Annual Report 2003

The Vaccine Fund

Every child. Everywhere.

Partnering with GAVI

The Vaccine Fund

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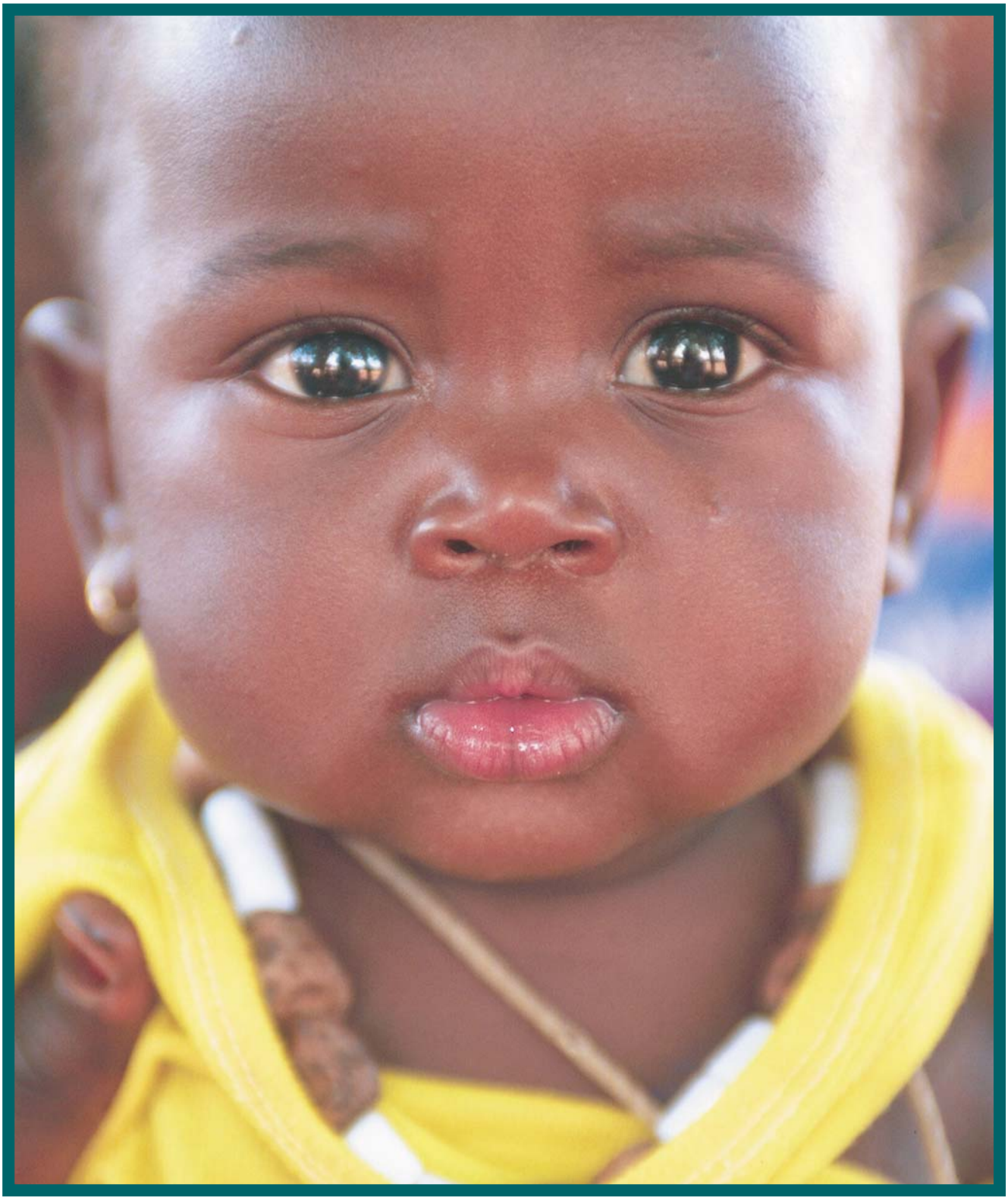
Table of Contents



Letter from the President

THE IMMUNIZATION IMPERATIVE

Health and development matters are now higher on the international agenda than ever before. Yet the chasm between the haves and have-nots continues to widen. Reaching the Millennium Development Goals and particularly goal number four, the reduction of child mortality by two-thirds, will not be achieved if the world, and particularly donor countries, do not step-up their development efforts significantly. HIV/AIDS and death from vaccine preventable diseases: the two pandemics plaguing the world, kill an estimated 15,000 to 16,000 people every day. 7,000 children and adults still die each day for want of complete immunization against killer, but preventable diseases.

Through its focus on delivery of new vaccines and support to health systems in the poorest countries, The Vaccine Fund is playing its part in addressing the gross inequities in child health and immunization. And thanks to the hard work of GAVI's partners, particularly The World Health Organization and UNICEF, we estimate that an additional 500,000 lives will have been saved by immunization. During the last four years, with funding from The Vaccine Fund, more than 35 million children have been immunized against Hepatitis B, a vaccine which was largely unknown in the developing world despite its regular use in industrialized countries.

The Vaccine Fund's support also has made possible the introduction of a vaccine against *Haemophilus influenzae* type b (Hib) in scores of countries. As a result, there has been a dramatic reduction in Hib-related meningitis – a disease that kills 400,000 children annually and disables thousands more. Thanks to our partners and support from our donors, public and private, many countries have also increased basic immunization coverage and more than eight million additional children have received basic vaccination in more than 55 countries.

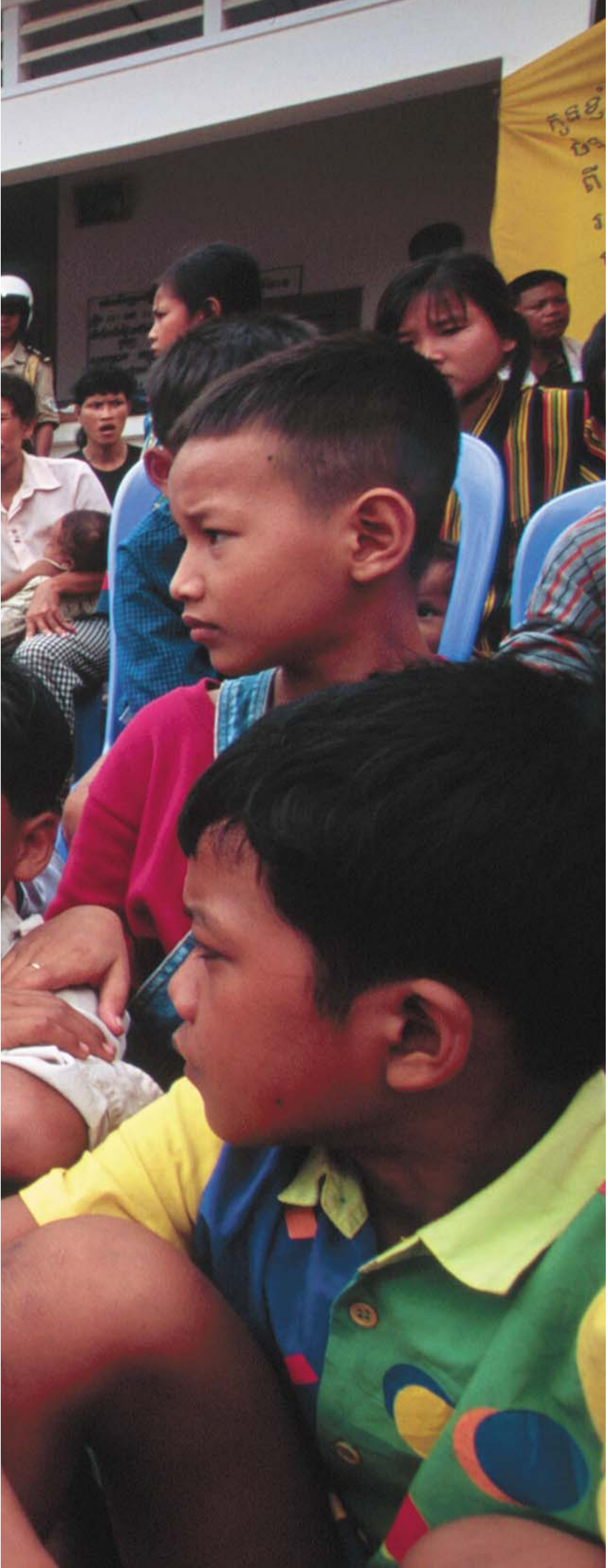
GAVI and The Vaccine Fund are also working closely with the vaccine industry to encourage greater interest in vaccine research and development and to increase the number of producers of needed vaccines. Today, there is only one manufacturer producing the pentavalent vaccine that combines five antigens into one shot – a highly desirable product in many developing countries with access problems. However, eleven suppliers have submitted bids to WHO and UNICEF to supply this vaccine by 2006.

The Campaign for Child Immunization:

Despite these significant gains, millions of children remain without access to the most basic primary health care, including immunization. The Vaccine Fund's goal over the coming years is to work with all partners to build upon the initial success and expand the availability of child immunization to all children. The campaign's fundraising goal is to raise US$400 million per year from 2004 to 2006. With these additional resources, GAVI and The Vaccine Fund aim to save an additional one million lives by 2006.

We need your support to meet the challenge of the campaign – to save an additional one million children. I know that together we can make a big difference in the lives of millions in the world's poorest countries.

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



‹ By 2015, reduce by two-thirds the under-five mortality rate. ›

The past fifty years have brought enormous progress in improving the lives and health of people everywhere. Yet the scale of death and ill health in the world today remains staggering. According to the most recent estimates, every year nearly 10 million children die before their 5th birthday, largely from preventable causes. Experts also estimate that each day more than 8,000 people die of AIDS or of AIDS related complications. Death from vaccine preventable diseases and HIV/AIDS are the two great pandemics of our time. Unfortunately, though treatment is being made available to a growing number of people, a vaccine against AIDS has not yet been found.

As the world strives to reverse the cycles of ill health and poverty, the Millennium Development Goals agreed upon by the international community are providing a framework through which to free poor people from extreme poverty.

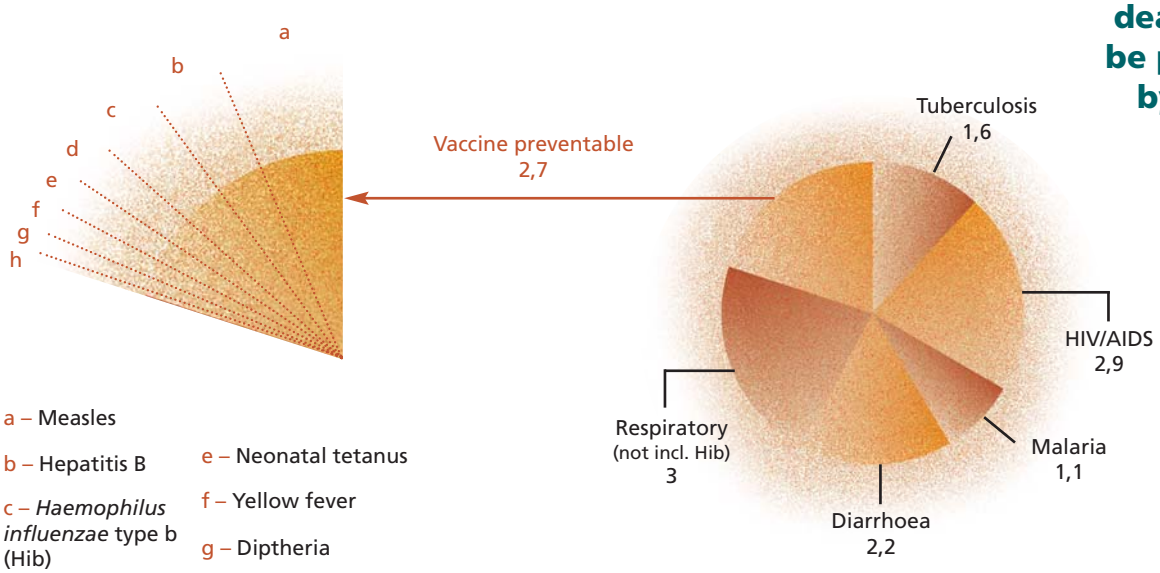
Substantially improving immunization rates and ensuring access to all available vaccines will be essential to achieve the child mortality target included in the Millennium Development Goals: "By 2015, reduce by two-thirds the under-five mortality rate."

Reaching The Millennium Development Goals

- Reduce extreme poverty and hunger by halving the proportion of people whose income is less than US$1 a day and the proportion of people who suffer from hunger
- Achieve universal primary education
- Promote gender equality and empower women by eliminating gender inequality in primary and secondary education (by 2005)
- Reduce under-5 child mortality by two-thirds
- Improve maternal health by reducing maternal mortality by three-quarters
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability, including by reducing by half the number of people without access to clean drinking water
- Develop a global partnership for development

THE ROLE OF IMMUNIZATION IN REDUCING CHILD MORTALITY

2.7 Million deaths could be prevented by vaccines



a – Measles

b – Hepatitis B

c – *Haemophilus influenzae* type b (Hib)

d – Pertussis

e – Neonatal tetanus

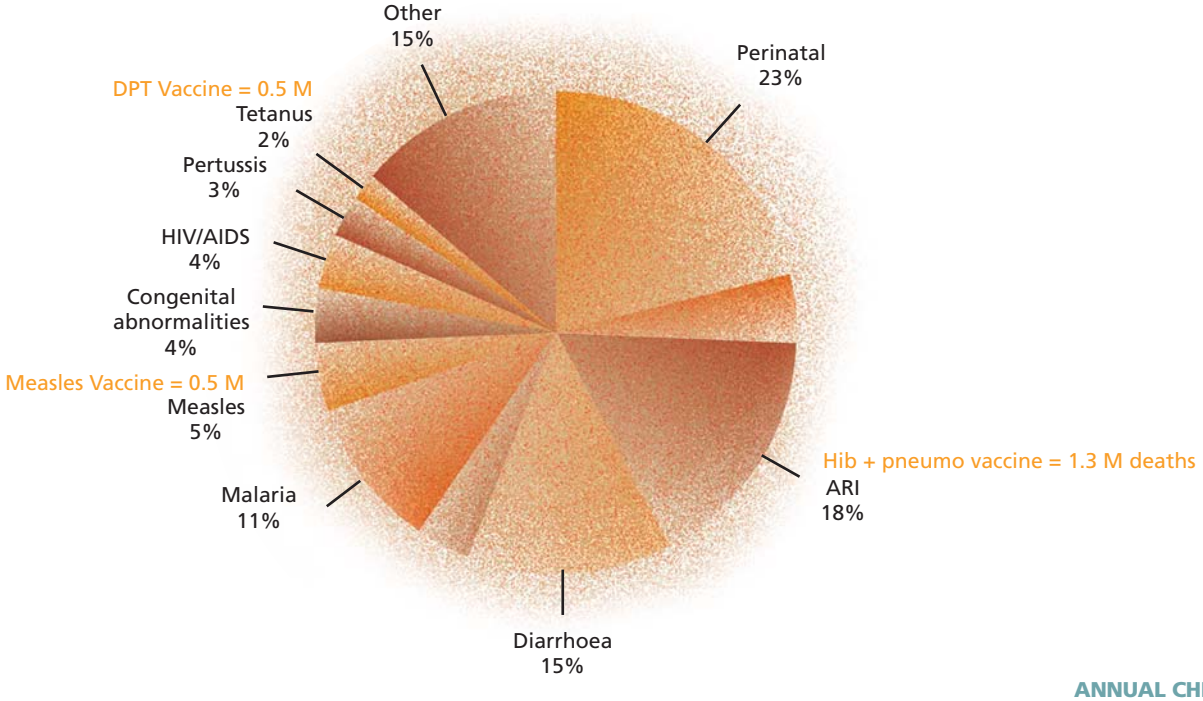
f – Yellow fever

g – Diptheria

h – Poliomyelitis

14 MILLION DEATHS PER YEAR FROM INFECTIOUS DISEASES

Proportion of under–5 deaths Vaccine Preventable deaths



ANNUAL CHILD DEATHS[1]

Millennium Development Goal 4 aims at reducing by two-thirds, between 1990 and 2015, the under-five mortality rate. Indicators include the under-five mortality rate, the infant mortality rate and the proportion of one-year-old children immunized against measles.

