



To: IFFIm Board of Directors

From: The World Bank, as IFFIm Treasury Manager

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

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

Third Quarter of 2023

I. International Capital Market Environment

The US Federal Reserve Bank kept interest rates stable. However, the Fed chairman left the possibility of more rate hikes open, citing strong employment and above-trend growth.

The ECB decided to keep its main interest rates, including those for refinancing operations, the marginal lending facility and the deposit facility unchanged at 4.50%, 4.75% and 4.00% respectively.

The Bank of England kept its benchmark interest rate at 5.25% and stated that it was too early to consider rate cuts. While officials did not predict a technical recession, they signaled that the economy may stagnate in the coming year. They project that inflation will return to the target in early 2025 if rates remain unchanged.

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 third quarter of year 2023 and, indicative benchmark issuance costs for IFFIm as of September 30, 2023.

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

USD

Issuer	Amount (\$ billion)	Issue date	Maturity Date	Maturity (years)	All-in Spread (bps)
IBRD	3.5	9/26/2023	8/1/2028	5	SOFR + 37
KFW	5.0	9/7/2023	8/7/2026	3	SOFR + 28
KBN	1.25	9/1/2023	9/1/2028	5	SOFR + 47
Asia Development Bank	4.0	8/31/2023	8/25/2028	5	SOFR + 38
<i>IFFIm Indications as at 9/29/2023*</i>					All-in Spread (bps)
<i>IFFIm</i>	<i>0.5 min</i>			3	<i>SOFR + 45</i>
<i>IFFIm</i>	<i>0.5 min</i>			5	<i>SOFR + 55</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 November 15th 2023. In October 2023, Moody's changed IFFIm's outlook to Stable from Negative following its decision to upgrade UK's outlook to Stable. Fitch affirmed IFFIm's credit rating at AA- in June 2023 with a negative outlook. In December 2022, S&P affirmed IFFIm's AA rating but revised IFFIm's outlook to Negative. IFFIm is scheduled to have its annual meeting with S&P on 16 November 2023.

Table 2 – IFFIm and Main Donor Credit Ratings as of November 15, 2023

Donor Name	S&P	Outlook	MOODY	Outlook	FITCH	Outlook
FRANCE	AA	Negative	Aa2	Stable	AA-	Stable
UNITED KINGDOM	AA	Stable	Aa3	Stable	AA-	Negative
IFFIm	AA	Negative	Aa1	Stable	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 828 million. The portfolio is divided into two tranches: Operational and Stable.

