



To: IFFIm Board of Directors

From: The World Bank, as IFFIm Treasury Manager

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

The Treasury Manager's quarterly report on the financial management activities of IFFIm for the second 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

Second Quarter of 2023

I. International Capital Market Environment

The US Federal Reserve Bank raised its main interest rates by 25 bps, leading the FED fund target rate upper bound to 5.50%. FED Chair Powell emphasized the data dependence for the upcoming meetings and left the door open for a hike in September’s FOMC meeting.

The ECB hiked its policy rates by 25 bps, moving the deposit facility rate to 3.75% in July. ECB President Lagarde stated that it may hike or pause in the next meetings to ensure that policy rates are at restrictive levels for as long as necessary.

The Bank of England raised its main interest rate by 25bps in August to 5.25%, its highest level since February 2008.

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 second quarter of year 2023 and, indicative benchmark issuance costs for IFFIm as of June 30, 2023.

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

USD

Issuer	Amount (\$ billion)	Issue date	Maturity Date	Maturity (years)	All-in Spread (bps)
KFW	4.0	6/1/23	6/15/28	5	SOFR + 36
KommuneKredit	1.0	5/23/23	5/24/28	5	SOFR + 46
Asia Development Bank	3.5	4/25/23	4/25/28	5	SOFR + 38
KFW	3.0	4/13/23	4/1/2026	3	SOFR + 23
<i>IFFIm Indications as at 6/30/2023*</i>					All-in Spread (bps)
<i>IFFIm</i>	<i>0.5 min</i>			3	<i>SOFR + 44</i>
<i>IFFIm</i>	<i>0.5 min</i>			5	<i>SOFR + 56</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 June 30, 2023. 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. 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- in June 2023, but had lowered IFFIm's outlook to Negative in October 2022.

Table 2 – IFFIm and Main Donor Credit Ratings as of June 30, 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, the size of IFFIm's liquid investment portfolio was USD 838 million. The portfolio is divided into two tranches: Operational and Stable.

Table 3 - IFFIm Investment Activity and Performance

	IFFIm - International Finance Facility for Immunisation	June
		20
Portfolio Performance		23

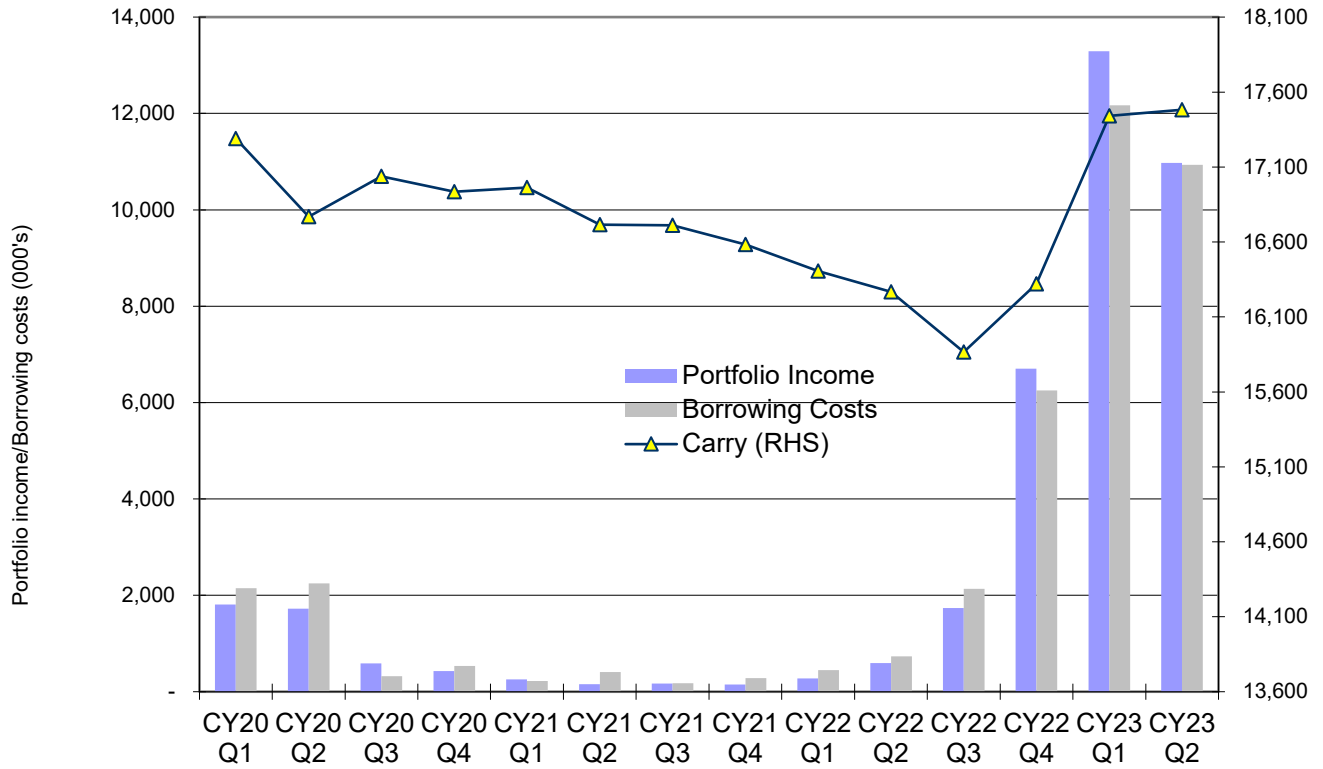
Portfolio Returns and Excess Returns Before Fees