This goal will not be achieved without significant improvements in the performance of health care delivery systems worldwide. Even though vaccines are already saving 3 million lives annually, 10 million children under 5 years of age die every year. More than 1.5 million of those deaths could be prevented if all available vaccines were accessible to all children. If development were accelerated for new vaccines against diarrhoea and pneumonia – the leading child killers – more than 1 million more child deaths could be averted.

Basic child immunization is among the handful of proven, cost-effective child health interventions that are scaleable in resource poor environments. Functional immunization services exist in every country and can serve as the backbone of service delivery because they frequently provide the initial and most consistent contact of mothers and children with the health care delivery system.

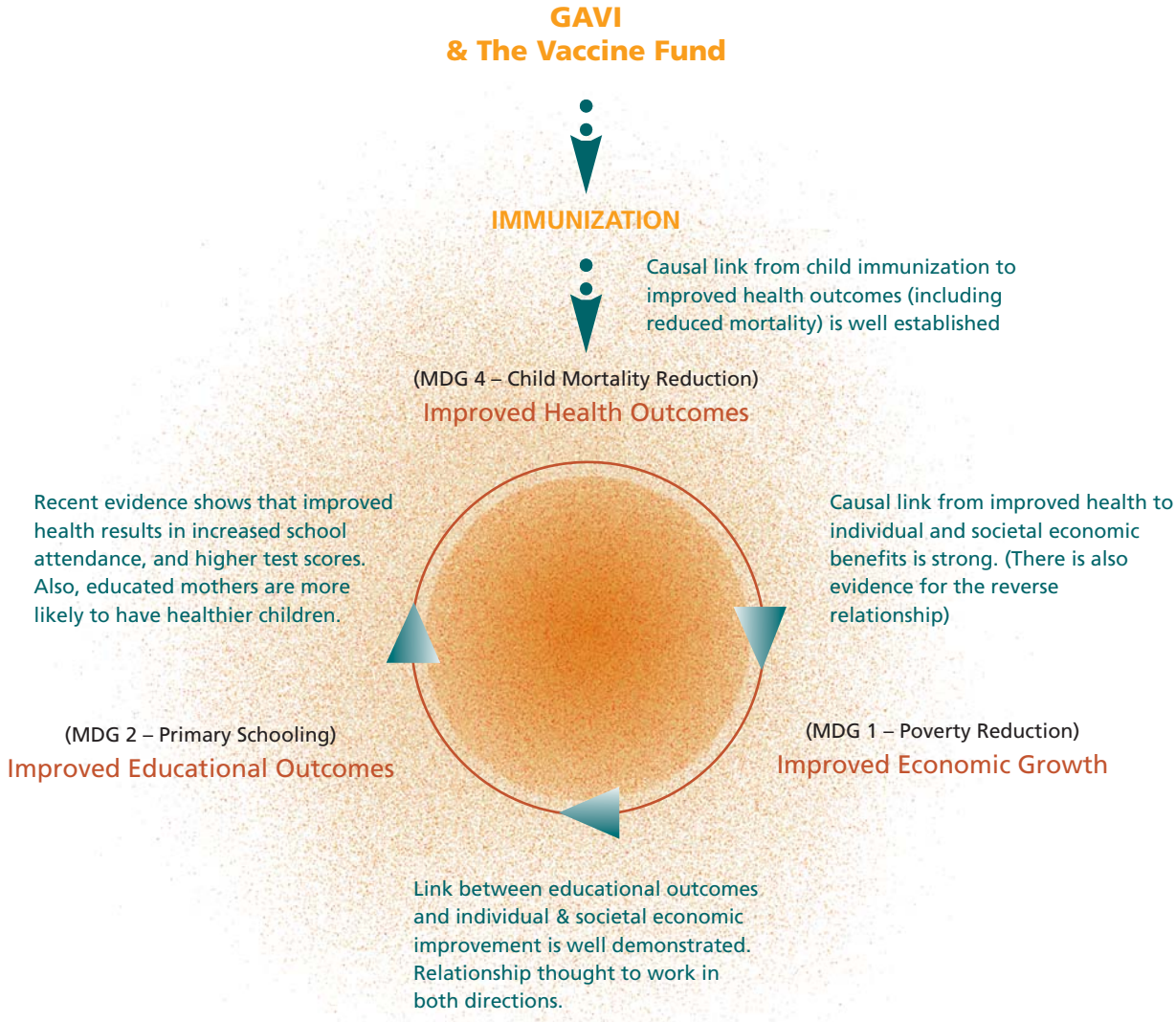
GAVI and The Vaccine Fund have been specifically designed to catalyze improvements in immunization coverage and immunization as a national priority in the 75 poorest countries. GAVI's partners and The Vaccine Fund are key global instruments through which immunization can be supported, but this support must also be complemented by bilateral programs.

By working with its Alliance Partners on the strengthening of healthcare infrastructure in developing countries and focusing its support on the delivery of new and underused vaccines, The Vaccine Fund is targeting its efforts to be complementary to those of other Alliance partners such as UNICEF and WHO.

Newer vaccines that offer increased protection against two additional major killers of children, pneumonia and diarrhoea, have tremendous potential to contribute to further reductions in child mortality. The *Haemophilus influenzae* type b (Hib) vaccine, as well as the soon to be available pneumococcal vaccines, offer protection to infants from the major causes of pneumonia worldwide. Another near term prospect, the rotavirus vaccine, when fully deployed will protect children from the one of the most common causes of diarrhoeal disease.

CHILD IMMUNIZATION – EFFECTS ON MDGs

Child immunization is highly efficacious and cost-effective for reducing infant and child mortality (MDG 4) and potentially achieving other MDGs

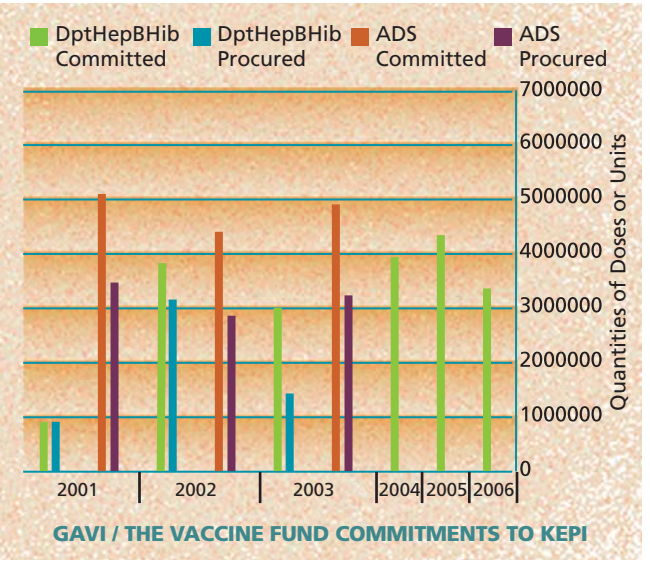


How The Program Works

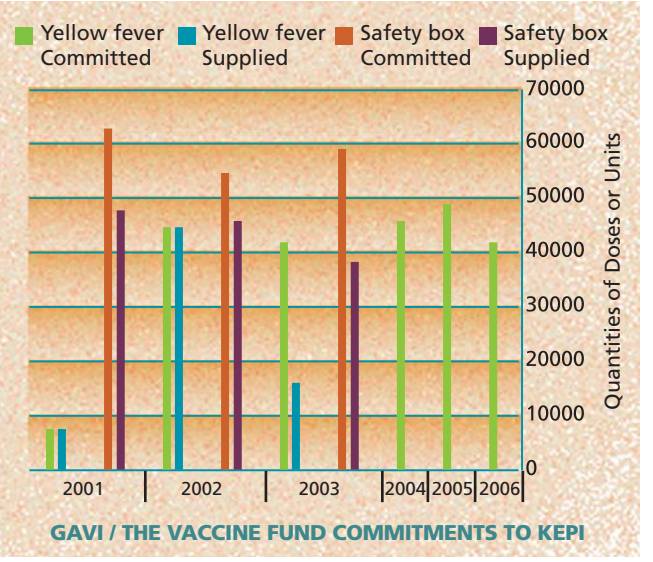
A PROGRAM COUNTRY PERSPECTIVE: KENYA

Kenya applied for support from GAVI and The Vaccine Fund to strengthen its EPI capacity, improve immunization coverage and also to introduce newer vaccines in its immunization program. In 2000, GAVI endorsed Kenya's objectives and request for support and The Vaccine Fund agreed to commit an initial contribution of US$1,289,000. Additionally, The Vaccine Fund agreed to provide Hepatitis B, *Haemophilus influenzae* type b (Hib) and Yellow fever vaccines to Kenya for inclusion in its routine immunization activities. The vaccines were supplied to KEPI, Kenya's Expanded Program on Immunization agency, bundled with an adequate number of auto-disabled syringes and safety boxes.

Summary of GAVI / The Vaccine Fund contribution to the Kenya EPI:



GAVI / THE VACCINE FUND COMMITMENTS TO KEPI



GAVI / THE VACCINE FUND COMMITMENTS TO KEPI

Realizing the urgent need to strengthen Kenya's immunization systems, KEPI managers also developed a plan to accelerate routine immunization coverage and to set solid ground for the introduction of the new and under used vaccines in the routine immunization services. The plan meant to address all the weaknesses identified in the KEPI Review in 2000 and to consolidate the opportunity offered by GAVI and The Vaccine Fund support. This support includes: immunization services support, a grant cash paid to strengthen immunization services in all districts of the country, and the five-year support of the pentavalent vaccine (a combination of DPT, Hepatitis B and *Haemophilus influenzae* type b (Hib) vaccines) bundled with auto-disabled syringes and safety boxes to ensure appropriate immunization injection safety practices. Further, in order to replace the catalytic funding from The Vaccine Fund and to sustain its efforts over time, Kenya is creating an innovative partnership called KAVI (Kenyan Alliance for Vaccine and Immunization) based on the GAVI model through which local private corporations will help finance the national immunization program.

Kenya's Minister of Health, applied GAVI's performance-based approach in local districts using GAVI funds to distribute checks to every district medical officer, based on the districts' immunization rates, promising additional funds when immunization rates rise. The impact of this strategy is beginning to show progress and Kenya has created a decentralized, performance based payment system, that bypasses usually back logged government channels and suggests a possible framework for future international health care programs. Data Quality Audits have motivated workers and streamlined the management of district health offices. Record keeping is more systematic, employing new tools to improve performance: tracking outstanding issues, regularizing supervisory visits, posting reports publicly.

A DONOR COUNTRY PERSPECTIVE: NORWAY

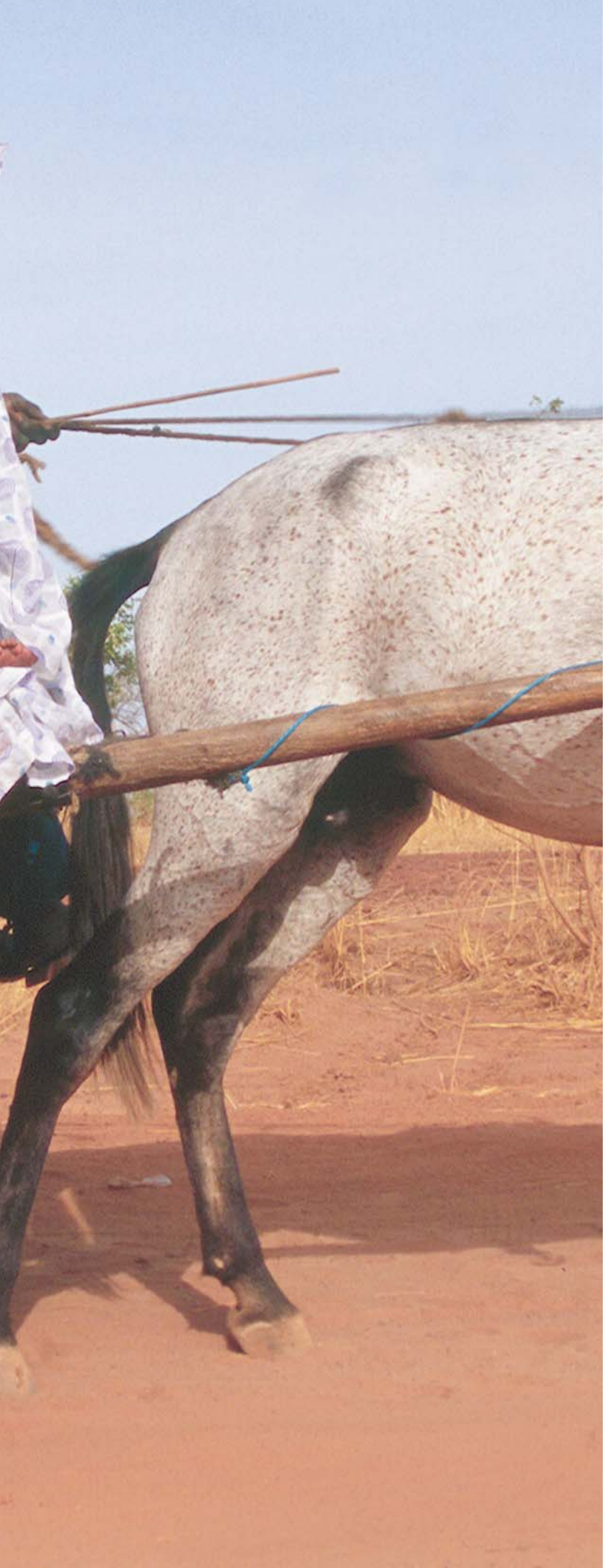
Thanks to broad political support within the country for development initiatives, and leadership by such figures as Gro Brundtland as well as the Norwegian Development Agency led by Minister Hill Johnsson, Norway is among the strongest donors to The Vaccine Fund and GAVI.
In recent months, Norway announced a 50% increase in its annual contribution to GAVI, raising its commitment over 5 years to NOK 300 billion through 2005. Norway has also signaled its intention to extend its commitment for a new five-year period, through 2010.

