



To: IFFIm Board of Directors

From: The World Bank, as IFFIm Treasury Manager

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

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

Fourth Quarter of 2022

I. International Capital Market Environment

The FOMC raised the Fed funds target rate range by 25bps to 4.50-4.75% in February 2023. The Committee left the wording around “ongoing increases” unchanged but replaced “pace” with “extent” in discussing potential future increases in the target range.

The ECB raised the deposit facility rate, the effective policy rate, to 2.50% in February 2023. President Lagarde’s message in the press conference was hawkish. Lagarde reiterated the ECB’s determination to “stay the course”.

The Bank of England raised Bank Rate by 50bps to 4% in February 2023, the highest rate since the 2008 Financial Crisis. Two policy members voted for unchanged rates, while five went for 50bps hike. Despite the hike Committee’s forward guidance message was perceived as dovish by the market.

II. Funding Activities

a. Issuance of Notes

IFFIm issued a 3yr USD 500 million bond during the fourth quarter. This bond was well placed with a high quality order book of almost \$600 million orders from 20 investors across the globe. With this transaction, IFFIm has successfully secured funding needed to meet IFFIm’s liquidity policy as well as projected disbursement to Gavi in the coming months.

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 Supranational/Non-U.S. Agency benchmark issuance activities during the fourth quarter of 2022 as well as indicative benchmark issuance costs for IFFIm as of December 30, 2022 are in table-1 below for illustration purposes.

Table 1 – Selected Supranational/Non-U.S. Agency Benchmark Issuance

Fourth Quarter of 2022

USD

Issuer	Amount (\$ billion)	Issue date	Maturity Date	Maturity (years)	All-in Spread (bps)
KBN	2.0	10/25/2022	10/24/2025	3	SOFR + 41
<i>IFFIm Indications as at 12/30/2022*</i>					All-in Spread (bps)
<i>IFFIm</i>	<i>0.5 min</i>			3	<i>SOFR + 54</i>
<i>IFFIm</i>	<i>0.5 min</i>			5	<i>SOFR + 64</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 December 30, 2022. All the three credit rating agencies have changed IFFIm’s outlook to “Negative” from “Stable” following their decision to lower UK’s outlook to “Negative”. In December 2022, S&P affirmed IFFIm’s AA rating. In October 2022, Fitch and Moody’s affirmed IFFIm’s credit rating at AA- and Aa1.

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

Donor Name	S&P	Outlook	MOODY	Outlook	FITCH	Outlook
FRANCE	AA	Negative	Aa2	Stable	AA	Negative
UNITED KINGDOM	AA	Negative	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 in preparation of IFFIm’s USD 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 1,005 million. The portfolio is divided into two tranches: Operational and Stable.