	Benchmark Description	Current Benchmark Effective Date	30-Jun-23 Size (USD)	Q2FY23		Client FY to date ^{1/}		Rolling One-Year		Rolling Five-Year	
				Non-annualized Portfolio Return (%)	Excess Return (bps)	Non-annualized Portfolio Return (%)	Excess Return (bps)	Portfolio Return (%)	Excess Return (bps)	Annualized Portfolio Return (%)	Excess Return (bps)
IFFIm			837,704,919	1.35	10	2.70	31	4.38	51	1.95	30
Operational Cash	SOFR Overnight Rate Index	11/1/16	108,280,833	1.00	(21)	2.12	(18)	3.66	(7)	1.75	30
Stable Cash	SOFR Overnight Index	3/31/22	729,424,075	1.40	14	2.75	35	4.54	64	2.04	36

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

Since inception, IFFIm's cumulative carry is over \$17 million.

Chart 1 - IFFm's cumulative carry since inception as of June 30, 2023 (USD, Thousands)



IV. Implementation of IFFm's Risk Management Strategy

Under its liquidity policy, IFFm maintains a minimum level of liquid assets equivalent to its cumulative contracted debt service payments for the next 12-month period. IFFm's primary liabilities are the bonds that it has issued. IFFm'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 increased from USD 815.3 million as of March 31, 2023 to USD 841.3 million as of June 30, 2023¹. The increase is primarily due to donor inflows from the United Kingdom, which were partially offset by debt service and administrative costs.

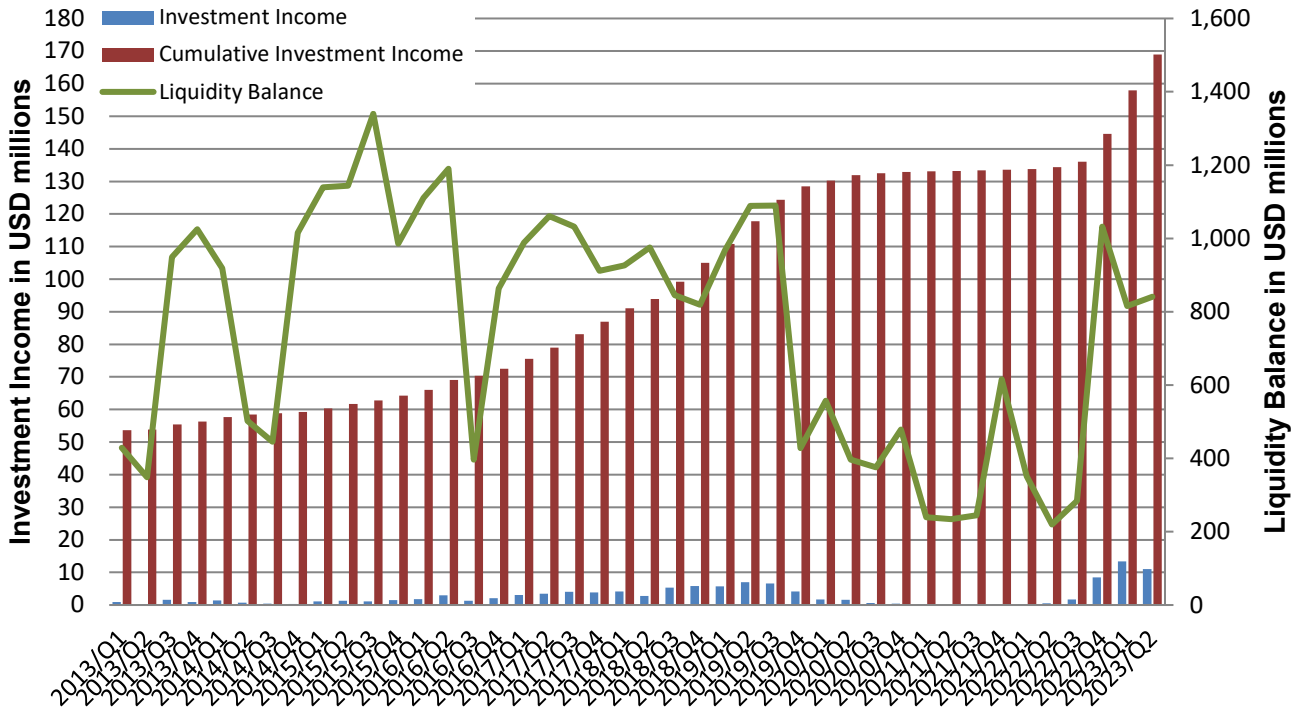
Table 4 - Summary of Cash Flows for IFFIm²

