

RatingsDirect®

International Finance Facility for Immunisation

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Major Rating Factors

Strengths:

- Highly rated grantor countries.
- Politically compelling mandate.
- Conservative financial policies.
- Innovative and effective financing instrument.

Weaknesses:

- Reliance on the willingness and ability of grantor countries to meet their obligations over the life of the program.
- Infrequent and mostly administrative payment delays on pledges from some donors.
- Grants conditional on poor countries avoiding protracted arrears to the International Monetary Fund (IMF).

Issuer Credit Rating

Foreign Currency

AA/Stable/A-1+

Local Currency

NR/--/NR

Rationale

The ratings on IFFIm continue to reflect our view of the commitment of its highly rated contributors to its mandate of supporting child immunization programs in the world's poorest developing countries. The rating action on IFFIm on Nov. 8, 2013 followed that on the Republic of France, the IFFIm's second-largest financial contributor.

IFFIm is a multilateral development institution established as a charity in the U.K. in 2006. Its purpose is to accelerate the funding of the immunization and vaccine procurement programs of GAVI, a public-private partnership whose members include the World Health Organization, the U.N. Children's Fund (UNICEF), International Bank for Reconstruction and Development (IBRD; commonly referred to as the World Bank), the Bill and Melinda Gates Foundation, governments of both developing and industrialized countries, research and health institutes, vaccine producers and civil society organizations.

Fifty-two of the world's poorest countries are eligible to receive funds raised by IFFIm. IFFIm operates by issuing bonds on the basis of sovereign government commitments to provide annual grants over two decades, and by disbursing the proceeds to fund GAVI's programs. This not only provides more funds to GAVI in the short term, but also enhances GAVI's ability to provide multiyear grants to recipient countries.

Under our criteria, we determine support for GAVI--and in turn for IFFIm--by evaluating the support of IFFIm's strongest contributors. As of December 2013, The U.K. is the largest contributor: it has pledged more than 50% of the funds still to be received by IFFIm. France follows, with close to 27% of pledges. Other highly rated contributors include Australia, Norway, The Netherlands, and Sweden with respectively slightly less than 5%, 3%, 2% and 1% of the contributions to be received. Other contributors are Italy (with 9%), Spain (3%), and South Africa (less than 1%).

IFFIm experienced payment delays on pledges from several contributors, including some very recent delays, but these appeared to be administrative in nature. Delays of more than a few days have generally arisen from one donor, which is rated lower than IFFIm. We understand that this donor country has taken steps to ensure that such delays do not

occur again. Late contributor payments by governments rated at or higher than IFFIm have been short and infrequent. We consider these delays to be administrative and not reflective of the contributor's ability or willingness to support IFFIm.

IFFIm would be at risk if its eligible grant-recipient countries go into protracted arrears to the IMF. If this happens, contributor countries are released from a portion of their scheduled annual payments under their pledges, which means that fewer funds will be available to reimburse IFFIm investors. The reduction in pledges depends primarily on the number of IFFIm-eligible countries in protracted (more than six months) arrears to the IMF. Currently, there are three countries in that situation: Somalia, Sudan, and Zimbabwe.

Our debt-service-coverage ratio for IFFIm decreased to 1.6x as of December 2013, from about 2.0x at year-end 2012. Our ratio measures the total value of remaining IFFIm contributor pledges from contributors rated at the level of IFFIm or above (that is, currently rated 'AA' or above), after swap, divided by the total debt service remaining to be paid. This ratio nevertheless still indicates an ample margin at the 'AA' level to absorb potential reduction in future flows arising from eligible recipient countries going into protracted arrears to the IMF.

IFFIm's board of directors has established a limit for maximum gearing. This is a ratio that IBRD recalculates at least quarterly. In 2013, IBRD introduced an additional 12% risk management buffer to this calculation, lowering the maximum gearing ratio to 57% as of year-end 2013. The actual gearing ratio has been significantly below this limit--slightly above 40% for the past five years (45% as of December 2013).

IFFIm also incurs roll-over risk because its debt financing is for shorter tenors than its grants. To allay part of this funding risk, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next 12 months. IFFIm recalculates and resets this limit quarterly. At Dec. 31, 2012, cash and funds held in trust totalled US\$547 million.