"There is continuing political support in Norway for increasing overall development-aid budget to 1 percent of gross domestic product (GDP). Due to Norway's strong economy, the development budget is growing by several hundred million kroner per year. The share of GDP devoted to development aid actually grew from 0.93 percent to 0.94 percent between 2003 and 2004. The total aid budget thus rose by NOK 603 million (about US$87 million), reaching today's level of NOK 15.3 billion (about US$2.2 billion) and is likely to continue growing each year.
Politicians in Norway are calling for a bold, cross-party pledge to continue to support immunization so that GAVI can reach its full potential as a tool to reduce child mortality and poverty. Norway has set to prove that the battle against poverty is not quixotic. Important goals are within the world's reach. Today, people in need have good reason to hope for better health, and people with resources have good reason to expect their support will make a difference.
Poverty must be fought on many fronts, of course. Fair trade, education, infrastructure investment, anti-corruption measures – all will improve the plight of the world's poor. Many such worthwhile undertakings are demanding and complex, but that is no reason to overlook measures that are easy to implement. On the contrary. Precisely because poverty is such an intractable adversary, we must, at a minimum, vaccinate the children of the world. Valuable returns on such an investment are assured.

Two drops in the mouth. A shot in the arm. Protected for life. It is a medical miracle – one that all children deserve to experience."

Jens Stoltenberg
Leader of the Norwegian Labour Party
Member of The Vaccine Fund Board

The Vaccine Fund board member, Jens Stoltenberg, recently visited Senegal to meet with President Wade and to review immunization activities in the field. He also met with former South African President and The Vaccine Fund chairman Nelson Mandela to discuss the Alliance's progress.



"we estimate that an additional 500,000 lives will have been saved by immunization in four short years."

The Vaccine Fund's Mission Statement

The Vaccine Fund's mission is to act as a catalyst harnessing resources so that all the world's children have equal access to lifesaving vaccines. A child in a developing country is 10 times more likely to die of a vaccine-preventable disease than a child in the industrialized world. The Vaccine Fund focuses its energies on bringing vaccines and resources to the world's poorest countries to end this loss of life. Partnering with the Global Alliance for Vaccines and Immunization (GAVI), The Vaccine Fund provides lifesaving vaccines to millions of children around the world, while creating a model for fiscal accountability and collaboration.

GAVI GOALS

Increase access to all necessary vaccines.	Focus on strengthening local health facilities to deliver essential health services including immunization.
Shorten the time span between first introduction of a vaccine and its full-scale use in the developing world.	Focus initially on Hepatitis B and *Haemophilus influenzae* type b (Hib), and Yellow fever, an older but under-used vaccine.
Accelerate the development and introduction of new vaccines.	Focus on near-term vaccines against rotavirus, pneumococcal and meningococcal type A.

THE VACCINE FUND'S MISSION IS SIMPLE:
TO ENSURE THAT EVERY CHILD, EVERYWHERE
HAS EQUAL ACCESS TO LIFE-SAVING VACCINES.

Four Years of Progress

When GAVI and The Vaccine Fund were launched more than 30 million children born annually – one in four – did not receive any immunization. Two to three million children and young adults would die from a vaccine-preventable disease. The lack of immunization alone resulted in the death of about 7,000 everyday.

The Vaccine Fund was launched in 2000 to address the need for vaccines and immunization in the world's 75 poorest countries, those with a GNI (Gross National Income) per capita of less than US$1000. Resources are also made available for China, India and Indonesia. The Vaccine Fund provides financing for immunization services and for purchasing new and under-utilized vaccines against diseases such as Hepatitis B, Yellow fever, and *Haemophilus influenzae* type b (Hib), a leading cause of childhood meningitis.

Thanks to an initial US$750 million donation from the Bill & Melinda Gates Foundation and support now provided by nine governments and the European Union as well as private donors, GAVI and The Vaccine Fund, have been able to respond to the requests of 69 countries for immunization financing. This support has made it possible for the Alliance and its partners to begin closing the immunization gap.

Responding to this challenge, leaders from UNICEF, WHO, the World Bank, the pharmaceutical industry, governments of both industrialized and developing countries, and the Gates and Rockefeller Foundations, have joined forces to form the Global Alliance for Vaccines and Immunization (GAVI), an unprecedented partnership aimed at ensuring that all the world's children have access to immunization. GAVI makes recommendations to The Vaccine Fund as to how its resources can be best allocated to assist eligible countries.

To date approximately 95% of The Vaccine Fund's resources have been committed to 69 developing country government immunization programs. If these countries are able to achieve their goals, millions more children will benefit over the next five years through activities financed by outcome-based grants.

Improved delivery of current vaccines will also pave the way for rapid access to other existing or yet-to-be-discovered vaccines. Once vaccines against AIDS, malaria and tuberculosis are developed, improved immunization services – now being financed by The Vaccine Fund – will enable developing countries to distribute them, even in the most remote areas.

The GAVI partners estimate that immunization levels for children could be dramatically improved through a five year, US$2 billion effort. This goal can be reached by combining the US$750 million contribution from the Bill & Melinda Gates Foundation with contributions from the public and private sectors. The governments of Canada, Denmark, France, Ireland, Norway, the Netherlands, the United Kingdom, the United States, Sweden and the European Union have already contributed to this effort.

Four Years of Progress

Four years after their launch GAVI and its partners have much to report. It is estimated that more than 500,000[2] lives will have been saved because of GAVI support provided so far. In one of the most rapid international health scale-ups ever, more than 35 million[3] children have been immunized against Hepatitis B, making it the largest cancer prevention effort ever undertaken, by immunization. The Hepatitis B virus strikes most often during childhood, but its ill effects strike young adults in their most productive years, causing liver cancer and cirrhosis – diseases which kill quickly in developing countries where treatment is prohibitively expensive.

None of these results could have been achieved without clearly identified and rigorous processes and programs. From the start The Vaccine Fund and GAVI chose to focus on key areas to enhance effectiveness and to save more children lives, more rapidly.

It is clear that reaching the child mortality target within the Fourth Millennium Development Goal requires enhanced immunization efforts. As discussed, perhaps 1.5 million child deaths a year could be prevented if all available vaccines were accessible to all children. Scaling up access to currently available vaccines – if done so in a way that is compatible with health systems – could directly result in lasting mortality reductions.

Recent research also documents that improvements in child health (including immunization) results in increased school attendance and higher test scores, helping to reach the education target (Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling).

INCREASING AID EFFECTIVENESS

Over the past few years, through various multilateral fora, including the OECD (Organization for Economic Co-operation and Development) DAC (Development and Aid Comity), broad consensus has emerged regarding the criteria of effective aid. These criteria include:

SCALE-UP IN THE POOREST COUNTRIES AND THE POOREST GROUPS WITHIN COUNTRIES

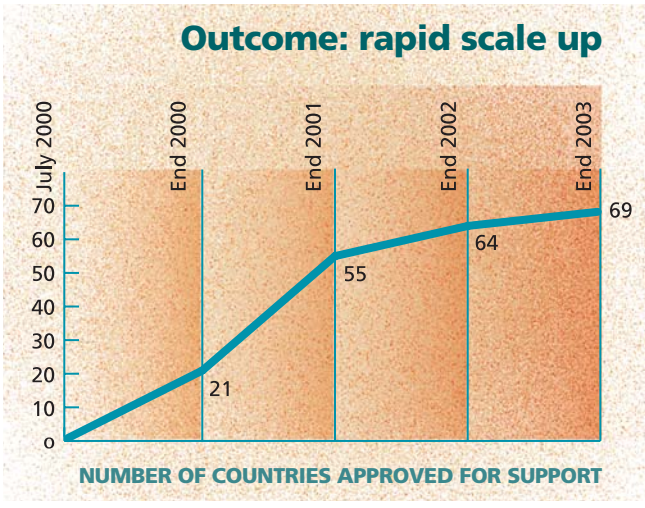
It is in the poorest countries that the struggle to achieve the Millennium Development Goals will largely be waged. Therefore, as much as possible, the bulk of resources must be directed at the poorest countries, and the poorest groups in these countries.

The Response

GAVI and The Vaccine Fund decided early on to focus their resources on the poorest countries of the world: countries with a GNI per capita of less than US$1000 would be eligible for support. The main reason for using this threshold, and not the US$750 GNI per capita cut-off widely used to identify 'least developed countries,' is that at this time many countries between US$750 and US$1000 per capita GNI had still not introduced Hepatitis B vaccine – a vaccine first licensed in the early 1980s and recommended for global use by the World Health Organization in 1994, but still dramatically under-used in the late 1990s, representing about 600,000 deaths annually.

Taking lessons from the research community, GAVI and The Vaccine Fund invited all eligible countries to apply for funding instead of hand-picking a few 'demonstration countries'. This new approach led to a rapid, bottom-up response, creating excitement and demand at the highest political level in countries.

By 2001, 53 countries were already approved for support, and by the end of 2003, 69 out of 75 eligible countries had been approved for support. In total, US$ 236 million worth of vaccines, safety supplies, and other financing is being used in countries to improve immunization programs.



The poorest children:

Invariably, the poorest groups have the least access to basic services including healthcare, and the most dire health. It is therefore essential that health interventions reach the poorest people in countries in order to have a hope of reducing mortality. GAVI and The Vaccine Fund resources penetrate the poorest populations in several ways:

• Immunization works almost everywhere. Though quality of services may vary from one country to another – and one district to another – vaccination is universally recognized as a mainstay of primary health services and as a first step towards improving other basic services. In many cases, regions that may not have access to other basic services are able to immunize children, often despite conflict and poor infrastructure (the eradication of smallpox is an example).

• Countries are rewarded for increasing routine coverage of DTP3. It is easier to make substantial increases in routine coverage in low-coverage areas; this builds incentives to put the resources in areas that service the poorest groups. In fact, there is a strong trend that countries are sending a substantial portion of funding to district-level services.

• The access goal. Although inequities are likely to persist even in countries with high rates of immunization coverage, the problem of inequities in countries with above 90% coverage – the GAVI milestone – becomes somewhat less critical. GAVI has adopted its access milestone from the Special Session of Children goal: By 2010 or sooner all countries will have routine immunization coverage at 90% nationally with at least 80% coverage in every district. This milestone is a strong incentive for countries to reach out to all areas; it cannot be achieved unless almost all children everywhere are reached.

FOCUS ON THE MOST COST-EFFECTIVE INTERVENTIONS AND EASY-TO-USE TECHNOLOGIES

The greatest challenge in reaching the Millennium Development Goals is not finding effective interventions, it is finding ways to ensure the most appropriate interventions reach the people who need them most. In the summer of 2003, the child survival series in The Lancet indicated that of the 10.8 million who die each year, half could be saved by simply extending the coverage of existing interventions.

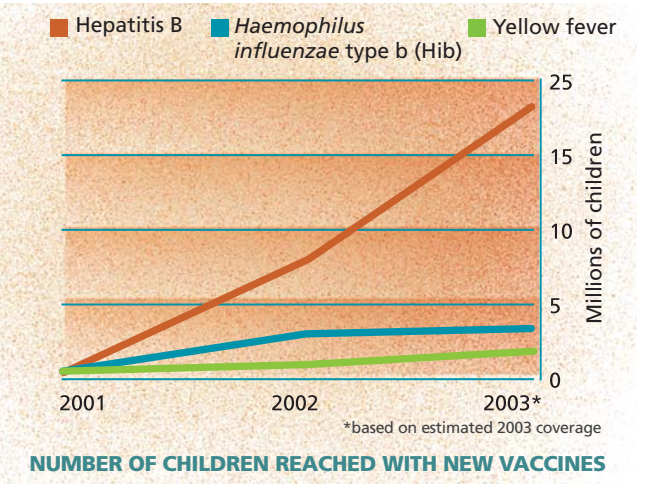
The Response

This requires difficult decisions about which interventions are the most appropriate for the large investments required to scale up their use. Vaccination is widely known to be one of the most cost-effective health interventions. Even newer vaccines which have more significant costs are shown to be good value for the money.

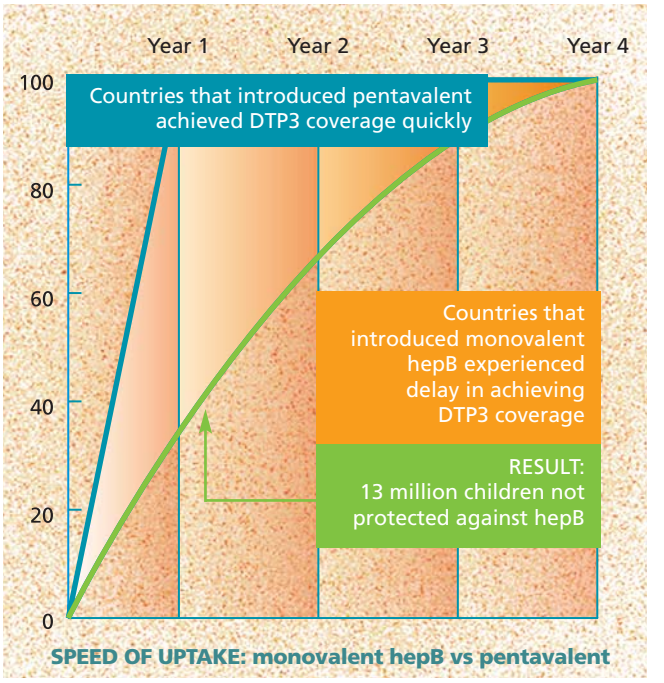
It is perhaps self-evident that easy-to-use technologies may not always be the cheapest, but they will accelerate scale-up. This point deserves emphasis; lives will be lost unless simple technologies are made more available. For example, vaccines that combine multiple antigens into one injection, such as the DTP-hepB and DTP-hepB+Hib vaccines, enable countries to immediately incorporate the new vaccines into their existing systems. We can see that countries which were able to introduce the combination vaccines achieved the same coverage rate for Hepatitis B as with DTP3 much more rapidly than those that had to introduce monovalent Hepatitis B. We estimate that more than 13 million children will miss out on Hepatitis B vaccine as a result. In addition, combination vaccines have the benefit of requiring fewer injections to the child and reducing demand on the healthcare system.

