC, Coalition for Epidemic Preparedness Innovations (CEPI), FIND, PATH, WHO) to ensure a breadth of pharmaceutical manufacturing capabilities (e.g., with sufficient fill-finish capacity, strong quality assurance and quality control, and a diverse product portfolio) and to prepare for various health emergency scenarios. Financiers would need to pre-screen the network between health emergencies and update analysis on a periodic basis to be ready to extend working capital loans at the time of a health emergency. Technical assistance (TA), ideally funded by concessionary funds, is crucial to facilitate financial and technical assessments.

Investments may be structured as syndicate investments wherever possible to maximize efficiency. In a best-case scenario, the DFIs or intermediaries would already have relationships with manufacturers and could expand credit rapidly. DFIs could also potentially provide guarantees to financial intermediaries to facilitate capital deployment, either directly or through mechanisms such as the Africa Guarantee Fund. TA providers could also prepare manufacturers for surge production between and during health emergencies. TA is critical to supporting production quality, technology transfer, regulatory approval, and procurement, as financing alone does not ensure successful scale-up. In health emergencies, additional TA would ideally be deployed alongside financing in a coordinated effort. By establishing syndicate facilities to expand access to working capital, DFIs could help LICs & MICs benefit from more access to and self-sufficiency in the production of MCMs. Figure 5 provides more detail on a proposed application of this facility.

Figure 5. Diagram of proposed rapid working capital for LIC & MIC manufacturers



Proposed process

1. Between health emergencies, DFIs identify, pre-screen, and structure draft investment terms with LIC & MIC manufacturers directly or with intermediary funders (e.g., regional banks or health-focused funds) that will on-lend to LIC & MIC manufacturers in the case of a health emergency
   - DFIs may do this individually or via a syndicate structure
   - Draft investment terms are time bound and need to be reassessed periodically
2. Also between health emergencies, intermediaries (with input from DFIs and technical health organizations) pre-define a network of LIC & MIC manufacturers that they could lend to based on agreed upon eligibility criteria
3. In parallel, donors and/or technical health organizations provide technical assistance to manufacturers to prepare for rapid surge production in an emergency (e.g., support for technology transfer, regulatory approval, and procurement)

Proposed process

4. In a health emergency, draft investment agreements to manufacturers and intermediaries are activated
5. Manufacturers repay the intermediaries or DFIs once products are sold
6. If investment was channeled via an intermediary, that intermediary repays DFIs in accordance with terms

Next steps

DFIs and other participating organizations should consider the following to prepare this facility for future health emergencies:

Actions for DFIs

- **Analyze various structures involving direct or indirect (through intermediaries) financing** and tradeoffs for each approach
- **In case of indirect financing, identify intermediaries (e.g., regional bank or health-focused investment fund) well suited to on-lend to smaller LIC & MIC manufacturers of MCMs,** ideally with existing relationships with DFIs, as well as larger LIC & MIC manufacturers of MCMs well suited to receive direct investment
- Establish **new draft co-investment syndicate structures** with each identified intermediary funder or manufacturer, building on existing structures where possible
- **Connect with other initiatives advancing LIC & MIC manufacturing** to ensure alignment

Challenges and critical support needed from others

- **Provide input for the pre-defined network,** or eligibility criteria, of LIC & MIC manufacturers based on existing efforts from technical health organizations
- **Develop screening plans of LIC & MIC manufacturers** between health emergencies, potentially with TA support for financial and technical assessments, and establish a cadence for intermediaries and DFIs (as relevant) to update analysis periodically ahead of a health emergency
- **Assess capabilities of manufacturers** in the pre-defined network to ensure financial and operational capacity to take on credit from DFIs or from intermediaries for surge production activities and long-term sustainability
- Provide TA from technical health organizations and donors—both between health emergencies and as surge support during emergencies—to **strengthen manufacturer ability to rapidly scale production.** Ensure close coordination between TA and financing

For this facility, which focuses on overcoming supply-side production challenges, to achieve greater success, DFIs and other participants could combine it with a guarantee facility that mitigates demand uncertainty for MCMs in a future health emergency.

