



To: IFFIm Board of Directors

From: The World Bank, as IFFIm Treasury Manager

Subject: **Treasury Manager Report – First Quarter of 2020**

The Treasury Manager's quarterly report on the financial management activities of IFFIm for the first quarter of 2020 is attached. Questions concerning this report may be referred to Andrea Dore (adore@worldbank.org) or Benjamin Carcani (bcarcani@worldbank.org).

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# IFFIm: Treasury Manager Report

## First Quarter of 2020

### I. International Capital Market Environment

The Eurogroup announced a EUR 540 bn package in April, which includes EUR 240 bn of potential ESM support for euro area countries, EUR 200 bn for SMEs via EIB guarantees, and EUR 100 bn of loans for short-term work schemes across the EU. Finance ministers also agreed to work on a temporary fund that would help kick-start the recovery and support the hardest-hit countries. Meanwhile, the ECB announced easier collateral rules, to support the economy, including a waiver to accept Greek sovereign debt as collateral and reduced haircuts on credit. President Lagarde emphasized that the ECB can do more in a worst-case scenario.

In the UK, The BoE kept its rate unchanged at 0.1% on May 6, and the MPC voted 7-2 to maintain the asset purchase program at GBP 645 bn. Governor Bailey said that the BoE is keeping all options open and could increase the QE in June. In its monetary policy report, they presented an indicative forecast for the economy, projecting a 30% drop in economic activity in the UK in the first half of the year.

In the US, Fed kept the federal funds rate unchanged at 0-25bps on April 29, however, it was perceived as dovish, as Fed Chair Powell confirmed that Fed is committed to using its full range of tools to support the economy in this challenging time proactively and aggressively until Fed is confident that the US economy is solidly on the road to recovery.

### II. Funding Activities

#### a. Issuance of Notes

No new issuances were made during the quarter. Between IFFIm's inception and March 31<sup>st</sup>, 2020, the Treasury Manager has arranged for IFFIm to issue a total of USDeq 6.2 billion through 35 transactions in eight currencies: AUD, BRL, GBP, NZD, NOK, TRY, USD and ZAR.

#### b. Funding Strategy

Table 1 shows Supranational/Non-U.S. Agency benchmark issuance activities during the First quarter of 2020 as well as indicative benchmark issuance costs for IFFIm as of March 31<sup>st</sup>, 2020, for illustration purposes.

**Table 1 – Selected Supranational/Non-U.S. Agency Benchmark Issuance  
First Quarter of 2020**

## USD

Issuer	Amount (\$ billion)	Issue date	Maturity Date	Maturity (years)	All-in Spread (bps)
International Bank for Reconstruction and Development	3.5	1/15/20	1/15/25	5	\$LIBOR + 10.5
Inter-America Development Bank	3.0	1/16/20	3/14/2025	5.2	\$LIBOR + 11.5
Asian Development Bank	2.0	1/24/2020	1/24/2023	3	\$LIBOR + 8.3
European Investment Bank	3.0	2/11/2020	5/15/2023	3.3	\$LIBOR + 9
European Bank of Reconstruction and Development	0.9	2/13/2020	2/13/2025	5	\$LIBOR + 9.5
International Bank for Reconstruction and Development	3.5	3/11/2020	3/11/2025	5	\$LIBOR + 12.5
International Finance Corporation	1.0	3/20/20	3/20/23	3	\$LIBOR + 16.3
<i>IFFIm Indications as at 3/31/2020*</i>					<b>All-in Spread (bps)</b>
<i>IFFIm</i>	<i>1.0 min</i>			<i>3</i>	<i>\$LIBOR + 48</i>
<i>IFFIm</i>	<i>1.0 min</i>			<i>5</i>	<i>\$LIBOR + 54</i>
<i>IFFIm</i>	<i>1.0 min</i>			<i>10</i>	<i>\$LIBOR + 74</i>

