

INDEPENDENT REPORT CONFIRMS:

IFFIm strong and well-managed with 'extremely good development returns,' transforming GAVI into 'major player' in international health



GAVI/TORRICARDO GANGALE

IFFIm works well and has saved many additional lives and money, helping "transform GAVI from a niche actor into a major player in international health."

That's the conclusion of a well-respected, health care consulting firm in a new, independent evaluation of IFFIm.

"This evaluation positively affirms what we have long known: IFFIm is a success," says Alan Gillespie, Chair of the IFFIm Board of Directors. "IFFIm raises capital efficiently, makes good use of frontloading and is a strong vehicle for further donor investment."

The evaluation, by London-based HLSP and commissioned by GAVI at the request of the IFFIm board of directors, describes the model under which IFFIm operates as "proven" to be a low-cost, efficient way to help achieve the UN Millennium Development Goals by improving global health and achiev-

ing predictability in global health funding. The report also notes that IFFIm can be credited with saving at least 2.75 million lives.

"The case for further investment through IFFIm is strong," HLSP notes, adding that IFFIm's funding and liquidity have been "managed extremely well" by its treasury manager, the World Bank, resulting in a positive carry, earning more on its liquid assets than it pays to borrow. "IFFIm funds have been spent on activities which have delivered, or seem likely to deliver, extremely good development returns."

HLSP estimates that — under the most conservative analysis — IFFIm's benefit-cost ratio is at least 3.5:1, meaning that it delivers more than three times the value of each dollar spent. And given that GAVI has achieved this under "extremely difficult settings" in the poorest nations, HLSP notes that the benefit-cost ratio could be as high as 19.5:1.

continued on page 8

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 sells bonds on the capital markets to raise funds for the GAVI Alliance, a public-private partnership which works to save children's lives and protect people's health by increasing access to vaccination in developing countries. The World Bank is IFFIm's treasury manager. IFFIm has been rated AAA /Aaa /AAA by Fitch Ratings, Moody's Investor Service and Standard & Poor's, based on support from the United Kingdom, France, Italy, Spain, Australia, the Netherlands, Sweden, Norway and South Africa.

IFFIm raises US\$ 3.4 billion for immunisation

Since 2006, IFFIm has raised US\$ 3.4 billion to help save lives by supporting health and immunisation programmes in the poorest countries.

IFFIm bonds have proven popular with investors looking for investment products from high credit quality issuers and social investing opportunities. In particular, Japanese retail investors continue their strong support for GAVI through purchases of "Vaccine Bonds," with the latest offering in March 2011 securing an additional US\$ 225 million.

Since June 2010, IFFIm has raised more than US\$ 754 million overall. Specifically, the issuances were managed by:

- **HSBC Japan:** with a multi-tranche transaction: BRL 103 million, ZAR 430 million, AUD 17 million (in total, US\$ 100 million equivalent)
- **TD Securities:** AUD 35 million (US\$ 34 million equivalent)
- **CBA and RBC:** AUD 400 million (US\$ 395 million equivalent)
- **Daiwa Securities:** BRL 371 million (US\$ 225 million equivalent)

"The work of these partner institutions in placing more than US\$ 754 million worth of IFFIm's bonds in the past 12 months — and more than US\$ 1 billion since 2010 — is having a meaningful impact in GAVI's work," says David Ferreira, Managing Director for Innovative Finance at GAVI, which includes IFFIm.

These successful issuances came after earlier *uridashi* offerings that now bring the total amount raised by IFFIm in Japan to the equivalent of more than US\$ 1.5 billion.

"Japanese investors are keen to help people living in the poorest countries," says Susan McAdams, Director of Innovative Finance at the World Bank, which serves as IFFIm's treasury manager.

There has been a significant increase in interest among Japanese investors toward Socially Responsible Investment (SRI) bonds, explains Ken Tatsuzawa, CEO of HSBC Securities. Demand has grown for investment products that offer not only a financial return but also that make a contribution to society.

"Going forward, I believe that we will be able to gain even more support from distributors nationwide as they further embed such socially responsible offerings into their businesses. We very much look forward to supporting IFFIm in the future." Tatsuzawa says.



