

# International Finance Facility for Immunisation (IFFIm)

## Key Rating Drivers

**Support from Donors:** International Finance Facility for Immunisation's (IFFIm) ratings are driven by the lowest of the sovereign ratings of the UK (AA-/Stable), Norway (AAA/Stable) and France (AA/Negative), its three largest donors. The share of the UK (35%), Norway (23%) and France (13%) of total outstanding pledges totalled 71% as of end-2021, close to IFFIm's own gearing ratio limit, which caps net debt at 74% of pledges as of end-2021. The UK's share will increase in 2022 reflecting a new GBP461 million pledge made to IFFIm on 10 June 2022.

**Increased Policy Importance:** In response to the Covid-19 pandemic, IFFIm increased its role in helping the global vaccination rollout and funding research into the virus. At end-2021, Gavi had raised USD10 billion for COVAX Advanced Market Commitment (AMC), of which IFFIm received USD1.1 billion. Since 2020, IFFIm has also received more than USD1.5 billion in new pledges for Gavi 5.0 (2021-2025) Core Programmes. In 2021, IFFIm disbursed over USD1.2 billion to Gavi, including USD434 million for Gavi 5.0 and USD780 million for COVAX AMC.

**Norway Now a Key Contributor:** In 2021, IFFIm received USD720 million of total new pledges from Australia (AAA/Stable; AUD86 million), Norway (NOK4 billion) and Sweden (AAA/Stable; SEK2.5 billion). Given Norway's gradual increase in financial contributions to IFFIm in recent years, Fitch Ratings expects that the country will remain a key contributor in the medium term. Norway becoming the second-largest contributor does not affect the rating as Fitch looks at the lowest rating of key contributors.

**Continuous Capital Market Activity:** During 2021, IFFIm issued USD1 billion of new bonds. The first issue, in April 2021, was a USD750 million bond for Gavi supporting routine immunisation in lower-income countries and increasing the funding for COVAX AMC. In October 2021 IFFIm increased the bond by USD250 million. In 2020, it issued a NOK2 billion bond and a USD500 million bond.

**Conservative Risk Management:** IFFIm's ratings are also supported by its conservative prudential framework, including a gearing ratio that caps net debt as a percentage of the adjusted net present value of pledges to 74% at end-2021, which is managed by the International Bank for Reconstruction and Development (IBRD; AAA/Stable) in its capacity as treasury manager for IFFIm. At end-2021, IFFIm's actual gearing ratio was at 40%, up from 16% at end-2020, reflecting disbursements to Gavi and COVAX.

## Rating Sensitivities

**Sovereign Downgrade, Disbursement Delays:** A downgrade of the sovereign rating of the key contributing donor with the lowest rating or material delays in grant disbursements by key donor countries that might lead to a weakening in our assessment of their propensity to support IFFIm could lead to a downgrade.

**Gearing Ratio:** A reduced level of cushion that increases the potential for a breach of IFFIm's gearing ratio limit related to rising debt, or a reduced net present value of pledges following an increase in the credit risk of recipient countries or donors could also lead to a downgrade.

**Sovereign Upgrade, New Donors:** An upgrade of the sovereign rating of the key contributing donor with the lowest rating would result in an upgrade of IFFIm as would significant additional pledges from sovereigns rated higher than IFFIm that materially changed the relative weight of the UK's, Norway's and France's share in outstanding pledges.