## EUR

Issuer	Amount (EUR billion)	Issue Date	Maturity Date	Maturity (years)	All-in Spread	\$LIBOR eq spread (bps)
International Bank for Reconstruction and Development	3.0	1/16/2020	1/15/2027	7	EURIBOR – 4.2	\$LIBOR + 18.4
European Investment Bank	3.0	2/18/2020	3/25/2025	5.2	EURIBOR – 9.5	\$LIBOR + 11.2
European Investment Bank	4.0	3/31/2020	5/23/2023	3	EURIBOR + 10.3	\$LIBOR + 39.6
<i>IFFIm Indications as at 3/31/2020*</i>						<b>All-in Spread (bps)</b>
<i>IFFIm</i>	<i>1.0 min</i>			<i>3</i>	EURIBOR + 30	<i>\$LIBOR + 57</i>
<i>IFFIm</i>	<i>1.0 min</i>			<i>5</i>	EURIBOR + 35	<i>\$LIBOR + 63</i>
<i>IFFIm</i>	<i>1.0 min</i>			<i>10</i>	EURIBOR + 46	<i>\$LIBOR + 78</i>

(\*) Do not include World Bank swap intermediation charge.

### c. Marketing and Investor Outreach

**Rating Agencies:** In January 2020, S&P upgraded IFFIm’s rating of AA stable from negative outlook. S&P’s upgrade reflects the improvement in the debt service coverage ratio combined with the change in the long-term rating outlook on the U.K. to stable. In March 2020 Fitch downgraded IFFIm’s rating to AA- following downgrade of the UK’s rating from AA to AA-.

**Table 2: IFFIm and Main Donor Credit Ratings as of March 2020**

Donor Name	S&P	Outlook	MOODY	Outlook	FITCH	Outlook
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FRANCE	AA	Stable	Aa2	Positive	AA	Stable
UNITED KINGDOM	AA	Stable	Aa2	Negative	AA-	Negative
<b>IFFIm</b>	<b>AA</b>	<b>Stable</b>	<b>Aa1</b>	<b>Stable</b>	<b>AA-</b>	<b>Negative</b>

**Investor and media outreach:** There were no formal investor or media outreach for IFFIm, but Treasury continues to introduce IFFIm to 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 554.3 million. The portfolio is divided into two tranches: Operational and Stable. The Operational tranche (USD 118.6 million), with funds mainly invested in overnight and term deposits, outperformed the overnight cash benchmark for the quarter by 27 basis points.