Table 3 - IFFIm Investment Activity and Performance

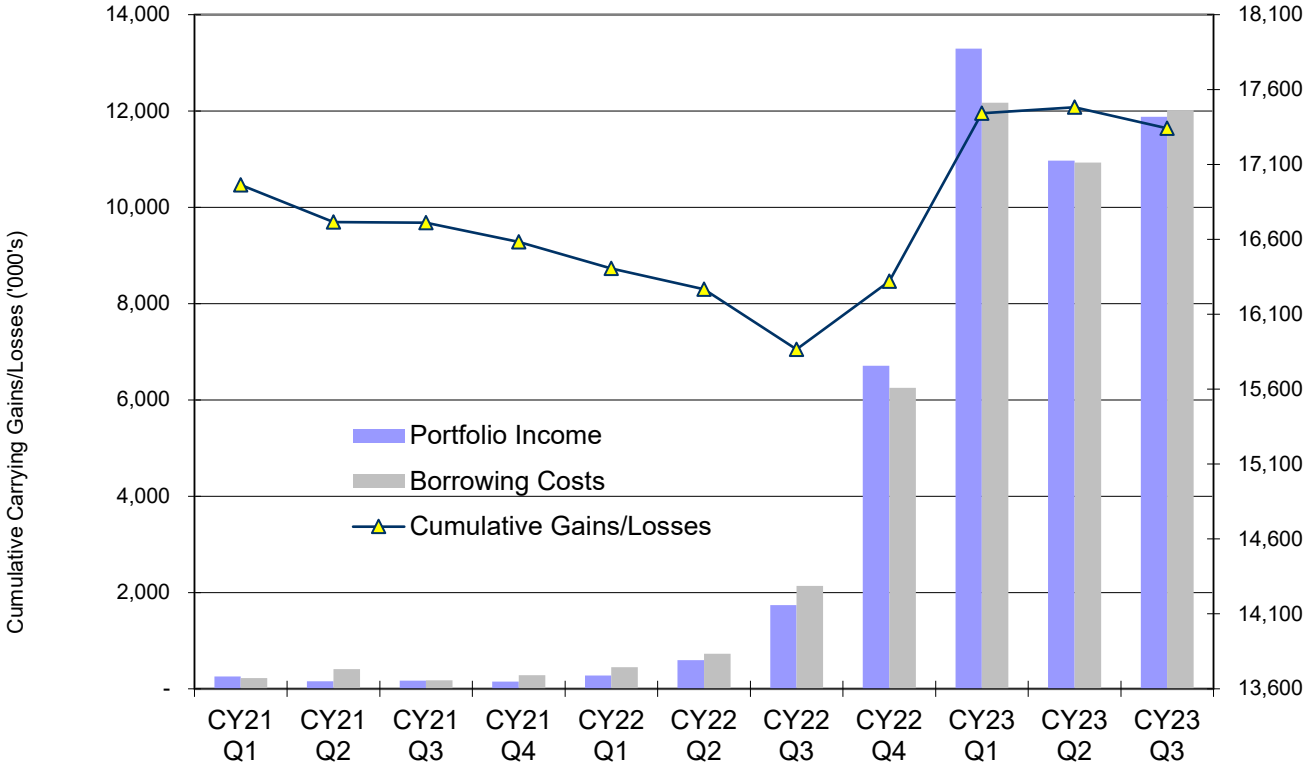
IFFIm - International Finance Facility for Immunisation										September	
Portfolio Performance										2	0
Portfolio Returns and Excess Returns Before Fees										2	3
Benchmark Description	Current Benchmark Effective Date	30-Sep-23	Q4FY23		Client FY to date ^{1/}		Rolling One-Year		Rolling Five-Year		
		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 (%)	Annualized Excess Return (bps)	
IFFIm		828,029,272	1.44	9	4.18	41	5.37	65	2.13	32	
Operational Cash	SOFR Overnight Rate Index	11/1/16	65,666,156	1.26	(8)	3.41	(27)	4.36	(22)	1.89	27
Stable Cash	SOFR Overnight Index	3/31/22	762,363,117	1.46	12	4.25	47	5.48	75	2.22	38

^{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 carrying gain is over \$17 million.

Chart 1 - IFFIm’s cumulative carrying gain since inception as of September 30, 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 841.3 million as of June 30, 2023 to USD 831.5 million as of September 30, 2023¹. The decrease is primarily due to debt service and administrative costs which were partially offset by investment income.