We have also seen the effect of introducing auto-disable syringes, which can only be used once, into immunization systems. WHO, UNICEF and UNFPA (United Nations Population Fund) since 1998 have advocated the use of these safety syringes to reduce the chance of transmitting infectious diseases by using dirty needles to inject vaccines. Still, until GAVI and The Vaccine Fund, few developing countries were using these devices in their immunization systems.

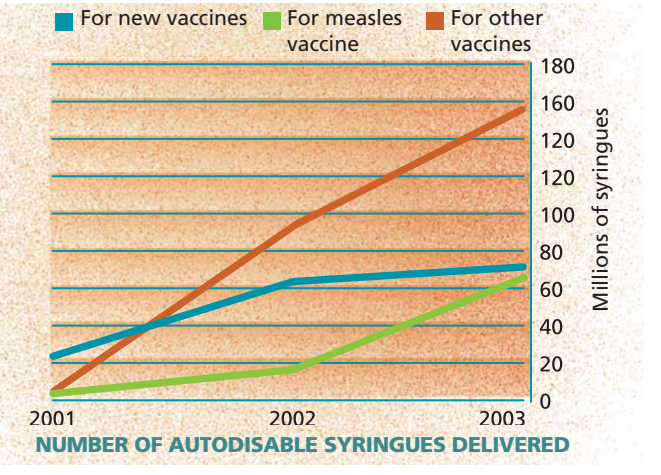
Now, with the millions of auto-disable syringes already delivered to countries, we estimate that already nearly 1,000 infants have been spared HIV infection. Projections indicate that by 2006, safe syringes used in immunization programs will have prevented 6,000 infants from becoming infected with HIV.



NUMBER OF CHILDREN REACHED WITH NEW VACCINES



SPEED OF UPTAKE: monovalent hepB vs pentavalent



NUMBER OF AUTODISABLE SYRINGUES DELIVERED

In addition, from countries in Africa, where fear of HIV infection from dirty needles is high, we have received reports that the introduction of this new technology device has increased demand for all routine immunization.

Finally, looking to the future, there is great promise in new technologies that enable non-medical staff to deliver immunization. Research from Mali shows that traditional birth attendants, or midwives, are able to successfully immunize pregnant women against tetanus using Uniject™[4] – an all-in-one needle pre-filled with tetanus toxoid vaccine. The benefits of extending this technology for all childhood vaccines has a great potential to increase access – if it can be made affordable.

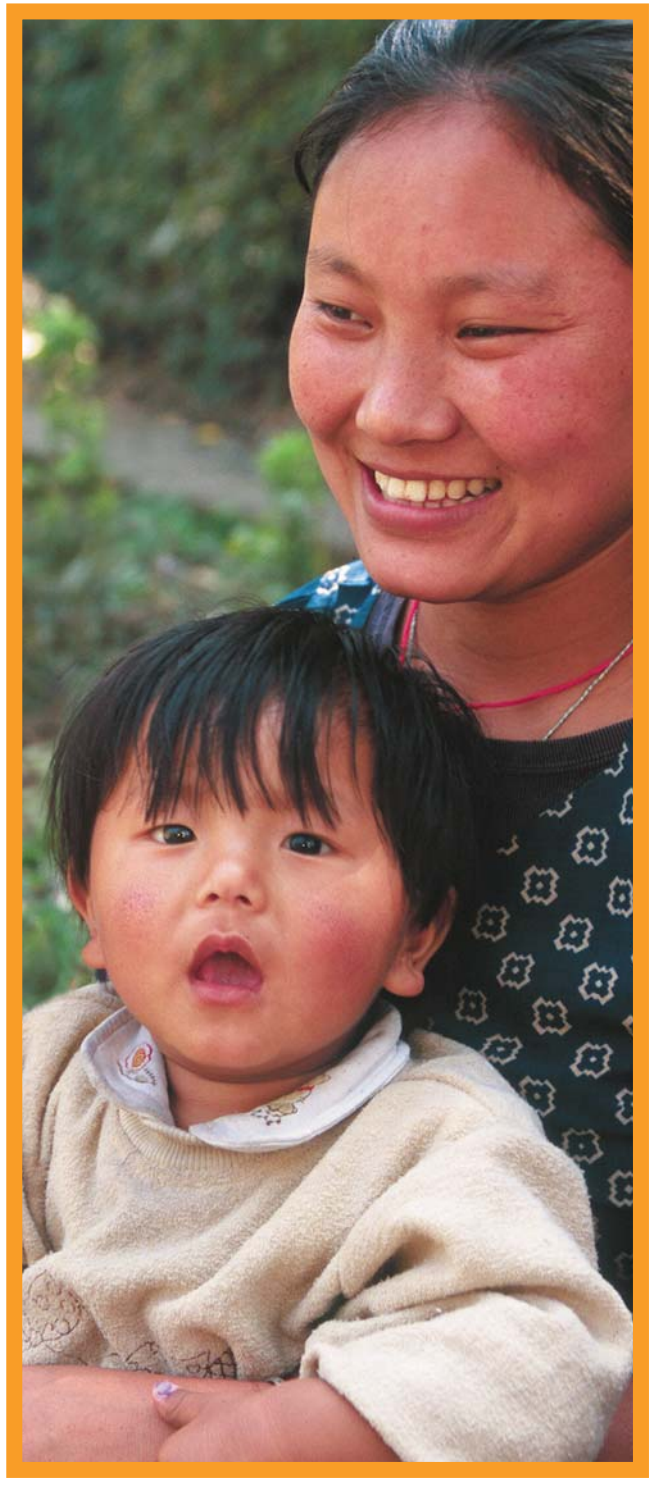
Country vignette

CHINA

One-third of the world's individuals infected with Hepatitis B live in China. Every year, as many as 280,000 Chinese die from liver cancer and other liver ailments caused by Hepatitis B.

China's participation in GAVI has raised the profile of its Hepatitis B program and accelerated the introduction of 500 million auto-disable syringes. Re-use of needles and syringes has been a leading cause of Hepatitis B infection here. In addition, the project is stimulating domestic production of auto-disable syringes.

In 2002, China matched GAVI and The Vaccine Fund's contribution to its national efforts – a program first – bringing total immunization resources to US$ 75 million dollars and marking the country's long-term commitment to this endeavor. Following a five-year period of GAVI support, China will assume all program costs, and provide the Hepatitis B vaccine free of charge to all newborns, including those born in China's poorer rural provinces. Thus, over the next five years, as a result of this 'first-of-a-kind' funding arrangement, more than 35 million Chinese babies will be immunized against Hepatitis B.



INCREASE PREDICTABILITY

When development assistance fluctuates from year to year, developing countries have trouble planning ahead and ensuring a coordinated use of available resources. To meet the Millennium Development Goals a higher level of support from donor countries plus new mechanisms will be needed to fuel effective programs and to establish more predictable financing for development.

The Response

GAVI and The Vaccine Fund provide reliable sources of multi-year commitments. GAVI partners made an early decision to commit only if there was money in The Vaccine Fund to pay out a full five-year commitment, or a strong likelihood that the funding was imminent.

Furthermore, GAVI partners defined very specific and objective criteria, so that countries could know exactly the kind of support that was available (see funding criteria box p. 40). Finally, experience has shown that many developing countries appreciate that immunization services funding come early in the calendar year during the dry season, when roads are largely open and rural and nomadic populations can be reached most easily.

One area where we also seek greater predictability is in vaccine supply. Combination vaccines – products which combine multiple antigens into one shot – turned out to be less available for the developing country market than previously assumed. There is currently only one manufacturer of the most sought-after combinations; additional manufacturers will not enter the market until 2005 to 2007.

TIE FUNDING TO PERFORMANCE

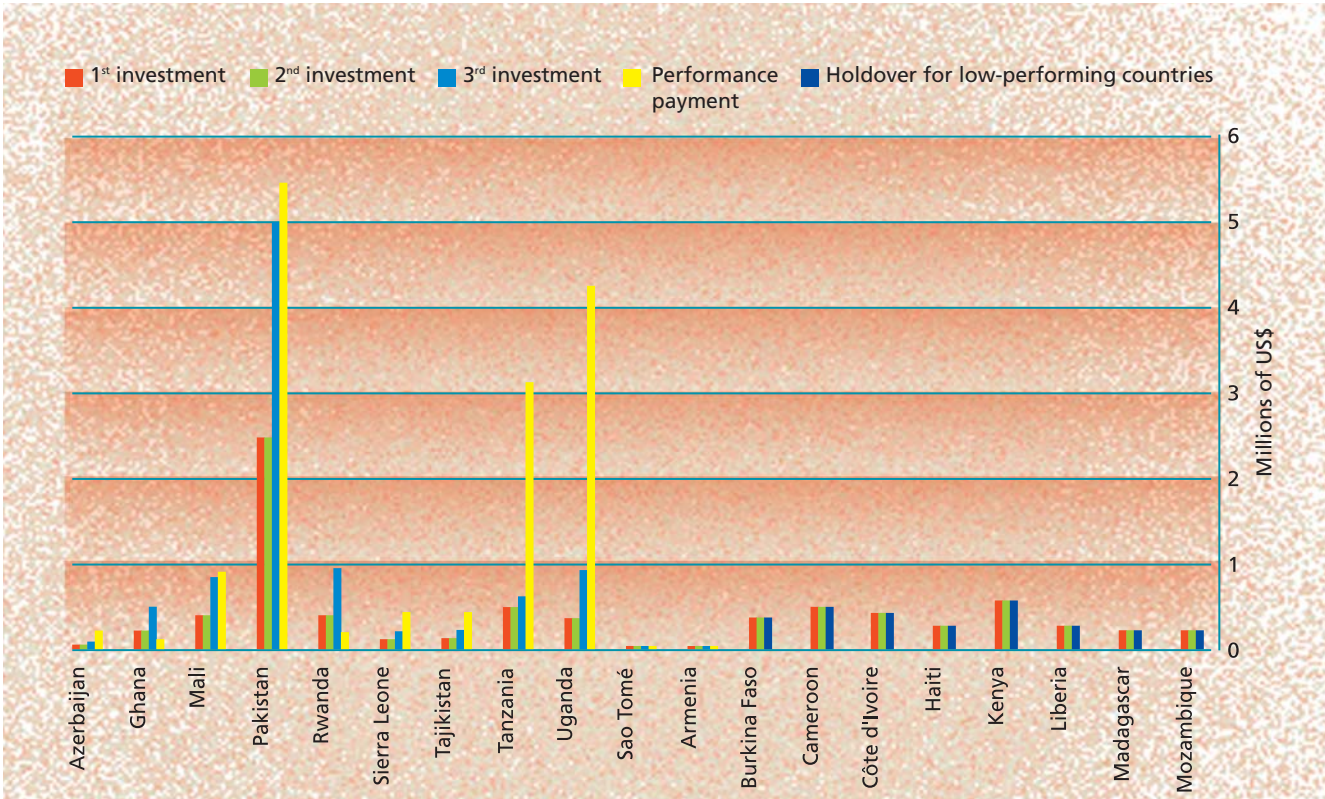
There is a growing consensus among those striving to reach the Millennium Development Goals that donors and recipients must be held accountable for results. If funding is not resulting in positive health outcomes – increased coverage, reduced illness and death – the decision about whether to provide more funding should be weighed carefully.

Traditional development funding has usually been tied to strict rules about how it should be used. Often these rules are decided far away from the point of health service delivery. And even strict adherence to the rules might not actually result in desired health effects.

The Response

GAVI partners decided to take a strong departure from the traditional approach. With the immunization services, or performance based funding program, there are no rules about how the money should be used. The only rule is that to continue receiving funds after an investment phase, a country needs to provide reliable data showing increases in coverage with three doses of the diphtheria, tetanus and pertussis vaccine (DTP3) – used as a proxy indicator of basic vaccine coverage.

Countries receive three years of investment payments, based on the number of children targeted. In the fourth year, additional funding is only available to countries that have actually reached more children. Immunization coverage data are independently audited to ensure system integrity as further discussed in the monitoring and evaluation part. And if a country reaches many more children, the performance payment increases. This is truly a results-based approach. For example, when Tanzania first applied to GAVI in 2000, the country was immunizing 950,000 infants annually, or 74% of those born, with three doses of the diphtheria, tetanus, pertussis vaccine (DTP3) – used as an indicator for basic immunization coverage. By 2002, 1.2 million infants, or 89% of those born, had access to DTP3. This success means that in addition to the US$2.4 million investment provided between 2001 and 2003, GAVI and The Vaccine Fund will provide an additional US$3 million for Tanzania in 2004.



COUNTRIES THAT BEGAN RECEIVING INVESTMENT PAYMENTS IN 2001

By contrast, when Madagascar first applied to GAVI in 2000, the country was immunizing 588,000 infants annually, or 57% of those born, with DTP3. By 2002, it reported that still only 58,7% of those born had access to DTP3. In addition, as Madagascar's information system failed the Data Quality Audit (DQA), GAVI and The Vaccine Fund are not able to verify this coverage figure. Therefore Madagascar will not receive a performance payment in 2004.

However, Madagascar and all other countries which were not able to reach more children in 2002, or were not able to provide reliable data, will receive one-half of their third investment payment in 2004. They will also qualify for performance payments once they reliably demonstrate increased immunization rates.

A study to examine more closely how countries are using these funds will be conducted. It is hoped that the results will provide important lessons from both high-performing and low-performing countries.

Country vignette

TANZANIA

Tanzania has exceeded its immunization targets in the administration of the tetravalent vaccine – DTP, plus Hepatitis B and *Haemophilus influenzae* type b (Hib). The Tanzanians have managed the expansion of their immunization program systematically. Poorly performing districts that nevertheless held latent promise were allocated GAVI funding that provided per diem payments to healthcare workers. In turn, the workers used the cash to buy bicycles and petrol enabling them to reach more children in remote districts.

The immunization program in Tanzania is also one of the first to benefit from debt-relief; the national government invested US$1 million in its immunization program with funds re-captured by HIPC – the Highly Indebted Poor Countries Initiative.

INCLUDE A STRONG MONITORING AND EVALUATION COMPONENT

The importance of health outcomes in the Millennium Development Goals, and the increasing attention paid to performance, have created a growing demand for high quality information. Yet, we have found that even in the international immunization field – one of the few fields to standardize indicators and reporting mechanisms – the quality of data is extremely poor.

The Response

Since it ties funding to immunization coverage rates, GAVI and The Vaccine Fund needed a way to externally verify the data reported from countries. Traditionally, the impact of health interventions is measured by conducting house-to-house surveys. While surveys may provide accurate assessments of impact, the information comes too late for managers to use it to adjust their programs. Data are not only important to track progress from a global or national level. Good quality data can help managers to better target the services they provide to their communities.

So the GAVI partners, especially WHO, developed a new methodology to assess the quality of immunization reporting: the Data Quality Audit (DQA). The aim of the DQA protocol is to assess the system for collecting collection and the integration of data so that they can be used by local and national managers.

