



To: IFFIm Board of Directors

From: The World Bank, as IFFIm Treasury Manager

Subject: **Treasury Manager Report – First Quarter of 2021**

The Treasury Manager's quarterly report on the financial management activities of IFFIm for the first quarter of 2021 is attached. Questions concerning this report may be referred to Andrea Dore ([adore@worldbank.org](mailto:adore@worldbank.org)) or Karen Pillay ([kpillay@worldbank.org](mailto:kpillay@worldbank.org)).

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# **IFFIm: Treasury Manager Report First Quarter of 2021**

## **I. International Capital Market Environment**

In EU, the ECB held its April monetary policy meeting and decided to keep monetary policy unchanged. President Christine Lagarde mentioned that ECB noticed economy has contracted in 1Q, but expects it will resume growth in 2Q of 2021.

Bank of England decided not to change their monetary policy while one member voted to reduce asset purchase target. BOE raised growth forecast for 2021 and announced the plan to slow the pace of weekly asset purchases from May 10 to August 4 to meet the target of 150 billion GBP by the end of this year.

In US, the FED held a FOMC meeting and decided to keep the policy unchanged while raising their assessment of the economy due to vaccination progress and policy support. FED chair Powell gave dovish messages by noting that the recovery remains uneven and far from complete, and increase in inflation is transitory, therefore it is not the time to begin discussion of any policy changes.

## **II. Funding Activities**

### **a. Issuance of Notes**

No new issuances were made during the quarter. Between IFFIm's inception and March 31, 2021, the Treasury Manager has arranged for IFFIm to issue a total of USDeq 6.9 billion through 37 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 first quarter of 2021 as well as indicative benchmark issuance costs for IFFIm as of March 31, 2021, for illustration purposes.

**First Quarter of 2021**

**USD**

<b>Issuer</b>	<b>Amount (\$ billion)</b>	<b>Issue date</b>	<b>Maturity Date</b>	<b>Maturity (years)</b>	<b>All-in Spread** (bps)</b>
KFW	5.0	3/3/2021	3/8/2024	3	\$LIBOR + 3
IDB Invest	1.0	2/10/2021	2/10/2026	5	\$LIBOR + 16
Asian Development Bank	4.5	2/4/2021	2/4/2026	5	\$LIBOR + 8
EBRD	5.0	1/12/2021	3/26/2026	5	\$LIBOR + 8
<i>IFFIm Indications as at 03/31/2021*</i>					<b>All-in Spread (bps)</b>
<i>IFFIm</i>	<i>0.5 min</i>			3	<i>\$LIBOR + 13</i>
<i>IFFIm</i>	<i>0.5 min</i>			5	<i>\$LIBOR + 16</i>
<i>IFFIm</i>	<i>0.5 min</i>			10	<i>\$LIBOR + 25</i>

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

(\*\*) Estimated. Do not include swap execution cost.

**c. Marketing and Investor Outreach**

**Rating Agencies:** In January 2021, Fitch affirmed the UK’s AA- rating and negative outlook, Moody’s affirmed the UK’s Aa3 rating and stable outlook, and S&P affirmed IFFIm’s rating at AA with stable outlook. In February 2021, Moody’s affirmed France’s Aa2 rating and stable outlook.

**Table 2 – IFFIm and Main Donor Credit Ratings as of March 31, 2021**

<b>Donor Name</b>	<b>S&amp;P</b>	<b>Outlook</b>	<b>MOODY</b>	<b>Outlook</b>	<b>FITCH</b>	<b>Outlook</b>
FRANCE	AA	Stable	Aa2	Stable	AA	Negative
UNITED KINGDOM	AA	Stable	Aa3	Stable	AA-	Negative
IFFIm	AA	Stable	Aa1	Stable	AA-	Negative

**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 208 million. The portfolio is divided into two tranches: Operational and Stable. In aggregate, IFFIm’s investment portfolio outperformed the benchmark during the quarter by 11 basis points during the quarter.

