

12 OCT 2022

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

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

[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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