

Global Credit Research - 10 Sep 2009

## Supranational

### Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Aaa
Senior Unsecured	Aaa
ST Issuer Rating	P-1
Other Short Term	P-1

### Contacts

Analyst	Phone
Steven A. Hess/New York	1.212.553.1653
Naomi Richman/New York	
Pierre Cailleteau/London	44.20.7772.5454

### Key Indicators

#### International Finance Facility for Immunisation

	[1]2006	2007	2008
Total Assets (US\$ Millions)	2,649	3,074	2,928
o/w Sovereign Pledges (US\$ Millions)	2,149	2,977	2,741
Surplus (US\$ Millions)	1,230	598	-314
Liquid Assets/Total Liabilities (%)	35.2	7.8	10.3
Liquid Assets/Prudential Minimum (%) [2]	1,248.0	198.3	511.4
Sovereign Pledges/Debt Service Payments (% , next 12 mos)	150.5	259.3	458.6
Sovereign Pledges/Fncl Liabilities Falling Due (% , beyond 12 mos)	207.5	273.2	206.0

[1] IFFIm was incorporated on June 26, 2006. [2] IFFIm maintains a prudential minimum level of liquidity equivalent to its cumulative contracted debt service payments for the next twelve months.

### Opinion

#### Credit Strengths

IFFIm has the following credit strengths:

Strong commitment from donor governments to support programs financed by IFFIm, reinforced by legally binding Grant Agreements

Gearing ratio and liquidity policy that provide a substantial financial cushion against adverse developments in recipient countries

Financial and risk management by the World Bank

### **Credit Challenges**

IFFIm faces the following credit challenges:

The possibility of a large number of recipient countries going into arrears with the IMF

Possible lessening of donor commitment over time

### **Rating Rationale**

IFFIm's Aaa issuer rating is based on the firm commitment of the donor governments to make payments to IFFIm on specified dates over periods of up to 20 years, on adherence to its gearing and liquidity policies, and on the involvement of the International Bank for Reconstruction and Development (IBRD) as Treasury Manager. IFFIm was established as a charity in the United Kingdom in 2006 with the purpose of accelerating the availability of funds used to finance immunization programs in 70 of the world's poorest countries. The programs are carried out by the GAVI (Global Alliance for Vaccines and Immunization) Alliance, a public/private entity that is active in such immunization programs. IFFIm will issue bonds of up to \$4 billion to finance GAVI programs, and the donor payments will be used to repay the bonds. Although the amount and timing of donor payments is predetermined by a formula, the amounts and maturities of debt issuance are determined on the recommendation of the Treasury Manager.

Six donor governments founded IFFIm -- France, Italy, Norway, Spain, Sweden, and the United Kingdom -- and South Africa subsequently joined with a \$20 million commitment; others may join in the future. Moody's rates five of the original six countries Aaa and believes that they all have the capacity and willingness to meet their commitments on a timely basis. Their commitments are subject to reductions depending on whether any of the 70 recipient countries are in protracted arrears to the International Monetary Fund (IMF). For each of 62 countries, the reduction in payment amount from the donors would be 1% during the period the country is in arrears; for seven countries the reduction would be 5%; and for one country 3%. At the end of 2008 three of the 70 eligible recipient countries were in protracted arrears with the IMF. To ensure that there are sufficient funds to repay bondholders when countries are in arrears, IFFIm is subject to a gearing ratio (around 70% of the present value of remaining donor payment amounts) and a liquidity policy, which requires that liquid assets equal one year's debt service. As of December 31, 2008, the gearing ratio amounted to 33% and liquid assets were 5 times larger than the prudential minimum, both well within the respective policy guidelines.

### **What Could Change the Rating - Down**

The rating could move down if enough recipient countries were to go into arrears that the likely fall in payment amounts from donor countries would increase the risk that debt service payments could not be made. Moody's believes that such a situation would be unprecedented, given the historical record of IMF arrears (the highest number of countries in protracted arrears was 11 in 1988 and 1989). The rating would also be threatened if any one of the donor countries were to stop contributing, although this would leave it open to legal action. A change in Treasury Manager, not considered likely, might also trigger a reconsideration of the rating.

### **Recent Developments/Results**

In the first half of 2009, IFFIm accessed the bond market four times. In the Japanese market, IFFIm raised \$429 million from retail investors, and \$173 million from two separate multi-tranche uridashi offerings. The issues were denominated in a variety of currencies in response to investor demand, and included the South African rand, New Zealand dollar, Australian dollar, and United States dollar. In addition, IFFIm made its introductory issue in the Sterling market in May 2009 and raised \$400 million. It was a two-tranche transaction, with one tranche packaged for institutional investors and the other tranche packaged into the HSBC Vaccine Investment Plan Individual Savings Account for retail investors (i.e. zero coupon).

In June 2009, the Netherlands became the eighth sovereign grantor of IFFIm when it pledged EUR80 million over 8 years. This pledge is especially significant as it was made during a global financial crisis and recession which is an indication of the strong level of support of IFFIm's mission. The additional funds build upon IFFIm's financial base and, in particular, help satisfy its debt service requirements.



© 2010 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from reliable sources; however, MOODY'S does not and cannot in every instance independently verify, audit or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://www.moody.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.