



To: IFFIm Board of Directors

From: The World Bank, as IFFIm Treasury Manager

Subject: **Treasury Manager Report – First Quarter of 2022**

The Treasury Manager's quarterly report on the financial management activities of IFFIm for the first quarter of 2022 is attached. Questions concerning this report may be referred to Andrea Dore (adore@worldbank.org) or Karen Pillay (kpillay@worldbank.org).

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IFFIm: Treasury Manager Report

First Quarter of 2022

I. International Capital Market Environment

The FED decided to raise interest rate by 50bps during its May meetings as market expected and announced to start balance sheet run-off, while making dovish comments on the pace of rate hikes. President Powell mentioned that 50bps rate hikes are on the table but 75bps hikes are not something the committee is actively considering, while he also commented that the FED will return to 25bps hikes once inflation comes down a bit. Powell added that members are highly attentive to inflation risks and the FED is committed to controlling inflation which will benefit to extremely tight labor market as well. For the balance sheet reduction, the FED announced to start running off the balance sheet from June 1 at 30 billion for UST and 17.5 billion for MBS, which could be expanded to 60 billion and 35 billion respectively after three months.

ECB held Governing Council in April and indicated the end of ECB's Asset Purchase Programme (APP) in Q3 and the slowdown of bond purchases toward June. President Lagarde repeated the importance of flexibility in policy and said that new instruments could be drawn up in short order when needed, despite she did not explicitly explain the plans for crisis tools to mitigate bond market stress. She also indicated that members should judge the next policy steps in June.

In the UK, BOE held Monetary Policy Committee (MPC) meetings in May and decided to raise policy rate by 25bps as market expected. BOE updated inflation forecast and it may reach the peak at 10.2% during the fourth quarter of 2022 due to the surge in energy prices, while updated GDP forecast has 3.75% growth for 2022 but -0.25% for 2023.

II. Funding Activities

a. Issuance of Notes

No new issuances were made during the quarter. Since IFFIm's inception, the Treasury Manager has arranged for IFFIm to issue a total of USDeq 7.9 billion through 38 transactions in eight currencies: AUD, BRL, GBP, NZD, NOK, TRY, USD and ZAR.

b. Issuances from other Supranationals

Table 1 shows Supranational/Non-U.S. Agency benchmark issuance activities during the first quarter of 2022 as well as indicative benchmark issuance costs for IFFIm as of March 31, 2022, for illustration purposes.

**Table 1 – Selected Supranational/Non-U.S. Agency Benchmark Issuance
First Quarter of 2022**

USD

Issuer	Amount (\$ billion)	Issue date	Maturity Date	Maturity (years)	All-in Spread (bps)
EIB	5.	1/12/2022	3/15/2027	5	\$LIBOR + 24
KFW	5.0	1/19/2022	1/31/2025	3	\$LIBOR +13
IADB	3.5	1/13/2022	1/13/2027	5	\$LIBOR + 24
<i>IFFIm Indications as at 3/31/2022*</i>					All-in Spread (bps)
<i>IFFIm</i>	<i>0.5 min</i>			3	<i>\$LIBOR + 13/SOFR +37</i>
<i>IFFIm</i>	<i>0.5 min</i>			5	<i>\$LIBOR + 21/SOFR+45</i>

(*) Estimates do not include World Bank swap intermediation charge, swap execution cost.

c. Marketing and Investor Outreach

Rating Agencies: In January 2022, S&P affirmed IFFIm’s AA rating with stable outlook. In October 2021, Moody’s affirmed IFFIm’s Aa1 rating with stable outlook. In June 2021, Fitch affirmed the UK’s AA- rating and revised its outlook from negative to stable following the same action on the UK.

IFFIm and Main Donor Credit Ratings as of March 31, 2022

Donor Name	S&P	Outlook	MOODY	Outlook	FITCH	Outlook
FRANCE	AA	Stable	Aa2	Stable	AA	Negative
UNITED KINGDOM	AA	Stable	Aa3	Stable	AA-	Stable
IFFIm	AA	Stable	Aa1	Stable	AA-	Stable

Investor and media outreach: The Treasury Manager conducted a series of investor outreaches with the objective of expanding IFFIm’s investor base and diversifying IFFIm’s source of funding. The Treasury Manager also responded to ad hoc investor related requests for information.