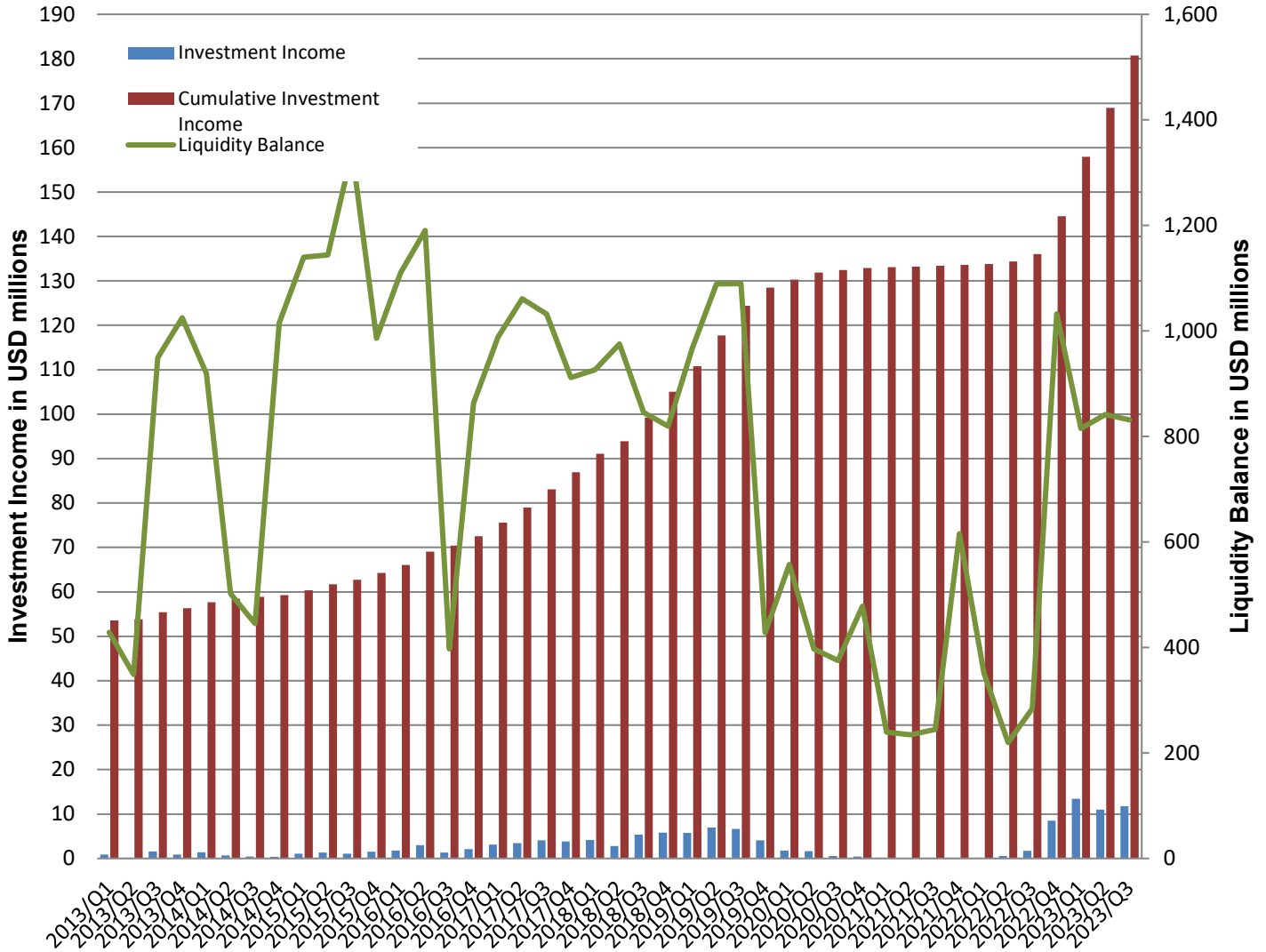
Table 4 - Summary of Cash Flows for IFFIm²

In USD millions		as of Sep 30, 2023
Balance, June 30, 2023	(A)	841.3
Inflows from bonds (including related swaps)		0.0
Inflows from donors (including related swaps)		(0.1)
Investment income		11.5
Swap recouping		0.0
Total inflows	(B)	11.4
Disbursement for approved programs		0.0
Debt service		20.6
Bond repayment		0.0
Administrative costs		0.7
Total outflows	(C)	21.3
Balance, Sep 30, 2023	(A)+(B)-(C)	831.5

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.

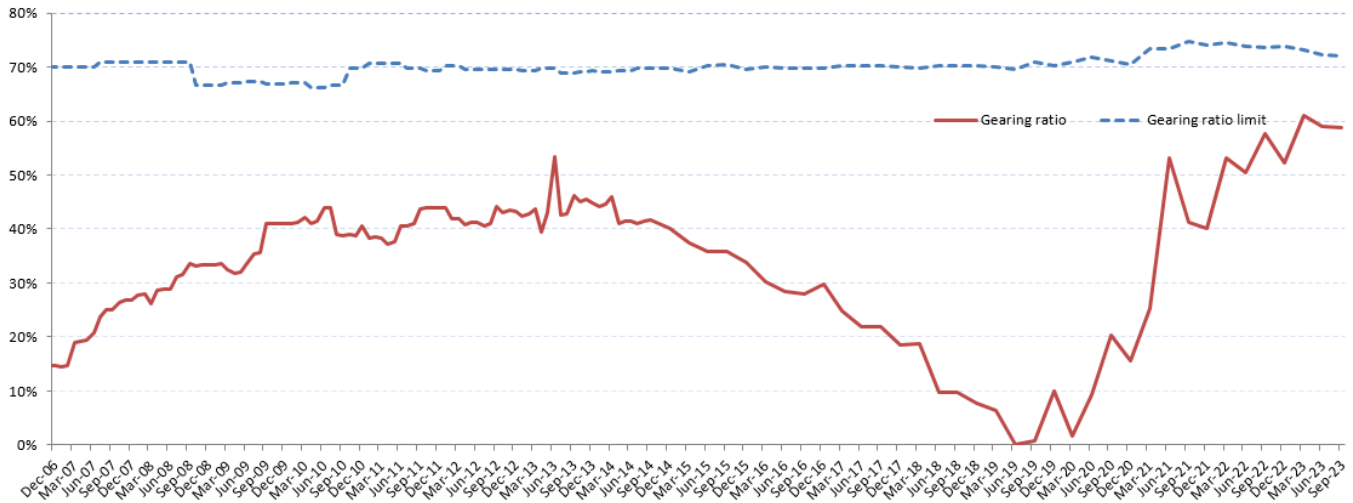
² The figures provided in this table may differ from those that will appear in IFFIm's financial statements.

