

International Finance Facility for Immunisation (IFFIm)

Update

Ratings

Long-Term IDR	AA
Short-Term IDR	F1+

Outlook

Long-Term IDR	Negative
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Financial Data

International Finance Facility for Immunisation (IFFIm)

	Dec 16	Dec 15
Pledges signed in the year at fair value (USDm)	22.7	0
Outstanding pledges at fair value (USDm)	2,355	2,736
Funds held in trust (USDm)	863	985
Outstanding debt (USDm)	1,382	1,606
Gearing ratio – actual (%)	29.7	33.7
Gearing ratio – limit (%)	69.8	69.7

Key Rating Drivers

Support From Donors: International Finance Facility for Immunisation's (IFFIm) ratings are driven by contributions from donors to repay its debt and more particularly by commitments by the UK (48% of pledges at November 2017) and France (32%). IFFIm is a supranational entity established in 2006 to fund immunisation for children in countries eligible for funds from Gavi, the Vaccine Alliance, a global health public-private partnership. Funds raised on financial markets by IFFIm are disbursed as grants to Gavi.

Strong Donor Commitment: Donors' commitments are legally binding, and repudiation of their pledges would entail severe reputational damage and legal proceedings. IFFIm's donors are the UK (AA/Negative), France (AA/Stable), Italy (BBB/Stable), Australia (AAA/Stable), Norway (AAA/Stable), Spain (BBB+/Positive), the Netherlands (AAA/Stable), Sweden (AAA/Stable) and South Africa (BB+/Stable). The present value of outstanding pledges was USD2.4 billion at end-December 2016.

Credit Risk From Donors: Default of donors on the timely payment of their pledges is the main source of risk. The downgrade of the France sovereign rating in 2014 directly led to IFFIm's ratings also being downgraded in December 2014. The revision of the Outlook on IFFIm to Negative in June 2016 was a direct result of the UK's sovereign ratings being downgraded and placed on Negative Outlook in the immediate aftermath of the Brexit vote.

Current Activity: In 2017 to date, IFFIm has not disbursed any amounts to Gavi but, in December 2017, did approve USD50 million to Gavi. In January 2015, IFFIm received new pledges from Australia, France and the Netherlands for approximately USD260 million.

Contained Leverage: IFFIm disburses grants in support of its mandate thanks to bond issues repaid from pledged contributions from donors. IFFIm maintains a ratio of net debt (outstanding bonds minus funds held in trusts) to net present value of pledges (the gearing ratio). At end-October 2017, the gearing ratio was 19.5%, against a defined limit of 70.2%.

Additional Cap on Borrowing: In 2013, a 12 percentage-point buffer on the gearing ratio limit was introduced, effectively lowering it to 58.2%. This debt ceiling, which Fitch considers conservative, ensures that IFFIm can honour its debt service even if there is a reduction or delay in the pledge payments by donor countries.

Limited Liquidity, Market Risks: Liquidity risk is limited due to IFFIm's strict compliance with its liquidity policy (liquid assets must cover debt service over the next 12 months) and conservative risk management. IFFIm's unhedged exposure to foreign exchange is minimal. Liquidity and market risk are managed effectively by the International Bank for Reconstruction and Development (AAA/Stable), IFFIm's designated treasury manager.

Rating Sensitivities

Donor Rating Changes: IFFIm's ratings and Outlook would be reviewed if the ratings and Outlooks of the UK or France were changed, due to their weight in donors' pledges. Material delays of grant disbursements by donor countries would also exert pressure on the ratings.

Gearing Ratio: Over the medium term, should IFFIm come close to a breach of its 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, a rating downgrade could result.

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Income and Expenditure Account

(USDm)	31 Dec 16	31 Dec 15	31 Dec 14	31 Dec 13
Contribution revenue	22.7	0	0	0
Operating expenses	54.0	4.2	5.1	5.0
Total operating income	1.0	1.1	1.1	1.1
Operating profit (loss)	-30.3	-3.0	-4.0	-3.9
Net financing expenses on bonds and bond swaps	16.6	2.7	11.3	6.6
Net fair value gains on pledges and pledge swaps	86.6	85.5	121.9	153.7
Foreign exchange gains / loss and other financing charges	0.8	-1.7	-1.8	-4.6
Investment and interest income	8.2	4.8	3.0	3.7
Surplus (deficit)	48.7	82.9	107.8	142.3

Source: IFFIm – Report of Trustees and Financial Statements

Balance Sheet

(USDm)	31 Dec 16	31 Dec 15	31 Dec 14	31 Dec 13
Sovereign pledges	2,355	2,736	3,153	3,362
Funds in trust	863	985	1,012	1,025
Other assets	0	1	3	-
Total assets	3,218	3,722	4,168	4,387
Bond issues	1,382	1,606	1,893	2,168
Grants payable	457	507	507	507
Other liabilities	567	846	1,088	1,139
Total liabilities	2,406	2,959	3,488	3,814
Net assets	812	763	680	573
Total liabilities + net assets	3,218	3,722	4,168	4,387

Source: IFFIm – Report of Trustees and Financial Statements
 Note: Derivative financial instruments have been netted

Related Criteria

[Supranationals Rating Criteria \(May 2017\)](#)

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