David Ferreira,
Managing
Director for
Innovative
Finance at
GAVI

GAVI/BJAY LOUVION



The **GAVI Alliance** is a unique partnership of public and private sector actors with a single, shared focus: to improve child health in the poorest countries by extending the reach and quality of immunisation coverage within strengthened health services.

GAVI's partners include UNICEF, WHO, the World Bank, civil society organisations, public health institutions, donor and implementing country governments, the Bill & Melinda Gates Foundation, other private philanthropists, vaccine industry representatives, IFFIm, the financial community and others whose collective efforts and expertise are enabling much greater progress to be made in this field than ever before.



The **World Bank** is treasury manager for IFFIm. In that capacity, the World Bank 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, hedging transactions and investment management. The World Bank also coordinates with IFFIm's donors and manages their pledges and payments as well as disbursements for immunisation and health programmes through the GAVI Alliance.

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IFFIm funds help global effort to eradicate polio virus

Deep in the heart of Africa, where the once war-torn nations of the Democratic Republic of Congo (DRC) and Rwanda converge, polio may meet its final end.

In the cities of Goma and Bukavu, teeming with refugees determined to save their children from war and disease, GAVI has partnered with UNICEF, WHO, the Bill & Melinda Gates Foundation and others, to eradicate polio once and for all. IFFIm contributed by making a US\$ 191 million investment that has helped slash incidence of the disease.

"I tell other women in my neighbourhood to vaccinate their children under the age of five," says Mama Eugenie, a mother of seven who lives on the outskirts of Bukavu. She participated in the first round of a campaign that aims to vaccinate one million children against polio in eastern DRC, and 23 million throughout the nation.

"It is the child's right to be immunised against polio, and the parents' responsibility to ensure that children are vaccinated," offers Jackson Cizungu, a social mobilizer in Bukavu.

The timing of the campaign — part of a global effort supported by IFFIm to eradicate polio — is critical. DR Congo reported more than 100 cases of polio in 2010, with no slowdown in 2011, including several adult cases. Success of the campaign requires comprehensive vaccination in the most remote and inaccessible villages.

"This vaccination will help my daughter to grow up strong and healthy," says Aminata, a young mother in Goma who had her three-year-old daughter vaccinated last spring. "It seems so simple and amazing."

In another campaign in the capital of Kinshasa, children had a finger on their left hand stained with ink to show they were vaccinated, leading to a new form of greeting. "Whenever we asked someone on the street if he or she was vaccinated, they showed us their marked finger," said Barumbu Gentil Mulumba, chief doctor of the Kinshasa Health Zone. "It's like a secret code."

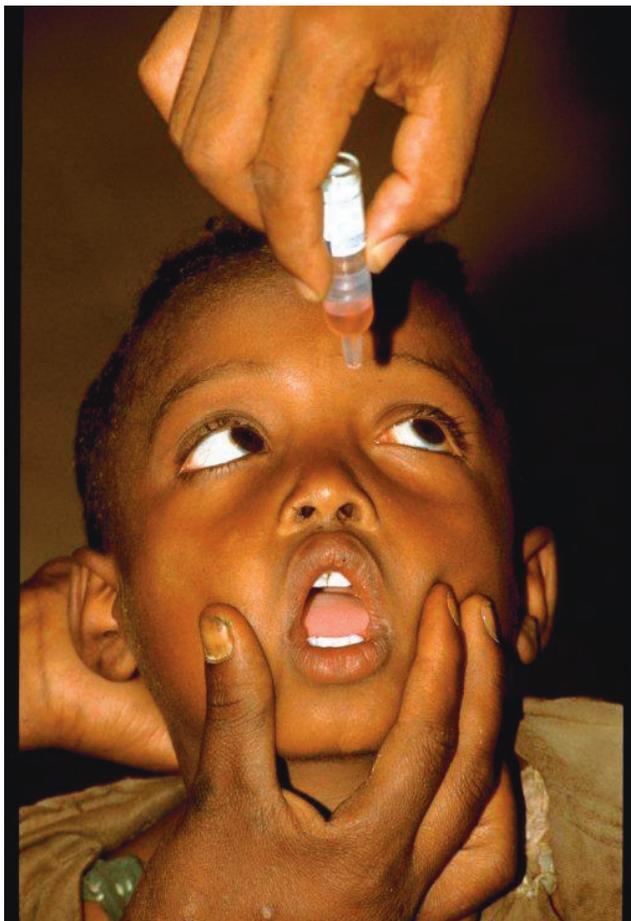
Immunisation campaigns also are underway in neighboring countries to help stop cross-border transmission. The importance of this is seen each day on the ferries with thousands of passengers who cross the Congo River that separates Kinshasa and Brazzaville, capital of the similarly named Republic of Congo.