Outlook

The outlook is stable, reflecting the outlook on France, as well as our view that contributors' willingness to support IFFIm continues to be strong and that IFFIm is prudently managed.

If we were to lower the sovereign credit ratings on one or several of IFFIm's largest contributor governments, or our ratings on the IBRD, which provides essential services to IFFIm, we could lower our ratings on IFFIm. Downward ratings pressure could also build if highly rated contributors fell materially behind on their payments to IFFIm, if substantially more grant-recipient countries go into protracted arrears to the IMF, or if IFFIm experienced funding pressure.

We could raise the ratings on IFFIm if we were to upgrade one or several of its largest contributor countries, notably the Republic of France.

Mandate

IFFIm has its roots in the Millennium Development Goals that the U.N. General Assembly unanimously adopted in September 2000. The fourth of these goals specifically targeted a two-thirds reduction in the mortality rate of children younger than five by 2015. The U.N. General Assembly considered intensifying efforts to immunize children to be vital to achieving that reduction. IFFIm's purpose is to assist in that intensification by providing funding for immunization and related programs earlier and in larger amounts than would otherwise be available, and by facilitating multiyear grants, which are important to recipient countries. Funds raised by IFFIm are expected to be applied in four principal areas:

- Stepping up mass vaccination campaigns, particularly for measles and tetanus.
- Strengthening health systems that deliver immunization services.
- Facilitating the stockpiling of polio vaccines.
- Supporting the development of new vaccines.

Organization And Related Entities

IFFIm is one of several directly related entities.

International Finance Facility for Immunisation Co.

IFFIm was incorporated as a private company in June 2006 and registered as a charity with the Charity Commission of England and Wales. IFFIm has a limited purpose: to raise funds for GAVI-approved programs based on the irrevocable and legally binding pledges of member countries to provide grants to the GAVI Alliance, which it in turn assigns to IFFIm. These grants, to be paid in installments through as late as 2030, will provide the funds to service the debt that IFFIm raises to fund GAVI programs.

On Feb. 24, 2012, René Karsenti took over as chair of the IFFIm board. Dr. Karsenti brings banking experience from the private sector, as well as from multilateral lending institutions such as the European Investment Bank, the European Bank for Reconstruction and Development, and the World Bank group. The board has six directors. Its tasks are essentially to review and approve requests for funding submitted by GAVI. When considering whether to approve requests for funding, IFFIm takes into account the following factors:

- Whether the request is materially complete and in accordance with GAVI's strategic objectives and program principles.
- The ability of IFFIm to provide the funds necessary to meet the request, given market conditions and other factors.
- The funding, liquidity, and other operating strategies approved by the IFFIm board, following consultation with IBRD.
- Any additional requirements specified in the various documents to which IFFIm is a party.

IFFIm outsources all of its other activities to either GAVI or IBRD; the Finance Framework Agreement prohibits IFFIm from having employees.

GAVI Fund Affiliate

On Feb. 8, 2013, IFFIm amended its Finance Framework Agreement and related Master Definition Agreement to simplify its structure. Previously, the proceeds from IFFIm bond issuances went through the GAVI Fund Affiliate, a separate U.K. registered charity, which in turn disbursed funds either to recipients or to an account of GAVI. The GAVI Fund Affiliate was created in May 2006 specifically to enter into pledge agreements with IFFIm's grantor countries and subsequently assign them to IFFIm.

However, IFFIm considered that this additional layer in the structure was unnecessary and so removed the GAVI Fund Affiliate from the structure. The GAVI Fund Affiliate consequently transferred to the GAVI Alliance all of its rights and obligations under the original Framework.

GAVI Alliance

GAVI is a public-private partnership created in 2000 to reverse declining rates of immunization in developing countries. A secretariat based in Geneva coordinates GAVI's activities. The Gates Foundation has made several commitments to GAVI totaling US\$2.5 billion. In addition, 19 countries, including the six founding countries--the U.S., Netherlands, Norway, the U.K., Sweden, and Denmark--made multiyear pledges either directly or indirectly through IFFIm or the Advance Market Commitment. Other organizations also contributed to GAVI. Of the total US\$16.2 billion committed by all donors as of Sept. 30, 2013, US\$8.4 billion has already been contributed to GAVI, whereas the remaining pledges extend up to 2032.

