




The Vaccine Fund
Every child. Every where.



The Vaccine Fund
2001 Annual Report

Partnering with GAVI

A photograph of a woman with dark skin and hair pulled back, wearing a dark blue t-shirt. She is holding a baby in a grey and white striped sling. The baby is looking towards the camera with large, dark eyes. The background is a plain, light-colored wall. The lighting is soft, coming from the side, creating a gentle glow on the woman's face and the baby's head.

“The Vaccine Fund’s vision is a world in which every child, everywhere, has equal access to lifesaving vaccines.”



UNICEF/HO91-0173/Betty Press

Table of Contents

Letter from President Nelson Mandela, Chairman of the Board of Directors	2
Letter from the President	4
Leveraging Our Assets	8
A Global Champion	16
Managing for Accountability	22
Independent Auditors' Report	27

Cover: An eight-year-old girl proudly shows her vaccination certificate at the health center in Bissau.

UNICEF/HO92-0363/Giacomo Pirozzi

Left: A mother embraces her newly immunized child in Mozambique.

**Letter from President Nelson Mandela,
Chairman of the Board of Directors**



Top row, left to right: Jens Stoltenberg, Graça Machel, George W. Wellde, Patricia Stonesifer, Charles J. Lyons and Tore Godal, M.D., Ph.D. Maestro Mstislav Rostropovich, Amartya Sen, Ph.D., and Lawrence H. Summers.

Bottom row, left to right: The Vaccine Fund President Jacques-François Martin, Her Majesty Queen Rania Al-Abdullah of Jordan and The Vaccine Fund Board Chair Nelson Mandela.

Not pictured: Jacques Delors, Mary Robinson,

Dear Friends,

Giving children a healthy start in life, no matter where they are born or the circumstances of their birth, is the moral obligation of every one of us. I find it heartbreaking that 3 million people, most of them children, die each year from diseases that we can prevent with simple, inexpensive vaccines. These are children who would have grown up to support their families, their communities, their nations. They would have been productive members of societies that are still developing and need their children to be healthy and strong. By preventing these deaths, we not only would save children's lives, but we also would help strengthen communities and contribute to the development of strong and prosperous nations.

Two years ago, the leading institutions of the world involved in vaccination decided to form an alliance to combat declining immunization rates in some of the world's poorest countries. The partners of the Global Alliance for Vaccines and Immunization (GAVI) have made enormous progress in focusing the world's attention on the importance of making sure that all children receive the basic vaccines.

I am proud to serve as Chairman of the Board of The Vaccine Fund, which supports the work of GAVI by mobilizing resources and championing the cause of immunization. In less than two years, GAVI and the Fund have committed US\$902.4 million to 60 countries to pay for newer vaccines and/or to help improve immunization infrastructure.

There are many important initiatives under way to better children's lives, but I believe that few can make a difference as quickly as The Vaccine Fund and GAVI have. For less than US\$30, we can fully immunize a child. For this modest amount, we can save each of the three million lives lost to preventable diseases. Where else can we make such an important difference so quickly?

And so I welcome all those reading this annual report to see what has been done in improving children's lives this past year, and I challenge you to help us with all that still needs to be done. To pay for the vaccines that exist now and those that will be available in the next few years, The Vaccine Fund still needs a tremendous amount of financial resources. We can all play a part, large or small, in creating a world where no child will die from a vaccine-preventable disease.

It is the right of all children to live free from disease. It is the duty of all of us to make that happen.

Nelson Mandela
Chairman of the Board of Directors
The Vaccine Fund

Letter from the President



Above: Jacques-François Martin, President and CEO of The Vaccine Fund, in Cambodia for the introduction of that country's hepatitis B immunization program in August 2001.

Dear Friends and Colleagues,

Welcome to The Vaccine Fund's first annual report to stakeholders.

We face a new world since September 11. It is a more dangerous world, but also a world that is coming to grips with the fact that disease, poverty and social upheaval are inextricably linked. It is a world, too, that is learning that instability in one country can undermine the security of all countries. In rich countries, there is a renewed focus on overseas development assistance, and especially on programs that are cost-effective and deliver measurable results. We believe The Vaccine Fund will fare well in this environment.

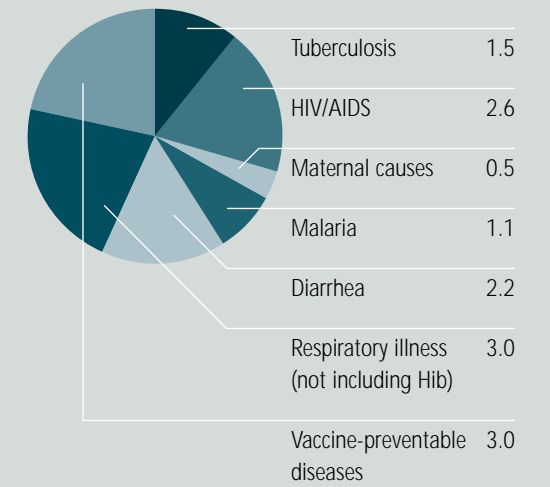
A second reason for our optimism is that The Vaccine Fund is now delivering on our commitment to the world's poorest children. The Global Alliance for Vaccines and Immunization (GAVI) and The Vaccine Fund have committed US\$902.4 million to 60 countries over five years; the Fund delivered \$135.8 million in 2001.

Even more noteworthy is the number of children who have benefited from the simple, inexpensive intervention of immunization. We have already saved hundreds of thousands of lives. Although the final results will not be tabulated until September, the countries receiving our assistance have estimated the total number of children (see table at right) who were immunized in 2001, thanks to The Vaccine Fund's assistance.

In addition, we have helped ensure that children will not fall ill from contaminated syringes by financing the distribution of 9.5 million auto-destruct syringes and 122,000 safety boxes. The sheer scale of our efforts has yielded significant benefits: We have helped drive down the price of hepatitis B vaccine from 60 cents per dose to 30 cents per dose since we began buying in bulk.

As part of our five-year, \$2 billion fund-raising campaign, we have leveraged the Bill & Melinda Gates Foundation's \$750 million grant to

Annual Deaths from Infectious Diseases (in millions)



Three Million Vaccine-Preventable Deaths (per year)

Hepatitis B	900,000
Measles	900,000
Hib	400,000
Tetanus	400,000
Pertussis	350,000
Other	50,000
Total	3,000,000

The Vaccine Fund Assisted Immunizations (in 2001)

Hepatitis B	1,698,000
Haemophilus influenzae type B (Hib)	532,000
Yellow fever	145,000
Additional DTP3	1,637,000

The Vaccine Fund with commitments of \$316 million to the Fund from seven donor governments. We have developed a country-by-country fund-raising and communications strategy to add to these numbers. We have launched a U.S. private fund-raising campaign, with a 2002 target of \$10 million and increasing amounts thereafter. And, significantly, we have generated increased commitments for infant immunization outside of the Fund, including \$37.5 million from China.

