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## Fitch Affirms IFFIm at 'AA-'; Outlook Negative

Fitch Ratings - London - 18 Feb 2021: Fitch Ratings has affirmed the International Finance Facility for Immunisation's (IFFIm) Long-Term Issuer Default Ratings (IDRs) at 'AA-' with a Negative Outlook.

The affirmation mirrors the rating action taken on the UK sovereign's Long-Term IDRs on 15 January 2021, to which IFFIm's ratings are linked (see "Fitch Affirms the UK at 'AA-'; Outlook Negative" at [www.fitchratings.com](http://www.fitchratings.com))

A full list of rating actions is at the end of this rating action commentary.

### Key Rating Drivers

IFFIm's ratings are driven by the lower of the two sovereign ratings of the UK (AA-/Negative) and France (AA/Negative), its 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 44% and 21%, respectively, as of end-2020.

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 principally to Gavi, a global health public-private partnership. Gavi is focused on improving childhood immunisation coverage in developing countries and accelerating access to new vaccines.

In response to the on-going Covid-19 pandemic, IFFIm has increased its role in helping support Gavi's vaccination rollout, as well as funding further development and research into the virus. Gavi is currently fundraising USD7 billion for COVAX Advanced Market Commitment (AMC), of which USD2.5 billion has been pledged, with approximately USD790 million expected to be sourced through IFFIm. Additionally, IFFIm maintains its commitment to Gavi 5.0 (2021-2025) Core Programmes. IFFIm has received significant new pledges (USD900 million) from contributors in support of Gavi.

Notably, over the past year, new pledges have been committed to support Gavi's programmes including COVAX AMC, CEPI and/or Gavi 5.0 by Italy (BBB-/Stable), Norway (AAA/Stable), Spain (A-/Stable), Netherlands (AAA/Stable) and the UK. The second-largest contributor to IFFIm, France, has not yet participated in pledging further contributions to IFFIm in recent months and so its relative share of outstanding commitments among contributors to IFFIm has reduced from 34% at end-2019 to 21% at end-2020. Fitch will continue to monitor the respective commitments pledged by each contributor to

IFFIm, as the assumption that the UK and France remain the two largest contributors to IFFIm currently underpins the rating approach.

During 2020, IFFIm issued two bonds. The first, in July 2020, was a NOK2 billion bond to support Gavi's programme of Covid-19 vaccine development by CEPI and the second was in October 2020, a USD500 million three-year bond to support Gavi's efforts combatting the Covid-19 pandemic.

IFFIm's ratings are also supported by its conservative prudential framework, including a gearing ratio that caps net debt as a percentage of the adjusted net present value of pledges to 70.5% at end-2020, which is managed by the International Bank for Reconstruction and Development (IBRD; AAA/Stable) in its capacity as treasury manager for IFFIm.

However, Fitch notes the loosening of this gearing ratio limit (from 58% at end-2019) following the reduction of the previously applied 12% risk-management buffer. The risk management buffer had initially been introduced to protect IBRD against its exposure to IFFIm (as a counterparty on a derivatives swap). The reduction of the buffer to zero was made following a swap re-couponsing between IBRD and IFFIm. As of end-2020, the actual gearing ratio (15.6%) remained significantly below this limit, but we expect it will increase over the medium term as IFFIm disburses funds to Gavi.

## **RATING SENSITIVITIES**

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- An upgrade of the UK's sovereign IDR would result in an upgrade of IFFIm.
- Significant additional pledges from sovereigns rated higher than IFFIm that materially changed the relative weight of the UK's and France's share in outstanding pledges.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- A downgrade of the UK sovereign rating;
- Material delays in grant disbursements by donor countries; and
- 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 net present value of pledges following an increase in the credit risk of recipient countries or donors.

## **Best/Worst Case Rating Scenario**

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative

direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit [<https://www.fitchratings.com/site/re/10111579>].

## **Key Assumptions**

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

## **Sources of Information**

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

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## **Public Ratings with Credit Linkage to other ratings**

Driven by the sovereign ratings of the UK and France.

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## Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
International Finance Facility for Immunisation (IFFIm)	LT IDR	AA- 	Affirmed	AA- 
	ST IDR	F1+	Affirmed	F1+
• senior unsecured	LT	AA-	Affirmed	AA-

## RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

## Applicable Criteria

[Suprationals Rating Criteria \(pub.30 Apr 2020\) \(including rating assumption sensitivity\)](#)

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