



To: IFFIm Board of Directors

From: The World Bank, as IFFIm Treasury Manager

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

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

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IFFIm: Treasury Manager Report

Second Quarter of 2020

I. International Capital Market Environment

The European Council reached a deal on the EU recovery fund, which includes €390bn of grants (down from the initial €500bn), and €360bn of low-interest loans. Meanwhile, there were no changes in ECB's monetary policy. Asset purchases will continue under the PEPP until June 2021, with a total envelope of 1.35 trillion euros, unless there are very significant upside surprises.

In the UK, The Bank of England's Monetary Policy Committee (MPC) voted unanimously to maintain Bank Rate at 0.1% in June. The Committee voted unanimously for the Bank of England to continue with the existing programme of £200 billion of UK government bond and sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves.

In the US, the FOMC left the funds rate target range unchanged at 0-0.25% during its meetings in April, June and July respectively, and also kept its policy outlook characterization unchanged. The statement's characterization of the economic situation was mostly unchanged, but acknowledged that employment had picked up somewhat in recent months.

II. Funding Activities

a. Issuance of Notes

IFFIm priced a 10 year 2bn NOK amortizing bond on June 25, 2020 which settled on July 7th. The bond front loaded the 2bn NOK pledge from the Kingdom of Norway in support of research & development of COVID-19 vaccine candidates by Coalition of Epidemic Preparedness Innovation (CEPI). The bond was priced with an all-in cost of NOK Mid-Swap +29.5bps, equivalent of 3m \$Libor + 48.5bps. Including this bond, the Treasury Manager has arranged for IFFIm to issue a total of USDeq 6.4 billion through 36 transactions in eight currencies: AUD, BRL, GBP, NZD, NOK, TRY, USD and ZAR since inception of IFFIm.

b. Funding Strategy

Table 1 shows Supranational/Non-U.S. Agency benchmark issuance activities during the second quarter of 2020 as well as indicative benchmark issuance costs for IFFIm as of June 30th, 2020, for illustration purposes.

Second Quarter of 2020

USD

Issuer	Amount (\$ billion)	Issue date	Maturity Date	Maturity (years)	All-in Spread (bps)
African Development Bank	3.1	4/3/20	4/3/2023	3	\$LIBOR + 34.5
Asian Development Bank	4.5	4/29/2020	4/29/2029	5	\$LIBOR + 26
European Investment Bank	3.0	4/23/2020	7/25/2025	5	\$LIBOR + 27
IDB Invest	1.0	5/4/2020	5/4/2022	2	\$LIBOR + 41
International Bank for Reconstruction and Development	5.0	6/9/2020	9/15/2023	3	\$LIBOR + 13.5
Inter-American Development Bank	4.0	6/16/20	7/15/25	5	\$LIBOR + 20
<i>IFFIm Indications as at 6/30/2020*</i>					All-in Spread (bps)
<i>IFFIm</i>	<i>1.0 min</i>			3	<i>\$LIBOR + 28</i>
<i>IFFIm</i>	<i>1.0 min</i>			5	<i>\$LIBOR + 36</i>
<i>30IFFIm</i>	<i>1.0 min</i>			10	<i>\$LIBOR + 47</i>

EUR

Issuer	Amount (EUR billion)	Issue Date	Maturity Date	Maturity (years)	All-in Spread	\$LIBOR eq spread (bps)
KFW	6.0	4/8/2020	6/30/2023	3	EURIBOR + 7.5	\$LIBOR + 34
EFSF	3.0	4/24/2020	4/24/2023	3	EURIBOR + 7.5	\$LIBOR + 32
Nordic Investment Bank	0.5	4/30/2020	4/30/2027	7	EURIBOR + 5	\$LIBOR + 34
European Investment Bank	5.0	5/6/2020	6/17/2027	7	EURIBOR + 9	\$LIBOR + 38
<i>IFFIm Indications as at 6/30/2020*</i>						All-in Spread (bps)
<i>IFFIm</i>	<i>1.0 min</i>			3	EURIBOR + 26	<i>\$LIBOR + 53</i>
<i>IFFIm</i>	<i>1.0 min</i>			5	EURIBOR + 31	<i>\$LIBOR + 61</i>
<i>IFFIm</i>	<i>1.0 min</i>			10	EURIBOR + 38	<i>\$LIBOR + 72</i>

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

c. Marketing and Investor Outreach

Rating Agencies: No rating actions during the second quarter of 2020.

