

# International Finance Facility for Immunisation

## Key Rating Drivers

**Support Drives Rating:** International Finance Facility for Immunisation's (IFFIm) ratings are driven by the lowest rating of its largest donor countries: the UK (AA-/Negative; 41% of pledges on a net present value (NPV) basis), Norway (AAA/Stable; 19%) and France (AA-/Stable; 14%) account for 74% of pledges as of end-2022. The ratings rely primarily on sovereign donors' support as their grant payments ultimately back IFFIm's debt service.

**Policy Mandate:** The importance of IFFIm's policy mandate has been strengthening with its enhanced role in supporting the global vaccination rollout, as well as funding further development and research into vaccines against emerging infectious diseases, including Covid-19. Since the outbreak of the pandemic, IFFIm greatly increased its disbursements due to new pledges to expand vaccination programmes in low-income countries.

Over the last two years, IFFIm extended Gavi grants worth more than USD2 billion, half of which funded the vaccine alliance's COVAX Advance Market Commitment. Diversification of IFFIm funding sources also improved due to Canada's membership as the 11th sovereign donor, which pledged CAD125 million payments over the next eight years (starting in 2023).

**Increasing Leverage:** In line with its financing activities, IFFIm's debt continued to rise in 2022, to USD2.4 billion from USD1.8 billion at end-2021. This was mainly attributable to the issuance of GBP250 million and USD500 million of bonds, which were used to support Gavi's Country Specific Programmes. IFFIm's gearing ratio also rose, to 52.3% at end-2022 from 40.3% at end-2021, as a result of increased debt to fund disbursements to the vaccine alliance.

**Conservative Risk Management:** The rating also takes into account IFFIm's conservative risk management framework, which is managed by the International Bank for Reconstruction and Development (IBRD; AAA/Stable) in its capacity as IFFIm's treasury manager. The risk management framework includes a gearing ratio limit that caps net debt as a percentage of the adjusted NPV of donor pledges to 73.8% at end-2022.

**Strong Liquidity Position:** In Fitch's view, IFFIm's liquidity position is strong relative to future cash requirements. As per its prudential liquidity management framework (managed by IBRD), the institution's liquid assets must cover all debt repayments over next 12 months. At end-2022, the size of liquid assets totalled USD1 billion, which was substantially larger than the debt service of USD576 million for the upcoming year.

## Rating Sensitivities

**Sovereign Downgrade, Disbursement Delays:** A downgrade of the sovereign rating of the key contributing donor with the lowest rating or material delays in grant disbursements by key donor countries that might lead to a weakening in our assessment of their propensity to support IFFIm could lead to a downgrade.

**Gearing Ratio:** 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 could also lead to a downgrade.

**Sovereign Upgrade, New Donors:** An upgrade of the sovereign rating of the key contributing donor with the lowest rating would result in an upgrade of IFFIm as would significant additional pledges from sovereigns rated higher than IFFIm that materially changed the relative weight of the UK's, Norway's and France's share in outstanding pledges.

## Ratings

Long-Term IDR	AA-
Short-Term IDR	F1+

## Outlook

Long-Term IDR	Negative
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## Financial Data

### International Finance Facility for Immunisation

	Dec 21	Dec 22
Pledges signed in the year at fair value (USDm)	720	541
Outstanding pledges at fair value (USDm)	3,437	2,951
Funds held in trust (USDm)	603	1,005
Outstanding debt (USDm)	1,845	2,413
Gearing ratio - actual (%)	40.3	52.3
Gearing ratio - limit (%)	74	74

Source: Fitch Ratings, IFFIm

## Applicable Criteria

[Supranational Rating Criteria \(April 2023\)](#)

## Related Research

[Supranationals Mid-Year Outlook 2023](#)

## Analysts

Khamro Ruziev, CFA  
+44 20 3530 1813  
[khamro.ruziev@fitchratings.com](mailto:khamro.ruziev@fitchratings.com)