GAVI's board of directors consists of 28 members, including GAVI's CEO. Eighteen are representative seats, of which five represent grantor country governments and five represent developing country governments. One director represents each of the Gates Foundation, WHO, UNICEF, and IBRD, and one each represents the vaccine industry in industrialized countries, the vaccine industry in developing countries, civil society, and technical health/research institutes. Nine additional members are independent individuals.

International Bank for Reconstruction and Development (IBRD)

IBRD, which is the keystone of the World Bank group, is responsible for the following tasks:

- Execution of the IFFIm funding program, including the structure of the program, the methods of offering, and the choice of funding instruments.
- Cash-management services.
- Acting as a hedging intermediary for IFFIm's derivative transactions.
- Management of the gearing ratio (see the "IFFIm Gearing Ratio" section).
- Tracking grantor contributions.
- Accounting and financial reporting support services.

Having IBRD perform these functions effectively is critical to the successful operation of IFFIm's funding program and the ratings on its bond issues. Not only does IBRD execute the borrowing program and manage the proceeds, but it also ensures that sufficient liquidity is in place to meet commitments for disbursements to GAVI and to make IFFIm's debt service payments as they come due. IBRD also makes sure that IFFIm's borrowing remains within established limits. IFFIm reimburses IBRD for the cost of these services.

Grant Payment Condition

Under prevailing European Commission (EC) public-sector accounting principles, the total amount of government pledges for which the amounts and schedules of payments are incorporated into law (as are those to GAVI) would ordinarily be treated as expenditures in the years the pledges were made. However, Eurostat, the EC's statistical arm, ruled that although the amounts and schedules of payments of grantor countries' pledges to IFFIm are established, if these payments were in some way conditional, the amounts paid could be recorded as expenditures when the payments, rather than the pledges, are made. This ruling was important to grantor countries because most did not want to include the full amount of their pledges to GAVI in their budgets in one year.

The conditionality mechanism chosen was based on the payment status with the IMF of countries originally eligible for support from IFFIm. Although, when IFFIm was set up, 72 countries were eligible for support from GAVI based on their low levels of per capital income, two--Cuba (not rated) and North Korea (not rated)--were and currently are not IMF members and therefore were not eligible for support from IFFIm. The remaining 70 countries constituted a reference portfolio; all were placed into one of three country weight groups: 1% (62 countries), 3% (one country), and 5% (seven countries) (see table 1). IFFIm expects to finance bigger programs in the larger-weight countries.

Furthermore, the independence of South Sudan from Sudan resulted in a split of the weight allocated to both countries: from the original weight of 1% allocated to Sudan, each now receives a 0.5% weight. The current list of countries, and associated weights, is shown in table 1.

Table 1

IFFIm Reference Portfolio
0.5% countries
Sudan, South Sudan
1% countries
Afghanistan, Angola, Armenia, Azerbaijan, Benin, Bhutan, Bolivia, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Comoros, Congo, Republic of Cote d'Ivoire, Djibouti, Eritrea, The Gambia, Georgia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Kenya, Kiribati, Kyrgyzstan, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Moldova, Mongolia, Mozambique, Myanmar, Nepal, Nicaragua, Niger, Papua New Guinea, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, Tajikistan, Tanzania, Timor-Leste, Togo, Uganda, Ukraine, Uzbekistan, Yemen, Zambia, Zimbabwe
3% countries
Vietnam
5% countries
Bangladesh, Congo DR, Ethiopia, India, Indonesia, Nigeria, and Pakistan

General eligibility for GAVI support is re-evaluated every year based on gross national income per capita. The current threshold is US\$1,550 based on the most recent World Bank data. There are currently 53 countries eligible for support, though not all of these countries qualify for all types of support as GAVI sets further eligibility criteria for each support.

Table 2**Countries Eligible For Support From GAVI**

Afghanistan, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Cote d'Ivoire, Djibouti, Eritrea, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Haiti, India, Kenya, Korea DPR*, Kyrgyzstan, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Nigeria, Pakistan, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, South Sudan, Tajikistan, Tanzania, Togo, Uganda, Vietnam, Yemen, Zambia, and Zimbabwe

*GAVI does not use funds generated by IFFIm to support this country's immunisation programmes.

