

### Research Update:

# International Finance Facility for Immunisation 'AA+/A-1+' Ratings Affirmed; Outlook Remains Negative

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## Research Update:

# International Finance Facility for Immunisation 'AA+/A-1+' Ratings Affirmed; Outlook Remains Negative

## Overview

- Standard & Poor's has conducted its review of the financial condition of the International Finance Facility for Immunisation (IFFIm).
- Our ratings on IFFIm reflect the commitment of its generally highly rated donor countries.
- We are affirming our 'AA+/A-1+' ratings on IFFIm.
- The outlook remains negative, reflecting the negative outlooks on many of IFFIm's donor countries.

## Rating Action

On May 21, 2012, Standard & Poor's Ratings Services affirmed its 'AA+/A-1+' long- and short-term issuer credit ratings on the International Finance Facility for Immunisation (IFFIm). The outlook remains negative.

## Rationale

The rating affirmation follows Standard & Poor's review of IFFIm's draft (and therefore unaudited) year-end Dec. 31, 2011, financial statements. The ratings reflect the commitment of IFFIm's generally highly rated donor countries to its compelling mandate of supporting child immunization programs in the poorest developing countries.

IFFIm is a U.K.-registered charity. Its purpose is to accelerate the funding of the immunization and vaccine procurement programs of GAVI Alliance (GAVI), a public-private partnership whose mission is to increase immunization in the world's poorest countries. GAVI's members include the World Health Organization (WHO), the U.N. Children's Fund (UNICEF), the International Bank for Reconstruction and Development (IBRD), the Bill and Melinda Gates Foundation, governments of both developing and industrialized countries, research and health institutes, vaccine producers, and civil society organizations.

IFFIm operates by issuing bonds on the basis of legally binding commitments by sovereign governments to provide annual grants over a number of years. IFFIm relies on these grants for its own debt repayment. IFFIm then disburses the proceeds to fund GAVI's programs in more than 50 of the world's poorest countries. This method of operation provides greater funds to GAVI in the near term than would otherwise be possible, and it enhances GAVI's ability to

provide multiyear grants to recipient countries.

Standard & Poor's views donor support for GAVI, and thus for IFFIm, as strong. Although IFFIm has experienced short payment delays on pledges from a few donors, we consider these delays to be administrative and not reflective of the donors' ability or willingness to support this funding vehicle for GAVI. We note that since the U.K., Italy, France, Spain, Sweden, and Norway established IFFIm in 2006, three more governments have made pledges: South Africa, the Netherlands, and Australia. Together, these pledges total nearly US\$6.3 billion.

To reduce foreign exchange exposure of grants, which are made in the donors' local currency, and to transform fixed-rate borrowings into floating rate, IFFIm has conducted a series of long-dated swap agreements with the IBRD, its treasury manager and unique derivative counterparty. Given the duration of these agreements and that different yield curves are used to calculate the mark-to-market exposures, the aggregate net payables under these swaps can vary substantially. We understand that these exposures should narrow to zero over the life of the contracts. We expect that these exposures will not entail IFFIm having related cash requirements or posting counterparty collateral, which could affect its ability to disburse funds to GAVI.

IFFIm's ability to disburse funds to GAVI could also be affected by a ratings trigger that calls for IFFIm to curtail new program payments to GAVI if two of the three credit rating agencies that rate IFFIm lower their ratings below 'AAA'. We believe that IFFIm will take steps to remove this trigger from its Finance Framework Agreement.

Finally, IFFIm is at risk if its eligible grant-recipient countries go into protracted arrears to the International Monetary Fund (IMF). Donor countries are released from a portion of their scheduled annual payments under their pledges, the amount depending on the extent to which IFFIm-eligible countries are in protracted arrears to the IMF (late more than six months). The modest level of gearing of IFFIm at 42% as of March 31, 2012, mitigates this risk. IFFIm computes gearing as the amount of its financial obligations (excluding derivatives payable) divided by the net present value of expected payments from donors.

## Outlook

The outlook is negative, reflecting the negative outlooks on several of IFFIm's donor countries. If we were to lower more of the ratings on IFFIm's donor governments--particularly the U.K. or France, its larger donor governments--or our ratings on the IBRD, we would lower our rating on IFFIm as well. In addition, downward pressure on the ratings could arise if substantially more beneficiary governments go into protracted arrears to the IMF, or if IFFIm gearing approaches the 70% limit the board of directors has set. On the other hand, if the ratings on IFFIm's donors stabilize and if, in our view, other risks diminish, the rating on IFFIm could stabilize as well.

## Related Criteria And Research

- International Finance Facility for Immunisation Rating Lowered To 'AA+', Outlook Negative, Jan. 17, 2012
- Criteria For Rating Multilateral Aid Agencies, July 6, 2009

## Ratings List

### Ratings Affirmed

#### International Finance Facility for Immunisation

Sovereign Credit Rating	AA+/Negative/A-1+
Senior Unsecured	AA+

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at [www.globalcreditportal.com](http://www.globalcreditportal.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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