We have become effective champions for our cause, making regular appearances on global television networks and in the opinion-leading press, and building our brand through an innovative advertising campaign.

To celebrate the delivery of vaccines and to dramatize our commitment to every child, everywhere, we have coordinated in-country immunization events in Azerbaijan, Cambodia, Ghana and Mozambique. The positive effect of these events has been palpable – in immunizing children, in energizing national immunization efforts, in generating visibility and in engaging heads of state in our cause.

In addition, The Vaccine Fund principals, including several board members, have participated in a series of high-level events, including the World Economic Forum in New York City, the Winter Olympic Games in Salt Lake City, the Conference on Immunization Financing in Cape Town and the UN General Assembly Special Session on Children, to raise awareness of the tremendous global need for vaccines and to speak out on behalf of the world's children.

Facing page: Bill Gates, Sr., Co-Chair and CEO of the Bill & Melinda Gates Foundation, and Carol Bellamy, Executive Director of UNICEF, look on as an infant is immunized in Mozambique in April 2001 during a clinic visit marking the world's first delivery of The Vaccine Fund-provided vaccines.

Over the course of the year, we have built a lean and nimble organization. Our corporate infrastructure and staff are largely complete. We have established investment policies and procedures to safeguard our resources and ensure accountability. Our balance sheet is sound. We have mapped out and largely built human relations, information technology and communications infrastructures.

We have also completed our strategic planning process. The resulting plan envisions The Vaccine Fund as a long-term tool to support and sustain infant immunization. Vaccines against meningitis A, pneumococcal illness and rotavirus will likely be licensed within four to five years, and we must prepare now for their prompt delivery to the world's poorest countries. Looking further down the road, vaccines against HIV, malaria and TB are realistic possibilities. Our work, in short, is just beginning.

Delivery is what The Vaccine Fund is all about. What keeps us up at night is the possibility that the world may soon have three new licensed vaccines – but not the means to deliver them. Albert Sabin, who invented the oral polio vaccine, said it best: “A vaccine that sits on the shelf is useless.”

We are proud of what we have accomplished in our short existence, and we anticipate even greater accomplishments in the future.

Respectfully yours,



Jacques-François Martin
President and Chief Executive Officer
The Vaccine Fund





Leveraging Our Assets

*"Give me a place
to stand, and I will
move the earth."*

Archimedes

In the third century B.C., Archimedes discovered the mathematical secret of the lever – how huge weights can be lifted with a relatively small amount of force, provided that that force is applied strategically.

This same theory can be employed to explain the importance of financial investments in global health. A little can go a long way – if it is put to work effectively and if others join in to build on that investment.

The Vaccine Fund is using its leverage to mobilize resources to vaccinate children around the world. By shaking up the status quo and insisting on accountability, we are making sure our investment is used efficiently and effectively. Thus, we are paving the way for others to invest with confidence.

By requiring recipient countries to establish a baseline and to show improvement from that baseline, The Vaccine Fund is helping provide that confidence and attract new resources from

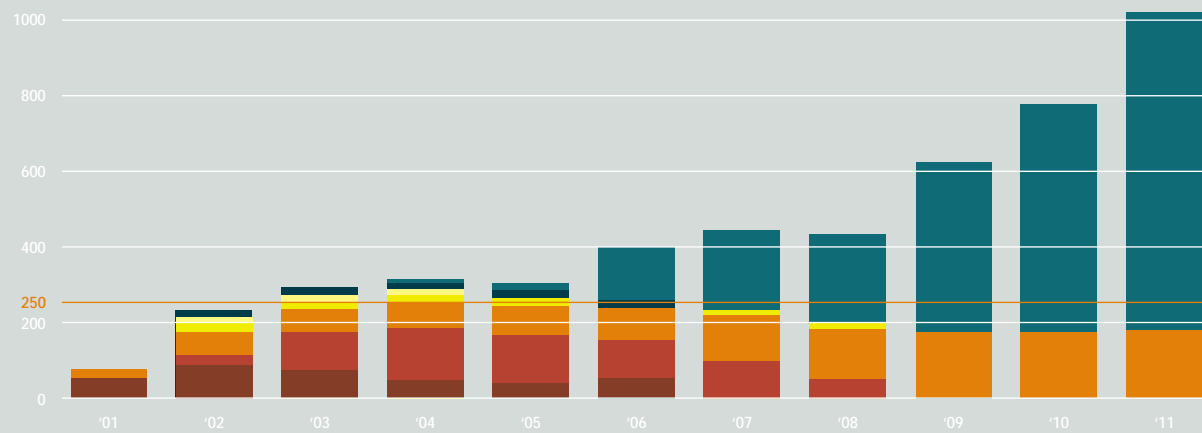
ernment will match a \$37.5 million investment by The Vaccine Fund, creating a \$75 million overall commitment to vaccinate an estimated 35 million children against hepatitis B. This is an ideal model as we work to involve others, including the recipient countries themselves, in these efforts.

Increasingly, too, funds are being supplemented by private donations. The 2002 goal for private fund-raising in the U.S. is \$10 million. Our need for resources is expected to grow

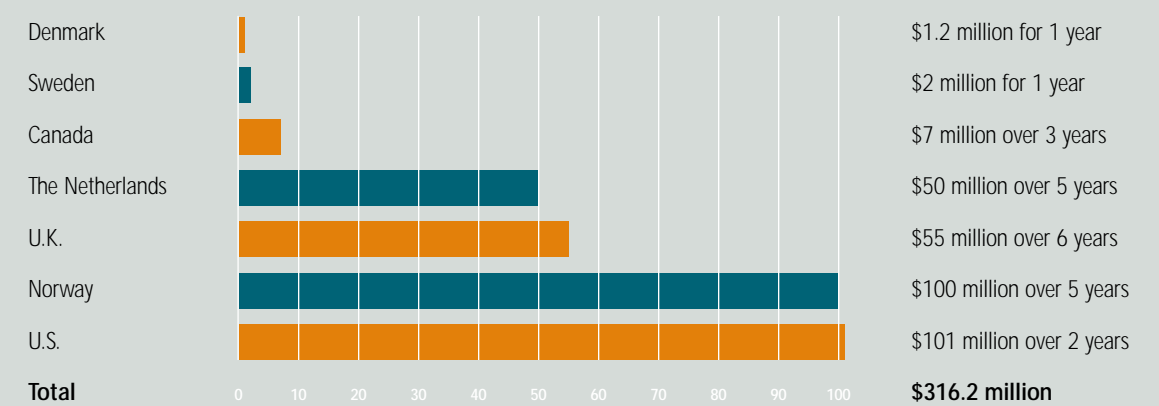
award, which expires after one year, will be increased to \$20 a year for three years. This is necessary to ensure the sustainability of the gains in immunization rates. Most importantly, the Strategic Plan envisions the purchase of important new vaccines such as meningococcus A, pneumococcus and rotavirus.

