



Rating Action: Moody's changes outlook to stable from negative; Affirms Aa1 ratings of the International Finance Facility for Immunisation (IFFIm)

27 Oct 2023

New York, October 27, 2023 -- Moody's Investors Service ("Moody's") has changed the outlook to stable from negative and affirmed the Aa1 long-term issuer and senior unsecured bond ratings of the International Finance Facility for Immunisation (IFFIm).

Moody's has also affirmed IFFIm's senior unsecured MTN programme rating at (P)Aa1, the short-term issuer rating at Prime-1, and the other short-term programme rating at (P)Prime-1.

The change in IFFIm's outlook to stable follows Moody's rating action taken on the rating of the Government of United Kingdom (UK, Aa3 Stable), IFFIm's largest shareholder, with the rating outlook for the UK changed to stable from negative. For further information on the sovereign rating action, please refer to Moody's press release published on 20 October 2023: <https://ratings.moody's.com/ratings-news/410115>.

The affirmation of the Aa1 ratings reflects strong donor support for IFFIm's mission, ample liquidity and robust risk management by staff from the International Bank for Reconstruction and Development (IBRD, Aaa stable).

RATINGS RATIONALE

RATIONALE FOR CHANGING THE OUTLOOK TO STABLE FROM NEGATIVE

REDUCTION IN DOWNSIDE RISKS OF IFFIM'S LARGEST SHAREHOLDER

The change in outlook to stable reflects the change in outlook on the UK's Aa3 rating to stable from negative. The UK is IFFIm's largest donor, accounting for 43% of remaining donor pledges. Even though we did not expect any of the donors to alter their commitments to IFFIm, the credit quality of IFFIm is closely linked to those of its largest donors given that IFFIm is a financing vehicle without a capital buffer.

IFFIm's donor pledges are highly concentrated with its largest donor, the UK, accounting for 43% of all outstanding donor pledges as of end June 2023, and the top three donors (UK, Norway (Aaa stable), and France (Aa2 stable)) accounting for nearly 71% of all outstanding donor pledges. Donor concentration has been reduced somewhat, but it remains a key credit feature that affects IFFIm's credit profile.

RATIONALE FOR AFFIRMING Aa1 RATINGS

STRONG DONOR SUPPORT FOR IFFIM'S MISSION, AMPLE LIQUIDITY AND ROBUST RISK MANAGEMENT

Donors continue to show very strong support for IFFIm's mission in expanding financing options for Gavi, a leading public-private partnership in provision of vaccination in low-income countries. Gavi and the financing provided through IFFIm are an integral part of delivering on the United Nations' Sustainable Development Goals. IFFIm continues to be seen by donors as an attractive financing vehicle to aid Gavi, as seen by the expansion of its donor base and their financial commitments. At inception, IFFIm had six donors: United Kingdom, France (Aa2 stable), Italy (Baa3 negative), Norway (Aaa stable), Spain (Baa1 stable), and Sweden (Aaa stable). Over time, these donors long-term legally binding commitments, while new donors have joined IFFIm.

Furthermore, IFFIm has retained very strong liquidity to cover upcoming debt maturities. IFFIm's liquidity policy

ensures ample coverage of its financial obligations to meet its operational requirements, provide predictability of program funding, and support its credit rating. Similar to other supranationals, IFFIm's policy sets a prudential minimum level of liquidity equivalent to IFFIm's cumulative contracted debt-service payments for the next 12 months. IFFIm has consistently held more liquid assets than the prudential minimum set by the policy. As of year-end 2022, the minimum liquidity by IFFIm's policy was \$576 million, below the value of IFFIm's actual liquid assets, which amounted to \$1 billion, about two times the prudential minimum.

Strong risk management practices and moderate leverage relative to committed donor pledges are key mitigating factors against donor concentration risk. In addition, the role of the IBRD as IFFIm's financial and risk manager provides very strong institutional support to IFFIm, and is a key support element for the rating. IFFIm's treasury manager has set a limit on IFFIm's debt stock, using a gearing ratio, defined as total debt net of cash holdings (i.e., net debt) over the present value of donor pledges. As of year-end 2022, the gearing ratio was 52.3%, well below the 73.8% gearing ratio limit at the time.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

Environmental considerations are not material for IFFIm's ratings given its mandate to channel donor funding to Gavi.

Social considerations are relevant for IFFIm's ratings given its mandate to channel donor funding to accelerate vaccination by Gavi, which has played an important role in expanding vaccination against the coronavirus to low-income countries, and will likely continue to play a similarly-important role in future health crises.

Governance considerations are material for IFFIm's credit profile, given relatively concentrated donor pledges, with the UK, Norway and France accounting for 71% of pledges. This introduces risk to the weighted average donor rating, especially as some of IFFIm's largest donors have experienced negative credit pressures in recent years. The role of the IBRD in risk management is also material for IFFIm's credit profile in mitigating risks.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Positive credit pressure would emerge if the creditworthiness of IFFIm's donors, particularly the UK and/or France, were to improve substantially. A significant decrease in the concentration of donor pledges would also be credit positive.

Further deterioration in the creditworthiness of IFFIm's donors could lead to a downgrade of IFFIm's rating, particularly of the UK or France, IFFIm's largest donors. A weakening of risk management practices, or a significant increase in leverage would also be credit negative events that could put pressure on the rating.

The principal methodology used in these ratings was Multilateral Development Banks and Other Supranational Entities Methodology published in October 2020 and available at <https://ratings.moodys.com/rmc-documents/69182>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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Samar Maziad
Vice President - Senior Analyst
Sovereign Risk Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Mauro Leos
Associate Managing Director
Sovereign Risk Group
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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