



## Fitch Places IFFIm's 'AA' IDR on Rating Watch Negative

Fitch Ratings-London-22 March 2019: Fitch Ratings has placed the International Finance Facility for Immunisation's (IFFIm) Long-Term Issuer Default Rating (IDR) of 'AA' on Rating Watch Negative (RWN). The Short-Term IDR has been affirmed at 'F1+'. The 'AA' issue ratings on IFFIm's senior unsecured debt, including programmes, have also been placed on RWN.

The RWN mirrors that on the UK sovereign's Long-Term IDRs, to which IFFIm's ratings are linked. Fitch will resolve the RWN on IFFIm once the RWN is resolved on the UK sovereign.

For further details on the placement of the UK sovereign rating on RWN, see "Fitch Places the UK's 'AA' IDRs on Rating Watch Negative" at [www.fitchratings.com](http://www.fitchratings.com).

### KEY RATING DRIVERS

IFFIm's ratings are driven by the sovereign ratings of the UK and France (AA/Stable), IFFIm's two 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 and France's share of total outstanding pledges was 45% and 35%, respectively, as of end-2018.

Established in 2006, Fitch considers IFFIm as a supranational administrative body (SAB) given its distinct structure as an international finance facility and continued support from donor countries. In line with Fitch's Supranationals Rating Criteria, Fitch rates IFFIm under the SAB approach.

IFFIm front-loads grant payments from donors to provide funding to Gavi, a global health public-private partnership. Gavi in turn is focused on improving childhood immunisation coverage in developing countries and accelerating access to new vaccines.

In line with their respective mandate, the boards of IFFIm and Gavi have approved a proposal for Norway (AAA/Stable) to support a Gavi programme for the Coalition for Epidemic Preparedness Innovation through IFFIm bond issuances. Under the proposed arrangement, Norway would commit new pledges to IFFIm, increasing its share in outstanding pledges (1.4% at end-2018) to about 4% of the total.

This new arrangement illustrates the advantageous nature of IFFIm's front-loading capacity as an innovative financing tool for development and is evidence of continued support from donor countries. Further, it expands IFFIm's scope of financing activities to target the development of new vaccines against infectious diseases.

IFFIm's ratings are also supported by its conservative prudential framework, which is managed by the International Bank for Reconstruction and Development (AAA/Stable) in its capacity as treasury manager for IFFIm. The prudential measures include a gearing ratio limit (GRL) and comfortable liquidity buffer (coverage of 12 months of contractual obligations). The GRL, which caps net debt at the adjusted present value of donor pledges, is generally set at around 70% (70% as of end-February 2019). Excluding the risk management buffer, the GRL was 58.1%, which serves as a ceiling to IFFIm's potential indebtedness relative to the present value of donor pledges. The actual gearing ratio was 7.5% as of end-February 2019, well below historical averages.

Fitch expects this ratio to increase closer to historical levels of around 40% beyond 2020.

## 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 the UK or France;
- Material delays in grant disbursements by donor countries; and
- A reduced level of cushion that increases the potential for a breach of IFFIm's GRL related to rising debt or a reduced net present value 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 positive rating action are:

- An upgrade of the UK's and France's sovereign IDRs would result in an upgrade of IFFIm;
- A resolution of the UK's RWN that does not lead to a downgrade of the UK's sovereign IDRs would lead to corresponding rating action on IFFIm; and
- Significant additional pledges from sovereigns rated higher than IFFIm that would materially change the relative weight of the UK's and France's share in outstanding pledges.

## KEY ASSUMPTIONS

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

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- Sources of information - - IFFIm's financial statements, and other information provided by IFFIm and IBRD (in its capacity as a treasury manager for IFFIm).

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Applicable Criteria  
Supranationals Rating Criteria (pub. 24 May 2018)

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