Table 3 - IFFIm Investment Activity and Performance

Portfolio Returns and Excess Returns Before Fees

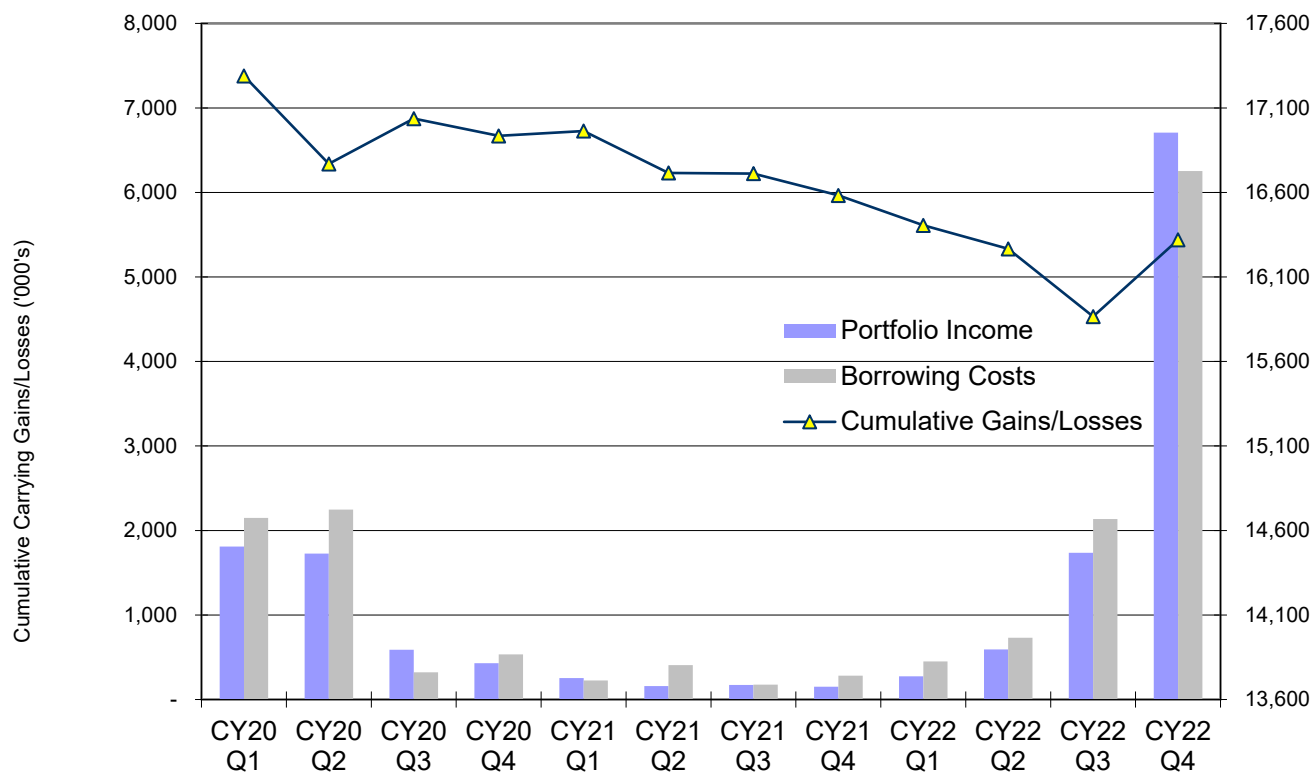
	Benchmark Description	Current Benchmark Effective Date	31-Dec-22 Size (USD)	Q2FY23		Client FY to date ^{1/}		Rolling One-Year		Rolling Five-Year	
				Non-annualized Portfolio Return (%)	Excess Return (bps)	Non-annualized Portfolio Return (%)	Excess Return (bps)	Portfolio Return (%)	Excess Return (bps)	Annualized Portfolio Return (%)	Excess Return (bps)
IFFIm			1,005,007,508	1.14	23	1.91	27	1.91	27	1.61	26
Operational Cash	SOFR Overnight Rate Index	11/1/16	65,703,350	0.92	5	1.79	20	1.79	20	1.51	38
Stable Cash	SOFR Overnight Index	3/31/22	939,304,148	1.18	26	1.99	31	1.99	31	1.69	31

^{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 December 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 284 million as of September 30, 2022 to USD 1,032 million as of December 31, 2022¹. The increase is primarily due to bond proceeds of USD 500 million from a fixed-rate vaccine bond newly issued in October 2022 and donor inflows from the United Kingdom, Spain, Netherlands, and Brazil.