## Ratings

Long-Term IDR	AA-
Short-Term IDR	F1+

## Outlook

Long-Term IDR	Stable
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## Financial Data

### International Finance Facility for Immunisation (IFFIm)

	Dec 21	Dec20
Pledges signed in the year at fair value (USDm)	720	1,347
Outstanding pledges at fair value (USDm)	3,437	3,286
Funds held in trust (USDm)	603	478
Outstanding debt (USDm)	1,845	916
Gearing ratio - actual (%)	40	16
Gearing ratio - limit (%)	74	71

Source: Fitch Ratings, IFFIm

## Applicable Criteria

[Supranational Rating Criteria \(April 2022\)](#)

## Related Research

[Supranationals Would Feel Stagflation Scenario Impact Via Asset Quality \(April 2022\)](#)

[Fitch Ratings 2022 Outlook: Supranationals \(December 2021\)](#)

[Debt Suspensions May Mask Pandemic-Driven Deterioration in MDB Asset Quality \(April 2021\)](#)

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## Profile and Organisation

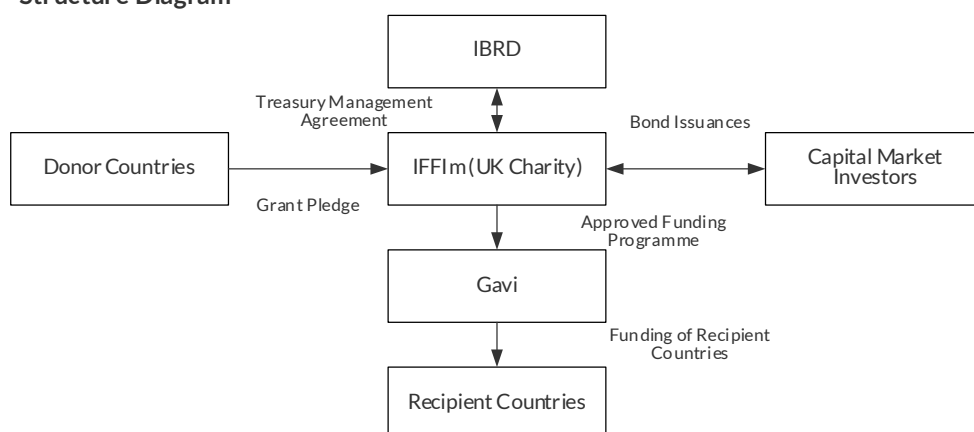
### An Innovative Financial Scheme

Created in 2006, IFFIm is a UK charity through which developed countries facilitate the upfront financing of large-scale immunisation programmes in developing countries. Sovereign countries pledge multi-year grants as backing for bonds issued in the international capital markets.

Funds raised on financial markets by IFFIm are disbursed as grants to Gavi, a global health public-private partnership that aims to improve access to immunisation for children in a pool of 54 eligible developing countries. IFFIm has become one of the largest sources of funding for Gavi, together with direct grants from governments and foundations.

IFFIm honours its debt service owing to the disbursement of grants initially pledged by donor countries according to a predefined schedule. Internal procedures provide additional protection to bondholders in the event of a delay in, or a shortage of, grants by donor countries. These procedures include the maintenance of a comfortable liquidity cushion and a ceiling on indebtedness at a lower level than pledges (the gearing ratio limit is based on the net present value of pledges).

#### Structure Diagram



Source: Fitch Ratings, transaction documents

### Governance

IFFIm is run by an eight-member board, which approves each disbursement to Gavi and reviews Gavi's programmes being funded by IFFIm. The board meets a minimum of four times a year and all members are highly experienced in the international capital markets, multilateral development banks, the health sector and development finance. Kenneth Lay took over as IFFIm's chairman on 1 January 2021. He is also a Senior Managing Director of The Rock Creek Group (TRCG) and served as Treasurer of the World Bank before joining TRCG in 2010.

### The Role of Gavi, the Vaccine Alliance

Gavi was created in 2000 with the mission to protect people's lives and save children's lives by increasing access to immunisation in the poorest countries in the world. Gavi is the sole recipient of IFFIm's disbursements and has used IFFIm funding to support the Coalition for Epidemic Preparedness Innovations (CEPI). CEPI has benefitted from a NOK 2,600 million pledge from Norway and a €5 million pledge from Italy to IFFIm. However, IFFIm is not the sole source of funds for Gavi, which also benefits from direct support from some governments, charities and civil society organisations.