Chart 2 - Investment income and liquidity balance



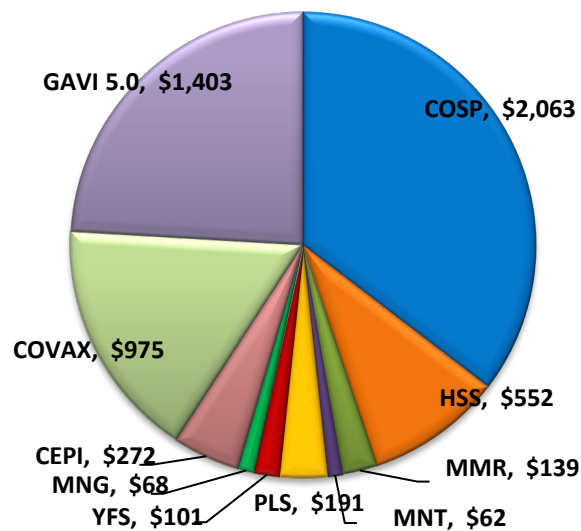
The Gearing Ratio Limit approved by the IFFIm Board for the third quarter of 2023 was 72.1%. The Risk Management Buffer (RMB) was adjusted down to zero after the swap re-couponsing transaction in 2020, as such the approved Gearing Ratio Limit less the RMB is at 72.1%. The end-September 2023 actual gearing ratio decreased to 58.7% from the end-June 2023 level of 58.9%.

Chart 3 - Gearing Ratio and Gearing Ratio Limit



Disbursements from IFFIm to GAVI for approved programs. As of September 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 September 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 third quarter of 2023 amounted to USD 512,971. Compared with 1/4th of the regular billed amount the actual costs were lower by USD 140,779. 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 CY2023
Amounts in USD

Client: International Finance Facility for Immunization					
Billing period: 2023 Q3 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					256,558
• Bond Issuance – market research, design, execution	43,689	-			43,689
• Investment management fee (4.5 bps on average liquidity)			90,148		90,148
• Financial risk management (staff time and swaps fees)	44,048		78,673		122,721
B. Treasury Manager Administration and Support Costs					256,412
• Donor Relations, Management of Donor Pledges and Payments	28,771	1,663			30,435
• Fund Management (commitments, disbursements, programme tracking)	31,968	1,663			33,631
• Ratings maintenance including gearing ratio analysis, liquidity	64,459	-			64,459
• Accounting and Reporting	86,104	-			86,104
• IT: IFFIm systems development and maintenance	-				-
• Legal	11,681				11,681
• Preparation and reporting for IFFIm Board Meetings	30,103				30,103
Total invoice	340,823	3,327	168,821	-	512,971

Client: International Finance Facility for Immunization					
Billing period: 2023 Q3 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 tr	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: 2023 Q3 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					(46,442)
• Bond Issuance – market research, design, execution	(40,811)	-	-	-	(40,811)
• Investment management fee (4.5 bps on average liquidity)	-	-	2,398	-	2,398
• Financial risk management (staff time and swaps fees)	798	-	(8,827)	-	(8,029)
B. Treasury Manager Administration and Support Costs					(94,338)
• Donor Relations, Management of Donor Pledges and Payments	(4,479)	1,663	-	-	(2,815)
• Fund Management (commitments, disbursements, programme tr	(5,032)	1,663	-	-	(3,369)
• Ratings maintenance including gearing ratio analysis, liquidity	(22,791)	-	-	-	(22,791)
• Accounting and Reporting	(13,646)	-	-	-	(13,646)
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	(34,819)	-	-	-	(34,819)
• Preparation and reporting for IFFIm Board Meetings	(16,897)	-	-	-	(16,897)
Total invoice	(137,677)	3,327	(6,429)	-	(140,779)