Ralf Ehrhardt  
+49 69 768076 163  
[ralf.ehrhardt@fitchratings.com](mailto:ralf.ehrhardt@fitchratings.com)

## Profile and Organisation

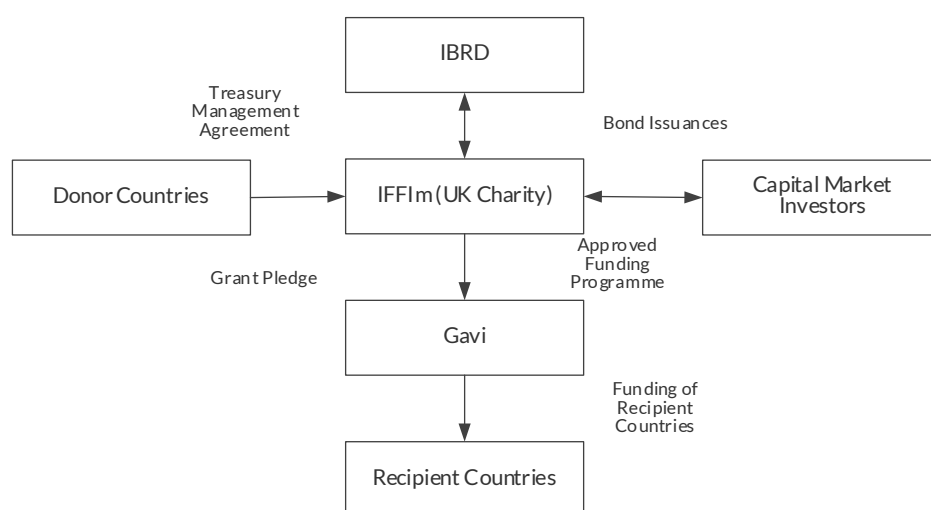
### An Innovative Financial Scheme

IFFIm, established in 2006, is a UK charity through which developed countries facilitate the upfront financing of large-scale immunisation programmes in developing countries. Sovereign countries pledge multi-year grants to back IFFIm debt issued in international capital markets.

Funds raised on financial markets by IFFIm are disbursed as grants to Gavi, a global health public-private partnership that aims to improve access to immunisation for children in a pool of 54 eligible developing countries. IFFIm has become one of the largest sources of funding for Gavi, together with direct grants from governments and foundations.

IFFIm honours its debt service owing to the disbursement of grants initially pledged by donor countries according to a predefined schedule. Internal procedures provide additional protection to bondholders in the event of a delay in, or a shortage of, grants by donor countries. These procedures include the maintenance of a comfortable liquidity cushion and a ceiling on indebtedness at a lower level than pledges (the gearing ratio limit is based on the NPV of pledges).

### Structure Diagram



Source: Fitch Ratings, transaction documents

### Governance

IFFIm is run by an eight-member board, which receives and reviews requests for funding particular programmes from Gavi and approves each disbursement to Gavi for such programmes. The board meets a minimum of four times a year and all members are highly experienced in the international capital markets, multilateral development banks and development finance. Kenneth Lay took over as IFFIm's chairman on 1 January 2021. He is also a senior managing director of The Rock Creek Group and served as Treasurer of the IBRD before joining The Rock Creek Group in 2010.

### The Role of Gavi, the Vaccine Alliance

Gavi was created in 2000 with a mission to protect people's and save children's lives by increasing access to immunisation in the poorest countries in the world. The Vaccine Alliance is the sole recipient of IFFIm's disbursements and has used IFFIm funding to support the Coalition for Epidemic Preparedness Innovations (CEPI). CEPI has benefitted from a NOK2,600 million pledge from Norway, which includes NOK2,000 for COVAX AMC, and a EUR5 million pledge from Italy to IFFIm. However, IFFIm is not the sole source of funds for Gavi, which also benefits from direct support from governments, charities and civil society organisations.