Republic of Congo has more than 500 suspected cases of polio, with more than 200 deaths, following an outbreak centered in the coastal city of Pointe Noire. There, at the A Cisse Hospital, 24-year-old Tony Boussana has been partially paralyzed by polio. "When I got to the hospital I could still move my arms, but now I can't. I feel completely lost," he says.

The Global Polio Eradication Initiative (GPEI) — a partnership of WHO, UNICEF, the US Centers for Disease Control, Rotary International and national governments — has worked diligently to protect people like Boussana. But when GPEI faced a crisis in 2006, it turned to IFFIm as the only way to finance stockpiling the polio vaccine so suppliers have it available for outbreaks. IFFIm invested US\$ 191 million to help develop and license oral polio vaccine (OPV) products that could be field tested for safety and purchased in bulk.

"Lack of a global vaccine stockpile would mean that each country could have decided to establish and maintain its own national

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GAVI/07/CHRISTINE NESBITT

stockpile,” notes health care consulting firm HLSP, authors of IFFIm’s first independent evaluation. Pooling resources is significantly better. But no donor could fund such an effort. Except IFFIm. “IFFIm was an ideal fit,” HLSP adds. IFFIm now has used 10.9% of its funds on polio eradication. Suppliers have remained engaged, scaled up production and sparked new entrants.

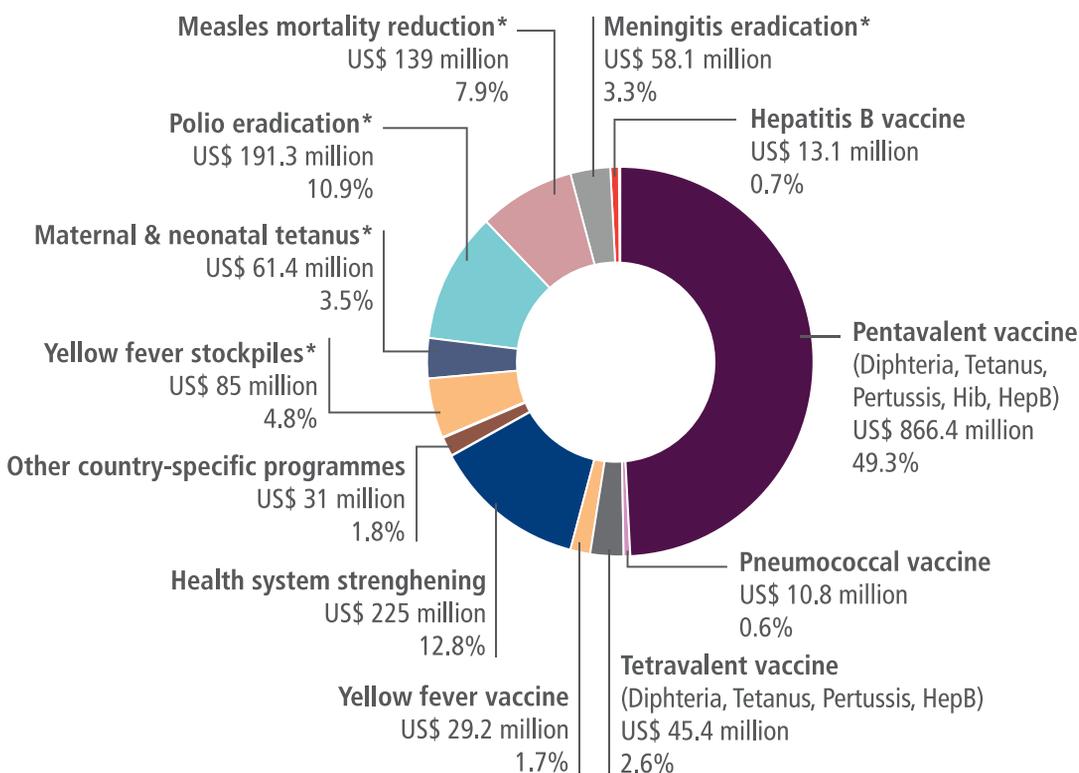
“Knowledge of the stockpile investment has played a significant role in sustaining the sup-