**Table 3 - IFFIm Investment Activity and Performance**

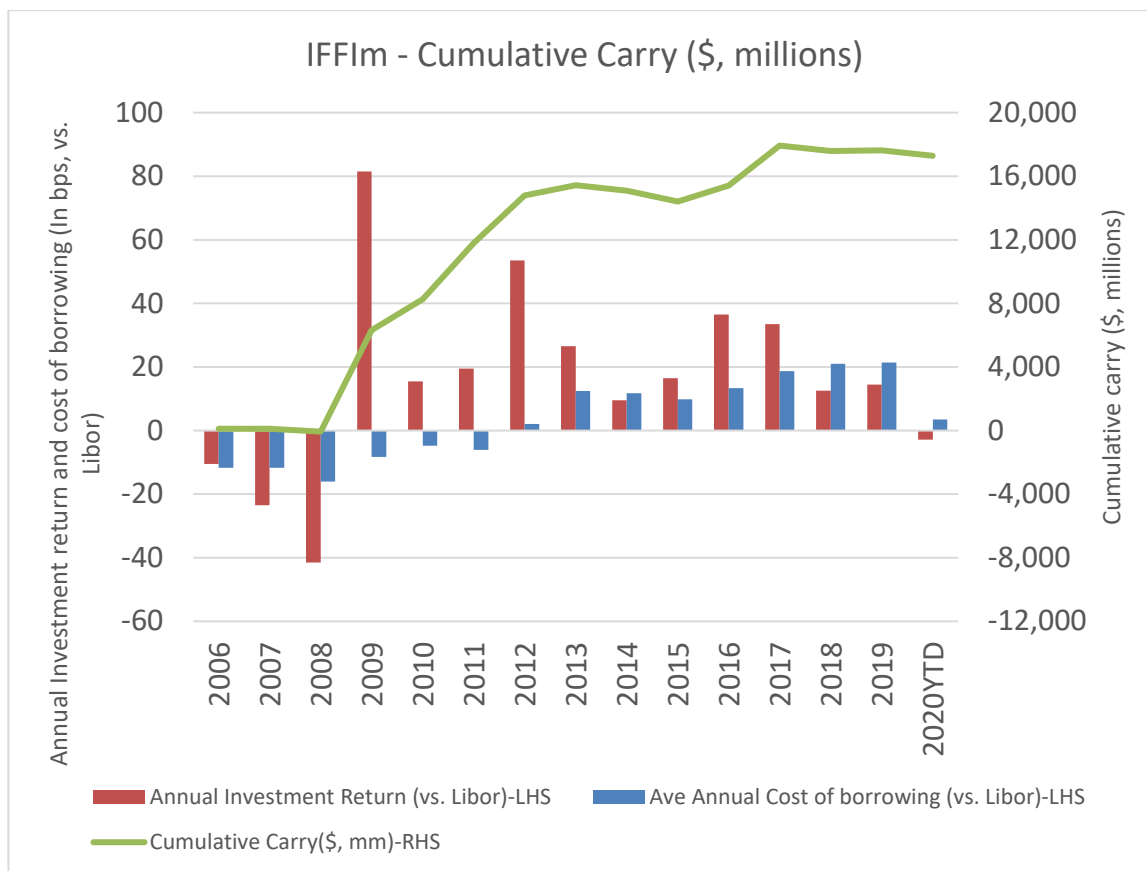
	Benchmark Description	Current Benchmark Effective Date	31-Mar-20 Size (USD)	Q1FY20		Client FY to date <sup>1/</sup>		Rolling One-Year		Rolling Five-Year	
				Non-annualized Portfolio Return (%)	Excess Return (bps)	Non-annualized Portfolio Return (%)	Excess Return (bps)	Portfolio Return (%)	Excess Return (bps)	Annualized Portfolio Return (%)	Excess Return (bps)
IFFIm			554,345,137	0.42	1	0.42	1	2.33	23	1.64	32
Operational Cash	DB Fed Funds Effective Rate Index	9/1/08	118,623,527	0.51	27	0.51	27	2.57	83	1.47	45
Stable Cash	US LIBID 3-Mos Average	11/14/06	435,721,610	0.43	0	0.43	0	2.34	21	1.66	33

<sup>1/</sup> Client Fiscal Year: January - December. Inception November 6, 2006

Note: On February 21, 2012, IFFIm withdrew \$430 million and on March 27, 2013, \$181 million was withdrawn from the operational cash portfolio. Additional funding of \$703 million was received on July 31, 2013.

IFFIm’s cumulative carry since its inception is positive (Chart-1). The cumulative carry was approximated based on average liquidity and outstanding debt balances of IFFIm, investment return and borrowing cost (in bps, over \$Libor) during each year.

*Chart 1- IFFIm’s cumulative carry*



#### 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.

##### a. Hedging Donor Grants

No new pledges were received. As of March 31 2020, the total swapped outstanding pledges accrued to USD 1,482 million.

##### b. Hedging IFFIm Bonds

In the first quarter 2020, no swaps were executed for IFFIm.

## V. Disbursements and Available Funding Balance

IFFIm's total fund balance increased from USD 428 million as of December 31, 2019 to USD 557 million as of March 31, 2020<sup>1</sup>. The increase is mainly from donor inflows from Brazil, France, Italy, Norway, Sweden and South Africa.

