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What Is Day Zero Financing? A Global Security Perspective for Pandemic Response

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This note discusses Day Zero Financing, a strategy for rapid financial response to pandemics, detailing its framework and potential impact on the global economy and security.

Introduction

This note presents the concept of Day Zero Financing, a proposed solution for how the world should respond to future pandemics.[1] It begins with a definition of Day Zero Financing, emphasizing its importance and how it operates. The discussion then covers 10 essential aspects of the concept, including its implementation, governance, and strategic management of resources and risks in pandemic response. The goal is to highlight the critical role of proactive financing mechanisms in enhancing global health and economic security and ensuring a timely, efficient, coordinated response to pandemics.[2] The final section outlines a few recent developments in this space.

What is Day Zero Financing?

Definition: Day Zero Financing is a global security initiative to ensure sufficient pre-committed funds are immediately available at the onset of the next pandemic for medical countermeasures and 'at-risk' investments, facilitating a timely, equitable, and coordinated global response.

1 The concept of "Day Zero Financing" was first introduced by me at the Roundtable on Global Health Security, titled "Beyond Covid-19: How to be Best Prepared for the Next Global Pandemic," on December 14, 2021, at the Munich Security Conference. It was elaborated upon in a subsequent paper published in the Oxford Review of Economic Policy (Agarwal and Reed, 2022). In this note, I aim to expand upon those discussions, providing additional perspectives on how Day Zero Financing could play a vital role in strengthening global pandemic response efforts.

2 The paper focuses on pandemics due to their global impact and systemic risks, reflecting the profound economic and social disruptions they cause worldwide. While focusing on pandemics, some of the insights provided can also apply to severe epidemics when they pose the risk of extending beyond regional boundaries.

Features: The definition emphasizes six features of Day Zero Financing:

- **Global security initiative:** A strategic approach integrating global health priorities with national security interests to mitigate economic and security threats posed by pandemics.
- **Sufficient pre-committed funds:** Establishing a financial mechanism to ensure immediate availability of adequate funding, eliminating the wait for traditional funding processes.
- **Medical countermeasures:** Focuses on the prompt procurement of vaccines, treatments, diagnostics, and tools crucial for controlling and mitigating the impact of pandemics.
- **'At-risk' investments:** Early investment in promising medical solutions before their efficacy is fully proven, accepting inherent risks to expedite availability.[3]
- **Timely and equitable:** Ensures rapid deployment of life-saving tools to all countries, regardless of economic status, to combat health threats that can easily cross borders.
- **Coordinated global response:** Managed by an international coalition that sets priorities and allocates resources efficiently to combat health threats from a global perspective.

Aim: Its primary aim is to swiftly contain and end pandemics through a rapid, inclusive response across the globe, focusing on the acquisition of essential medical countermeasures (such as vaccines, treatments, diagnostics, and Personal Protective Equipment (PPE)), alongside strategic 'at-risk' investments in promising solutions before their efficacy is fully confirmed.[4]

Rationale: There is a need for a proactive approach ensuring that all countries, irrespective of economic status, gain immediate access to these crucial life-saving technologies. Access is especially critical for defending against health threats with the potential to cross borders effortlessly, highlighting the necessity for comprehensive global safeguards.

Governance: The initiative should operate under a framework where priorities are set and funds distributed by an international coalition, ensuring that responses are timely, equitable, and effectively targeted at emerging health risks, thereby upholding global health security and economic stability.

3 At risk' procurement refers to the advance commitments to purchase medical countermeasures (MCMs) to ensure their rapid availability and distribution during health emergencies. This strategy carries financial risks due to the need for early commitments before the effectiveness of MCMs, the reliability of manufacturers, or market demand are fully understood. Specifically, it involves the risk of investing in products that might not receive regulatory approval (product risk), the risk related to the procurement agents' ability to deliver (counterparty risk), or the risk of lower than anticipated demand (market risk).