III. Investment Activities and Performance

At the end of the quarter, IFFIm’s investment portfolio was USD 312 million. The portfolio is divided into two tranches: Operational and Stable. In aggregate, IFFIm’s investment portfolio outperformed the benchmark during the quarter by 4 basis points.

Table 3 - IFFIm Investment Activity and Performance

Portfolio Returns and Excess Returns Before Fees

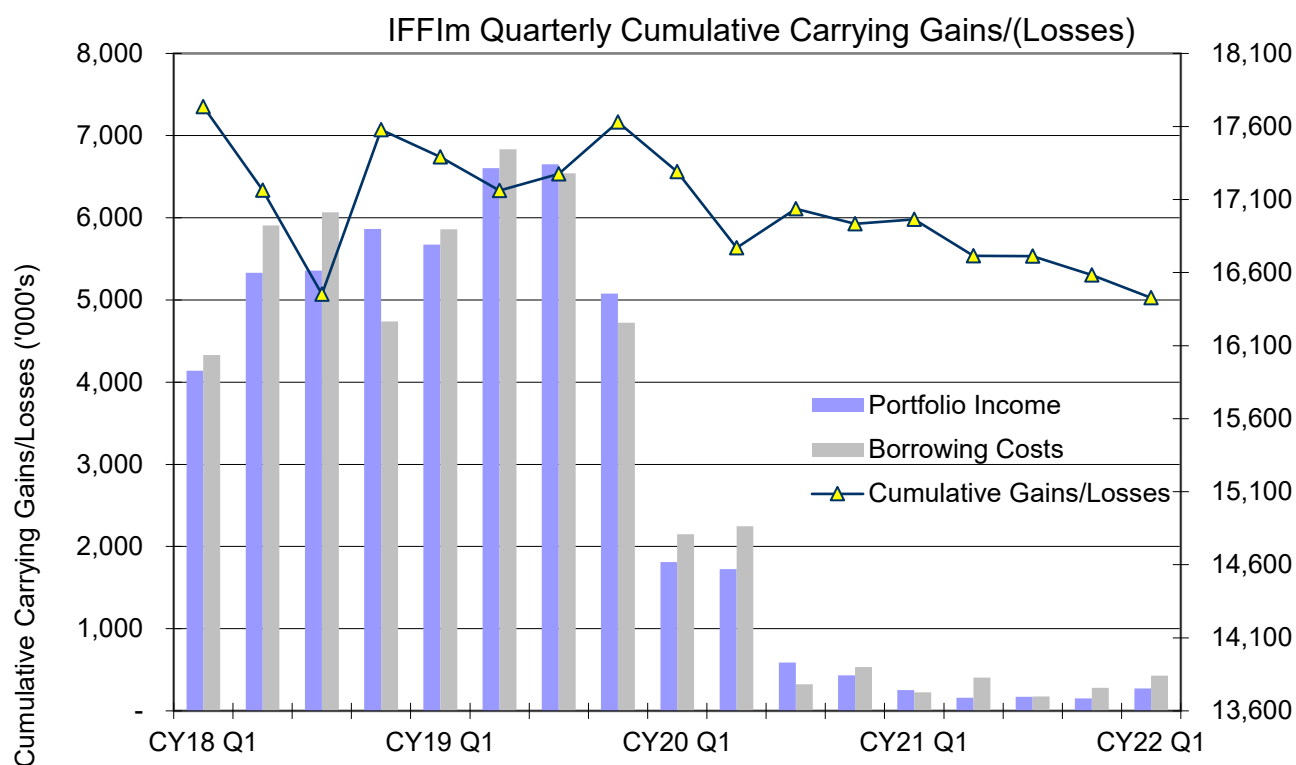
	Benchmark Description	Current Benchmark Effective Date	31-Mar-22	Q1FY22		Client FY to date ^{1/}		Rolling One-Year		Rolling Five-Year	
				Size (USD)	Non-annualized Portfolio Return (%)	Excess Return (bps)	Non-annualized Portfolio Return (%)	Excess Return (bps)	Portfolio Return (%)	Excess Return (bps)	Annualized Portfolio Return (%)
IFFIm			311,858,614	0.06	4	0.06	4	0.18	15	1.48	28
Operational Cash	ICE BofA SOFR Overnight Rate Index	11/1/16	310,131,984	0.06	4	0.06	4	0.15	13	1.36	40
Stable Cash	SOFR Overnight Index	7/30/13	1,726,629	0.08	5	0.08	5	0.32	26	1.55	32

^{1/} Client Fiscal Year: January - December. Inception November 6, 2006

^{2/} Total liquidity for Stable Cash was transferred from Libor Plus Strategy to SOFR Plus Strategy along with change of its benchmark to ICE BofA SOFR Overnight Rate Index effective 31st March 2022

Since inception, IFFIm’s cumulative carry was approximated \$16 million.