The protocol is relatively simple and can be adapted for local implementation; health managers have found it useful to conduct self-audits in order to diagnose problems in their information collection system and come up with workable solutions – including ways to achieve better integration with system-wide health statistics and information systems.

BUILD ON COUNTRY PRIORITIES AND HARMONIZE WITH OTHER TYPES OF HEALTH FUNDING AND PROGRAMS

As the world gears up to reach the Millennium Development Goals, the growing diversity of instruments will mean an increased need for better coordination and attention to transactions costs – the burden placed on countries to report to many donors.

The Response

GAVI is an alliance of partners who have a long history of working in immunization:

- WHO and other technical partners have provided governments technical support to shape country programs and monitor results.
- UNICEF has a strong history of programming in country and has purchased most vaccines used by the poorest countries for years

This unique partnership enables the GAVI and The Vaccine Fund funding process to tap into existing capabilities and networks – including the staff and technical resources in country ministries – avoiding the need to create additional and duplicative systems.

Inter-Agency Coordinating Committee for Immunization (ICCs) have been set up in many countries to coordinate funding and reach decisions on technical issues regarding polio eradication; these are now largely also used for GAVI related issues. We have seen in many countries, however, that as soon as the applications for funding were approved, involvement in the ICCs, especially at the higher levels dropped substantially. Clearly, better coordination devices – which may span a greater diversity of health issues – will be required.

Providing flexible immunization services funding ensures that it works within the system. Some countries use the funds to close gaps – whether it is training, equipment, community mobilization activities, or vehicles to make sure that vaccines reach all areas in the country. Other countries channel funds to the lowest performing districts, and still others contribute the funds into their health 'basket' funding – to be pooled with other external funds.

It is not a coincidence that some of the largest, most challenging countries are also the countries with pockets of polio. To meet the goal of stopping polio transmission by the end of the year these countries will need to ratchet up their efforts. To ensure that these efforts result in lasting change, GAVI partners will be encouraging a smooth transition from polio eradication campaigns to stepped-up efforts to improve routine immunization.

Country vignette

TAJIKISTAN

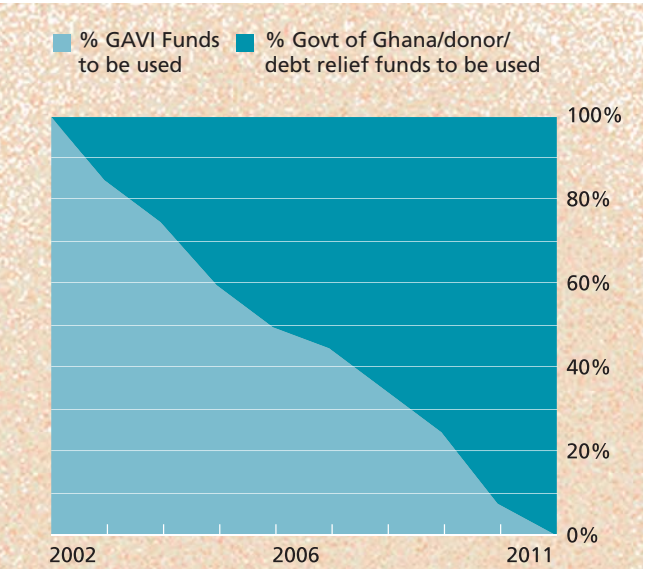
In Tajikistan, the local Inter-Agency Coordinating Committee, established in order to qualify for GAVI and The Vaccine Fund resources, meets regularly and is a dynamic forum that grapples with long-term plans to rebuild the country's health care delivery system. The business-like GAVI framework has helped to mitigate a climate that was once dependent upon the Soviet system and ignited a new sense of enterprise and self-help. In part, because of GAVI's requirements, the country's health officials have taken critical steps to move from the ponderous, outdated model of vertical, centralized health care to a more flexible approach that responds to local realities. Extraneous immunization posts are being closed. The overarching healthcare delivery system is rationalized, a process of de-centralization has begun in earnest.

PROMOTE SUSTAINABILITY

Efforts to reach the Millennium Development Goals must be designed for the long-term; unless progress is sustained, reaching the goals will be a lost opportunity.

The Response

GAVI partners designed The Vaccine Fund to be catalytic and not to replace current or other potential sources of funding. The long-term commitments are therefore provided with the understanding that after five years of support, countries must replace The Vaccine Fund contribution with new sources of funding. After a period of two years, continued GAVI support becomes contingent upon a country's submission of its own long-term, financial plan (countries submit a Financial Sustainability Plan or FSP) that will eventually lead away from GAVI funding to support from the national ministry of health and other local, as well as external sources. The example from Ghana illustrates the shift of funding away from The Vaccine Fund.



SOURCES OF FUNDING FOR NEW VACCINES IN GHANA

To achieve financial sustainability, a country is not expected to become self-sufficient – at least not the most resource-poor countries. Instead, GAVI and The Vaccine Fund define sustainability as a shared responsibility between developing countries and their donor partners.

Country vignette

GHANA

In Ghana, the launch of GAVI galvanized national political commitment to immunization as a healthcare priority. Ghana has used its cash disbursements from GAVI and The Vaccine Fund to computerize its healthcare facilities to improve record keeping. At low-performing sites, performance incentives have been established. Introduction of the new, pentavalent vaccines – DTP-Hepatitis B-*Haemophilus influenzae* type b (Hib) – allowed a broad-based, technical review of the knowledge and skills of healthcare workers.
In addition, Ghana has become the first country to undertake its own long-term immunization.

GAVI partners have developed financial sustainability planning tools that help high-level decision makers understand current cost and financing patterns; project future costs and prospects for financing; and define and initiate implementation of a strategy for mobilizing resources, reducing unnecessary costs, and making the flow of funding more reliable.

The plan is prepared by the national government (including managers of the national immunization program, and officials of the Ministries of Health and Finance), in collaboration with other members of the Inter-Agency-Coordinating-Committee (ICC) and/or other relevant donor groups. Technical assistance for financial sustainability planning, and particularly for compilation and analysis of information about program costs, can be provided through GAVI partners, but only if such skills are unavailable within a government or within a country.

Already in several countries, GAVI Financial Sustainability Plans have provided well-grounded projections that are being used as inputs to long-term budgeting. Country officials have asked for FSP-like analyses to be conducted for other key health programs, and in a few cases, the entire health sector.

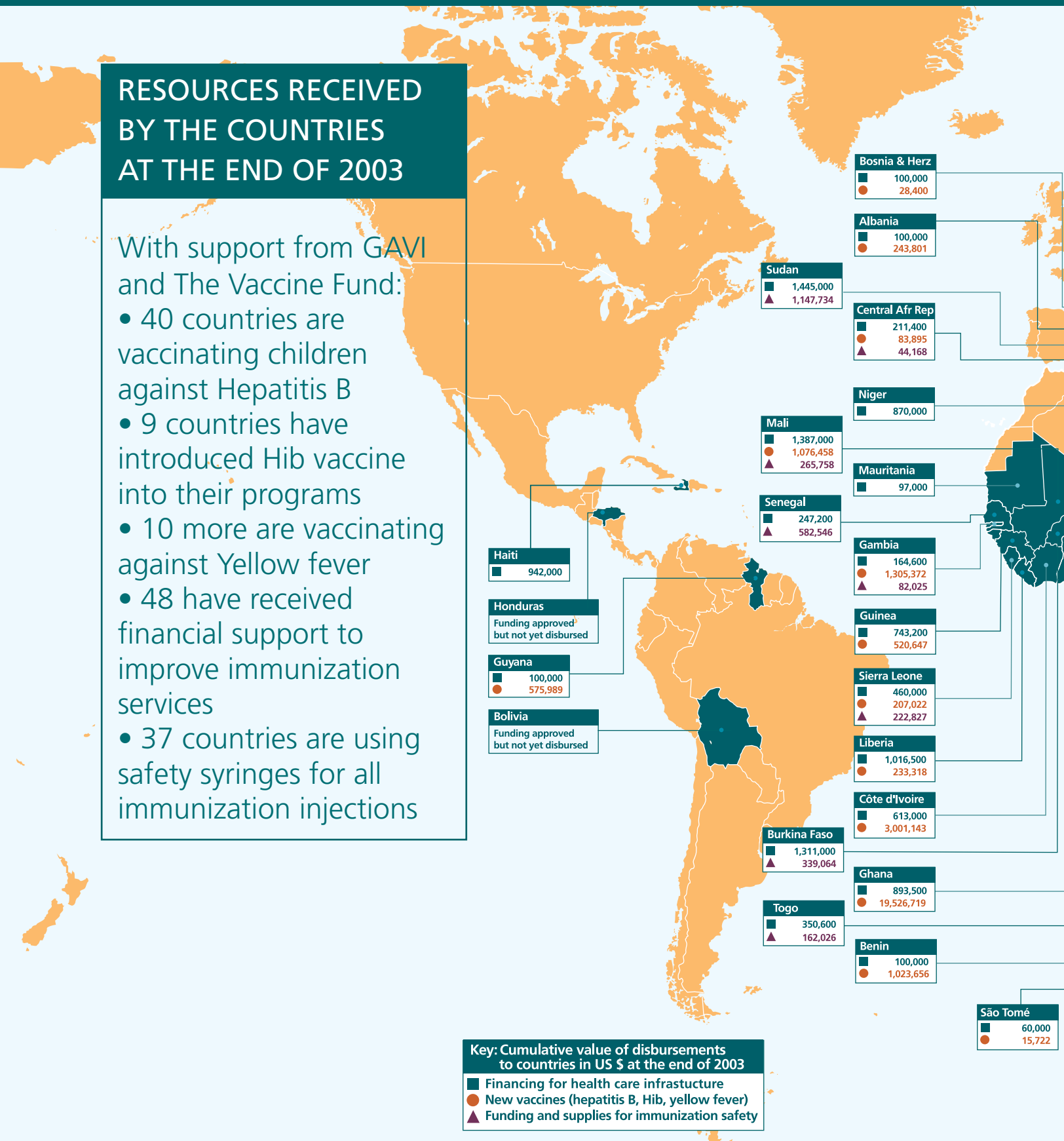
Reducing the cost of vaccines will help sustainability. Immunization programs that do not have to spend as much for vaccines will be able to use their resources for other needs. Because of the predictability of GAVI and The Vaccine Fund resources, a number of new manufacturers of the DTP-hepB vaccine will soon enter the market, increasing supply and eventually reducing costs as countries take on a greater share of the costs themselves.

INVESTMENT: US$ 236 MILLION OUTCO

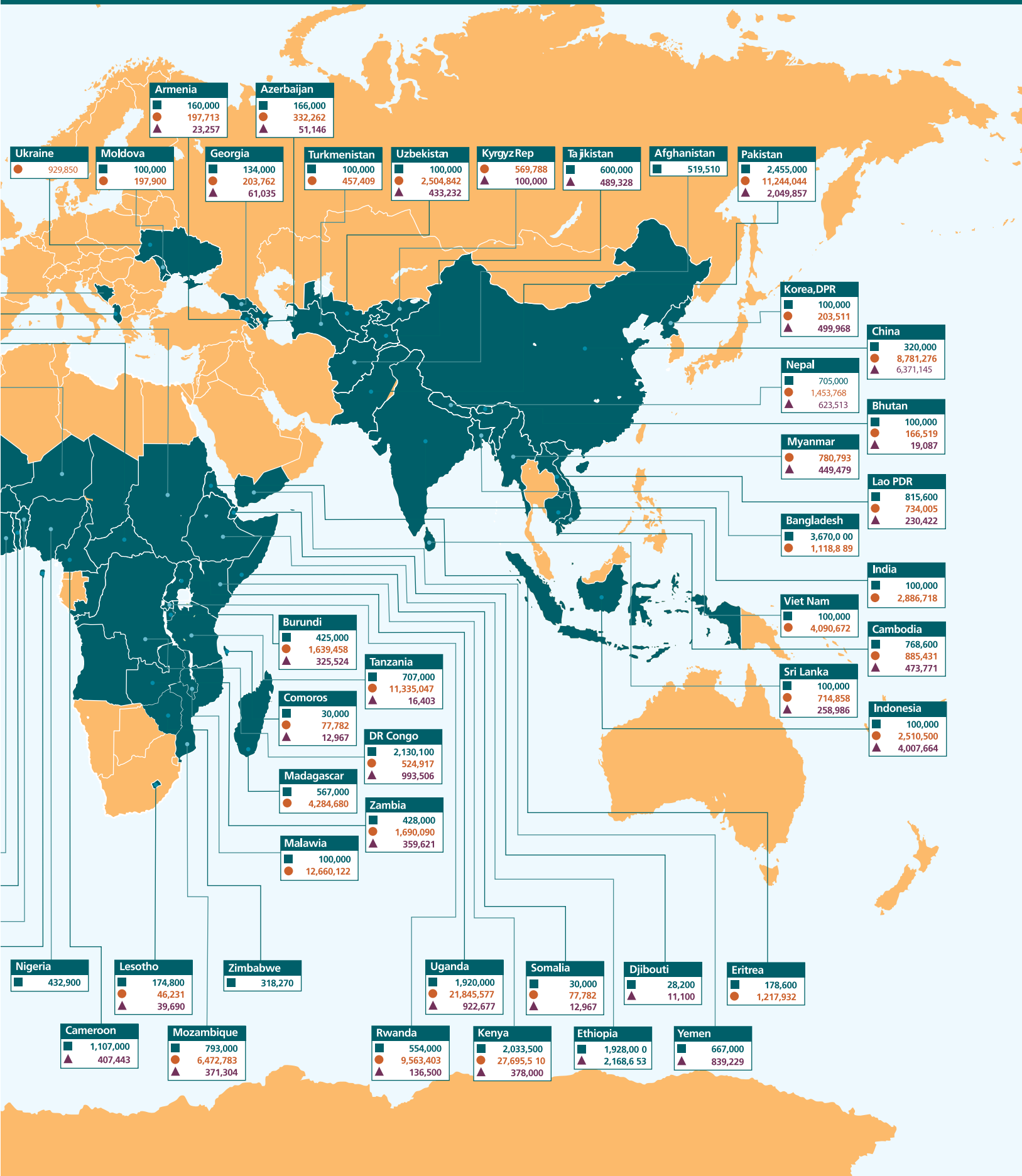
RESOURCES RECEIVED BY THE COUNTRIES AT THE END OF 2003

With support from GAVI and The Vaccine Fund:

- 40 countries are vaccinating children against Hepatitis B
- 9 countries have introduced Hib vaccine into their programs
- 10 more are vaccinating against Yellow fever
- 48 have received financial support to improve immunization services
- 37 countries are using safety syringes for all immunization injections



ME:SAVING MORE THAN 500,000 LIVES



Raising New and Additional Resources for The Longer Term

GAVI and The Vaccine Fund were launched in 2000 with a five-year vision. The Alliance partners and donors decided to defer longer-term thinking until the new initiative could be experienced and its impact assessed. Four years into the Alliance, donors have requested that we extend our vision, at least through 2015.