The percentage of each installment of grantors' pledges is reduced by an amount based on how many countries, in which weight groups, have protracted arrears on any of their obligations to the IMF 25 business days before the date payment is due. Sums not paid by grantors due to the grant payment condition are not required to be made up in the future. Between Oct. 2, 2006, and March 2008, four countries, each with a 1% weight, were in protracted arrears to the IMF--Liberia, Somalia, Sudan, and Zimbabwe (none are rated). As a consequence, only 96% of the amounts otherwise due was required to be paid (a reduction by four countries times 1% per country).

In March 2008, the IMF announced that Liberia had repaid all of its obligations. Accordingly, the reduction in required installments paid from April 8, 2008, up until the split of Sudan, was 3%. After the split, it decreased to 2.5%, and will remain at this level until another country goes into or emerges from protracted arrears with the IMF.

Financing

Under the Finance Framework Agreement, IFFIm was not permitted to approve any new programs if, at that time, it was not rated 'AAA' by two of the three major international rating agencies.

After we lowered the long-term issuer credit rating on IFFIm to 'AA+' on Jan. 17, 2012, IFFIm amended its framework agreement to revise the minimum rating to 'AA', or whichever rating the grantors would agree on.

In addition, under the agreement, the IBRD has to assess IFFIm's ability to finance each proposed program. If the IBRD determines that IFFIm might not be able to finance anticipated disbursements under proposed programmes, then the latter will not be approved.

There are two elements to IFFIm's debt-servicing capacity:

- In the short run, its liquidity position.
- In the longer run, its aggregate grant receivables and other income relative to its operating expenses and debt-service payments.

Liquidity

IBRD, as treasury manager, maintains IFFIm's liquidity above the next 12 months of principal repayment and interest payment obligations. Standard & Poor's believes that IBRD will manage IFFIm's liquidity position conservatively and will maintain liquidity at adequate levels.

IBRD maintains a single investment pool, separate from the funds of the World Bank group, which commingles funds from IFFIm, GAVI, and numerous other trust funds administered by the bank. Under IFFIm's investment strategy, IBRD structures IFFIm's portfolio to have interest-rate sensitivities matching those of the liabilities funding the portfolio. The portfolio's assets--which may include money market instruments; issuances of governments, government agencies, and multilateral organizations; and corporate and asset-backed securities--are subject to minimum credit

ratings as follows:

- Money market deposits must have maturities of six or fewer months and must be issued or guaranteed by financial institutions with senior debt securities that are rated 'A-' or higher. In practice, they are mostly overnight deposits.
- Government or government agency obligations and those of multilateral organizations or any other official entity must be rated 'AA-' or higher.
- Corporate or asset-based securities must be rated 'AAA'.

We do not expect significant credit losses on IFFIm funds managed by IBRD.

