

Approaching 10 years, IFFIm looks back — and ahead



Gavi/Evelyn Hockstein

On 7 November 2006, the International Finance Facility for Immunisation, or IFFIm, issued its first vaccine bond for US\$ 1 billion.

It was an important moment not only for IFFIm, which started out as a pilot program for a bigger international finance facility (IFF) designed to support all of the Millennium Development Goals. It was a big moment also for the future of innovative finance for development.

Since its inception, IFFIm has disbursed US\$ 2.5 billion to support Gavi vaccine purchases and deliveries to 71 developing countries and provided approximately one third of Gavi’s funding over this period.

By converting long-term donor pledges into immediately available funding, IFFIm gives Gavi the nimbleness to respond to the current and urgent needs of developing countries, which in

turn can vaccinate their children sooner rather than later and at ages when the vaccines will be most effective.

IFFIm has also helped Gavi pursue one of the goals it was built for: to strengthen the predictability and stability of the global vaccine market. That has given manufacturers greater confidence to produce a larger and more reliable global supply of vaccines than before and made vaccines more affordable for low-income countries.

Meet Doris Herrera-Pol, IFFIm’s newest board member

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This predictability, says IFFIm Board Chair René Karsenti, has not only meant more money for health, but more health for the money.

IFFIm has also proven over the last decade that capital markets can play an important role in addressing pressing social, economic and health needs in developing countries. It has shown investors that by doing good through socially responsible investments like vaccine bonds they do not sacrifice their twin desire for good monetary returns.

IFFIm's bond buyers can take satisfaction that they "are as responsible for IFFIm's success in helping to reduce child mortality in the world as are the donor governments that have contributed to immunisation campaigns for decades," says Doris Herrera-Pol, an IFFIm board member, who was present at its creation when she was a senior official at The World Bank.

Not only has IFFIm made the case for socially responsible investing, Karsenti adds, "it has contributed to the development of this market."

Looking ahead

IFFIm's traditional role is to provide frontloaded support for the scale-up of new vaccines and long-term funding predictability, as laid out in Gavi's 2016 to 2020 strategy. In collaboration with the Gavi Secretariat, The World Bank and donors, the IFFIm board is also evaluating new ways to apply its financing capacity to other needs. Potential future IFFIm roles could include: more directly supporting Gavi's market-shaping activities and Cold Chain Optimisation Platform; and providing the capacity to rapidly raise funding to help Gavi respond to disease outbreaks, should Gavi decide to play an active role in this area.

IFFIm's past track record of success and problem solving gives it credibility to make way for these new approaches, which can further transform global vaccine and immunisation campaigns in the coming decades as it has since 2006.

"Investors in IFFIm's Vaccine Bonds have joined many donor governments to significantly reduce child mortality by helping finance Gavi immunisation programmes around the world. They have blazed an exciting and important new trail in the area of socially responsible investing."

Dr. Seth Berkley
Gavi CEO

What is IFFIm?

The International Finance Facility for Immunisation (IFFIm) was initiated in 2006 to rapidly accelerate the availability and predictability of funds for immunisation. IFFIm uses government pledges to support the issuance of "Vaccine Bonds" sold to institutional and individual investors. The money supports vaccine programmes of Gavi, the Vaccine Alliance, a public-private partnership that works to save children's lives and protect people's health by increasing access to immunisation in developing countries. The World Bank is IFFIm's treasury manager. IFFIm's donors comprise Australia, France, Italy, the Netherlands, Norway, South Africa, Spain, Sweden, and the United Kingdom.



Gavi, the Vaccine Alliance

is a public-private partnership committed to saving children's lives and protecting people's health by

increasing equitable use of vaccines in lower-income countries. The Vaccine Alliance brings together developing country and donor governments, the World Health Organization, UNICEF, the World Bank, the vaccine industry, technical agencies, civil society, the Bill & Melinda Gates Foundation and other private sector partners. Gavi is funded by governments (Australia, Brazil, Canada, Denmark, France, Germany, India, Ireland, Italy, Japan, the Kingdom of Saudi Arabia, Luxembourg, the Netherlands, Norway, the People's Republic of China, Republic of Korea, Russia, South Africa, Spain, the State of Qatar, the Sultanate of Oman, Sweden, United Kingdom, and United States), the European Commission, Alwaleed Philanthropies, the OPEC Fund for International Development (OFID), the Bill & Melinda Gates Foundation, His Highness Sheikh Mohamed bin Zayed Al Nahyan and Majid Al Futtaim, as well as private and corporate partners (Absolute Return for Kids, Anglo American plc., the A&A Foundation, The Children's Investment Fund Foundation, Comic Relief, the ELMA Vaccines and Immunization Foundation, The International Federation of Pharmaceutical Wholesalers (IFPW), the Gulf Youth Alliance, JP Morgan, "la Caixa" Foundation, LDS Charities, Lions Clubs International Foundation, UPS and Vodafone. www.gavi.org



