



To: IFFIm Board of Directors

From: The World Bank, as IFFIm Treasury Manager

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

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

IFFIm: Treasury Manager Report

Second Quarter of 2021

I. International Capital Market Environment

ECB released meeting minutes for June and revealed that members reached conclusion to keep the pace of PEPP because current financing conditions were fragile to allow tapering without risking disorderly rise in yields, while some members favored tapering to be consistent with better economic outlook. Besides, ECB published new monetary policy strategy and revealed that; inflation goal will change to “symmetric” target of 2% over the medium term; inflation will be allowed moderate overshooting from target for transitory period.

Bank of England held Monetary Policy Committee in June and decided not to change policy framework. BOE raised inflation forecast by noting that inflation is likely to exceed 3% for a temporary period by the end of year before falling back in 2022 and reiterated that BOE will not tighten policy without clear evidence that inflation stay above target for a sustain period.

FED held FOMC meeting in July and decided to keep the policy unchanged. FED admitted FOMC’s discussion was getting closer to tapering as economy was making progress to FED goals, however, Powell noted that labor market recovery needs some way to go and FOMC will continue to assess progress in coming meetings.

II. Funding Activities

a. Issuance of Notes

IFFIm issued a 5yr \$750m Reg-S bond on April 21, 2021. Between IFFIm’s inception and June 30, 2021, the Treasury Manager has arranged for IFFIm to issue a total of USDeq 7.6 billion through 38 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 second quarter of 2021 as well as indicative benchmark issuance costs for IFFIm as of June 30, 2021, for illustration purposes.

**Table 1 – Selected Supranational/Non-U.S. Agency Benchmark Issuance
Second Quarter of 2021**

USD

Issuer	Amount (\$ billion)	Issue date	Maturity Date	Maturity (years)	All-in Spread (bps)
Asian Development Bank	4.0	6/9/2021	6/11/2024	3	\$LIBOR Flat
IBRD	2.5	5/25/2021	7/15/2026	5	\$LIBOR + 4
IDA	4.0	4/28/2021	4/2/8/2026	5	\$LIBOR + 6
IFFIm	0.75	4/21/2021	4/21/2026	5	\$LIBOR + 15
Asian Development Bank	5.0	4/14/2021	4/14/2026	5	\$LIBOR + 4
<i>IFFIm Indications as at 6/30/2021*</i>					All-in Spread (bps)
<i>IFFIm**</i>	<i>0.5 min</i>			<i>3</i>	<i>\$LIBOR + 9</i>
<i>IFFIm**</i>	<i>0.5 min</i>			<i>5</i>	<i>\$LIBOR + 13</i>
<i>IFFIm**</i>	<i>0.5 min</i>			<i>10</i>	<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 June 2021, Fitch affirmed the UK’s AA- rating and revised its outlook from negative to stable following the same action on the UK. Moody’s affirmed IFFIm’s rating at Aa1 with stable outlook in August 2021.

Table 2: IFFIm and Main Donor Credit Ratings as of June 30, 2021

Donor Name	S&P	Outlook	MOODY	Outlook	FITCH	Outlook
FRANCE	AA	Stable	Aa2	Stable	AA	Negative
UNITED KINGDOM	AA	Stable	Aa3	Stable	AA-	Stable
IFFIm	AA	Stable	Aa1	Stable	AA-	Stable

Investor and media outreach: The Treasury continues to introduce IFFIm to investors and responded to ad hoc investor related requests for information, including one-on-one investor calls and creation of the NetRoadshow recording during IFFIm’s USD bond issuance in April 2021.

III. Investment Activities and Performance

At the end of the quarter, IFFIm’s investment portfolio was USD 226 million. The portfolio is divided into two tranches: Operational and Stable. In aggregate, IFFIm’s investment portfolio outperformed the benchmark during the quarter by 2 basis points during the quarter.

