Scaling Up Pandemic Prevention, Preparedness, and Response through the International Monetary Fund's Resilience and Sustainability Trust (RST)

Climate change and pandemic preparedness are the two stated priorities for the Resilience and Sustainability Trust (RST), which was established by the International Monetary Fund (IMF) in April 2022 to provide longer-term, affordable financing for low- and middle-income countries (LMICs) to address long-term structural challenges. As of September 2023, the IMF reported that the RST had received pledges amounting to US$41.1 billion (31.2 billion in Special Drawing Rights (SDR), with 40 countries expressing interest in financing, eight countries already benefiting and two awaiting approval. Given the high country demand, IMF Managing Director Kristalina Georgieva announced in June 2023 plans to expand the total RST envelope by another 50 percent to reach US$60 billion.

However, none of the RST loans approved so far focus on pandemic prevention, preparedness, and response (pandemic PPR). The RST has been presented to both contributing and borrowing governments almost exclusively as a climate fund. This is problematic for the following reasons:

- In August 2021, the IMF issued the equivalent of US$650 billion in SDRs, which were allocated to members according to their quota shares. G20 countries received US$442.8 billion (68% of the total), while the poorest 44 countries received US$45.5 billion (7% of the total). The global ambition was set at the G20 in 2021 to reallocate US$100 billion in SDRs to LMICs to help them recover from the COVID-19 pandemic and build a more resilient global economy. This was the largest ever allocation of SDRs. However, this US$100 billion target has not yet been met. As of February 2023, the total reported combined pledges was around US$87 billion. The RST represents the lion's share of the reallocated SDRs. Hence, **there is a clear responsibility to address a wider diversity of challenges that countries face — such as preparing to prevent, contain, and better respond to pandemic threats.**

- The siloing of pandemics and climate is counterproductive as they are two highly interconnected global threats. There is abundant evidence of the health impacts of climate change and that climate change is making future pandemics more likely due to the increasing frequency, geographic spread, and severity of infectious diseases. Conversely, the global COVID-19 pandemic response — despite the temporary reduction in greenhouse emissions from the shutdowns in the first half of 2020 — has negatively impacted the global response to climate change. The pandemic's negative side effects have included driving a massive global increase in biomedical waste as well as severely straining the capacity of fragile health systems, particularly in LMICs, to respond to climate change-fuelled storms, floods, and health emergencies. Yet, **despite the growing evidence of the clear intersections between these two global challenges, almost no climate finance currently targets the health sector, and nearly no global health finance targets climate adaptation.**

- **Pandemic PPR financing needs are significant and urgent**, as the COVID-19 pandemic exposed systemic vulnerabilities. In March 2022, the World Bank and World Health Organization (WHO) estimated the global pandemic PPR needs at US$31.1 billion annually. At national level, the largest pandemic PPR capacity gaps can be found in LMICs with the least fiscal space to address them, for which annual financing needs are estimated to be in the order of US$16.2 billion per year — and many multitudes higher should another pandemic occur. At the same time, the World Bank reports that spending

on health in many LMICs has retracted to below pre-COVID levels, posing further risks to their economic recovery and pandemic preparedness.

The RST represents a significant potential source of additional financing for pandemic and climate resilience, and proactive steps should be taken now to ensure it is maximized. The IMF should work with WHO and the World Bank Group, among others, to develop guidelines to help identify PPR reforms to be included in RST-supported programs, as it has already done for climate reforms. Eligible governments should take advantage of this new source of pandemic PPR financing by focusing on measures to build climate-resilient health systems that also bolster pandemic readiness. There is also a tremendous opportunity to leverage the RST for bringing PPR and climate together under the RST and focus on win-win investments for climate and pandemics. Leveraging the RST for pandemic PPR can also help countries rebuild health systems that have been weakened by COVID-19 and reclaim momentum toward Universal Health Coverage and the Sustainable Development Goals. Priority investments should include strengthening primary health care (PHC) and community-based surveillance systems, investing in the quantity and quality of health workers, including community health workers, and One Health.

The next pandemic won't wait. We cannot afford to continue to ignore or delay action to bolster global preparedness for emerging pandemic threats, which experts agree will come with increasing frequency and could happen at any time. The RST is one of the key global financing instruments created in the aftermath of COVID-19, along with the Pandemic Fund, a grant-based global partnership that provides dedicated funding for PPR in LMICs. The Pandemic Fund's first round of proposals generated huge demand from LMICs for additional financing, far outweighing available resources. Given the mix and magnitude of financing required, the RST should be targeted as a key component of the global pandemic PPR financing toolbox in supporting catalytic investments through concessional financing.

Following is a brief synopsis of the RST and how it can be leveraged to help prevent the next pandemic.

