

Evaluation of the International Finance Facility for Immunisation (IFFIm)

KEY MESSAGES

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The International Financing Facility for Immunisation (IFFIm) concept is proven. IFFIm has allowed donor countries to make binding long-term commitments and convert these future cash flows into immediately available funds through the financial markets at a cost very close to that achieved by the World Bank. The case for further investment through IFFIm is strong especially given the heavy up front establishment costs (part of which were covered on a pro bono basis) and economies of scale in implementation.

Had donors met their international aid commitments and provided the resources required to achieve the Millennium Development Goals (MDGs) up front IFFIm funding would not have been needed. As such, IFFIm represents, at best, a second best solution to the development financing problem. At the same time it is a very efficient second best solution which offers the potential to provide additional features such as predictability, which traditional aid cannot, at present, match. Should the shortfall in traditional aid persist as well as the continued need for donors to account for their commitments off budget – IFFIm remains an attractive option.

The role of IFFIm is to raise money efficiently from investors in the international capital markets. It has delivered against this goal. IFFIm has performed much better than was originally anticipated surpassing many of the key performance indicators (to the degree they exist, can be reconstructed or have been adopted by key stakeholders). Borrowing costs have been considerably lower than was originally anticipated by donors and slightly better than the expectations of the Board when they were appointed. IFFIm has already raised substantial resources, and has the capacity to raise more - though slightly less, overall, than originally anticipated at the outset due to the lack of donor pledges. IFFIm's liquidity has been managed extremely well which has resulted in a "positive carry" (meaning it earns more on its liquid assets than it pays to borrow).

The GAVI Alliance's role is to spend the funds raised by IFFIm wisely. IFFIm funds have been spent on activities which have delivered, or seem likely to deliver, extremely good development returns although it is not entirely clear exactly how good these returns will prove to be. Assessments of health impact are subject to uncertainty and the results may well be somewhat less than initially envisaged. Nonetheless, we estimate that the benefit cost ratio is likely to be at least 3.5:1 and that the 800,000 deaths averted which GAVI needs to achieve to break even will be exceeded by some margin. These results seem likely to be achieved because GAVI has been able to buy good things (cost effective interventions) rather than buying things better (taking full advantage of predictability or the potential to frontload). GAVI achieves these results in extremely difficult settings allocating a far higher share of its resources to the poorest countries than other donors and funding agencies.

IFFIm was still worth trying even if the current political, economic and regulatory conditions mean that a full scale, \$40bn per annum, International Finance Facility (IFF) or a series of follow on, smaller scale, IFFs now seem rather unlikely to happen. The current landscape makes it unlikely that IFFIm could be replicated in its current form. Equally, other alternatives, not previously considered acceptable, might now be possible. These might include securitisation, on a modest scale, by a multilateral development bank. There is perhaps more appetite for this now – though there would still be major hurdles to its implementation.

A positive outcome for IFFIm was by no means guaranteed; it was clearly recognised at the outset that the IFFIm model carried risks. It is quite conceivable that the model could have failed – it could certainly have operated far less efficiently than it did. The model is clearly robust having emerged from the financial crisis relatively unscathed. This is largely down to adoption of the World Bank's conservative financial and risk management policies.

The governance framework of IFFIm has generally been effective albeit more costly to establish and operate than anticipated. IFFIm is well regarded by donors and has formed effective partnerships with GAVI, the GAVI Fund Affiliate (GFA) and the World Bank. The overall roles, relationships and mutual obligations of these entities are well defined. The structure has proven to be robust and operated largely as expected. The IFFIm Board has been well led and has been important to the successful establishment and operation of IFFIm as has the treasury management of the World Bank.

Some streamlining of the structure is desirable. Accountability and reporting requirements are being met but there is room for improvement. In the early years there was tension between the IFFIm Board and the World Bank due to different expectations and interpretation of the Treasury Management Agreement. This has diminished over time but "creative tension" continues to exist and needs to be carefully managed. The threshold for reporting and discussing policy changes with donors needs to be considered further. A shared understanding on these issues would help IFFIm going forward.

IFFIm costs are not insubstantial, but are small in relation to the scale of IFFIm's operations. They have been partially, if not fully, offset by the savings associated with IFFIm's efficient operation.

The World Bank, acting as Treasury Manager and employing conservative financial and risk management policies is critical to IFFIm's position as a supranational and its ability to fund itself at rates significantly lower than the weighted average of rates paid by IFFIm's donors. Without the World Bank, IFFIm's entire funding model would need to be re-evaluated. There needs to be a shared understanding of the specific roles and responsibilities of the IFFIm Board and the World Bank under the Treasury Management Agreement – especially in relation to the execution of financial strategy.

IFFIm has helped to transform GAVI from a niche actor into a major player in international health, and allowed GAVI to demonstrate its credibility on the international stage.

There is no guarantee that the benefits of predictable funding provided by an IFFIm type mechanism will automatically filter through to the country level. Evidence from the GAVI phase II evaluation suggests that GAVI has performed relatively well in this respect though the HSS evaluation did raise some concerns. Though greater predictability is of value to GAVI, its potential has not been fully utilised to date as GAVI has made limited progress in terms of its market shaping objectives.

IFFIm has performed well within the constraints imposed by the design of the IFF pilot. However, IFFIm has only been able to make limited use of the overall potential of the IFF concept. This reflects the power of the IFF model rather than any major shortcomings in the implementation of IFFIm. Ideally, the model would be larger (to improve efficiency) and the funds would be spent on a purpose better suited to, or in need of, frontloading. GAVI did not

really require frontloaded funds and GAVI might have been better able to use IFFIm funds had they arrived two or three years later, and been used to support increased uptake of pneumococcal and rotavirus.

IFFIm, in isolation, is not a sustainable funding model. Looking forward, GAVI has to face serious sustainability challenges as it aims to increase spending rapidly, at the same time as IFFIm disbursements - based on current donor pledges – are declining. These challenges were not created by IFFIm and are a GAVI wide issue but the IFFIm model – spending 20 years of donor contributions in 5-7 years – makes them more acute. GAVI has recognised this, and is now gearing up to face them through intensified, resource mobilisation efforts. This suggests an IFF type model might be more suited to an organisation which has reached a mature stage in its development or to meet one off costs rather than to finance an expansion phase as has been the case for GAVI. Whilst it is clear that GAVI sees an ongoing role for IFFIm its precise role needs to be better defined. GAVI has started to address this since late 2010 and continues to engage donors specifically on growing IFFIm as part of its overall resource mobilisation.