Table 3 - IFFIm Investment Activity and Performance
IFFIm - International Finance Facility for Immunisation

June
20
21

Portfolio Performance

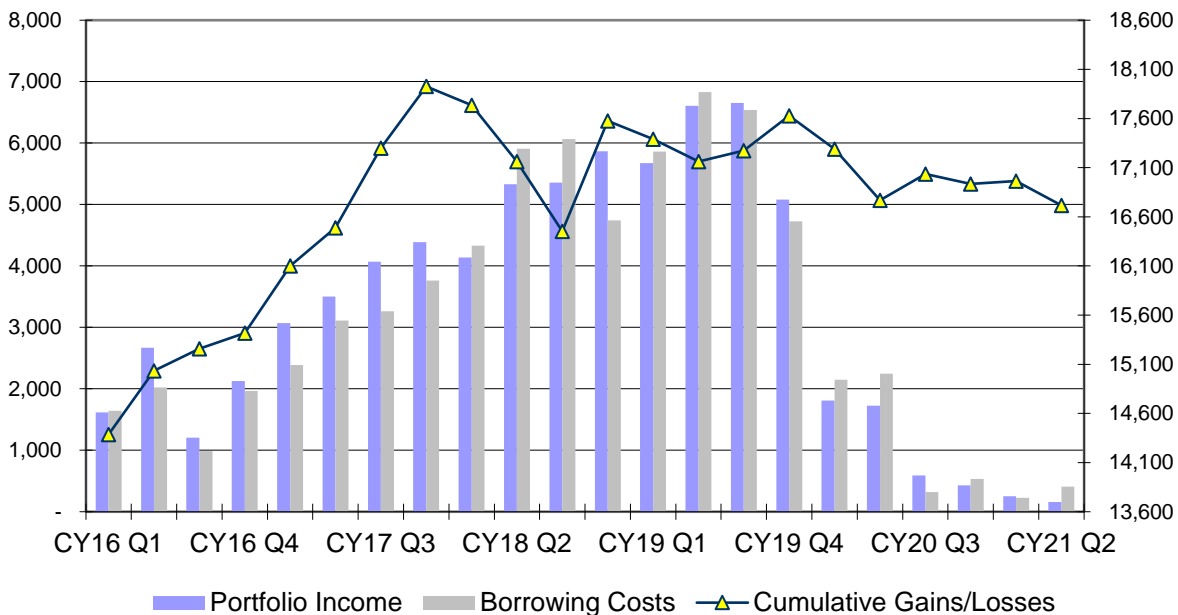
Portfolio Returns and Excess Returns Before Fees

Benchmark Description	Current Benchmark Effective Date	30-Jun-21 Size (USD)	Q2FY21		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		226,270,999	0.02	2	0.14	13	0.40	30	1.63	33
Operational Cash	ICE BofA SOFR Overnight Rate Index	66,704,962	0.05	5	0.10	9	0.19	14	1.45	42
Stable Cash	US LIBID 3-Month Average	159,566,037	0.08	6	0.32	28	0.61	50	1.70	37

^{1/} 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 June 30, 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 slightly from USD 239 million as of March 31, 2021 to USD 235 million as of June 30, 2021¹. The decrease is mainly due to \$814 million disbursement for COVAX, GAVI 5.0 and Health System Strengthening (HSS) programs, which is partially offset by new bond issuance and donor inflows from the UK.

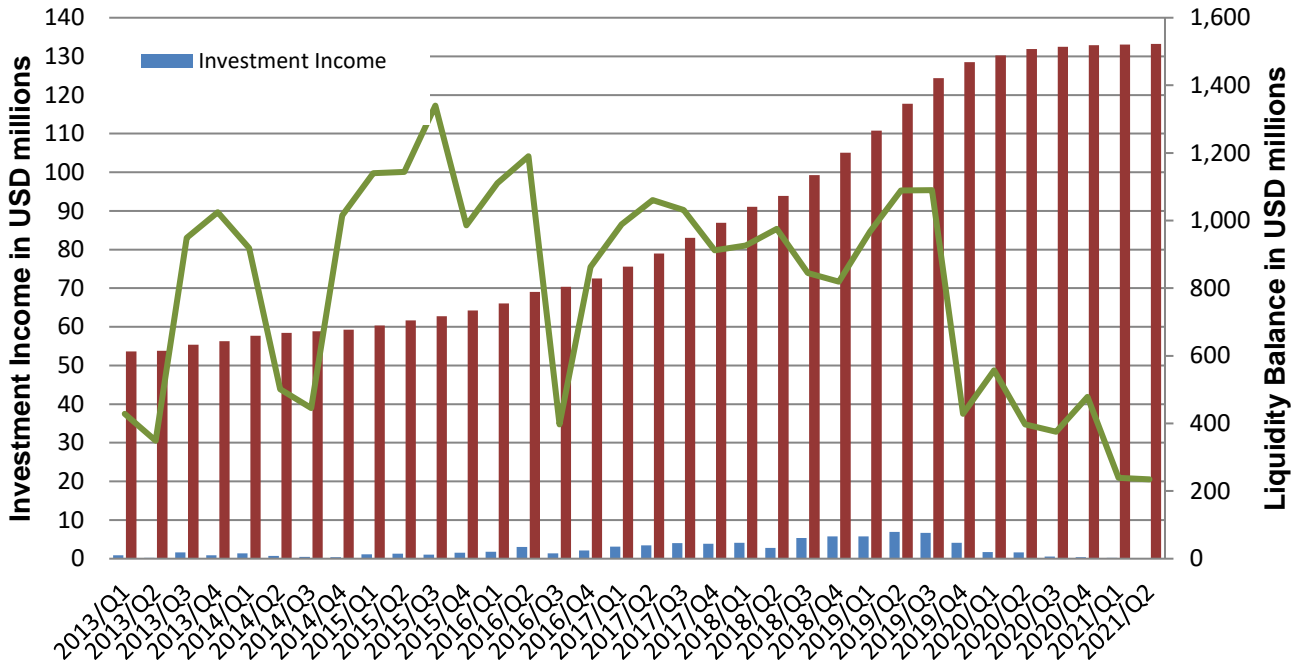
Table 4 - Summary of Cash Flows for IFFIm²