What is the RST?
Established in April 2022, the RST is a loan-based trust that was set up to provide policy support and financial support — with a 20-year maturity and a 10.5-year grace period — to countries addressing "long-term structural challenges, including climate change and pandemic preparedness." Three quarters of the IMF's membership, 143 countries, are eligible for financing from the RST, including all LMICs. The RST has been funded through voluntary contributions of SDRs by high-income countries (HICs) as part of the historic US$650 billion (456 billion SDR) SDR allocation approved by the IMF's Board of Governors in August 2021 to boost global liquidity in response to the pandemic and the confluence of global crises. To be eligible, countries need:

- High-quality policy reforms addressing the long-term structural challenges of climate change or pandemic preparedness.
- A concurrent IMF-supported program with upper credit tranche quality policies (UCT program). There should be at least 18 months remaining in the program.
- Sustainable debt and adequate capacity to repay.

Financing is linked to progress on specific reform measures, and each measure is connected to one disbursement.

Pandemic PPR is currently absent from RST project applications
Despite over 60% of IMF member countries interested in instituting pandemic PPR-related measures in an RST-supported program and pandemic preparedness being a core objective of the RST, none of the current RST-supported programs address the issue of pandemic preparedness. Why? There could be several reasons:

- **Lack of pandemic PPR guidelines for RST-supported programs.** The IMF has so far only developed guidelines on climate change to help identify measures to be included in RST-supported programs and has failed to develop guidelines on pandemic PPR. It is therefore possible that neither IMF staff nor country officials are sufficiently aware of Pandemic PPR measures that could be included in RST-supported programs.

- **RST is almost exclusively presented as a climate fund.** Another reason could be that country officials are simply not aware that pandemic preparedness is a core objective of the RST. Despite its dual mandate to include pandemic PPR, the RST has largely been marketed as 'a climate fund.' Most, if not all, public statements and media coverage have focused on the climate dimension of the RST.

- **Misperceptions of continuing pandemic risk.** As COVID-19 has slipped out of the headlines — and especially since Spring 2023, when WHO declared an end to the COVID emergency — policymaker and public attention has rapidly shifted away from pandemic PPR, suggesting that the threat has waned and as such is not a near-term priority for additional financing. Yet, pandemic threats are on the rise, in part due to climate change.

- **Climate investments vs health expenditures.** A large part of climate reforms often include investing in infrastructure and energy and therefore may be seen as investments that will bolster economic growth, whereas countries are often reluctant to borrow for pandemic preparedness and health because they view the health sector primarily as an expenditure with high recurring costs. Some countries, such as Vietnam, even have laws that prevent them from borrowing for recurrent expenses. Yet, this belies the wealth of global evidence of the macro criticality of PRR and health investments. Investing in health and PPR are key drivers of economic growth. The return on investment from preventing future outbreaks from spreading and ensuring the world is equipped to respond to the next pandemic threat is immense. Economists Ruchir Agarwal and Gita Gopinath have estimated global economic losses of at least US$14 trillion from the COVID pandemic through 2024.

Financing needs to be accessible to more countries
To qualify for support from the RST, countries need to present a package of policy reforms, already have an IMF-supported program with upper credit tranche (UCT) quality policies, and show they can repay the loan. These requirements are problematic for many of the most vulnerable countries. Only 26 countries currently have an UCT program with at least 18 months remaining. The IMF should consider how to make RST financing accessible to more developing countries, given the RST's targeted purpose to help countries address unprecedented global challenges and externally driven risks. This may also increase the RST absorbing capacity, which is limited under the current rules, questioning the rationality of current plans to expand the RST envelope.

Recommendations

What should the IMF do?

- Work with WHO and the World Bank to urgently develop guidelines on pandemic PPR to help identify measures to be included in RST-supported programs, including by exploring the development of guidelines bringing together climate and PPR interventions under the RST, leaving aside unhelpful siloing of highly interconnected global threats.
- Shift the narrative around the RST to include a much stronger focus on pandemic PPR. The RST should be systematically promoted as a key Pandemic PPR financing instrument.
- Adjust RST eligibility requirements to make resources more accessible for vulnerable and debt-distressed countries and incentivize use of the RST for investments in pandemic PPR.

What can other development partners do?

- Advise country officials on pandemic PPR-related reforms.
- Raise awareness of the importance and urgency of investing in pandemic PPR with country partners and frame it as an investment rather than as an expenditure.

What should government officials do?

- Prioritize pandemic PPR in their national development plans and in discussions with the IMF, WBG, and other global development partners for financing.
- Identify opportunities for win-win investments in climate- and pandemic-resilient health systems.

To collaborate on these issues further and to discuss this working document, please contact Isabelle De Lichtervelde.