

World Bank Response to the IFFIm HLSP Evaluation

The World Bank has reviewed an evaluation report of the International Finance Facility for Immunisation (IFFIm) prepared by HLSP and dated June 2011. The World Bank provides services to IFFIm under the Treasury Management Agreement and this report substantially reviews those activities in the context of IFFIm's overall performance as a financing vehicle. We are pleased to provide the following comments:

1. Supranational status:

- "achieved and sustained supranational status in the capital markets"
- "it is unlikely that IFFIm would have received MDB status without the Treasury Manager itself being an MDB, thus there would have been significant funding cost implications"
- "combines a pro active Board and a conservative World Bank managed approach – ensuring an appropriate balance can be difficult to get right and can cause friction"

The World Bank appreciates the emphasis placed in the evaluation on the significance of IFFIm's supranational status to its operations generally, and to its fund raising activities in particular. The World Bank, as Treasury Manager, has worked with the Board's guidance to ensure the consistency of IFFIm's financial policies with those of the Bank and other comparable MDBs. The Bank looks forward to continuing constructive engagement with the IFFIm Board to maintain appropriate financial policies as well as IFFIm's supranational status.

2. Frontloading:

- "has not fully utilized the potential the model offers in terms of frontloading and predictability"
- "only 70% of the funds are available to be frontloaded (due to the need to retain a financial cushion)"

The World Bank considers the retention of this financial cushion - IFFIm's gearing ratio limit – to be a core element of its credibility as a AAA-rated supranational, as well as a key mechanism supporting IFFIm's capacity to frontload its long-term, structured donor grant payments. Rather than a weakness, the financial cushion, through an enhanced credit profile, is providing IFFIm with significant cost savings on bond issuance.

3. Pilot phase concerns:

- "high start-up costs for its current size"
- "has not been able to take advantage of potential economies of scale (due to the funding constraints posed by limited donor pledges)"
- "Is not easily replicated"
- "It is difficult to present the accounts in a clear, simple manner"

IFFIm (through its Board, GAVI and the World Bank) has been making consistent efforts, and should continue to work, toward greater clarity and simplicity in its

reporting and communication. It should be noted, however, that it was developed from scratch as a pilot International Finance Facility. It has successfully demonstrated proof of concept, and attained greater than expected efficiency in fundraising and overall operation. The issue of a challenge in replicating IFFIm may have more to do with the changing financial landscape as well as political economy and appetite, than with technical difficulties.

4. Donor funding:

- “The model - as it stands - has a limited pool of potential funders”
- “IFFIm needed to be rated AAA which in turn required that a majority of donors be AAA”
- "Is not easily understood by governments /development community"

The World Bank recognizes that the pool of potential donors is governed and limited by the legal and ratings requirements of the model, which are unique and specific to IFFIm. While this limitation exists, it has not impeded the establishment or success of the IFFIm model, nor has it prevented additional donors from joining IFFIm (e.g. Australia). To date, this limitation has not been an obstacle and is not foreseen to be an obstacle to IFFIm.

The ease with which the model is understood by governments has not been a limitation to the effectiveness of IFFIm. It may be true that some additional time and resource was required to explain the model, but the complexity of the structure was not obviously a limiting factor to the donor community.

5. Significant Board requirement:

- “workloads for individuals were higher than anticipated”
- “Provided direction to the Bank on individual bond issues and markets (e.g. the target maturity of bond issues)”
- “the World Bank have been providing more inputs for advice and information than was initially anticipated”

Six of the eight examples of substantial Board work since 2006 relate to The World Bank’s roles with respect to IFFIm. The World Bank welcomes further discussion to address the operational role of the Treasury Manager as governed by the TMA, specifically to enable more tactical decision making to occur at the Treasury Manager level, freeing the time of IFFIm Board members.

The World Bank appreciates the substantial time and effort that went in to the production of this evaluation.

Sincerely,
The World Bank