Analyses by the World Bank and others have demonstrated that unless there is a quantum increase in investments in health and other sectors – both national and international resources – many of the Millennium Development Goals including child mortality reduction will not be met.

GAVI and The Vaccine Fund have raised US$1.3 billion in new resources for the poorest countries. A major contribution from the Bill & Melinda Gates Foundation set a trend for sizable financial commitments to health. Other major support is from donor countries that have had a growing aid budget in recent years – or had growth at the time the commitments were made.

Canada	30
Denmark	1
European Union	1
France	19
Gates Foundation	754
Ireland	1
Norway	150
Netherlands	88
Sweden	5
UK	63
Public USA	219
Private	5
GRAND TOTAL	**1 336**

CUMULATIVE COMMITMENTS SINCE 2000 (IN US$)

In planning for the next ten years we support the drive for increased development aid, especially health-related. We will seek to increase overall spending on immunization efforts among partners, donors and developing countries, and will focus our own resource development goals on raising new and additional resources that supports the distinct role of GAVI and The Vaccine Fund in international development.

We will continue to define GAVI and The Vaccine Fund's added value investment areas as follows:

• Time-limited: GAVI and The Vaccine Fund provides 'catalyzing' funds and creates innovative approaches to ensure long-term sustainability.

• Front-loaded: Substantial initial investments in the short term lead to lower costs over time, thereby increasing the chances for long-term sustainability.

• Performance-based: GAVI and The Vaccine Fund investments will continue to place high emphasis on performance. Performance-based indicators will also include those related to effectiveness of partnerships, harmonization, global advocacy and political mobilization achieved as added value of the investment.

Investments that meet one or more of the above criteria will be focused in the following areas:

1 – Improving immunization services

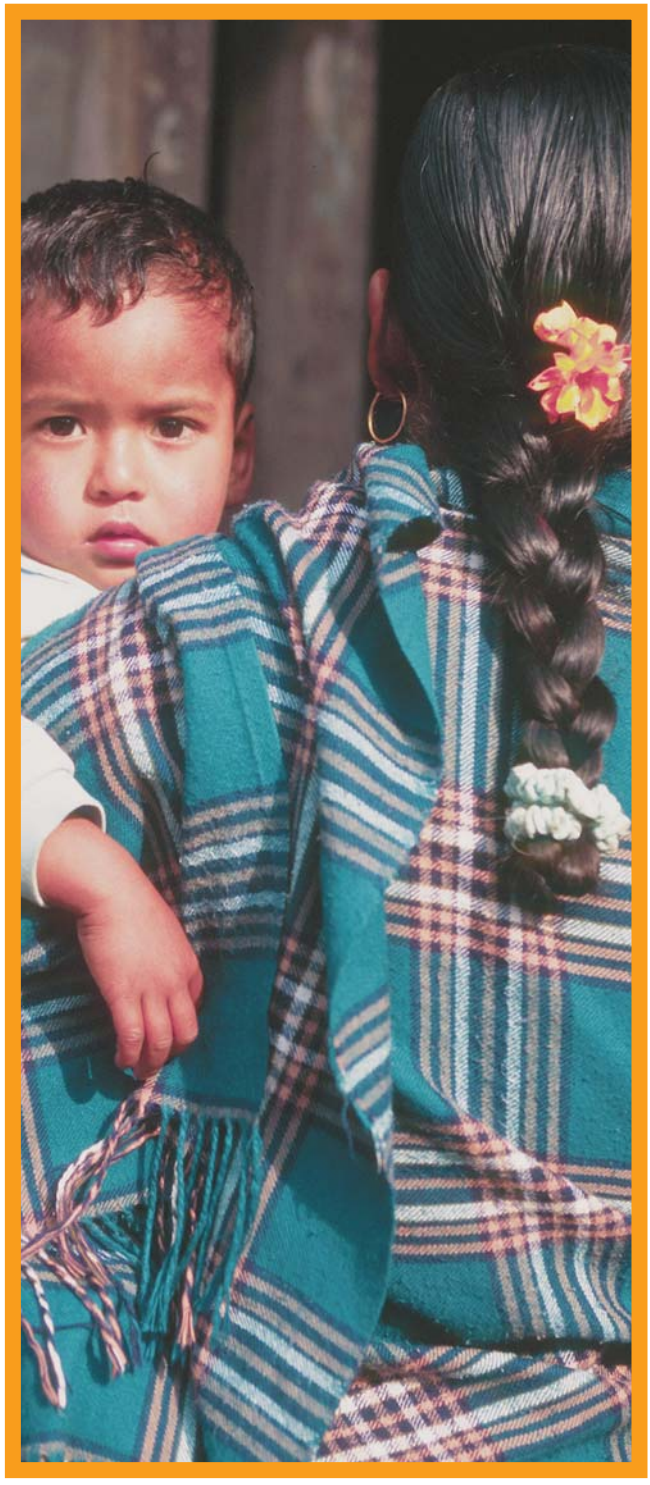
2 – Completing introduction of current vaccines (Hepatitis B, *Haemophilus influenzae* type b (Hib), Yellow fever)

3 – Improved strategies for currently available vaccines (including measles, neonatal tetanus, rubella, linking to Vitamin A, other micronutrients and disease interventions may be explored in an explicit way)

4 – Introduction of new, near-term vaccines, for example, rotavirus, pneumococcal, meningitis A, Japanese encephalitis, malaria, AIDS & tuberculosis (should they become available)

5 – Workplan and core management.

Ensuring that support from GAVI and The Vaccine Fund is additional and does not replace other sources of funding is a major concern. We have learned that tracking funding flows to immunization from government and external sources is a formidable challenge – with more governments using sector-wide management approaches and donors using budget support, identifying those resources which support immunization programs is not easy. Nor is it desirable for countries to create parallel funding. A project to develop an immunization financing database has taken longer than originally anticipated for these reasons. But we are confident that it will enable GAVI and The Vaccine Fund to analyze the trends and ensure that its funding is truly additional.



“We know exactly
what to do
and how much
it will cost.
Now we must do it.”

The Campaign for Child Immunization

SAVING MORE CHILDREN: THE NEED 2004-2006

The Vaccine Fund has launched a new campaign, The Campaign for Child Immunization, to support GAVI's efforts to close the immunization gap. Thanks to its rapid start-up and early achievements, The Vaccine Fund has committed about 95% of its available resources to improve immunization services in countries by the end of 2003. The challenge now is to replenish The Vaccine Fund so that these achievements can be taken to their full scale. Despite significant gains, millions of children remain without access to the most basic primary health care, including immunization. The Vaccine Fund's goal over the coming years is to work with all partners to build upon the initial success and expand the availability of child immunization to children not yet reached. To achieve this, additional resources are needed for strengthening of health systems, purchase of vaccines and injection equipment, training and specific immunization services support. GAVI and The Vaccine Fund will aim to save an additional one million lives by 2006. This will require US$400 per year from 2004 to 2006.

With The Vaccine Fund, GAVI partners have begun to address a core underlying issue in global public health whose implications have meant disease and death for millions of children – the enormous life and death gap between children in industrialized countries who have access to and are provided vaccines, and those in the poorest countries who either have not had access to all available vaccines or are not being reached at all. The notion that all children should have such access to basic health care has already been enshrined in international human rights law, the Convention on the Rights of the Child.

However, it will take continued concerted focus, partnership and resources to ensure that GAVI's promise of access to all available vaccines for the world's poorest children. It will take global commitment and additional resources to achieve this. The Campaign for Child Immunization seeks to do two things: To increase awareness in industrialized countries of the gross inequity between the developed and the developing countries with regard to access to available vaccines, and to urge donor governments, foundations and private sector leaders to support the efforts of the GAVI partners to address this inequity and increase the available resources for health and immunization.

Recognizing The Vaccine Fund and GAVI Partners

• **Governments in developing countries** deliver immunization services to children through their national health systems. Government health ministries manage national coordination – usually through Inter-Agency Coordinating Committees – which have become essential to the work of GAVI.

• **Vaccine manufacturers in developing countries** produce vaccines at affordable prices for sale in the developing world. A new GAVI-inspired network was formed to strengthen collaboration among vaccine manufacturers in developing countries.

• **Governments in industrialized countries** help to build political commitment and establish health as a priority for development assistance. Donor governments support countries in their efforts to improve health and immunization programs by participating in national coordinating groups and providing financial and/or technical support to health sectors and immunization programs.

• **Vaccine manufacturers in industrialized countries**, represented by IFPMA – the International Federation of Pharmaceutical Manufacturer's Associations – have been GAVI partners since its inception, and currently the membership includes Aventis-Pasteur, Berna Biotech, Chiron,GlaxoSmithKline, Merck and Wyeth. The development, manufacturing and marketing of vaccines to all countries of the world are core responsibilities of these member companies.

• **The Bill & Melinda Gates Foundation** invests in global health efforts, especially in support of immunization, and helps raise awareness of the value of immunization. The Foundation has committed more than US$ 1 billion to projects focused on the prevention and control of infectious diseases. These grants help to build coalitions among scientists, universities, nongovernmental organizations and private industry to ensure that all children have access to vaccines and that new drugs, vaccines and diagnostics are developed and delivered.

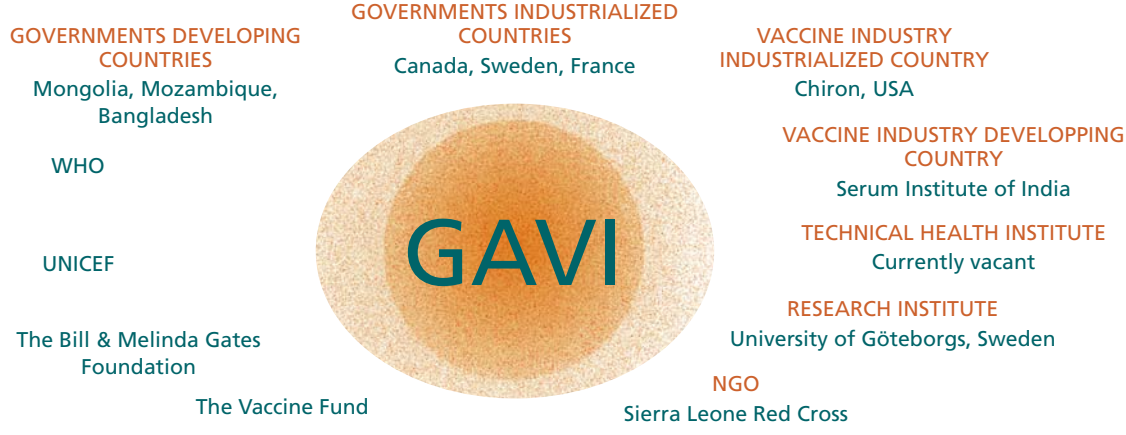
• **Nongovernmental organizations – NGOs** – have a long history of involvement in the field of child health and immunization. Some NGOs provide technical advice and staff to government programs while others provide additional financial support.

• **Public health and research institutions** provide policy recommendations on global immunization practices, act as reference laboratories for surveillance and quality control and provide technical staff for operations to help build capacity for research and development.

• **The World Bank Group** works to reduce poverty through increased financing to combat communicable diseases and increase immunization through more flexible use of International Development Assistance funds. Immunization is now a key health service indicator in the assessment of a country's eligibility for debt-relief under the Highly Indebted Poor Countries (HIPC) initiative.

• **UNICEF** has been a significant actor in the global effort to protect the health of the world's children through routine immunization. Immunization 'Plus' is one of its organizational priorities. UNICEF hosts the GAVI Secretariat in Geneva, Switzerland; provides administrative support to The Vaccine Fund – disbursing The Vaccine Fund grants to countries – and procures vaccines and safe injection supplies on behalf of GAVI partners.

• **World Health Organization**, the world's leader in global public health, provides technical expertise and strategic support to the alliance. Furthermore, WHO staff in the field play a critical role in support of GAVI objectives.



GAVI : AN INNOVATIVE PUBLIC-PRIVATE PARTNERSHIP

The Board of The Vaccine Fund

NELSON MANDELA, CHAIR

Nelson Mandela was the first black president of South Africa and a legendary figure of the African National Congress (ANC). From 1964 to 1990, Mandela was imprisoned for opposing South Africa's white minority government and its policy of racial separation. In 1993, Mandela and the president who released him, F.W. de Klerk, shared the Nobel Peace Prize. Mandela was elected president of the Republic of South Africa in 1994 and served until 1999. He is the founder of The Nelson Mandela Children's Fund, which addresses the needs of marginalized youth.

GRAÇA MACHEL, VICE-CHAIR

Graça Machel, former first lady and minister of education in Mozambique, is widely recognized for her dedication to education and for her leadership in organizations devoted to the children of her war-torn country. She currently serves as chairperson of the Commonwealth Foundation, chancellor of the University of Cape Town, and president of the Foundation for Community Development. Machel is also a member of the Advisory Board of Disarmament Matters at the United Nations, where she has focused on the impact of armed conflicts on children, and serves on the boards of the UN Foundation, the UN University and the South Centre.

PATTY STONESIFER

Patty Stonesifer, co-chair and president of The Bill & Melinda Gates Foundation, helps lead the foundation in its mission to improve access for all people to advances in global health and learning. Prior to being asked by Bill and Melinda Gates to launch the work of the foundation, Stonesifer held a senior vice-president position at Microsoft and ran her own management consulting firm, working with such corporations as DreamWorks SKG. Stonesifer is an active community volunteer, donating both time and resources to a number of regional nonprofit organizations. She also is on the board of Amazon.com and Viacom Inc.

JACQUES-FRANÇOIS MARTIN, PRESIDENT

Jacques-François Martin leads The Vaccine Fund's efforts to provide lifesaving vaccines and other immunization program support to low-income countries. He has spent his entire career in the pharmaceutical and biological industries. Since 1991, Martin has also been serving as chairman and CEO of Parteurop S.A., a biotech consulting company. He was CEO of Rhone-Poulenc Pharma in Hamburg, Germany before joining Institut Mérieux as vice-president of sales and marketing in 1976.

He became CEO of the company in 1988, and successfully negotiated with the government of Canada to acquire Connaught Laboratories. Martin was chairman of the IFPMA Biologicals Committee from 1994 to 1997. From 1996 to 1999, he was a member of the Board of the Institut National de la Santé et de la Recherche Médicale (the French National Institute of Health).From 1996 to 1998, Martin was also the CEO of the Fondation Jean Dausset – Centre d'Etudes du Polymorphisme Humain, a private foundation dedicated to genomics research.From November 1997 to June 2003 he was a member of the Board of the International AIDS Vaccine Initiative (IAVI).

