MAXIMISING RESOURCES FOR NUTRITION

How might innovative finance catalyse hundreds of millions into the global nutrition sector?

September 2023

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INTRODUCTION & CONTENTS

Good nutrition is a critical area of international development, we will not achieve the Global Goals without it, yet it is often overlooked and chronically underfunded. Innovative finance has clear potential to change this – catalysing unprecedented levels of private capital into the sector as it has done for education and climate.

However, there is currently no single institution driving this change.

The Power of Nutrition has partnered with Palladium to explore these opportunities. Through this summary document, we share our key findings with **our ambition being that others in the nutrition sector come together to unlock the huge potential of innovative finance for nutrition**. The prize is huge: hundreds of millions, possibly billions of dollars of new money for global nutrition. Failing to capitalise on this opportunity would be a tragedy: the global nutrition sector mirroring in innovative financing the orphan status it has had for 40 years in traditional grant aid.

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The Power of Nutrition (TPoN) is a global charitable foundation that raises money and convenes innovative public-private partnerships to advance the fight against malnutrition in Africa and Asia.

Palladium is an impact investment bank and advisory firm creating solutions and mobilising capital to address the world's most pressing challenges.

Nutrition as an 'Orphan Sector'

Malnutrition, including undernutrition and diet-related noncommunicable diseases, is the leading cause of poor health, lost productivity, and death worldwide. Globally, more than 1 in 5 children under the age of five are stunted (they are too short for their height as a result of poor nutrition) – harming their chances of reaching their full mental and physical potential.

Increasing pressure in the current context of conflict, climate change, increasing costs, and the aftermath of Covid-19 (4Cs) is exacerbating world hunger; an additional 200 million people are facing acute food insecurity compared to pre-pandemic.

Despite these facts, nutrition has always suffered as an 'orphan sector', receiving less than 1% of international aid and with a huge $10.8bn funding gap each year just for core nutrition support. To achieve the Global Goals and specifically *Goal 2 - Zero Hunger*, we need an additional $39 – 50 billion per year.

This desperate situation and need to plug the gap was the genesis of The Power of Nutrition. Our original model sought to catalyse donor grants that would unlock concessional loans from multilateral development banks and other sources, ultimately achieving a six-times multiplier. Despite successes (an additional $540m mobilised for nutrition), the effects of the 4Cs has only increased pressure and need for funding in nutrition so new avenues for finance must be explored.

Shifting private sector priorities

At the same time, we're seeing private sector priorities shifting and more and more corporates 'giving back' through philanthropy and charitable efforts - simultaneously benefiting society and boosting their brand image. It's reported that Fortune 500 companies spend $20bnn on corporate social responsibility (CSR) efforts collectively. And it's not just pure 'giving', but more and more corporates are identifying areas of strategic alignment between their objectives and charitable efforts. This in turn has led to more robust Environmental, Social and Governance (ESG) standards and principles.

Following the money

Innovative finance has exploded in recent years with huge investor demand for instruments delivering environmental and social returns. In response, we worked with Palladium to map such initiatives in health, education, and the environment with a view to assessing which could be applied to nutrition.

Conclusions are stark. Nutrition is already far behind other sectors like education and health in catalysing innovative finance, so much that it is at high risk of repeating in innovative finance the orphan status it has in traditional grant aid:

- Only two capital market bonds with nutrition components (mobilising less than $500 million) have been issued, compared to 634 green bonds (over $290 billion in 2020 alone).
- 36 health and 40 education social/development impact bonds have been issued, compared to only one in nutrition.
- The global health sector has mobilised over $285 million through five impact investment funds, compared to only one nutrition impact fund.

On the upside, we can clearly see huge potential for nutrition across many innovative financing categories, including payment-by-results, blended finance, impact investing, market guarantees, and capital market social bonds. We'll take a look at these opportunities in further detail, in this paper.

What is innovative finance and what mechanisms are out there?

Innovative finance refers to **a set of financial solutions / mechanisms that create scalable and effective ways of channelling both private money and public resources towards solving pressing global problems**. Palladium's analysis identified five categories of innovative finance that could be applicable to nutrition. Across each of these categories, there has been limited adoption of these instruments in the nutrition sector to date.