The World Bank is like a cooperative, made up of 189 member countries. The World Bank's goals are to

(i) end extreme poverty at the global level within a generation and (ii) boost shared prosperity. The World Bank is also the treasury manager for IFFIm. In that capacity, the World Bank, as IFFIm's agent, manages IFFIm's finances according to prudent policies and standards. This includes IFFIm's funding strategy and its implementation in the capital markets, rating agency and investor outreach, risk and investment management. The World Bank also coordinates with IFFIm's donors and manages their pledges and payments as well as IFFIm's disbursements for immunisation and health programmes through Gavi, the Vaccine Alliance. www.worldbank.org

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IFFIm issues second Sukuk, raises US\$ 200 million



Gavi/Doune Porter

As part of a global movement toward more socially responsible investing, IFFIm tapped the Islamic finance market with its second Sukuk, which was issued in September 2015 and raised US\$ 200 million for immunisation campaigns. The three-year Sukuk — a financial certificate that complies with Islamic financing principles — provides institutional investors with a socially responsible investment that will help fund Gavi's life-saving mission of protecting millions of children against vaccine-preventable diseases.

It followed the same successful path of IFFIm's inaugural Sukuk, which raised US\$ 500 million in November 2014 and was the first ever for a charitable purpose.

In recognition of this breakthrough in innovative finance, IFFIm received six prestigious awards: the Financial Times' Achievement in Transformational Finance Award, Islamic Finance News' Social Impact Deal of the Year 2014, EMEA Finance's Best Supranational Sukuk, Euromoney's Innovation in Islamic Finance, the Asset's Best Sukuk for Social Good, and Global Finance's Islamic Deal of the Year.

The second issue, maturing on 29 September 2018, carries a quarterly coupon of 14 basis points over the three-month USD LIBOR. The Sukuk was 1.6 times oversubscribed. The regional distribution of investors was 65% in the Middle

East, 18% based in Asia and 17% in Europe. Banks took 78%, and central banks and official institutions took 18%, and fund managers 4%.

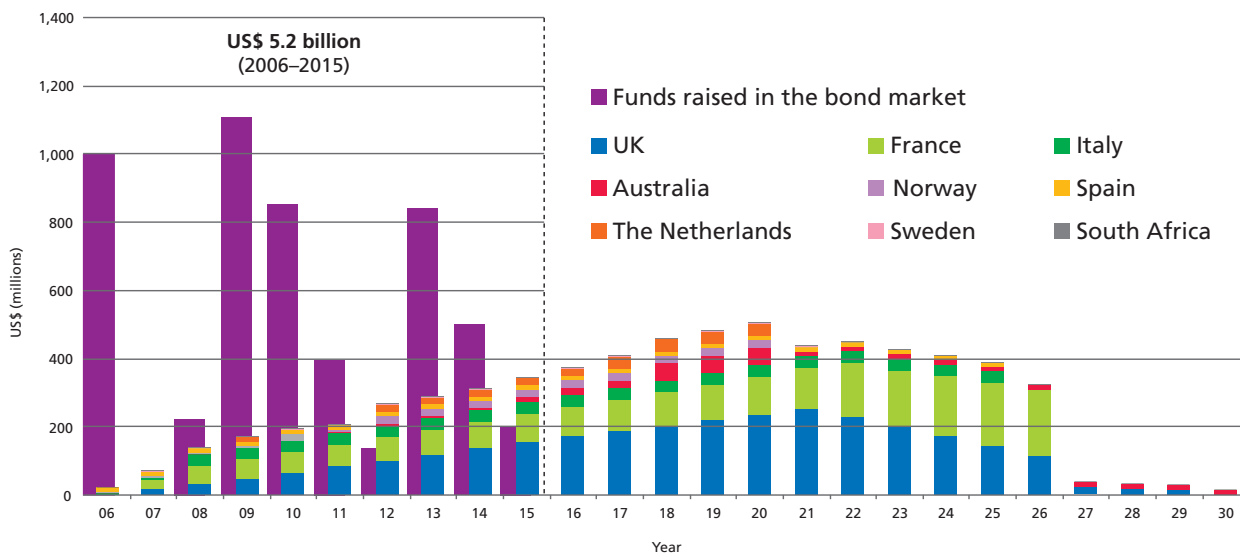
While the marketing of the debut Vaccine Sukuk had largely involved introducing traditional Sukuk investors to the concept of socially responsible investing, the issuer made a concerted effort during the second Sukuk to introduce the product to conventional socially responsible investors. In many cases, those investors were considering a Sukuk for the first time.