### Gavi - Eligible Countries

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

Source: Fitch Ratings, IFFIm

### Gavi Programme Disbursements (as of end-1Q23)

	(USDbn)
Pentavalent Vaccine	1.49
Pneumococcal Vaccine	0.69
Health System Strengthening	0.43
Yellow Fever	0.31
CEPI	0.27
COVAX	0.23
Rotavirus Vaccine	0.21
Polio Eradication	0.19
Rotavirus Vaccine	0.21
Other	0.58
<b>Total</b>	<b>4.61</b>

Source: Fitch Ratings, IFFIm

**IFFIm's Resource Base, End-2022**

Donors (Long-Term Foreign Currency IDR)	Grant amounts (USDm) <sup>a</sup>	Currency of pledge	Date joined	Payment period
Australia (AAA/Stable)	153	AUD	2011	19 years
Brazil (BB/Stable)	5	USD	2018	20 years
France (AA-/Stable)	1,206	EUR	2006	19 years
Italy (BBB/Stable)	501	EUR	2006	20 years
Netherlands (AAA/Stable)	237	EUR	2009	10 years
Norway (AAA/Stable)	365	USD/NOK	2006	10 years
South Africa (BB-/Stable)	15	USD	2007	20 years
Spain (A-/Stable)	196	EUR	2006	20 years
Sweden (AAA/Stable)	87	SEK	2006	15 years
United Kingdom (AA-/Negative)	2,193	GBP	2006	20 years

<sup>a</sup> Original currency converted to US dollars based on FX rate applicable at time of grant agreement signature  
Source: Fitch Ratings, IFFIm

**Rating Approach****Current Rating Approach**

In line with its criteria, Fitch considers IFFIm as a supranational administrative body with ratings based on an ad hoc approach. In the absence of a Standalone Credit Profile (IFFIm has no capital), its ratings are derived from the support of donor countries, as their grants back its debt service.

IFFIm's ratings and Outlook are more specifically based on the sovereign ratings of its three largest donor countries – the UK, Norway and France – which had outstanding pledges that accounted for 41%, 19% and 14% on a net basis, respectively, at end-2022.

IFFIm's rating also takes into account its leverage, as measured by its gearing ratio and risk-management framework, which Fitch considers conservative.

Fitch's approach to rating IFFIm would be adjusted if the share of the UK, Norway and France in pledges were materially diluted following the arrival of new donors or new pledges from other existing donor countries.

**Credit Risk from Donor and Recipient Countries****Strong Exposure to Ability and Willingness of Donor Countries to Honour Pledges**

According to Fitch, the willingness of donor countries to honour pledges to IFFIm continues to be strong overall; the pledges are legally binding and some donor countries have shown their commitment to support the institution through a rise in pledges. The UK, for example, in 2022 pledged GBP461 million of additional funds which increased its share of pledges to 41%, from 36% at end-2021.

IFFIm remains exposed to risk related to the disbursements of pledges from its donor countries. In the past, the institution experienced delays in the receipt of payments, which were operational in nature and have been rectified in a matter of days. However, there was one case when it took several months to receive a payment from a member country.

The failure by a donor to honour a pledge when due would not constitute an event of default on its senior unsecured sovereign debt obligations. However, the pledges are legally binding and enforceable.

IFFIm is subject to other political risks when it comes to the honouring of pledges by donor countries. Certain disbursements to be made by a grantor under a grant agreement may require additional approval from state bodies before they can be made. In Spain, for example, the Council of Ministers has to approve its grant payments to IFFIm annually.

Donor countries' pledges are not joint and several: each donor is only committed up to the amount of its own pledge. The ability of the UK, IFFIm's largest donor, to provide support has weakened in recent years as reflected in negative rating actions on the sovereign rating, principally due to the outcome of the Brexit referendum and the effect of the pandemic on its public finances. The UK nevertheless continued to support IFFIm with new pledges in 2020 and 2022.