Grant receivables relative to financial liabilities

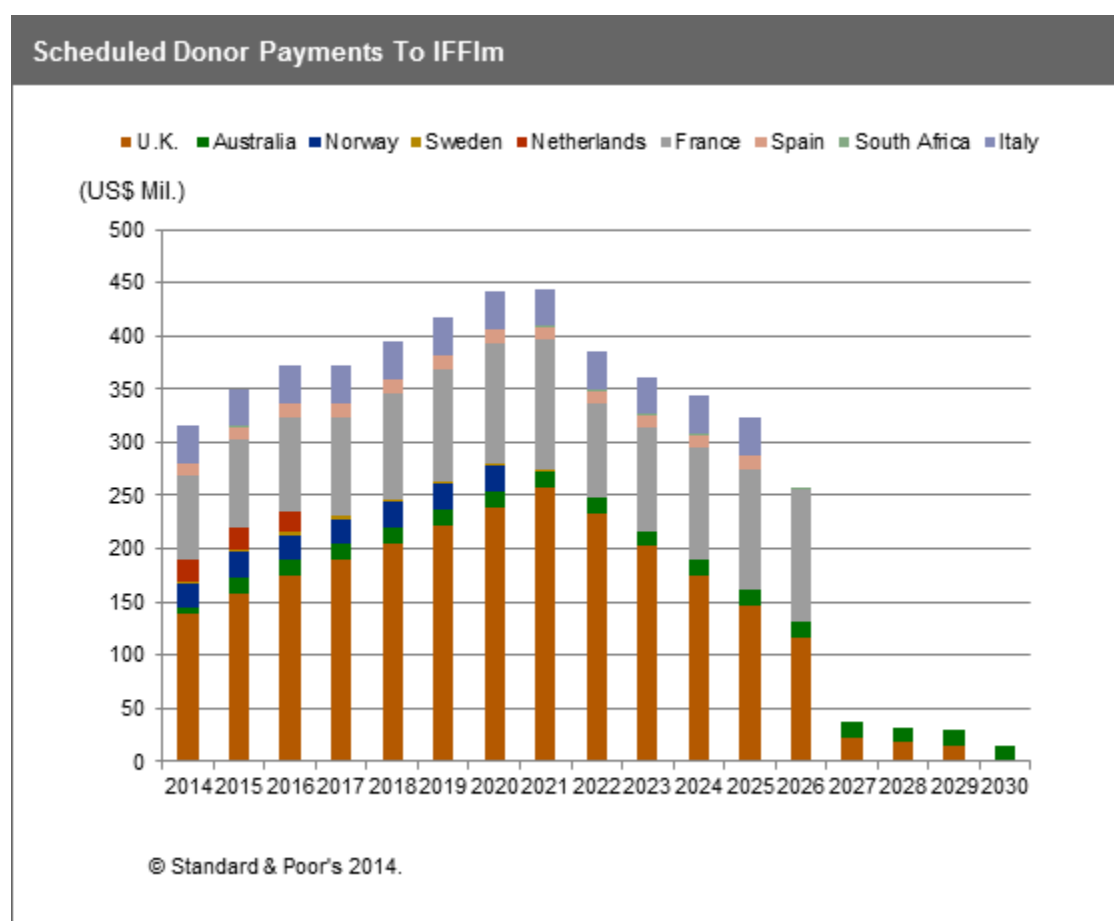
IBRD's ability to make IFFIm's debt-service payments over the longer term depends on the proceeds from grants and other income being sufficient to meet all of IFFIm's debt-service payments and operating expenses. Whether grants will be sufficient to cover debt-service payments and other expenses depends principally on two factors: whether grantor countries meet their grant obligations and when and by how much these grant obligations are reduced by eligible countries' protracted arrears to IMF. The possible complications of exchange-rate changes are mitigated by IFFIm's policy of swapping all pledges and the proceeds of all its borrowings into three-month floating-rate U.S. dollars, with IBRD being the counterparty for all of the swaps.

Defaults on grant obligations are unlikely

IFFIm's sources of financing to repay borrowings are the grants that grantor countries have committed to make (through GAVI) to IFFIm, the income earned by borrowings before they are disbursed, and new borrowings. Although the payments of these grants are legally binding on grantor countries, these payments remain subject to appropriation risk. And given that the grantors are sovereign countries, the enforceability of such agreements is uncertain. Standard & Poor's does not view non-debt-service obligations of sovereigns as necessarily enjoying the same priority of payment as debt-service obligations. However, grantor governments have embodied obligations to IFFIm in law, and the activities their grants support would seem to warrant sustained political and public support, even during times of financial stress.

IFFIm has experienced payment delays to pledges from several donors. Some of the delays for one country have been for more than 30 days in 2011 and 2012. However, such significant delays have arisen principally from a donor rated lower than Standard & Poor's issuer credit rating on IFFIm. We understand that this donor country has taken steps to ensure that such delays do not occur again. For the governments that are rated at or higher than IFFIm and that have made late donor payments, these have been short and infrequent: we consider them to be administrative in nature and not reflective of the donors' ability or willingness to support this funding vehicle for GAVI. Chart 1 shows the schedule of contributions from the nine countries that have become grantors, in U.S. dollar equivalents. While the pledges vary in the amount and timing of contributions, collectively they gradually increase, peaking in 2021, and then recede, with the last of the contributions now scheduled to be made in 2030.

Chart 1



Grant payment condition reductions in grant payments are the bigger risk

The second source of shortfalls in receipts from grantor countries results from the grant payment condition and eligible countries' protracted arrears to the IMF. Twenty-six countries have gone into protracted arrears with IMF since 1975, four of them on two occasions (see table 3). Nineteen of the countries that have had protracted arrears are IFFIm-eligible countries and, of these, the Democratic Republic of Congo has a 5% weight and Vietnam has a 3% weight for purposes of the grant payment condition.