Chart-1 IFFIm’s cumulative carry since inception (as of March 31, 2022)



IV. Implementation of IFFIm’s Risk Management Strategy

Under its liquidity policy, IFFIm maintains a minimum level of liquid assets equivalent to its cumulative contracted debt service payments for the next 12-month period. IFFIm’s primary liabilities are the bonds that it has issued. IFFIm’s balance sheet is managed to ensure that, at a very high confidence level, its multi-currency, long-term payment asset base will cover its liabilities.

V. Disbursements and Available Funding Balance

IFFIm's total fund balance decreased from USD 616 million as of December 31, 2021 to USD 351 million as of March 31, 2022¹. The decrease is mainly due to program disbursement of USD 470 million which is partially offset by donor inflows from the UK, France, Italy, Norway, Australia, Sweden and South Africa.

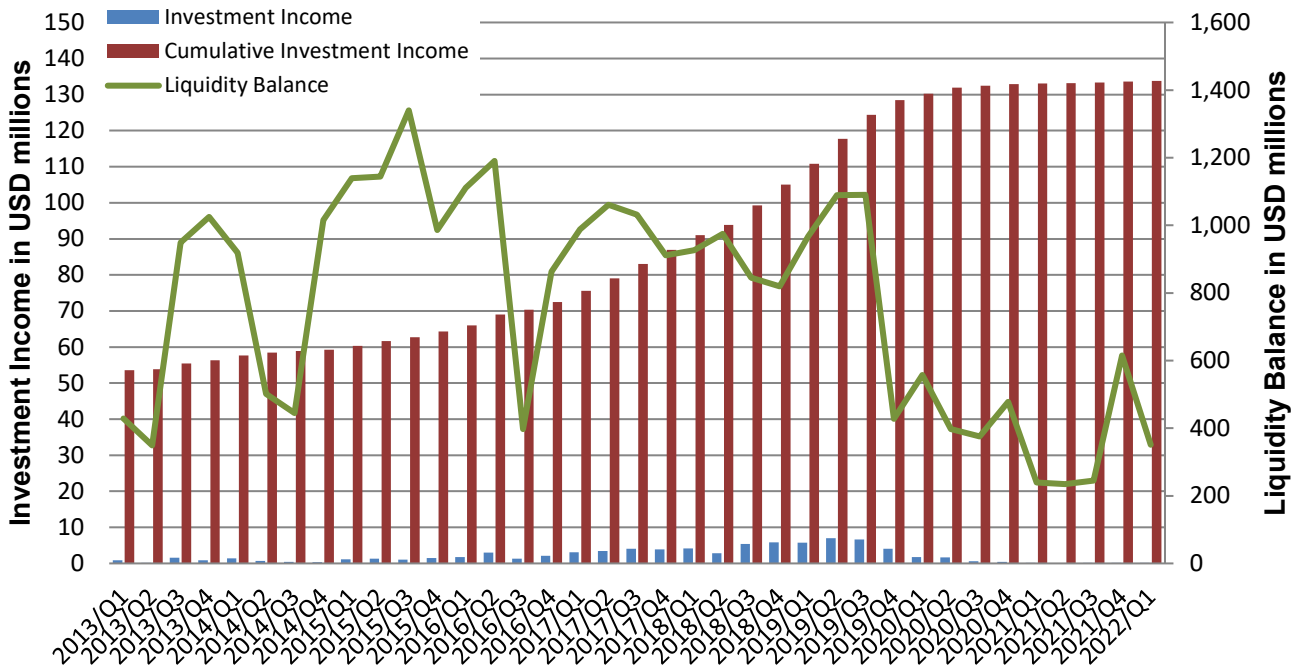
Table 4 - Summary of Cash Flows for IFFIm²

In USD millions		
Balance, December 31, 2021	(A)	616
Inflows from bonds (including related swaps)		-
Inflows from donors (including related swaps)		208
Investment income		0.2
Total inflows	(B)	208
Disbursement for approved programs		470
Debt service		1.52
Bond repayment		-
Swap recouping		-
Administrative costs		1.14
Total outflows	(C)	473
Balance, December 31, 2021	(A)+(B)-(C)	351

¹ IFFIm's investment portfolio balance (as mentioned in Paragraph III) may be different from the total fund balance due to the inclusion of the outstanding balances in IFFIm's bank accounts in contribution currencies, which are valued at the end of quarter exchange rates. The actual USD receipts could change following the settlement of pledge swaps.

