

13 JUN 2023

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

Fitch Ratings - London - 13 Jun 2023: Fitch Ratings has affirmed International Finance Facility for Immunisation's (IFFIm) Long-Term Issuer Default Rating (IDR) at 'AA-' with a Negative Outlook.

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

### Key Rating Drivers

**Support Drives Ratings:** IFFIm's ratings are driven by the extraordinary support the institution receives from its donor countries. The 'AA-' rating reflects the lower rating of IFFIm's largest donor countries: the UK (AA-/Negative; 41% of pledges on a net present value basis), Norway (AAA/Stable; 19%) and France (AA-/Stable; 14%), which combined account for 74% of total outstanding pledges as of end-2022. The ratings rely primarily on support from sovereign donors as their grant payments ultimately back IFFIm's debt service. The UK's share in pledges increased to 41% in 2022 from 36% at end-2021, following a new GBP461 million pledge made to IFFIm.

**SAB Approach:** Fitch rates IFFIm as a supranational administrative body (SAB), given its distinct structure as an international financial facility and continued support from its donor countries. Established in 2006, IFFIm frontloads grant payments from donors to provide funding 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.

**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 Covid-19 pandemic, IFFIm increased its disbursements significantly as a result of 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 GAVI's COVAX Advance Market Commitment. Diversification of IFFIm funding sources also improved as a result of Canada's membership as the 11th sovereign donor, which pledged CAD125 million payments over the next eight years.

**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 driven by the issuance of GBP250 million and USD500 million bonds, which were used to support GAVI's Country Specific Programmes. IFFIm's gearing ratio (net debt/adjusted net present value of pledges) also grew to 52.4% at end-2022 from 40% at end-2021, as a result of increased debt to fund disbursements to GAVI, including for COVAX operations.

**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 net present value 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 totaled USD1 billion, which was substantially larger than the debt service of USD576 million for the upcoming year.

## **RATING SENSITIVITIES**

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

- A downgrade of the sovereign rating of the key contributing donor with the lowest rating.
- Delays in grant disbursements by key donor countries that might lead to a weakening in our assessment of their propensity to support IFFIm.
- A reduced level of cushion that increases the potential for a breach of IFFIm's gearing ratio limit related to increasing debt, or a reduced net present value of pledges following an increase in the credit risk of recipient countries or donors.

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

- A revision of the Outlook to Stable or upgrade of the sovereign rating of the key contributing donor with the lowest rating.
- Significant additional pledges from sovereigns rated higher than IFFIm that materially change the relative weight of the UK's, Norway's and France's share in outstanding pledges.

## **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>.

# 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

IFFIm's IDRs are driven by the lowest sovereign rating of the UK, Norway 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+

ENTITY/DEBT	RATING	RECOVERY	PRIOR
• senior unsecured <sup>LT</sup>	AA-	Affirmed	AA-

## RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◆
NEGATIVE	⊖	◆
EVOLVING	⊕	◆
STABLE	⊙	

## Applicable Criteria

[Supranationals Rating Criteria \(pub.11 Apr 2023\) \(including rating assumption sensitivity\)](#)

## Additional Disclosures

[Solicitation Status](#)

## Endorsement Status

International Finance Facility for Immunisation (IFFIm)    UK Issued, EU Endorsed

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