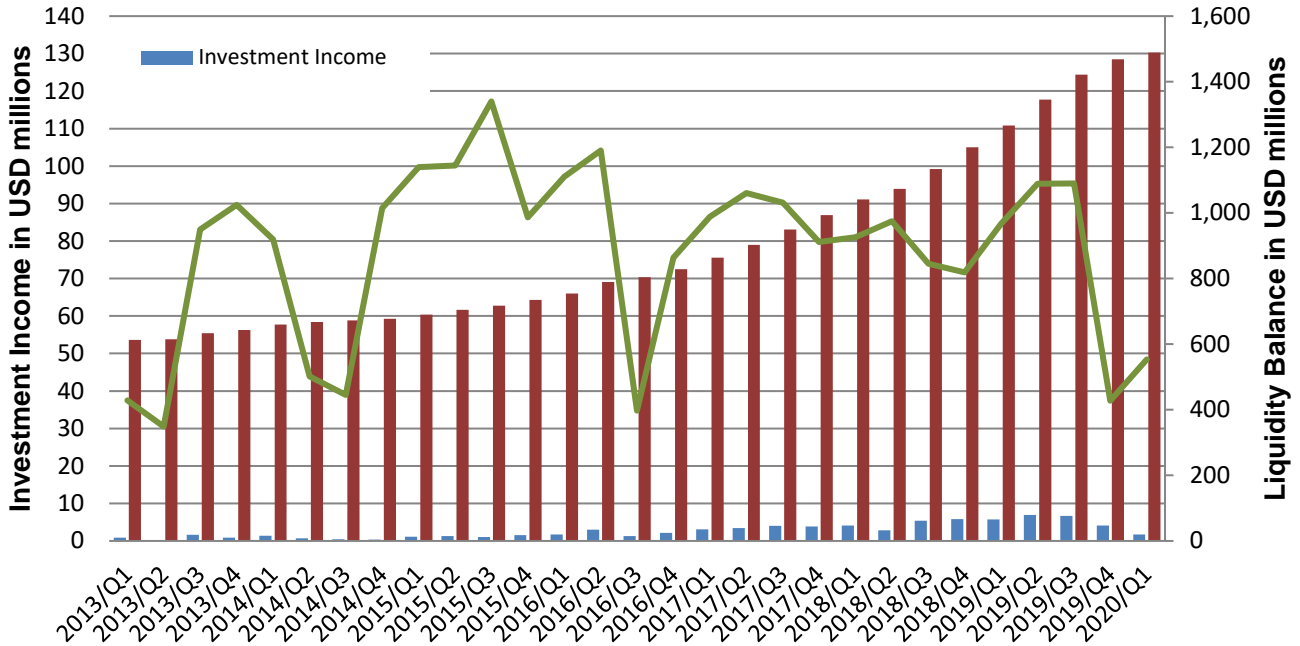
Table 4 - Summary of Cash Flows for IFFIm<sup>2</sup>

In USD millions	
<b>Beginning balance, December 31, 2019</b>	<b>428</b>
Inflows from bonds (including related swaps)	-
Inflows from donors (including related swaps)	129
Investment income	2
<b>Total inflows</b>	<b>131</b>
Disbursement for approved programs	-
Debt service	2
Bond repayment	-
Administrative costs	1
<b>Total outflows</b>	<b>2</b>
<b>Ending balance, March 31, 2020</b>	<b>557</b>

<sup>1</sup> In addition to IFFIm's investment portfolio as mentioned in Paragraph III, the total fund balance includes the outstanding balances in IFFIm's bank accounts in contribution currencies valued at the end of quarter exchange rates. The actual USD receipts could change following the settlement of pledge swaps.

