



To: IFFIm Board of Directors

From: The World Bank, as IFFIm Treasury Manager

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

The Treasury Manager's quarterly report on the financial management activities of IFFIm for the second 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 Second Quarter of 2022

I. International Capital Market Environment

The FED held FOMC in July and raised the rate by 75bps for a second straight month, which was the first time to continue such large hikes since Paul Volcker's era in the 1980s. Powell noted that the FED could have "another unusually large" hike in September depending on economic data. However, at the press conference, Powell mentioned that the guidance for upcoming policy is "less clear" and noted that policy would be set on a "meeting-by-meeting" basis rather than offering explicit guidance on the size of the next rate hike. Powell also mentioned that the FED will slow the pace of rate hikes at some point. These comments were seen as dovish compared with the June meeting where Powell mentioned a specific size of rate hike by 50bps or 75bps in the next meeting.

ECB held Governing Council and raised policy rate by 50bps and introduced Transmission Protection Instrument (TPI). This rate hike ended negative interest rate lasted for 8 years in EU. President Lagarde scrapped the previously stated forward guidance which signaled 25bps hike in July amid heightened inflation, and noted to accelerate monetary tightening while maintaining the level of terminal rate.

The BoE's Monetary Policy Committee (MPC) voted 8-1 for a 50bps hike in August, on inflation concerns. Their updated projections showed expectations of a prolonged contraction, with five quarters of recession predicted. The MPC also provided an update on their strategy for gilt sales, which includes a reduction of around GBP 80bn over the first year, starting after the September MPC meeting.

II. Funding Activities

a. Issuance of Notes

No new IFFIm bond was issued during the quarter. Since IFFIm's inception, the Treasury Manager has arranged for IFFIm to issue a total of USDeq 7.9 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 2022 as well as indicative benchmark issuance costs for IFFIm as of June 30, 2022, for illustration purposes.

**Table 1 – Selected Supranational/Non-U.S. Agency Benchmark Issuance
Second Quarter of 2022**

USD

Issuer	Amount (\$ billion)	Issue date	Maturity Date	Maturity (years)	All-in Spread (bps)
KFW	3.0	6/30/2022	6/10/2025	3	SOFR + 25
Asia Development Bank	3.0	4/27/2022	5/6/2025	3	SOFR + 25
EIB	3.0	4/13/2022	8/15/2025	3	SOFR + 25
<i>IFFIm Indications as at 6/30/2022*</i>					All-in Spread (bps)
<i>IFFIm</i>	<i>0.5 min</i>			3	<i>SOFR + 45</i>
<i>IFFIm</i>	<i>0.5 min</i>			5	<i>SOFR+58</i>

(*) Estimates do not include World Bank swap intermediation charge, swap execution cost.

c. Marketing and Investor Outreach

Rating Agencies: Fitch affirmed IFFIm’s credit rating at AA- with stable outlook in June 2022. In January 2022, S&P affirmed IFFIm’s AA rating with stable outlook. In October 2021, Moody’s affirmed IFFIm’s Aa1 rating with stable outlook.

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

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 Manager continued to reach out to potential investors in preparation of IFFIm’s GBP 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 201 million. The portfolio is divided into two tranches: Operational and Stable. In aggregate, IFFIm’s investment portfolio outperformed the benchmark by 5 basis points during the quarter.

