



To: IFFIm Board of Directors

From: The World Bank, as IFFIm Treasury Manager

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

The Treasury Manager's quarterly report on the financial management activities of IFFIm for the third 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 Third Quarter of 2022

I. International Capital Market Environment

The FED held FOMC and decided to raise rate by 75bps on November 2nd. The FED modified the policy statement to emphasize the amount of cumulative tightening, rather than focusing on the speed of hikes, and considering the lags when looking at the future course of rate hikes. Despite Chair Powell mentioning that slower pace of rate hikes could start as soon as the December meeting, he pointed out that incoming data continued to stay strong especially in the labor market which narrowed the path to a soft landing and has been pushing the FED to tighten more. He reiterated that it is very premature to consider pausing rate hikes.

ECB held the Governing Council and decided to raise rate by 75bps on October 27th. ECB indicated that the bank would raise rate for several meetings while holding stances of assessing the rate hikes in meeting-by-meeting and adding that the bank will go above terminal rate if needed. President Lagarde noted that the risk to economic outlook is clearly in downside, and economy activities are weakening through the beginning of next year.

BOE held Monetary Policy Committee (MPC) meeting and decided to raise rate by 75bps to 3% on November 4th. At the press conference, Governor Bailey brought down the market expectation for the scale of future rate hikes by noting that the expectation on the peak of policy rate around 5.25% in late October was too high and stressing that the terminal rate will be lower than market expectation.

II. Funding Activities

a. Issuance of Notes

IFFIm issued a 3yr GBP 250 million bond during the third quarter. This bond marks an impressive return of IFFIm to the GBP market. While the GBP market has been volatile, the transaction was very well received throughout the two-day execution window, supported through extensive investor outreach efforts prior to launch. IFFIm's bond attracted more than GBP 400 million orders from 26 investors, including more than 10 new investors.

Since IFFIm's inception, the Treasury Manager has arranged for IFFIm to issue a total of USDeq 8.2 billion through 40 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 third quarter of 2022 as well as indicative benchmark issuance costs for IFFIm as of September 30, 2022.

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

USD

Issuer	Amount (\$ billion)	Issue date	Maturity Date	Maturity (years)	All-in Spread (bps)
IFC	2.0	9/15/2022	9/15/2025	3	SOFR + 29
EIB	4.0	8/30/2022	11/15/2027	5	SOFR + 42
IBRD	4.0	7/19/2022	6/15/2027	5	SOFR + 44
<i>IFFIm Indications as at 9/30/2022*</i>					All-in Spread (bps)
<i>IFFIm</i>	<i>0.5 min</i>			3	<i>SOFR + 53</i>
<i>IFFIm</i>	<i>0.5 min</i>			5	<i>SOFR+ 60</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 September 30, 2022 i.e. as of the end of Q3 2022. In addition, 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. In January 2022, S&P affirmed IFFIm’s AA rating with stable outlook.

Table 2 – IFFIm and Main Donor Credit Ratings as of September 30, 2022

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

Investor and media outreach: The Treasury Manager continued to reach out to potential investors in preparation of IFFIm’s GBP bond during the quarter. 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 267 million. The portfolio is divided into two tranches: Operational and Stable.

