

International Finance Facility for Immunisation (IFFIm)

Update

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

	31 Dec 12	31 Dec 11
Pledges received in the year at fair value (USDm)	-	144
Outstanding pledges at fair value (USDm)	3,562	3,404
Funds held in trust	547	851
Outstanding debt (USDm)	1,959	2,573
Gearing ratio (%) - actual	43.2	44.0
Gearing ratio (%) - limit	69.6	69.4

Key Rating Drivers

Support From Donors: International Finance Facility for Immunisation's (IFFIm) ratings are driven by support from donors that have committed to disburse grants over more than 20 years to finance immunisation programmes in 71 developing countries. Donors include the UK (AA+), France (AA+), Italy (BBB+), Australia (AAA), Norway (AAA), Spain (BBB), the Netherlands (AAA), Sweden (AAA) and South Africa (BBB). More particularly, the ratings are based on commitments by the UK (49.1% of fair value pledges at end-2012) and France (27.5%).

Strong Donor Commitment: The donors' commitment is legally binding and repudiation of their pledges would entail severe reputational damage and legal proceedings. The number of donor countries and the value of pledges have increased since the creation of IFFIm in 2006, reflecting strong take-up from donors. At end-November 2013, the nominal value of pledges totalled USD4.9bn (after currency swaps).

Contained Leverage: IFFIm disburses grants in support of its mandate thanks to bond issues repaid from pledge disbursements by donors. IFFIm maintains a ratio of net debt (outstanding bonds minus funds placed in a trust) to net present value of pledges (the gearing ratio). At end-November 2013 the gearing ratio was 45% against a defined limit of 69.2%.

Additional Cap on Borrowing: The entity's derivative counterpart International Bank for Reconstruction & Development (AAA/Stable) decided not to request collateral from IFFIm in 2013 after the latter's downgrade. IFFIm agreed to introduce a 12 percentage point buffer on the gearing ratio limit, de facto capping it at 57.2% at end-November 2013. Although this leaves room for further borrowing, this could limit IFFIm's ability to front-load disbursements of grants to beneficiary countries in the coming years, unless it receives new pledges.

Credit Risk from Donors: Default of donors on the timely payment of their pledges is the main source of risk. Downgrades of a number of EU sovereigns in recent years have increased credit risk, and IFFIm was downgraded along with the UK and France in early 2013. There were short payment delays by some donors in 2012 and 2013, but these were rectified swiftly.

Credit Risk from Beneficiaries: Donors have the right to reduce their payments by a predefined percentage if one of the beneficiary countries is in protracted arrears with the IMF. In 2013 payments received by IFFIm were reduced by 2.5% due to Zimbabwe, Somalia and Sudan being in default to the IMF. The risk of IFFIm failing to repay part of its bonds because of this reduction is limited by the liquidity buffer and gearing ratio limit it maintains.

Limited Liquidity, Market Risks: Liquidity risk is limited due to IFFIm's strict compliance with its liquidity policy, under which it must maintain a portfolio of liquid assets that cover debt service over the next 12 months. Treasury assets are conservatively invested: at end-2012, 90% of them were invested in securities rated 'AA-' and above. Exposure to foreign exchange risk is fully hedged. Liquidity and market risk are managed effectively by the International Bank for Reconstruction & Development, IFFIm's designated treasury manager.

Rating Sensitivities

Donor Rating Changes: IFFIm's rating and Outlook would be reviewed if the rating and Outlook of the UK or France were changed, due to their weight in pledges.

Gearing Ratio: Over the medium term, a breach by IFFIm of its gearing ratio limit could trigger a rating downgrade.

Related Research

[France \(July 2013\)](#)
[UK Public Finance Update \(April 2013\)](#)

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Figure 1

IFFIm's Resource Base, at End-October 2013

Donors (Long-Term Foreign-Currency IDR)	Cumulative grants (in USDm) ^a	In % of total	Grant date	Payment period
Australia (AAA)	222	4.9	2011	19 years
France (AA+)	1,258	27.6	2006 and 2007	19 years
Italy (BBB+)	442	9.7	2006 and 2011	20 years
Netherlands (AAA)	75	1.6	2009	7 years
Norway (AAA)	171	3.8	2006 and 2010	10 years
South Africa (BBB)	13	0.3	2007	20 years
Spain (BBB)	152	3.3	2006	20 years
Sweden (AAA)	22	0.5	2006	15 years
United Kingdom (AA+)	2,199	48.3	2006 and 2010	20 years
Total	4,555	100.0		

^a Nominal amount of grants pledged at end October 2013, converted into US dollars using exchange rate at 31 October 2013

Source: IFFIm, Fitch

Figure 2

Income and Expenditure Account

(USDm)	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
Contribution revenue	0.0	144.1	401.6	87.1
Operating expenses	395.4	205.3	405.1	625.4
Of which grant payments	390	200.0	400.0	620.5
Other operating income	1.0	0.8	0.8	0.8
Operating profit (loss)	-394.4	-60.4	-2.7	-537.5
Investment income	6.3	8.0	5.7	10.8
Interest payable and gains and losses on financial instruments	41.8	-124.3	12.4	-18.9
Of which fair value gains and losses	54.5	-127.8	19.3	-10.8
Surplus (deficit)	-346.3	-176.7	15.8	-575.9

Source: IFFIm – Report of Trustees and Financial Statements

Figure 3

Balance Sheet

(USDm)	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
Sovereign pledges	3,562	3,404	3,172	2,882
Funds in trust	547	851	1,565	1,082
Other assets	1	1	143	23
Total assets	4,110	4,256	4,880	3,987
Bond issues	1,959	2,573	3,409	2,609
Grants payable	707	417	517	437
Other liabilities	1,013	489	1	3
Total liabilities	3,679	3,479	3,927	3,049
Net assets	431	777	953	938
Total liabilities + net assets	4,110	4,256	4,880	3,987
Memo items				
Gearing ratio (%)	43.2	44.0	40.4	40,8

Source: IFFIm – Report of Trustees and Financial Statements

Related Criteria

[Rating Multilateral Development Banks \(May 2012\)](#)

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