Management Summary of Cash Flows for IFFIm	
as of June 30, 2021	
In USD millions	
Balance, March 31, 2021	239
Inflows from bonds (including related swaps)	750
Inflows from donors (including related swaps)	58
Investment income	0.1
Total inflows	808
Disbursement for approved programs	814
Debt service	(2.70)
Bond repayment	-
Swap recouping	-
Administrative costs	0.9
Total outflows	813
Balance, June 30, 2021	235

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. The actual USD receipts could change following the settlement of pledge swaps.

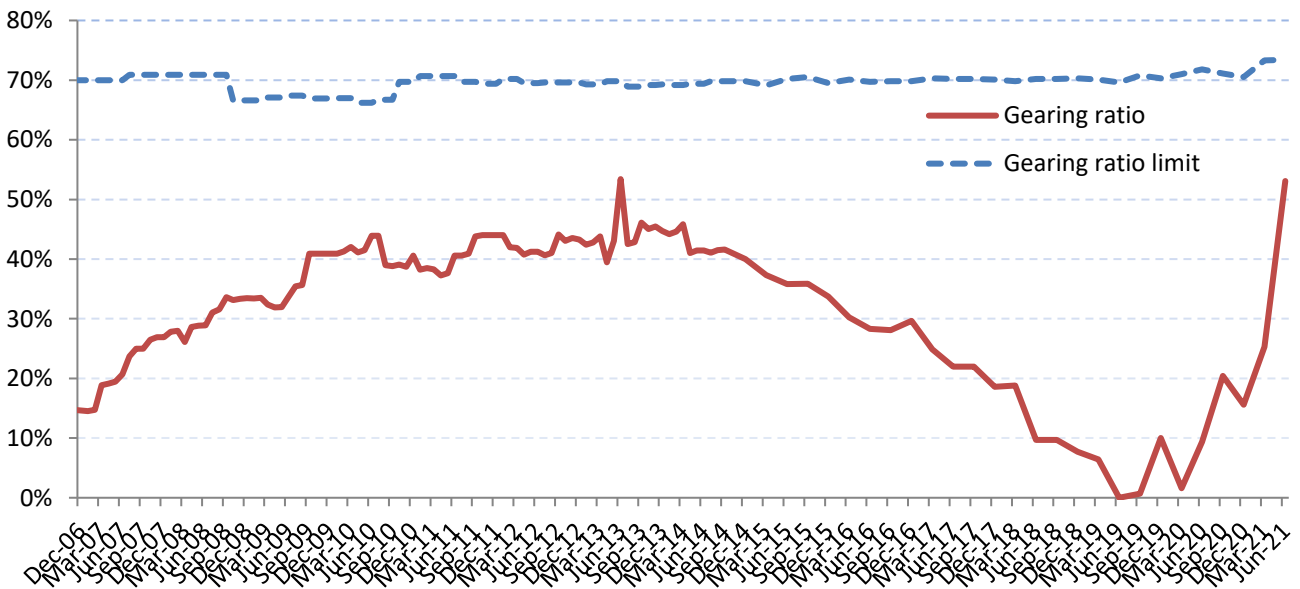
² The figures provided in this table may differ from those that will appear in IFFIm's financial statements.