4 While the primary aim of day zero financing focuses on the swift containment of pandemics through acquiring essential medical countermeasures and making 'at-risk' investments, this mechanism may not encompass all critical needs. Additional funding may still be required for supporting health personnel, ensuring last-mile delivery of medical supplies, and covering other associated costs. These elements are also important for a comprehensive response and the effective implementation of interventions across communities.

Ten Questions about Day Zero Financing

Economic Costs

Q1: What are the economic and security impacts of pandemics on global economies?

By 2024, the devastating economic and security impacts of pandemics, exemplified by COVID-19, have become undeniable. Pandemics cause significant economic disruptions, hinder global trade, and exacerbate disparities in health and wealth globally. Official reports cite nearly seven million COVID-19 deaths within three years, with studies suggesting the true toll could be as high as 16 to 20 million—comparable to World War I casualties (WHO, 2022). The International Monetary Fund (IMF) estimated the pandemic's cumulative economic loss to reach $13.8 trillion by 2024 (IMF, 2022). COVID-19 has also deepened global inequalities, revealing stark differences in economic recovery and vaccination rates between affluent countries and developing regions.

Further, the pandemic exacerbated debt distress in developing and emerging economies, compounded by rising costs for food and energy. This situation heightens the risk of systemic debt crises, especially in middle-income countries, and presents significant challenges for both debtor nations and multilateral lenders (Rogoff, 2022). The pandemic also caused global poverty to surge, with nearly 70 million additional people living on less than $2.15 per day by the end of 2020. (World Bank, 2022).

Persistent challenges like supply chain disruptions and inflation are direct consequences of the pandemic's ongoing impact on the economic potential of countries (Agarwal and Gopinath, 2022). Additionally, the crisis has aggravated inequalities within nations, particularly in emerging and developing economies, pushing an estimated 65–75 million more people into extreme poverty compared to pre-pandemic forecasts (IMF, 2021). Employment and labor market participation in some countries were yet to fully recover.

The pandemic has severely disrupted global education, halting schooling for millions and extending closures longer in developing countries (UNESCO, UNICEF, & World Bank, 2021). This disruption poses significant long-term risks to human capital development. Moreover, COVID-19 has triggered a broader health crisis, with delayed medical diagnoses and prolonged waiting lists for procedures in wealthier nations and adverse effects on managing other infectious diseases in poorer countries, reversing years of progress in global health (Agarwal, Gopinath, Farrar, Hatchett, and Sands, 2022).

The COVID-19 pandemic may not be our last encounter with such a global health crisis. Madhav et al. (2023) assess epidemic and pandemic risks, suggesting that the potential for future pandemics, especially from respiratory pathogens, may be significantly underestimated. Contrary to the common belief that events as catastrophic as COVID-19 are rare, their study points to a two to three percent chance of a similar pandemic occurring annually. This translates to a greater than 50 percent likelihood within the span of 25 years. These estimates only consider known risks, excluding broader threats like zoonotic diseases, biotechnological errors or deliberate acts, which can also lead to extensive economic and societal repercussions beyond just mortality.

Q2: How did the timing of funding impact the global response to COVID-19?

Even two years into the COVID-19 pandemic, vaccine distribution showed stark disparities between high-income countries and those in Africa, leading to significant differences in economic recovery and health outcomes. By early 2022, over 70 percent of the population in wealthier nations were fully vaccinated, compared to less than 10 percent in Africa, with only seven African countries reaching the 40 percent vaccination target set for 2021. This inequity, largely due to reliance on donor financing and vaccine imports, pointed to a critical flaw in the global health response (Agarwal and Gopinath, 2022).

The trajectory of the pandemic could have been markedly different—and less costly—had there been access to sufficient and timely funding. The COVAX initiative's experience, took over 15 months post-pandemic onset to raise $10 billion for procuring vaccines to meet merely 30 percent of the needs of developing countries, illustrates the detrimental impact of funding delays on vaccine agreements and subsequent deliveries (Agarwal and Gopinath, 2022). An earlier availability of such funds, by a year, could have positioned the world to combat the pandemic with significantly reduced inequity.[5]

Analysis by Agarwal and Reed (2022) using contract-level data for vaccines reveals that early vaccine orders could have halved the delays in vaccine deliveries, translating into lives saved and expedited recoveries They found that delays in developing countries in signing purchase agreements, mainly due to limited financing, contributed to 60–75 percent of vaccine delivery delays. Additionally, some developing countries started their vaccination campaigns up to 100 days later than high-income countries, which also conducted over 75 times the number of daily tests compared to low-income countries (LICs) (Duroseau et al., 2023; Narayanasamy et al., 2022).

