

**Saving  
children's  
lives**

**GAVI Alliance  
Pledging  
conference for  
immunisation**

**LONDON  
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# Innovative Finance

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## Innovative Finance: the power of innovation to save lives

GAVI's mission is to save children's lives and protect people's health by increasing access to immunisation in poor countries. To that end, the Alliance has become a leading force in innovative finance for global development.

Innovative finance initiatives are highly efficient win-win development tools designed to progress GAVI's mission. They help GAVI:

- **Diversify its funding portfolio:** Innovative finance initiatives attract capital from a variety of sources, public and private. They aim to attract funds that are committed for longer periods of time.
- **Adapt to the needs of implementing countries and funders:** Innovative finance models help match the capacity and preferences of funders with the needs of implementing countries to rapidly scale up vaccine coverage, lower disease prevalence and accelerate introduction of new and underused vaccines.
- **Provide predictable and flexible resources:** Funding predictability has enabled countries to implement multi-year programmes that fundamentally improve the quality of and access to health care services. Flexible resources allow GAVI to draw down resources quickly as funding constraints emerge, avoiding programme disruption.
- **Respond to the MDGs:** GAVI and immunisation are critical to achieving Millennium Development Goal 4 by 2015: reducing by two-thirds the mortality rate for children younger than five. Additional resources provided from innovative finance initiatives help GAVI accelerate funding for the introduction of vaccines and to strengthen health systems.
- **Shape markets:** GAVI's use of innovative finance helps meet country demand, grow markets, attract manufacturers and reduce prices. This makes donor resources go further and increases the ability of countries to fund vaccines in the long-term.

### The International Finance Facility for Immunisation (IFFIm)

One of the key initiatives launched by GAVI is the International Finance Facility for Immunisation (IFFIm), which converts long-term government commitments into immediately available cash resources by issuing bonds on the capital markets.

IFFIm was created in 2006 to rapidly accelerate the availability and predictability of funds for GAVI's immunisation programmes. This has enabled GAVI to double its spending on immunisation programmes.

IFFIm is backed by the Governments of the United Kingdom, France, Italy, Norway, Australia, Spain, the Netherlands, Sweden and South Africa, which together have pledged to contribute more than US\$ 6.2 billion<sup>1</sup> to IFFIm over 23 years. These long-term government pledges are used to repay IFFIm bonds.

**Fig. 1: Donor commitments to IFFIm**



**United Kingdom**  
 US\$ 2,980 million  
 over 23 years



**France**  
 US\$ 1,719 million  
 over 20 years



**Italy**  
 US\$ 601 million  
 over 20 years



**Norway**  
 US\$ 264 million  
 over 15 years



**Australia**  
 US\$ 256 million  
 over 20 years



**Spain**  
 US\$ 240 million  
 over 20 years



**The Netherlands**  
 US\$ 114 million  
 over 8 years



**Sweden**  
 US\$ 38 million  
 over 15 years



**South Africa**  
 US\$ 20 million  
 over 20 years

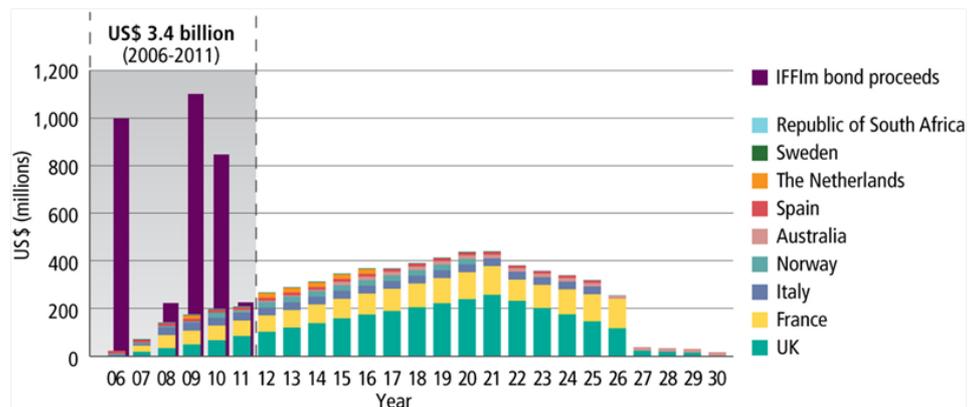
With this solid financial base and the World Bank as its Treasury Manager, IFFIm is rated AAA / Aaa / AAA by Fitch Ratings, Moody's Investor Service and Standard & Poor's.