Category	Examples of instruments	Why is this innovative?	Adoption to date in nutrition?
Gift / donation aggregation mechanisms Raising voluntary donations, including in-kind contributions, from corporations or individuals to social or environmental causes	Lottery, crowdfunding, pooled grant funds, brand partnerships	A broader variety of donors (from micro-donors to large corporate CSR programmes and government development donors) can access projects that would otherwise be inaccessible Strategic value for corporate donors who see donations, including of in-kind resources and grants, as a way to build loyalty for tomorrow	High – for example, The Power of Nutrition. A relatively straightforward model / proposition with easy to understand benefits (financial leverage). The SUN movement another key aggregation mechanism in nutrition
Pay-for-results mechanisms Mechanism through which funds are paid out only when pre-determined outcomes are achieved and verified (as opposed to financing inputs)	Social success notes, challenge prizes, outcome-based-finance contracts, development impact bonds	Financial incentives tied to achievement of results, shifting the risk away from funders Recipient discretion and autonomy to execute best on their expertise Increased accountability as a result of the risk sharing and the need for verification of achievement of outputs and/or outcomes	Limited – can be very complex and costly to implement for a relatively small quantum of funding One nutrition DIB to date (Kangaroo Mother Care in Cameroon)
Blended finance and impact investing Structuring approach that strategically uses catalytic capital from public or philanthropic sources to mobilise private capital flows	[Blended] impact investment fund, bridge fund	Enhance impact by combining investors' knowledge and resources Deliver risk-adjusted returns and achieve high-impact	Some – see N3F collaboration between GAIN & Incofin (SME / food chain focus)
Market guarantees and insurance instruments De-risking or risk transfer mechanisms in which an institution commits to cover the potential losses of an investment if they occur	Loan guarantee programme, parametric insurance, advance market commitments	Address market failures and create incentives for investment Stimulate competition and provide incentives for firms to invest in more efficient, large volume product facilities that can deliver competitive prices Provides access to affordable products in LMICs	No known nutrition market guarantees exist
Social bonds or notes in capital markets Debt instruments in capital markets where the proceeds are used to finance projects that address or mitigate a specific social issue and/or seek to achieve positive social outcomes	Sovereign / corporate bonds, donor-guaranteed bonds, debt swaps	Access large amounts of private sector funding & use proceeds from bond issuances for social projects No need to compromise profit in order to have a social impact Improves private sector awareness of social issues and solutions	Limited – requires sophisticated technical knowledge; challenge in finding large-scale projects that generate financial returns for investors; difficulty in finding sovereign / corporate issuers. Examples include a Danone nutrition bond and a World Bank Sustainable Development Bond with proceeds earmarked for good nutrition

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UNLOCKING FUNDS FOR INNOVATIVE FINANCE IN NUTRITION

Innovative finance can engage a wide range of public and private funders. Focused and dedicated design efforts are required to tailor financing solutions to the existing and emerging priorities of the largest potential funders.

	Bilaterals & Multilaterals	Recipient Governments	Corporates	Foundations & UHNWIs
Opportunity	The largest amount of funds exist with Bilaterals and Multilaterals. Whilst the World Bank is an option, we should also consider the African Development Bank, Asian Development Bank and Islamic Development Bank.	Recipient governments offer a potential huge pool of funding that has not increased in recent years; middle-income countries can be catalysed to share financing responsibilities.	Sizeable resources exist within the private sector and this is arguably the most untapped group. We need to consider new models that could attract stronger interest.	Fundraising requires tailoring requests to organisations' strategy. We need to offer financing approaches that seek to 'build the market' for nutrition
Trends	• Growing interest in mobilising domestic resources and private finance • Declining funding and realignment of aid with general foreign policy and trade interests	• Mixed evidence of funding trends; some increasing nutrition spending and others decreasing • Seeking low-cost financing and near-term impact from the investment visible to the population	• Seeking strategic partnerships that leverage the company's capabilities and is relevant to strategic interests • Searching for opportunities to create shared value	• Interest in policymaking, research, and coalition-building • Pooling funding and aligning priorities with SDGs • Acting as partners to development agencies

In order to capitalise on the emergence and surge in innovative financing, we identified three priorities to explore:

1. **Shifting the financing emphasis to the domestic country (i.e. African and Asian countries impacted by poor nutrition)** - within domestic financing, there is a financing gap of $4 billion per year but almost no organizations in nutrition are tackling the issue in a dedicated way
2. **Demand for evidence based, high-impact nutrition products must be unlocked** - Despite the proven impact of these products, demand coverage is very low
3. **Engaging private sector resources is critical to achieving nutrition targets**

1. Shifting the financing emphasis to the country level

Traditional development funding at the global level is increasingly competitive to source. In 2017, The Investment Framework for Nutrition (IFN) estimated that an additional $4 billion in domestic contributions per year over 10 years would be required to scale up high-impact nutrition interventions, like Vitamin A supplementation. The Covid-19 pandemic only exacerbated this, with many governments in low and middle-income countries spending the majority of their health budgets on tackling the pandemic. The World Bank estimated that most impacted low-income countries will on average have to double the share of their spending on health, from 10% pre-Covid-19 to 20% in 2026, in order to keep health spending growing at pre-pandemic rates.

We know that countries with the highest burden of malnutrition have limited resources and capacity to increase government spending on nutrition.