Such delays underscore the potential for a financier or a multilateral development bank to establish a credit line, ensuring timely and adequate funding for procuring vaccines, tests, and treatments right at the onset of future pandemics. Given the likelihood of donor funding materializing eventually, the credit risk associated with such a credit line would be minimal, especially when weighed against the global benefits of an improved pandemic response. This 'Day Zero Financing' approach emphasizes the necessity of swift financing and proactive measures not only for the benefit of developing countries but also as a critical consideration for advanced economies, aiming to enhance the global pandemic response framework.

5 COVAX's own assessment of lessons learned highlights the necessity of a comprehensive health focus, the anticipation of protectionism, and the importance of embracing risk in global responses (COVAX, 2022).

Overall, the COVID-19 crisis highlighted that pandemic response is intrinsically linked to economic policy; without addressing the health crisis, there can be no end to the economic downturn. The global economic and health benefits of providing equitable and timely access to vaccines and other lifesaving tools significantly outweigh the costs (Agarwal and Gopinath, 2021; Ahuja et al., 2021; Castillo et al., 2021). Therefore, ending pandemics swiftly remains a crucial for global macroeconomic and financial stability.

Economic Case for Investment

Q3: Why is it in the self-interest of G7/G20 countries to invest in Day Zero Financing? Why should we consider Day Zero Financing to be a global security initiative?

Investment in Day Zero Financing aligns with the strategic interests of G7/G20 nations, extending beyond global health to crucial aspects of national security and economic stability. This initiative acknowledges the direct link between the well-being of these nations and the broader global health landscape. The COVID-19 pandemic starkly demonstrated how health crises can precipitate worldwide economic shocks, underscoring the urgent need for rapid mobilization of resources at the onset of a pandemic to safeguard populations, economies, and uphold global standing.

Pathogens have the potential to spill over and completely shut down domestic economies, underlining the critical interconnection between global health and economic stability. For instance, a virus originating in a wet market with pandemic potential can quickly traverse the globe, affecting all other countries, putting their populations at risk, and leading to widespread economic shutdowns and severe recessions. This scenario vividly illustrates the vulnerabilities inherent in our interconnected world, where the emergence of a pathogen in one corner can have cascading effects across the globe, disrupting lives and livelihoods.

Furthermore, for G7/G20 countries, as major contributors to and beneficiaries of the global economy, maintaining seamless trade and supply chains is essential. Trade supports their domestic production and also ensures global demand for their products and services. The COVID-19 pandemic showed how health crises anywhere could result in substantial trade and supply chain disruptions, essential to the economic vitality of these countries.

Moreover, pandemics present direct national security threats by potentially destabilizing regions, sparking social unrest, and intensifying geopolitical tensions. Thus, for G7/G20 countries, supporting Day Zero Financing is a strategic move to enhance global security, in alignment with broader national security strategies that include managing non-traditional threats like infectious diseases.

Engaging in Day Zero Financing also enables G7/G20 countries to demonstrate global leadership and cultivate international goodwill. By actively supporting effective pandemic response efforts from the start, they can strengthen global collaborations and enhance international governance.

Overall, Day Zero Financing aims to ensure the swift containment of such outbreaks, thereby protecting lives and economic activity. It offers a financially sound investment, reducing the extensive costs associated with pandemics, from mitigating the severity of recessions to covering healthcare expenditures and the need to support economic recovery through social programs and stimulus packages.

Q4: What is the significance of distinguishing between humanitarian and security investments in Day Zero Financing?

Distinguishing between humanitarian and security investments in Day Zero Financing is critical, emphasizing a shift from traditional aid to a strategy that addresses pandemics as systemic threats to global stability. This differentiation recognizes the profound impact of pandemics on the global economy and public health, advocating for a comprehensive response that includes both immediate and strategic long-term measures.