II. GUARANTEES FOR GLOBAL HEALTH PROCURERS AND MANUFACTURERS

Focus solution of this report

COVID-19 context

LIC & MIC manufacturers experienced significant barriers to scaling up during COVID-19, including challenges related to regulatory approval and MCM demand uncertainty. With such high uncertainty, expanding production was too great a risk for many LIC & MIC manufacturers. Volume guarantees are a recognized financial lever to support manufacturers in scaling up production in a financially viable manner. In 2017, British International Investment (BII) founded MedAccess with $200 million capitalization. To date, MedAccess has provided 10 guarantees to increase access to medical innovations for more than 530 million people in over 95 countries. During COVID-19, MedAccess provided a $50 million procurement guarantee to UNICEF VII for advance orders of essential supplies including vaccines and diagnostics.[15] To date, MedAccess has mitigated demand risk with no calls on its guarantees, drawing on a rigorous combination of technical health and financial expertise to forecast demand for MCMs. While MedAccess's procurement guarantee for UNICEF was an innovative step to support surge production, volume guarantees could have helped additional LIC & MIC manufacturers to scale up production.

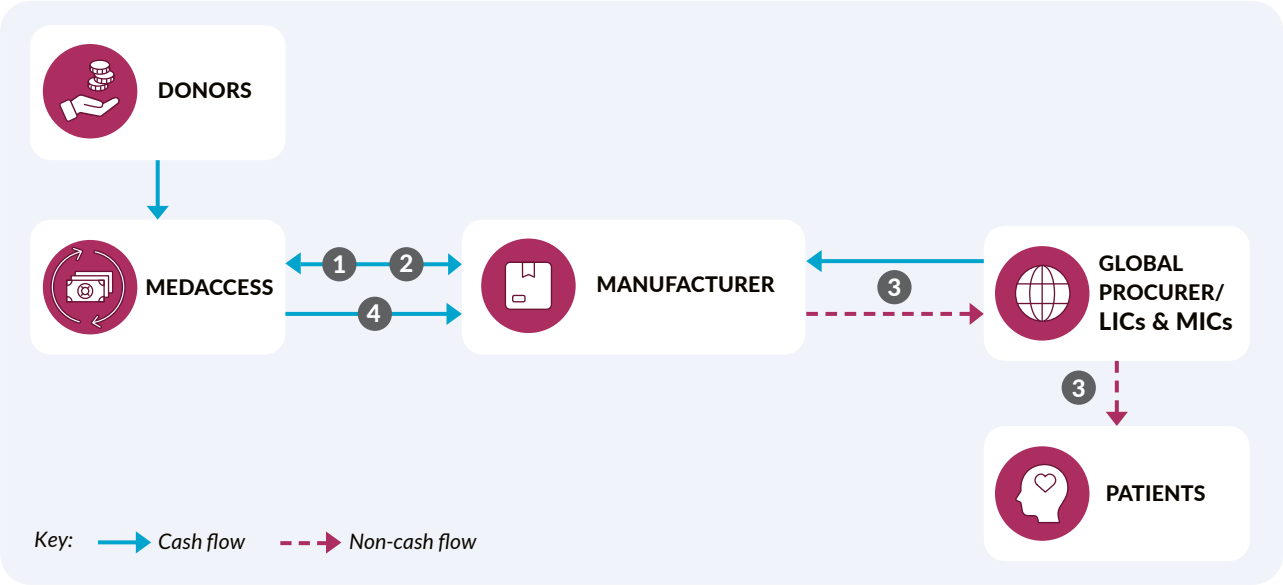
Proposed Future Facility

More DFIs could join BII in providing capital to scale up MedAccess's ability to deploy volume and procurement guarantees.

To further reduce demand uncertainty of surge production for MCMs in a future health emergency, more DFIs could join BII in providing capital to scale up MedAccess's ability to deploy guarantees. Willing DFIs could establish a draft co-investment agreement to jointly capitalize MedAccess in the case of a health emergency. These investments could enable MedAccess to provide more procurement guarantees and volume guarantees for health product procurers and manufacturers (including in LICs & MICs) for the duration of a health emergency, thus alleviating demand uncertainty throughout the crisis. To make this financially viable, MedAccess would develop fee structures that enable interested DFIs with appropriate risk/return requirements to participate, either directly in guarantee transactions or via provision of capital directly to MedAccess. Donors may co-invest with DFIs to cover MedAccess's operational expenses and increase DFI risk appetite to participate. Figure 6 below provides an overview of how a volume guarantee works.