Chart 2 - Investment income and liquidity balance



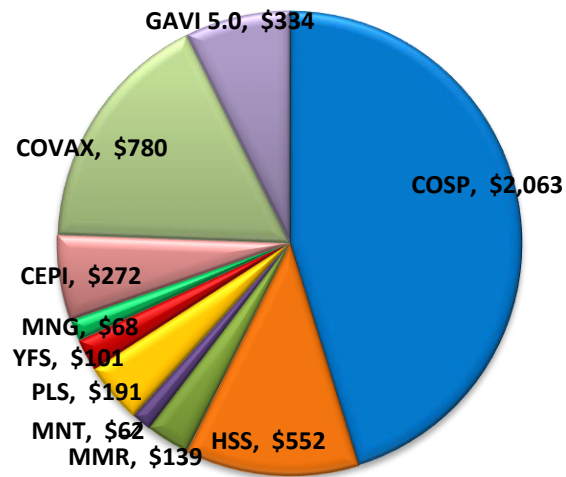
The Gearing Ratio Limit approved by the IFFIm Board for the second quarter of 2021 was 73.4%. The Risk Management Buffer was adjusted down to zero after the swap re-coupons transaction, and the approved Gearing Ratio was 73.4%. The end-June 2021 actual gearing ratio increased to 53.1% from the end-March level of 25.3%.

Chart 3 - Gearing Ratio and Gearing Ratio Limit



Disbursements from IFFIm to GAVI for approved programs. As of June 30, 2021, cumulative program disbursements from IFFIm to GAVI since inception to June 30, 2021, amounted to USD 4.56 billion. The breakdown of these transfers by program is summarized below.

**Chart 4 - Transfers from IFFIm to GAVI Alliance
Inception to June 30, 2021 - USD 4.56 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 2021 amounted to USD 526,143. Compared with 1/4th of the billed amount, the actual costs were lower by USD 103,107. 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 CY2021
Amounts in USD

Client: International Finance Facility for Immunization					
Billing period: 2021 Q2 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					207,769
• Bond Issuance – market research, design, execution	91,800	-			91,800
• Investment management fee (4.5 bps on average liquidity)			23,888		23,888
• Financial risk management (staff time and swaps fees)	20,143		71,938		92,081
B. Treasury Manager Administration and Support Costs					318,374
• Donor Relations, Management of Donor Pledges and Payments	38,882	-			38,882
• Fund Management (commitments, disbursements, programme tracking)	43,202	-			43,202
• Ratings maintenance including gearing ratio analysis, liquidity	48,187	-			48,187
• Accounting and Reporting	78,752	-			78,752
• IT: IFFIm systems development and maintenance	-				-
• Legal	60,480				60,480
• Preparation and reporting for IFFIm Board Meetings	48,871				48,871
Total invoice	430,317	-	95,826	-	526,143

Client: International Finance Facility for Immunization					
Billing period: 2021 Q2 Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					302,000
• 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. Treasury Manager Administration and Support Costs					327,250
• 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
Total invoice	433,250	-	196,000	-	629,250

Client: International Finance Facility for Immunization					
Billing period: 2021 Q2 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					(94,231)
• Bond Issuance – market research, design, execution	5,050	-	-	-	5,050
• Investment management fee (4.5 bps on average liquidity)	-	-	(43,612)	-	(43,612)
• Financial risk management (staff time and swaps fees)	893	-	(56,562)	-	(55,669)
B. Treasury Manager Administration and Support Costs					(8,876)
• Donor Relations, Management of Donor Pledges and Payments	7,632	-	-	-	7,632
• Fund Management (commitments, disbursements, programme track	8,452	-	-	-	8,452
• Ratings maintenance including gearing ratio analysis, liquidity	(47,563)	-	-	-	(47,563)
• Accounting and Reporting	(14,498)	-	-	-	(14,498)
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	34,480	-	-	-	34,480
• Preparation and reporting for IFFIm Board Meetings	2,621	-	-	-	2,621
Total invoice	(2,933)	-	(100,174)	-	(103,107)