<sup>1</sup> The information shows IFFIm pledges by donors in US\$ equivalent amounts of national currency calculated using prevailing exchange rates at the time each signed the grant agreement

### Front-loading through Vaccine Bonds supports country-driven programmes

The conversion of long-term commitments into immediate cash produces a “front-loading” effect that is ideal for vaccination procurement and delivery. Having resources today ensures a near-term positive impact on public health that strengthens and protects future generations.

**Fig 2: IFFIm issues bonds based on long-term donor pledges**

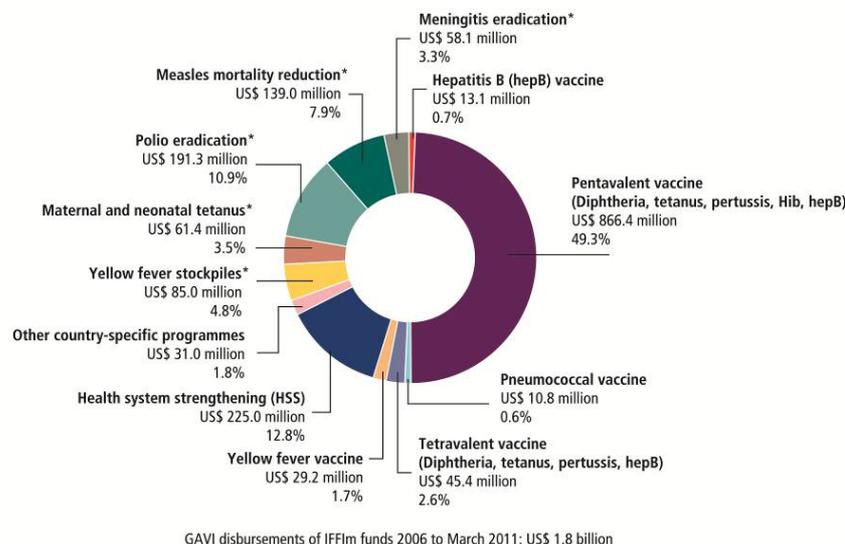


Source: World Bank May 2011

The proceeds of Vaccine Bonds help ensure predictable funding for GAVI programmes. It means GAVI can front-load funds when necessary for rapid roll-out of new and underused vaccines. For example, IFFIm funds have enabled GAVI to meet country demand for the 5-in-1 pentavalent vaccine, enlarging the size of the market, attracting new manufacturers and reducing prices.

Vaccine Bonds also provide investors with a socially responsible investment opportunity and raise awareness about the GAVI Alliance and its mission. IFFIm Vaccine Bonds have proved remarkably popular with institutional and individual investors, raising US\$ 3.4 billion since IFFIm’s inception in 2006.

