

International Finance Facility for Immunisation (IFFIm)

Update

Ratings

Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

Outlooks

Long-Term Foreign-Currency IDR	Stable
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Financial Data

IFFIm

	31 Dec 10	31 Dec 09
Pledges received in the year, at fair value (USDm)	402	87
Outstanding pledges at FV (USDm)	3,172	2,882
Funds held in trust (USDm)	1,565	1,082
Outstanding debt (USDm)	3,409	2,609
Gearing ratio (%) -actual	40.4	40.8
Gearing ratio (%) - limit	70.7	67.0

Key Rating Drivers

Support from Donors: IFFIm's 'AAA' rating is based upon the commitments of its donors. These include the government of Australia ('AA+'), the UK ('AAA'), France ('AAA'), Italy ('A+'), the Netherlands ('AAA'), South Africa ('BBB+'), Spain ('AA-'), Sweden ('AAA') and Norway ('AAA'). Support from donors is strong because of their high overall credit quality and the legally binding nature of donors' commitments.

Strong Take-Up: The rating also relies on IFFIm's role in financing immunisation procurement programmes, which have enjoyed strong take-up, as illustrated by the increasing number of donor countries since its creation in 2006. IFFIm finances immunisation programmes by raising debt on the financial markets. Funds are then disbursed as grants to the Global Alliance for Vaccines and Immunisation (GAVI) – a global health partnership that is improving access to immunisation for children in poor countries.

Pledged Grants: IFFIm's resources consist of grants, which were pledged at inception by donors, and disbursed over a period of up to 20 years. They include interest on funds raised on the market and held in trust as a liquidity buffer. New pledges have been received since then, including USD256m from Australia in 2011. At end-June 2011, the fair value of pledges receivable amounted to USD3.4bn; based on end-September 2011 figures, the UK is the largest contributor, with 47.8% of total pledges, followed by France, with 27.6%.

Legally-Binding Commitments: Donors and IFFIm consider the grant agreements to be legally binding and, in Fitch's opinion, repudiation of these commitments would impose severe reputational damage. However, if one of the 70 countries in a recipient portfolio suffers protracted arrears with the IMF, donors may reduce their grants to IFFIm by a set percentage.

Controlled Leverage: To limit indebtedness, IFFIm maintains a ratio of net debt (defined as outstanding bonds minus funds placed in a trust) to the net present value (NPV) of pledges (the gearing ratio) below a threshold that is reviewed regularly. At end-June 2011, the limit for gearing ratio stood at 69.4%, while the actual ratio was 40.1%. Though it has increased markedly since 2006 (20.8%), as IFFIm's indebtedness increases to fund vaccine programmes, there is a comfortable margin for further increase in debt.

Credit Risk Exposure: IFFIm is exposed to two sources of credit risk: recipient countries defaulting to the IMF and donors missing grant payments. The risk factor used to discount the pledged grant payments and compute their NPV takes account of this. The downgrade of Italy and Spain in October 2011 had no significant impact, as the rating of these countries remain in the high grades and the loss in the NPV of pledges is offset by new pledges received.

Liquidity and Market Risks: IFFIm's exposure to exchange risk is entirely hedged. Liquidity risk is also marginal, as IFFIm holds a large portfolio of high-grade liquid assets, which must cover its debt service payments over the next 12 months. Liquidity and market risks are being managed effectively by the World Bank ('AAA'), IFFIm's designated treasury manager.

What Could Trigger a Rating Action

Asset Quality: A gearing ratio limit of 70% is consistent with an 'AAA' rating. Fitch has linked its assessment of IFFIm's rating directly to that of the sovereign ratings of Republic of France and of the UK, which are the larger contributors and among the highest-rated donors. In the event of a downgrade of the UK or France, IFFIm's ratings would be reviewed.

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Appendix

Figure 1

IFFIm's Resource Base, at End-October 2011

Donors (and long-term foreign currency IDR)	Cumulative grants (in USDm) ^a	In % of total	Grant date	Payment period
Australia ('AA+')	256	4.1	2011	20 years
France ('AAA') - incl AFD ('AAA')	1,720	27.6	2006 & 2007	19 years
Italy ('A+')	601	9.6	2006	20 years
Netherlands ('AAA')	114	1.8	2009	7 years
Norway ('AAA')	264	4.2	2006 & 2010	5 years
South Africa ('BBB+')	20	0.3	2007	20 years
Spain ('AA-')	240	3.9	2006	20 years
Sweden ('AAA')	38	0.6	2006	15 years
United Kingdom ('AAA')	2,980	47.8	2006 & 2010	20 years
Total	6,233	100.0		

^a Nominal amount of grants pledged, converted into USD using exchange rate at which the pledges were hedged for non USD pledges

Source: IFFIm Global Debt Issuance Programme, Fitch

Figure 2

Income and Expenditure Account

(USDm)	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
Contribution revenue	401.6	87.1	0.0	679.7
Operating expenses	405.1	625.4	329.7	-189.5
Of which grant payments	400.0	620.5	325.1	-186.1
Other operating income	0.8	0.8	0.2	0.1
Operating profit (loss)	-2.7	-537.5	-329.5	490.3
Investment income	5.7	10.8	4.5	16.7
Interest payable and gains & losses on financial instruments	12.4	-18.9	20.7	90.6
Of which fair value gains & losses	19.0	-10.8	24.6	141.0
Surplus (deficit)	15.8	-575.9	-314.5	597.6

Source: IFFIm – Report of Trustees and Financial Statements

Figure 3

Balance Sheet

(USDm)	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
Sovereign pledges	3,172	2,882	2,741	2,977
Funds in trust	1,565	1,082	145	96
Other assets	143	23	42	1
Total assets	4,880	3,987	2,928	3,074
Bond issues	3,409	2,609	1,267	1,043
Grants payable	517	437	147	94
Other liabilities	1	3	1	109
Total liabilities	3,927	3,049	1,415	1,246
Net assets	953	938	1,513	1,828
Total liabilities + net assets	4,880	3,987	2,928	3,074
Memo items				
Net financial obligation	1,393	1,311	1,078	903
Adjusted NPV of pledges	3,446	3,210	3,262	3,215
Gearing ratio (%)	40.4	40.8	33.0	28.1

Source: IFFIm – Report of Trustees and Financial Statements

Related Criteria

[Sovereign Rating Methodology \(August 2011\)](#)

[Rating Multilateral Development Banks and](#)

[Other Supranationals \(August 2011\)](#)

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