"This offering from IFFIm provided the right opportunity for us to invest in a Sukuk structure for the first time," said Justin Eeles, Senior Partner, Head of Portfolio Management, at Affirmative Investment Management.

The Sukuk was coordinated by Standard Chartered Bank, working with joint lead managers Emirates NBD Capital Limited (Dubai), Maybank Kim Eng (Maybank), National Bank of Abu Dhabi (NBAD) and NCB Capital Company (NCB Capital).

IFFIm Board Chair René Karsenti explains, "Proceeds from this transaction will support the life-saving work of Gavi, the Vaccine Alliance in our world's poorest countries. We hope that this will pave the way for more socially responsible investing in the Islamic Market in the future."

IFFIm issues bonds based on long-term pledges



*Note: Also includes new pledges made to IFFIm by France, the Netherlands, and Australia at the Berlin pledging conference in January 2015. The total amount of donor commitments to IFFIm including new pledges is ~US\$6.5 billion.

Senegal spotlight: IFFIm's impact on penta, pneumo and HSS

Senegal, a West African country of more than 15 million people, has improved the health outcomes of its most vulnerable children by making life-saving vaccines more accessible, reaching the poorest and often least accessible communities in record time.

With a total of more than US\$ 18 million in Gavi funding through IFFIm since 2007, Senegal has become one of the countries to receive significant support for the five-in-one pentavalent and pneumococcal vaccines, as well as for health system strengthening (HSS).

Pentavalent has been introduced successfully in all Gavi countries, which underlines the dramatic impact of Gavi's work in increasing access to life-saving technologies. The "penta" vaccine protects children against five life-threatening diseases; diphtheria, tetanus and pertussis (DTP), as well as hepatitis B and *Haemophilus influenzae* type b (Hib). Senegal has received more than US\$ 10 million for penta vaccines through IFFIm funds since 2007.

Another US\$ 5 million of IFFIm's funds for Senegal went towards the pneumococcal vaccine. It protects children from pneumococcal disease, which is the leading cause of pneumonia, a disease that kills approximately a half million children globally each year — more children than AIDS, malaria, and measles combined. In total, IFFIm has provided more than US\$ 203 million towards Gavi's pneumococcal vaccine program since 2006.

"Diseases that can be prevented by vaccination no longer cause epidemics throughout Senegal," said IFFIm Director Fatimatou Zahra Diop, who is from Senegal. "Neo-natal tetanus has been eliminated and measles is in the process of being

eliminated thanks to vaccination supported by Gavi and other actors."

About 40 countries on three continents have received IFFIm support for pneumococcal vaccines, which will help prevent more than 1.5 million deaths by 2020. WHO/UNICEF estimated that after the introduction of the pneumo vaccine in Senegal in 2013, the country achieved an astonishing coverage level of 81% vaccinated, reaching more than 536,000 children in just the first year after introduction.

In the area of Health System Strengthening, IFFIm enabled Gavi to fund US\$ 2.5 million to Senegal.

However, one of the cornerstones of the Gavi development model is that support is time limited and catalytic, and support for countries diminishes and ultimately ends as their economies grow. As such, it is important to ensure that countries successfully transition from Gavi's financial support and can sustain and continue to improve the performance of their immunisation programmes.

In this context, AFRIVAC, a nonprofit organization for which Fatimatou Zahra Diop is Vice President, was founded with the mission to establish a strong local public-private partnership to support national immunisation budgets and better prepare countries in Africa to sustain their vaccination programmes once they have transitioned from Gavi support.

Overall health improvements in Senegal may have helped boost its economy as well. In 2016, Standard & Poor's projects, Senegal's economic growth will average 6.6% from 2016 to 2019, a significant lift from an average of 3.5% in the 2011 to 2014 time period.