### Indirect but Material Exposure to Credit Risk from Recipient Countries

IFFIm established a reference portfolio containing Gavi-eligible countries that are also members of the IMF. The reference portfolio consists of 71 countries that are assigned country weightings. Under the terms of the grant agreements, a grant payment due from a grantor will be reduced if, on or before a date that is 25 IBRD business days before the due date from the grant payment, the IMF has declared that any specified country in the reference portfolio is in protracted arrears on any of its IMF financial obligations.

The grant payments are then reduced by the country weightings applicable to the specified countries declared to be in protracted arrears.

The pool consists of developing countries, most of them classified as low income, with weak or no ratings assigned by Fitch. In theory, this means that IFFIm could suffer a shortage of revenues that might not enable it to honour its debt service. At end-2022, no country was in protracted arrears to the IMF, after Sudan's arrears were cleared in May 2021.

Overall, the potential loss in revenue is limited relative to IFFIm's overall resources, given the gearing ratio compared to expected grants and the size and management of treasury assets available as a cushion to ensure IFFIm's bond repayments.

Nonetheless, a big rise in the number of countries in protracted arrears to the IMF could affect IFFIm's ability to honour its bond repayments. This would particularly be the case if it involved countries whose arrears would trigger a 3% (Vietnam) or 5% (Bangladesh, the Democratic Republic of Congo, Ethiopia, India, Indonesia, Nigeria and Pakistan) reduction in grants. However, several of IFFIm's recipient countries do not have outstanding credit to the IMF.

Fitch tracks the risk of reductions on grant disbursements through the follow-up of arrears to the IMF, but also through the follow-up of the gearing ratio limit. The deterioration of the credit quality of recipient countries and protracted arrears to the IMF do not affect the gearing ratio, but they would lead to a decrease in the ratio limit.

## Leverage and Liquidity

### Increasing Leverage

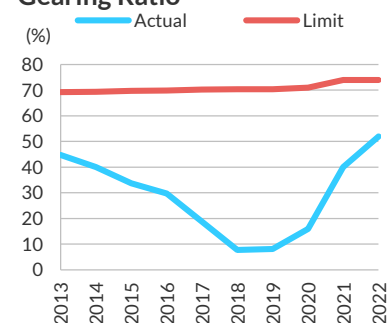
In line with its financings, IFFIm's debt continued to rise in 2022, to USD2.4 billion from USD1.8 billion at end-2021. This was mainly driven by the issuance of GBP250 million and USD500 million bonds, used to support GAVI's Country Specific Programmes. Its debt mostly comprised debt securities denominated in US dollar. IFFIm maintains the gearing ratio limit as a statutory limit on its net indebtedness, which helps to reduce the risk of a gap between its repayments and grant disbursements if there is credit risk on donor or receipt countries.

The gearing ratio is computed as IFFIm's net financial obligations (outstanding bonds minus treasury assets placed in trust) divided by the NPV of the pledges to be disbursed by donors. The ratio limits set a maximum of net indebtedness as a share of the adjusted NPV of pledges. The computations are performed at least quarterly by the IBRD, which is IFFIm's treasury manager and derivative counterparty.

The computation of the NPV of pledges relies on a discount factor that captures the credit risk of donor countries. A rise in this risk (associated with rating downgrades) of donor countries translates into a lower gearing ratio limit, reflecting the higher perceived risk of donor flows.

IFFIm has never breached its gearing ratio limit. At end-2022, the ratio was 52.3%, well within the defined 74%, but up from 40.3% at end-2021 and above the average of 25% for the past five years, owing to IFFIm's increasing leverage to fund disbursements to Gavi, including for COVAX AMC.

