From Panic and Neglect to Investing in Health Security

Financing Pandemic Preparedness at a National Level

International Working Group on Financing Preparedness
EXECUTIVE SUMMARY

Deadly infectious pandemics will mark humanity’s future, as they have shaped its past. Neither individual governments nor the global community can entirely prevent the emergence of infectious threats. But we can be much better prepared.

This report by the International Working Group on Financing Preparedness (IWG) proposes ways in which national governments and development partners can finance investments in country and regional preparedness and response capacities for pandemics and other health emergencies.

Preparedness for pandemics refers to health and non-health interventions, capabilities, and capacities at community, country, regional, and global levels. Their purpose is to prevent, detect, contain and respond to the spread of disease and other hazards, mitigating social disruptions and limiting risks to international travel and trade.

The Case for Preparedness

Pandemics cause vast human suffering and devastating economic costs. Experts differ in their estimates of the economic cost of pandemics and the closely related threat of drug-resistant infections. However, all the figures advanced are alarmingly high. Even the most conservative estimates suggest that a pandemic could destroy over 1.0 percent of global GDP, comparable to other global threats such as climate change. Even much smaller outbreaks can cause significant loss of life and immense economic disruption. Investments improving preparedness therefore offer an extraordinarily high potential return. Yet we invest relatively little in mitigating the risks of infectious disease crises relative to what we spend against other risks to human lives and livelihoods, such as climate change, war or financial crises.

In countries where there is a reasonably comprehensive and well-functioning underlying health system, which would include a number of low-income and many middle-income countries, financing improved preparedness might cost less than $1 per person per year, not a huge sum compared to the scale of the risks to human lives and livelihoods. More advanced economies can and do choose to spend much more per person. Achieving improved preparedness in countries with fundamental gaps in health coverage and capacities, particularly in primary care, will cost more, since preparedness is built on these foundations.

In addition to mitigating the risks to human lives and livelihoods from infectious disease risks, investing in preparedness has important benefits for the broader health system. Many of the capabilities and infrastructure required for preparedness are also needed to combat antimicrobial resistance and endemic infectious diseases.

The Goal of Preparedness: Universal Health Security

The concept of universal health security best captures the ultimate purpose of reinforcing preparedness. At its simplest, health security means protecting people from threats to their health. Universal health security means protecting everybody, not just because that is the equitable thing to do, but because with infectious diseases, true health security can only be achieved if everyone is protected.
Achieving universal health security is an essential component of the ultimate goal of providing universal health coverage. It both depends on and complements broader efforts to strengthen health systems and make them more resilient, so needs to be pursued as part of an integrated plan, not as a separate silo. When an infectious disease outbreak occurs, health systems come under enormous pressure, and other health objectives are often compromised, as resources are diverted to contain the outbreak and patients avoid seeking care. Better preparedness is key to making health systems more resilient.

Achieving Universal Health Security

In this report, we set out 12 specific recommendations to ensure adequate and sustained financing of preparedness. The recommendations are integrated and interdependent. Together they constitute a unified framework. To be effective in achieving universal health security, we need to pursue them all.

RECOMMENDATION 1: National governments and development partners should commit to a path towards universal health security by adopting and implementing the framework set out in this report and embodied in Recommendations 2–12.

Identifying Gaps and Developing a Plan

The first step for countries seeking to strengthen their preparedness is to make an accurate assessment of their current state of preparedness and thus to identify gaps and resource needs. The Joint External Evaluation mechanism (JEE), launched in 2016 by the World Health Organization (WHO), provides an effective mechanism for conducting such an assessment. Through a combination of peer review and self-assessment, the JEE delivers a systematic evaluation of a country’s preparedness capabilities and infrastructure across 19 domains, enabling clear identification of gaps and areas for improvement. The World Organisation for Animal Health (OIE) also has a well-established equivalent evaluation mechanism, the Performance of Veterinary Services Pathway (PVS), which assesses the quality of national veterinary services and animal health systems. Together, the JEE and the PVS provide national governments with the essential starting point for any initiative to improve preparedness: a detailed and objective assessment of the current status against agreed benchmarks.

RECOMMENDATION 2: (i) By the end of 2017, all national governments should commit to participate in, and by the end of 2019, conduct a Joint External Evaluation (JEE) to assess their capacity to comply with the requirements of the International Health Regulations 2005 (IHR) to prevent, detect, and rapidly respond to public health threats; (ii) By the end of 2017, all national governments should commit to participate in, and by the end of 2019, conduct an evaluation of Performance of Veterinary Services (PVS) to assess their capacity to comply with the World Organization for Animal Health (OIE) standards.