### Gavi - Eligible Countries

Afghanistan, Angola, Armenia, Azerbaijan, Bangladesh, Benin, Bhutan, Bolivia, Burkina, Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Comoros, Congo, Cote d'Ivoire, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Gambia, Georgia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, India, Indonesia, Kenya, Kiribati, Kyrgyzstan, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Moldova, Mongolia, Mozambique, Myanmar, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Papua New Guinea, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, South Sudan, Sudan, Tajikistan, Tanzania, Timor-Leste, Togo, Uganda, Ukraine, Uzbekistan, Vietnam, Yemen Republic, Zambia, Zimbabwe

Source: Fitch Ratings, IFFIm

### Gavi Programme Disbursements

	(USDbn)
Pentavalent Vaccine	1.4
Pneumococcal Vaccine	0.5
Health System Strengthening	0.4
CEPI	0.3
COVAX	0.2
Polio Eradication	0.2
Yellow Fever	0.2
Rotavirus Vaccine	0.1
Other	0.6
<b>Total</b>	<b>3.9</b>

Source: Fitch Ratings, IFFIm

## IFFIm's Resource Base, End-2021

Donors (Long-Term Foreign Currency IDR)	Grant amounts (USDm) <sup>a</sup>	Currency of pledge	Date joined	Payment period
Australia (AAA/Stable)	345	AUD	2011	19 yrs
Brazil (BB-/Negative)	20	USD	2018	20 yrs
France (AA/Negative)	1,884	EUR	2006	20 yrs
Italy (BBB/Stable)	821	EUR	2006	20 yrs
Netherlands (AAA/Stable)	487	EUR	2009	11 yrs
Norway (AAA/Stable)	1,068	USD/NOK	2006	24 yrs
South Africa (BB-/Stable)	20	USD	2007	20 yrs
Spain (A-/Stable)	240	EUR	2006	20 yrs
Sweden (AAA/Stable)	324	SEK	2006	24 yrs
United Kingdom (AA-/Stable)	3,652	GBP	2006	23 yrs

<sup>a</sup> original currency converted to USD based on FX rate applicable at time of grant agreement signature  
Source: Fitch Ratings, IFFIm

## Rating Approach

### Current Rating Approach

IFFIm is a supranational administrative body (SAB) whose ratings are based on an ad hoc approach. In the absence of a Standalone Credit Profile (IFFIm has no capital), IFFIm's ratings are driven by support from donor countries as their grants ultimately back the repayment by IFFIm of its bond issuances.

IFFIm's ratings and Outlook are more specifically based on the sovereign ratings of its three largest donor countries – the UK, Norway and France – whose outstanding pledges accounted for 35%, 23% and 13% on a net basis, respectively, at end-2021.

IFFIm's rating also takes into account its leverage, as measured by its gearing ratio and risk-management framework, which Fitch considers conservative.

Fitch's approach to rating IFFIm would be adjusted if the share of the UK, Norway and France in total pledges were materially diluted following the arrival of new donors or new pledges from other existing donor countries.

## Credit Risk from Donor and Recipient Countries

### Strong Exposure to Ability and Willingness of Donor Countries to Honour Pledges

In Fitch's view the willingness of donor countries to honour pledges to IFFIm continues to be strong overall; the pledges are legally binding and some donor countries have shown their commitment to support the institution through a rise in pledges.

IFFIm has experienced delays in the receipt of contributions. However, these delays have been operational in nature and have been rectified in a matter of days. There was one case when it took several months until the contribution from a member country was received, which demonstrates a risk related to the disbursement of pledges that IFFIm continues to face.

The failure by a donor to honour a pledge when due would not constitute an event of default on its senior unsecured sovereign debt obligations, which potentially reduces donor countries' incentive to honour commitments.