15. MedAccess, 2021, MedAccess Announces Extension to Guarantee Support for UNICEF.

Figure 6. Diagram of an example of a MedAccess volume guarantee transaction



Proposed process

1. MedAccess provides a guarantee to a manufacturer, committing to make a payment in the event of a shortfall in agreed sales
2. In return, the manufacturer provides price and supply commitments, and pays MedAccess a fee for accessing its capital
3. The manufacturer receives and fulfills orders from countries and procurement agents. Products are provided to patients via national health systems
4. If the total orders are below the guaranteed number, MedAccess makes a payment to the manufacturer

Next steps

DFIs and other participating organizations should consider the following to invest in MedAccess ahead of future health emergencies:

Actions for DFIs

- **Map participating DFI investment appetite** for supporting MedAccess–either with a direct investment of capital or on a transactional basis–including exploring fee structures and need for concessional financing based on donor co-investment and DFI willingness to invest with below-market return expectations
- **Develop co-investment structures** that can be utilized in a future health emergency
- Explore options to complement the guarantees with **other financing facilities** (such as working capital to help manufacturers scale up)

Challenges and critical support needed from others

- **Garner donor co-investment with DFIs in MedAccess** to increase the scale and speed of its response, de-risk DFI investment, and cover operational expenses
- Continued alignment and support (including financing) from **other organizations engaged in health emergency response**

III. R&D FINANCING

Expanded application of existing tools

Ongoing research and development (R&D) of improved MCMs for known pathogens and rapid R&D in the event of novel pathogen emergence are essential for health emergency response. Between health emergencies, researchers need support to develop more effective tests, treatments, and vaccines for a library of known pathogens. R&D for products that are applicable across pathogens is equally important—for example, improved PPE, platform test design, and innovative cold-storage technology. In the event of a health emergency with novel pathogens, researchers need access to rapid surge financing to develop new tests, treatments, and vaccines.

During the COVID-19 pandemic, some DFIs provided surge financing for MCM R&D alongside donors and commercial investors; however, financing was not deployed fast enough, particularly for delivery technologies tailored to LIC & MIC contexts. Only a few DFIs can currently invest in R&D, including EIB and Germany's KfW Development Bank. These DFIs made equity and debt investments in research organizations and manufacturers in advance of, and during, the COVID-19 pandemic. There is an opportunity to scale up financing for R&D and to tailor MCMs to LIC & MIC contexts (e.g., mechanical ventilation solutions[16]).

For a more innovative response in future health emergencies, DFIs that provide R&D financing could i) continue investing in R&D in LICs & MICs between health emergencies, ii) pre-screen additional researchers for surge financing, and iii) establish coordination mechanisms for health emergencies. Between health emergencies, DFIs could continue to invest in multiple LIC & MIC-focused or LIC & MIC-based researchers and accelerate investment timelines in a crisis. DFIs that finance R&D could also establish plans to share investment pipeline, rapidly deploy co-investments, and coordinate with other entities providing complementary grants and TA in health emergencies.

16. N. Nachiappan et al., 2021. A Low-Cost Field Ventilator: An Urgent Global Need.

IV. Priority DFI financing solutions to accelerate MCM *delivery*

I. LOANS AND LOAN GUARANTEES FOR SERVICE DELIVERY INFRASTRUCTURE

Expanded application of existing tools

Private sector health providers (e.g., hospitals and clinics) require financing both between and during health emergencies to build capacity to effectively administer MCMs. While the public sector is responsible for raising and deploying financing for public health infrastructure, private sector health facilities and those in public-private partnerships raise financing from DFIs, banks, non-banking financial institutions (NBFIs), or other entities. Some DFIs can guarantee commercial loans to LIC & MIC borrowers to facilitate greater access to finance.

During the COVID-19 pandemic, DFIs provided loans and loan guarantees to support MCM delivery capacity; however, more and faster financing was needed in LICs & MICs. For example, in response to the urgent credit needs of the private health sector in Africa during the pandemic, DFC provided a $17.7 million loan guarantee to Medical Credit Fund, which—alongside other philanthropic funding—unlocked over $30 million in credit to health providers.[17] While this facility provided critical support for the ongoing COVID-19 response, it was deployed nearly a year after the start of the pandemic.

Delays in financing for delivery of MCMs led to disproportionately adverse outcomes at the community level for women, both as patients and as the predominant providers of frontline care. Many MCM delivery channels were not suited to the unique needs of marginalized populations in LICs & MICs. COVID-19 vaccination distribution was heavily concentrated in large hospitals, which led to greater barriers to access for rural women, who are less likely to travel long distances as safely as their male counterparts. Lack of flexibility in financing made it more difficult for frontline health workers to work effectively and safely. Delivery financing mechanisms could have provided more flexibility to fund different health worker programming needs (e.g., health worker salaries or transportation) that could have expedited MCM delivery to patients.[18]

In preparation for future health emergencies, DFIs could extend lines of credit and guarantees to banks and NBFIs to enable rapid and more flexible on-lending to private health providers. Local banks and NBFIs will likely be the fastest to deploy capital in health emergencies, especially to smaller health facilities. DFIs can facilitate capital deployment in LICs & MICs by providing these institutions with credit lines or loan guarantees that can be deployed in the event of a health emergency. DFIs that cannot provide loan guarantees directly could invest in entities such as the Africa Guarantee Fund to provide this service indirectly. As lending to private health providers is common for DFIs, these agreements and coordination mechanisms should be simpler than some of the other financing solutions presented in this paper.