- A review of 32 countries found that spending on nutrition interventions increased slightly in 12 countries but decreased in 20 countries (see right).
- In absolute terms, total domestic spending on nutrition interventions dropped from $221 million in 2015 to $183 million in 2016 – a drop of around 17%.

Percent Change in Nutrition-Specific Expenditure 2015-2016

So what can be done?

Offering low-cost financing to country governments, whilst working with them to earmark nutrition spending, will more sustainably and systemically influence them to build nutrition spending into the long-term country spending plans and budgets.

There is already a clear economic case for increasing nutrition spending with businesses in low and middle income countries losing up to a quarter of a trillion dollars each year due to malnutrition.

In order to meet the additional $29.7 billion required to achieve the World Health Assembly (WHA) nutrition targets by 2025, we need organisations in nutrition to tackle the gap in domestic financing.

2. Unlocking demand for evidence-based, high-impact nutrition products at the country-level

High-value, evidence-based nutrition products are widely recognized by the World Health Organisation (WHO) and others as crucial in achieving nutrition targets; nevertheless, current demand generation and funding is lacking. This is true for the following core products:

Balanced Energy Protein Supplements (BEPs) - food supplements that provide less than 25% of total energy as protein and improve birth outcomes in undernourished women. Providing BEPs to undernourished women promotes gestational weight gain and improves pregnancy outcomes. The World Bank estimates that there is a BEP annual financing need of $396m in nutrition interventions to address global targets

Multiple Micronutrient Supplement (MMS) - single tablets which contain 15 minerals and nutrients and are used to prevent maternal anaemia. Antenatal care reaches less than half of pregnant women in Lower and Middle Income Countries (LMICs) and only 34% of pregnant women are covered with iron and folic acid. The World Bank estimates that there is an annual MMS financing need of $309m

Fortified Foods - foods that offer added nutrients, which don't otherwise naturally occur in the food. In 2018, 2 billion people worldwide suffered from micronutrient deficiencies due to lack of access to nutritious diets. In 2017, the World Bank estimated a-10yr financing need of $2,443m for staple food fortification

Ready-to-use therapeutic food (RUTF) - energy dense, mineral and vitamin-enriched food that's provided through an easy to consume paste and designed to treat severe acute malnutrition. There were 13.6m children with severe wasting in 2021. 90% coverage will require $1.8b per year, and most of it will come from RUTF. There is a need to close the gap between the >4m boxes of RUTF annually produced and the13.6m needed at any given time

Despite the proven impact and 'value-for-money' of these key nutrition products and interventions, current demand coverage is very low. In 2019, there were about 195m pregnancies that needed Multiple Micronutrient Supplements (MMS) in LMCs, but just five million women received them.

So what can be done?

Nutrition stakeholders must contribute to increase uptake coverage by:

- Improving community engagement and social mobilization to improve knowledge about available services
- Implement social behavioural change communication strategies (SBCC) to address cultural attitudes
- Strengthening health commodity procurement and supply chain systems to ensure effective last mile access and delivery
- Addressing the annual $2.7 billion needed to procure products in nutrition interventions and achieve WHA nutrition targets
- Address bottlenecks in supply to ensure that future demand is met
- Conduct implementation research using Human Centered Design (HCD) approaches to understand barriers to accessing health commodities
- Learning more about demand-side barriers and then working at a local level to overcome them

3. The private sector is the most untapped financing source in nutrition

If we can successfully address the system-wide "access" issues, unlocking demand for evidence-based products and incentivising domestic finance, we can untap the huge potential for private sector engagement, which remains the largest opportunity to mobilise resources for nutrition.

So what can be done?

Incentivize private sector participation by unlocking demand for evidence-based products

- Understand nutrition products' position in the "evidence>policy>action" cycle and work closely with stakeholders to increase specific product coverage, tailored by geography. Improving demand will improve the cost-effective delivery of interventions at scale
- Increase advocacy and policy efforts towards the adoption of high-value nutrition products by philanthropic donor and/or governments
- Emphasise private sector's critical role as a supplier of nutritious products, but also, as a partner who brings know-how, nutrition knowledge, innovation, programming inputs and incentives for public/ development institutions to invest in risky opportunities

Mobilise domestic financing by structuring mechanisms that will offer financing access to private sector investors

- Design innovative financing mechanisms that will be accessible to the private sector to unlock private funding that will flow to countries' nutrition spending
- Such financing can drive country governments to deploy funds towards nutrition interventions and therefore reduce the current economic cost of undernutrition in LMICs - estimated to be approximately 11% of countries' GDP each year (World Bank)

OPPORTUNITIES UNDER EXPLORATION AT TPON

The Power of Nutrition, in collaboration with Palladium, has taken learnings from this analysis and identified three exciting opportunities in 2023 and are actively looking for partners to help launch these:

1 Outcomes-based financing contract in Kenya

A multi-stakeholder collaboration to support the delivery of community-based detection and treatment of severe acute malnutrition in Kenya.