ply of OPV needed to maintain eradication and routine immunisation activities,” HLSP notes, adding that IFFIm funding also was critical to the rapid development and licensing of a new OPV vaccine in 2009. This led to a “striking” 95% decline in cases in Nigeria and India, the elimination of wild poliovirus from all 15 countries re-infected in 2009, and more than an 85% decline in type 3 polio cases globally.

GAVI programmes funded by IFFIm

As of 31 March 2011, IFFIm had approved programmes of US\$ 2.3 billion since inception. Of that amount, US\$ 1.8 billion already has been disbursed to support vaccine purchase and delivery to 70 developing countries. The US\$ 1.8 billion is almost three times as much support than would have been possible had GAVI not had access to the market and relied only on incoming IFFIm donor pledges.

IFFIm has been instrumental in helping GAVI provide vaccines quickly and securely. For instance, IFFIm financed more than 90% of the 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. GAVI could not have made that upfront cash payment, without its ability to rely on long-term, stable funding from IFFIm.



**GAVI disbursements of IFFIm funds
2006-March 2011: US\$ 1.8 billion**

* one-time tactical investments in disease prevention and control (“investment cases”)

IFFIm increases financial efficiency

One of the key but sometimes overlooked benefits that IFFIm has provided has been a remarkable ability to increase the efficiency of donor contributions, says GAVI's David Ferreira, Managing Director for Innovative Finance, which includes IFFIm.

Ferreira, who recently completed his first year at the helm of the Innovative Finance team, has made a strong push to emphasise not just the benefits of frontloading (IFFIm's ability to use long-term pledges for immunisation earlier), but also the fact that long-term commitments help smooth fluctuations in funding for vaccines.

"For GAVI and its partners, the knowledge that money can be made available exactly when it is needed for immunisation programmes, by accessing the bond markets, is incredibly helpful for long-term planning and hence efficiency," Ferreira says. "Because recipients can count on the money, their programming is more efficient. That means there not only is more money for health, but also more health for the money."

IFFIm's legal and governance framework is what makes such long-term funding for health and immunisation programmes possible for many donors, Ferreira explains. IFFIm provides a ready vehicle for long-term pledges that can be monetised through the capital markets.

That is how Australia was able to make a 20-year, A\$ 250 million (US\$ 256 million) commitment in March 2011 that will further strengthen IFFIm's financial base and — through GAVI-funded programmes — benefit health and immunisation programmes in 70 of the poorest countries of the world.

Efficiencies are further gained through IFFIm's partnership with the World Bank, its treasury manager, Ferreira says. The World Bank man-

ages IFFIm's funding strategy, capital markets operations, rating agency and investor outreach, hedging transactions and investment activities. In effect, the market views IFFIm — whose bonds are rated triple A — as having a risk profile similar to other multilateral development agencies. This has provided IFFIm with the ability to raise funds at excellent pricing.