The chart on the facing page shows our estimated annual funding requirements, broken down by category, climbing to roughly

Annual Funding Requirements 2001-2011 (in millions)



Government Contributions



— Current Vaccine Fund Resources

- New vaccines
- R&D funding
- Injection safety
- China, India, Indonesia
- Current vaccines
- Additional capacity-building support
- Shares

Above: Beginning in 2003, The Vaccine Fund will require funding far in excess of its current resources.

That gap is expected to grow sharply as new vaccines are discovered and introduced.

governments and private investors who may have been fearful of squandering their money in an environment of waste and corruption. Ours is a hardheaded approach, but it has already begun to bear fruit.

Based on the efforts of The Vaccine Fund, the initial \$750 million investment of the Bill & Melinda Gates Foundation has attracted an additional \$316 million from seven nations – Canada, Denmark, the Netherlands, Norway, Sweden, the U.K. and the U.S. And more governments are poised to join.

A groundbreaking agreement with China shows how leverage can work to amplify our efforts. Under that agreement, the Chinese gov-

significantly over time.

The Vaccine Fund currently finances a relatively limited program. We provide resources to support routine immunization services, as well as funding for the purchase of vaccines against hepatitis B, *Haemophilus influenzae* type B and yellow fever, and injection safety material. In addition, we provide a one-time grant of \$100,000 to each country to help support introduction activities.

However, The Vaccine Fund's newly adopted Strategic Plan envisions significant new obligations. The Plan anticipates that the Fund will begin financing research and development of new vaccines. In addition, the Plan anticipates that the current \$20 per newly immunized child

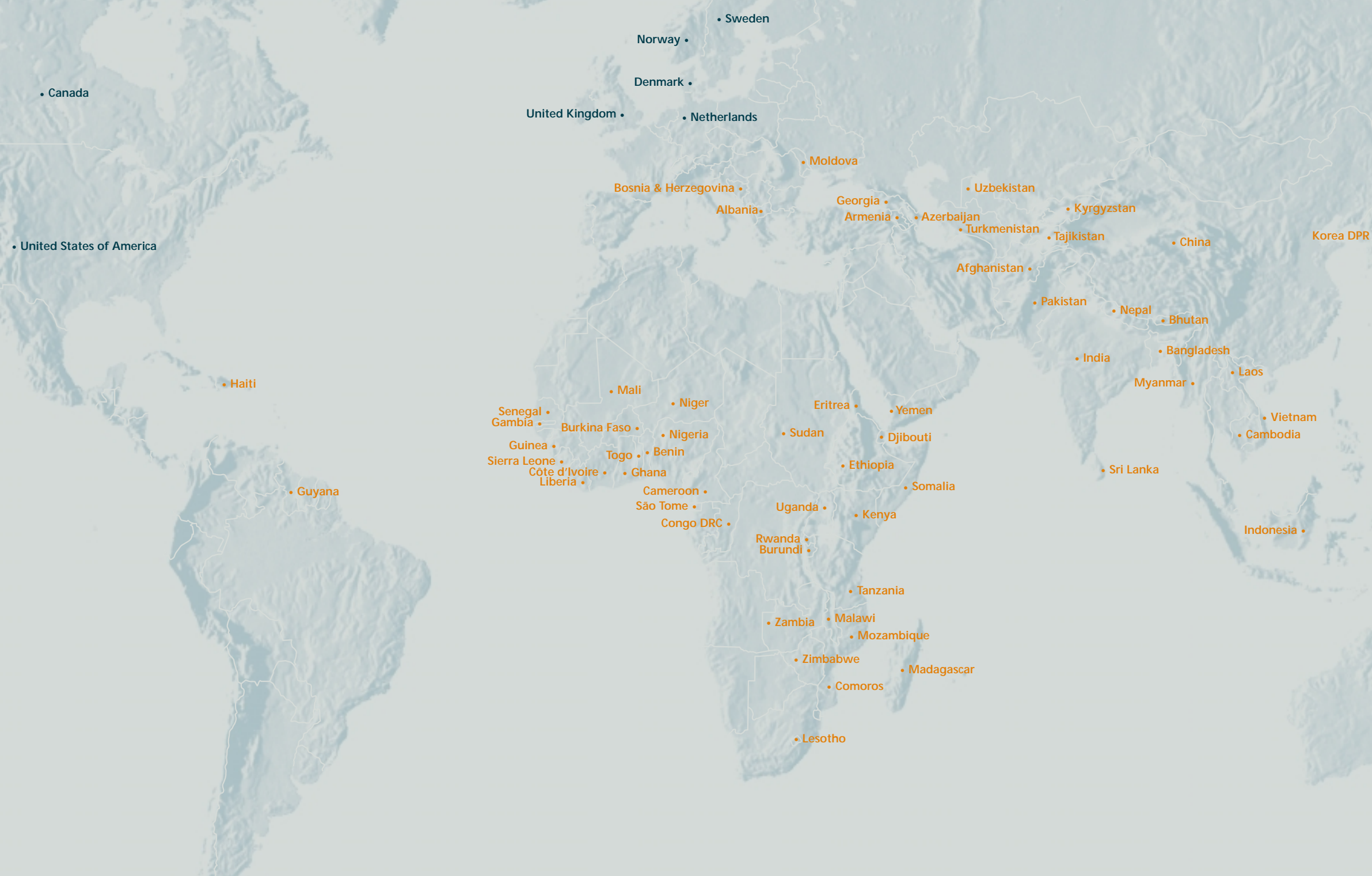
\$400 million a year by 2004 before jumping sharply to over \$600 million in 2009 and more than \$1 billion in 2011.

Against this backdrop, and given our current projected commitments of \$902.4 million through 2006, it is clear that our current resources fall far short of the cumulative total of \$5 billion that will be required by the year 2011.

The Vaccine Fund has only just begun to apply the leverage that can be created by the well-placed force of our investments. By setting performance standards and inviting others to join in, we can make our efforts go farther and, most important of all, immunize more children against vaccine-preventable diseases.