Interventions: taking to scale community-based solutions for detecting and treating severe acute malnutrition

Target group: children under-five

Financing structure: outcomes-based financing contract

Funding envelope: US$3m

Programme length: 3 years

Location: Turkana region of Kenya

Partners: Save the Children UK and Kenya, Kenyan Ministry of Health

2 Plant-based Ready-to-use Therapeutic Food (RUTF)

Taking to scale an innovative new product for the treatment of severe malnutrition in children using plant-based products only.

Interventions: delivery of community-based management and treatment of severe acute malnutrition using plant-based RUTF, instead of the traditional peanut-milk recipe that is expensive for local producers to manufacture, and expensive to import from overseas

Target group: children under-five

Financing structure: a phased approach to financing; graduating from grant financing, to results-based structure, to impact investing for local producers

Funding envelope: initially $3m with potential to drastically increase

Programme length: TBD

Location: TBD

Partners: Valid Nutrition, International Rescue Committee, Action Against Hunger, Save the Children, Concern Worldwide

3 A "Rhino Bond" for Nutrition

Replicating a successful World Bank innovative bond structure targeting conservation of black rhinos in South Africa (issued 2022) for nutrition.

Interventions: taking to scale evidence-based interventions for the treatment of severe acute malnutrition

Target group: children under-five

Financing structure: World Bank issuance of a social bond in capital markets, in which the "coupon payments" are diverted to nutrition programmes with an outcomes-based financing contract. Outcome funders will repay the coupon amount to the bond institutional investors upon achievement of pre-determined results

Funding envelope: At least US$10m

Programme length: 5 years

Location: TBD

Partners: World Bank and partner government TBD

The tip of the iceberg

The analysis shows the huge potential for nutrition across many innovative financing categories, including payment-by-results, blended finance, impact investing, market guarantees, and capital market social bonds. However, the harsh reality is we have only explored the tip of the iceberg.

We've learnt that this area is both complex and nascent. Experience from climate and education financing shows that it can take at least three years to get a deal over the line, and therefore for nutrition, multi-year efforts with dedicated expert resources (including a blended team of nutrition and finance experts) are vital to drive it forward.

An example of this is our work on capital market bonds. With limited resources, we decided to deep-dive into this innovative financing category. Could we get the first capital markets Nutrition Bond launched, noting the explosion in environmental bonds in recent years (634 green bonds were issued in 2020 alone, mobilizing over $290 billion)? We are clear from this exploration that there is a huge appetite from investors, many of whom have found green investments but are struggling with pipeline in social investments. Major banks are keen to deliver for their investors and many now have ambitious targets themselves to catalyse more innovative finance. We also know the social bond market is becoming ever more creative in the direction of social issues like nutrition. For example, $43billion of Covid bonds and $39bn of 'access to essential services' bonds were launched in 2020 alone. The challenge has been finding issuers combined with instability - and resulting higher interest rates - in bond markets in the last year. Attempting to build on the $300m Danone nutrition-related bond issued in 2018, we had good conversations with several corporates, learning we'd need to identify champions both in the main business and in their Treasury teams in order to push the idea along. None of them ruled out the idea of a corporate nutrition bond. We talked to several African governments, concluding it might be possible when borrowing becomes cheaper, but we'd need champions (i.e. foresighted Ministers of Health and Finance). We also explored multilaterals, which led to the live "Rhino Bond" for nutrition opportunity – see above. In summary, Nutrition Bonds have potential in the right market conditions – and if there are dedicated resources over a three-year timelines to push this work along.

In this lies good news – evidence from other sectors shows breakthroughs can happen if you have sufficient human resources and patient capital, for example NatureVest, an initiative launched by The Nature Conservancy in 2014, has leveraged $2.4billion for conservation through 14 innovative financing deals (see page 13), including 5 investments in food systems.

Conclusion

We **strongly urge a range of leading global nutrition sector players, particularly funders, to come together and fund the equivalent of NatureVest for nutrition = Nutrition Ventures. This should be a public good, plugging a critical gap in the already too weak global nutrition architecture.** This isn't difficult. It requires a handful of foresighted leaders to come together and make this happen with some funding; we estimate $3-4 million over five years. The prize is huge: hundreds of millions, possibly billions of dollars of new money for global nutrition. Failing to capitalise on this opportunity would be a tragedy: the global nutrition sector replicating in innovative financing the orphan status it has had for 40 years in traditional grant aid.

THANK YOU.

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ANNEX.