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

Portfolio Performance

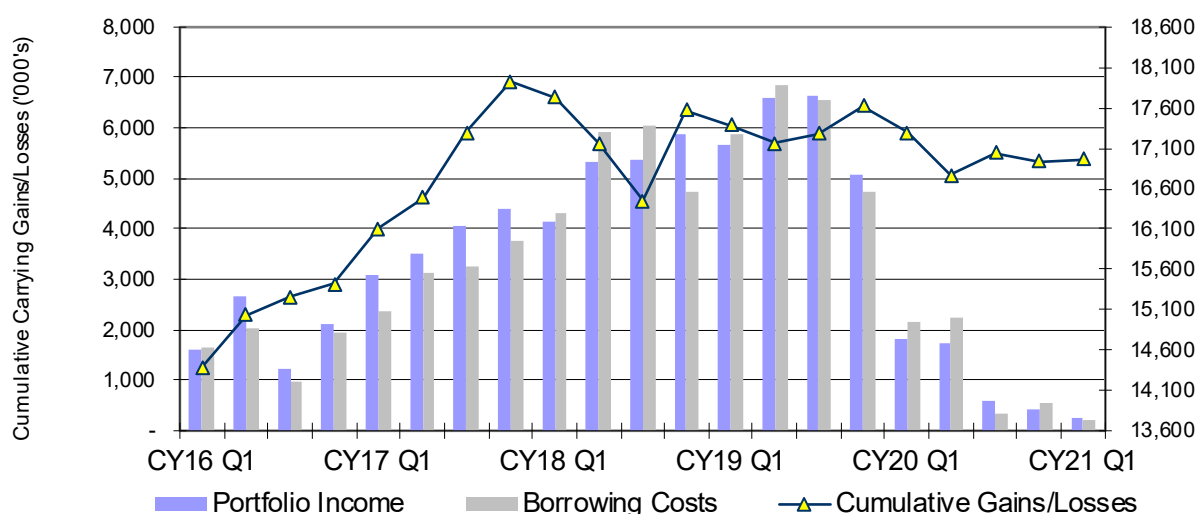
Portfolio Returns and Excess Returns Before Fees

Benchmark Description	Current Benchmark Effective Date	31-Mar-21	Q1FY21		Client FY to date <sup>1/</sup>		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 (%)
IFFIm		208,742,333	0.12	11	0.12	11	0.69	41	1.68	36
Operational Cash	ICE BofA SOFR Overnight Rate Index	208,564,882	0.05	4	0.05	4	0.31	26	1.47	42
Stable Cash	US LIBID 3-Month Average	177,452	0.23	21	0.23	21	0.88	53	1.74	38

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

Since inception, IFFIm’s cumulative carry was approximated \$17 million.

Chart-1 IFFIm’s cumulative carry since inception (as of March 31, 2021)



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 493 million as of December 31, 2020 to USD 239 million as of March 31, 2021<sup>1</sup>. The decrease is mainly due to \$400 million disbursement for COVAX program, which is partially offset by donor inflows from the UK, France, Norway, Sweden and Australia.

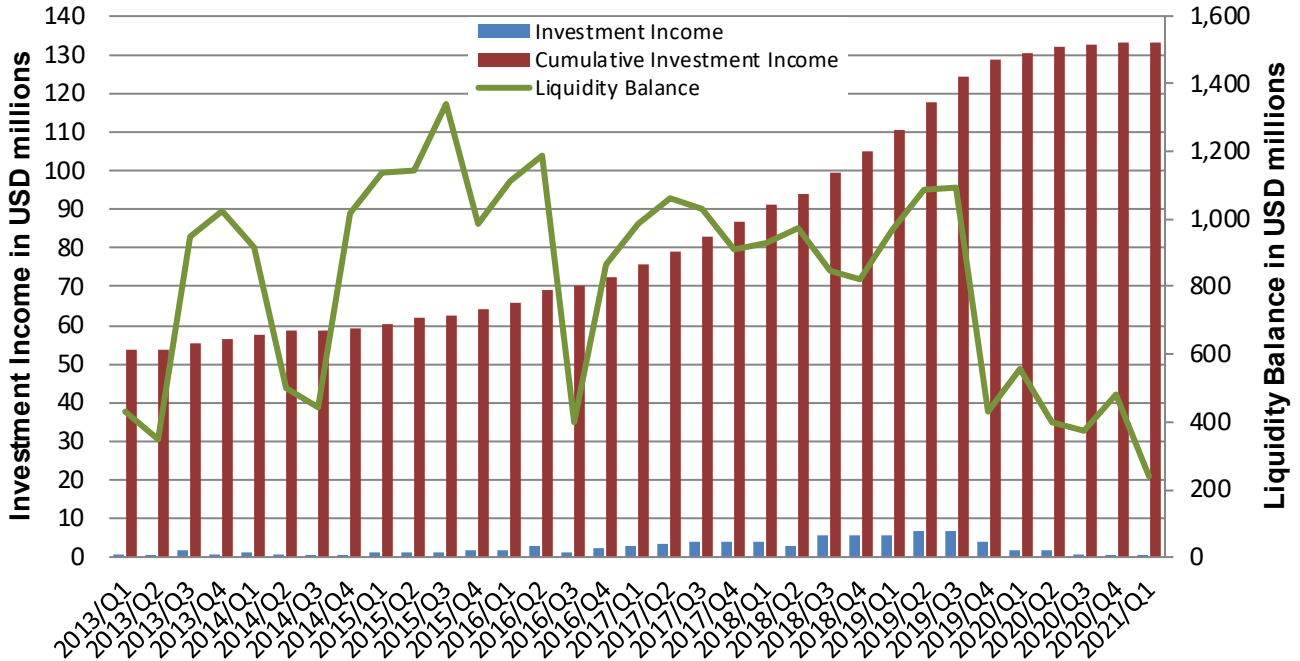
**Table 4 - Summary of Cash Flows for IFFIm<sup>2</sup>**