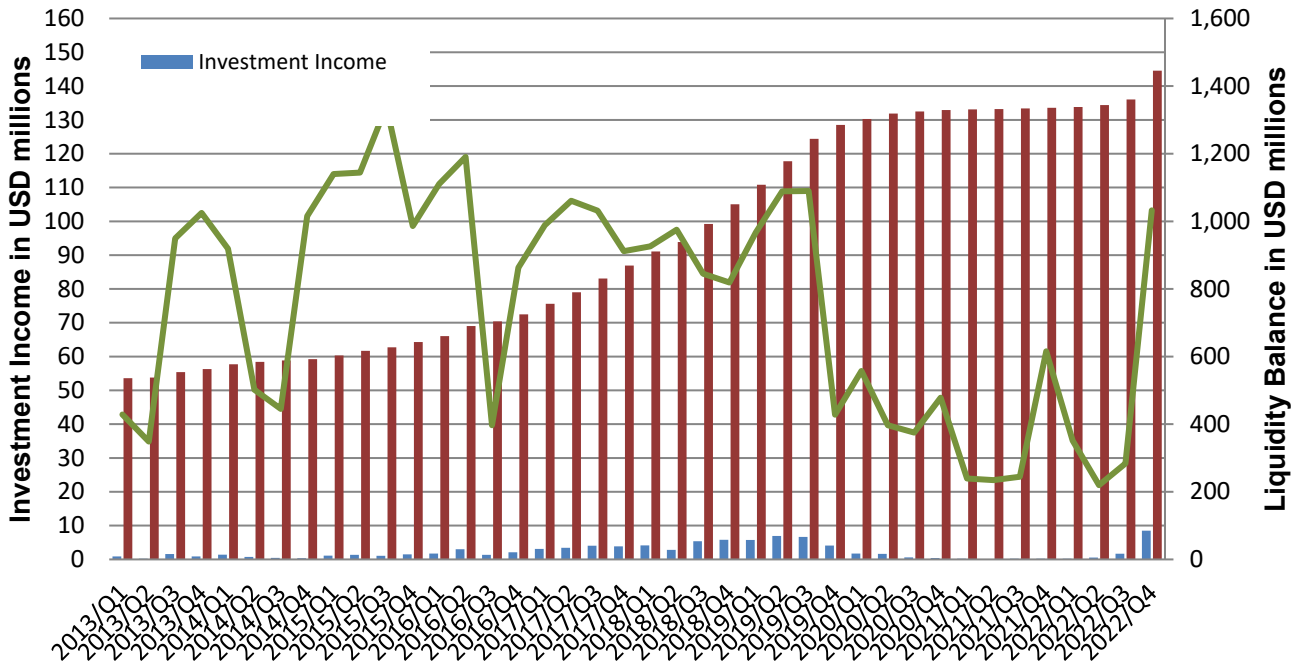
Table 4 - Summary of Cash Flows for IFFIm²

In USD millions		
Balance, September 30, 2022	(A)	284
Inflows from bonds (including related swaps)		502
Inflows from donors (including related swaps)		254
Investment income		8.6
Total inflows	(B)	764
Disbursement for approved programs		-
Debt service		14.8
Bond repayment		-
Swap recouping		-
Administrative costs		0.68
Total outflows	(C)	16
Balance, December 31, 2022	(A)+(B)-(C)	1,032

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.

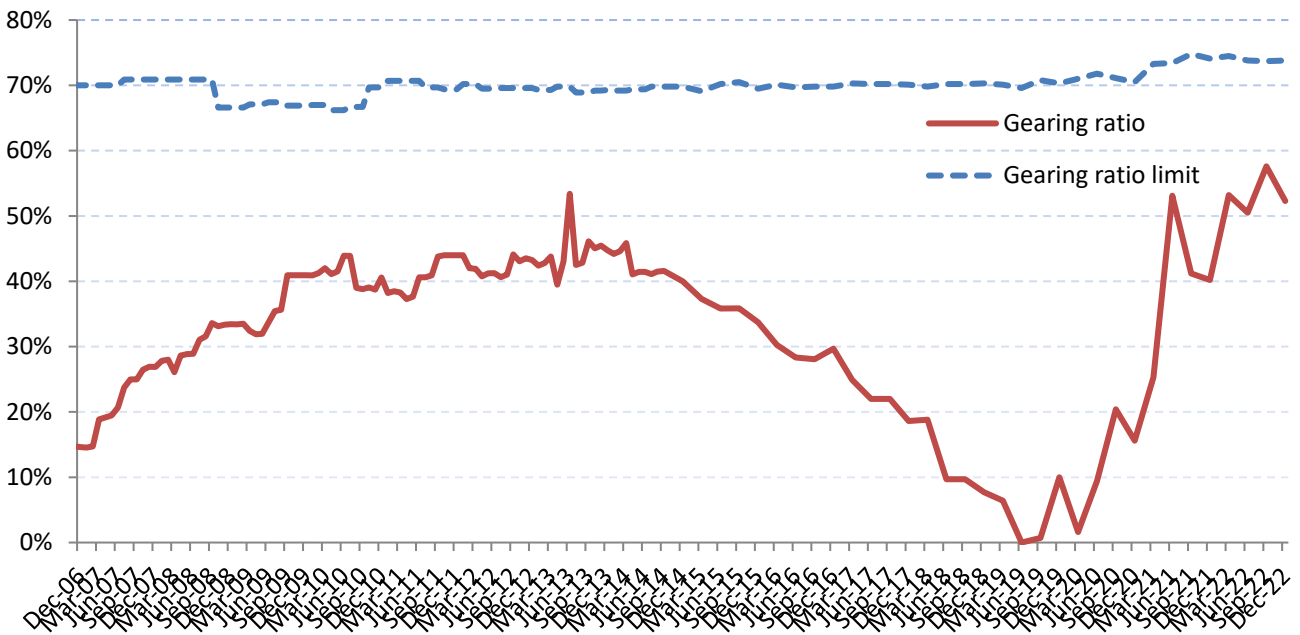
² The figures provided in this table may differ from those that will appear in IFFIm’s financial statements.