CASE STUDIES

INNOVATIVE FINANCE INTERMEDIATION

Innovative financing 'intermediation' in development finance has become a growing movement. In addition to large development agencies creating intermediation programs, non-profit organizations have done so as well.

natureVest | The Nature Conservancy

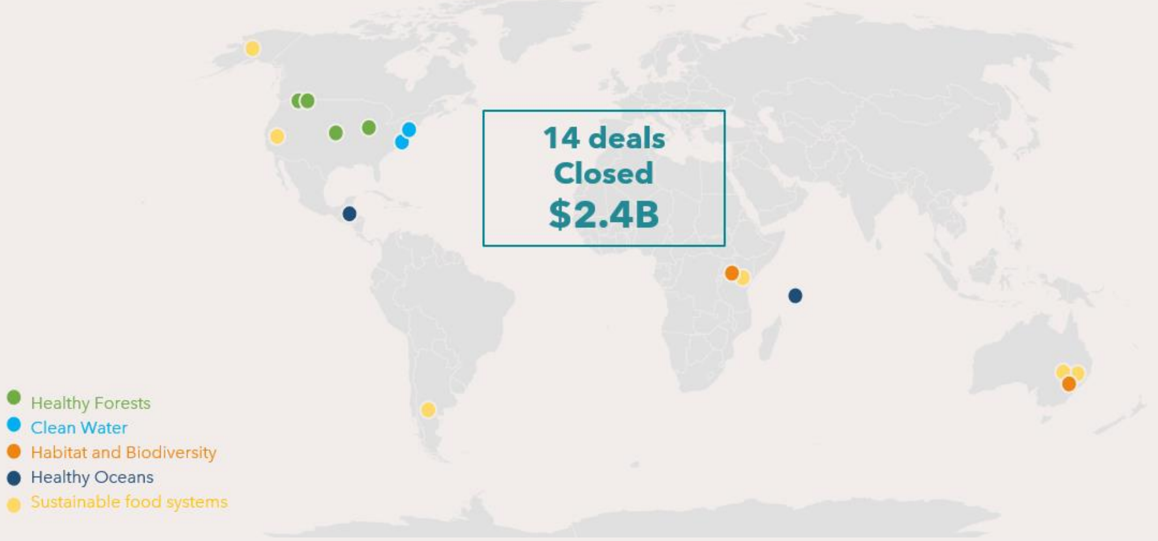
NatureVest

In 2014, with **seed funding from JP Morgan**, The Nature Conservancy ("TNC") – a large, global conservation non-profit – launched NatureVest to curate, develop, and manage investment opportunities in conservation.

With the seed funding, NatureVest initially assembled a small team of three finance and conservation experts, deeply embedded with The Nature Conservancy's global capabilities. This team has now grown to 23 full-time professionals with capabilities including opportunity development, fundraising, financial underwriting, asset management and legal structuring.

Since inception, NatureVest has **closed 14 deals worldwide and mobilised US$2.4 billion**, which have generated promising conservation outcomes towards TNC's priorities. 30-40% of OpEx funding for NatureVest is now generated through revenue.

Conservation outcomes As of March 31,2022	Gallons of Water Saved	Tons of CO_2 Emissions Avoided	Acres of Land Sustainably Managed	Acres of Land Protected	Square Miles of Ocean Protected
	1.98B	**3.65M**	**1.2M**	**203K**	**162K**



Pooled Grant Funds - multiple donors invest larger grants to an entity to have greater and more coordinated impact on a specific issue

blue meridian partners

Blue Meridian Partners

- **Overview:** Blue Meridian Partners is a philanthropic investment model for finding and funding scalable solutions to the problems that limit economic mobility and trap America's young people and families in poverty.
- **Mandate:** Blue Meridian Partners seeks to scale the reach, impact, and influence of promising solutions to the problems that trap young people and families in poverty.
- **Size:** Over $3 billion pooled to date (starting with an initial $750 million in 2018)
- **Structure:** Legally structured as a 501c3