Following the JEE and PVS assessments, the next step is for countries to develop a prioritized plan to rectify gaps and remedy weaknesses. To support countries in this effort, WHO has developed Guidelines for Development of a National Action Plan for Health Security (NAPHS). The Guidelines outline steps for situation analysis, strategic planning and prioritization, costing, budget allocation and implementation of the NAPHS. As of the end of April 2017, three countries—Tanzania, Pakistan and Eritrea—had completed the crucial costing phase of their preparedness plans.

For many countries, particularly smaller or island nations, the plan may involve extensive regional cooperation. Infectious diseases do not respect national boundaries. Cooperation and the
sharing of specialist facilities can deliver better preparedness and be more cost effective.

**RECOMMENDATION 3:** Within nine months of completion of JEE and PVS, national governments should develop and publish a prioritized and costed plan to implement recommendations emerging from the JEE and PVS assessments, including regional elements where relevant.

**Devising a Financing Proposal, Building a Compelling Investment Case and Creating a Change Management Strategy**

Once a country has developed a costed and prioritized plan, the next steps are to work out how to finance this plan and then how to implement it effectively. This requires: first, a robust and realistic financing proposal to ensure inclusion in domestic budgets and where relevant, to attract donor support; second, a compelling investment case, that ensures sustained economic and political support for improving preparedness; and finally, a change management strategy that ensures the committed engagement of relevant stakeholders. Reinforcing preparedness is not a quick fix: it is a complex multi-stakeholder process that stretches well beyond the ministry of health and can often entail far-reaching changes in established attitudes, practices, and institutions.

To support national governments in translating costed and prioritized plans into detailed financing proposals the World Bank is developing the Health Security Financing Assessment Tool (HSFAT), which is designed to complement the JEE and PVS assessment mechanism.

**RECOMMENDATION 4:** Depending on the national budget cycle, but ideally within three months of developing a prioritized and costed plan following JEE and PVS assessments, national governments should prepare a detailed financing proposal to support implementation of the plan to improve preparedness.

A prioritized and costed plan, plus a detailed financing proposal are essential prerequisites for effective action to improve preparedness. Yet experience suggests these alone are not enough. To catalyze the commitment of resources to deliver the plan, its proponents in each country need broad political and social support. To win such support requires a compelling investment case that articulates the political and economic arguments for reinforcing preparedness in the context of each individual country. Furthermore, ensuring effective delivery of the plan requires an integrated change management strategy that engages and coordinates relevant stakeholders.

**RECOMMENDATION 5:** Each national government should develop an investment case, articulating the political and economic arguments for integrating the costed plan into national budget cycles and committing resources to reinforce and sustain preparedness, plus a change management strategy to engage and coordinate relevant stakeholders.

**Identifying and Mobilizing Sustainable Financing for Preparedness**

Rigorous planning, a compelling investment case and convincing implementation strategy are indispensable, but will achieve little unless adequate funds can actually be identified and deployed. In many countries, this will be achieved through giving greater priority to funding preparedness within existing budgets. But in other countries, it may be necessary to explore ways to increase fiscal space.

For most countries, the optimal source of finance for preparedness is the domestic budget, which
is the best way to ensure sustainable financing of a public good like preparedness and to facilitate seamless integration with broader efforts to strengthen the health system and extend coverage. However, in many low-income countries, the challenge will be inadequate domestic resource mobilization. Weaknesses in tax design and collection mean inadequate resources against a huge number of competing priorities. As preparedness rarely ranks high on the list of priorities, weak domestic resource mobilization leads to sustained underinvestment in preparedness.

Yet there is considerable potential to increase tax revenues in most developing countries. Through sustained focus on improving tax capabilities, many low-income countries could raise their tax ratios by 2–4 percent of GDP, with significant potential benefits for multiple aspects of social and economic development, including preparedness (IMF 2011). Most of this can be achieved through improving the effectiveness of the overall taxation system. However, earmarked taxes may also have a role to play, given the fact that people are often more prepared to pay taxes for health than for other government activities. While there is considerable debate about the longer-term effectiveness of earmarked taxes, countries should consider their introduction where they might prove an effective way to generate additional fiscal space for preparedness.

**RECOMMENDATION 6:** To increase fiscal space, national governments should examine ways of generating incremental domestic resources to finance preparedness, whether by (i) improving overall tax design and collection; or (ii) introducing earmarked taxes where they might be an effective way to generate additional resources.

For some lower income countries, development assistance will play an important role in financing better preparedness. Many advanced economies have made significant collective and individual commitments to providing development assistance for reinforcing preparedness, such as the G7 commitment to support 76 countries or the World Bank’s to support at least 25, and it is important that such commitments are fulfilled. Given the scale of the risks to mankind as a whole and the global economy, there is a strong self-interest argument for richer countries to deploy development funds for investing in universal health security. To maximize the catalytic impact of such development assistance, development partners should prioritize three categories of financial support:

Financing capital investments or one-off expenditures to achieve a step change in preparedness capacities in poorer countries. These might include laboratories or specialized training. Wherever possible, beneficiary countries should then take on the financing of ongoing recurrent expenditure.

