

Social bonds in response to the Covid-19 crisis: when financial markets save lives

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*“There are more things to admire in men than to despise.”
Albert Camus, La Peste, 1947*

A highly contagious respiratory virus is endangering humanity and our established order. We are fighting an invisible enemy that is far more agile than any army. And everyone is wondering how they can contribute at an individual level, no matter how small or modest the way.

Solidarity and concerted action are certainly what should guide us today as we face this global emergency. Our leaders have failed to anticipate and plan together, despite the intrinsic and observed nature of viral epidemics, which has remained unchanged for as long as humankind has existed. This is part of our human condition and of our life on a ‘viral planet’, as the epidemiologist Peter Piot refers to our world. It is an endless battle.

But now is not the time for regret or controversy, but for action. Today, our healthcare systems and economies are on a wartime footing against the pandemic. The consensus is that the absolute priority is the treatment of Covid-19 patients, and rightly so; the preservation of life takes precedence over all other considerations. As such, the release of almost unlimited financial resources is fully justified, partly to absorb this colossal economic shock.

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And how can we prepare for future wars against the epidemics of tomorrow?

Yes, once the crisis has been somewhat taken in hand, we will have to improve our preparation. We must avoid the deplorable every-man-for-himself attitude initially adopted by countries in Europe and elsewhere that threatens the future of our European project and of humanity as a whole. This means making a commitment to invest in preparing for a pandemic and creating a European and even global 'fire brigade' that can be mobilised, long before the house next catches fire.

During my career, these principles of anticipation, action, solidarity and cooperation at global and European level have never been better illustrated than when I had the privilege of chairing the International Finance Facility for Immunisation ([IFFIm](#)) and raising funds in the financial markets for a noble cause, saving lives through mass vaccination in the world's poorest countries.

What model should we follow or even develop, in view of the current pandemic?

1. *Firstly, act quickly with solidarity and take concerted action.* Mobilise as though in preparation for a war, striving to fight epidemics much more effectively and save lives through vaccination.

[Gavi, the Vaccine Alliance](#), was created in 2000 as a public–private partnership that brings together relevant stakeholders (donor states, the World Health Organization, the United Nations Children's Fund, the World Bank and other international organisations, as well as pharmaceutical firms, the Bill & Melinda Gates Foundation, private philanthropists, non-governmental organisations, etc.) around a single table with the same objectives. No more divisions, procrastination or rivalries, but common decisions for which all the parties share responsibility.

To date, Gavi has helped to vaccinate more than 750 million children routinely and in response to epidemics in the world's poorest countries, and more than 13 million lives have been saved.

2. *Finance the 'war effort'.* Channel all public and private resources (household savings, retirement funds, insurance funds, etc.) to finance vaccines for children in the poorest countries through donations in addition to loans in the form of Vaccine Bonds from the IFFIm. Investors are winners both financially and socially.

3. *Anticipate epidemics* by stockpiling medicines and vaccines and strengthening health systems. This allows for an immediate response to epidemics.

4. *Finally, fund research into new vaccines for existing and future diseases.* With the help of IFFIm and Gavi, EU member states and the Bill & Melinda Gates Foundation created the Coalition for Epidemic Preparedness Innovations ([CEPI](#)) in 2017. Fortunately, CEPI still exists today and has already committed millions of dollars for research into a Covid-19 vaccine. Much more funding is, of course, required.

How can social bonds help to fund the fight against Covid-19 and future pandemics?

Social bonds have emerged as a key instrument for mobilising private capital for the public good. Like conventional bonds, social bonds offer fixed returns for investors, but the proceeds are used exclusively for social causes, just as green bonds focus on the energy transition and the environment.

IFFIm is credited with producing the world's first social bond in 2006, which increased the availability of vaccines in the world's poorest countries. This bond became the template for the subsequent high-growth green, social and sustainability bonds market, which also requires the use of proceeds to be disclosed.

Social bonds are an attractive investment for worldwide institutional and individual investors looking for a socially responsible investment with a clear, unambiguous purpose and a portfolio diversification opportunity with attractive risk-adjusted returns.

Although the social bond market has been growing fast, it has so far remained a niche sector in terms of volume, with global issuances totalling \$13 billion last year compared with over \$250 billion for green bonds. Despite their relative volume, social bonds address socioeconomic issues that other capital market mechanisms do not.

The Covid-19 response is a social cause that all market participants can agree on. Just as green bonds have fast-tracked reductions in global carbon emissions through the financing of renewable energy projects, social bonds can speed up the pace of economic recovery for sectors affected by the pandemic by maintaining basic services and increasing capacity and efficiency in the provision of healthcare services and equipment and medical and vaccine research.

Over the last few weeks, several social Covid-19 bonds have already been issued by a number of multilateral institutions and public agencies and are already generating significant investor interest, paving the way for more issuances. The stage is now set for social bonds to move from a niche solution to a mainstream one.