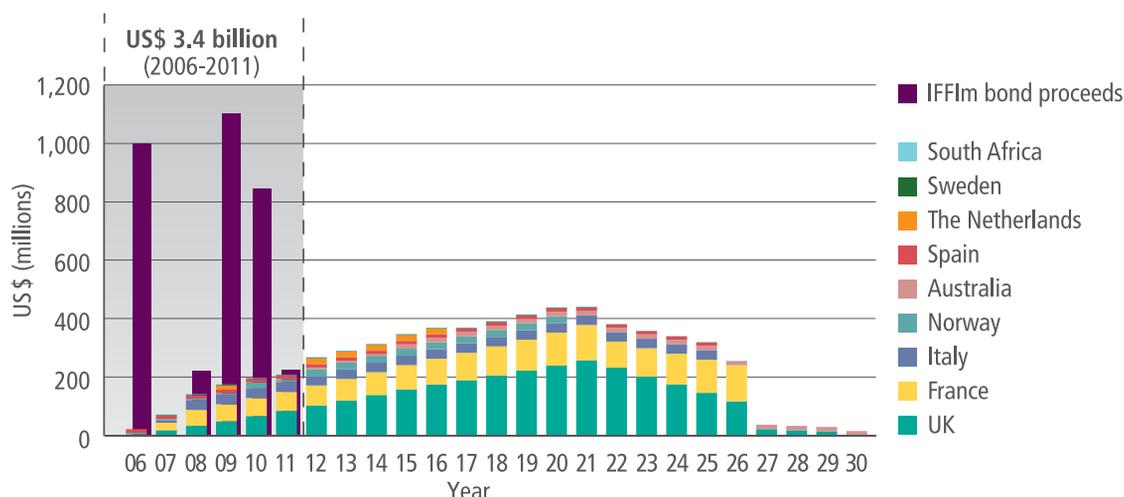
However, IFFIm's positive impact on health and immunisation programmes will dissipate over time without new financial commitments. From 2006-2010, IFFIm provided 64% of GAVI's funding. But this percentage will decline to about 23% from 2011 to 2015, and to 6% from 2016 to 2020, if no new pledges are added.

That is why GAVI is strongly encouraging current and potential donors to consider new pledges to support health and vaccine programmes, through IFFIm. "This not only will increase GAVI's programmatic strength, but it also will reduce IFFIm's reliance on a fairly narrow range of generous donors and help it raise funding at very low cost," Ferreira says.

For donors, IFFIm's strong performance as a borrower in the markets has brought positive visibility to their decision to support global health initiatives. Similarly, IFFIm's continued credit strength offers significant long-term value to donors. Low borrowing costs translate into increased resources for immunisation.

"IFFIm has proven to be a win-win-win development tool," Ferreira says. "It provides investors with a solid financial investment that helps save lives. Donors match their cash flows with their financial capacity. And, most important, the world's poorest countries receive life-saving vaccines to protect their children from disease and help them live productive and healthy lives."

IFFIm issues bonds based on long-term donor pledges



Australia becomes IFFIm's 9th donor with pledge of A\$ 250 million

Australia became IFFIm's ninth donor in March 2011, pledging AUD 250 million (US\$ 256 million) over 20 years in support of children's vaccination programmes.

The agreement was signed by Foreign Minister Kevin Rudd in Canberra.

"GAVI has achieved outstanding results in the last decade, giving children in the developing world access to immunisation to ensure survival into adulthood," Mr. Rudd said.

Total contributions to IFFIm now total US\$ 6.3 billion over 23 years, with the money used to help GAVI immunisation programmes worldwide.

"Australia's contribution exemplifies its strong leadership and commitment to helping save children's lives globally," says IFFIm Chair Alan Gillespie. "The funds raised by IFFIm, with Australia's help, are enabling GAVI to double its spending on immunisation programmes."



GAVI Interim CEO Helen Evans and Australian Foreign Minister Kevin Rudd

GAVI/IED GILES



GAVI/TIBEN FISHER

Brazil also commits to joining IFFIm

The GAVI Alliance's unprecedented pledging conference in June 2011 included a US\$ 20 million pledge by Brazil and its decision to support GAVI's vision through IFFIm. Once formalised, the commitment would make Brazil the 10th donor to IFFIm.

Brazil has been at the forefront of several innovative finance programme initiatives in health care, and its contribution to IFFIm points to a significant trend of emerging nations becoming increasingly influential in international development. The pledge, signed into law by Brazilian President Dilma Rousseff on 31 May 2011, will be paid over a 20-year period.