Gavi/PATH/Ricky Shryock

"There has been a definite improvement in terms of health, which necessarily improves the economy, since the diseases avoided through vaccination had a high cost to households and the State: hospitalisation of sick children and parents' absence from work (at the office, in the fields or elsewhere) to take care of children stricken by diseases that could have been prevented just through vaccination."

Awa Marie Coll-Seck
Minister of Health in Senegal and former
Gavi Board member

IFFIm helps make vaccines more affordable



Gavi/Doune Porter

In general, when vaccine prices are lower, more children can be immunised with a set amount of resources. Achieving low and sustainable vaccine prices for Gavi-eligible countries has always been part of the Vaccine Alliance strategy, ensuring the financial sustainability of vaccines once countries transition from Gavi support.

By aggregating country demand for new vaccines and pooling predictable financing from donors, Gavi has transformed the global vaccine market. Long-term funding commitments provide the secure basis for countries to adopt vaccine programmes, and for manufacturers to make new investments in production capacity. Greater demand attracts more suppliers and increases healthy competition, resulting in lower prices and a more stable supply of appropriate vaccines.

In 2006, IFFIm was designed as a vehicle to frontload international aid for immunisation programmes. This frontloading capability has been a key feature of the facility, increasing

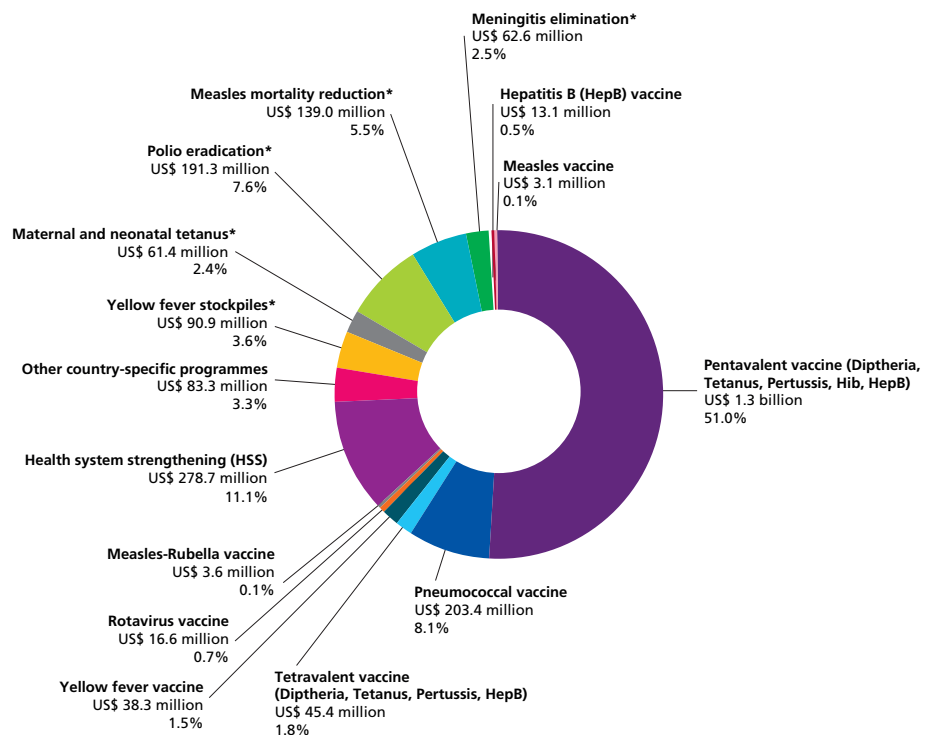
Gavi's operational efficiency and providing the organisation with the flexibility to use funds when they are needed most. This innovative instrument has also delivered several other important benefits to Gavi. Through its predictable and flexible funding, IFFIm has been able to support Gavi's long-term market-shaping activities, while allowing Gavi to more efficiently provide funds when needed for vaccine and immunisation programmes in Gavi-supported countries.

IFFIm addresses not only the constraints of high vaccine prices and irregular supplies by frontloading resources, it also provides predictable resource flows that help to increase market volumes, attract new investment in vaccine research and production, and improve market stability. In this way, IFFIm has helped Gavi save lives faster and at a lower overall cost than funding solely through traditional aid programmes.

Gavi programmes funded by IFFIm

As of July 2016, IFFIm had disbursed more than US\$ 2.5 billion to support vaccine purchase and delivery to 71 developing countries. This has accounted for approximately one third of Gavi's programme funding over the 2011 to 2014 period.

