



To: IFFIm Board of Directors

From: The World Bank, as IFFIm Treasury Manager

Subject: **Treasury Manager Report – First Quarter of 2023**

The Treasury Manager's quarterly report on the financial management activities of IFFIm for the first quarter of 2023 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 2023

I. International Capital Market Environment

The Federal Reserve Bank's FOMC decided to raise its rates by 25 bps with a FED fund target upper bound to 5.25% in May. The FOMC statement left the possibility open for a pause in rates for the next meeting.

The European Central Bank raised its policy rates by 25 bps as expected in May and announced its intention to end the reinvestments of the asset purchase program (APP) by June. The pandemic emergency purchase program (PEPP) will continue to be reinvested until at least the end of 2024. ECB President Lagarde indicated that there was room for further monetary policy tightening in the meetings to come.

The Bank of England raised its key interest rate to 4.5% and Governor Andrew Bailey said the British central bank would "stay the course" as it seeks to curb the highest inflation of any major economy.

II. Funding Activities

a. Issuance of Notes

Since IFFIm's inception, the Treasury Manager has arranged for IFFIm to issue a total of USDeq 8.7 billion through 41 transactions in eight currencies: AUD, BRL, GBP, NZD, NOK, TRY, USD and ZAR.

b. Issuances from other Supranationals

Table 1 shows issuance activities of Supranationals in the first quarter of year 2023 and, indicative benchmark issuance costs for IFFIm as of March 31, 2023.

**Table 1 – Selected Supranational/Non-U.S. Agency Benchmark Issuance
First Quarter of 2023**

USD

Issuer	Amount (\$ billion)	Issue date	Maturity Date	Maturity (years)	All-in Spread (bps)
IDB Invest	1.0	2/15/23	2/15/28	5	SOFR + 61
KFW	4.0	1/18/23	2/15/28	5	SOFR + 42
IADB	2.0	1/12/23	1/12/28	5	SOFR + 43
EIB	5.0	1/11/23	3/15/28	5	SOFR + 41
<i>IFFIm Indications as at 3/31/2023*</i>					All-in Spread (bps)
<i>IFFIm</i>	<i>0.5 min</i>			3	<i>SOFR + 47</i>
<i>IFFIm</i>	<i>0.5 min</i>			5	<i>SOFR + 58</i>

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

c. Marketing and Investor Outreach

Rating Agencies: Table 2 sets out the credit ratings of IFFIm and its main donors as of March 31, 2023. In December 2022, S&P affirmed IFFIm’s AA rating but revised IFFIm’s outlook to Negative. Fitch affirmed IFFIm’s credit rating at AA- but lowered IFFIm’s outlook to Negative in October 2022 following its decision to lower UK’s outlook to Negative. Moody’s affirmed IFFIm’s credit rating at Aa1, but lowered IFFIm’s outlook to Negative in October 2022 following its decision to lower UK’s outlook to Negative.

Table 2 – IFFIm and Main Donor Credit Ratings as of March 31, 2023

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

Investor and media outreach: The Treasury Manager continued to reach out to potential investors and 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 769 million. The portfolio is divided into two tranches: Operational and Stable.