Overview of Donor Countries and Projected Five-Year Commitment to Recipients

Afghanistan	\$7,255,000	Laos	6,500,000
Albania	565,000	Lesotho	1,206,000
Armenia	588,000	Liberia	3,403,000
Azerbaijan	1,077,000	Madagascar	16,016,000
Bangladesh	74,289,000	Malawi	28,768,000
Benin	2,863,000	Mali	5,715,000
Bhutan	449,000	Moldova	551,000
Bosnia & Herzegovina	523,000	Mozambique	15,479,000
Burkina Faso	4,410,000	Myanmar	23,649,000
Burundi	17,380,000	Nepal	17,455,000
Cambodia	8,462,000	Niger	5,027,000
Cameroon	5,556,000	Nigeria	53,020,000
China	38,597,000	Pakistan	72,361,000
Comoros	484,000	Rwanda	24,462,000
Congo DRC	45,022,000	São Tome	30,000
Côte d'Ivoire	10,423,000	Senegal	4,932,000
Djibouti	324,000	Sierra Leone	2,732,000
Eritrea	2,798,000	Somalia	3,399,000
Ethiopia	22,695,000	Sri Lanka	2,958,000
Gambia	3,906,000	Sudan	11,110,000
Georgia	1,038,000	Tajikistan	2,243,000
Ghana	41,373,000	Tanzania	30,346,000
Guinea	3,629,000	Togo	2,334,000
Guyana	1,227,000	Turkmenistan	979,000
Haiti	2,171,000	Uganda	61,431,000
India	4,238,000	Uzbekistan	5,228,000
Indonesia	16,100,000	Vietnam	13,624,000
Kenya	80,996,000	Yemen	39,835,000
Korea DPR	7,049,000	Zambia	27,964,000
Kyrgyzstan	10,976,000	Zimbabwe	3,220,000
TOTAL		\$902,440,000	



● Donor countries
● Recipient countries

Detailed Estimated Five-Year Commitment in US\$ to 60 Countries (June 2002)*

Country	Surviving Infants	Baseline DTP3 Coverage	5 years Immunization Services Support	3 years Injection Safety Support	5 years New and Underused Vaccine Support	Vaccine Presentation	Other Support	Total Commitment for 5 Years
Afghanistan	\$901,328	31%	\$7,255,000	–	–	–	–	\$7,255,000
Albania	60,000	97%	–	R	465,000	(A) Hep B, (C) Hib	100,000	565,000
Armenia	36,118	63%	30,000	61,000	397,000	Hep B	100,000	588,000
Azerbaijan	106,250	72%	266,000	C	711,000	Hep B	100,000	1,077,000
Bangladesh	3,662,915	67%	26,935,000	–	47,254,000	Hep B	100,000	74,289,000
Benin	240,517	61%	–	–	2,763,000	Hep B & YF	100,000	2,863,000
Bhutan	15,902	88%	–	–	349,000	DTP/Hep B 2003	100,000	449,000
Bosnia & Herzegovina	39,633	85%	–	R	423,000	Hep B	100,000	523,000
Burkina Faso	456,000	42%	4,410,000	C	R	–	–	4,410,000
Burundi	261,669	57%	2,662,000	414,000	14,204,000	DTP/Hep B+Hib 2003	100,000	17,380,000
Cambodia	480,000	65%	3,012,000	727,000	4,623,000	DTP/Hep B	100,000	8,462,000
Cameroon	457,000	48%	5,556,000	–	C	–	–	5,556,000
China	19,107,468	93%	–	16,008,000	21,789,000	Hep B	800,000	38,597,000
Comoros	21,376	67%	165,000	40,000	179,000	Hep B	100,000	484,000
Congo DRC	2,425,327	31%	31,298,000	3,766,000	9,858,000	YF	100,000	45,022,000
Côte d'Ivoire	468,276	56%	3,859,000	–	6,464,000	DTP/Hep B	100,000	10,423,000
Djibouti	24,061	46%	289,000	35,000	–	–	–	324,000
Eritrea	97,846	56%	930,000	–	1,768,000	DTP/Hep B	100,000	2,798,000
Ethiopia	2,532,519	45%	19,130,000	3,565,000	–	–	–	22,695,000
Gambia	51,840	74%	489,000	150,000	3,167,000	Hep B & DTP/Hib	100,000	3,906,000
Georgia	50,776	61%	341,000	68,000	529,000	Hep B	100,000	1,038,000
Ghana	779,359	73%	3,359,000	–	37,914,000	DTP/Hep B+Hib & YF	100,000	41,373,000
Guinea	288,702	57%	2,585,000	R	944,000	YF	100,000	3,629,000
Guyana	20,414	83%	–	–	1,127,000	DTP/Hep B+Hib	100,000	1,227,000
Haiti	262,500	59%	2,171,000	R	R	–	–	2,171,000
India	24,460,000	55%	–	–	4,138,000	Hep B (2002-03) ¹	100,000	4,238,000
Indonesia	4,570,828	90%	–	R	16,228,000	Hep B Uniject	100,000	16,100,000
Kenya	1,285,300	64%	11,113,000	–	69,783,000	DTP/Hep B+Hib & YF	100,000	80,996,000
Korea DPR	441,096	62%	3,315,000	835,000	2,799,000	Hep B	100,000	7,049,000
Kyrgyzstan	98,637	99%	–	C	10,876,000	Hep B, Hib 2003	100,000	10,976,000

continued

Key:

- A Approved
- C Conditional approval
- R Resubmission
- Did not apply

* Pending outcome of GAVI/The Vaccine Fund Board decision.

Figures and vaccine presentations in italics are not final – clarifications are still required from countries to finalize them.

¹ Current financial commitment for India is limited to two years, while waiting for a second proposal for an additional three years of support.