Development assistance (e.g., as part of official development assistance (ODA)) and humanitarian contributions, crucial for supporting universal healthcare and crisis relief, may fall short of addressing the broader systemic risks of pandemics. In contrast, security investments target the economic and security repercussions of health crises on a global scale, aiming to fortify global health security against future threats.

This approach underlines the interconnectedness between global health and economic stability, focusing on protecting international trade and preventing the economic shocks witnessed during the COVID-19 pandemic. It highlights the necessity of significant financial support, especially for developing countries, which are often more vulnerable to the economic and social impacts of pandemics.[6]

Crucially, investing in security aspects of Day Zero Financing serves the self-interest of donor countries, showcasing a divine coincidence where what benefits the global community and developing nations also directly benefits them. By preparing the world to respond effectively to global health threats, donor countries not only contribute to global stability but also safeguard their own economies and populations against the ripple effects of pandemics. Further, from a 'hard' security perspective, pandemics can also undermine military readiness, impacting the ability to respond to other security challenges, thus further emphasizing the need for investments that address these comprehensive security concerns.

This focus on security investments advocates for a global, unified strategy over country-by-country responses, emphasizing the importance of collective action in safeguarding against the long-term implications of pandemics on global security and prosperity.

6 This logic to view pandemics through an economic and security framework, urging a move beyond ODA, also applies to funding for pandemic preparedness and prevention. This necessitates exploring additional sources such as domestic health and defense budgets, global public goods taxation, SDR rechanneling, bonds, and more.

Coverage

Q5: What will Day Zero Financing be used for?

Day Zero Financing should be used for the rapid acquisition and development of medical countermeasures (MCMs), such as vaccines, treatments, diagnostic tools, and personal protective equipment (PPE). This initiative is crucial for changing the trajectory of pandemics by ensuring that these essential health tools could be quickly made available, particularly during the initial stages when timely intervention is paramount. The presence of pre-committed funds allows for the immediate procurement and deployment of these tools, substantially saving lives and reducing the pressure on healthcare systems.

In addition to facilitating the purchase of existing MCMs, Day Zero Financing could also support research and development (R&D) and the expansion of production capacities for essential health products. This element of the financing could be particularly critical for pandemics that disproportionately impact developing countries, aiming to ensure that the R&D response is both swift and comprehensive (Agarwal and Gaule, 2022). By investing in these areas, the initiative could ensure that all countries, especially those with limited economic resources, have equitable access to crucial health interventions.

Moreover, Day Zero Financing could include a broader range of support essential for an effective pandemic response. This could involve the mobilization of human resources, the provision of lifesaving medical equipment, and improvements in logistics and supply chain management. Such extensive support could address the complex challenges associated with managing a pandemic, enabling countries to mount an effective and efficient response.

Q6: Why are 'at-risk' investments crucial under Day Zero Financing, and how can we ensure diversification in procurement?

'At-risk' investments are important for Day Zero Financing, aiming for the proactive development and manufacturing of medical countermeasures (MCMs) such as vaccines, treatments, diagnostic tools, and personal protective equipment (PPE) before their full efficacy and market demand are confirmed. This strategy acknowledges the inherent risks involved, including the potential for products not to receive regulatory approval (Product Risk), the possibility of manufacturers not fulfilling their commitments (Counterparty Risk), and the risk of lower than anticipated demand for these products (Market Risk). Despite these risks, such 'at-risk' procurement is deemed vital for a prompt pandemic response, balancing the risks against the necessity for the immediate availability of life-saving medical solutions.

Moreover, the strategy for Day Zero Financing should emphasize diversification in procurement, learning from past challenges such as those faced by the COVAX Advance Market Commitment (AMC) during the COVID-19 pandemic and ongoing work in the context of CEPI's 100 day mission (Gouglas et al. 2022). The reliance on a limited number of manufacturers led to significant delays when those manufacturers prioritized domestic orders, restricting exports. A diversified procurement strategy could mitigate these risks by not being overly cost-sensitive and instead ensuring a broad base of suppliers, particularly from countries less likely to impose export restrictions.