Table 3 - IFFIm Investment Activity and Performance

IFFIm - International Finance Facility for Immunisation

March
20
23

Portfolio Performance

Portfolio Returns and Excess Returns Before Fees

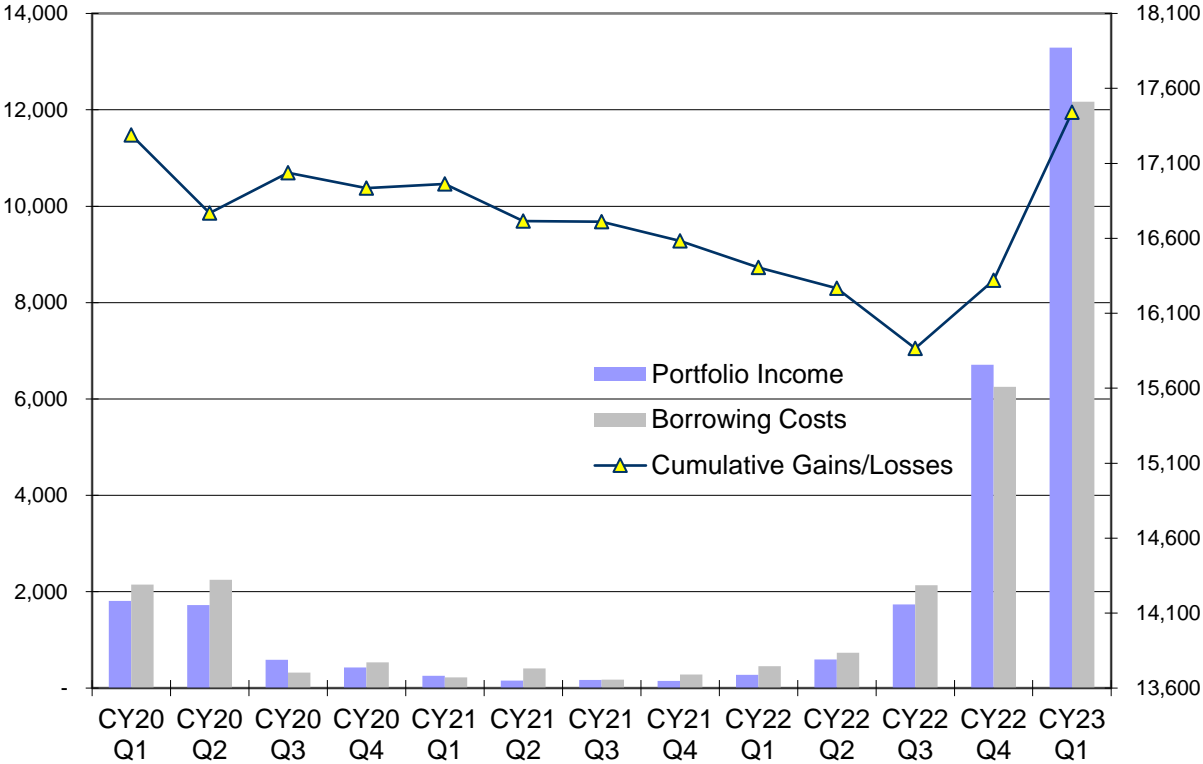
	Benchmark Description	Current Benchmark Effective Date	31-Mar-23	Q1FY23		Client FY to date ^{1/}		Rolling One-Year		Rolling Five-Year	
				Size (USD)	Non-annualized Portfolio Return (%)	Non-annualized Excess Return (bps)	Non-annualized Portfolio Return (%)	Non-annualized Excess Return (bps)	Portfolio Return (%)	Excess Return (bps)	Annualized Portfolio Return (%)
IFFIm			769,001,756	1.33	21	1.33	21	3.20	45	1.79	29
Operational Cash	SOFR Overnight Rate Index	11/1/16	268,931,768	1.11	3	1.11	3	2.86	19	1.66	37
Stable Cash	SOFR Overnight Index	3/31/22	500,069,982	1.33	21	1.33	21	3.26	48	1.87	34

^{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 over \$17 million.

Chart 1 - IFFIm’s cumulative carry since inception as of March 31, 2023 (USD, Thousands)



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 1,032.4 million as of December 31, 2022 to USD 815.3 million as of March 31, 2023¹. The decrease is primarily due to program disbursement and debt service costs, which were partially offset by donor inflows from Australia, Canada, France, Italy, Norway, Sweden, and South Africa.

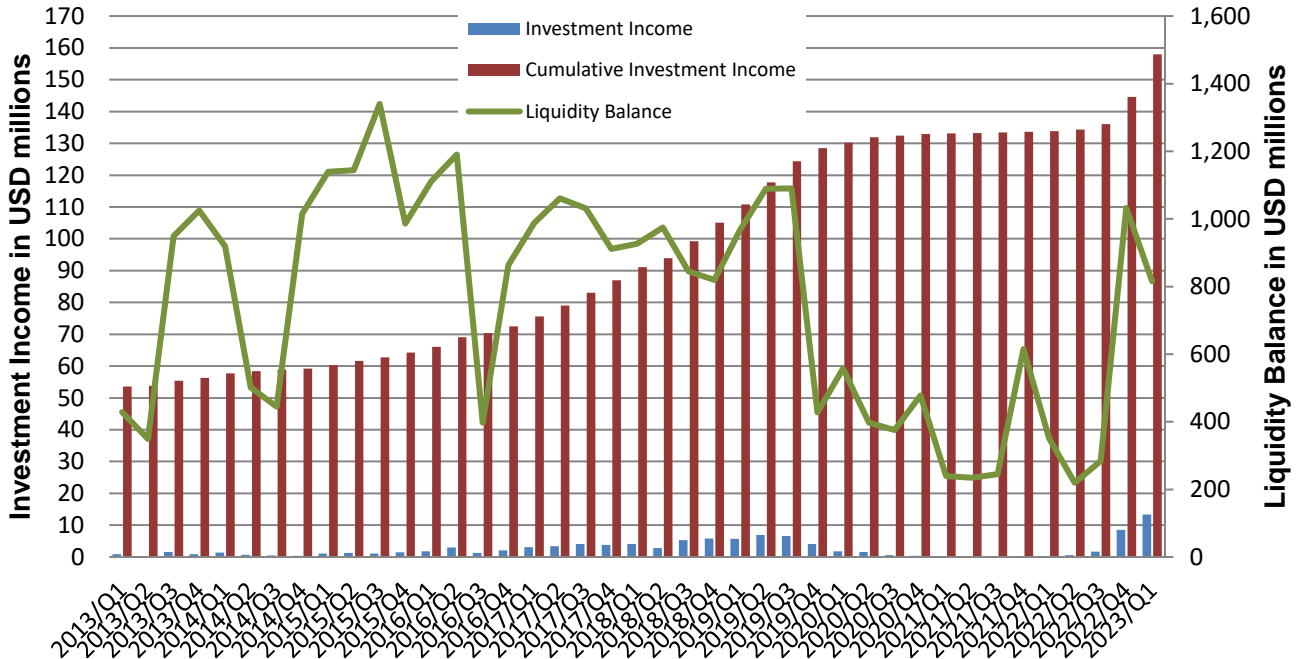
Table 4 - Summary of Cash Flows for IFFIm²