Table 3

Countries With Protracted Arrears To The IMF Since 1975			
		Start of arrears	Emergence from arrears
IFFIm-eligible countries that were formerly in protracted arrears to IMF			
Cambodia	11/12/1992	Mar-75	Oct-93
Nicaragua	05/31/1984	Feb-83	Apr-85
Guyana	05/21/1990	Apr-83	Jun-90
Chad	10/11/1984	Jan-84	Nov-84
Vietnam*	03/29/1991	Feb-84	Oct-93
Sierra Leone	09/02/1986	Nov-84	Sep-86
Liberia		Dec-84	Mar-08

Table 3

Countries With Protracted Arrears To The IMF Since 1975 (cont.)			
Tanzania	04/01/1986	Mar-85	Jul-86
Zambia	12/06/1985	Apr-85	Jan-86
Gambia, The	07/18/1986	Jun-85	Jul-86
Sierra Leone	02/14/1992	Jan-87	Mar-94
Zambia	02/27/1991	Apr-86	Dec-95
Honduras	08/25/1988	Oct-87	Nov-88
Congo, Dem. Rep. of¶	05/15/1989	Jun-88	May-89
Haiti	06/09/1989	Oct-88	Sep-89
Honduras	05/21/1990	Nov-88	Jun-90
Congo, Dem. Rep. of¶	05/08/2002	Nov-90	Jun-02
Haiti	11/25/1994	Nov-91	Dec-94
Central African Republic	12/03/1993	Jun-93	Mar-94
Afghanistan, Islamic State of	02/01/2003	Nov-95	Feb-03
IFFIm-eligible countries currently in protracted arrears			
Sudan		Jul-84	...
Somalia		Jul-87	...
Zimbabwe		Feb-01	...
Countries formerly with protracted arrears not eligible for IFFIm support			
Peru	12/10/1989	Sep-85	Mar-93
Jamaica	10/22/1986	Apr-86	Jan-87
Panama	04/14/1990	Dec-87	Feb-92
Dominican Republic	02/28/1991	Aug-90	Apr-91
Iraq	08/01/2004	Nov-90	Sep-04
Bosnia and Herzegovina	11/10/1995	Sep-92	Dec-95
Yugoslavia, Federal Rep. of§	11/10/2000	Sep-92	Dec-00

*3% country weight ¶5% country weight. §No longer exists as a country; no successor countries are eligible for IFFIm financing.

Table 4

IFFIm Grant Obligations			
Grantor	Grant date	Payment period	Grant amount (000s)
Commonwealth of Australia	28-Mar-11	19 years	A\$ 250,000
Republic of France*	02-Oct-06	15 years	€ 372,800
Republic of France§	07-Dec-07	19 years	€ 867,160
Republic of Italy	02-Oct-06	20 years	€ 473,450
Republic of Italy	14-Nov-11	14 years	€ 25,500
State of the Netherlands	18-Dec-09	7 years	€ 80,000
Kingdom of Norway	02-Oct-06	5 years	US\$ 27,000
Kingdom of Norway	31-Aug-10	10 years	NOK 1,500,000
Republic of South Africa	13-Mar-07	20 years	US\$ 20,000
Kingdom of Spain	02-Oct-06	20 years	€ 189,500
Kingdom of Sweden	02-Oct-06	15 years	SEK 276,150
U.K.	02-Oct-06	20 years	£ 1,380,000

Table 4

IFFIm Grant Obligations (cont.)			
U.K.	05-Aug-10	19 years	£ 250,000

*Acting through Agence Française de Développement. §Acting through the Ministry of Economy, Industry and Employment. NOK--Norwegian krone. SEK--Swedish krona.

Protracted arrears to the IMF have dropped in recent years. Since 1995, when Afghanistan went into protracted arrears (from which it emerged in 2003), only one country has gone into protracted arrears--Zimbabwe in 2001. Thus, as noted above, the elimination of Liberia's arrears in March 2008 and the split of Sudan lowered the current reduction to 2.5%.

Reasons to expect that the payment performance of IFFIm-eligible borrowers from the IMF will continue to be better than in the distant past include:

- The debt burdens of many of the IFFIm-eligible countries have been sharply reduced by the Heavily Indebted Poor Countries and the Multilateral Debt Relief initiatives.
- There is a greater tendency now to provide the poorest countries with grants instead of concessional debt.