<b>Management Summary of Cash Flows for IFFIm</b>	
	as of March 31, 2021
In USD millions	
<b>Balance, December 31, 2020</b>	<b>493</b>
Inflows from bonds (including related swaps)	-
Inflows from donors (including related swaps)	148
Investment income	0.2
<b>Total inflows</b>	<b>148</b>
Disbursement for approved programs	400
Debt service	0.96
Bond repayment	-
Swap recouping	-
Administrative costs	0.8
<b>Total outflows</b>	<b>402</b>
<b>Balance, March 31, 2021</b>	<b>239</b>

<sup>1</sup> 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.

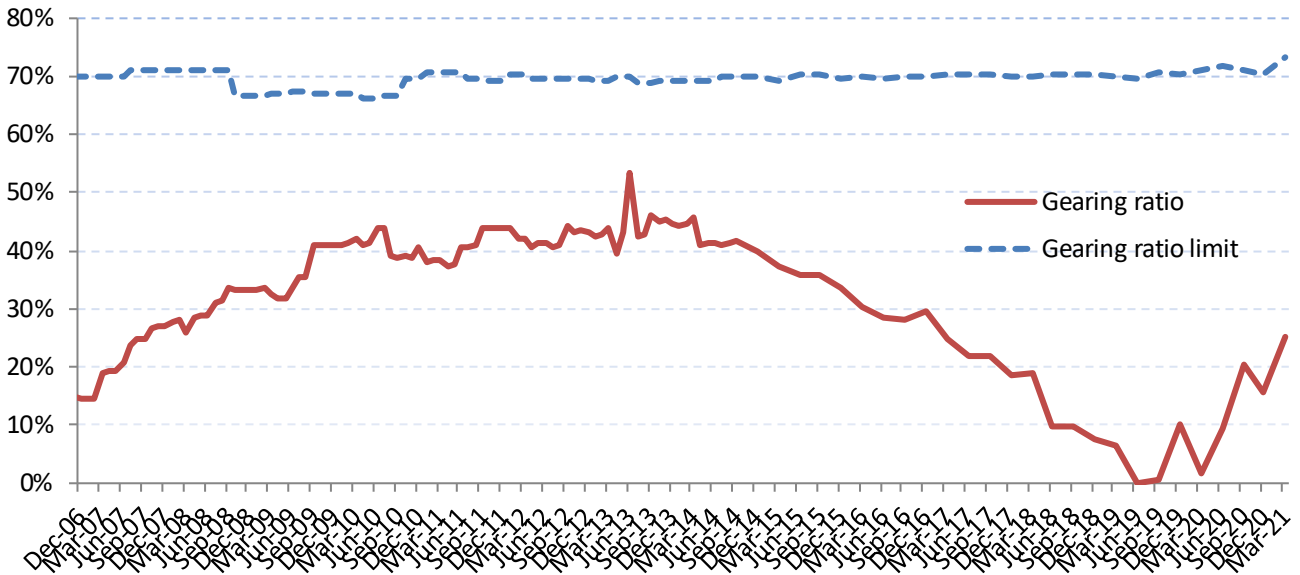
<sup>2</sup> The figures provided in this table may differ from those that will appear in IFFIm's financial statements.