IFFIm has been instrumental in helping Gavi fund breakthrough vaccines quickly and securely. For instance, IFFIm financed more than 90% of Gavi's promised payment to UNICEF to secure initial doses of pentavalent, a single shot of which immunises against five infectious diseases: diphtheria, tetanus, pertussis, *Haemophilus influenzae* type B (Hib) and hepatitis B.



*One-time tactical investments in disease prevention and control ("Investment cases").

IFFIm supports health system strengthening in Pakistan and Nepal

Health system strengthening (HSS) is one essential part of IFFIm's financial support for Gavi. Stable and strong health systems help deliver and scale up new vaccines and improve immunisation coverage and equity.

Gavi, the Vaccine Alliance, supports the world's poorest countries where health system conditions can vary. Weak health systems represent a significant obstacle to successfully improving routine immunisation coverage. Many factors contribute to weak health systems: inadequate infrastructure, a dearth or lack of trained healthcare workers, an interruption in the supplies of essential commodities, a lack of data to track progress and inadequate facilities to store vaccines throughout the supply chain.

In some Gavi-supported countries, a mother will walk hours in the heat with her newborn child only to be sent home because no trained health worker is available to administer vaccines. The facility can run out of syringes, or a power outage jeopardizes the vaccine cold chain.

Pakistan is one of the countries that has received HSS funds provided to Gavi by IFFIm — more than US\$ 16 million. These funds are invested in different areas of the health system to make program management, human resources, finance, logistics, service delivery, monitoring and advocacy more efficient.

Gavi works with countries to develop objectives for each area and supports them to implement activities funded by IFFIm. In order to increase program management performance, for instance, Gavi helps strengthen effective and efficient management structures at national and sub-national levels. In the area of human resources, training and distribution of qualified staff is provided for the immunisation program. In order to guarantee the uninterrupted supply of vaccines to immunisation service delivery, Gavi expands the medical warehouse capacity among other activities.

Another example of IFFIm's impact through HSS is **Nepal**. In April 2015, Nepal was shaken by a devastating earthquake that killed approximately 8,000 people and injured more than 21,000. In the aftermath, the country's healthcare system



Gavi/Oscar Seykens

was strained to the limit. Within days, Nepal managed to resume regular immunisation services. From a hospital in Kathmandu to clinics in the Himalayas, Nepalese national health officials were on the front lines of the disaster, working efficiently and quickly to help people in tents and damaged health facilities.

"It's really impressive and amazing that Nepal as a country could so rapidly resume their health services including immunisation services," said Tomoo Hozumi, UNICEF Representative to Nepal. He explains that Nepal's disaster management was based on strong leadership, action and coordination by the Ministry of Health. This success was only possible due to a stable health administration that had received over US\$ 6 million of funds from IFFIm since 2008.

A growing recognition of IFFIm as model for other development sectors



As a vehicle to strengthen the financing of vaccines for poor countries around the world, IFFIm's contributions have been extraordinary.

But, as if that were not enough, IFFIm has been much more: an inspiration to other sectors seeking innovative and reliable ways to secure more funding for critical human needs. It has proven to the world that it's possible to harness the power of capital markets to support progress in global health and other development sectors.

Especially with the more ambitious mandates of the Sustainable Development Goals and with the growing demand for innovative development finance, more than a few leaders are closely examining IFFIm. Indeed, within the last year alone, there have been a number of important references to the IFFIm model as something other sectors can — and perhaps should — emulate to pursue other goals.

Perhaps most prominently, a strong endorsement of IFFIm emerged from the **Third International Conference on Financing for Development**, held in July 2015 in Addis Ababa, Ethiopia. There, high-level country, NGO, business and institutional leaders adopted a far-reaching resolution that singled out IFFIm as a tool that can transform other sectors in the way it has global vaccine and global change programmes.

"We encourage consideration of how existing mechanisms, such as the International Finance Facility for Immunisation, might be replicated to address broader development needs," the Addis Ababa Action Agenda declared. "We also encourage exploring additional innovative mechanisms based on models combining public and private resources such as green bonds,

vaccine bonds, triangular loans and pull mechanisms, and carbon pricing mechanisms."

When the United Nations convened its June 2016 **High-Level Meeting on Ending AIDS**, the attendees endorsed a political declaration

that included a commitment to "increasing and fully funding the AIDS response from all sources, including from innovative financing." The declaration pointed to IFFIm as a concrete example of what it had in mind.