Country	Surviving Infants	Baseline DTP3 Coverage	5 years Immunization Services Support	3 years Injection Safety Support	5 years New and Under-Used Vaccine Support	Vaccine Presentation	Other Support	Total Commitment for 5 Years
Laos	\$180,000	56%	\$2,251,000	\$251,000	\$3,898,000	DTP/Hep B	\$100,000	\$6,500,000
Lesotho	64,324	56%	517,000	114,000	475,000	Hep B	100,000	1,206,000
Liberia	147,540	23%	2,804,000	–	499,000	YF	100,000	3,403,000
Madagascar	588,315	57%	4,277,000	–	11,639,000	DTP/Hep B	100,000	16,016,000
Malawi	393,539	83%	–	C	28,668,000	DTP/Hep B+Hib	100,000	28,768,000
Mali	409,000	48%	4,100,000	C	1,515,000	(C) DTP/Hep B & (A) YF	100,000	5,715,000
Moldova	41,100	98%	–	R	451,000	(A) Hep B & (R) Hib	100,000	551,000
Mozambique	691,967	73%	3,291,000	R	12,088,000	DTP/Hep B	100,000	15,479,000
Myanmar	1,271,239	70%	7,902,000	2,012,000	13,635,000	Hep B	100,000	23,649,000
Nepal	727,764	72%	4,494,000	722,000	12,139,000	DTP/Hep B	100,000	17,455,000
Niger	506,284	23%	5,027,000	R	–	–	–	5,027,000
Nigeria	4,608,972	38%	53,020,000	–	C	–	–	53,020,000
Pakistan	4,787,000	58%	33,900,000	10,088,000	28,273,000	Hep B	100,000	72,361,000
Rwanda	326,886	57%	4,108,000	R	20,254,000	DTP/Hep B+Hib	100,000	24,462,000
São Tome	5,651	79%	30,000	–	R	–	–	30,000
Senegal	418,091	52%	3,983,000	949,000	R	–	–	4,932,000
Sierra Leone	198,918	23%	2,353,000	379,000	C	–	–	2,732,000
Somalia	270,769	30%	3,399,000	R	–	–	–	3,399,000
Sri Lanka	322,366	99%	–	606,000	2,252,000	Hep B 2003	100,000	2,958,000
Sudan	1,029,179	64%	8,969,000	2,141,000	–	–	–	11,110,000
Tajikistan	155,283	65%	1,138,000	R	1,005,000	Hep B	100,000	2,243,000
Tanzania	1,279,401	74%	6,499,000	–	23,747,000	DTP/Hep B	100,000	30,346,000
Togo	84,383	43%	1,945,000	389,000	C	–	–	2,334,000
Turkmenistan	94,818	96%	–	R	879,000	Hep B	100,000	979,000
Uganda	968,155	54%	9,343,000	1,470,000	50,518,000	DTP/Hep B+Hib 2002	100,000	61,431,000
Uzbekistan	533,484	95%	–	904,000	4,224,000	Hep B	100,000	5,228,000
Vietnam	1,598,518	93%	–	–	13,524,000	Hep B	100,000	13,624,000
Yemen	592,436	74%	4,342,000	1,009,000	34,384,000	DTP/Hep B+Hib	100,000	39,835,000
Zambia	427,524	75%	2,959,000	781,000	24,124,000	DTP/Hep B+Hib	100,000	27,964,000
Zimbabwe	380,394	78%	3,220,000	–	C	–	–	3,220,000
Total	\$86,806,957		\$303,041,000	\$47,484,000	\$546,943,000		\$5,200,000	\$902,440,000



A Global Champion

"The world's failure to keep children protected against easily preventable diseases shows that political commitment is as crucial a component of health as technical know-how."

The New York Times,
January 21, 2002

“The Vaccine Fund is also trying to solve a perennial obstacle by providing incentives to industry to make vaccines and sell them cheaply. The fund is stimulating production by assuring manufacturers of a market and giving them long-term contracts, which has brought down prices.” – The New York Times



The Vaccine Fund has worked to generate political support of immunization by involving heads of state and political leaders of all persuasions – from both the developed and developing countries.

Responding to outreach by The Vaccine Fund, leaders from the developed nations have offered material support in the form of donations and have come forward to back our case before the international community. They have worked both at home and abroad to bring attention to the vaccination gap between rich and poor nations.

At the same time, leaders from the developing countries, in recognizing the urgent needs of their people, have been active partners in The Vaccine Fund's application and monitoring process. Political leadership and support are cornerstones of the success of our program.

In many nations, this is no small matter. Fulfilling the requirements of this process is a major effort

– one that is often unprecedented for the developing nations involved. The Vaccine Fund and GAVI partners have worked with health officials and political leaders to overcome the hurdles and open the way for new vaccinations to begin.

The results speak for themselves. Since the initial round of applications in 2000, 60 of the 74 poorest countries have been approved for support, setting the stage for \$902.4 million in grants from The Vaccine Fund. This success is a tribute to the political will on both sides of the equation.

In 2001/02, leadership efforts were visible across the globe: in Azerbaijan, Cambodia, Ghana and Mozambique, where The Vaccine Fund held special immunization events involving public officials; and at major international conferences like the World Economic Forum in New York City and the recent UN General Assembly Special Session on Children, where The Vaccine Fund had a visible presence before



Above, left to right: Her Majesty Queen Rania Al-Abdullah of Jordan discusses the work of The Vaccine Fund with Senator Patrick Leahy and his wife, Marcelle, at The Vaccine Fund reception in February 2002 at the World Economic Forum in New York City; The Vaccine Fund President Jacques-François Martin with Senator John F. Kerry and daughter, Vanessa; World Health Organization

Director Gro Harlem Brundtland, Senator Hillary Rodham Clinton and U.S. Representative Jim Kolbe; Bill Gates, Jr., speaks as Jacques-François Martin looks on.

government and civic leaders alike.

The process of generating political will is off to a promising start. The Vaccine Fund continues its efforts to harvest that force for the benefit of the world's children.

Championing the cause is one of the most difficult but necessary tasks facing The Vaccine Fund. Without knowledge and motivation, donors will not give, coalitions will not come together, countries will not take action, and children will not be immunized.

Over the past year, The Vaccine Fund has made significant strides toward reaching our audience with our message through the media, through events and through a variety of everyday channels.

We executed a major advocacy campaign, using the victory "V" sign brandished by children to symbolize a new victory, a victory of vaccination

over disease. This highly targeted, cost-effective campaign was the subject of a major feature in *The New York Times*, which showed how an original approach can attract even more attention.

To maximize its impact, the advocacy campaign focused around major opportunities such as the World Economic Forum (WEF) and the UN General Assembly Special Session on Children in New York City, where kiosks and publications featured advocacy messages.

Also at the WEF, The Vaccine Fund President Jacques-François Martin and Her Majesty Queen Rania Al-Abdullah of Jordan, who is a member of The Vaccine Fund Board of Directors, participated in panel discussions during the Forum. An op-ed piece by Martin and the Queen told the story on the front page of the *Earth Times*, an independent publication that covered the Forum extensively.

The Vaccine Fund also worked with our GAVI partners to orchestrate global communications around four major historic immunization program launches: In Cambodia and Mozambique, The Vaccine Fund and GAVI partners celebrated the inclusion of new and underused vaccines – financed by The Vaccine Fund – into those countries' routine immunization programs with their political and health leaders; in Mozambique, President Chissano hosted a reception in our honor and invited us to discuss health issues with him at his offices; in Cambodia, His Majesty King Sihanouk received our delegation at his residence and pledged his personal support to our efforts; Board member Mstislav Rostropovich generously invited us to join him in his native city, Baku, Azerbaijan, to help highlight the importance of immunization during a celebration

of the Maestro's 75th birthday; the Sport and Immunization Festival we co-sponsored in Ghana with Olympic Aid and the Ghanaian Ministry of Health was not only successful in immunizing 2,600 infants, but it was also featured on giant screens at all 10 venues of the 2002 Olympic Winter Games in Salt Lake City, Utah; and while in Accra, we discussed our program with Ghana's President John Kufuor while Madame Kufuor, a trained midwife, administered the first vaccine.

Championing the cause means taking every opportunity to tell our story – anywhere and everywhere we can. The idea of immunizing the world's children is a simple one, and one that is imminently doable. Our goal is to take this simple idea and re-energize the world's leaders with it. We are confident that so many children can be saved if we work together.