Key features

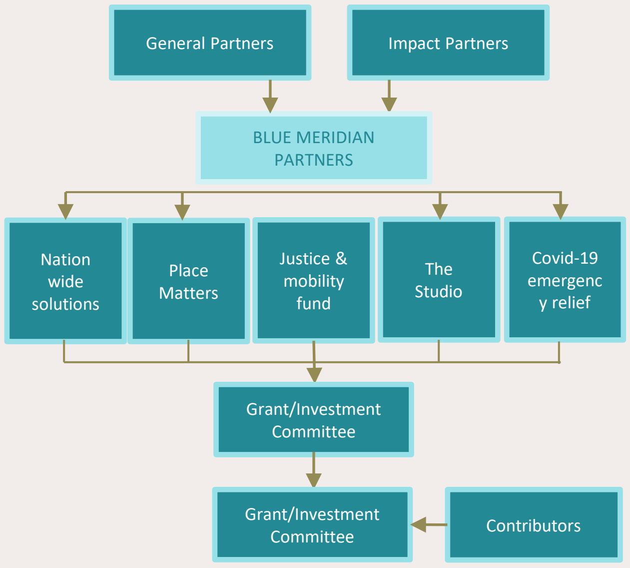
- **Who are the funders?** Blue Meridian Partners was incubated at Edna McConnell Clark Foundation. General partners, who invested more than $50 million, include: Ballmer Group Philanthropy, Charles and Lynn Schusterman Family Philanthropies, David Tepper Charitable Foundation, Druckenmiller Foundation, the Duke Endowment, George Kaiser Family Foundation, JPB Foundation, Mackenzie Scott, Samberg Family Foundation, Sergey Brin Family Foundation, Valhalla Foundation, Zoom Foundation. Other funders include: Arrow Impact, Aviv Foundation, BMGF, Eugene and Marilyn Stein Family Foundation, William & Flora Hewlett Foundation

- **What does it fund?** Blue Meridian Investments include flexible capital, operational support, and collaborative strategy planning, and are directed towards young people and families in poverty

- **Why is it innovative?** The model unlock billions of untapped philanthropic funds by pooling resources and bringing investors and social sector leaders together to scale the most promising strategies

- **What is the value-add?** It provides social sector organizations with the unprecedent and unrestricted growth capital they need to achieve their full potential and helps philanthropists amplify their impact

Structure overview



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Development Impact Bond (DIB) accesses investment capital for interventions otherwise funded through grants without diverting from the development objectives because investor returns are tied the achievement of outcomes

Grand Challenges Canada
Grands Défis Canada

Fondation Kangourou Cameroun

GLOBAL FINANCING FACILITY

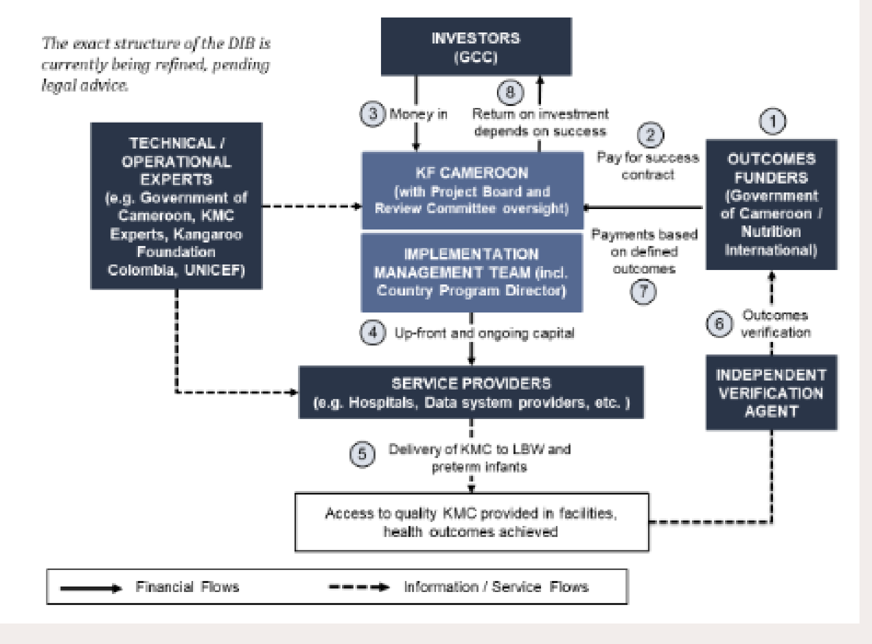
Cameroon KMC DIB

- **Overview:** The project is the world's first health and nutrition DIB to implement Kangaroo Mother Care (KMC) to save and improve the lives of low birth weight and pre-term infants.
- **Mandate:** The DIB seeks to achieve significant and verifiable improvements in health outcomes for low birth weight and preterm infants in Cameroon, by implementing KMC through an innovative train-the-trainer model in in 10 health facilities across 5 regions in Cameroon.
- **Size:** $0.8 million raised, maximum outcome payments of $2.8 million
- **Structure:** 3.5 years outcome-based contracts

Key features

- **Who are the funders?** Grand Challenges Canada provided the initial $0.8 million investment to Kangaroo Foundation Cameroon. The Ministry of Public Health Cameroon (drawing upon the World Bank-managed Global Financing Facility Trust Fund) and Nutrition International are the outcome funders and will pay a maximum of $2.8 million.
- **What does it fund?** The capital mobilized from the investors is used to provide upfront financing for the programme, i.e. covering the cost of infrastructure improvements, equipment purchasing, training of health facility staff, and general operating costs.
- **Why is it innovative?** This instrument allows donors to tap into alternative sources of capital for development objectives by aligning investors financial incentives to the attainment of development outcomes. Cameroon KMC DIB is one of the few in nutrition.
- **What is the value-add to funders?** DIBs allow funders to only pay for interventions if the results are achieved, thereby transferring implementation risk to investors

Structure overview



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BLENDED FINANCE FACILITY

Blended finance investment facilities allow funders to tap into additional sources capital and build private sector.

