

17 OCT 2024

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

Fitch Ratings - London - 17 Oct 2024: Fitch Ratings has revised the Outlook on International Finance Facility for Immunisation's (IFFIm) Long-Term Issuer Default Rating (IDR) to Negative from Stable and affirmed the IDR at 'AA-'.

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

### Key Rating Drivers

**Weakening Support:** The revision of the Outlook to Negative reflects the increased risk of a weakening in Fitch's assessment of the extraordinary support IFFIm receives from its donor countries. This follows the revision of the Outlook on France's sovereign's 'AA-' Long-Term IDR to Negative on 11 October 2024.

IFFIm's ratings are driven by the extraordinary support it receives from its donor countries as their grant payments ultimately back its debt service. The 'AA-' rating reflects the lowest rating of IFFIm's largest donor countries: the UK (AA-/Stable; 42% of pledges on a net present value basis), Norway (AAA/Stable; 17%) and France (9%), altogether accounting for 68% of total outstanding pledges as of end-June 2024. Despite a reduction in France's contribution to pledges in recent years, given the

country's role in the creation of IFFIm and its record of financial support, Fitch expects France will remain one of the largest contributors of grants to IFFIm in the medium term.

**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. IFFIm continues to be one of the largest contributors to GAVI's resources, a global health public-private partnership, accounting for approximately one-sixth of the funding to its programmes. IFFIm frontloads grant payments from donor countries to provide funding to GAVI, which is focused on improving childhood immunisation coverage in developing countries and accelerating access to new vaccines.

**Important Policy Mandate:** The importance of IFFIm's policy mandate has been strengthening with its enhanced role in supporting global vaccination rollout, as well as funding further research and development into vaccines against emerging infectious diseases, including Covid-19.

Since the outbreak of the Covid-19 pandemic, IFFIm's disbursements have been high, owing to new pledges to expand vaccination programmes in low-income countries, including via COVAX. The increase in funding was supported in 2023 by Spain's commitment of an additional EUR75 million and Canada's pledge of CAD125 million, improving the diversification of IFFIm's funding sources.

**Stabilising Leverage:** IFFIm's gearing ratio (net debt/adjusted net present value of pledges) stabilised in 2023 at 54.3% following a rise from 40.3% in 2021 to 52.4% in 2022. The institution's debt declined to USD2.0 billion in 2023 from a peak of USD2.4 billion in 2022 (2021: USD1.8 billion), following the maturity of a USD500 million bond. IFFIm did not undertake capital market activities in 2023 owing to grant payments by donors and ample liquid assets, which were utilised for debt servicing and funding disbursements to GAVI.

**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 74.3% at end-September 2024 (71.8% at end-2023).

**Strong Liquidity Position:** IFFIm's liquidity position remains strong relative to its future cash requirements. As per its prudential liquidity management framework (managed by IBRD), IFFIm's liquid assets must cover all debt repayments over the next 12 months. At end-2023, liquid assets totalled USD529 million, well above the minimum liquidity needs of USD118 million.

## RATING SENSITIVITIES

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

**Support (Capacity):** A downgrade of France's rating or the addition of substantial pledges from a sovereign rated lower than IFFIm that materially change the relative weight of the UK's, Norway's

and France's share in outstanding pledges.

**Support (Propensity):** Delays in grant disbursements by key donor countries that might lead to a weakening in our assessment of their propensity to support IFFIm.

**Risk/Leverage:** 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:**

**Support (Capacity):** Revision of the Outlook on France's rating to Stable.

**Support (Capacity):** 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.

## 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.

### ESG Considerations

Fitch does not provide ESG relevance scores for IFFIm. In cases where Fitch does not provide ESG relevance scores in connection with the credit rating of a transaction, programme, instrument or issuer, Fitch will disclose in the key rating drivers any ESG factor which has a significant impact on the rating on an individual basis. For more information on Fitch's ESG Relevance Scores, visit the Fitch Ratings [ESG Relevance Scores](#) page.

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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**

## RATINGS KEY   OUTLOOK   WATCH

EVOLVING      ◉      ◆

STABLE      ◉

## Applicable Criteria

[Supranationals Rating Criteria \(pub.03 Oct 2024\) \(including rating assumption sensitivity\)](#)

## Additional Disclosures

### [Solicitation Status](#)

### Endorsement Status

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

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