In USD millions		
Balance, March 31, 2023	(A)	815.3
Inflows from bonds (including related swaps)		0.3
Inflows from donors (including related swaps)		43.7
Investment income		11.2
Swap recouping		10.3
Total inflows	(B)	65.5
Disbursement for approved programs		0.0
Debt service		38.6
Bond repayment		0.0
Administrative costs		0.8
Total outflows	(C)	39.4
Balance, June 30, 2023	(A)+(B)-(C)	841.3

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.

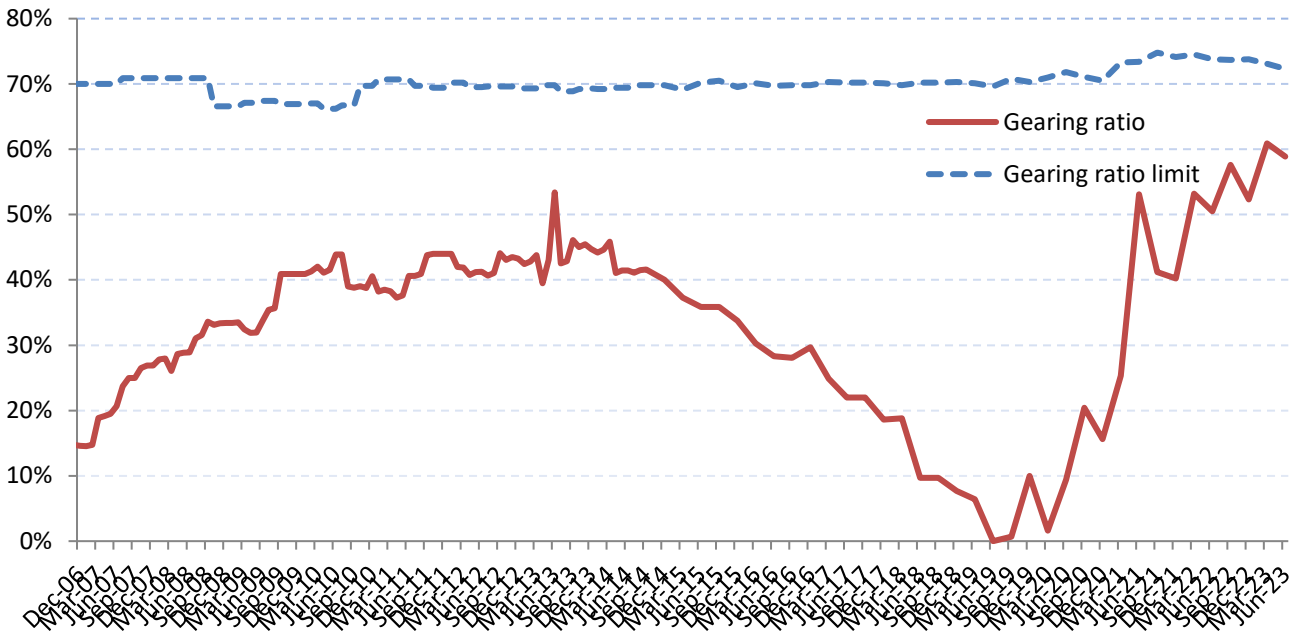
² The figures provided in this table may differ from those that will appear in IFFIm's financial statements.