The pledging conference raised US\$ 4.3 billion overall, including a €25.5 million (US\$ 37 million) commitment by Italy to IFFIm, to be paid over the next 15 years. Overall, Italy has pledged US\$ 638 million to IFFIm over 20 years.

Dignitaries address the media at GAVI's recent pledging conference.

Competitive pricing, strong cause propels 'Kangaroo' bond

IFFIm's inaugural Australian bond issuance in November 2010 raised a robust A\$ 400 million (US\$ 395 million) for GAVI immunisation programmes from a diverse group of investors.

The five-year bond, which raised money at a lower cost than comparable offerings from established European agencies, such as European Investment Bank (EIB) and KfW, attracted significant attention not just from Australian investors (76% of the purchases), but also Asian (14%), North American (6%) and European (4%) investors.

Buyers were split among fund managers (43%) and private financial institutions (44%), with another 9% of purchases made by central banks and other official institutions, and 4% by other investors.

"We are extremely pleased that the transaction was received with great enthusiasm by such a diverse group of investors," says IFFIm Chair Alan Gillespie. "They seized the opportunity to purchase IFFIm bonds, while enabling IFFIm to deliver cost-efficient financing for much-needed immunisation programmes in the poorest countries through the GAVI Alliance."

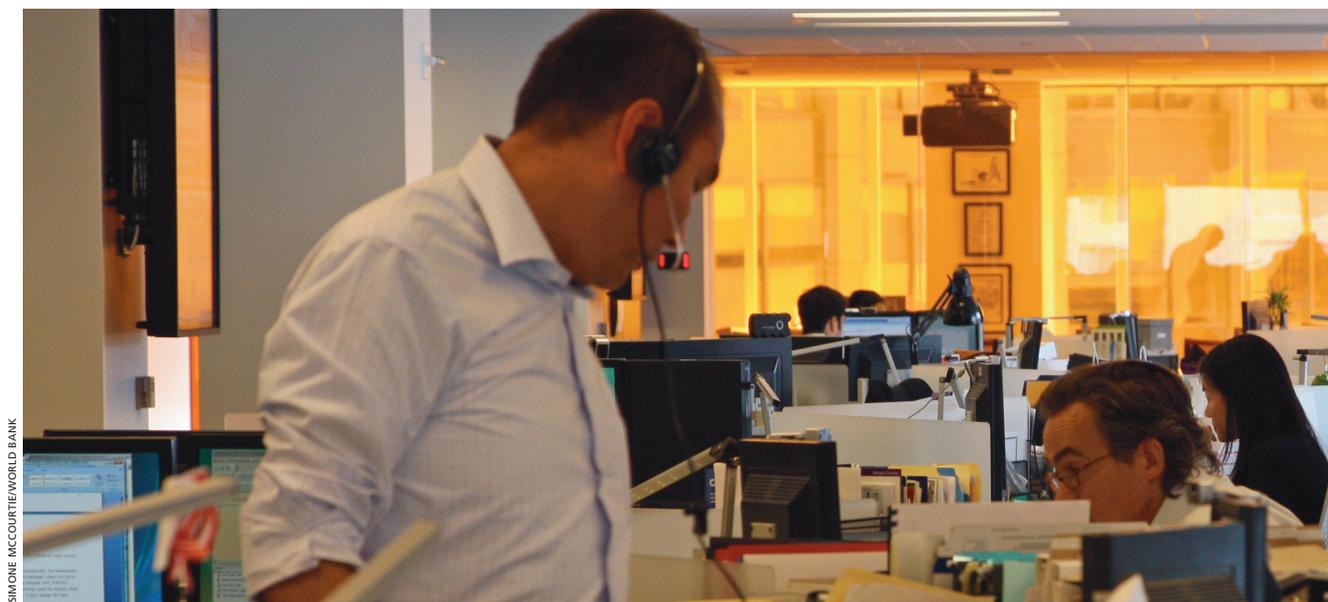
Indeed, an attractive feature of the Kangaroo bond is that it offered investors a unique opportunity to help protect millions of children in the poorest countries against preventable diseases.

Joint lead managers for the Australian-dollar-denominated offering were Commonwealth Bank of Australia and Royal Bank of Canada (RBC), with co-managers Toronto Dominion Bank, Westpac Bank and Australia New Zealand Bank.