Above, left to right: Her Royal Highness Princess Haya of Jordan at the Sport and Immunization Festival in Accra, Ghana, in December 2001; Olympic gold medalist Marion Jones high-fives children; Jones lines children up for a footrace; Olympic gold medalist Johann Koss, chair of Olympic Aid, plays soccer with Ghanaian children. Facing page, left to right: UNICEF Executive Director Carol Bellamy and U.S. Representative Jim Kolbe with a nurse, mother and child in Cambodia;

Azerbaijan Health Minister Ali Insanov, Maestro Mstislav Rostropovich and Azeri President Heidar Aliyev watch an infant being immunized in Baku in March 2002; Jacques-François Martin discusses The Vaccine Fund's grant of \$41 million with Ghana's President John Kufuor in Accra; Jim Jones of The Vaccine Fund thanks Canadian Minister Susan Whelan and Bill Gates, Jr., for their support, at the home of board member George Wellde.

“That is a scene I will not forget my whole life – because in that syringe is expressed the love of the whole world for that child.”

Mstislav Rostropovich, while on visit to his native city, Baku, on behalf of The Vaccine Fund



Managing for Accountability

A truly effective organization attaches the highest importance to modern management systems that are geared, above all, to accountability and a results orientation.

As a nimble and cost-effective organization, The Vaccine Fund attaches the highest importance to accountability. This means two separate and distinct things. On the financial front: to be able to demonstrate that all funds can be accounted for readily, in the requisite detail, and in conformity with relevant norms and strictures. On the substantive front: to be able to demonstrate results for funds spent in line with stipulated program objectives.

Accordingly, The Vaccine Fund has been putting in place modern management systems that are geared, above all, to accountability and a results orientation. We have implanted or mapped out initiatives on the following fronts: strategic planning; work planning; implementation tracking; human resources management tools; corporate performance management and reporting; and proactive participation in the GAVI policy-setting process and in its work on the ground.

On the financial front, we are initiating a new investment management system designed to enhance income earned on funds prior to their expenditure, while retaining sufficient liquidity and a conservative investment posture. In 2001, total investment income measured \$16.4 million, which far exceeded management, general and fund-raising expenses of \$5.2 million. This means that each and every donor dollar was available for program expenditures.

The Vaccine Fund's new Strategic Plan, endorsed by the GAVI Board in June 2002, includes the following mission statement: "The mission of The Vaccine Fund is to mobilize resources for, champion, monitor the results of, and help sustain the Global Alliance for Vaccines and Immunization's (GAVI) programs to protect the children of the world's 74 poorest countries from vaccine-preventable disease."

The Plan lists four strategic objectives:

- Mobilize resources to achieve immunization sufficiency and sustainability.
- Achieve recognition of, and support for, The Vaccine Fund's mission so as to maximize the value of its brand.
- Manage The Vaccine Fund for efficiency and accountability for results.
- Ensure with GAVI partners a secure supply of all relevant vaccines that are accessible to all target countries.

We believe we have made good progress on the first three objectives and expect to report progress on the fourth in next year's annual report.

The new Strategic Plan embodies an extensive process of consultation both internally and with the GAVI partnership. We feel, therefore, that it will provide The Vaccine Fund with a useful and firm basis on which to proceed.

GAVI Procurement Activities Report 2001

Country	Type of Vaccine	Total Vaccines (doses)	Total Syringes (units)	Total Safety Boxes (units)
Albania	Hep B	\$83,400	\$344,000	\$3,825
Armenia	Hep B	65,100	91,400	1,025
Azerbaijan	Hep B	203,200	225,200	2,500
Cambodia	DTP/Hep B	96,000	84,700	950
Côte d'Ivoire	DTP/Hep B	601,500	667,100	7,400
Eritrea	DTP/Hep B	445,000	463,500	5,150
Ghana	DTP/Hep B+Hib	775,000	3,252,400	36,150
Ghana	Yellow Fever	267,400	241,400	2,675
Kenya	DTP/Hep B+Hib	942,000	3,952,600	43,925
Kenya	Yellow Fever	9,600	10,700	125
Kyrgyzstan	Hep B	479,000	554,100	6,150
Laos	DTP/Hep B	268,000	297,000	3,300
Liberia	Yellow Fever	26,400	23,500	275
Madagascar	DTP/Hep B	570,000	631,600	7,025
Malawi	DTP/Hep B+Hib	468,200	1,964,200	21,850
Mozambique	DTP/Hep B	2,025,000	1,522,100	16,900
Pakistan	Hep B	3,209,000	2,971,000	33,025
Rwanda	DTP/Hep B+Hib	533,200	2,521,500	28,000
Tajikistan	Hep B	292,420	264,100	2,950
Tanzania	DTP/Hep B	1,259,000	1,488,400	16,550
Turkmenistan	Hep B	192,630	166,700	1,850
Uganda	DTP/Hep B+Hib	0	2,831,900	31,475
Uzbekistan	Hep B	1,860,800	2,333,500	25,925
Totals		\$14,671,850	\$26,902,600	\$299,000



Facing page, left to right: GAVI auditors review immunization records in Kenya; immunization takes place in Guyana; a happy mother holds her newly immunized baby in Uganda; a row of four newborn Vietnamese infants await immunization.

Above: The figures represent the quantities of vaccines, syringes and safety boxes that have been procured by UNICEF on behalf of GAVI and The Vaccine Fund. These figures are updated on a quarterly basis.

The Strategic Plan also provides the necessary foundation for the internal process of work planning. By concentrating on specific objectives, time lines and results, the operational work plan will make it possible to ensure systematic tracking of implementation of the Plan.

The work plan, in turn, dovetails with human resources performance planning, thus stressing an approach focused on results and objective performance criteria.

In the area of human resources, we are developing a structure of staff administration and benefits, policies and procedures across two office locations. Our approach takes into account the absolute need for effectiveness, while stressing simplicity of process and absolute accountability.

Our core objective is, of course, large-scale, global fund-raising. We are conscious of the fact that, as an organization and as a team, we are blessed, directly and indirectly, with extraordinary resources – not only financial, of course, but also in terms of human, communications and technical assets, as well as a growing measure of entrée, visibility and influence. Our Board of Directors, of top international caliber by any standards, plays a pivotal role in this effort. Clearly, our best success will depend on our ability to leverage all of these resources in a coordinated, creative manner, making them greater than the sum of their parts. To this end, we have begun an executive search for an individual who will bring a seasoned strategic marketing eye to all of our fund-raising and communications efforts.

Another mission-critical area for The Vaccine Fund – because it related directly to our ability to raise funds – is to be able to demonstrate the effectiveness of GAVI's programs.

