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## Straight talk with... Alan Gillespie

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Finding the financial means to achieve global health targets poses a huge challenge. Government donations can take years or even decades after formal approval to actually arrive. To overcome this hurdle and quickly raise huge sums for child vaccination programs, the International Finance Facility for Immunisation (IFFIm, pronounced 'if im') raises funds from private investors by offering them bonds backed by government pledges. Alan Gillespie, chairman of the board at IFFIm, interfaces between the source of the funds, the capital markets and the distributor, the Global Alliance for Vaccines and Immunization (The GAVI Alliance). Guided by Gillespie, IFFIm has thus far raised over \$1 billion for vaccines, which is already flowing through GAVI into childhood immunization programs. Gillespie, who also serves as chairman of the Ulster Bank Group in Belfast, explains IFFIm's unique funding approach to **Genevive Bjorn**.

### How did you get involved with IFFIm?

I was appointed to this role with IFFIm after a long career in banking. I received a PhD at Cambridge in development economics, and then I spent the next 30 years in the banking industry, first at Citibank and then at Goldman Sachs. So I'm a mainstream investment banker by background.

That said, I've always had an interest in development issues, and when I retired from Goldman Sachs a number of years ago, I was appointed by the UK government to be CEO for the Commonwealth Development Corporation, which is an investment bank targeting Africa, rather like a miniature World Bank. So I don't come to IFFIm as a healthcare expert, but I do come with considerable experience in helping governments and corporations access the capital markets and undertake borrowing.

### What exactly sparked the launch of IFFIm?

It really started with a question: how do you mobilize large amounts of money in the immediate future to improve global health as required by the Millennium Development Goals? And, in response to that, IFFIm was born at the [UK] Treasury in London in 2002.

But it even goes back a bit further than that. After the UN International Conference on Financing for Development in Monterey, Mexico in 2002, the participating governments recognized that achieving such demanding Millennium Development Goals would require additional funding beyond the existing aid development budgets.

So the governments committed to gradually increase their annual development spending to a higher level—up to 0.7% of gross domestic product. Many nations are moving towards this target, but, of course, the

money comes in gradually over time. This is the heart of the problem—lives need saving today, but funding to do so trickles in over a long period. IFFIm solves this timing problem.

#### How does IFFIm's vaccine funding process work?

IFFIm takes long-term financial pledges made by governments and uses them to generate large cash resources for immediate use by borrowing from private bond investors in the capital markets.

It's a question of which country is equipped under its governing framework to do this. The reason the United States is not one of the IFFIm governments is that the US government goes back to Congress annually for the appropriation of the budget. Most European governments are able to make these 20-year pledges.

#### How much money will the investors make on these vaccine bonds?

The bonds are priced on commercial terms. Our bond in the dollar market was priced at 5% for five years, which was the right rate of return on those bonds at the time. Our bond in Japan was priced about a day before a similar bond offering for Toyota Motor Company. They were essentially the same interest rate.

We're not asking investors for a charitable donation. We're asking investors to entrust their savings to us, and we will pay an appropriate market-based interest rate.

#### But what if a government that pledges money fails to pay what it owes to IFFIm?

That's not a set of circumstances that we contemplate at all. These are all governments that the world trusts—the United Kingdom and the French Republic. IFFIm, international financial markets and investors worldwide trust these governments in the same way that the world trusts the United States to honor its debts. If governments don't honor their debts, then we're into very serious global circumstances.

#### Can anyone invest?

It's not a question of who can invest, but the types [of bonds] that are offered. The first bond offering in London was very large—\$1 billion. It's what we call a 'benchmark transaction,' which means that it established our name in the markets, our borrowing level and our financial pedigree. We addressed large institutional investors—money firms, fund managers, mutual funds, asset managers and so on.

We've also just completed borrowing in Japan, which was addressed at [individual] investors. That bond was distributed widely amongst thousands of investors, so we have no philosophical distinctions whatsoever. We would like to raise money from whoever would like to lend us money in an appropriate way.

#### The GAVI Alliance handles the distribution of funds raised by IFFIm. What led to this arrangement?

When Bill Gates wanted to put up a very major amount of money for vaccines, he called for an innovative delivery approach, which is why GAVI started. It's an alliance that coordinates all of the different health players, like UNICEF and the World Health Organization. As an outside businessman stepping in, I would say GAVI has been a refreshingly nimble, effective and relatively unbureaucratic organization, compared to some of the other players within the UN system.

My work with IFFIm is a derivative of the work of the Bill & Melinda Gates Foundation. And I think it's phenomenal that private philanthropy shows such leadership.

#### Why invest such huge sums in vaccines?

If you don't start with helping children to survive, then you don't make much progress in anything else—your society crumbles.

Back about a decade ago, the Bill & Melinda Gates Foundation did a lot of work to figure out where they could make a significant intervention in terms of development policy or health issues. After a lot of very thoughtful research, they focused on immunization and committed \$750 million toward this cause. Then GAVI formed. Shortly after that, [the Gates Foundation] committed another \$750 million. So all of a sudden there was a private philanthropy [organization] committing \$1.5 billion to [promote] immunizations in poor countries. That just hadn't been done before.

What excites me is that IFFIm and GAVI are immunizing millions of children and giving them frontline medical protection against diseases that otherwise they would have died from.

Immunization is important. But why not invest in other important health areas, such as HIV medications or mosquito-proof bed nets? Many people in poorer countries die from measles, tetanus and other diseases for which vaccines already exist. It's morally outrageous that we in our wealthy societies benefit from them, but children in the poor countries aren't getting them. By setting aside for the moment diseases without vaccines, like HIV and malaria, what we're

really saying is that there's a whole range of other vaccines available and effective now, so let's get those items.

#### What kinds of reactions do you get from investors?

What was interesting in doing the bond offering in Japan was that we saw a degree of advocacy [by IFFIm]. As we're developing an investor base, more people are learning about the work of GAVI and gaining an understanding of what vaccination is about.

#### Which aspect of your work with IFFIm do you find most satisfying?

Well, there's not one single thing. I'd say tops is helping IFFIm navigate its way into the capital markets and seeing \$1 billion flowing to help purchase vaccines, recruit nurses and immunize children. I don't think I've ever undertaken borrowings that [have] been more thrillingly worthwhile than this. It's as good as it gets.

#### What results have you seen so far?

I'm very much involved in this on the financial side. At this point, we are largely measuring what we've done by the inputs—the millions of dollars spent on immunization and the number of children immunized.

So far we have \$5.3 billion of irrefutable government pledges, which extend out to 20 years. Just over a year ago, we borrowed \$1 billion in the capital markets, which is already flowing into child vaccinating programs.

#### Looking ahead, which direction would you like to see IFFIm go?

Now that we are several years into this, we've got proof of concept. The financial mechanisms work. Investors are supporting it. Children are getting immunized. The task in the next five to seven years is to continue to raise capital in the markets to fuel the immunization programs.

Beyond that, the question is if IFFIm can be recycled and refueled with new capital. Or if an IFFIm-like financial device can have other applications or address other [global] development goals. We've got a financial model for development that works. What other ways it can be applied is a very interesting issue for us in the coming years. ■

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