



To: IFFIm Board of Directors

From: The World Bank, as IFFIm Treasury Manager

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

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

IFFIm: Treasury Manager Report Third Quarter of 2020

I. International Capital Market Environment

The European Commission issued €17 billion inaugural social bonds in October under the EU's Support to mitigate Unemployment Risks in an Emergency (SURE) instrument to help protect jobs and keep people in work. The Commission announced earlier in the month that it would issue the entire EU SURE bond of up to €100 billion as social bonds and adopted an independently evaluated Social Bond Framework.

At its meeting ending on 16 September 2020, the MPC voted unanimously to maintain Bank Rate at 0.1% as outlook for the economy remains uncertain. The Committee voted unanimously for the Bank of England to continue with its existing programmes of UK government bond and sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, maintaining the target for the total stock of these purchases at £745 billion.

In US, the Fed reaffirmed its commitment to support the economy and emphasizing the need for fiscal policy. Chair Powell and other Fed officials stated that they intend to maintain an accommodative monetary policy for as long as needed, even if that results in overshooting their inflation target for some time.

II. Funding Activities

a. Issuance of Notes

As reported in the previous quarterly report, IFFIm's NOK bond settled on July 7th, 2020. There was no other bond issuance during the quarter.

b. Funding Strategy

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

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

USD

Issuer	Amount (\$ billion)	Issue date	Maturity Date	Maturity (years)	All-in Spread (bps)
European Bank for Reconstruction and Development	2.1	7/10/2020	7/10/2023	3	\$LIBOR + 10
International Bank for Reconstruction and Development	5.0	7/28/2020	7/28/2025	5	\$LIBOR + 13
Inter-American Development Bank	2.5	9/2/2020	11/15/2023	3	\$LIBOR + 8
Asian Development Bank	3.0	9/3/2020	9/3/2025	5	\$LIBOR + 14
European Investment Bank	4.0	9/16/2020	12/15/2025	5	\$LIBOR + 12
KFW	4.0	9/23/2020	10/19/2023	3	\$LIBOR + 7
<i>IFFIm Indications as at 9/30/2020*</i>					All-in Spread (bps)
<i>IFFIm</i>	<i>1.0 min</i>			3	<i>\$LIBOR + 25</i>
<i>IFFIm</i>	<i>1.0 min</i>			5	<i>\$LIBOR + 32</i>
<i>IFFIm</i>	<i>1.0 min</i>			10	<i>\$LIBOR + 41</i>

EUR

Issuer	Amount (EUR billion)	Issue Date	Maturity Date	Maturity (years)	All-in Spread	\$LIBOR eq spread (bps)
EFSF	4.0	7/15/2020	10/15/2025	5	EURIBOR - 10	\$LIBOR + 15
European Investment Bank	3.0	9/1/2020	9/9/2030	10	EURIBOR - 4	\$LIBOR + 25
KFW	3.0	9/3/2020	9/17/2030	10	EURIBOR - 5	\$LIBOR + 24
<i>IFFIm Indications as at 9/30/2020*</i>						All-in Spread (bps)
<i>IFFIm</i>	<i>1.0 min</i>			3	EURIBOR + 19	<i>\$LIBOR + 36</i>
<i>IFFIm</i>	<i>1.0 min</i>			5	EURIBOR + 22	<i>\$LIBOR + 43</i>
<i>IFFIm</i>	<i>1.0 min</i>			10	EURIBOR + 28	<i>\$LIBOR + 54</i>

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

c. Marketing and Investor Outreach

Rating Agencies: Fitch affirmed IFFIm's rating at AA- (Negative) in September 2020. Moody's affirmed IFFIm's rating at Aa1 (stable) in July 2020.

Table 2 - IFFIm and Main Donor Credit Ratings as of September 30, 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: There were no formal investor or media outreach for IFFIm, but World Bank 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 375.6 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.

Table 3 - IFFIm Investment Activity and Performance

IFFIm - International Finance Facility for Immunisation

September
20
20

Portfolio Performance

Portfolio Returns and Excess Returns Before Fees

	Benchmark Description	Current Benchmark Effective Date	30-Sep-20 Size (USD)	Q3FY20		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			375,566,338	0.16	11	0.90	24	1.50	36	1.69	34
Operational Cash	DB Fed Funds Effective Rate Index	9/1/08	10,810,007	0.03	1	0.72	44	1.24	54	1.49	47
Stable Cash	US LIBID 3-Mos Average	11/14/06	364,756,332	0.16	11	0.95	22	1.55	33	1.72	34

^{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 approximately \$17 million (Chart-1 below).

Chart-1 IFFIm’s cumulative carry since inception (as of September 30, 2020)



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 during the quarter.

b. Hedging IFFIm Bonds

In the third quarter 2020, no bond-hedging swaps were executed for IFFIm.