17. Medical Credit Fund, 2021, New Loan Guarantee Facility Unlocks over $30M to Shore Up Private Sector Health Care in Five African Countries During COVID-19.
18. F. Rahman, and D. Dang, 2023, COVID-19 and Gender: Best Practices, Challenges, and Lessons for Future Pandemics.

II. LOANS AND LOAN GUARANTEES FOR SUPPLY CHAIN INFRASTRUCTURE

Expanded application of existing tools

As with private health providers, DFIs were able to meet some of the ongoing and surge financing needs of private logistics companies during the COVID-19 pandemic; however, in some cases these investments took over a year to identify, diligence, and approve. During the COVID-19 pandemic, DFIs provided some financing for supply chain companies. For example, IFC invested in the Ifria cold chain platform to improve supply chain logistics in North and West Africa.[19]

DFIs could deploy more, faster, and better coordinated loans and loan guarantees to supply chain and logistics companies in future health emergencies. DFIs can invest more in supply chain infrastructure between health emergencies in accordance with demand from companies, share investment pipeline, and accelerate investment timelines in a crisis.

19. IFC, 2022, **IFRIA TCLP SSA.**


FRAGILE

V. DFI collaboration framework for health emergencies

Participating DFIs 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 ongoing coordination, communication, and information sharing norms (e.g., quarterly meetings) for the financing solutions outlined above, as well as proposed protocols for decision making and co-investment during health emergencies (e.g., potential means of sharing due diligence, developing co-investment agreements and syndicate structures, and executing financing on 'day zero'). The design of the collaboration framework could draw from other successful DFI collaborations, including the European DFI Association (EDFI) and efforts to coordinate investment in response to the Ukraine conflict. The collaboration framework will complement broader international efforts to strengthen pandemic preparedness and response.

At the 2023 United Nations General Assembly, DFIs will launch a Joint Statement of Intent to join this collaborative effort to respond to future health emergencies more rapidly and cohesively. In this statement, leaders from each participating G7 DFI, joined by the European Investment Bank and International Finance Corporation, concur on the following:

1. They affirm their commitment to collaborate effectively and efficiently both between and during future health emergencies. To that end, they will form a dedicated working group focused on rapid response to pandemic threats and other health emergencies, which will work together and meet on a quarterly basis to chart progress with a view to being able to respond rapidly to emerging threats when they arise.

2. Integral to this effort, they will collaborate to explore means to advance financing for equitable procurement, surge production, and delivery of MCMs such as vaccines, tests, treatments, and other critical supplies for LICs & MICs in the earliest days of a future health emergency.

3. They commit to work toward the outcomes identified in the Chair's Summary and Report issued today, in collaboration with national governments, global and regional health organizations, other international financing institutions and development banks, philanthropies, representatives from the private sector, civil society and other stakeholders. This will include exploring opportunities for establishing innovative and shared financing tools.

4. As part of this collaboration framework, they will issue periodic updates on innovative financing tools, in conjunction with the G7 process over the next year.

These DFIs stressed the importance of taking an open and inclusive approach to this work, in partnership with LICs & MICs countries based on their priorities and expertise. This entails complementing ongoing global discussions on pandemic and health crisis financing, co-designing financing tools, focusing on where DFIs can add most value as part of the wider health financing landscape, and strengthening regional manufacturing capacity between health emergencies.

Elements of Proposed Collaboration Framework

OBJECTIVE	Develop and execute a i) Collaboration Framework memorandum of understanding (MOU) and ii) draft co-investment agreements to reduce inequities in access to MCMs for LICs & MICs in health emergencies.
MEMBERSHIP	Open to all DFIs (including, but not limited to, G7 DFIs)
JOINT STATEMENT OF INTENT	Participating DFIs commit to a Joint Statement of Intent to participate in the collaborative in September 2023 at UNGA. When the Collaboration Framework MOU is developed in approximately September 2024, all participating DFIs will be invited to sign.
RELATION TO OTHER MECHANISMS	**Between health emergencies:** The Steering Committee could coordinate with participants in planning meetings related to the 'Joburg process' MCM mechanism, WHO Intergovernmental Negotiating Body (INB), revisions to the International Health Regulations (IHR), and other relevant coordinating bodies. **During health emergencies:** The Steering Committee could serve as the primary communication conduit with relevant coordinating bodies DFIs could join meetings of other coordinating bodies as requested.