Chart 2 - Investment income and liquidity balance



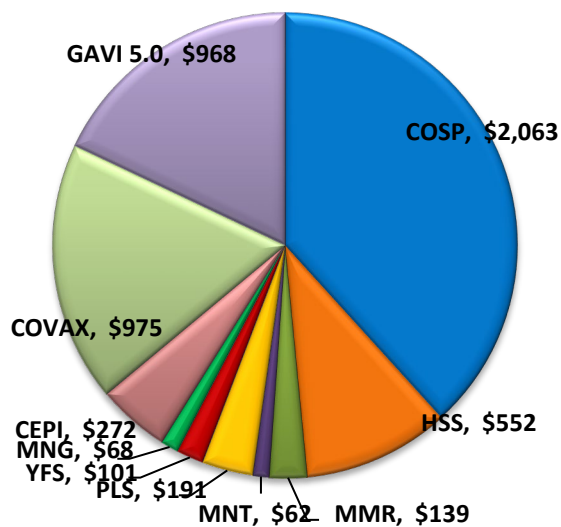
The Gearing Ratio Limit approved by the IFFIm Board for the fourth quarter of 2022 was 73.8%. The Risk Management Buffer (RMB) was adjusted down to zero after the swap re-couponsing transaction in 2020, as such the approved Gearing Ratio Limit was 73.8%. The end-December 2022 actual gearing ratio decreased to 52.3% from the end-September 2022 level of 57.6%.

Chart 3 - Gearing Ratio and Gearing Ratio Limit



Disbursements from IFFIm to GAVI for approved programs. As of December 31, 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 December 31, 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 fourth quarter of 2022 amounted to USD 639,470³. Compared with 1/4th of the regular billed amount the actual costs were higher by USD 57,220. 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, Q4 CY2022
Amounts in USD

Client: International Finance Facility for Immunization					
Billing period: 2022 Q4 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					307,660
• Bond Issuance – market research, design, execution	108,994	-			108,994
• Investment management fee (4.5 bps on average liquidity)			87,832		87,832
• Financial risk management (staff time and swaps fees)	24,245		86,589		110,834
B. Treasury Manager Administration and Support Costs					331,809
• Donor Relations, Management of Donor Pledges and Payments	44,371	-			44,371
• Fund Management (commitments, disbursements, programme tracking)	49,301	-			49,301
• Ratings maintenance including gearing ratio analysis, liquidity	99,264	-			99,264
• Accounting and Reporting	44,981	-			44,981
• IT: IFFIm systems development and maintenance	-				-
• Legal	37,064				37,064
• Preparation and reporting for IFFIm Board Meetings	56,829				56,829
Total invoice	465,049	-	174,421	-	639,470