JACQUES DELORS

Jacques Delors, a French economist and politician and European statesman, was president of the European Commission from 1985 to 1995. Beginning in the 1940s, he held a series of posts in French banking and state planning, eventually becoming an adviser to Gaullist Prime Minister Jacques Chaban-Delmas. Under President François Mitterrand, Delors served as economics and finance minister and economics, finance, and budget minister, helping to revive the French economy. As president of the European Commission, the executive body of the European Community, he helped to craft and win approval of the Single European Act, which laid the groundwork for the creation of a single EC market in 1993.

HER MAJESTY QUEEN RANIA AL-ABDULLAH OF JORDAN

Her Majesty Queen Rania Al-Abdullah of Jordan currently serves as President of the Arab Women's Summit, a rotating position she will assume until November 2004. As first lady, Queen Rania's activities encompass issues of national concern, such as the environment, youth, human rights, tourism, and culture among others. In 1995, she established the Jordan River Foundation (JRF), which aims to assist vulnerable segments of Jordan's population. Working closely with various international agencies, the Ministry of Social Development and the Jordan River Foundation, Queen Rania oversaw the launching of the Child Abuse Prevention Project, the first of its kind in the Arab region. In addition, Queen Rania sponsors numerous events that promote economic growth as well as the educational, artistic, and cultural diversity of Jordan.

DWIGHT BUSH

Dwight Bush has been a Principal of Stuart Mill Capital, LLC, an Arlington, VA, based investment firm, since 1997. From 1999 through 2002 Bush also served as Chief Financial Officer of SatoTravel Holdings. From 1994 through 1997, Bush served as Vice President-Corporate Development of Sallie Mae Corporation, a $60 billion financial service corporation, and the nation's leading provider of education credit. At Sallie Mae, Bush was responsible for mergers and acquisitions and business development, credit and investment policy, and investor relations. In addition, Bush was part of the senior management team responsible for the successful re-chartering of Sallie Mae as a fully

privatized corporation. Previously, Bush worked for Chase Manhattan Bank as Managing Director, Project Finance and head of the Public Utilities Group.

TORE GODAL

Dr. Tore Godal, executive secretary to the Global Alliance for Vaccines and Immunization (GAVI) in Geneva, has held numerous positions in international health care and infectious disease research. He began his career as director of the Armauer Hansen Research Institute in Ethiopia. At the World Health Organization (WHO), he has served as a consultant to the Immunology Unit, special advisor to the director general, and head of the Special Programme for Research and Training in Tropical Diseases (TDR), where he established global leadership in vector-borne diseases research. In recognition of his work, Dr. Godal was awarded the Prince Mahidol Award in the field of public health.

CHARLES J. LYONS

Charles J. "Chip" Lyons was appointed president of the U.S. Fund for UNICEF in 1997. In that capacity, Lyons is responsible for raising American public awareness of children's needs around the world and the work of UNICEF. Before assuming this position, Lyons served in a variety of roles with UNICEF, including chief of staff to the executive director. Lyons serves on the boards of Baby-Friendly USA, an organization working to promote breast-feeding as the optimal care for babies, and Rugmark USA, an organization working to reduce exploitative child labor in the carpet industry.

MARY ROBINSON

Mary Robinson is the Executive Director of the Ethical Globalization Initiative. She served as United Nations High Commissioner for Human Rights from 1997 to 2002 and as President of Ireland from 1990-1997. She is a founder member and incoming Chair of the Council of Women World Leaders. Before her election as President, Robinson served as Senator, holding that office for 20 years. In 1969 she became Reid Professor of Constitutional Law at Trinity College, Dublin and now serves as Chancellor of Dublin University. She was called to the bar in 1967, becoming a Senior Counsel in 1980, and a member of the English Bar (Middle Temple) in 1973. Educated at Trinity College, Robinson also holds law degrees from the King's Inns in Dublin and from Harvard University.

MSTISLAV ROSTROPOVICH

Mstislav Rostropovich is the most esteemed cellist of his generation and a relentless defender of human rights. Born in Azerbaijan, he studied and later taught at the Moscow Conservatory. In 1974 Rostropovich and his wife left the USSR, and in 1978 their citizenship was revoked. Having immigrated to the United States, he became music director of the National Symphony Orchestra in Washington, D.C., a position he held from 1977 to 1994. Rostropovich has given benefit concerts to aid earthquake victims, and undertaken fundraising efforts for the first modern, fully equipped children's hospital in Moscow. In 1974 he received the Annual Award of the International League of Human Rights and in 1985 the Albert Schweitzer Award.

AMARTYA SEN

Amartya Sen is a Nobel Prize-winning economist whose contributions to the field of welfare economics have helped explain the causes of famine, inequality and poverty. Sen taught at Harvard University, the London School of Economics, Oxford and New Dehli University before becoming head of Trinity College in Cambridge, England. He is the author of numerous books, including Poverty and Famine: An Essay on Entitlement and Deprivation and Collective Choice and Social Welfare. Sen is the recipient of the Alan Shaw Feinstein World Hunger Award, the Jean Mayer Global Citizenship Award, the Indira Gandhi Gold Medal Award of the Asiatic Society and the Edinburgh Medal.

JENS STOLTENBERG

Jens Stoltenberg started his political career in 1979 with the Norwegian Labour Youth League. He became chairman of the Labour Youth League in 1985, a position he held until 1989. He was elected to the Norwegian Parliament in 1991 and became Deputy-Chairman of the Norwegian Labour Party a year later. Throughout the 1990's, he held key portfolios in the Norwegian government, ranging from State Secretary for the Environment to Minister of Finance, before becoming Norway's Prime Minister in 2000. Stoltenberg is currently Chairman of the Labour Party parliamentary group.

LAWRENCE H. SUMMERS

An eminent scholar and admired public servant, Larry Summers begun his career teaching economics at MIT before going to Washington in 1982 as a domestic policy economist for the President's Council of Economic Advisers. He returned to Harvard as a professor of economics, taking leave in 1991 to return to Washington, this time as vice president of development economics and chief economist of the World Bank. In 1993, Summers was named undersecretary of the treasury for international affairs before being promoted to the department's number-two post, deputy secretary of the treasury in 1995. In 1999, Summers was confirmed, by the Senate as secretary of the treasury. On July 1, 2001, Summers took office as 27th president of Harvard University.

GEORGE W. WELLDE

George W. Wellde, Jr. is the Head of North American Sales for Fixed Income, Currency and Commodities at Goldman, Sachs and Co. He has worked in fixed income sales since joining the Goldman Sachs Group in 1979. Prior to his current responsibilities, Wellde was the branch manager of Goldman Sachs' Tokyo office. Previously, he worked at the Federal Reserve Board and Union First National Bank in Washington, D.C.

Conditions for Support from The Vaccine Fund

Before receiving any aid from The Vaccine Fund, eligible countries must meet three basic criteria:

• First, there must be a functioning Inter-Agency Coordination Committee (ICC) or equivalent collaboration mechanism, in the country. The ICC, composed of representatives from the government and other aid agencies present on the ground (UNICEF, WHO), is an integral part of the process, helping determine not only how many children have already been immunized, but how best to reach those children who must still be vaccinated. It is anticipated that national ICCs will grow to support governments in their overall immunization planning and monitoring efforts.

• Second, as part of their application to The Vaccine Fund, the countries must show that there has been a recent assessment of immunization services already being provided. This assessment is critical because it helps determine the level of assistance for which the country is eligible. If the country's immunization rate of DTP3 (three full doses of diphtheria, tetanus and pertussis by age one) is below 50 percent, the country is eligible to receive money from The Vaccine Fund to strengthen its systems for delivering vaccines. Countries with DTP3 coverage between 50 percent and 80 percent can receive funds to strengthen their immunization systems, as well as for new and under-used vaccines (see accompanying fact sheets on Hepatitis B, Hib and Yellow fever) and safe injection equipment. Countries with DTP3 coverage greater than 80 percent are eligible for the new and under-used vaccines and safe injection equipment.

• Finally, in order to receive assistance from The Vaccine Fund, countries must have a multi-year immunization plan in place. The plan must include strategies for improving immunization coverage, achieving safe injections, and maintaining sustainability. Countries applying for new and under-used vaccines must also submit a plan for introducing these vaccines into immunization programs.

Once an eligible country has applied, an independent committee of experts in healthcare and immunization reviews the proposals and makes recommendations to the Board of the Global Alliance for Vaccines and Immunization (GAVI) as to whether the application should be approved. Countries can be asked to send in more information or to clarify certain aspects of their applications. Once an application is considered complete and the country is deemed eligible, the GAVI Board makes a recommendation to the Board of The Vaccine Fund to fund the proposal.

Glossary

YELLOW FEVER

Yellow fever is an acute mosquito-born infectious disease that can kill more than half its victims during an epidemic. The disease is characterized by the sudden onset of fever, chills, head, back and muscle pain, nausea and vomiting. These may progress to jaundice, bleeding, kidney and liver failure and symptoms may lead to death in seven to 10 days.

Yellow fever hits hardest in the countries of sub-Saharan Africa. According to the World Health Organization (WHO), the disease is endemic in 34 African countries, which house a total population of 468 million people. WHO estimates that Yellow fever strikes 200,000 people each year, resulting in 30,000 fatalities. The disease is a major public health issue in tropical and sub-tropical areas of Asia and South America.

There is no specific drug treatment effective against Yellow fever and the most cost-effective approach to controlling the disease is to incorporate vaccination into routine national immunization programs.

The live, attenuated virus vaccine against Yellow fever is safe and highly effective. More than 90 percent of children vaccinated develop immunity to the disease for up to 10 years. Children older than nine months can be vaccinated.

Even though WHO has recommended the incorporation of Yellow fever vaccine into routine immunization programs, it appears that there are still wide gaps in coverage. As of 1998, WHO estimates that only 17 of the 34 at-risk countries in Africa had implemented the recommendation. Another issue is the lack of Yellow fever vaccine product, which has hampered immunization efforts. Although the vaccine is relatively inexpensive, there has been little coordination with the pharmaceutical industry to ensure its continual availability. The Vaccine Fund, through its partnership with the Global Alliance for Vaccines and Immunization (GAVI) and the pharmaceutical companies, aims to create a strategy for the long-term availability of products such as Yellow fever vaccine.

HAEMOPHILUS INFLUENZAE TYPE B (HIB)

Haemophilus influenzae type b (Hib) is a major cause of childhood bacterial meningitis (inflammation of the membranes covering the brain) and a variety of serious and potentially life-threatening infections, including pneumonia, epiglottitis, osteomyelitis, septic arthritis and sepsis in infants and older children.

Children between four and 18 months of age are usually the hardest hit by this deadly disease. Pneumonia and meningitis, the most important manifestations of Hib disease, are mainly seen in children less than five years of age. Acute respiratory infections caused by Hib particularly affect the developing world, resulting in two to three million cases of Hib pneumonia every year. Hib is estimated to cause at least three million cases of serious disease and anywhere from 400,000 to 700,000 deaths annually worldwide.

Children can easily spread Hib bacteria. The disease is spread through sneezing, coughing or close contact with an infected person. A person can be carry the Hib bacteria without showing any symptoms, but can still infect others.

There are several Hib conjugate vaccines available. All have shown to be safe and effective in preventing Hib in early infancy and childhood. Hib vaccines are now used as part of routine childhood vaccination programs in more than 20 countries including Canada, the United States, Australia and New Zealand, and many countries of Western Europe. As a result, Hib has largely disappeared from Western Europe, the United States, Canada and Australia. Before an effective vaccine became available, there were an estimated 20,000 invasive Hib infections per year in the United States, with up to 1000 deaths. The number of reported cases has dropped precipitously, particular since 1990. In 1995, about 259 invasive Haemophilus cases were reported among children less than five years old.

To date, Hib vaccines have not been widely used in the developing world. However, use of the vaccine in studies or immunization programs in Chile, Uruguay and Gambia have shown it to be safe and effective. The Vaccine Fund provides funding for Hib vaccines in regions of the world where the disease is documented as being widespread and deadly, such as Africa.

Information supplied by the World Health Organization and the Meningitis Foundation of America.

HEPATITIS B

The Hepatitis B virus (HBV) is a leading cause of Hepatitis, an inflammation of the liver that can lead to chronic illness and, eventually, death. HBV is the most serious type of viral hepatitis and the only type that causes chronic Hepatitis for which avaccine is available.

Hepatitis B is a worldwide public health problem. According to the World Health Organization (WHO), of the two billion people who have been infected with Hepatitis B, an estimated 350 million have developed a chronic infection. At least 900,000 chronically infected people die each year from cancer of the liver and cirrhosis.

Although anyone is susceptible to HBV, infants and children are considered to be more at risk of infection. About 90 percent of infants infected during the first year of life, and 30 to 50 percent of children infected from ages one to four, develop lifelong infections. One in four children who become chronic carriers of the disease will die of HBV-related liver cancer or cirrhosis years later.

In most of the developing world, including sub-Saharan Africa, most of Asia and the Pacific, most people become infected with HBV during childhood and eight to 10 percent of the population become chronically infected. In these regions, liver cancer caused by HBV is among the three leading causes of cancer death in men.

Hepatitis B virus is transmitted by contact with blood or body fluids of an infected person in the same way as human immunodeficiency virus (HIV), the virus that causes AIDS. However, HBV is 50 to 100 times more infectious than HIV. Worldwide, most infections occur from infected mother to child, from child to child contact in household settings, and from reuse of unsterilized needles and syringes. In many developing countries, almost all children become infected with the virus.

The Hepatitis B vaccine has been available since 1982 and more than 1 billion doses have been safely administered. The vaccine, given in a series of three doses, is 95 percent effective when administered properly. Since 1991, WHO has called for all countries to add Hepatitis B vaccine into their national immunization programs. As of March 2000, 116 countries had included Hepatitis B vaccine in their national programs. Given that it helps prevent liver cancer, the Hepatitis B vaccine is often considered to be the world's first anti-cancer vaccine.

“It’s every child’s right to live. Vaccines can offer victory in the fight against disease.”