In USD millions		
Balance, December 31, 2022	(A)	1,032.4
Inflows from bonds (including related swaps)		0.0
Inflows from donors (including related swaps)		223.5
Investment income		13.4
Total inflows	(B)	237.0
Disbursement for approved programs		434.8
Debt service		18.0
Bond repayment		0.0
Swap recouping		0.0
Administrative costs		1.3
Total outflows	(C)	454.1
Balance, March 31, 2023	(A)+(B)-(C)	815.3

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.

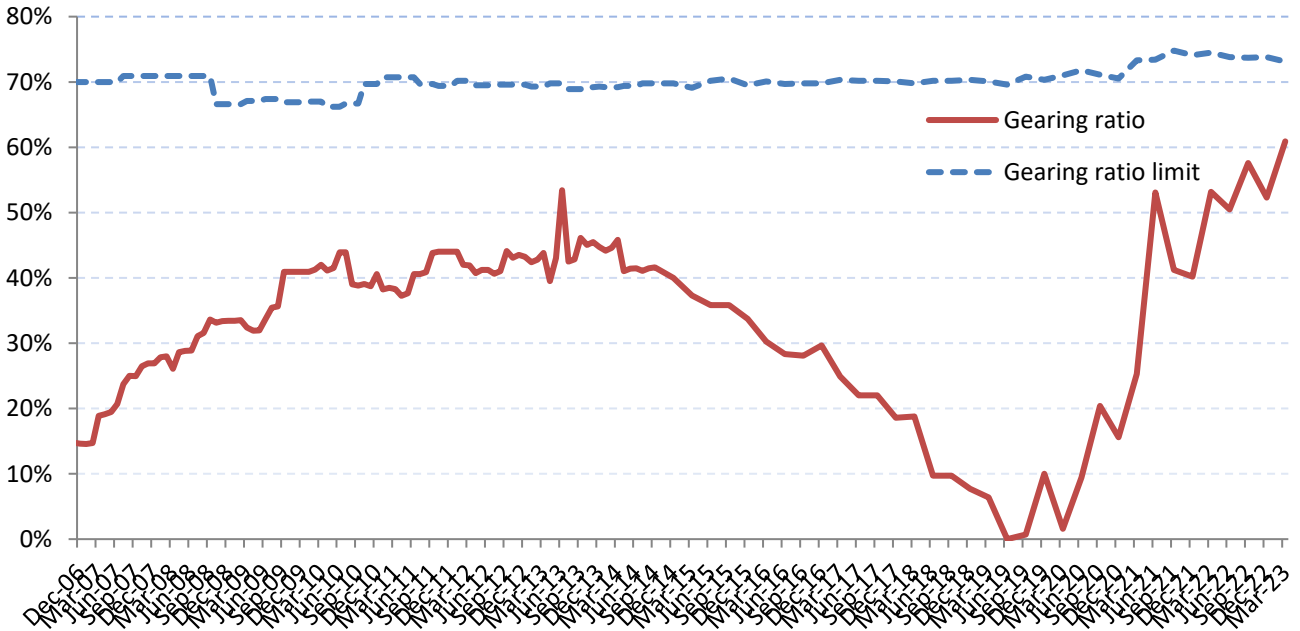
² The figures provided in this table may differ from those that will appear in IFFIm's financial statements.