IFFIm Gearing Ratio Limit

IBRD's principal tool for ensuring that IFFIm can meet its financial obligations over the longer term is the IFFIm gearing ratio limit. This limit, established by IFFIm's board of directors based on the recommendation of IBRD, is the maximum value of outstanding bonds less cash held by IFFIm as a percentage of the net present value of outstanding pledges. IBRD recalculates this limit at least quarterly. If the gearing ratio limit is close to being reached, program disbursements can be delayed to bring the ratio back to an optimal level.

To determine the gearing ratio limit, IBRD has developed a model that estimates the maximum probable amount of outstanding donor pledges, which might not be received by IFFIm due to potential default of grantor countries and possible build-up of protracted arrears to the IMF by recipient countries in the IFFIm reference portfolio.

Based on IBRD's model, IFFIm's maximum gearing ratio was 70.3% as of Dec. 31, 2006. The ratio has remained relatively stable. It was 70% as of Dec. 31, 2012. In 2013, IBRD introduced an additional risk management buffer of 12%, reducing the effective maximum gearing ratio to 57% as of Dec. 31, 2013. The actual gearing ratio has been stable at about 40%-45% over the past five years.

Table 5

IFFIm Maximum And Actual Gearing Ratios	--Year ending Dec. 31--					
	2013	2012	2011	2010	2009	2008
(%)						
Maximum gearing ratio	69	70	69	70	67	67
Maximum gearing ratio with risk management buffer	57	N/A	N/A	N/A	N/A	N/A
Actual gearing ratio	45	43	44	41	41	33

N/A--Not applicable.

Our debt-service-coverage ratio for IFFIm--which measures the total value of remaining IFFIm donor flows from 'AA' and above rated donors, after swap, divided by total debt service remaining to be paid--was about 1.6x as of year-end 2013, down from 2.0x in 2012. Accordingly, IFFIm has to date borrowed much less than its internal guidelines would have permitted and has had financial obligations well below the present value of the scheduled contributions from 'AA' and above rated grantors. As that ratio increases, its coverage by scheduled contributions from 'AAA' grantor countries will become increasingly vulnerable to downgrades of these countries. In particular, the U.K. accounted for more than 50% of contributions to be received as of year-end 2013 and France another 27%.

In the early years of this program, if protracted arrears suddenly rose to unexpectedly high levels, or if a grantor defaulted on its payments of grants, IFFIm could regain prudent leverage by reducing or, under extreme circumstances, eliminating disbursements for programs. Its ability to do so will disappear in the final years of the program when funds are fully disbursed and debt service depends on receipt of grants and modest income from investments.

Financial Statements

IFFIm is a charitable company incorporated in the U.K., and its financial statements are audited by KPMG in the U.K. according to U.K. Generally Accepted Accounting Principles (U.K. GAAP). However, because IFFIm's purpose is to fund GAVI's activities, which are conducted predominantly in U.S. dollars, it uses the U.S. dollar as its functional and reporting currency, translating British pounds, euros, Swedish kronor, Norwegian kroner, and Australian dollars into U.S. dollars.

IFFIm's financial assets and liabilities--which constitute the whole of its balance sheet--are carried at fair value. Because IFFIm's assets consist entirely of grants that are to be paid over many years, IFFIm's balance sheet and income statement are very different from those of more conventional multilateral lending institutions and somewhat opaque. Notably, net assets are the difference between assets and liabilities, the charitable entity counterpart of shareholders' equity for a commercial entity.

Table 6

International Finance Facility for Immunisation Balance Sheet						
	--Year ending Dec. 31--					
(Mil. US\$)	2012	2011	2010	2009	2008	2007
Assets						
Cash held in trust	0.5	0.7	2.4	0.8	0.4	0.7
Funds held in trust	546.6	851.0	1,565.3	1,082.3	145.4	96.5
Prepayments	0.3	0.3	0.4	0.4	0.4	0.5
Derivative financial instruments due within one year*	17.5	171.8	460.7	326.6	40.7	0.0
Sovereign pledges due within one year	235.1	211.3	163.6	150.4	130.7	127.0
Current assets	800.2	1,235.0	2,192.5	1,560.5	317.6	224.7
Derivative financial instruments due after more than one year*	115.7	97.3	N.A	N.A	N.A	N.A
Sovereign pledges due after more than one year	3,327.1	3,192.7	3,008.0	2,731.7	2,610.5	2,849.8
Total assets	4,243.0	4,525.0	5,200.5	4,292.2	2,928.0	3,074.5