This is fully in line with capital markets standards and the Social Bond Principles, as confirmed by the [International Capital Market Association](#) (ICMA), and is contributing to the objectives of the EU's Sustainable Finance agenda. All types of issuers in the debt capital markets can issue a social bond related to Covid-19, provided that all four core components of the Social Bond Principles are addressed and that the proceeds of the bond go exclusively towards addressing or mitigating social issues that can be fully or partially attributed to the coronavirus outbreak. There is no requirement to have previously issued a social bond.

Social bonds projects aim to directly address or mitigate a specific social issue and/or seek to achieve positive social outcomes. The global coronavirus outbreak is a social issue that threatens the well-being of the world's population, especially the elderly and those with underlying health problems. In addition, billions of people around the world are already suffering or will suffer as a result of the economic downturn and social isolation brought on by

the pandemic. Relevant projects could be undertaken by various industries and sectors with the aim of mitigating social issues related to Covid-19 and achieving positive social outcomes, especially for the relevant target populations, which in this case may also include members of the general population affected by the crisis.

Illustrative examples of eligible social projects include expenditure related to Covid-19 aimed at increasing the capacity and efficiency of healthcare services and equipment; medical and vaccine research; small to medium-sized enterprise loans that support employment generation in affected small businesses; and projects specifically designed to prevent and/or alleviate unemployment stemming from the pandemic. The general population is likely to be affected by the pandemic, including by any resultant socioeconomic crisis, and social bonds, while seeking to achieve positive social outcomes for target populations, may also serve to address the needs of the general population.

Sovereigns are likely to represent an important segment of such issuances, given that this is already the case in the funding of climate-related expenditure through green bonds.

In addition, high-income countries could channel grants through a social bond structure backed by such grants, which would enable resources to be quickly front-loaded from the capital markets.

As mentioned, such a mechanism already exists in the form of IFFIm Vaccine Bonds. IFFIm's unique financing model as an AA-rated supranational institution for global health is built upon partnerships between donor countries, private investors, the World Bank and Gavi. IFFIm receives long-term, legally binding pledges from donor countries, with a total of \$6.5 billion in donor contributions over more than 30 years from the governments of Australia, Brazil, France, Italy, the Netherlands, Norway, South Africa, Spain, Sweden and the United Kingdom.

With the help of the World Bank, which acts as its treasury manager, IFFIm turns these pledges into Vaccine Bonds. Money raised via Vaccine Bonds provides immediate funding for Gavi's immunisation programmes. Therefore, Vaccine Bonds offer a unique benefit to donors by putting their pledged contributions to work immediately. While sovereign and other donors support Gavi's work through annual tranches, or instalments, IFFIm's Vaccine Bonds help Gavi raise money more quickly, harnessing the power of capital markets. IFFIm is also funding CEPI's vaccine research and development efforts. IFFIm has thus leveraged donor pledges and has nearly doubled Gavi's funding for immunisation programmes in its initial operational years.

Concluding remarks

Clearly, funding must be rapidly mobilised from all sources in the fight against Covid-19 and in the race to contain the resulting economic fallout and build resilience against future shocks.

Fortunately, an international response is gathering pace. At the [Extraordinary G20 Leaders' Summit](#), it was agreed to establish a global initiative on pandemic preparedness and response to "act as a universal, efficient, sustained funding and coordination platform to accelerate the development and delivery of vaccines, diagnostics and treatments."

Already, a group of global health institutions has launched a landmark global collaborative effort focused on the accelerated development and production of essential new Covid-19 health technologies and maintaining equitable global access to them. The group includes the WHO, the Bill & Melinda Gates Foundation, CEPI, Gavi, the Vaccine Alliance, the Global Fund, Unitaid, the Wellcome Trust and the World Bank.

In response to the health actors' calls for joint action, the European Union is taking a collaborative approach and is hosting a pledging effort with the aim of raising \$7.5 billion.

Overall, developing a Covid-19 vaccine that is available to everyone worldwide is a critical priority for bringing the pandemic to an end. A Covid-19 vaccine that is developed, licensed, manufactured and delivered on a global scale in 12 to 18 months would be an unprecedented achievement. A vaccine to halt the coronavirus pandemic could even be available as early as this year for vulnerable groups such as healthcare workers.

Strong global collective action is critical to achieving this goal and ending the pandemic.

Social bonds are poised to play a crucial role in these endeavours. Indeed, in addition to direct contributions by governments and philanthropists, innovative finance mechanisms should be used to fund Covid-19 vaccines and health solutions.

IFFIm Vaccine Bonds have shown that public and private money is available in the global financial markets to invest in an urgent and just cause – it has to be allocated in the right way.

Let us show that the nations of the world and all types of stakeholders, including investors, can come together at this time to make a real impact and fight for a common cause.

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