Table 3 - IFFIm Investment Activity and Performance

IFFIm - International Finance Facility for Immunisation

September
20
22

Portfolio Performance

Portfolio Returns and Excess Returns Before Fees

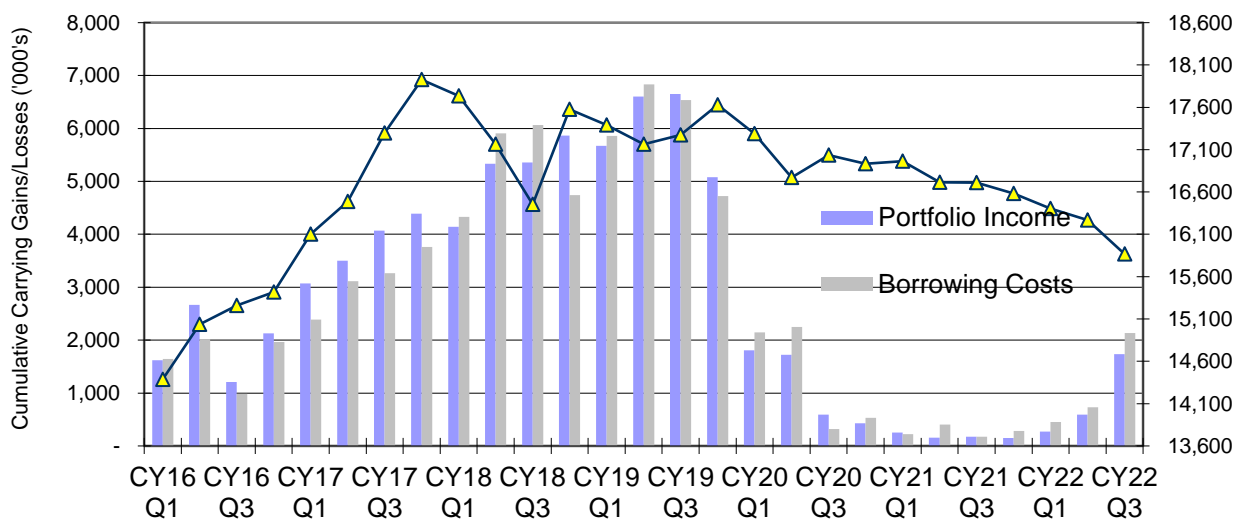
Benchmark Description	Current Benchmark Effective Date	30-Sep-22	Q1FY23		Client FY to date ^{1/}		Rolling One-Year		Rolling Five-Year		
			Size (USD)	Non-annualized Portfolio Return (%)	Excess Return (bps)	Non-annualized Portfolio Return (%)	Excess Return (bps)	Portfolio Return (%)	Excess Return (bps)	Annualized Portfolio Return (%)	Excess Return (bps)
IFFIm		267,426,764	0.49	(4)	0.76	4	0.78	6	1.46	24	
Operational Cash	ICE BofA SOFR Overnight Rate Index	11/1/16	59,201,052	0.58	6	0.85	15	0.87	17	1.40	39
Stable Cash	SOFR Overnight Index	3/31/22	208,225,712	0.55	2	0.80	5	0.84	9	1.54	28

^{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 approximately \$16 million.

Chart 1 - IFFIm’s cumulative carry since inception (as of September 30, 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 increased from USD 220 million as of June 30, 2022 to USD 284 million as of September 30, 2022¹. The increase is mainly due to bond proceeds of USD 300 million equivalent from a vaccine bond newly issued in July, which is partially offset by USD 229 million disbursement for GAVI 5.0 program.

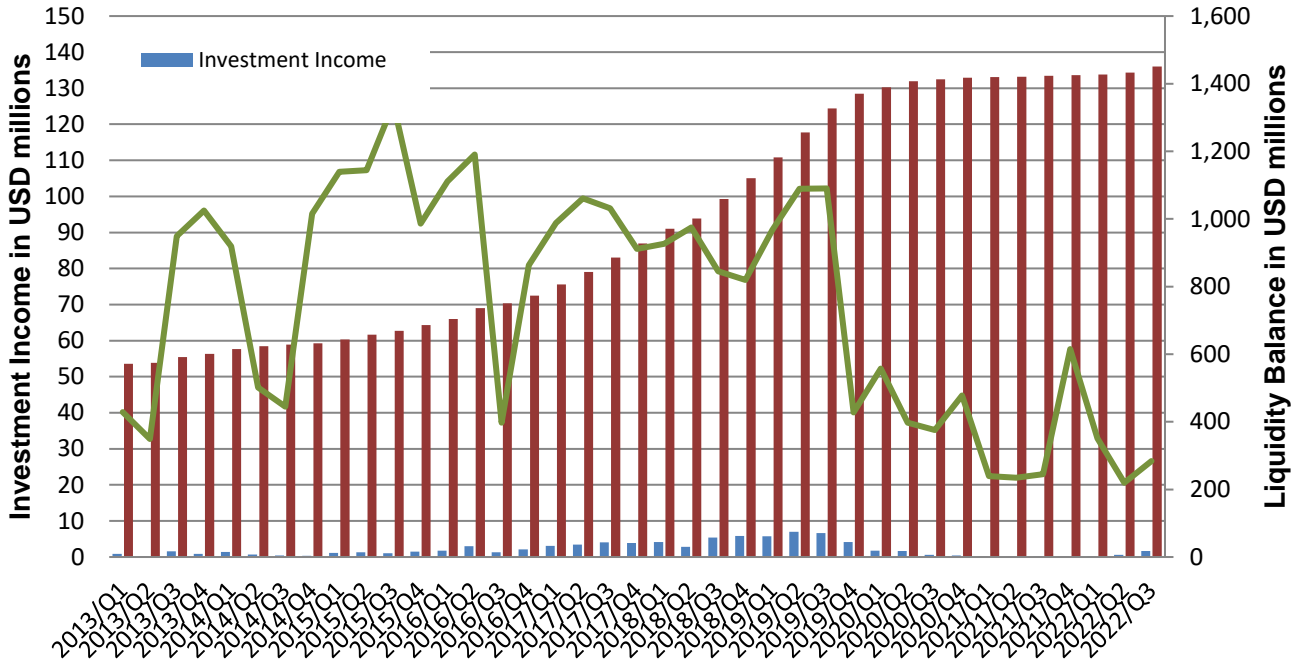
Table 4 - Summary of Cash Flows for IFFIm²