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

Investor and media outreach: Treasury Manager worked with SEB & Credit Agricole CIB to organize a net roadshow to reach out to investors in France, Germany, Japan, Norway, Sweden, Switzerland and UK during the NOK bond issuance. A group of key investors were identified, which led to the successful NOK bond issuance. Also, in July as part of its *Crisis Talk* interviews, Global Capital interviewed Doris Herrera-Pol on IFFIm’s response to Covid-19.

III. Investment Activities and Performance

At the end of the second quarter of 2020, IFFIm’s investment portfolio was USD 376.5 million. The portfolio is divided into two tranches: Operational and Stable. In aggregate, IFFIm’s investment portfolio outperformed the benchmark during the quarter by 13 basis points.

Table 3 - IFFIm Investment Activity and Performance

IFFIm - International Finance Facility for Immunisation

JUNE
20
20

Portfolio Performance

Portfolio Returns and Excess Returns Before Fees

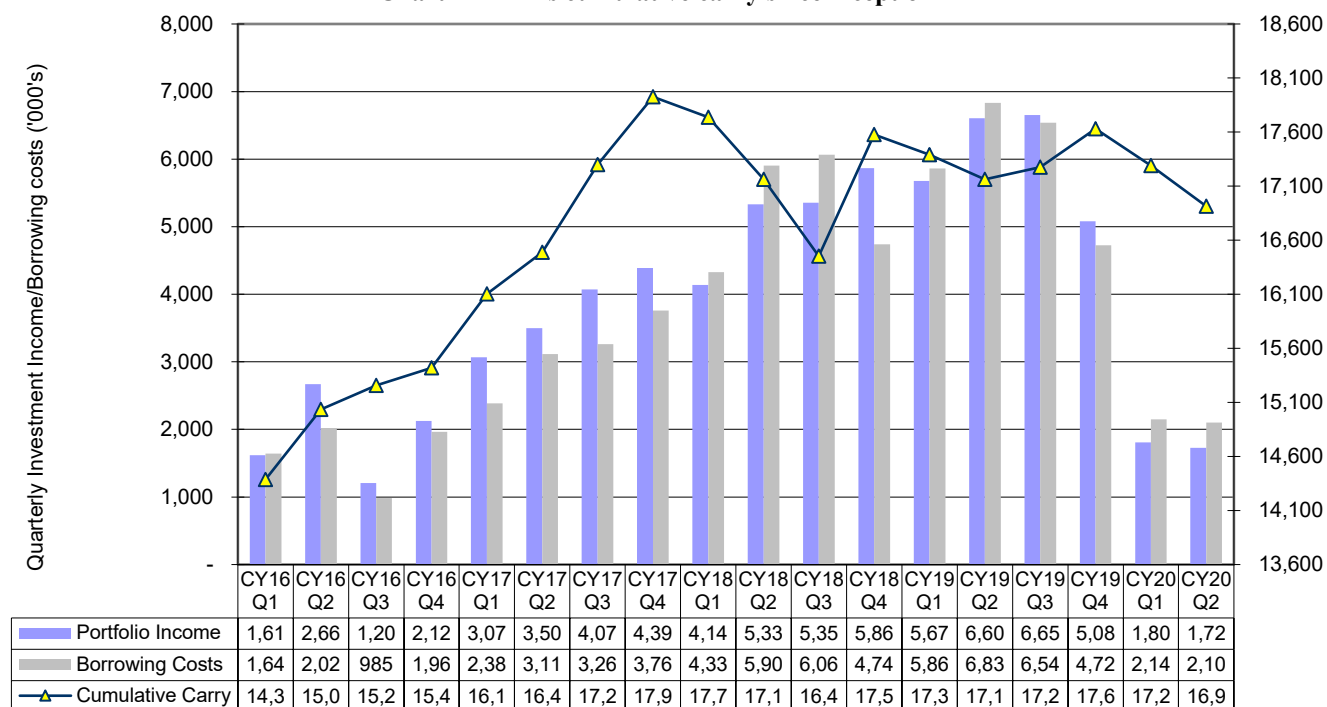
	Benchmark Description	Current Benchmark Effective Date	30-Jun-20 Size (USD)	Q2FY20		Client FY to date ^{1/}		Rolling One-Year		Rolling Five-Year	
				Non-annualized Portfolio Return (%)	Excess Return (bps)	Non-annualized Portfolio Return (%)	Excess Return (bps)	Portfolio Return (%)	Excess Return (bps)	Annualized Portfolio Return (%)	Excess Return (bps)
IFFIm			376,547,844	0.31	13	0.74	14	1.97	32	1.68	33
Operational Cash	DB Fed Funds Effective Rate Index	9/1/08	12,366,479	0.17	16	0.68	43	1.84	65	1.49	48
Stable Cash	US LIBID 3-Mos Average	11/14/06	364,181,365	0.36	11	0.78	11	2.02	28	1.70	33

