

**Rating Action: Moody's affirms Aa1 ratings of the International Finance Facility for Immunisation (IFFIm); maintains stable outlook**

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New York, July 28, 2020 -- Moody's Investors Service, ("Moody's") has affirmed the Aa1 issuer and senior unsecured bond ratings of the International Finance Facility for Immunisation (IFFIm), and maintained the stable outlook. Moody's has also affirmed IFFIm's senior unsecured MTN rating at (P)Aa1, short-term issuer rating at P-1, and Other short-term rating at (P)P-1. The affirmation also applies to the IFFIm Sukuk Company III Limited backed Senior Unsecured Aa1 rating, whose debt issuance is, in Moody's view, ultimately the obligation of IFFIm.

The decision to affirm the Aa1 ratings and maintain the stable outlook was driven by the following factors:

- 1) IFFIm retains strong liquidity metrics and high donor support
- 2) Robust risk management policies and low leverage mitigate donor concentration risks

**RATINGS RATIONALE**

**RATIONALE FOR AFFIRMING Aa1 RATINGS**

**IFFIm RETAINS STRONG LIQUIDITY METRICS AND HIGH DONOR SUPPORT**

IFFIm has retained high levels of liquidity to cover upcoming debt maturities and continues to enjoy strong support from its donors, as evidenced by the expansion of its donor base and increase in pledges by existing donors. IFFIm's liquidity policy ensures coverage of its debt-service obligations and operational requirements for the next 12 months. Moody's assesses IFFIm's liquidity at 'very high' and its funding structure at 'aa,' supporting its Aa1 ratings. As of year-end 2019, IFFIm's actual liquid assets, which amounted to \$428 million, were about 1.3 times the prudential 12-month minimum.

However, IFFIm's infrequent market issuance has resulted in shortening of its debt maturity profile over the past few years. The rating agency expects IFFIm to resume its bond issuance to refinance upcoming debt maturities, and expand support to GAVI's operations -- a public-private partnership implementing immunization programs in low-income countries. Moody's expects IFFIm to maintain its access to market funding, as evidenced by the strong demand it has typically received from investors in a range of market segments and currencies.

Donor countries continue to show strong support for IFFIm's mission in expanding financing options available to GAVI. GAVI and the financing provided through IFFIm are integral to achieving 14 of the 17 Sustainable Development Goals (SDGs) as immunization is one of the most far-reaching health interventions to end poverty, protect the planet and ensure prosperity for all.

At inception, IFFIm had six donors: United Kingdom (Aa2 negative), France (Aa2 stable), Italy (Baa3 stable), Norway (Aaa stable), Spain (Baa1 stable), and Sweden (Aaa stable). Overtime, donors have increased their pledges, while new donors have joined IFFIm—the latest being Brazil (Ba2 stable). In June 2020, during the Global Vaccine Summit, Italy, Norway, the Netherlands and Spain announced additional pledges to IFFIm totaling US\$ 926 million. In addition, Norway pledged an additional NOK 2 billion (equivalent of approximately US\$ 200 million) to IFFIm to frontload its contribution to the Coalition for Epidemic Preparedness Innovations (CEPI), a Gavi approved program, to support research and development for COVID-19 vaccines. Total pledges represents an increase of almost 30% compared to end of 2019 pledges.

**ROBUST RISK MANAGEMENT POLICIES AND LOW LEVERAGE MITIGATE DONOR CONCENTRATION RISKS**

IFFIm's donor pledges are relatively concentrated, with its largest donor, the UK, accounting for almost 50% of pledges as of year-end 2019, and the top three donors (UK, France, and Italy) accounting for almost 90% of pledges. Donor concentration is one of the main sources of risk to IFFIm's creditworthiness, particularly

stemming from reliance on a single donor, the UK. Moody's expects donor concentration to decrease somewhat, following the additional pledges announced in June 2020.

However, robust risk management practices and low leverage relative to committed donor pledges are key mitigating factors against donor concentration risk. Moody's estimates that future donor pledges provide ample coverage for upcoming debt-service requirements at current levels of debt. In addition, the role of the IBRD as IFFIm's financial and risk manager provides strong institutional support to IFFIm, and is a key support element for the rating.

The IBRD sets IFFIm's borrowing limits to ensure that the credit risk of IFFIm remains consistent with its high rating, and considering potential changes in donor countries' own credit ratings. As a measure of sustainability of IFFIm's finances, Moody's considers the ratio of outstanding debt to the value of the remaining pledges. On this metric, the value of remaining donor pledges is more than five times the outstanding stock of IFFIm's debt.

The IBRD establishes and manages IFFIm's liquidity policy and sets the ceiling for IFFIm's borrowing to ensure sufficient coverage of upcoming debt-service payments. IBRD also has the flexibility to delay disbursements to GAVI to maintain the desired liquidity level according to the established policy.

The IBRD's role, as treasury manager, is to ensure prudent and consistent risk management practices, which mitigates the impact of donor concentration and potential weakening of their credit profiles on IFFIm's own credit quality and ability to service debt. This is an important feature that supports IFFIm's Aa1 rating.

#### RATIONALE FOR A STABLE OUTLOOK

The stable outlook balances the high concentration of IFFIm's donor pledges, and the related risk of further weakening of their credit profiles, particularly that of the UK, against IFFIm's own conservative liquidity and leverage policies. Moody's expects these prudent policies to continue and IFFIm's market access to remain strong.

#### ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

Environmental considerations are not material for IFFIm's ratings given its mandate to channel donor funding to GAVI.

Moody's considers the coronavirus outbreak as a social risk. In this context, social considerations are relevant for IFFIm's ratings given its mandate to channel donor funding to accelerate vaccination by GAVI, which will likely play an important role in expanding vaccination against the coronavirus to low-income countries. This could increase the degree of leverage and needed donor support to IFFIm.

Governance considerations are material for IFFIm's credit profile, given relatively concentrated donor pledges, with the UK, France and Italy accounting for almost 90% of pledges. This introduces risk to the weighted average donor rating, especially as both the UK and Italy have experienced negative credit pressures in recent years. The role of the IBRD in risk management is also material for IFFIm's credit profile in mitigating concentration risks.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Positive ratings momentum for IFFIm would emerge if the creditworthiness of its largest donors, the UK and France, were to improve materially. A significant decrease in the concentration of donor pledges would also be credit positive.

Further material deterioration in the creditworthiness of IFFIm's donors could place downward pressure on IFFIm's rating, particularly if a significant deterioration impacts the UK or France, IFFIm's largest donors. A weakening of risk management practices, or a significant increase in leverage would also be credit negative events that could pressure the rating.

The principal methodology used in these ratings was Multilateral Development Banks and Other Supranational Entities published in June 2019 and available at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1147813](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1147813). Alternatively, please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

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Samar Maziad  
Vice President - Senior Analyst  
Financial Institutions Group  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A.  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Yves Lemay  
MD - Sovereign/Sub Sovereign  
Financial Institutions Group  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A.  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653



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