

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 (IFFIm)

	31 Dec 14	31 Dec 13
Pledges received in the year at fair value (USDm)	-	-
Outstanding pledges at fair value (USDm)	3,153	3,362
Funds held in trust (USDm)	1,012	1,025
Outstanding debt (USDm)	1,893	2,168
Gearing ratio – actual (%)	40	44.7
Gearing ratio – limit (%)	69.3	69.2

Key Rating Drivers

Support From Donors: International Finance Facility for Immunisation's (IFFIm) is a supranational entity established in 2006 to fund immunisation for children in 52 countries eligible for funds from Gavi, the Vaccine Alliance, a global health public-private partnership. Funds raised on financial markets by IFFIm are disbursed as grants to Gavi. Ratings are driven by pledges from donors to disburse grants to repay IFFIm's debt and more particularly by commitments by the UK (53.6% of pledges at end-June 2015) and France (26.3%).

Strong Donor Commitment: IFFIm's donors are the UK, France, Italy (BBB+/Stable), Australia (AAA/Stable), Norway (AAA/Stable), Spain (BBB+/Stable), the Netherlands (AAA/Stable), Sweden (AAA/Stable) and South Africa (BBB-/Stable). Donors' commitments are legally binding, and repudiation of their pledges would entail severe reputational damage and legal proceedings. The present value of outstanding pledges was USD2.9bn at end-June 2015.

Credit Risk From Donors: Default of donors on the timely payment of their pledges is the main source of risk. Although credit risk was improved by the upgrade of Spain to 'BBB+' in 2014, IFFIm was downgraded along with France in December 2014. There were short technical payment delays by Sweden and Australia in 2015, but these were swiftly rectified. Grants are made in local currency of the donors, and hedged against FX risk through a swap agreement with the International Bank for Reconstruction and Development (IBRD, AAA/Stable).

Credit Risk From Beneficiaries: Credit risk also arises from beneficiary countries: 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. At end-October 2015, grant disbursements to IFFIm were 2.5% lower than scheduled 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.

Contained Leverage: 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-September 2015, the gearing ratio was 35.9% against a defined limit of 70.4%.

Additional Cap on Borrowing: In addition, a 12 percentage-point buffer on the limit was introduced in 2013, effectively capping the limit at 57.3% at end-2014. This debt ceiling, which Fitch considers conservative, ensures that IFFIm can honour its debt service even in case of a reduction or delay in the pledge payments by donor countries.

Limited Liquidity, Market Risks: Liquidity risk is limited due to IFFIm's strict compliance with its liquidity policy (liquid assets must cover debt service over the next 12 months) and conservative risk management. Liquidity and credit risk arising from the investment portfolio are managed effectively by the IBRD, IFFIm's designated treasury manager.

Rating Sensitivities

Donor Rating Changes: IFFIm's ratings and Outlook would be reviewed if the ratings and Outlooks of the UK or France were changed, due to their weight in donors' pledges. Material delays of grant disbursements by donor countries would also exert pressure on the ratings.

Gearing Ratio: Over the medium term, a breach by IFFIm of its gearing ratio limit related to rising debt or a reduced NPV of pledges following an increase in the credit risk of recipient countries or donors could trigger a rating downgrade.

Related Research

France (June 2015)
 United Kingdom (June 2015)
 International Bank for Reconstruction & Development (IBRD) (March 2015)

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Figure 1

Income and Expenditure Account

(USDm)	31 Dec 14	31 Dec 13	31 Dec 12	31 Dec 11	31 Dec 10
Contribution revenue	-	-	-	144.1	401.6
Operating expenses	5,1	5	395.4	205.3	405.1
Of which grant payments	-	-	390	200.0	400.0
Other operating income	1,1	1,1	1.0	0.8	0.8
Operating profit (loss)	(4)	(3,9)	(394.4)	(60.4)	(2.7)
Investment income	3	3,8	6.3	8.0	5.7
Interest payable and gains and losses on financial instruments	1,2	242.3	41.8	(124.3)	12.4
Of which FV gains and losses	110.1	146.2	54.5	(127.8)	19.3
Surplus (deficit)	107.8	142.3	(346.3)	(176.7)	15.8

Source: IFFIm – Report of Trustees and Financial Statements

Figure 2

Balance Sheet

(USDm)	31 Dec 14	31 Dec 13	31 Dec 12	31 Dec 11	31 Dec 10
Sovereign pledges	3,153	3,362	3,562	3,404	3,172
Funds in trust	1,012	1,025	547	851	1,565
Other assets	3	-	1	1	143
Total assets	4,168	4,387	4,110	4,256	4,880
Bond issues	1,893	2,168	1,959	2,573	3,409
Grants payable	507	507	707	417	517
Other liabilities	1,088	1,139	1,013	489	1
Total liabilities	3,488	3,814	3,679	3,479	3,927
Net assets	680	573	431	777	953
Total liabilities + net assets	4,168	4,387	4,110	4,256	4,880
Memo items					
Gearing ratio (%)	40	44.7	43.2	44.0	40.4

Source: IFFIm – Report of Trustees and Financial Statements

Related Criteria

[Supranationals Rating Criteria \(May 2015\)](#)

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