Table 3 - IFFIm Investment Activity and Performance

Portfolio Returns and Excess Returns Before Fees

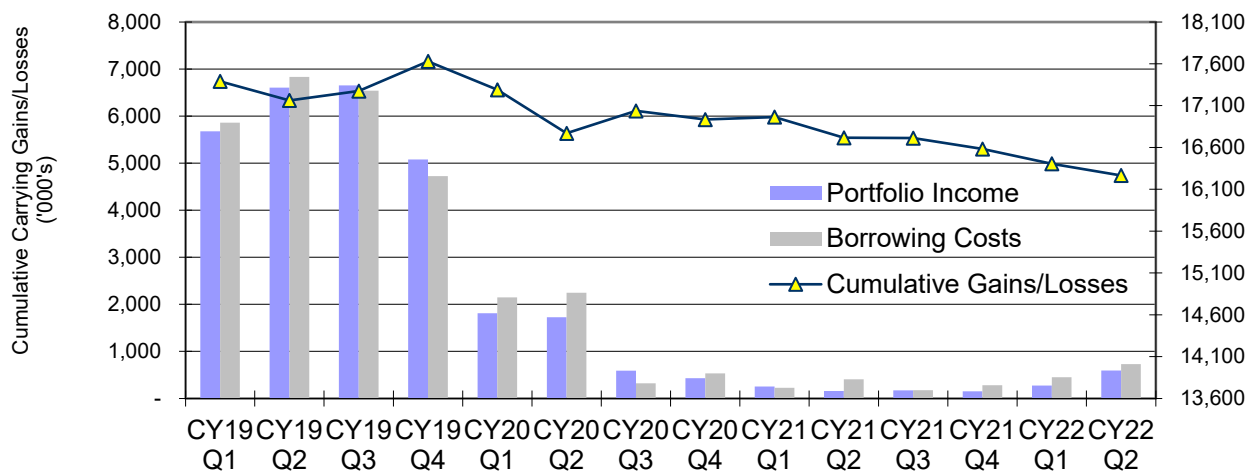
Benchmark Description	Current Benchmark Effective Date	30-Jun-22	Q4FY22		Client FY to date ^{1/}		Rolling One-Year		Rolling Five-Year		
			Size (USD)	Non-annualized Portfolio Return (%)	Excess Return (bps)	Non-annualized Portfolio Return (%)	Excess Return (bps)	Portfolio Return (%)	Excess Return (bps)	Annualized Portfolio Return (%)	Excess Return (bps)
IFFIm		201,480,955	0.22	5	0.28	9	0.38	18	1.45	27	
Operational Cash	ICE BofA SOFR Overnight Rate Index	11/1/16	104,750,181	0.22	5	0.28	9	0.32	13	1.36	39
Stable Cash	SOFR Overnight Index	7/30/13	96,730,774	0.16	(2)	0.24	3	0.38	17	1.51	30

^{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 IFFm’s cumulative carry since inception (as of June 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 decreased from USD 351 million as of March 31, 2022 to USD 220 million as of June 30, 2022¹. The decrease is mainly due to program disbursement of USD 130 million and bond repayment of USD 51 million, which were partially offset by donor inflows from the UK.

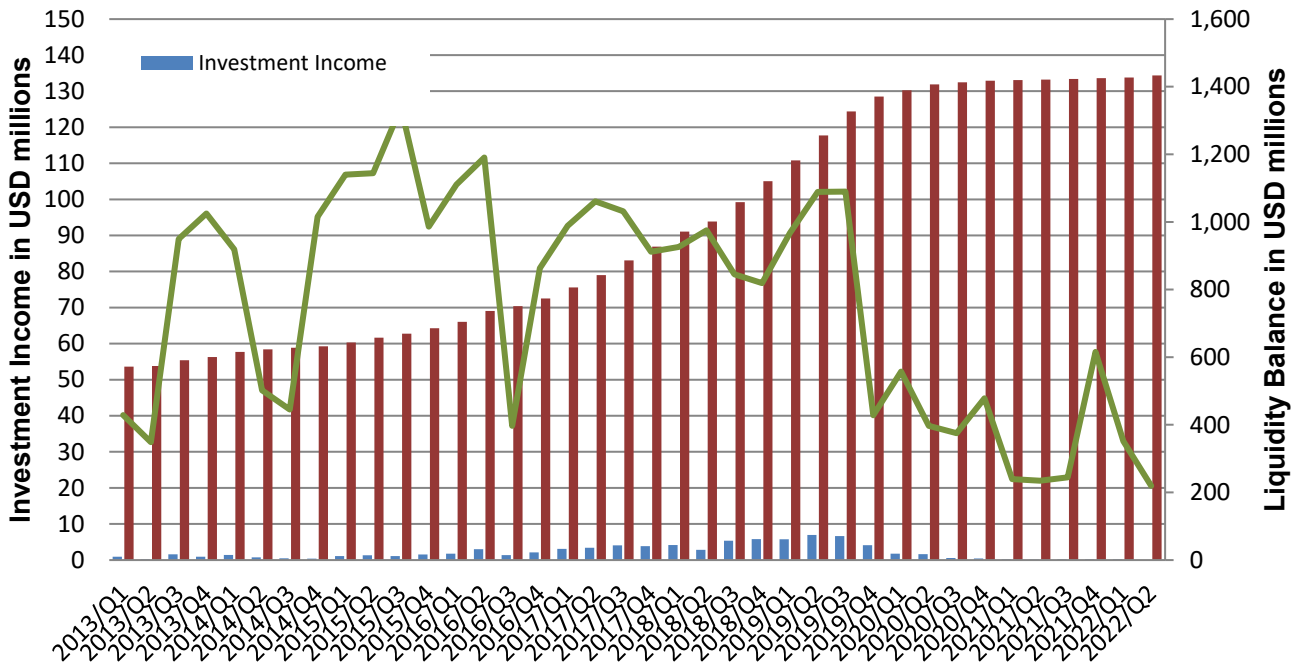
Table 4 - Summary of Cash Flows for IFFIm²