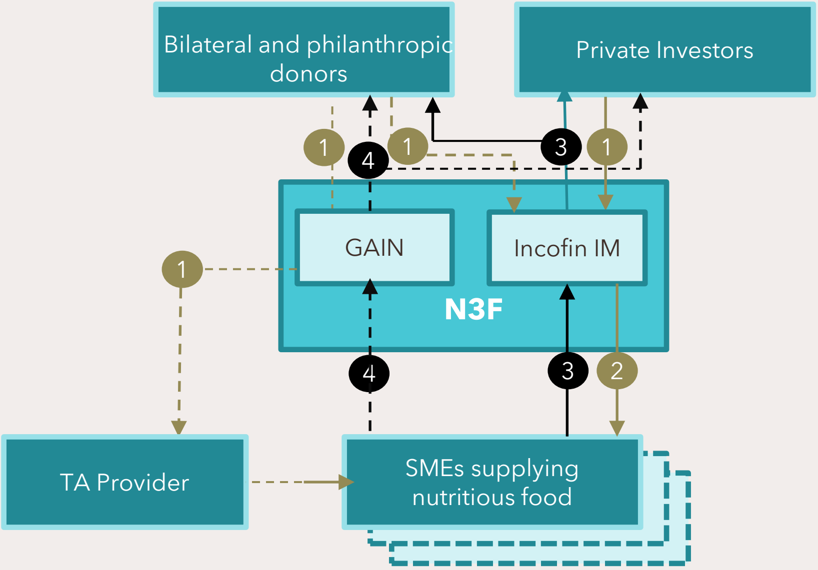
Nutritious Foods Financing Facility (N3F)

- **Overview:** N3F is an investment facility which aims to unlock the potential of local food systems in Sub-Saharan Africa. The facility will provide tailored financing and technical assistance to SMEs that operate along the food value chain.
- **Mandate:** To increase the availability of safe, nutritious foods among low-income populations in Sub-Saharan Africa by providing financing and technical assistance to SMEs, which produce and distribute most of the locally produced nutritious food in the region
- **Size:** $50 million
- **Structure:** Undisclosed

Key features

- **Who are the funders?** N3F is currently raising capital. It envisions raising TA and catalytic capital from bilateral and philanthropic donors, with preliminary commitments from the Dutch Ministry of Foreign Affairs, Rockefeller Foundation and Irish Aid. The rest of the capital structure will blend various sources of capital, including private sector. N3F also received a $1 million grant for the design of the facility.
- **What does it fund?** N3F will provide low-interest loans to African SMEs in nutritious food value chains.
- **Why is it innovative?** The facility will pioneer robust nutrition and food impact metrics to demonstrate the impact of agri-SMEs on the supply and availability of nutrient rich foods.
- **What is the value-add to funders?** Blended finance vehicles, like N3F, provides leverage for funders as their capital is used to mobilize additional funding from private and public sources (i.e. they do not need to fund interventions alone). It also contributes to building local private markets which will perdure beyond the life of the investment.

Structure overview



1 TA and catalytical capital from donors and funds from private investors will be deployed to N3f
2 N3F will incest in SMEs
3 SMEs will provide financial returns to investors
4 Impact measurement and reporting

ADVANCE MARKET COMMITMENTS

An Advance Market Commitment (AMC) creates a guaranteed market for a pre-defined product, increasing the incentive to invest in research and development of socially beneficial innovations.