Chart 2 - Investment income and liquidity balance



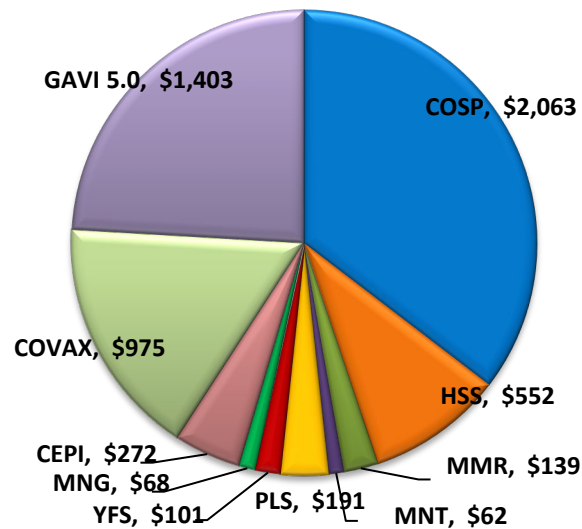
The Gearing Ratio Limit approved by the IFFIm Board for the second quarter of 2023 was 72.3%. The Risk Management Buffer (RMB) was adjusted down to zero after the swap re-coupons transaction in 2020, as such the approved Gearing Ratio Limit less the RMB is at 72.3%. The end-June 2023 actual gearing ratio decreased to 58.9% from the end-March 2023 level of 60.9%.

Chart 3 - Gearing Ratio and Gearing Ratio Limit



Disbursements from IFFIm to GAVI for approved programs. As of June 30, 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 June 30, 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 second quarter of 2023 amounted to USD 720,623. Compared with 1/4th of the regular billed amount the actual costs were higher by USD 66,873. 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, Q2 CY2023
Amounts in USD

Client: International Finance Facility for Immunization					
Billing period: 2023 Q2 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					325,356
• Bond Issuance – market research, design, execution	82,926	-			82,926
• Investment management fee (4.5 bps on average liquidity)			90,297		90,297
• Financial risk management (staff time and swaps fees)	74,815		77,318		152,133
B. Treasury Manager Administration and Support Costs					395,267
• Donor Relations, Management of Donor Pledges and Payments	58,144	2,855			60,999
• Fund Management (commitments, disbursements, programme tracking)	64,605	2,855			67,460
• Ratings maintenance including gearing ratio analysis, liquidity	105,001	-			105,001
• Accounting and Reporting	67,241	-			67,241
• IT: IFFIm systems development and maintenance	-				-
• Legal	35,073				35,073
• Preparation and reporting for IFFIm Board Meetings	59,494				59,494
Total invoice	547,299	5,710	167,615	-	720,623

Client: International Finance Facility for Immunization					
Billing period: 2023 Q2 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					350,750
• 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 and maintenance					
• Legal	46,500	-	-	-	46,500
• Preparation and reporting for IFFIm Board Meetings	47,000	-	-	-	47,000
Total invoice	478,500	-	175,250	-	653,750

Client: International Finance Facility for Immunization					
Billing period: 2022 Q2 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					22,356
• Bond Issuance – market research, design, execution	(1,574)	-	-	-	(1,574)
• Investment management fee (4.5 bps on average liquidity)	-	-	2,547	-	2,547
• Financial risk management (staff time and swaps fees)	31,565	-	(10,182)	-	21,383
B. Treasury Manager Administration and Support Costs					44,517
• Donor Relations, Management of Donor Pledges and Payments	24,894	2,855	-	-	27,749
• Fund Management (commitments, disbursements, programme track	27,605	2,855	-	-	30,460
• Ratings maintenance including gearing ratio analysis, liquidity	17,751	-	-	-	17,751
• Accounting and Reporting	(32,509)	-	-	-	(32,509)
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	(11,427)	-	-	-	(11,427)
• Preparation and reporting for IFFIm Board Meetings	12,494	-	-	-	12,494
Total invoice	68,799	5,710	(7,635)	-	66,873