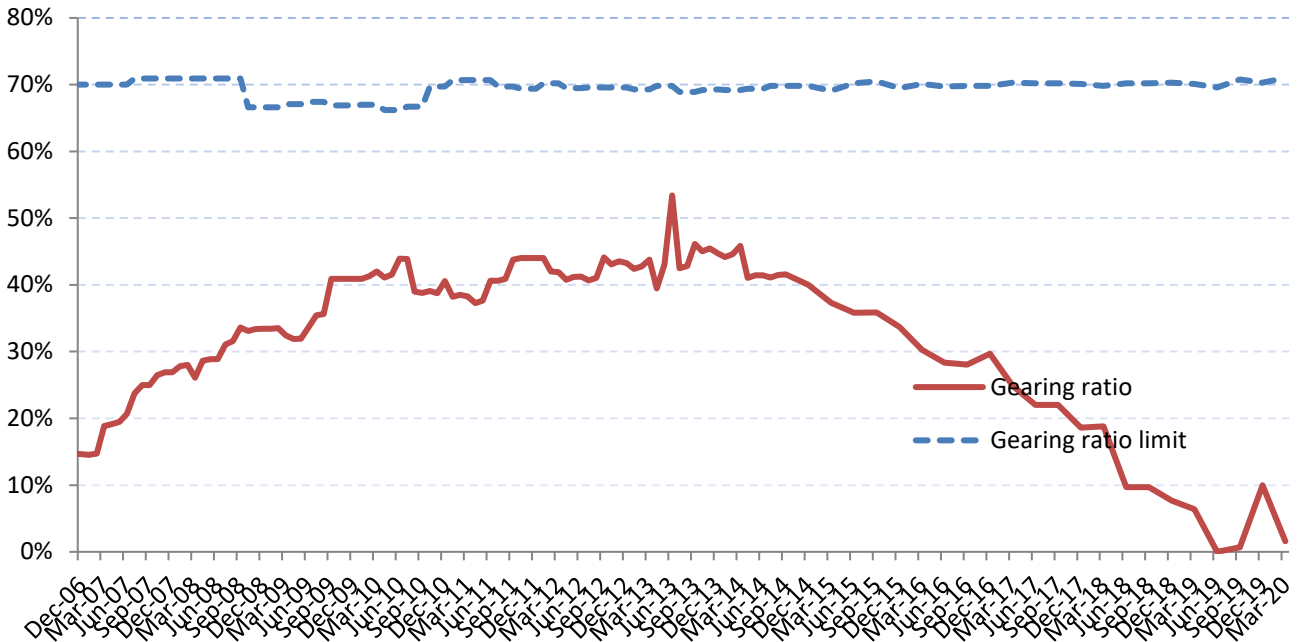
<sup>2</sup> The figures provided in this table may differ from those that will appear in IFFIm's financial statements.

**Chart 2 - Investment income and liquidity balance**



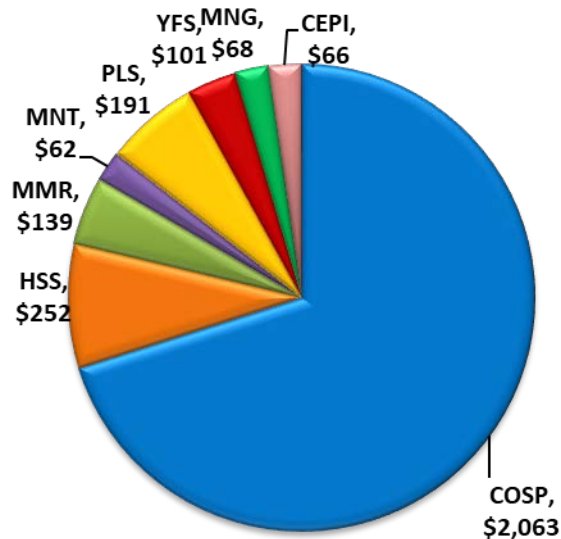
The Gearing Ratio Limit approved by the IFFIm Board for the first quarter of 2020 was 71%. Excluding the 12% Risk Management Buffer, the approved Gearing Ratio was 59%. The end-March 2020 actual gearing ratio decreased to 1.6% from the end-December 2019 level of 10%.

**Chart 3 - Gearing Ratio and Gearing Ratio Limit**



**Available funding balance for approved programs.** As of March 31, 2020, IFFIm-approved programs totaled USD 3.3 billion. Cumulative program disbursements from IFFIm to GAVI since inception to March 31, 2020, amounted to USD 2.9 billion. The breakdown of these transfers by program is summarized below.

