

24 JUN 2022

Fitch Affirms IFFIm at 'AA-'; Outlook Stable

Fitch Ratings - London - 24 Jun 2022: Fitch Ratings has affirmed the International Finance Facility for Immunisation's (IFFIm) Long-Term Issuer Default Ratings (IDRs) at 'AA-' with a Stable Outlook.

The affirmation reflects that of the UK sovereign's Long-Term IDR on 10 June 2022, to which IFFIm's ratings are linked (see "Fitch Affirms the UK at 'AA-'; Outlook Stable" at www.fitchratings.com)

A full list of rating actions is at the end of this rating action commentary.

Key Rating Drivers

Ratings Reflect Support: IFFIm's 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. IFFIm's ratings rely primarily on support from donors as their grant payments ultimately back IFFIm's repayment of its bond issuances. The UK's (35%), Norway's (23%) and France's (13%) share of total outstanding pledges totalled 71% as of end-2021, close to IFFIm's own gearing ratio limit that 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.

SAB Rating Approach: Fitch rates IFFIm as a supranational administrative body (SAB), given its distinct structure as an international finance facility and continued support from donor countries. Established in 2006, IFFIm front-loads grant payments from donors to provide funding to Gavi, a global health public-private partnership. Gavi is focused on improving childhood immunisation coverage in developing countries and accelerating access to new vaccines.

Increased Policy Importance: In response to the on-going Covid-19 pandemic, IFFIm has increased its role in helping support the global vaccination rollout, as well as funding further development and research into the virus. Gavi has fund-raised a total of USD10 billion for COVAX Advanced Market Commitment (AMC; as of December 2021), of which USD1.1 billion came to IFFIm. In addition, IFFIm has received over USD937 million in new pledges for Gavi 5.0 (2021-2025) Core Programmes since 2020. In 2021, IFFIm disbursed over USD1.2 billion to Gavi, which includes USD434 million for Gavi 5.0 (2021-2025) Core Programmes 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). Consequently, Norway is now the second-largest contributor to IFFIm after the UK, and overtaking France. Given Norway's gradual increase in financial contributions to IFFIm over recent years, Fitch expects that the country will remain a key contributor over the medium term. Norway becoming the second largest contributor does not impact the rating as we look at the lowest rating of key

contributors. Fitch will continue to monitor the respective commitments pledged by each contributor to IFFIm as the largest contributors are a key consideration in the rating approach.

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 limit 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 (AAA/Stable) in its capacity as treasury manager for IFFIm. At end-2021, IFFIm's actual gearing ratio was 40%, up from 16% at end-2020, reflecting disbursements to Gavi and COVAX.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- A downgrade of the sovereign rating of the key contributing donor with the lowest rating.
- Delays in grant disbursements by key donor countries that might lead to a weakening in our assessment of their propensity to support IFFIm.
- 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.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- An upgrade of the sovereign rating of the key contributing donor with the lowest rating.
- 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.

Best/Worst Case Rating Scenario

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

Public Ratings with Credit Linkage to other ratings

IFFIM's ratings are driven by the lowest sovereign rating of the UK, Norway and France.

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
International Finance Facility for Immunisation (IFFIm)	LT IDR	AA- ●	Affirmed	AA- ●
	ST IDR	F1+	Affirmed	F1+

ENTITY/DEBT	RATING	RECOVERY	PRIOR
• senior unsecured ^{LT}	AA-	Affirmed	AA-

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	◊	◆
STABLE	◐	

Applicable Criteria

[Supranationals Rating Criteria \(pub.11 Apr 2022\) \(including rating assumption sensitivity\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

International Finance Facility for Immunisation (IFFIm) UK Issued, EU Endorsed

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