IFFIm is subject to other political risks when it comes to the honouring of pledges by donor countries. Certain disbursements to be made by a grantor under a grant agreement may require additional approval from state bodies before they can be made. In Spain, for example, the Council of Ministers has to approve its grant payments to IFFIm annually.

Donor countries' pledges are not joint and several: each donor is only committed up to the amount of its own pledge. The ability of IFFIm's largest donor (the UK) to support IFFIm has weakened in recent years as reflected in the downgrade of the UK's sovereign rating to 'AA-'

from 'AA'. The downgrade was mainly reflecting the outcome of the Brexit referendum but also the impact of the pandemic.

### Indirect but Material Exposure to Credit Risk from Recipient Countries

IFFIm established a reference portfolio containing Gavi-eligible countries that are also members of the IMF. The reference portfolio consists of 71 countries that are assigned country weightings. Under the terms of the grant agreements, a grant payment due from a grantor will be reduced if, on or before a date that is 25 IBRD business days before the due date from the grant payment, the IMF has declared that any specified country in the reference portfolio is in protracted arrears on any of its IMF financial obligations. The grant payments are then reduced by the country weightings applicable to the specified countries declared to be in protracted arrears.

The pool consists of developing countries, most of them classified as low income, with weak or no ratings assigned by Fitch. In theory, this means that IFFIm could suffer a shortage of revenues that might not enable it to honour its debt service. At end-2021 no country was in protracted arrears to the IMF, after Sudan's arrears to the IMF were cleared in May 2021. Overall, the potential loss in revenue is limited relative to IFFIm's overall resources given the gearing ratio compared to expected grants and the size and management of treasury assets available as a cushion to ensure IFFIm's bond repayments.

Nonetheless, a significant rise in the number of countries in protracted arrears to the IMF could affect IFFIm's ability to honour its bond repayments. This would particularly be the case if it involved countries whose arrears would trigger a 3% (Vietnam) or 5% (Bangladesh, the Democratic Republic of Congo, Ethiopia, India, Indonesia, Nigeria and Pakistan) reduction in grants. However, several of IFFIm's recipient countries do not have outstanding credit to the IMF.

Fitch tracks the risk of reductions on grant disbursements through the follow-up of arrears to the IMF, but also through the follow-up of the gearing ratio limit. The deterioration of the credit quality of recipient countries and protracted arrears to the IMF do not affect the actual gearing ratio, but they would lead to a decrease in the gearing ratio limit.

## Leverage and Liquidity

### Contained Leverage

IFFIm's outstanding debt at end-2021 was USD1,845 million and mostly comprised debt issues in US dollar. The average maturity is three to four years. To reduce the risk of a gap between IFFIm's bond repayments and grant disbursements if credit risk on donor or receipt countries materialises, IFFIm maintains the gearing ratio limit as a statutory limit on net indebtedness.

The gearing ratio is computed as IFFIm's net financial obligations (outstanding bonds minus treasury assets placed in trust) divided by the net present value of the pledges to be disbursed by donors. The gearing ratio limits set a maximum of net indebtedness as a share of the adjusted net present value of pledges. The computations are performed at least quarterly by the IBRD, which is IFFIm's treasury manager and derivative counterparty.

The computation of the net present value of pledges relies on a discount factor that captures the credit risk of donor countries. A rise in the credit risk (associated with rating downgrades) of donor countries translates into a lower gearing ratio limit, reflecting the increased perceived riskiness of donor flows.

IFFIm has never breached its gearing ratio limit. At end-2021, the gearing ratio was 40%, well within the defined limit of 74%, but up from 16% at end-2020 and above the average of 18% for the past five years, reflecting IFFIm's role in the fight against the pandemic.

### Cautious Liquidity Management

Liquidity risk arises due to differences in timing between IFFIm's debt service obligations and the actual grant disbursements from donor countries. IFFIm's bylaws set up conservative liquidity-management policies, with treasury assets having to cover at least the cumulative contractual debt service payments over the next 12 months.