Client: International Finance Facility for Immunization					
Billing period: 2022 Q4 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 Q4 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					62,410
• Bond Issuance – market research, design, execution	18,494	-	-	-	18,494
• Investment management fee (4.5 bps on average liquidity)	-	-	42,832	-	42,832
• Financial risk management (staff time and swaps fees)	245	-	839	-	1,084
B. Treasury Manager Administration and Support Costs					(5,191)
• Donor Relations, Management of Donor Pledges and Payments	11,121	-	-	-	11,121
• Fund Management (commitments, disbursements, programme track	12,301	-	-	-	12,301
• Ratings maintenance including gearing ratio analysis, liquidity	16,514	-	-	-	16,514
• Accounting and Reporting	(53,269)	-	-	-	(53,269)
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	(186)	-	-	-	(186)
• Preparation and reporting for IFFIm Board Meetings	8,329	-	-	-	8,329
Total invoice	13,549	-	43,671	-	57,220

³ The actual costs for Q4 CY2022 shown in Table 5 does not include costs for IBRD swap capacity work. The total cost for this work has already been approved by the IFFIm Board along with the CY23 budget.

The actual Treasury Manager's costs for 2022 were USD 2,686,043 as reflected in table 6 below. The total actual costs were slightly higher than the 2022 billed amount by USD 7,043, primarily due to higher swap fee and legal costs, which are largely offset by lower accounting and reporting fees. The 2022 over-run will be reflected in the fee paid for year 2023.

Table 6 - Comparison of Treasury Manager's actual costs vs. billed estimates, CY2022
Amounts in USD

Client: International Finance Facility for Immunization					
Billing period: 2022 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					1,017,147
• Bond Issuance – market research, design, execution	351,941	-			351,941
• Investment management fee (4.5 bps on average liquidity)			172,094		172,094
• Financial risk management (staff time and swaps fees)	107,868		385,244		493,112
B. Treasury Manager Administration and Support Costs					1,668,896
• Donor Relations, Management of Donor Pledges and Payments	142,590	-			142,590
• Fund Management (commitments, disbursements, programme tracking)	158,433	-			158,433
• Ratings maintenance including gearing ratio analysis, liquidity	315,612	-			315,612
• Accounting and Reporting	327,207	-			327,207
• IT: IFFIm systems development and maintenance	350,000				350,000
• Legal	192,010				192,010
• Preparation and reporting for IFFIm Board Meetings	183,045				183,045
Total invoice	2,128,705	-	557,338	-	2,686,043

Client: International Finance Facility for Immunization					
Billing period: 2022 Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					981,000
• Bond Issuance – market research, design, execution	362,000	-	-	-	362,000
• Investment management fee (4.5 bps on average liquidity)	-	-	180,000	-	180,000
• Financial risk management (staff time and swaps fees)	96,000	-	343,000	-	439,000
B. Treasury Manager Administration and Support Costs					1,698,000
• Donor Relations, Management of Donor Pledges and Payments	133,000	-	-	-	133,000
• Fund Management (commitments, disbursements, programme track	148,000	-	-	-	148,000
• Ratings maintenance including gearing ratio analysis, liquidity	331,000	-	-	-	331,000
• Accounting and Reporting	393,000	-	-	-	393,000
• IT: IFFIm systems development and maintenance	350,000	-	-	-	350,000
• Legal	149,000	-	-	-	149,000
• Preparation and reporting for IFFIm Board Meetings	194,000	-	-	-	194,000
Total invoice	2,156,000	-	523,000	-	2,679,000

Client: International Finance Facility for Immunization					
Billing period: 2022 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					36,147
• Bond Issuance – market research, design, execution	(10,059)	-	-	-	(10,059)
• Investment management fee (4.5 bps on average liquidity)	-	-	(7,906)	-	(7,906)
• Financial risk management (staff time and swaps fees)	11,868	-	42,244	-	54,112
B. Treasury Manager Administration and Support Costs					(29,104)
• Donor Relations, Management of Donor Pledges and Payments	9,590	-	-	-	9,590
• Fund Management (commitments, disbursements, programme track	10,433	-	-	-	10,433
• Ratings maintenance including gearing ratio analysis, liquidity	(15,388)	-	-	-	(15,388)
• Accounting and Reporting	(65,793)	-	-	-	(65,793)
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	43,010	-	-	-	43,010
• Preparation and reporting for IFFIm Board Meetings	(10,955)	-	-	-	(10,955)
Total invoice	(27,295)	-	34,338	-	7,043