



RATING ACTION COMMENTARY

Fitch Downgrades IFFIm to 'AA-'; Negative Outlook

Tue 31 Mar, 2020 - 12:10 PM ET

Fitch Ratings - London - 31 Mar 2020: Fitch Ratings has downgraded the International Finance Facility for Immunisation's (IFFIm) Long-Term Issuer Default Ratings (IDRs) to 'AA-' from 'AA'. The Outlook is Negative.

The downgrade mirrors the rating action on the UK sovereign's Long-Term IDRs, to which IFFIm's ratings are linked (see "Fitch Downgrades the UK to 'AA-'; Negative Outlook" at 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/Stable), its two largest donors. Following Fitch's downgrade of the UK sovereign, IFFIm's rating is only anchored to that of the UK. 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 45% and 34%, respectively, as of end-1H19.

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 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. As part of Gavi's response to COVID-19, Gavi may utilise IFFIm to ensure that there is sufficient funding in place in the near term to produce and rapidly deploy a COVID-19 vaccination, once discovered.

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 58% (70% plus an additional 12% buffer), which is managed by the International Bank for Reconstruction and Development (IBRD; AAA/Stable) in its capacity as treasury manager for IFFIm.

RATING SENSITIVITIES

Developments that may, individually or collectively, lead to a downgrade or other negative rating action include:

- 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.

Conversely, developments that may, individually or collectively, lead to an upgrade or positive rating action include:

- 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

BEST/WORST CASE RATING SCENARIO

Ratings of Public Finance 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 <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

IFFIm's rating is driven by the sovereign rating of the UK

RATING ACTIONS

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

[VIEW ADDITIONAL RATING DETAILS](#)

Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

[Supranationals Rating Criteria \(pub. 23 May 2019\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

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ENDORSEMENT STATUS

International Finance Facility for Immunisation (IFFIm) EU Issued

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