R&D support within Day Zero Financing could be important in pandemics primarily impacting developing countries, where the R&D response might not be as swift or extensive as observed during COVID-19 (Agarwal and Gaule, 2022). Transactions should encompass a wide range of MCMs, with the allocation across products being guided by an independent panel of experts, based on the nature of the pathogen. This could include R&D investments in a wide array of candidates, offering options to purchase with a guaranteed position as early as the pre-clinical phase, support to scale-up manufacturing capacity with purchase options post-Phase 1/2 trials, and advance purchase agreements post-Phase 2/3 trials ensuring prioritized access.

Overall, this approach embraces the concept of 'at-risk' procurement, but also facilitates the rapid availability of MCMs, by expediting the development and manufacturing processes. This acceleration could prove critical for mounting an effective response to pandemics, ensuring that potentially life-saving medical solutions are ready for distribution at the earliest possible stage.

Governance

Q7: How should the governance of Day Zero Financing be structured?

The governance of Day Zero Financing should be structured to support its objectives through a framework where priorities are set and funds are distributed by an international coalition. This governance model would ensure that responses are not only timely and equitable but also effectively targeted at emerging health risks.

Nations would come together to create a pandemic Advance Commitment Facility, tasked with the collective procurement of vaccines, tests, treatments, and personal protective equipment (PPE) for low- and middle-income countries in the event of pandemics. This Facility would stand apart from prior initiatives like ACT-A by its capability to mobilize resources immediately—on day-zero—defined as either the moment the World Health Organization (WHO) declares a global pandemic or when a pre-determined threshold of deaths due to a pathogen is reached globally. (See Agarwal and Reed (2022) for further details).

The Facility could be managed by an independent team, under the supervision of a Board composed of representatives from participating countries. During periods without a pandemic ('peacetime'), the Facility's operations would be scaled back to essential planning and coordination activities, including annual Board meetings and periodic consultations with civil society, global health agencies, and national health authorities.

Upon the onset of a global pandemic, as determined by the previously agreed-upon triggers, the Facility would spring into action, adhering to the pre-established rules for rapid response. This structure ensures that, in times of global health crises, the Facility can effectively and equitably distribute essential medical supplies to the countries that need them most, following a collaborative and internationally agreed-upon framework.

Q8: How would an Advance Commitment Facility enhance Day Zero Financing's response to pandemics?

The Advance Commitment Facility would significantly enhance Day Zero Financing's response to pandemics by enabling it to secure advance purchase agreements for MCMs on behalf of low- and middle-income countries (LMICs) right from the start of a pandemic. This approach would ensure these countries have a guaranteed spot for obtaining vaccines, treatments, diagnostic tools, and PPE, driven by judicious investments and recommendations from an independent panel of experts. By doing so, the Facility embodies the ethos of prompt and fair access, aiming for a globally coordinated response that is agile, well-informed, and tailored to meet the diverse challenges presented by pandemics.

Furthermore, the effectiveness of the Advance Commitment Facility would hinge on carefully crafted future design elements, including comprehensive representation, accountability, and governance frameworks. These aspects are crucial for establishing a Facility that is responsive, transparent, and flexible enough to navigate the complexities of global health crises. Strong governance and oversight mechanisms are essential to ensure the Facility's ability to swiftly address pandemics, prioritize actions, and allocate resources in a way that is timely, equitable, and strategically focuses on the most pressing health risks.

Design Features

Q9: How much Day Zero Financing is needed? Do we need any funding up front? What should be the trigger to activate the funds?

For Day Zero Financing to be effective, an upfront financial commitment is crucial. A suggested credit line of $20 billion, adjusted to 2020 dollars, represents the necessary initial fund size, reflecting the willingness of donors to support pandemic response efforts for low- and lower-middle-income countries, as evidenced by the Access to COVID-19 Tools Accelerator (ACT-A) during the first two years of the COVID-19 pandemic. To ensure the credit line's purchasing power remains constant over time, it should be indexed to global inflation. This estimate should be viewed as a lower bound, since the total financing needs for developing countries during the COVID-19 pandemic were estimated at approximately $50 billion (Agarwal & Gopinath, 2021).