In USD millions		
Balance, June 30, 2022	(A)	220
Inflows from bonds (including related swaps)		300
Inflows from donors (including related swaps)		(2)
Investment income		1.7
Total inflows	(B)	299
Disbursement for approved programs		229
Debt service		5.23
Bond repayment		-
Swap recouping		-
Administrative costs		1.02
Total outflows	(C)	235
Balance, September 30, 2022	(A)+(B)-(C)	284

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.

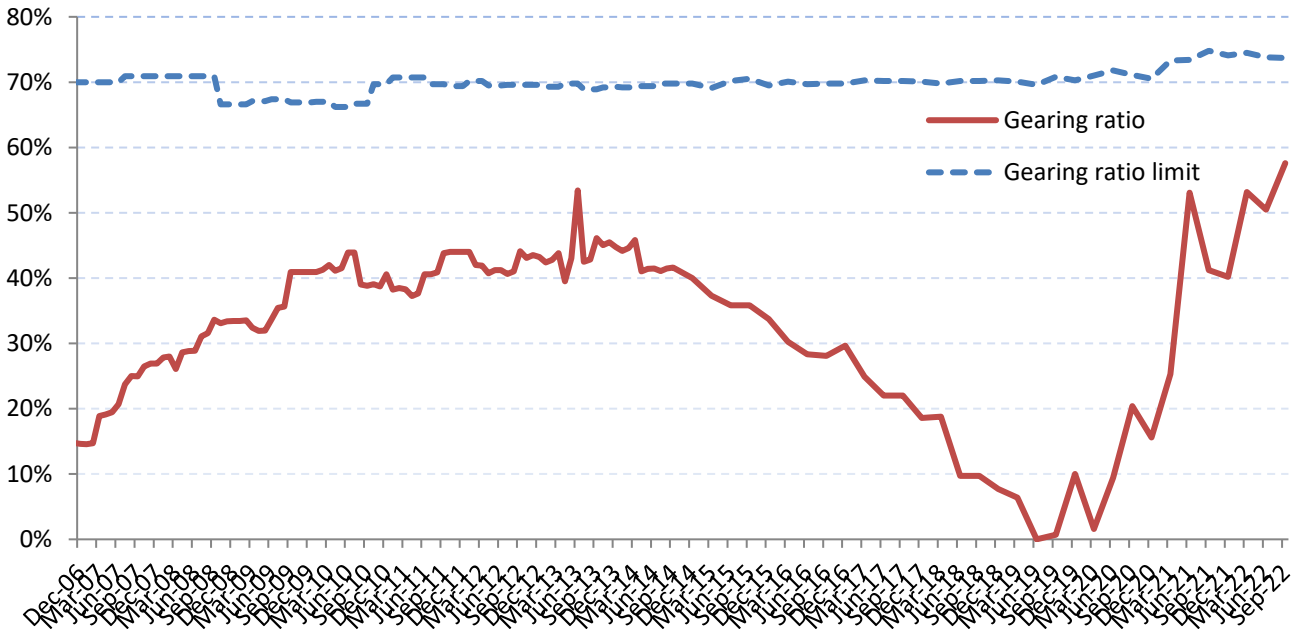
² The figures provided in this table may differ from those that will appear in IFFIm’s financial statements.