In May 2016, at this year's **Women Deliver Conference**, a triennial gathering aimed at improving the health, rights and well-being of girls and women around the globe, IFFIm and Gavi leaders participated in a well-attended panel discussion on innovative finance.

The panelists — including Gavi Board Chair Dr. Ngozi Okonjo-Iweala and IFFIm Board members Doris Herrera-Pol and Christopher Egerton-Warburton — discussed how social investments, including successful social-impact bond mechanisms such as IFFIm, have contributed to solving social problems. The event underlined Gavi's position as a pioneer in accessing new resources for development while demonstrating the results over the past 15 years, and it educated attendees about the role IFFIm has played in that record of achievement.

Also, in a February 2016 Op-Ed article distributed to media outlets around the world by Project Syndicate, the investor and philanthropist George Soros pointed to IFFIm as an example of successful "surge funding" for needs such as the international refugee crisis.

Soros wrote that IFFIm, which "borrows against future government contributions to immunisation programmes, has raised billions of dollars over the past several years to ensure that vaccination campaigns are successful as soon as possible. In the long run, this is more effective than spending the same amount of money in yearly installments. IFFIm provides a convincing precedent for the current crisis."

IFFIm leadership has recognized since its inception that the IFFIm model could be transferable to other areas. Indeed, as Board Chair René Karsenti points out, IFFIm has been in discussions recently with leaders in sectors such as hygiene and sanitation, education and responses to climate change to advise how they might adopt the IFFIm model for their own needs.

"We feel we have a responsibility to share our know-how with others outside of vaccines and immunisation," Karsenti says.



Third International Conference on Financing for Development

A lifetime in development finance

IFFIm's newest board member, Doris Herrera-Pol



At the age of 16, Doris Herrera-Pol got a job working in the development bank in the Dominican Republic, where she grew up. After a dictatorship that lasted over 30 years, and a divisive civil war in the 1960s the Dominican economy had started thriving in the 1970s.

There was a shortage of professionals with economics, business, accounting and law degrees. The universities thus offered all these degrees at night so students could work during the day and attend school in off hours. Doris did just that. Two years later, she moved to the Dominican Central Bank, working regular daytime hours while studying and helping her mother with business translations in the evenings. Doris's mother, who had a long and prominent career at the American Chamber of Commerce of the Dominican Republic, made sure that, from a very early age, Doris learned English and French.

When Doris started to work, she was young, but no novice. She had absorbed a passion and understanding for economics from her father, Rafael Herrera Cambier. He was dean of the first faculty of economics at Universidad Autonoma de Santo Domingo, later the founding director of the school of economics at the Universidad Nacional Pedro Henriquez Ureña, as well as the head of an agro-industrial development fund set up with the support of The World Bank and Inter-American Development.

"I didn't of course understand everything he said when he talked about his work," she now recalls. "But it all sounded both alluring and intriguing to me." And it set the foundation for her eventual career in development finance. After getting a master's degree in international business and finance at McGill University with a scholarship from the central bank, Herrera-Pol went back to the Dominican Republic, where she helped negotiate the country's sovereign debt obligations during the Latin American debt crisis. She later went on to the World Bank, where she rose through the ranks over her three-decade career.

Among her many roles at the World Bank, Doris helped launch IFFIm in 2006. Since then, she has been a big IFFIm champion. So it's no surprise

that, following her retirement from the World Bank in late 2015, Doris joined the IFFIm board of directors.

IFFIm, she says, allows donor governments to accelerate the impact of vaccination through a flexible funding mechanism. "It provides donor governments with a way to spread their contributions over time, yet still provide immediate support to the global health agenda."

As the Director and Global Head of Capital Markets for the last eight years of her tenure at the World Bank, Doris saw firsthand how appealing IFFIm has become among global investors.

She observes that 15 or 20 years ago the term "socially responsible investing" connoted to investors that they should expect to give up some portion of their returns if they wished to support important social goals. But that has changed.

"Over the last 10 years," she says, "there has been a growing realization among mainstream investors that you can do well with your investments as you also do good."

She also sees an expanding interest among investors in social purpose sectors that would also benefit from frontloaded funding, as Gavi does from IFFIm.

In retirement, Doris has taken a short break away from the punishing schedule of a senior World Bank position, spending more time with her grown children in the U.S., her husband Jaime, who also works at The World Bank, both their mothers, and other relatives in the Dominican Republic.

But, as she puts it, "I am not one to sit still for long." So she continues to draw on her passion for using finance to help countries tackle development challenges and enable people to live better, healthier and more prosperous lives.

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