^{1/} 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.

Since inception, IFFIm’s cumulative carry was approximated \$16.9million (Chart-1 below).

Chart-1 IFFm's cumulative carry since inception



IV. Implementation of IFFm's Risk Management Strategy

Under its liquidity policy, IFFm maintains a minimum level of liquid assets equivalent to its cumulative contracted debt service payments for the next 12-month period. IFFm's primary liabilities are the bonds that it has issued. IFFm'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. Treasury Manager intermediated swaps for IFFm to hedge the 150 million EUR pledge into USD \$Libor flows, using the swap line opened for IFFm after swap re-coupons (see c. below).

b. Hedging IFFm Bonds

In the second quarter 2020, no bond-hedging swaps were executed for IFFm.

c. Swap re-coupons

Pursuance to approval from the Board, the Treasury Manager executed swap re-coupons for \$200millions on April 28th, 2020. After settlement of the swap re-coupons on May 5th, IFFm's swap MTM dropped to \$240million.

Subsequently, the Treasury Manager lowered IFFm's Risk Management Buffer from 12% to 0%¹. In addition, the Treasury Manager will resume swap intermediation for IFFm for an aggregate notional amount of \$1bn.

¹ The Treasury Manager will update Risk Management Buffer on annual basis, but reserves the right to make ad-hoc adjustment if necessary.

V. Disbursements and Available Funding Balance

IFFIm's total fund balance decreased from USD 557 million as of March 31, 2020 to USD 397 million as of June 30, 2020². The decrease is mainly due to bond repayment and initial cash outlay for swap re-couponsing, which are partially offset by donor inflows from the UK, Spain and Australia.

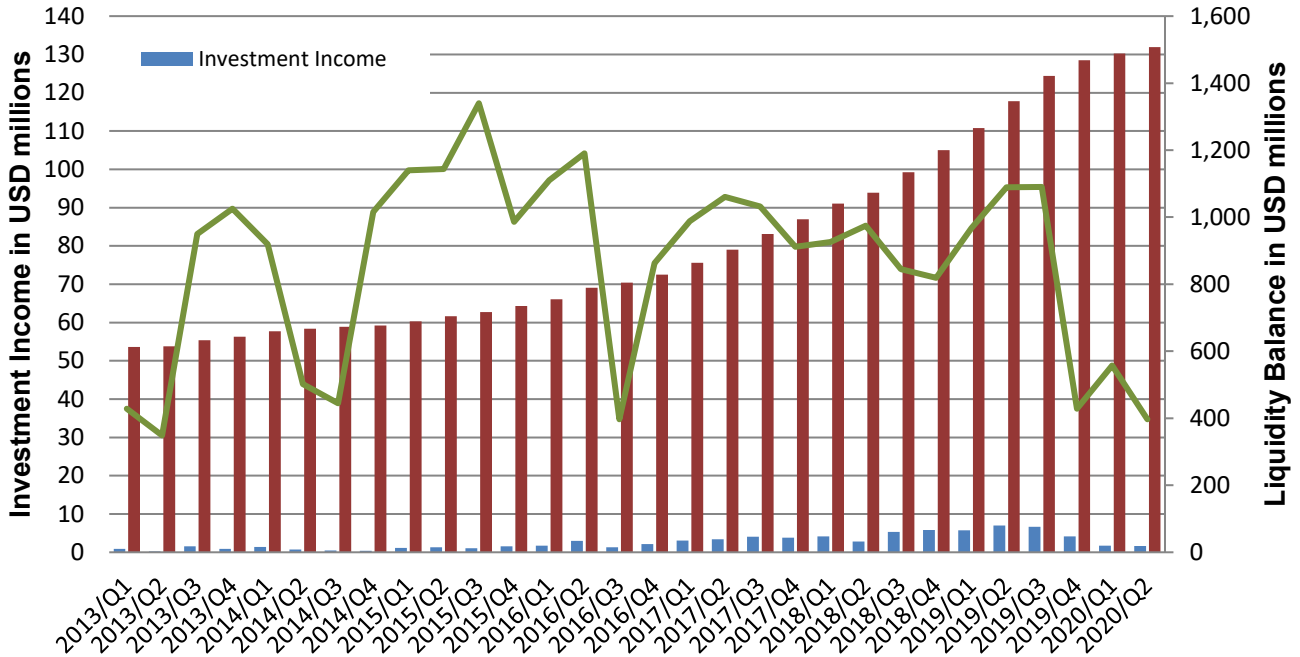
Table 4 - Summary of Cash Flows for IFFIm³