Financing regional initiatives. Regional laboratory facilities and cross-border disease surveillance systems should be important components of many smaller countries’ plans to reinforce preparedness. Yet gaining agreement between countries on how to finance such shared capacities may impede their implementation. Here development assistance can play a critical role.

Financing the creation of baseline preparedness and prevention capacities in fragile and conflict-affected states, where domestic resource gaps in the underlying health system.

In all cases, development should seek to support the financing of preparedness through the national health security plans and budgets emanating from the JEE process, and use the JEE criteria as benchmarks of achievement. Wherever possible development partners should seek to secure commitments from recipient governments around matching and ongoing funding so as to maximize the impact of the development assistance.
**RECOMMENDATION 7:** Development partners should fulfill and build on existing collective and bilateral commitments to help finance preparedness in countries needing support, focusing on: (i) in-country capital investments and one-off spends; (ii) multi-country regional initiatives; and (iii) failed and fragile states where domestic resourcing is not a realistic option. To maximize the catalytic impact of their assistance, development partners should structure their support to the health security plans emanating from the JEE process and encourage national governments to match investments and commit to ongoing financing from domestic resources.

**Engaging the Private Sector in Reinforcing and Financing Preparedness**

Private-sector companies have much to lose from disease outbreaks, but are often only marginally involved in the implementation of initiatives to reinforce preparedness and response and typically make little direct financial contribution to preparedness. This must change.

There are a variety of possible ways to engage the private sector more effectively, though none is a "silver bullet." First, it is important to build much greater awareness of the risks of infectious disease outbreaks amongst private sector leaders. In addition to stimulating companies to improve their own internal preparedness, such awareness-building should make business leaders less resistant to taxes or regulations related to reinforcing pandemic prevention and response and more inclined to work with governments to mitigate the risks. Second, governments should seek to involve the private sector in plans to reinforce preparedness and response, leveraging relevant private sector assets and capabilities. Third, where private sector companies contribute to the risks of infectious diseases as a result of their business activities, such as livestock production, governments should introduce regulations to require appropriate investment in risk mitigation and preparedness. Governments may also want to consider encouraging or even mandating corporate social responsibility (CSR) spending on preparedness.

**RECOMMENDATION 8:** National governments should incorporate the private sector into their strategy for reinforcing preparedness, through a combination of awareness-building, direct involvement in preparedness and response planning, and regulation. Where private sector companies contribute directly or indirectly to the risks of disease outbreak and spread by the nature of their business, national governments should introduce regulations requiring such companies to invest in risk mitigation and preparedness.

**Leveraging Insurance to Finance Response and Incentivize Preparedness**

As has been demonstrated in the earthquake and drought contexts, insurance can play an important role in ensuring rapid disbursement of funds to finance disaster response, and in creating incentives for investing in risk mitigation and preparedness.

To pioneer the deployment of insurance mechanisms in the infectious disease arena, the World Bank, and other partners developed the Pandemic Emergency Financing Facility (PEF), a parametric insurance vehicle designed to provide rapid disbursement of emergency finance. The PEF covers a range of diseases and is focused on countries that are part of the International Development Association (IDA), with the premiums funded by donor nations. Through this initiative, the World Bank and its partners have worked through numerous challenges and technical issues associated with utilizing innovative insurance mechanisms for pandemic response. There is an opportunity to
build on this experience to develop a “PEF 2.0”, and to encourage the development of insurance products for the private sector. While rapid disbursement of funds in response is a real benefit, the greater prize from introducing insurance mechanisms for both governments and the private sector are the incentives insurance creates for investment in preparedness. This will require the development of much broader markets, which will inevitably take time.

**RECOMMENDATION 9:** The Insurance Development Forum, the World Bank, and other partners should work together to: (i) develop the next iteration of the Pandemic Emergency Financing Facility (PEF 2.0) that specifically ties recipient countries’ investments in preparedness to relief of their contributions to PEF 2.0 premiums; (ii) deliver maximum participation from the insurance markets to provide capacity for PEF 2.0; and (iii) investigate how insurance for business interruption resulting from disease outbreaks can be provided to private sector companies in target countries.

**Incentivizing Countries to Invest in Preparedness**

We will only achieve a substantial reduction in the risks to human lives and livelihoods across the globe from infectious disease outbreaks if individual countries commit to investing in national preparedness. For this to happen, governments need to be convinced that investing in public health systems is absolutely necessary despite the multitude of competing demands for scarce budget resources. The current under-preparedness of many countries indicates that this case has not been convincingly made.