"It's rare that any financial transaction provides such a direct link to making a positive contribution to the world," said Enrico Massi, Managing Director and Head of Debt Capital Markets, Asia-Pacific, at RBC Capital Markets.

He was joined by David Hancock, Head of Debt and Equity Capital Markets, Commonwealth Bank of Australia, who added that "the successful debut of IFFIm in the A\$ Kangaroo bond market is a testament to the innovative financing function IFFIm provides in supporting the GAVI Alliance with direct funding for vaccines to the developing world."

The notes are rated AAA/Aaa/AAA by Standard and Poor's, Moody's Investor Services and Fitch Ratings.



SIMONE MCCOURTIEWORLD BANK

Case for further investment through IFFIm is strong, evaluation states

continued from page 1

Efficiency, social-investment opportunity highlighted

IFFIm's efficiency can be partly attributed to the World Bank. As treasury manager, it is responsible for IFFIm's capital markets funding strategy, rating agency and investor outreach, hedging and investments, and coordinating with IFFIm's donors for payments. This has helped it raise US\$ 3.4 billion through Vaccine Bonds sold to institutional and individual investors, often in the Japanese "uridashi" bond market.

The evaluation authors quote a few bond underwriters who strongly believe in the programme. "Investors have been keen to participate in such transactions knowing children ... would be vaccinated and potentially saved from lethal diseases using the proceeds of the bond," one says.

"This evaluation confirms what we and the markets already knew: that IFFIm's Vaccine Bond programme is a success," says Susan McAdams, who manages the World Bank's treasury management services to IFFIm. "IFFIm provides developing countries with predictable aid flows for immunisation. With IFFIm, donor governments can frontload long-term aid commitments to support investment in these important immunisation programmes now."

Gillespie concurs, adding that the World Bank lends IFFIm credibility in the market that goes well with its strong social mission. Indeed, HLSP specifically cites the World Bank's involvement in keeping funding below the weighted average of rates paid by IFFIm's donors. The average interest cost is just 1.2%.

"Overall, IFFIm has traded at a small premium to the World Bank and, in recent times, below the spread for the EIB and KfW — an impressive achievement," the consulting firm offers, referring to the European Investment Bank and the large German development bank.

IFFIm proven from both a financial and health care perspective

The report is highly complimentary of IFFIm, in part because it has allowed aid flows to be significantly increased through front-

loading. IFFIm "time shifts" funds, offering GAVI flexibility in its programming and providing recipients predictability that helps them scale-up widespread immunisation.

That's where the objective of achieving the UN Millennium Development Goals comes into play. The report highlights several "investment cases" that detail the affect IFFIm funding has had on specific diseases.

For example, IFFIm directly funded 70 million additional doses of measles vaccine, which enabled 47 countries to "catch up" on their immunisation of children up to age 15. These countries now need only to vaccinate newborns to maintain immunisation rates. This funding also allowed the market to support more producers, resulting in greater competition and reduced prices, the report notes.

Immunisation programmes funded by IFFIm — which have included polio, pentavalent (the biggest such IFFIm programme) and tetanus — provide impacts that go beyond immunisation, HLSP adds. The measles initiative provided a channel for delivery of other key items — such as bed nets and vitamin A supplements — that strengthen health systems. In addition, mass immunisation leads to "herd immunity" under which potential exposure is significantly reduced.

In the broad analysis, IFFIm has "proven" to be a huge success, HLSP underlines, accounting for 64% of GAVI's spending since 2006, and enabling it to "move from being a niche player — spending less than \$200m a year — towards its ideal 'cruising altitude' of over \$1bn per annum."

The report also notes that these funds are additional to GAVI, not a substitute for core funding, which continues apace.

"More children will grow up healthier which will promote economic growth and social development which will increase country capacity to sustain immunisation programmes in the long term," HLSP concludes. "IFFIm could be scaled up significantly in size without paying much more in marketing and other costs and still be able to access spreads which are attractive."



Alan Gillespie, Chair of the IFFIm Board of Directors

GAVI/09/JAY LOUVION