In this context, The Vaccine Fund has begun work with GAVI to develop a corporate performance dashboard. Essentially, the dashboard is a web-based management portal that provides, at

a glance, ready access to information on the progress of key performance indicators. The technology employed also gives managers the ability to perform more in-depth, fully customizable data queries, analyses and projections.

This process represents a substantial undertaking, but one that will provide The Vaccine Fund with a powerful tool for fund-raising, global communications and ultimate credibility.

Independent Auditors' Report Board of Directors, The Vaccine Fund Washington, D.C.

We have audited the accompanying consolidated statements of financial position of The Vaccine Fund (the Fund) as of December 31, 2001, and December 31, 2000, and the related consolidated statements of activities and cash flows for the year ended December 31, 2001, and the period from October 26, 1999 (inception) to December 31, 2000. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Vaccine Fund as of December 31, 2001, and December 31, 2000, and the changes in its net

assets and its cash flows for the year ended December 31, 2001, and the period from October 26, 1999 (inception) to December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on page 31 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clark Nuber P.S.
Certified Public Accountants
March 20, 2002

Consolidated Statement of Activities

For the Year Ended December 31, 2001,
and the Period from October 26, 1999 (Inception) to December 31, 2000

	U.S. Office	French Association	Elimination	2001 Total	2000
Revenues					
Total amounts raised	\$473,161,581	–	–	\$ 473,161,581	\$ 325,016,846
Less: amounts designated by donor for a specific organization (Note 6)	(48,092,000)			(48,092,000)	
Total contributions	425,069,581			425,069,581	325,016,846
Investment income	16,369,931	11,869		16,381,800	14,114,342
Total Revenue	441,439,512	11,869		441,451,381	339,131,188
Expenses					
Program	70,075,114	114,280		70,189,394	4,471,206
Management and general	621,299	143,149		764,448	395,145
Fund-raising	1,040,543	63,495		1,104,038	190,643
Total Expenses	71,736,956	320,924		72,057,880	5,056,994
Change in Unrestricted Net Assets	369,702,556	(309,055)		369,393,501	334,074,194
Unrestricted Net Assets Beginning of Period	334,074,194			334,074,194	
Unrestricted Net Assets End of Period	\$703,776,750	\$(309,055)	–	\$703,467,695	\$334,074,194

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Financial Position

December 31, 2001

	U.S. Office	French Association	Elimination	2001 Total	2000
Assets					
Cash	\$924,777	\$178,874	–	\$1,103,651	\$56,216
Interest receivable	469,437			469,437	
Prepaid expenses (Note 3)	4,032,894			4,032,894	1,827,900
Furniture and equipment, net of accumulated depreciation of \$6,364	86,694	27,149		113,843	
Note receivable (Note 4)	500,000		(500,000)		
Investments (Note 5)	730,219,017			730,219,017	332,409,785
Total Assets	\$736,232,819	\$206,023	\$(500,000)	\$735,938,842	\$334,293,901
Liabilities and Net Assets					
<i>Liabilities</i>					
Accounts payable	\$1,389,595	\$27,059	–	\$1,416,654	\$219,707
Awards payable	31,066,474			31,066,474	
Note payable (Note 4)		500,000	(500,000)		
Total Liabilities	\$32,456,069	\$527,059	\$(500,000)	\$32,483,128	\$219,707
<i>Net Assets</i>					
Unrestricted net assets	\$703,776,750	\$(309,055)		\$703,467,695	\$334,074,194
Foreign currency translation adjustment		(11,981)		(11,981)	
Total Net Assets	\$703,776,750	\$(321,036)		\$703,455,714	\$334,074,194
Total Liabilities and Net Assets	\$736,232,819	\$206,023	\$(500,000)	\$735,938,842	\$334,293,901

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Cash Flows

For the Year Ended December 31, 2001,
and the Period from October 26, 1999 (Inception) to December 31, 2000

	2001	2000
Cash Flows from Operating Activities		
Change in net assets	\$369,393,501	\$334,074,194
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation	6,364	
Realized and unrealized gains on investments	(8,046,873)	(10,418,807)
Foreign currency translation adjustment	(11,981)	
<i>Change in Assets and Liabilities</i>		
Increase in interest receivable	(469,437)	
Decrease in prepaid expenses	(2,204,994)	(1,827,900)
Increase in accounts payable	1,196,947	219,707
Increase in awards payable	31,066,474	
Net Cash Provided by Operating Activities	390,930,001	322,047,194
Cash Flows from Investing Activities		
Purchase of fixed assets	(120,207)	
Purchase of investments	(1,375,966,359)	(591,572,516)
Proceeds from sale of investments	986,204,000	269,581,538
Net Cash Used by Investing Activities	(389,882,566)	(321,990,978)
Net Change in Cash	1,047,435	56,216
Cash balance, beginning of period	56,216	
Cash Balance, End of Period	\$1,103,651	\$56,216

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2001
(with Comparative Totals for the Period from October 26, 1999 [Inception] to December 31, 2000)

	Programs	Management & General	Fund-Raising	2001 Total Expenses	2000 Total Expenses
Vaccine procurement	\$62,756,151	–	–	\$62,756,151	–
Program infrastructure awards	4,092,320			4,092,320	3,381,000
Program implementation	1,811,142			1,811,142	1,090,206
Professional fees	770,629	360,455	1,023,237	2,154,321	585,788
Marketing and public relations	585,254	6,328		591,582	
Travel	123,277	169,594	39,632	332,503	
Office	24,289	62,089	3,470	89,848	
Salaries, payroll taxes and benefits	16,965	61,507	36,361	114,833	
Insurance		49,749		49,749	
Occupancy	9,367	37,611	1,338	48,316	
Other		17,115		17,115	
Total Expenses	\$70,189,394	\$764,448	\$1,104,038	\$72,057,880	\$5,056,994

See independent auditors' report.

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations

The Vaccine Fund (the Fund) is a charitable nonprofit corporation established to provide newer vaccines and the means to deliver such vaccines to the children of the world, beginning in those countries where the need for immunization is great and the likelihood of success is high. The Fund was incorporated on October 26, 1999, under the laws of Washington State and the United States of America. During 2001, the Fund changed its name from Global Fund for Children's Vaccines to The Vaccine Fund.

In 2001, Fonds pour les Vaccins de l'Enfance (The Fund for Children's Vaccines), a French association (the Association), was registered in Lyon, France. The purpose of the Association is to contribute to the improvement of the vaccination of children in developing countries using all possible means, to promote the research and development of vaccines in all fields, and to contribute to the achievement of the Fund. The Fund is a member ex-officio of the board of directors of the Association and elects the other members of the board of directors.

Note 2 - Significant Accounting Policies

Basis of Consolidation – The accompanying consolidated financial statements include the accounts of the Fund and the Association for the year ended December 31, 2001. All inter-entity balances and transactions have been eliminated in consolidation.