LMICs are also encouraged to contribute funds equivalent to their typical spending on health products during a pandemic without external aid. This approach aims to reinforce Day Zero Financing's financial foundation, making sure a substantial pool of resources is ready for immediate use when a pandemic strikes.

The activation of the credit line requires clear, objective triggers to ensure funds are used responsibly and at the right time. Triggers, often based on specific data like reported deaths, activate payouts when certain thresholds are met. These thresholds are set by analyzing historical and projected data and vary by country and disease. Effective trigger design is key for the swift and accurate disbursement of funds in response to pandemics, avoiding both unnecessary and delayed payouts.

However, triggers for infectious diseases pose challenges. For example, counting cases or deaths might not always be reliable due to potential under-reporting or lack of lab confirmation, especially in low-income areas that most need financing. While the declaration of a global pandemic by the World Health Organization (WHO) could serve as one trigger, they are also subject to biases and moral hazard as these are influenced by expert judgment and political or economic factors.[7]

Further, parametric triggers can misfire in two ways: they might release funds when the actual losses are minimal, impacting those who provide the capital, or fail to activate despite significant monetary losses, disadvantaging the insured. The design and calibration process should aim to lessen the likelihood of both scenarios. One solution is to introduce multi-tiered triggers, which allow initial disbursements for immediate action and increased funding as the outbreak worsens or expands, effectively addressing various stages and impacts of an outbreak.

For deactivation, a similar objective measure, for instance a significant decline in daily death rates, could signal the end of the pandemic's acute phase, ensuring that financial resources are utilized effectively during periods of greatest need.

These financial and operational plans should be designed to guarantee that Day Zero Financing has pre-committed, inflation-adjusted funds readily available at the pandemic's outset. Establishing straightforward, measurable criteria for activating and deactivating these funds will facilitate a swift, equitable, and impactful response to the next pandemic.

Q10: How should credit risk be managed? Who is the natural 'worst-case financier'? What role could a financier or a multilateral development bank play?

Effective management of credit risk is essential for Day Zero Financing to ensure that resources are utilized promptly and efficiently during pandemics. Strategies to mitigate this risk include creating legally binding pledges from donors, securing joint guarantees from low- and middle-income countries, issuing pandemic-linked bonds, and potentially allowing financiers and their shareholders to assume the risk (see Agarwal and Reed (2022) for further details). These measures aim to establish a resilient, inflation-adjusted credit line, crucial for enabling a swift and equitable response to pandemics.

7 Designing triggers for pandemic financing entails navigating the intricacies of real-world challenges and political considerations while prioritizing simplicity, transparency, verifiability, and objectivity. Effective triggers must be straightforward and established in advance to prevent distrust and delayed payouts. Ensuring all parties have clear access to and comprehension of data and calculations is essential for maintaining transparency and consistency in confirming payout conditions. It's also important to learn from previous financing mechanisms, such as the Pandemic Emergency Financing Facility (PEF), which has been criticized for its complex payout criteria (Ritchie and Plant, 2020).

Here, the concept of a 'worst-case financier' is useful, emphasizing the necessity for entities that can offer insurance against pandemics with coordinated and trustworthy responses. Asset pricing logic suggests that in disaster scenarios, the value of safety increases dramatically, resulting in a flight of capital towards the most trusted entities. Consequently, institutions tasked with pandemic protection must be viewed as reliable, capable of fulfilling their duties amidst global crises with catastrophic impacts. Their status as safe havens and their capacity to pool risks extensively should enable them to provide protection at more cost-effective rates.

In this context, multilateral development banks or similar financiers are ideal candidates for this role, given their credibility, extensive resources, and experience in managing large-scale crises. Their global risk management expertise can facilitate early action and quick financing.