Table 6

International Finance Facility for Immunisation Balance Sheet (cont.)						
Liabilities						
Grants payable to GAVI Fund Affiliate	200.0	417.1	517.1	437.1	146.6	94.1
Creditors falling due within one year	420.6	766.6	1,079.9	267.5	12.7	109.5
Derivative financial instruments due within one year*	24.5	2.0	320.3	305.0	N.A.	0.0
Current liabilities	645.1	1,185.7	1,917.3	1,009.6	159.3	203.7
Creditors falling due after more than one year	2,046.3	1,809.1	2,330.0	2,345.3	1,255.5	1,043.1
Derivative financial instruments due after one year	1,121.3	753.8	N.A.	N.A.	N.A.	N.A.
Total liabilities	3,812.7	3,748.5	4,247.3	3,354.9	1,414.8	1,246.7
Net assets	430.3	776.5	953.2	937.3	1,513.3	1,827.8
Memo item						
Net current assets	155.1	49.3	275.2	550.9	158.3	21.0

*Derivative financial instruments due within one year include all derivatives for year 2007 to 2010. N.A: Not available

Table 7

IFFIm Income And Expenditure Account						
	--Year ending Dec. 31--					
(Mil. US\$)	2012	2011	2010	2009	2008	2007
Income and Expenditure Account						
Revenue						
Contribution revenue	-	144.1	401.6	87.1	0.0	679.7
Donated services	1.0	0.8	0.8	0.8	0.2	0.1
Investment and interest income	6.3	9.5	6.0	10.8	4.5	16.7
Total revenue	7.3	154.4	408.4	98.8	4.7	696.5
Expenses						
Program grants to GAVI Fund Affiliate	(390.0)	(200.0)	(400.0)	(620.5)	(325.1)	(186.1)
Treasury manager's fees	(2.4)	(2.6)	(2.2)	(2.0)	(1.8)	(1.3)
Governance costs	(3.0)	(2.7)	(2.9)	(3.0)	(2.8)	(2.2)
Financing income (expenses) on bonds and bond swaps	(12.0)	7.6	0.2	(30.4)	(10.2)	(49.9)
Other net financing income (expenses)	54	(133.4)	12.4	(18.9)	20.7	140.5
Total expenses	(353.4)	(331.1)	(392.6)	(674.7)	(319.2)	(98.9)
Surplus (deficit) for the year	(346.1)	(176.7)	15.8	(575.9)	(314.5)	597.6
Memo item						
Payments received from donors	251.5	201.6	184.7	165.7	151.8	72.8

Related Criteria And Research

- International Finance Facility for Immunisation Long-Term Rating Lowered to 'AA' On France Downgrade; Outlook Stable, Nov. 8, 2013
- France Long-Term Ratings Lowered To 'AA' On Weak Economic Growth Prospects And Fiscal Policy Constraints; Outlook Stable, Nov. 8, 2013

- International Finance Facility for Immunisation 'AA+/A-1+' Ratings Affirmed; Outlook Remains Negative, Dec. 17, 2012
- Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology, Nov. 26, 2012
- Supranationals Special Edition 2013, March 5, 2014

Ratings Detail (As Of March 28, 2014)

International Finance Facility for Immunisation

Issuer Credit Rating

Foreign Currency AA/Stable/A-1+

Local Currency NR/--/NR

Senior Unsecured AA

Issuer Credit Ratings History

08-Nov-2013	<i>Foreign Currency</i>	AA/Stable/A-1+
17-Jan-2012		AA+/Negative/A-1+
06-Dec-2011		AAA/Watch Neg/A-1+
03-Nov-2010		AAA/Stable/A-1+
21-May-2009		AAA/Negative/A-1+
08-Nov-2013	<i>Local Currency</i>	NR/--/NR
17-Jan-2012		AA+/Negative/A-1+
06-Dec-2011		AAA/Watch Neg/A-1+
03-Nov-2010		AAA/Stable/A-1+
21-May-2009		AAA/Negative/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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