**Chart 1 - Investment income and liquidity balance**



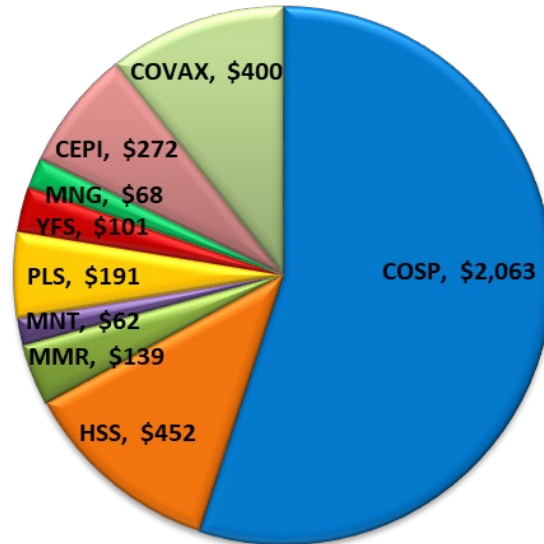
The Gearing Ratio Limit approved by the IFFIm Board for the first quarter of 2021 was 73.3%. The Risk Management Buffer was adjusted down to zero after the swap re-coupons transaction, and the approved Gearing Ratio was 73.3%. The end-March 2021 actual gearing ratio increased to 25.3% from the end-December level of 15.7%.

**Chart 2 - Gearing Ratio and Gearing Ratio Limit**



**Available funding balance for approved programs.** As of March 31, 2021, IFFIm-approved programs totaled USD 3.95 billion. Cumulative program disbursements from IFFIm to GAVI since inception to March 31, 2021, amounted to USD 3.65 billion. The breakdown of these transfers by program is summarized below.

**Chart3 - Transfers from IFFIm to GAVI Alliance  
Inception to March 31, 2021 - USD 3.65 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 2021 amounted to USD 484,052. Compared with 1/4<sup>th</sup> of the billed amount, the actual costs were lower by USD 145,198. 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 CY2021**  
*Amounts in USD*

Client: International Finance Facility for Immunization					
Billing period: 2021 Q1 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
<b>A. Financial Service Cost</b>					<b>165,397</b>
• Bond Issuance – market research, design, execution	48,529	-			48,529
• Investment management fee (4.5 bps on average liquidity)			14,738		14,738
• Financial risk management (staff time and swaps fees)	22,341		79,789		102,130
<b>B. Treasury Manager Administration and Support Costs</b>					<b>318,655</b>
• Donor Relations, Management of Donor Pledges and Payments	30,913	-			30,913
• Fund Management (commitments, disbursements, programme tracking)	34,348	-			34,348
• Ratings maintenance including gearing ratio analysis, liquidity	61,325	-			61,325
• Accounting and Reporting	128,731	-			128,731
• IT: IFFIm systems development and maintenance	-				-
• Legal	30,596				30,596
• Preparation and reporting for IFFIm Board Meetings	32,741				32,741
<b>Total invoice</b>	<b>389,525</b>	<b>-</b>	<b>94,527</b>	<b>-</b>	<b>484,052</b>

Client: International Finance Facility for Immunization					
Billing period: 2021 Q1 Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
<b>A. Financial Service Cost</b>					<b>302,000</b>
• Bond Issuance – market research, design, execution	86,750	-	-	-	86,750
• Investment management fee (4.5 bps on average liquidity)	-	-	67,500	-	67,500
• Financial risk management (staff time and swaps fees)	19,250	-	128,500	-	147,750
<b>B. Treasury Manager Administration and Support Costs</b>					<b>327,250</b>
• Donor Relations, Management of Donor Pledges and Payments	31,250	-	-	-	31,250
• Fund Management (commitments, disbursements, programme track	34,750	-	-	-	34,750
• Ratings maintenance including gearing ratio analysis, liquidity	95,750	-	-	-	95,750
• Accounting and Reporting	93,250	-	-	-	93,250
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	26,000	-	-	-	26,000
• Preparation and reporting for IFFIm Board Meetings	46,250	-	-	-	46,250
<b>Total invoice</b>	<b>433,250</b>	<b>-</b>	<b>196,000</b>	<b>-</b>	<b>629,250</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>(136,603)</b>
• Bond Issuance – market research, design, execution	(38,221)	-	-	-	(38,221)
• Investment management fee (4.5 bps on average liquidity)	-	-	(52,762)	-	(52,762)
• Financial risk management (staff time and swaps fees)	3,091	-	(48,711)	-	(45,620)
<b>B. Treasury Manager Administration and Support Costs</b>					<b>(8,595)</b>
• Donor Relations, Management of Donor Pledges and Payments	(337)	-	-	-	(337)
• Fund Management (commitments, disbursements, programme track	(402)	-	-	-	(402)
• Ratings maintenance including gearing ratio analysis, liquidity	(34,425)	-	-	-	(34,425)
• Accounting and Reporting	35,481	-	-	-	35,481
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	4,596	-	-	-	4,596
• Preparation and reporting for IFFIm Board Meetings	(13,509)	-	-	-	(13,509)
<b>Total invoice</b>	<b>(43,725)</b>	<b>-</b>	<b>(101,473)</b>	<b>-</b>	<b>(145,198)</b>