In USD millions		
Balance, December 31, 2021	(A)	351
Inflows from bonds (including related swaps)		3
Inflows from donors (including related swaps)		47
Investment income		0.6
Total inflows	(B)	51
Disbursement for approved programs		130
Debt service		0.63
Bond repayment		51
Swap recouping		-
Administrative costs		0.77
Total outflows	(C)	182
Balance, December 31, 2021	(A)+(B)-(C)	220

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.

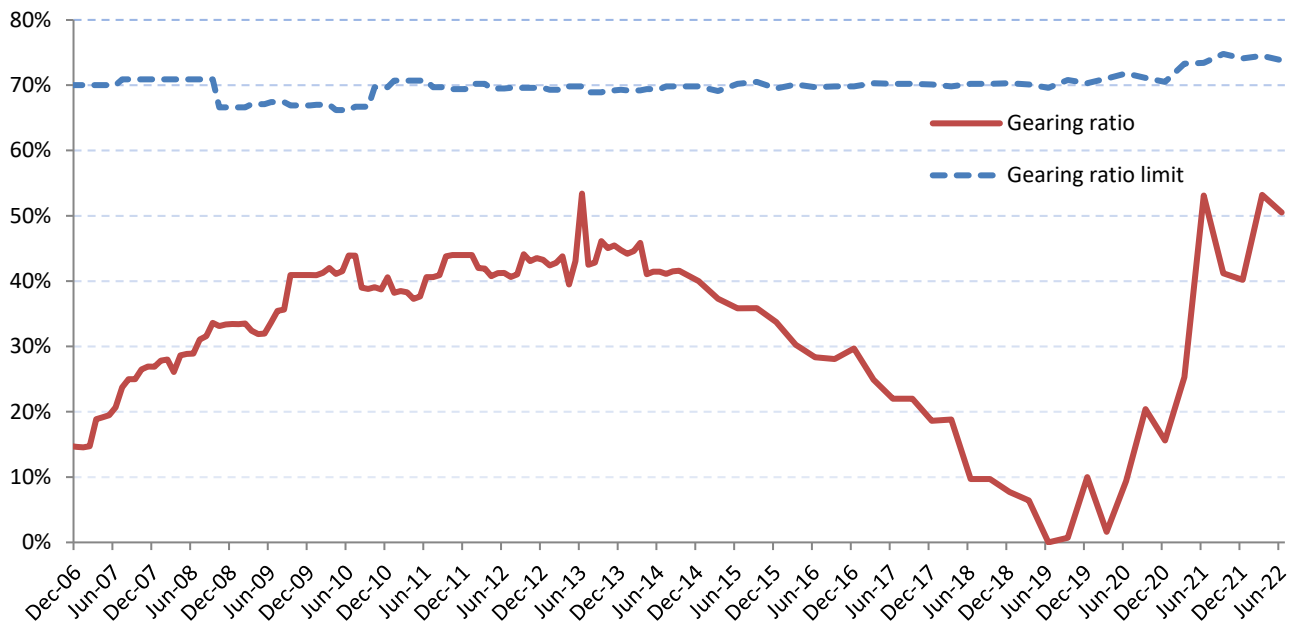
² The figures provided in this table may differ from those that will appear in IFFIm's financial statements.