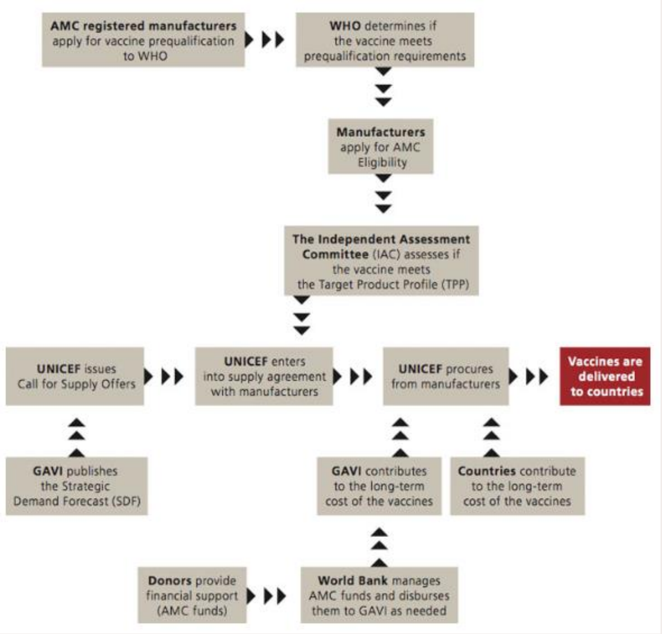
Pneumococcal Conjugate Vaccine AMC

- **Overview:** Donors commit funds to guarantee the price of pneumococcal vaccines once they have been developed. These financial commitments provide manufacturers with the incentive they need to invest in vaccine research and development. In exchange, companies sign a legally-binding commitment to provide the vaccines at an affordable price.
- **Mandate:** Speed up the development and availability of pneumococcal vaccines for developing countries.
- **Size:** $1.5 billion
- **Legal structure:** Legally-binding contract.

Key features

- **Who are the funders?** BMGF, Canada, Italy, Norway, Russia, United Kingdom
- **What does it fund?** Payments to vaccine manufacturers per dose of viable pneumococcal vaccine distributed under a pre-determined price.
- **Why is it innovative?** This mechanism represents an entirely new way of funding innovation. The traditional approach to vaccine development is to fund innovators most likely to succeed in developing a new vaccine. Rather than trying to pick winners, this mechanism will pay anyone who manufactures and distributes a safe and effective vaccine and will not pay out if no product is distributed. AMCs are also being used to incentivize investment and equitable distribution of COVID-19 vaccines.
- **What is the value-add?** This market guarantee both incentivizes investment that may otherwise be to risky and, once the vaccine is approved, it ensures that it is distributed at a fair price. By 2010, a vaccine from the first eligible manufacturer was available. By 2016, this and one additional vaccine candidate were protecting children in 54 countries.

Structure overview



Bonds based on long-term donor pledges allows not-for-profit to draw quickly from capital markets where liquidity constrains emerge and enables significant front-loading of funds.

IFFIm Supporting Gavi, The Vaccine Alliance

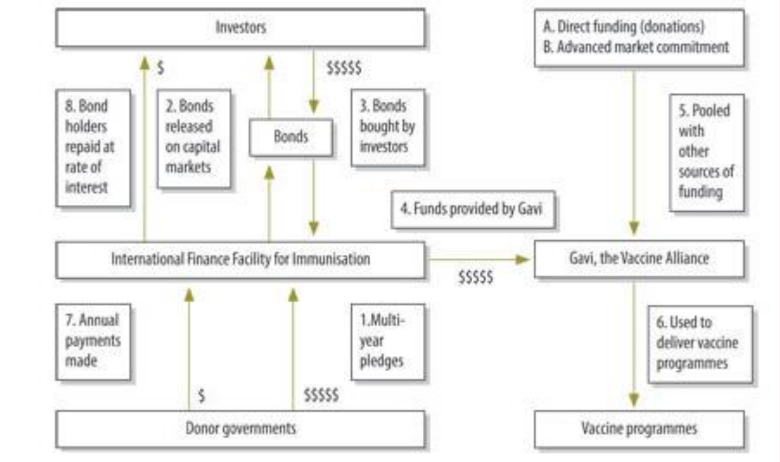
International Finance Facility for Immunisation (IFFIm)

- **Overview:** IFFIm is an aid-financing entity that receives long term, legally binding pledges from donor countries and, with the help of the World Bank, turns these pledges into Vaccine bonds, which provide immediate funding for Gavi's immunisation programmes
- **Mandate:** To make the money from future donations available immediately, so that vaccine programmes can be scaled up to reach the goal of heard immunity earlier
- **Size:** $6.5 billion raised
- **Legal structure:** Incorporated as a private company in England and Wales and registered with the UK Charity commission as a charity. Gavi is its sole member.

Key features

- **Who are the funders?** Vaccine bonds based on long-term donor pledges are issued on international capital markets to investors. Donors pledges in grants come from: UK, France, Italy, Norway, Australia, Spain, the Netherlands, Sweden, South Africa and Brazil
- **What does it fund?** Gavi uses the proceeds of the bond issuances to purchase more vaccines to immunise more children in the world's poorest countries
- **Why is it innovative?** IFFIm converts a percentage of the long-term government pledges, which are paid in tranches annually, into immediately available cash resources. The long-term government pledges are used to repay the bond's principal and interest. IFFIm is a highly efficient way to raise funds while strengthening Gavi in the long-term.
- **What is the value-add?** IFFIm allows for a more immediate impact on health systems in the world's poorest countries, bolstering their ability to meet vaccine needs, increasing financial efficiency by shifting liquidity across periods and smoothing funding fluctuations, and matching country demand for vaccines.

Structure overview



Note: The number of dollar signs ($) is an indication of the amount of money that has been transferred.

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