V. Disbursements and Available Funding Balance

IFFIm's total fund balance remained USD 397 million as of September 30, 2020 to USD¹. The inflow from the NOK 2 billion COVID-19 vaccine bond issuance is offset by the disbursement of the entire bond proceeds to CEPI for the development of coronavirus vaccine.

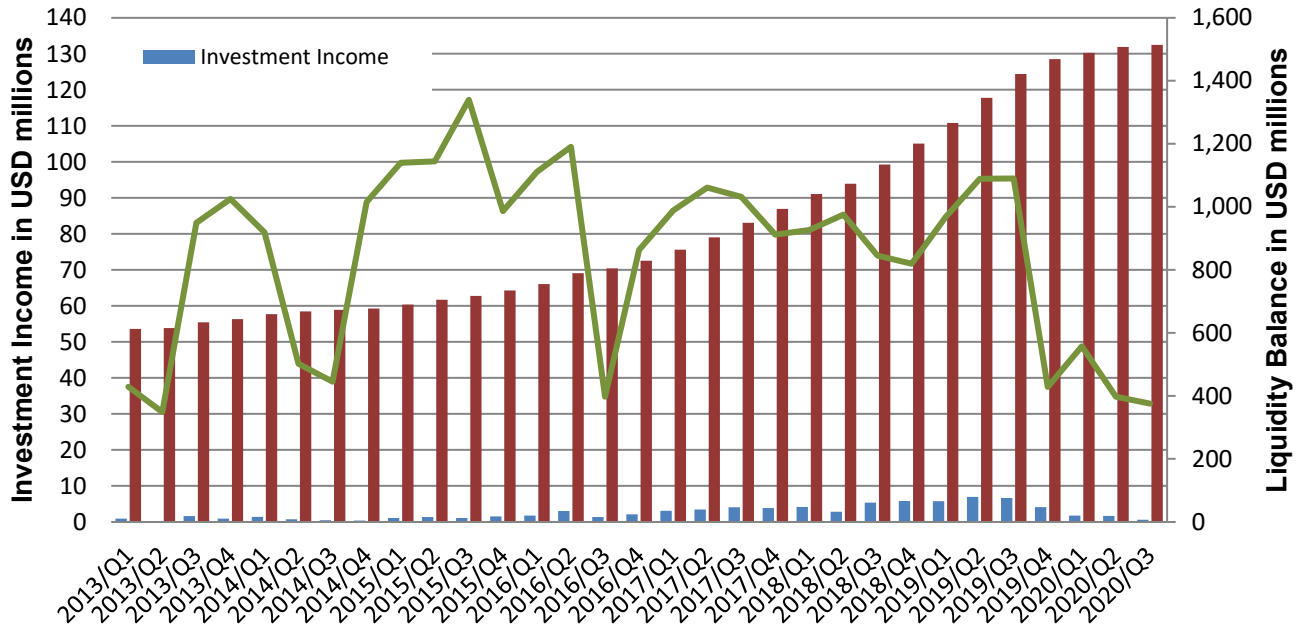
Table 4 - Summary of Cash Flows for IFFIm²

In USD millions	
Balance, June 30, 2020	397
Inflows from bonds (including related swaps)	200
Inflows from donors (including related swaps)	1
Investment income	0
Total inflows	202
Disbursement for approved programs	200
Debt service	1
Bond repayment	-
Swap recouping	-
Administrative costs	1
Total outflows	202
Balance, September 30, 2020	397

¹ 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.

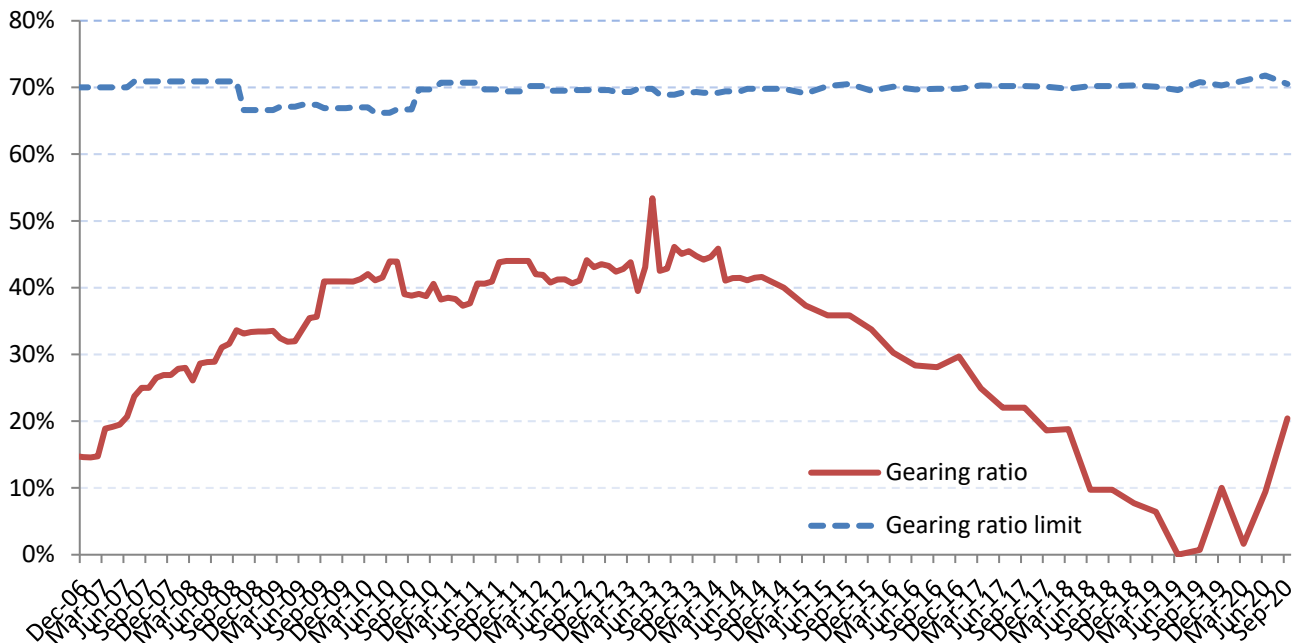
² The figures provided in this table may differ from those that will appear in IFFIm's financial statements.