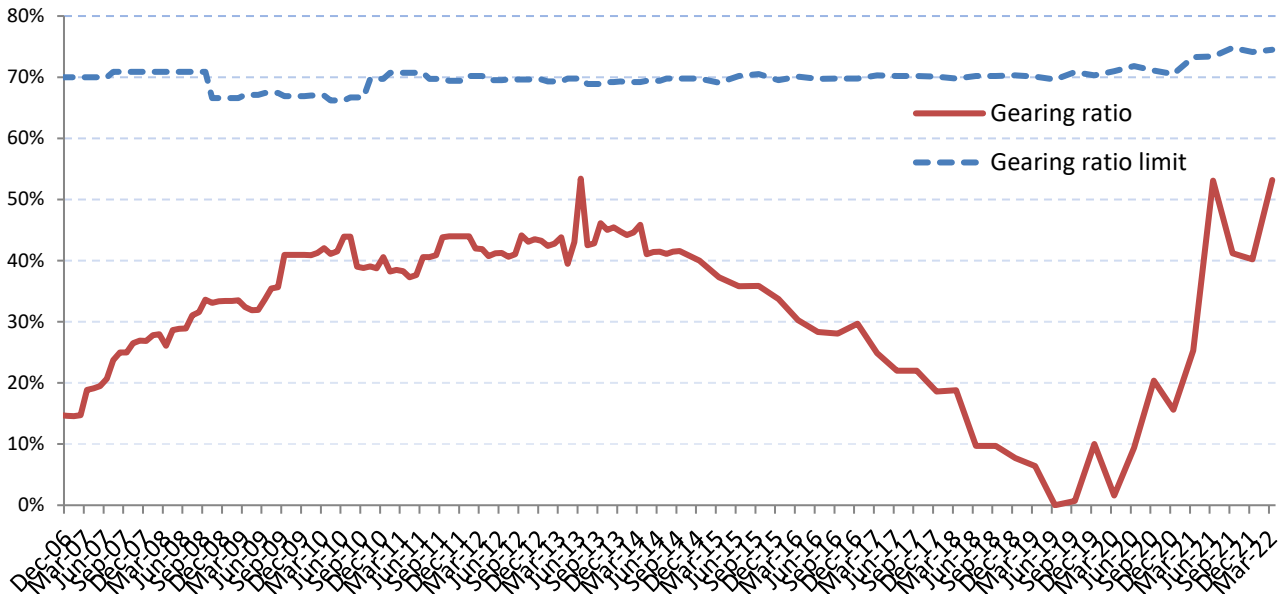
² The figures provided in this table may differ from those that will appear in IFFIm's financial statements.

Chart 2 - Investment income and liquidity balance



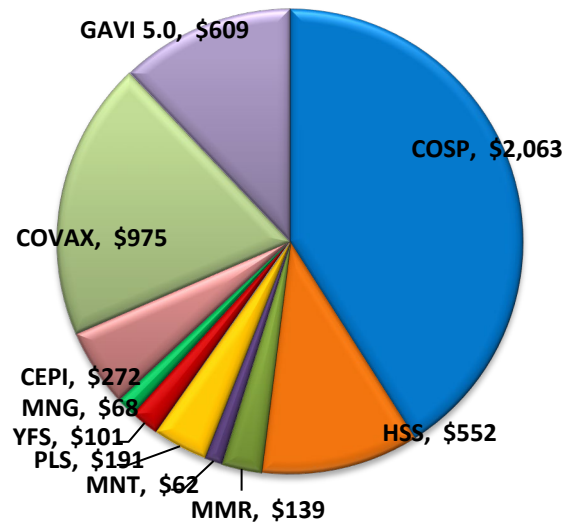
The Gearing Ratio Limit approved by the IFFIm Board for the first quarter of 2022 was 74.5%. The Risk Management Buffer was adjusted down to zero after the swap re-coupons transaction, and the approved Gearing Ratio was 74.5%. The end-March 2022 actual gearing ratio increased to 53.2% from the end-December 2021 level of 40.3%.