Chart 2 - Investment income and liquidity balance



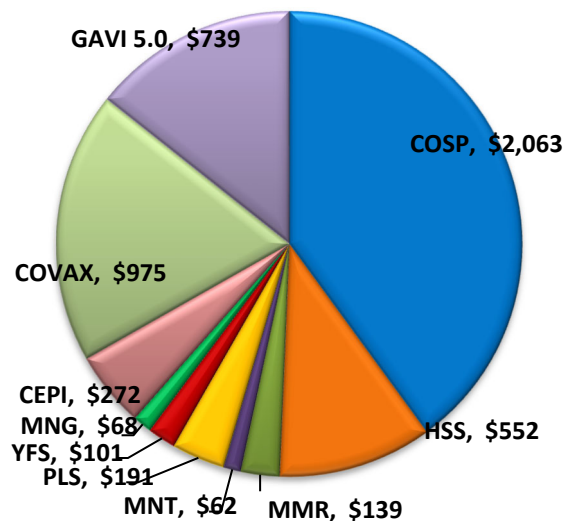
The Gearing Ratio Limit approved by the IFFIm Board for the second quarter of 2022 was 73.8%. The Risk Management Buffer was adjusted down to zero after the swap re-coupons transaction, and the approved Gearing Ratio was 73.8%. The end-June 2022 actual gearing ratio decreased to 50.5% from the end-March 2022 level of 53.2%.

Chart 3 - Gearing Ratio and Gearing Ratio Limit



Disbursements from IFFIm to GAVI for approved programs. As of June 30, 2022, cumulative program disbursements from IFFIm to GAVI since inception amounted to USD 5.16 billion. The breakdown of these transfers by program is summarized below.

**Chart 4 - Transfers from IFFIm to GAVI Alliance
Inception to June 30, 2022 - USD 5.16 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 2022 amounted to USD 563,193. Compared with 1/4th of the regular billed amount, the actual costs were lower by USD 19,057. 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 CY2022
Amounts in USD

Client: International Finance Facility for Immunization					
Billing period: 2022 Q2 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					210,253
• Bond Issuance – market research, design, execution	68,515	-			68,515
• Investment management fee (4.5 bps on average liquidity)			19,600		19,600
• Financial risk management (staff time and swaps fees)	26,718		95,420		122,138
B. Treasury Manager Administration and Support Costs					352,940
• 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	70,816	-			70,816
• Accounting and Reporting	68,419	-			68,419
• IT: IFFIm systems development and maintenance	-				-
• Legal	73,325				73,325
• Preparation and reporting for IFFIm Board Meetings	46,709				46,709
Total invoice	448,173	-	115,020	-	563,193

Client: International Finance Facility for Immunization					
Billing period: 2022 Q2 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 Q2 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					(34,997)
• Bond Issuance – market research, design, execution	(21,985)	-	-	-	(21,985)
• Investment management fee (4.5 bps on average liquidity)	-	-	(25,400)	-	(25,400)
• Financial risk management (staff time and swaps fees)	2,718	-	9,670	-	12,388
B. Treasury Manager Administration and Support Costs					15,940
• 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	(11,934)	-	-	-	(11,934)
• Accounting and Reporting	(29,831)	-	-	-	(29,831)
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	36,075	-	-	-	36,075
• Preparation and reporting for IFFIm Board Meetings	(1,791)	-	-	-	(1,791)
Total invoice	(3,327)	-	(15,730)	-	(19,057)