Recent Developments

This section highlights recent progress in pandemic financing, particularly emphasizing Day Zero Financing. There's a strong consensus and widespread backing for initiatives related to Day Zero Financing, signaling that we're moving in the right direction. The path forward may not necessitate the creation of new entities; instead, it could involve securing funding commitments to operationalize an effective Day Zero Financing facility through existing mechanisms.

Gavi's First Respond Fund and Day Zero Financing Facility

Vaccine inequity during COVID-19

The COVID-19 pandemic highlighted stark inequities in vaccine distribution, exposing significant delays and challenges in mobilizing financial pledges by Gavi, which subsequently impacted its ability to promptly secure vaccine access for AMC countries. High-income countries managed to negotiate advance purchase agreements within the first two months following the Public Health Emergency of International Concern declaration, contrasting sharply with Gavi, which mobilized its resources over nine months later. This delay was a significant factor contributing to vaccine inequity and hindered a timely global response.

Establishment of the First Respond Fund (December 2023)

In response to these challenges, in December 2023, Gavi's Board approved the establishment of a $500 million First Response Fund, as part of a broader Day Zero Financing Facility (Gavi, 2023). This initiative aims to prevent the fundraising and distribution hurdles experienced during COVID-19, ensuring immediate mobilization of financing for vaccines and other MCMs at the onset of future pandemics. These efforts seek to mitigate access delays for LMICs.

The First Response Fund is designed to provide Gavi with the financial flexibility needed to swiftly act in the market, securing vaccine access and supporting crucial first-response activities like early vaccine demand generation and delivery. With the goal of deploying funds within the first 50 days of a pandemic, Gavi aims to secure vaccines more quickly and in larger quantities for LICs than was possible during the COVID-19 pandemic response.

The establishment of the First Response Fund within Gavi marks a significant step towards a faster pandemic response. At the same time, there remains a need for a comprehensive Day Zero Financing mechanism. Such a mechanism would ideally extend beyond vaccines to include a wider array of MCMs, essential for addressing future pandemics potentially caused by pathogens not as amenable to vaccine solutions. A general Day Zero fund, supported by various organizations and stakeholders, could offer a more flexible and rapid response to diverse pandemic threats, ensuring efficient procurement and distribution of all necessary MCMs from the onset of a health crisis.[8]

G7 DFIs Statement of Intent (2023)

The Hiroshima Commitment (May 2023)

In response to the challenges highlighted by the COVID-19 pandemic, G7 Leaders at the Hiroshima Summit in 2023 pledged to improve LMICs' access to development finance for MCMs in health emergencies.

This commitment led to a collaboration among G7 Development Finance Institutions (DFIs), the International Finance Corporation (IFC), and the European Investment Bank (EIB) aimed at providing rapid financing for the procurement, surge production, and delivery of MCMs.

Furthermore, the G7 emphasized the necessity of a novel "Third Layer" or a dedicated "surge" financing framework. This approach aims to improve coordination among existing mechanisms and enable the rapid and efficient deployment of funds in response to outbreaks, avoiding the pitfalls of maintaining unused reserves. Drawing from a WHO and World Bank mapping exercise done for the G20 Joint Finance Health Task Force, it suggests that willing donors pre-commit to future disbursements, activated by predetermined triggers and in accordance with their national budgetary rules and processes, during a health crisis.[9]

UNGA Joint Statement of Intent (September 2023)

On September 20, 2023, during the United Nations General Assembly in New York, the G7 Development Finance Institutions (DFIs), together with IFC and EIB announced a collaborative effort aimed at improving the response to future health emergencies (DFIs 2023a,b). This effort is designed to identify innovative financing tools and models of risk sharing that can be deployed immediately at the start of future health emergencies.

8 In addition, Gavi has established the African Vaccine Manufacturing Accelerator (AVMA), committing up to US$ 1 billion over the next decade to foster the sustainable development of Africa's vaccine production capabilities. However, the overall impact and benefit of this initiative are yet to be determined.