**Chart 4 - Transfers from IFFIm to GAVI Alliance  
Inception to March 31, 2020 - USD 2.9 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 first quarter of 2020 amounted to USD 494,058. Compared with 1/4<sup>th</sup> of the billed amount, the actual costs were lower by USD 3,942. 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 CY2020**  
*Amounts in USD*

Client: International Finance Facility for Immunization					
Billing period: 2020 Q1 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
<b>A. Financial Service Cost</b>					<b>216,483</b>
• Bond Issuance – market research, design, execution	88,499	-			88,499
• Investment management fee (3.5 bps on average liquidity)			52,838		52,838
• Financial risk management (staff time and swaps fees)	-		75,146		75,146
<b>B. Treasury Manager Administration and Support Costs</b>					<b>277,575</b>
• Donor Relations, Management of Donor Pledges and Payments	13,988	6,133			20,121
• Fund Management (commitments, disbursements, programme tracking)	15,542	6,133			21,675
• Ratings maintenance including gearing ratio analysis, liquidity	65,051	-			65,051
• Accounting and Reporting	92,026	18,488			110,514
• IT: IFFIm systems development and maintenance	-				-
• Legal	28,765				28,765
• Preparation and reporting for IFFIm Board Meetings	31,450				31,450
<b>Total invoice</b>	<b>335,320</b>	<b>30,754</b>	<b>127,984</b>	<b>-</b>	<b>494,058</b>

Client: International Finance Facility for Immunization					
Billing period: 2020 Q1 Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
<b>A. Financial Service Cost</b>					<b>213,750</b>
• Bond Issuance – market research, design, execution	62,000	2,500	-	-	64,500
• Investment management fee (3.5 bps on average liquidity)	-	-	62,500	-	62,500
• Financial risk management (staff time and swaps fees)	19,000	-	67,750	-	86,750
<b>B. Treasury Manager Administration and Support Costs</b>					<b>284,250</b>
• Donor Relations, Management of Donor Pledges and Payments	26,500	-	-	-	26,500
• Fund Management (commitments, disbursements, programme track	29,500	-	-	-	29,500
• Ratings maintenance including gearing ratio analysis, liquidity	85,750	-	-	-	85,750
• Accounting and Reporting	74,500	2,500	-	-	77,000
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	24,500	-	-	-	24,500
• Preparation and reporting for IFFIm Board Meetings	38,500	2,500	-	-	41,000
<b>Total invoice</b>	<b>360,250</b>	<b>7,500</b>	<b>130,250</b>	<b>-</b>	<b>498,000</b>

Client: International Finance Facility for Immunization					
Billing period: 2020 Q1 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
<b>A. Financial Service Cost</b>					<b>2,733</b>
• Bond Issuance – market research, design, execution	26,499	(2,500)	-	-	23,999
• Investment management fee (3.5 bps on average liquidity)	-	-	(9,662)	-	(9,662)
• Financial risk management (staff time and swaps fees)	(19,000)	-	7,396	-	(11,604)
<b>B. Treasury Manager Administration and Support Costs</b>					<b>(6,675)</b>
• Donor Relations, Management of Donor Pledges and Payments	(12,512)	6,133	-	-	(6,379)
• Fund Management (commitments, disbursements, programme track	(13,958)	6,133	-	-	(7,825)
• Ratings maintenance including gearing ratio analysis, liquidity	(20,699)	-	-	-	(20,699)
• Accounting and Reporting	17,526	15,988	-	-	33,514
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	4,265	-	-	-	4,265
• Preparation and reporting for IFFIm Board Meetings	(7,050)	(2,500)	-	-	(9,550)
<b>Total invoice</b>	<b>(24,930)</b>	<b>23,254</b>	<b>(2,266)</b>	<b>-</b>	<b>(3,942)</b>