Chart 2 - Investment income and liquidity balance



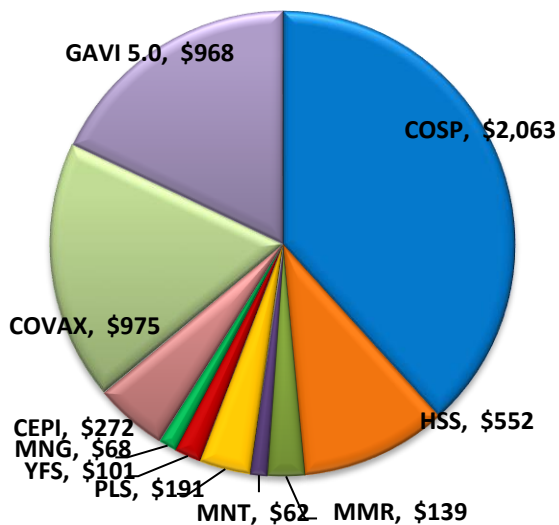
The Gearing Ratio Limit approved by the IFFIm Board for the third quarter of 2022 was 73.7%. The Risk Management Buffer was adjusted down to zero after the swap re-coupons transaction, and the approved Gearing Ratio was 73.7%. The end-September 2022 actual gearing ratio increased to 57.6% from the end-June 2022 level of 50.5%.

Chart 3 - Gearing Ratio and Gearing Ratio Limit



Disbursements from IFFIm to GAVI for approved programs. As of September 30, 2022, cumulative program disbursements from IFFIm to GAVI since inception amounted to USD 5.39 billion. The breakdown of these transfers by program is summarized below.

**Chart 4 - Transfers from IFFIm to GAVI Alliance
Inception to September 30, 2022 - USD 5.39 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 third quarter of 2022 amounted to USD 567,889³. Compared with 1/4th of the regular billed amount, the actual costs were lower by USD 14,361. 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, Q3 CY2022
Amounts in USD

Client: International Finance Facility for Immunization					
Billing period: 2022 Q3 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					239,975
• Bond Issuance – market research, design, execution	92,980	-			92,980
• Investment management fee (4.5 bps on average liquidity)			33,417		33,417
• Financial risk management (staff time and swaps fees)	24,845		88,733		113,578
B. Treasury Manager Administration and Support Costs					327,914
• Donor Relations, Management of Donor Pledges and Payments	28,753	-			28,753
• Fund Management (commitments, disbursements, programme tracking)	31,947	-			31,947
• Ratings maintenance including gearing ratio analysis, liquidity	90,865	-			90,865
• Accounting and Reporting	93,674	-			93,674
• IT: IFFIm systems development and maintenance	-				-
• Legal	40,262				40,262
• Preparation and reporting for IFFIm Board Meetings	42,413				42,413
Total invoice	445,739	-	122,150	-	567,889

Client: International Finance Facility for Immunization					
Billing period: 2022 Q3 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					337,000
• 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	82,750	-	-	-	82,750
• Accounting and Reporting	98,250	-	-	-	98,250
• IT: IFFIm systems development and maintenance					
• Legal	37,250	-	-	-	37,250
• Preparation and reporting for IFFIm Board Meetings	48,500	-	-	-	48,500
Total invoice	451,500	-	130,750	-	582,250

Client: International Finance Facility for Immunization					
Billing period: 2022 Q3 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					(5,275)
• Bond Issuance – market research, design, execution	2,480	-	-	-	2,480
• Investment management fee (4.5 bps on average liquidity)	-	-	(11,583)	-	(11,583)
• Financial risk management (staff time and swaps fees)	845	-	2,983	-	3,828
B. Treasury Manager Administration and Support Costs					(9,086)
• Donor Relations, Management of Donor Pledges and Payments	(4,497)	-	-	-	(4,497)
• Fund Management (commitments, disbursements, programme track	(5,053)	-	-	-	(5,053)
• Ratings maintenance including gearing ratio analysis, liquidity	8,115	-	-	-	8,115
• Accounting and Reporting	(4,576)	-	-	-	(4,576)
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	3,012	-	-	-	3,012
• Preparation and reporting for IFFIm Board Meetings	(6,087)	-	-	-	(6,087)
Total invoice	(5,761)	-	(8,600)	-	(14,361)

³ The actual costs for Q3 CY2022 shown in Table 5 does not include costs for IBRD swap capacity work. The total cost for this work will be presented along with the CY23 budget document for board approval.