9 See "G7 Shared Understanding on Enhanced Finance-Health Coordination and PPR Financing" https://www.mof.go.jp/english/policy/international_policy/convention/g7/g7_20230513_2.pdf

To this end, the DFIs and their partners proposed to establish liquidity and bridge facilities to ensure access to funds for the procurement of MCMs by global health organizations and LICs and MICs alike, from 'day zero' of a health emergency. Additionally, they plan to support surge financing for LIC and MIC manufacturers to ramp up MCM production. These initiatives intend to complement ongoing global policy discussions on the MCM ecosystem, aiming to provide concrete financing solutions necessary for operationalizing MCM surge procurement, production, and delivery during future health crises.

A new collaboration framework among DFIs has been proposed to ensure rapid and cohesive deployment of these financing tools in health emergencies. This framework, expected to be refined and operational by September 2024, emphasizes the need for continued partnership with a broad array of stakeholders to ensure more equitable access to lifesaving MCMs for LICs and MICs in future health emergencies.

G20 Efforts: The G20 Joint Finance Health Task Force and the Pandemic Fund

The Joint Finance Health Task Force: The G20 has committed to identifying the financing gaps in pandemic response, a commitment underscored in their 2023 statements. They have backed the Joint Finance-Health Task Force (JFHTF) strategy to boost readiness across finance and health sectors for responding to global pandemics. This effort includes producing a report on best practices, mapping response financing, and identifying functional gaps, drawing on insights from global discussions. Furthermore, the G20 JFHTF is developing a strategy/operational playbook to support global coordination in response to future pandemics. This strategy is focused on ensuring the finance and health sectors are jointly improving preparations, which will include Day Zero actions and access to finance, recognising the early provision of surge financing for the procurement of medical countermeasures at the onset of the next pandemic can have significant health and economic benefits.

The Pandemic Fund: Launched in September 2022 with backing from the G20 and hosted by the World Bank, the Pandemic Fund serves as a multilateral financing mechanism, providing multi-year grants to bolster pandemic preparedness in LMICs. It supports these nations in fortifying their health systems and augmenting investments to enable efficient pandemic prevention and preparation. The Fund complements, rather than substitutes, Day Zero Financing.

Pandemic Agreement

As the 2024 World Health Assembly (WHA) approaches, there are efforts to finalize the Pandemic Agreement and revise the International Health Regulations (IHR). These instruments would create new obligations for the WHO and its Member States. However, the success of these ambitious initiatives hinges on securing adequate financing.

Among the proposed solutions are three financing mechanisms. The Pandemic Agreement introduces a "Coordinating Financial Mechanism," a pooled fund designed not only for capacity building but also for providing essential 'day-zero' surge financing to respond immediately to emergencies. Additionally, the IHR Working Group is exploring a dedicated fund to bridge financing gaps in core health capacities and research, with special emphasis on addressing disparities in LMICs. Meanwhile, the WHO is revising its financing strategy to reduce reliance on unpredictable voluntary contributions, aiming for a more sustainable financial foundation (see Finch et al. 2024 for further discussion).

World Bank Board request for briefing on WBG options for 'at risk' procurement (March 2024)

Following the COVID-19 pandemic's revelations of global health and economic vulnerabilities, the World Bank Board has requested a technical briefing from World Bank Management. This request aims to address the lack of adequate mechanisms for advance purchase commitments and the necessity for the World Bank to frontload financing for "at risk" emergency procurement. The briefing is expected to cover potential policy and regulation amendments for swift action during crises, appropriate triggers for advance purchase commitments, the World Bank's risk appetite for product development, procurement agent reliability, demand risk, and strategies for "at risk" procurement within the Bank's crisis response framework. This initiative highlights the critical need for enhanced coordination and partnerships to better prepare for future pandemics and synchronous global shocks.

The Africa Epidemics Fund

To enhance the Africa CDC's ability to support member states against such threats, the African Heads of State and Government launched the Africa Epidemics Fund (AfEF) in February 2022. Inspired by the successes and lessons of the COVID-19 pandemic and the African Union COVID-19 Response Fund, the AfEF aims to bolster the continent's self-reliance in managing public health crises. The AfEF's operation and success will require additional efforts by all stakeholders, including public and private actors (see Habtemariam et al., 2024 for a discussion).

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