Chart 3 - Gearing Ratio and Gearing Ratio Limit



Disbursements from IFFIm to GAVI for approved programs. As of March 31, 2022, cumulative program disbursements from IFFIm to GAVI since inception amounted to USD 5.03 billion. The breakdown of these transfers by program is summarized below.

**Chart 4 - Transfers from IFFIm to GAVI Alliance
Inception to March 31, 2022 - USD 5.03 billion**



*YFS - Yellow Fever Stockpile; MMR - Measles, Mumps & Rubella; MNT-Maternal & Neonatal Campaign; MNG - Meningitis
PLS - Polio Stockpile Campaign; HSS - Health Systems Strengthening; COSP - Core GAVI Immunizations; CEPT – CEPI Arrangement*

VI. Treasury Manager's costs update

The actual Treasury Manager's costs for the first quarter of 2022 amounted to USD 915,490. Compared with 1/4th of the billed amount, the actual costs were lower by USD 16,760. The detailed breakdown of the costs by categories can be found in table 5.

Table 5 - Comparison of Treasury Manager's actual costs vs. billed estimates, Q1 CY2022
Amounts in USD

Client: International Finance Facility for Immunization					
Billing period: 2022 Q1 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					259,259
• Bond Issuance – market research, design, execution	81,451	-			81,451
• Investment management fee (4.5 bps on average liquidity)			31,245		31,245
• Financial risk management (staff time and swaps fees)	32,061		114,502		146,563
B. Treasury Manager Administration and Support Costs					656,232
• Donor Relations, Management of Donor Pledges and Payments	25,096	-			25,096
• Fund Management (commitments, disbursements, programme tracking)	27,885	-			27,885
• Ratings maintenance including gearing ratio analysis, liquidity	54,667	-			54,667
• Accounting and Reporting	120,133	-			120,133
• IT: IFFIm systems development ^{a/}	350,000				350,000
• Legal	41,358				41,358
• Preparation and reporting for IFFIm Board Meetings	37,093				37,093
Total invoice	769,743	-	145,747	-	915,490

Client: International Finance Facility for Immunization					
Billing period: 2022 Q1 Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					245,250
• Bond Issuance – market research, design, execution	90,500	-	-	-	90,500
• Investment management fee (4.5 bps on average liquidity)	-	-	45,000	-	45,000
• Financial risk management (staff time and swaps fees)	24,000	-	85,750	-	109,750
B. Treasury Manager Administration and Support Costs					687,000
• Donor Relations, Management of Donor Pledges and Payments	33,250	-	-	-	33,250
• Fund Management (commitments, disbursements, programme tracking)	37,000	-	-	-	37,000
• Ratings maintenance including gearing ratio analysis, liquidity	82,750	-	-	-	82,750
• Accounting and Reporting	98,250	-	-	-	98,250
• IT: IFFIm systems development ^{a/}	350,000	-	-	-	350,000
• Legal	37,250	-	-	-	37,250
• Preparation and reporting for IFFIm Board Meetings	48,500	-	-	-	48,500
Total invoice	801,500	-	130,750	-	932,250

Client: International Finance Facility for Immunization					
Billing period: 2022 Q1 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					14,009
• Bond Issuance – market research, design, execution	(9,049)	-	-	-	(9,049)
• Investment management fee (4.5 bps on average liquidity)	-	-	(13,755)	-	(13,755)
• Financial risk management (staff time and swaps fees)	8,061	-	28,752	-	36,813
B. Treasury Manager Administration and Support Costs					(30,768)
• Donor Relations, Management of Donor Pledges and Payments	(8,154)	-	-	-	(8,154)
• Fund Management (commitments, disbursements, programme tracking)	(9,115)	-	-	-	(9,115)
• Ratings maintenance including gearing ratio analysis, liquidity	(28,083)	-	-	-	(28,083)
• Accounting and Reporting	21,883	-	-	-	21,883
• IT: IFFIm systems development ^{a/}	-	-	-	-	-
• Legal	4,108	-	-	-	4,108
• Preparation and reporting for IFFIm Board Meetings	(11,407)	-	-	-	(11,407)
Total invoice	(31,757)	-	14,997	-	(16,760)

a/ IFFIm system development cost of \$350K does not include regular staff costs