### Funding

Year	Bond	(USDm) (Equivalent)
2006	Inaugural USD Benchmark (USD)	1,000
2008	Uridashi (ZAR)	223
2009	Uridashi (AUD/ZAR/NZD)	429
2009	Dual Tranche Sterling Retail & Institutional (GBP)	400
2009	Uridashi (USD/AUD) & (ZAR/AUD)	273
2010	Uridashi (ZAR) & (AUD/BRL/ZAR) & (AUD)	456
2010	AUD Benchmark (AUD)	395
2011	Uridashi (BRL) & (AUD/BRL/ZAR)	394
2012	Uridashi (AUD/ZAR) & (AUD)	137
2013	Uridashi (TRY/ZAR)	139
2013	Floating Rate USD Benchmark (USD)	700
2014	Inaugural Sukuk (USD)	500
2015	Sukuk (USD)	200
2016	Floating Rate USD Benchmark (USD)	500
2017	Floating Rate USD Benchmark (USD)	300
2019	Sukuk (USD)	50
2019	Zero Coupon Note (NOK)	66
2020	Zero Coupon Note (NOK)	199
2020	Fixed Rate USD Benchmark (USD)	500
2021	Fixed Rate (USD)	750
2021	Fixed Rate (USD)	250

Source: Fitch Ratings, IFFIm

The treasury portfolio is conservatively invested by the IBRD, which applies the same guidelines as on its own treasury portfolio. Corporate bonds and asset-backed securities must be rated 'AAA', while government and agency bonds must have a minimum rating of 'AA-'. At end-2021, 64% of treasury assets were invested in instruments rated 'AAA'-'AA-' (end-2020: 58%).

### Limited Other Risks

IFFIm's exposure to market risks is limited. IFFIm's unhedged exposure is minimal. It is exposed to mismatches between the currencies of donor pledges (local currency) and the payments made to Gavi and its debt service (in US dollar), which it hedges through derivatives with IFFIm's swap counterparties.

### IBRD Involvement Supportive

Fitch considers that the gearing ratio limit computation, the liquidity buffer, and market risk management are conservative enough to ensure satisfactory protection to bondholders in the event of a shortage of funds. The IBRD's involvement in IFFIm's treasury management and gearing ratio monitoring provides additional support. This is why Fitch considers that IFFIm's risk management supports its ratings.

### Income and Expenditure Account

(USDm)	31 Dec 21	31 Dec 20	31 Dec 19	31 Dec 18
Contribution revenue	719.8	1,347.3	59.2	10.7
Operating expenses	1,449.5	214.6	219.9	3.9
Total operating income	1.0	1.0	1.0	0.9
Operating profit/loss	-733.4	1,133.6	-159.7	7.7
Net financing expenses on bonds and bond swaps	-3.8	36.4	23.1	28.0
Net fair value gains on pledges and pledge swaps	54.0	74.5	74.6	155.6
Foreign exchange gains/loss and other financing charges	-1.4	2.7	0.7	-1.6
Investment and interest income	0.7	4.5	23.4	20.6
Surplus/deficit	-678.4	1,178.3	-84.2	154.4

Source: Fitch Ratings, IFFIm

### Balance Sheet

(USDm)	31 Dec 21	31 Dec 20	31 Dec 19	31 Dec 18
Sovereign pledges	3,437	3,286	2,074	2,250
Funds in trust	603	478	428	817
Other assets	12	14	0	4
Total assets	4,052	3,778	2,502	3,071
Bond issues	1,845	916	510	886
Grants payable	396	161	357	457
Other liabilities	197	407	521	530
Total liabilities	2,438	1,485	1,388	1,873
Net assets	1,614	2,293	1,114	1,198
Total liabilities + net assets	4,052	3,778	2,502	3,071

Note: Derivative financial instruments have been netted

Source: Fitch Ratings, IFFIm

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