

FITCH AFFIRMS IFFIM AT 'AA', OUTLOOK NEGATIVE

Fitch Ratings-London-13 December 2016: Fitch Ratings has affirmed International Finance Facility for Immunisation's (IFFIm) Long-Term Issuer Default Rating at 'AA' with a Negative Outlook. The Short-Term IDR has been affirmed at 'F1+'. The ratings on IFFIm's senior unsecured debt, including programmes, have also been affirmed at 'AA'.

KEY RATING DRIVERS

The rating on IFFIm reflects the current rating of the UK (AA/Negative), which is the lower rated of IFFIm's two key donors, the other being France (AA/Stable). IFFIm's ratings rely primarily on support from its donors, which have committed to disburse grants over a period of up to 20 years.

In accordance with Fitch's criteria, IFFIm is a supranational administrative body, which was established in 2006. IFFIm supports developed countries in facilitating the upfront financing of large-scale immunisation programmes in developing countries by pledging multi-year grants as backing for bonds issued in the international capital markets. In January 2015, France, the Netherlands (AAA/Stable) and Australia (AAA/Stable) all announced their intentions to commit future pledges to IFFIm - with the first new annual instalment already disbursed by Australia in 2016. The UK and France remain IFFIm's largest contributors, whose shares in outstanding balances of pledged grants as of June-2016 were 51% and 28% respectively.

Funds raised on financial markets by IFFIm are disbursed as grants to Gavi, the Vaccine Alliance (Gavi), a global health public-private partnership to improve access to immunisation for children in a pool of 53 eligible developing countries. IFFIm has been one of the largest sources of funding for Gavi since its inception, together with direct grants from governments and foundations.

IFFIm honours its debt service, using the disbursement of legally binding grants initially pledged by donor countries according to a predefined schedule, ranging from five to 23 years depending on the country. Internal procedures, including the maintenance of a comfortable liquidity cushion and a ceiling on indebtedness at a lower level than pledges (the gearing ratio limit, based on the net present value (NPV) of pledges, which reflects the creditworthiness of both IFFIm's donors and beneficiaries), provide additional protection to bondholders in case of a delay in or limited shortage of disbursements of grants by donor countries.

RATING SENSITIVITIES

In view of their dominant shares of pledged grants, Fitch links IFFIm's ratings to the sovereign ratings of the UK and France.

The main factors that could, individually or collectively, result in negative rating action are:

- A downgrade of either of the sovereign ratings of the UK or France
- Material delays in grant disbursements by donor countries
- 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 NPV of pledges following an increase in the credit risk of recipient countries or donors.

Conversely, the main factors that could, individually or collectively, result in a positive rating action are;

- An upgrade of the UK or France's sovereign IDRs or a positive Outlook revision of the UK's rating.

KEY ASSUMPTIONS

Fitch assumes that the relative weight or donor countries in total pledged grants will remain broadly unchanged.

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Sources of information - The sources of information used to assess these ratings were Islamic Corporation for the Development of the Private Sector financial statements, and other information provided by the Islamic Corporation for the Development of the Private Sector.

Applicable Criteria

Supranationals Rating Criteria (pub. 27 Jul 2016)

<https://www.fitchratings.com/site/re/881783>

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