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
The Vaccine Fund

In our opinion, based on our audit and the report of other auditors, the accompanying consolidating statement of financial position and the related consolidating statements of activities, of cash flows, and of functional expenses present fairly, in all material respects, the financial position of The Vaccine Fund (the Fund) and le Fonds pour les Vaccins de l'Enfance (the Association) as of December 31, 2003, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 audit. We did not audit the financial statements and footnotes of the Association, a wholly-owned subsidiary, which statements reflect total assets of US$1,702,587 as of December 31, 2003, and total revenues of US$4,588,937 for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Fund, is based solely on the report of the other auditors. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

March 17, 2004

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

as of December 31, 2003

	U.S. Office 501(c)(3)	French Office 1901 Association	Elimination	Total
ASSETS				
Cash and cash equivalents	$ 2,311,660	$ 388,824	$ -	$ 2,700,484
Accounts receivable	271,209	12,194	-	283,403
Interest receivable	4,533,274	-	-	4,533,274
Prepaid expenses	2,548,309	103,194	-	2,651,503
Promises to give	1,465,266	-	-	1,465,266
Fixed assets	1,120,025	1,162,963	-	2,282,988
Investments	677,624,624	35,412	-	677,660,036
TOTAL ASSETS	**$ 689,874,367**	**$ 1,702,587**	**$ -**	**$ 691,576,954**
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accruals	$ 1,993,254	$ 814,793	$ -	$ 2,808,047
Refundable advances	148,750	-	-	148,750
Commitment to fund future procurement	215,283,176	-	-	215,283,176
Total Liabilities	**217,425,180**	**814,793**	**-**	**218,239,973**
Net Assets:				
Unrestricted net assets	470,983,921	887,794	-	471,871,715
Temporarily restricted net assets	1,465,266	-	-	1,465,266
Total Net Assets	**472,449,187**	**887,794**	**-**	**473,336,981**
TOTAL LIABILITIES AND NET ASSETS	**$ 689,874,367**	**$ 1,702,587**	**$ -**	**$ 691,576,954**

CONSOLIDATING STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2003

	U.S. Office 501(c)(3)	French Office 1901 Association	Elimination	Total
UNRESTRICTED				
Revenues:				
Contributions	$ 61 786 972	$ 4 493 910	$ (4 491 080)	$ 61 789 802
Investment income, net of related investment management fees	24 907 217	(3 673)	-	24 903 544
Foreign currency translation adjustment	-	(10 321)	-	(10 321)
Other	410 617	109 021	-	519 638
Release of net assets	**625 000**	**-**	**-**	**625 000**
Total Revenues	**87 729 806**	**4 588 937**	**(4 491 080)**	**87 827 663**
Expenses:				
Program	391 973 992	-	(4 491 080)	387 482 912
Management & general	1 957 333	1 907 402	-	3 864 735
Fundraising	**3 540 636**	**1 574 439**	**-**	**5 115 075**
Total Expenses	**397 471 961**	**3 481 841**	**(4 491 080)**	**396 462 722**
Change in Unrestricted Net Assets	**(309 742 155)**	**1 107 096**	**-**	**(308 635 059)**
TEMPORARILY RESTRICTED				
Contributions	1 017 987	-	-	1 017 987
Release of net assets	(625 000)	-	-	(625 000)
Change in Temporarily Restricted Net Assets	**392 987**	**-**	**-**	**392 987**
Total Change in Net Assets	**(309 349 168)**	**1 107 096**	**-**	**(308 242 072)**
Net Assets, Beginning of Year:				
Unrestricted	780 726 076	(219 302)	-	780 506 774
Temporarily restricted	**1 072 279**	**-**	**-**	**1 072 279**
Total Net Assets, Beginning of Year	**781 798 355**	**(219 302)**	**-**	**781 579 053**
Net Assets, End of Year:				
Unrestricted	470 983 921	887 794	-	471 871 715
Temporarily restricted	**1 465 266**	**-**	**-**	**1 465 266**
TOTAL NET ASSETS, END OF YEAR	**$ 472 449 187**	**$ 887 794**	**$ -**	**$ 473 336 981**

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(308 242 072)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		221 031
Gains on sale of fixed assets		(49 557)
Realized and unrealized losses on investments		2 085 328
Change in Assets and Liabilities:		
Increase in accounts receivable		(276 550)
Increase in interest receivable		(296 925)
Increase in prepaid expenses		(555 115)
Increase in promises to give		(392 987)
Increase in accounts payable		1 724 609
Increase in refundable advances		148 750
Increase in procurement commitment		215 283 176
Net Cash Used in Operating Activities		**(90 350 312)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets		(2 291 550)
Proceeds from sale of fixed assets		101 374
Purchase of investments		(6 236 720 637)
Sale of investments		6 322 233 543
Net Cash Provided by Investing Activities		**83 322 730**
Net Change in Cash and Cash Equivalents		**(7 027 582)**
Cash and cash equivalents, beginning of year		9 728 066
CASH AND CASH EQUIVALENTS, END OF YEAR		**$2 700 484**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Beginning on January 1, 2003, the Fund accounts for revenues and expenses on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States. During fiscal year 2002, the Fund accounted for revenues and expenses on the modified cash basis, which was modified from the basis of cash receipts and cash disbursements to include capitalization and depreciation of fixed assets and unrealized and realized gains and losses on investments. This basis is a comprehensive basis of accounting other than generally accepted accounting principles. The effect of this change totals US$6,595,738 and has been recorded as an adjustment to increase unrestricted net assets by $5,523,459 and temporarily restricted net assets by US$1,072,279 as of January 1, 2003.

The Association has prepared its financial statements on the accrual basis of accounting. Complete footnotes to the Association's financial statements are available but not included in these consolidated financial statements.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Fund and the Association for the year ended December 31, 2003. All inter-entity balances and transactions have been eliminated in consolidation.

Basis of Presentation

Net assets, revenues, 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, 2003, all temporarily restricted net assets of the Fund were due to time restriction.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Fund. As of December 31, 2003, 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 of 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 purpose of reporting cash flows, the Fund considers all cash accounts which 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 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 Statements 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, Equipment, and Leasehold Improvements

Furniture, equipment, and leasehold improvements are stated at cost for purchased assets or estimated value at date of receipt for donated assets. Depreciation for furniture and equipment is provided using the straight-line method over the estimated useful lives of the assets of three to five years. Depreciation for leasehold improvements is provided using the straight-line method over the term of the lease.
In 2003, the Fund lowered its threshold for capitalization of furniture, equipment, and leasehold improvements from US$10,000 to US$5,000. The effect of the change in 2003 was an increase in unrestricted change in net assets by US$63,185.

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). As of December 31, 2003, the Fund was not a private foundation under Section 509(a) of the Code because of the advanced ruling period granted by the IRS. In March 2004, the Fund filed with the IRS to obtaining a final determination of non-private foundation status.

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 investment held in financial institutions in excess of the available federal deposit insurance.

For the year ended December 31, 2003, 92.35 percent of the Fund's contribution revenue is from one U.S. government agency. 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.

3. COLLABORATIVE AGREEMENTS

The Fund's efforts in furtherance of its charitable purposes are to raise funds to assist members of the Global Alliance for Vaccines and Immunization (GAVI) with immunization programs in its target countries, including the purchase and delivery of vaccines and the enhancement of immunization services. Members of GAVI include representatives of the World Health Organization (WHO), the United Nations Children's' Fund (UNICEF), the World Bank, the Bill and 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 vaccines in production that are not yet part of those countries' immunization programs. At December 31, 2003, immunization programs and the associated budgets endorsed by GAVI totaled US$1.17 billion. The Executive Committee of the Fund expects that the remainder of the budgets endorsed by GAVI will be brought to the Fund's consideration in due course.

In 2002, the Fund became a board member of GAVI. Duties of a board member include providing broad strategic directions to GAVI, and exercising operational decision-making to shared objectives, strategies, and plans. As a board member, the Fund also pays an annual fee of US$300,000.

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 Vaccine Fund Trust Account at UNICEF (the Trust Account) was established. The purpose of the Trust Account is to receive contributions from the Fund and other donors 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 held in trust at UNICEF on behalf of the donors seeking to support GAVI initiatives. While these funds are not included in the Funds' financial statements, they may be used to offset outstanding program awards approved by the Fund. The GAVI Secretariat presents award decisions (already approved by the GAVI Board) to the Fund for consideration of the Fund's willingness to finance such awards. When the Fund approves the financing, the Fund adopts the obligation to pay up to the total amount of the award. The subsequent disbursement of awards is financed by funds drawn from both the Fund and the Trust Account.

As of December 31, 2003, the Fund had prepaid UNICEF US$2,503,200 for administration of the Trust Account for future periods.

4. PROMISES TO GIVE

At December 31, 2003, unconditional promises to give consisted of the following:

Contributions due in less than one year	$	625,000
Contributions due in one to five years		875,000
Unconditional promises to give before unamortized discount		1,500,000
Less unamortized discount		(34,734)
NET UNCONDITIONAL PROMISES TO GIVE	**$**	**1,465,266**

The discount rate was 2.32 in 2003 for contributions to be received in two to three years, respectively.

5. CONDITIONAL PROMISE TO GIVE

During 2002, the Fund has received a conditional promise to give totaling 24,500,000 Pounds Sterling (US$ 39,307,800) over the period April 2002 to December 2005. The payment of the promise to give is subject to the donor's receipt of a satisfactory financial report by the Fund detailing how the previous contributions have been committed and projection of needs. As of December 31, 2003, 3,500,000 Pounds Sterling (US$5,605,950) has been received.

6. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2003:

		501(c)(3)		1901 Association
Furniture and fixture	$	246,697	$	330,492
Equipment		232,326		532,109
Leasehold improvement		702,307		502,441
Total fixed assets		1,181,330		1,365,042
Accumulated depreciation		(61,305)		(202,079)
TOTAL FIXED ASSETS	**$**	**1,120,025**	**$**	**1,162,963**

7. INVESTMENTS

Investments consist of the following at December 31, 2003:

		501(c)(3)		1901 Association
Money market	$	38,435,051	$	35,412
Government bonds		256,426,982		-
Corporate bonds		382,762,591		-
TOTAL INVESTMENTS	**$**	**677,624,624**	**$**	**35,412**

Investment return for the year ended December 31, 2003 was as follows:

		501(c)(3)		1901 Association
Dividends and interest	$	28,921,249	$	4,301
Realized and unrealized gains (losses)		(2,085,327)		290
Investment fees		(1,928,705)	$	(8,264)
TOTAL RETURN ON INVESTMENTS	**$**	**24,907,217**	**$**	**(3,673)**

8. COMMITMENT TO FUND FUTURE PROCUREMENT

During 2003, the Fund entered into an agreement with UNICEF to pledge up to US$215,283,176 of its investment assets to UNICEF through March 2006. The pledge is in connection with the 2004-2006 vaccine purchases that UNICEF has firmly contracted with a pharmaceutical company. Under this agreement, UNICEF will issue purchase orders periodically through March 2006 to effect agreed vaccine shipments. Ten days prior to the issuance of a purchase order, UNICEF will request funds equivalent to the value of the purchase order from the Fund. When the Fund forwards the requested funds to UNICEF, the pledge commitment decreases by the same amount. If the Fund fails to forward the requested funds on the date indicated, UNICEF will be granted direct unfettered access to the pledged investment asset for the value of the failed payment.

9. AWARD COMMITMENTS

As discussed in Note 3, contributions to the Trust Account are from the Fund and from other donors, which include foreign governments. Disbursements from the Trust Account are subject to approval of the awards by the Fund. As of December 31, 2003, cumulative contributions to the Trust Account by the Fund and other donors totaled US$271,028,124 and US$149,976,512, respectively; cumulative disbursements from the Trust Account totaled US$383,367,919.

As of December 31, 2003, awards approved by the Fund but not yet disbursed from the Trust Account were approximately US$470 million. Of the US$470 million outstanding commitments, US$215,283,176 was pledged to UNICEF by the Fund, as discussed in Note 8.

10. RETIREMENT PLAN

On January 1, 2002, the Fund began sponsoring a 401(k) defined contribution plan for all eligible employees of the Fund. Employees become eligible upon hiring, and may participate starting on the first day of any month. Employees may contribute voluntary salary deferrals to the plan subject to IRS limitations. The Fund's annual contribution equals 3 percent of each participant's compensation, as well as 100% matching contribution up to 2 percent of the participant's compensation. In addition, the Fund may contribute to the plan discretionary amounts above the initial 3 percent. The discretionary amount is fully vested after 12 months. The discretionary amount for 2003 equals 10 percent of the participant's compensation respectively. As of December 31, 2003, the amount accrued for Fund's contributions totaled US$140,765.

11. LEASE

In 2003, the Fund entered into a ten-year lease agreement, which commenced on November 15, 2003. The Fund has the option to extend the term for five years. Rental expense totaled US$155,944 for year ended December 31, 2003. Minimum lease payments under this agreement are as follows:

Year Ending December 31,

2004	$	203,498
2005		277,263
2006		283,501
2007		289,880
2008		296,402
Thereafter		1,556,923
TOTAL	**$**	**2,907,467**

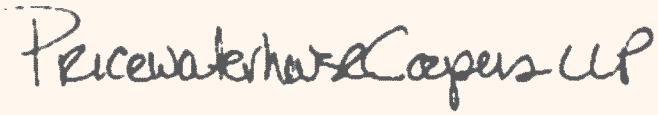
12. RELATED PARTY TRANSACTION

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. For the year ended December 31, 2003, total fees paid to Parteurop under this agreement were US$413,622.

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
The Vaccine Fund

The report on our audit of the basic financial statements of the Vaccine Fund (the Fund) and le Fonds pour les Vaccins de l'Enfance (the Association) as of and for the year ended December 31, 2003 appears on page one of this document. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying consolidating statements of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.



March 17, 2004

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2003

	Direct And Indirect Program	Commitment to Fund Future Procurement	Total Program	Management And General	Fundraising	Total
Vaccine procurement commitment	$ -	$215 283 176	$215 283 176	$ -	$ -	$215 283 176
Purchases of supplies and direct program expenditures	163 671 867	-	163 671 867	-	-	163 671 867
Program implementation	8 527 869	-	8 527 869	-	-	8 527 869
Professional fees	-	-	-	850 816	1 516 230	2 367 046
Payroll	-	-	-	716 498	1 535 944	2 252 442
Travel, meals and entertainment	-	-	-	391 647	667 630	1 059 277
Facility and office costs	-	-	-	851 249	163 624	1 014 873
Benefits	-	-	-	453 567	528 890	982 457
Media production and distribution	-	-	-	18 623	492 476	511 099
Supplies and equipment	-	-	-	328 710	91	328 801
Training and recruitment	-	-	-	142 128	107 360	249 488
Telecommunication and data	-	-	-	102 429	33 862	136 291
Events and meetings	-	-	-	9 068	68 968	78 036
TOTAL EXPENSES	**$ 172 199 736**	**$215 283 176**	**$387 482 912**	**$ 3 864 735**	**$ 5 115 075**	**$396 462 722**

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PRINTED BY

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FOOTNOTES

1 – Source : WHO, 2003.

2 – GAVI Secretariat estimate of the cumulative number of children who could have been expected to die one day from a vaccine-preventable disease had they not received as infants the vaccines that were paid for through GAVI support.

3 – GAVI Secretariat estimate based on WHO/UNICEF official vaccine coverage estimates in the GAVI supported countries for 2000-2002, and country progress reports and plans submitted to GAVI for 2003.

4 – All trademarks and registred trademarks are the property of their respective owners.

IMMUNIZE EVERY CHILD, EVERYW

WHO

unicef

“The Vaccine Fund's mission is simple : to ensure that Every child, Everywhere has equal access to life-saving vaccines.”

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The Vaccine Fund is a non-profit organization.
Contributions are tax-deductible and may be sent to the above addresses.

www. vaccinefund.org

The Vaccine Fund
Every child. Everywhere.
Partnering with GAVI