**Fig 3: GAVI disbursements of IFFIm funds**



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

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

### The strength of IFFIm highlighted in independent evaluation

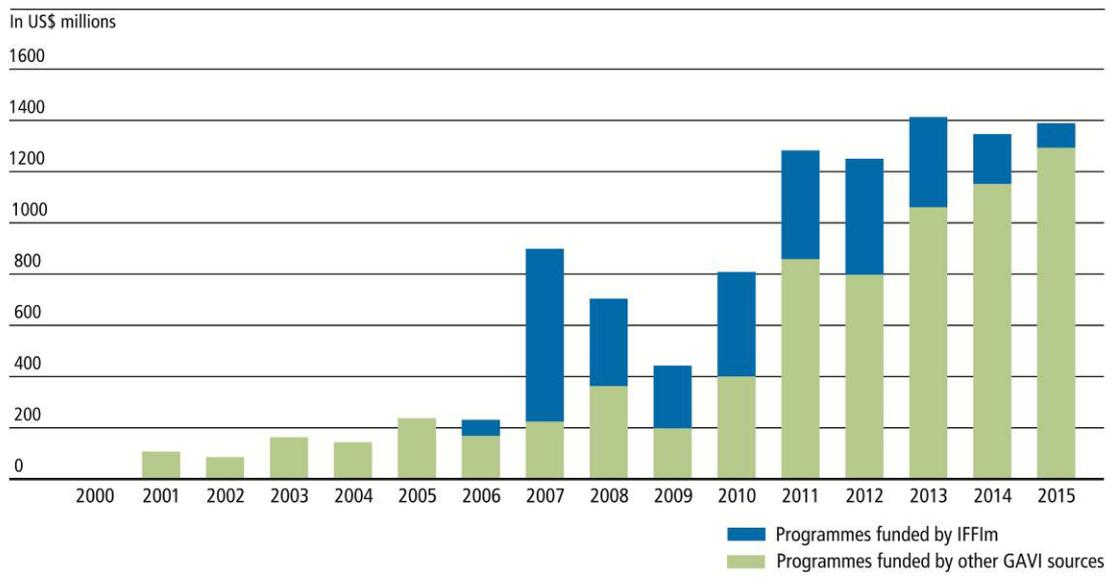
In April 2011, health care consulting firm HLSP released an independent evaluation of IFFIm that strongly commended its financial model and results. The report noted that not only do IFFIm-funded investments generate “extremely good returns”, but also that the health impact is considerable – likely saving more than three million lives to date.

The report focused on IFFIm’s cost-effectiveness, particularly the benefits of front-loading and its impact on creating large-scale immunity. It also highlighted the benefits of reduced vaccine prices.

“IFFIm funds have been spent on activities which have delivered, or seem likely to deliver, extremely good development returns ... we estimate that the benefit cost ratio is likely to be at least 3.5:1,” the evaluators note. “The model is clearly robust having emerged from the financial crisis relatively unscathed ... The case for further investment through IFFIm is strong.”

**Fig 4**

**Programme disbursements by funding source 2000-15 (Cash basis)**



Source: GAVI Alliance Secretariat March 2011

### The Advance Market Commitment for pneumococcal disease

Another key GAVI initiative has been the Advance Market Commitment (AMC) for pneumococcal disease. Pneumococcal disease is the most prevalent cause of pneumonia and leading vaccine-preventable killer of children younger than five worldwide. Each year there are more than 14.5 million cases of serious pneumococcal disease and more than half a million deaths among children under five years of age.

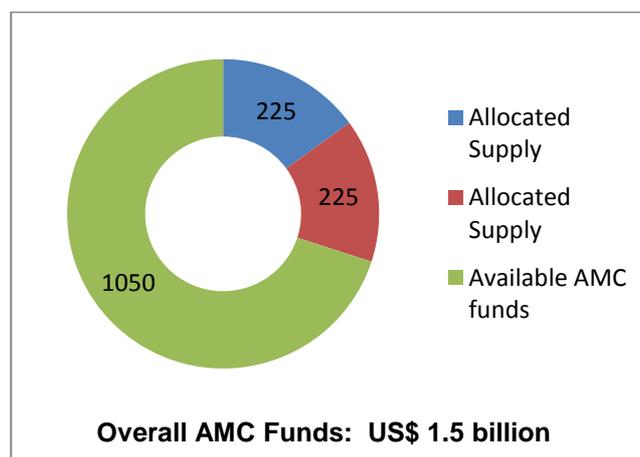
The pneumococcal AMC is an innovative approach to public health funding designed to stimulate the late stage development and manufacture of affordable pneumococcal vaccines for developing countries. Donors commit funds to guarantee the price of vaccines once they have been developed. These financial commitments provide vaccine manufacturers with an incentive to invest in late stage vaccine development, and expand manufacturing capacity. In exchange, these companies sign a legally-binding commitment to provide the vaccines at a pre-agreed long-term price to developing countries.