In USD millions	
Balance, March 31, 2020	557
Inflows from bonds (including related swaps)	-
Inflows from donors (including related swaps)	94
Investment income	2
Total inflows	95
Disbursement for approved programs	-
Debt service	0
Bond repayment	54
Swap recouponsing	200
Administrative costs	1
Total outflows	255
Balance, June 30, 2020	397

² 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 currency exchange rates. The actual USD receipts could change following the settlement of pledge swaps.

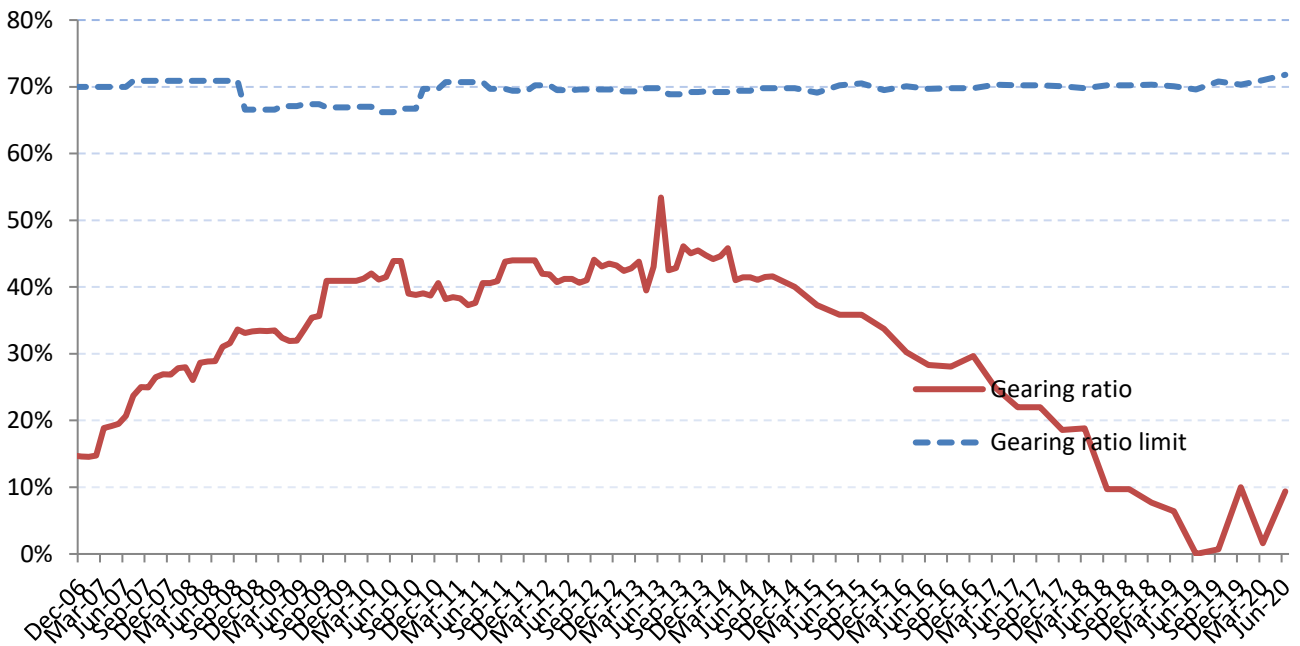
³ The figures provided in this table may differ from those that will appear in IFFIm's financial statements.

