Fitch Revises IFFIm's Outlook to Negative; Affirms at 'AA-

Fitch Ratings - London - 12 Oct 2022: Fitch Ratings has revised International Finance Facility for Immunisation's (IFFIm) Outlook to Negative from Stable and affirmed its Long-Term Issuer Default Rating (IDR) at 'AA-'.

The Outlook revision reflects that of the UK sovereign's Long-Term IDR on 5 October 2022, to which IFFIm's ratings are linked (see "Fitch Revises the United Kingdom's Outlook to Negative; Affirms at 'AA-' at www.fitchratings.com).

A full list of rating actions is detailed below.

Key Rating Drivers

Ratings Reflect Support: IFFIm's ratings are driven by the lowest of the sovereign ratings of the UK (AA-/Negative), Norway (AAA/Stable) and France (AA/Negative), its three largest donors. IFFIm's ratings rely primarily on support from donors as their grant payments ultimately back IFFIm's repayment of its bond issuance. The UK's (46%), Norway's (18%) and France's (13%) share of total outstanding pledges totalled 77% at end-1H22, close to IFFIm's own gearing ratio limit that capped net debt at 74% of pledges as of end-1H22. The UK's share increased in 2022 reflecting a new GBP461 million pledge made to IFFIm on 10 June 2022.

SAB Rating Approach: Fitch rates IFFIm as a supranational administrative body (SAB), given its distinct structure as an international finance facility and continued support from donor countries. Established in 2006, IFFIm front-loads 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.

Increased Policy Importance: In response to the Covid-19 pandemic, IFFIm has expanded its role to supporting the global vaccination rollout, as well as funding further development and research into the virus. Gavi has raised a total of USD10 billion for COVAX Advanced Market Commitment (AMC; as of December 2021), of which USD1.1 billion came through IFFIm. In addition, IFFIm has received over USD1.4 billion in new pledges for Gavi 5.0 (2021-2025) Core Programmes since 2020. In 2021, IFFIm disbursed over USD1.2 billion to Gavi, which included USD434 million for Gavi 5.0 (2021-2025) Core Programmes and USD780 million for COVAX AMC.

Gradual Rise in Leverage: At end-1H22, IFFIm's gearing ratio (net debt/adjusted net present value of pledges) was 51%, up from 40% at end-2021, reflecting increased disbursements to Gavi including for
COVAX operations. In July 2022 IFFIm issued a new GBP250 million bond to support Gavi immunisation programmes after it had issued a total of USD1 billion of new bonds in 2021.

**Conservative Risk Management:** IFFIm's ratings are also supported by its conservative prudential framework, which is managed by the International Bank for Reconstruction and Development (AAA/Stable) in its capacity as treasury manager for IFFIm. The risk management framework includes a gearing ratio limit of 74% at end-1H22.

**RATING SENSITIVITIES**

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

- A revision in 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**

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<th>RATING</th>
<th>RECOVERY</th>
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<tr>
<td>International Finance</td>
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<td>Facility for Immunisation (IFFIm)</td>
<td>LT IDR</td>
<td>AA-</td>
<td>Affirmed</td>
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|  | ST IDR | F1+ | Affirmed | F1+ |
|  | senior unsecured LT | AA- | Affirmed | AA- |

RATINGS KEY  OUTLOOK  WATCH

POSITIVE 🌟 🌟
NEGATIVE 🌟 🌟
EVOLVING 🌟 🌟
STABLE 🌟

Applicable Criteria

Supranationals Rating Criteria (pub. 11 Apr 2022) (including rating assumption sensitivity)

Additional Disclosures

Solicitation Status

Endorsement Status

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

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