Basis of Presentation – Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Fund and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Fund and/or the passage of time. As of December 31, 2001 and 2000, the Fund did not have any temporarily restricted net assets.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Fund. As of December 31, 2001 and 2000, the Fund did not have any permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their uses are restricted by explicit donor stipulation by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes or net assets. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

Cash and Cash Equivalents – For the purpose of reporting cash flows, the Fund considers all cash accounts that are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an original maturity of three months or less, other than those held in the Fund's investment portfolio to be cash equivalents.

Investments – Investments are valued at fair value based on published quotations. All gains and losses on investments are reported in the Consolidated Statement of Activities as increases or decreases to unrestricted net assets since the earnings from these investments are not restricted to any specific use other than to fulfill the Fund's general objectives.

Furniture and Equipment – Furniture and equipment are stated at cost for purchased assets or estimated value at date of receipt for donated assets. Depreciation is provided using the straight-line method over the estimated useful lives of the assets of three to five years.

Notes to Consolidated Financial Statements *continued*

Note 2 - Significant Accounting Policies *continued*

Allocation of Functional Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets.

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Federal Income Taxes – The Fund is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Fund is also not a private foundation under Section 509(a) of the Code.

Vulnerability from Certain Concentrations – The Fund invests its excess cash in money market and debt instruments with financial institutions with strong credit ratings, and has established guidelines relative to diversification and maturities that maintain safety and liquidity. Management anticipates no material effect to the Fund's financial position as a result of cash and investments held in financial institutions in excess of the available federal deposit insurance.

For the year ended December 31, 2001, 99.98 percent of the Fund's contribution revenue is from one private foundation. Management is aware of the related vulnerability. The Fund anticipates that, in future years, it will receive adequate support from the general public to continue as a publicly supported organization.

Note 3 - Collaborative Agreements

The Fund's initial efforts in furtherance of its charitable purposes are to assist members of the Global Alliance for Vaccines and Immunization (GAVI) to purchase and deliver vaccines. Members of GAVI include representatives of the World Health Organization (WHO), the United Nations Children's Fund (UNICEF), the World Bank, the Bill & Melinda Gates Children's Vaccine Program, the Rockefeller Foundation, governmental development agencies of the world, technical agencies and the pharmaceutical industry.

GAVI is committed to work with governments of the poorest countries to develop and implement effective immunization programs, beginning by facilitating the use of new vaccines in production that are not yet part of those countries' immunization programs. At December 31, 2001, vaccine programs and the associated budgets endorsed by GAVI for the next five years totaled \$799,188,023.

In 2000, the Fund and UNICEF agreed to work together to achieve the GAVI immunization goals. In an agreement entered into by the Fund and UNICEF, the Global Fund Trust Account at UNICEF was established. The purpose of the trust account is to receive contributions to be expended exclusively in support of programs and projects endorsed by the GAVI Board. Under the relationship agreement between the Fund and UNICEF, funds held at the trust account are assets of UNICEF. Therefore, these funds are not included in the Funds' financial statements. As of December 31, 2001 and 2000, the Fund prepaid UNICEF \$4,032,894 and \$1,827,900, respectively, for administration of the trust account for future periods.

Note 4 - Note Receivable and Note Payable

In May 2001, the Fund entered into a loan agreement with the Association for a \$500,000 interest-free loan. The loan was to be used for the Association's organizational and operational costs associated with its charitable purpose. Repayments are to be made following a demand for repayment by the Fund with funds raised by the Association.

Note 5 - Investments

Investments consist of the following at December 31:	2001	2000
Money market	\$486,477,565	\$73,729,769
Government bonds	225,952,351	53,326,966
Corporate bonds	17,789,101	205,353,050
Total Investments	\$730,219,017	\$332,409,785

Investment return for the year ended December 31, 2001, was as follows:

Dividends and interest	\$8,334,927	\$2,858,761
Realized and unrealized gains	8,046,873	11,255,581
Total Return on Investments	\$16,381,800	\$14,114,342

Note 6 - Amounts Designated by Donor for a Specific Organization

In 2001, the Fund received a \$48,092,000 grant from a government agency. The grant document specifies a third-party beneficiary of the funds and timing of the funds transfer to the beneficiary. In accordance with Statement of Financial Standards No. 136, funds received and disbursed under the agreement have not been recorded as a contribution or expense of the Fund.

Note 7 - Lease

The Fund subleases its office space from a major contributor. The lease commenced on October 1, 2001, and ends on September 30, 2003. The Fund has the option to extend the term for successive and separate one-year terms with 6 months' notice and sublandlord's approval. Rental expense totaled \$26,763 for the year ended December 31, 2001. Minimum lease payments under this agreement are as follows:

Year ending December 31:	
2002	\$142,758
2003	107,069
Total	\$249,827

Note 8 - Related Party Transaction

In June 2000, the Fund entered into an independent contract agreement with Parteurop S.A., a French company. The agreement allows the Fund to receive services by an employee of the Parteurop as President of the Fund, with responsibility for strategic, programmatic, financial and management operations, as directed by the Fund's Board of Directors. During 2001 and 2000, total fees paid to Parteurop under this agreement were \$341,070 and \$174,105, respectively.

The Vaccine Fund

Board of Directors

Nelson Mandela Chair
 Graça Machel Vice-Chair
 Patricia Stonesifer Chair of Executive Committee
 Jacques Delors
 Her Majesty Queen Rania Al-Abdullah of Jordan
 Tore Godal, M.D., Ph.D.
 Charles J. Lyons
 Mary Robinson
 Maestro Mstislav Rostropovich
 Amartya Sen, Ph.D.
 Jens Stoltenberg
 Lawrence H. Summers
 George W. Wellde

Staff

Jacques-François Martin President and CEO
 James M. Jones Executive Vice President, Government Affairs & Strategy
 Fabian McKinnon Executive Vice President, Operations
 Alice P. Albright Vice President and Chief Financial Officer
 Barbara Kaltenbach Vice President, Development
 Lomamy Shodu, M.D. Vice President, Program Management
 Dr. Joris Vandeputte Vice President, European Government Affairs
 Veronique Kouame Research Associate
 Pilar Peinado Office Manager, Lyon
 Joyce Power Office Manager, Washington D.C.

The Vaccine Fund

Brand Y Consulting

Lyon, France

Le Fonds Mondial pour les Vaccins
36 Quai Fulchiron
69005 Lyon, France

+33-4-7256-7310 - Tel

+33-4-7842-3424 - Fax

Washington, D.C.

601 13th St., NW, Suite 820-N
Washington, D.C. 20005, USA

+1-202-628-4910 - Tel

+1-202-628-4909 - Fax

www.vaccinefund.org

The Vaccine Fund is a nonprofit organization. Contributions to The Vaccine Fund may be sent to the above addresses in care of Barbara Kaltenbach, Vice President of Development, and are tax-deductible.