Chart 2 - Investment income and liquidity balance



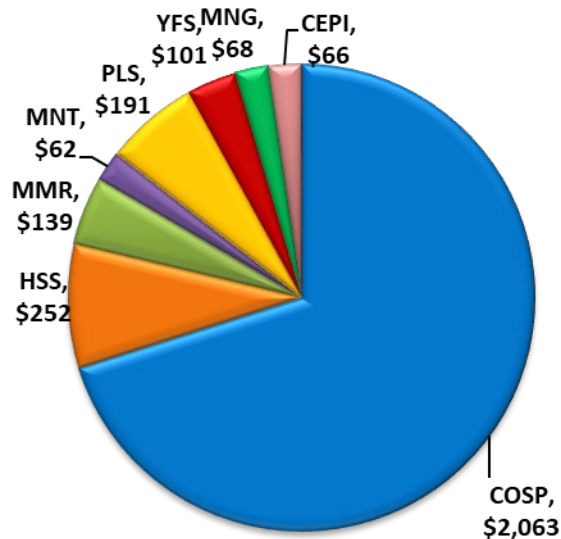
The Gearing Ratio Limit approved by the IFFIm Board for the second quarter of 2020 was 71.8%. The Risk Management Buffer was adjusted down to zero after the swap re-coupons transaction, and the approved Gearing Ratio was 71.8%. The end-June 2020 actual gearing ratio increased to 9.4% from the end-March 2020 level of 1.6%.

Chart 3 - Gearing Ratio and Gearing Ratio Limit



Available funding balance for approved programs. As of June 30, 2020, IFFIm-approved programs totaled USD 3.3 billion. Cumulative program disbursements from IFFIm to GAVI since inception to June 30, 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 June 30, 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 second quarter of 2020 amounted to USD 633,046. Compared with 1/4th of the billed amount, the actual costs were higher by USD 135,046, majorly due to the increase in bond issuance costs including the swap re-coupons. 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, Q2 CY2020
Amounts in USD

Client: International Finance Facility for Immunization					
Billing period: 2020 Q2 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					305,007
• Bond Issuance – market research, design, execution	155,007	-			155,007
• Investment management fee (4.5 bps on average liquidity)			53,850		53,850
• Financial risk management (staff time and swaps fees)	21,033		75,117		96,150
B. Treasury Manager Administration and Support Costs					328,039
• Donor Relations, Management of Donor Pledges and Payments	36,109	-			36,109
• Fund Management (commitments, disbursements, programme tracking)	40,121	-			40,121
• Ratings maintenance including gearing ratio analysis, liquidity	69,709	-			69,709
• Accounting and Reporting	68,899	-			68,899
• IT: IFFIm systems development and maintenance	-				-
• Legal	50,377				50,377
• Preparation and reporting for IFFIm Board Meetings	62,825				62,825
Total invoice	504,079	-	128,967	-	633,046

Client: International Finance Facility for Immunization					
Billing period: 2020 Q2 Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					213,750
• Bond Issuance – market research, design, execution	62,000	2,500	-	-	64,500
• Investment management fee (4.5 bps on average liquidity)	-	-	62,500	-	62,500
• Financial risk management (staff time and swaps fees)	19,000	-	67,750	-	86,750
B. Treasury Manager Administration and Support Costs					284,250
• Donor Relations, Management of Donor Pledges and Payments	26,500	-	-	-	26,500
• Fund Management (commitments, disbursements, programme tracking)	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
Total invoice	360,250	7,500	130,250	-	498,000

Client: International Finance Facility for Immunization					
Billing period: 2020 Q2 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					91,257
• Bond Issuance – market research, design, execution	93,007	(2,500)	-	-	90,507
• Investment management fee (4.5 bps on average liquidity)	-	-	(8,650)	-	(8,650)
• Financial risk management (staff time and swaps fees)	2,033	-	7,367	-	9,400
B. Treasury Manager Administration and Support Costs					43,789
• Donor Relations, Management of Donor Pledges and Payments	9,609	-	-	-	9,609
• Fund Management (commitments, disbursements, programme tracking)	10,621	-	-	-	10,621
• Ratings maintenance including gearing ratio analysis, liquidity	(16,041)	-	-	-	(16,041)
• Accounting and Reporting	(5,601)	(2,500)	-	-	(8,101)
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	25,877	-	-	-	25,877
• Preparation and reporting for IFFIm Board Meetings	24,325	(2,500)	-	-	21,825
Total invoice	143,829	(7,500)	(1,283)	-	135,046