### Gearing Ratio



Source: Fitch Ratings, IFFIm

### Funding

Year	Bond	(USDm equivalent)
2006	Inaugural USD benchmark	1,000
2008	Uridashi (ZAR)	223
2009	Uridashi (AUD/ZAR/NZD)	429
2009	Dual tranche GBP retail and institutional	400
2009	Uridashi (USD/AUD) and (ZAR/AUD)	273
2010	Uridashi (ZAR), (AUD/BRL/ZAR) and (AUD)	456
2010	AUD benchmark (AUD)	395
2011	Uridashi (BRL) and (AUD/BRL/ZAR)	394
2012	Uridashi (AUD/ZAR) and (AUD)	137
2013	Uridashi (TRY/ZAR)	139
2013	Floating-rate USD benchmark	700
2014	Inaugural sukuk (USD)	500
2015	Sukuk (USD)	200
2016	Floating-rate USD benchmark	500
2017	Floating-rate USD benchmark	300
2019	Sukuk (USD)	50
2019	Zero coupon note (NOK)	66
2020	Zero coupon note (NOK)	199
2020	Fixed-rate USD benchmark	500
2021	Fixed rate (USD)	750
2021	Fixed rate (USD)	250
2022	Fixed rate (GBP)	250
2022	Fixed rate (USD)	500

Source: Fitch Ratings, IFFIm

### Cautious Liquidity Management

Liquidity risk arises due to differences in timing between IFFIm's debt service obligations and the grant disbursements from donor countries. IFFIm's bylaws set up conservative liquidity-management policies, with treasury assets having to cover at least the cumulative contractual debt service payments over the next 12 months.

The treasury portfolio is conservatively invested by the IBRD, which applies the same guidelines as on its own treasury portfolio. Corporate bonds and asset-backed securities must be rated 'AAA', while government and agency bonds must have a minimum rating of 'AA-'. At end-2022, 65% of treasury assets were invested in instruments rated 'AAA'-'AA' (2021: 64%).

### Limited Other Risks

IFFIm's exposure to market risks is limited and its unhedged exposure is minimal. It is exposed to mismatches between the currencies of donor pledges (local currency) and the payments made to Gavi and its debt service (mainly in US dollars), which it hedges through derivatives with IFFIm's swap counterparties.

### IBRD Involvement Supportive

Fitch considers that the gearing ratio limit computation, the liquidity buffer and market risk management are conservative enough to ensure satisfactory protection to bondholders in the event of a shortage of funds. The IBRD's involvement in IFFIm's treasury management and gearing ratio monitoring provides additional support. This is why Fitch considers that IFFIm's risk management supports its current ratings.

### Income and Expenditure Account

(USDm)	31 Dec 22	31 Dec 21	31 Dec 20	31 Dec 19	31 Dec 18
Contribution revenue	541.2	719.8	1,347.3	59.2	10.7
Operating expenses	490.0	1,449.5	214.6	219.9	3.9
Other operating income	1.0	1.0	1.0	1.0	0.9
Operating profit/loss	47.0	-733.4	1,133.6	-159.7	7.7
Net financing expenses on bonds and bond swaps	-8.8	-3.8	36.4	23.1	28.0
Net fair value gains on pledges and pledge swaps	-80.8	54.0	74.5	74.6	155.6
Foreign exchange gains/loss and other financing charges	0.3	-1.4	2.7	0.7	-1.6
Investment and interest income	11.3	0.7	4.5	23.4	20.6
Surplus/deficit	-15.4	-678.4	1,178.3	-84.2	154.4

Note: Derivative financial instruments have been netted  
Source: Fitch Ratings, IFFIm

### Balance Sheet

(USDm)	31 Dec 22	31 Dec 21	31 Dec 20	31 Dec 19	31 Dec 18
Sovereign pledges	2,951	3,437	3,286	2,074	2,250
Funds in trust	1,005	603	478	428	817
Other assets	114	12	14	0	4
Total assets	4,070	4,052	3,778	2,502	3,071
Bond issues	2,413	1,845	916	510	886
Grants payable	57	396	161	357	457
Other liabilities	1	197	407	521	530
Total liabilities	2,471	2,438	1,485	1,388	1,873
Net assets	1,599	1,614	2,293	1,114	1,198
Total liabilities + net assets	4,070	4,052	3,778	2,502	3,071

Note: Derivative financial instruments have been netted  
Source: Fitch Ratings, IFFIm

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