Decisions regarding which diseases to target, criteria for effectiveness, price and long-term availability are made in advance. Developing country governments are able to budget and plan for immunisation programmes, knowing that vaccines will be available in sufficient quantity, at a pre-agreed price, for the long-term.

The pneumococcal AMC pilot was first announced in February 2007 by the governments of Italy, the United Kingdom, Canada, the Russian Federation and Norway, and by the Bill & Melinda Gates Foundation, which collectively pledged a total of US\$ 1.5 billion to fund the programme. GAVI endorsed a budget of up to US\$ 1.3 billion for the period 2010-15 to help fund the cost of vaccines. The implementation of the pneumococcal AMC started with the signature of the AMC legal agreements on 12 June 2009. Since then, GAVI and partners have been working towards the introduction of pneumococcal vaccines in GAVI-eligible countries.

A first call for supply offers was published by UNICEF in September 2009. As a result of this tender, in March 2010, GSK and Pfizer entered into supply agreement with UNICEF. It is the first time that two companies have committed to supply 30 million doses annually each for a period of 10 years (for a total of 600 million by 2023), at a pre-agreed price of US\$ 3.50. Fifteen percent of AMC funds were allocated to each manufacturer.. As of 31 March 2011, 70% of the AMC funds remain available for allocation.

**Figure 5: Status of allocation of AMC funds, as of 31 March 2011 (US\$ millions)**



So far, a total of 19 countries have been approved by GAVI for pneumococcal vaccines. Nicaragua was the first country to roll out pneumococcal vaccines in December 2010, followed by Guyana, Kenya, Sierra Leone, Yemen, Mali, Honduras and the Democratic Republic of Congo. An additional seven of the currently approved countries are expected to introduce these life saving vaccines within the next four months, with an additional four countries late this year or early 2012.

Thanks to the pneumococcal AMC, more than three million children will be vaccinated against pneumococcal disease by the end of 2011. If fully funded, pneumococcal vaccines could be introduced in more than 40 countries by 2015 and save approximately 900,000 lives by 2015 and up to seven million lives by 2030.

**Fig. 6: Donor commitments to the AMC**



**Italy**  
 US\$ 635 million



**United Kingdom**  
 US\$ 485 million



**Canada**  
 US\$ 200 million



**The Russian Federation**  
 US\$ 80 million



**Norway**  
 US\$ 50 million

BILL & MELINDA  
 GATES foundation

**Bill & Melinda Gates Foundation**  
 US\$ 50 million

## Innovations under development

GAVI continues to work with partners to explore new ways to advance GAVI's mission, building on each other's strengths and capacities to galvanise initiatives and enhance collaboration. Two projects under development could help bring vaccines to many more children:

**The 1+1+1 programme** is a three-way philanthropic matching programme involving donor countries, corporations and their customers or employees. Governments offer corporations matching funds for their donations and those of their customers or employees. Corporations are encouraged to develop marketing programmes to increase awareness of and support for GAVI immunisation initiatives. The United Kingdom's Department for International Development (DFID) is expected to announce participation in a 1+1+1 matching funds programme in the UK.

**The Backstop Facility** is a creative way to release additional funding for programmes. A donor makes a payment guarantee that enables a commercial bank to provide GAVI with a standby credit facility that allows GAVI to release cash reserves for use in immunisation programmes.

GAVI continues to explore other vehicles to diversify and expand its funding base, and to involve ever more stakeholders in its mission. Two concepts are currently under consideration:

- An investment product is being explored that would potentially appeal not only to donors and philanthropists, but also to socially responsible investors seeking commercial returns.
- New ways of accessing official development aid flows are being explored, both from governments and from development finance institutions.

In its first decade, the GAVI Alliance has achieved impressive results. With new innovative finance mechanisms, GAVI can save even more lives in the world's least developed countries. GAVI is eager to work with partners on these initiatives and warmly welcomes your ideas.