Chart 2 - Investment income and liquidity balance



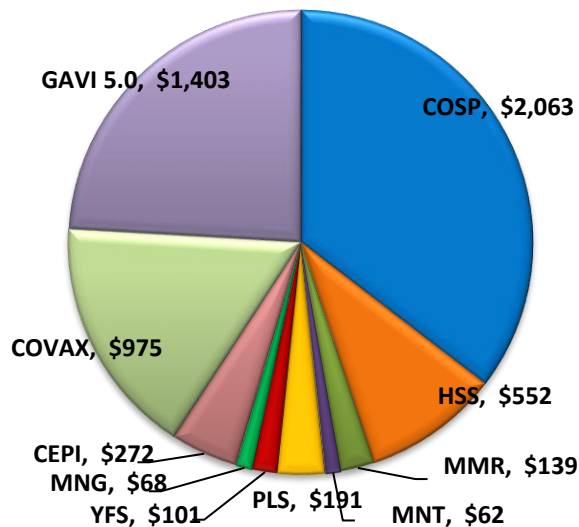
The Gearing Ratio Limit approved by the IFFIm Board for the first quarter of 2023 was 73.1%. The Risk Management Buffer (RMB) was adjusted down to zero after the swap re-coupons transaction in 2020, as such the approved Gearing Ratio Limit less the RMB is at 73.1%. The end-March 2023 actual gearing ratio increased to 60.9% from the end-December 2022 level of 52.3%.

Chart 3 - Gearing Ratio and Gearing Ratio Limit



Disbursements from IFFIm to GAVI for approved programs. As of March 31, 2023, cumulative program disbursements from IFFIm to GAVI since inception amounted to USD 5.83 billion. The breakdown of these transfers by program is summarized below.

**Chart 4 - Transfers from IFFIm to GAVI Alliance
Inception to March 31, 2023 - amount in USD million**



*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 2023 amounted to USD 955,200. Compared with 1/4th of the regular billed amount the actual costs were lower by USD 48,550. 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 CY2023
Amounts in USD

Client: International Finance Facility for Immunization					
Billing period: 2023 Q1 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					304,200
• Bond Issuance – market research, design, execution	102,400	-			102,400
• Investment management fee (4.5 bps on average liquidity)			94,300		94,300
• Financial risk management (staff time and swaps fees)	35,900		71,600		107,500
B. Treasury Manager Administration and Support Costs					651,000
• Donor Relations, Management of Donor Pledges and Payments	14,900	-			14,900
• Fund Management (commitments, disbursements, programme tracking)	16,600	-			16,600
• Ratings maintenance including gearing ratio analysis, liquidity	74,100	-			74,100
• Accounting and Reporting	123,200	-			123,200
• IT: IFFIm systems development ^{a/}	350,000				350,000
• Legal	36,600				36,600
• Preparation and reporting for IFFIm Board Meetings	35,600				35,600
Total invoice	789,300	-	165,900	-	955,200

Client: International Finance Facility for Immunization					
Billing period: 2023 Q1 Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					303,000
• Bond Issuance – market research, design, execution	84,500	-	-	-	84,500
• Investment management fee (4.5 bps on average liquidity)	-	-	87,750	-	87,750
• Financial risk management (staff time and swaps fees)	43,250	-	87,500	-	130,750
B. Treasury Manager Administration and Support Costs					700,750
• Donor Relations, Management of Donor Pledges and Payments	33,250	-	-	-	33,250
• Fund Management (commitments, disbursements, programme track	37,000	-	-	-	37,000
• Ratings maintenance including gearing ratio analysis, liquidity	87,250	-	-	-	87,250
• Accounting and Reporting	99,750	-	-	-	99,750
• IT: IFFIm systems development ^{a/}	350,000	-	-	-	350,000
• Legal	46,500	-	-	-	46,500
• Preparation and reporting for IFFIm Board Meetings	47,000	-	-	-	47,000
Total invoice	828,500	-	175,250	-	1,003,750

Client: International Finance Facility for Immunization					
Billing period: 2023 Q1 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					1,200
• Bond Issuance – market research, design, execution	17,900	-	-	-	17,900
• Investment management fee (4.5 bps on average liquidity)	-	-	6,550	-	6,550
• Financial risk management (staff time and swaps fees)	(7,350)	-	(15,900)	-	(23,250)
B. Treasury Manager Administration and Support Costs					(49,750)
• Donor Relations, Management of Donor Pledges and Payments	(18,350)	-	-	-	(18,350)
• Fund Management (commitments, disbursements, programme track	(20,400)	-	-	-	(20,400)
• Ratings maintenance including gearing ratio analysis, liquidity	(13,150)	-	-	-	(13,150)
• Accounting and Reporting	23,450	-	-	-	23,450
• IT: IFFIm systems development ^{a/}	-	-	-	-	-
• Legal	(9,900)	-	-	-	(9,900)
• Preparation and reporting for IFFIm Board Meetings	(11,400)	-	-	-	(11,400)
Total invoice	(39,200)	-	(9,350)	-	(48,550)

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