VI. Call to action for others

As noted throughout this document, many of the financing solutions presented will achieve optimal outcomes only with complementary support from donors, development banks, global health organizations, and other partners. Specifically:

- For the ***liquidity facilities for donor financing***, donors could pre-commit funding for MCMs in advance of a health emergency. If donors are unable to pre-commit, funders and/or procurers could provide first-loss guarantees. Global health organizations could also support expedited regulatory approvals.

- For the ***bridge facilities for self-financing***, sovereign lenders could rapidly deploy financing to LICs & MICs (ideally negotiated in advance of a health emergency) that could be used for pooled procurement mechanisms. Funders or procurers could potentially provide first-loss guarantees, and MedAccess could provide procurement guarantees to enable procurers to accelerate and scale purchasing.

- For ***working capital for LIC & MIC manufacturers***, technical global health partners could provide input to support intermediaries in establishing a pre-defined network of LIC & MIC manufacturers, financial intermediaries could develop screening plans for manufacturers, and donors could support with TA to strengthen LIC & MIC manufacturers' abilities to rapidly scale up production

- For the ***procurement and volume guarantees***, donors could provide complementary funding to MedAccess to de-risk DFI investment and potentially co-guarantee alongside MedAccess in ticket sizes larger than $100 million

Beyond the solutions presented here, donors and development banks could lead in addressing the critical emergency financing needs that DFIs are not well suited to address. For example, donors and development banks could lead in providing the bulk of grant funding to purchase emergency MCMs, as well as in addressing the shortages of raw materials, resolving supply chain disruptions, funding demand generation, and other activities where capital cannot be recouped. Rapid deployment of donor and development bank funding will be essential in future health emergencies, and as this report describes, DFIs can support in frontloading this funding wherever possible.

We call on other stakeholders, including other DFIs, regional and multilateral development banks, regional and global health organizations, philanthropies, and members of civil society to work collaboratively now toward the actions outlined above to ultimately reduce equity gaps in access to MCMs when the next health emergency arises.

VII. Conclusion

Equitable access to MCMs in health emergencies is essential to equitable health outcomes. During the COVID-19 pandemic, LICs & MICs were unable to access MCMs as early as HICs, with deadly consequences for the citizens of these countries. Delays in financing to support the purchase of MCMs by LICs & MICs accounted for up to 75% of the delays LICs & MICs faced.[20]

DFIs have the tools to resolve some of these financing gaps and significantly improve equity in health emergencies.

In response to the commitment from G7 Leaders at the Hiroshima Summit, this paper summarized the high-potential financing solutions DFIs could advance to ensure equitable access to MCMs in future health emergencies. These include four shared and/or new financing solutions DFIs could work toward establishing:

1. Liquidity facilities for donor-financed procurement
2. Bridge facilities for country-financed procurement
3. Working capital for LIC & MIC surge production
4. Guarantees (volume and procurement) to support surge procurement and production for LICs & MICs

In addition, participating DFIs (with partners) could continue to pursue applications of existing financing tools for MCMs, including:

1. R&D financing for new MCMs
2. Loans and loan guarantees for service delivery infrastructure
3. Loans and loan guarantees for supply chain infrastructure

The DFIs participating in this initiative also developed concrete next steps to formalize a DFI collaboration framework for health emergencies. The collaboration framework would outline coordination and information sharing norms among DFIs and partners both between and during health emergencies, in order to rapidly deploy capital in emergencies. The participating DFIs aim to develop a formal collaboration framework and draft co-investment terms among willing DFIs and partners for specific financing solutions by September 2024. The participating DFIs will explore establishing a steering committee and relevant working groups to advance these goals.

The participating DFIs look forward to advancing these commitments in the coming months through continued collaboration with partners across the global health and development finance communities. Participants will continue to coordinate closely with other relevant mechanisms governing health emergency response, including the INB and IHR. Together, we can ensure more equitable access to lifesaving MCMs for LICs & MICs in future health emergencies, whenever they arise.

20. IMF, 2022, Finance Vaccine Equity: Funding for Day-Zero of the Next Pandemic.

DFC U.S. International Development Finance Corporation

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