One approach is to ensure that plans and financing proposals for improving preparedness are underpinned by a more compellingly articulated investment case. That is the logic of Recommendation 5.

Yet this alone is not enough. The most powerful way to reinforce the investment case and create more direct incentives for investment in preparedness is to ensure that the risks attaching to infectious disease outbreaks are reflected in financial markets and businesses’ investment decisions. Another complementary approach would be to use measures of preparedness to influence the flows of development assistance, such as concessional financing from the World Bank.

If a country’s economic vulnerability to infectious disease outbreaks was incorporated in mainstream macroeconomic analyses, bond ratings and investment criteria, investment in pandemic preparedness would no longer be solely the concern of the Health Minister. Encouraging the development of metrics around intrinsic risk, state of preparedness and sectoral vulnerability would change the way such decisions are made. This could be achieved through official initiatives, academic efforts or private endeavors, or through creative partnerships (perhaps along the lines of UNDP’s partnership with S&P to include the Human Development Index (HDI) in devising sovereign ratings). Inclusion of infectious disease risks in the IMF’s Article IV consultations, in situations where such risks are considered macro-critical, would have a powerful signaling effect.

**RECOMMENDATION 10:** To reinforce incentives for national governments to invest in preparedness, the IMF and World Bank should work to facilitate the incorporation of the economic risks of infectious disease outbreaks into macroeconomic and market assessments, including: (i) inclusion into Article IV assessments where such risks are macro-critical; (ii) encouraging the development of academic and private sector indices and maps of intrinsic risk, preparedness and economic vulnerability.

Countries are also likely to pay more attention to investing in preparedness if doing so increases access to concessional international finance.
One way of achieving this is by introducing an assessment of preparedness as a criterion in the Country Policy and Institutional Assessment (CPIA) tool that the World Bank uses to determine the country allocation of IDA resources.

Introducing an assessment of pandemic preparedness would have two benefits. First, the fact that countries are being assessed on pandemic preparedness will raise its visibility, profile and importance. Second, countries that do well on this assessment will be able to increase their allocations of concessional finance through IDA.

**RECOMMENDATION 11:** The World Bank should include assessment of pandemic preparedness capacity in the Country Policy and Institutional Assessment (CPIA) tool and include the rating in the overall country score used as part of the IDA allocation formula. Other multilateral development banks should consider introducing equivalent mechanisms to incentivize investment in preparedness.

In 2013, the World Bank adopted a new strategy focused on aligning the institutions work with the twin goals of ending extreme poverty and boosting shared prosperity in a sustained manner. The World Bank introduced a diagnostic exercise, called the Systematic Country Diagnostics (SCD), to identify key challenges and opportunities for a country to accelerate progress towards development objectives consistent with the twin goals. This diagnostic is a reference point for World Bank Group client consultations with countries. Incorporating an assessment of a country’s pandemic preparedness in the Bank’s SCD will emphasize the importance of preparedness and give the issue greater visibility in the eyes of policy makers. Further, it will help countries make a strong case for concessional Bank finance in support of investments in pandemic preparedness.

**RECOMMENDATION 12:** The World Bank should incorporate analysis of pandemic preparedness in country-specific Systematic Country
Diagnostics that identify a set of priorities through which a country may most effectively and sustainably achieve the poverty reduction and shared prosperity goals.

For far too long, our approach to pandemics has been one of panic and neglect: throwing money and resources at the problem when a serious outbreak occurs; then neglecting to fund preparedness when the news headlines move on. The result has been too many lives lost, too much damage to human livelihoods. As recent news of a new Ebola outbreak demonstrates (May 2017), the threat of deadly pathogens is ever present. New outbreaks will occur, but by investing in prevention, detection, containment and response we can reduce their frequency and impact. Investing in global health security is an imperative. Otherwise we will all too often see poorer, more vulnerable countries suffering terrible loss of life and being knocked off their trajectory of social and economic development. And we put the world as a whole at risk of some highly contagious deadly influenza or other virus that could kill millions and wipe trillions from the global economy.

Strengthening preparedness at a national level reinforces our first line of defense against the threat of pandemics. It is not the whole answer: we also need to strengthen capabilities and coordination at a global level; and we must accelerate research and development to give us more scientific weapons to fight infectious pathogens. Yet unless we can prevent, detect, contain and respond at a local level we will always be on the back foot.

Building and maintaining preparedness requires sustained financing. The absolute sums are not large relative to the scale of the risk, but thus far many governments and development partners have failed to give preparedness the priority it merits. We must demonstrate the power of the investment case. We must secure commitments to sustained financing and monitor that these are delivered. Only then can we be confident that we have made the world a safer place, that we are on the path towards achieving universal health security.