Chart 2 - Investment income and liquidity balance



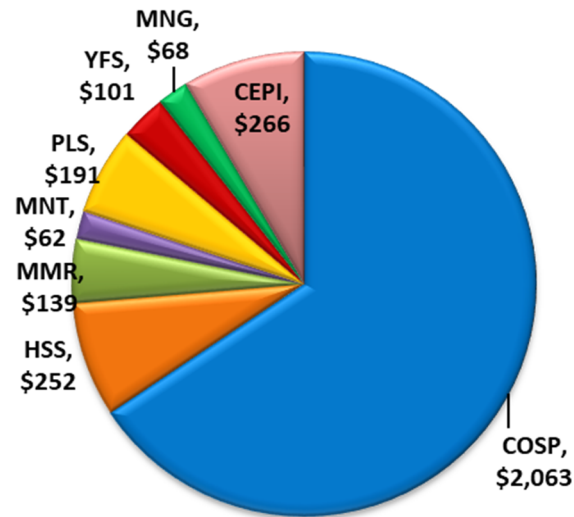
The Gearing Ratio Limit approved by the IFFIm Board for the third quarter of 2020 was 70.5%. The Risk Management Buffer was adjusted down to zero after the swap re-coupons transaction, and the approved Gearing Ratio was 70.5%. The end-September 2020 actual gearing ratio increased to 20.4% from the end-June 2020 level of 9.4%.

Chart 3 - Gearing Ratio and Gearing Ratio Limit



Available funding balance for approved programs. As of September 30, 2020, IFFIm-approved programs totaled USD 3.5 billion. Cumulative program disbursements from IFFIm to GAVI since inception to September 30, 2020, amounted to USD 3.1 billion. The breakdown of these transfers by program is listed below.

**Chart 4 - Transfers from IFFIm to GAVI Alliance
Inception to September 30, 2020 - USD 3.1 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 third quarter of 2020 amounted to USD 413,758. Compared with 1/4th of the billed amount, the actual costs were lower by USD 84,242. The detailed breakdown of the costs by categories is reflected in table 5.

Table 5 - Comparison of Treasury Manager's actual costs vs. billed estimates, Q3 CY2020
Amounts in USD

Client: International Finance Facility for Immunization					
Billing period: 2020 Q3 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					219,345
• Bond Issuance – market research, design, execution	67,351	-			67,351
• Investment management fee (4.5 bps on average liquidity)			42,338		42,338
• Financial risk management (staff time and swaps fees)	23,987		85,669		109,656
B. Treasury Manager Administration and Support Costs					194,412
• Donor Relations, Management of Donor Pledges and Payments	16,222	-			16,222
• Fund Management (commitments, disbursements, programme tracking)	18,024	-			18,024
• Ratings maintenance including gearing ratio analysis, liquidity	60,270	-			60,270
• Accounting and Reporting	63,175	-			63,175
• IT: IFFIm systems development and maintenance	-				-
• Legal	9,068				9,068
• Preparation and reporting for IFFIm Board Meetings	27,652				27,652
Total invoice	285,751	-	128,007	-	413,758

Client: International Finance Facility for Immunization					
Billing period: 2020 Q3 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 Q3 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					5,595
• Bond Issuance – market research, design, execution	5,351	(2,500)	-	-	2,851
• Investment management fee (4.5 bps on average liquidity)	-	-	(20,162)	-	(20,162)
• Financial risk management (staff time and swaps fees)	4,987	-	17,919	-	22,906
B. Treasury Manager Administration and Support Costs					(89,838)
• Donor Relations, Management of Donor Pledges and Payments	(10,278)	-	-	-	(10,278)
• Fund Management (commitments, disbursements, programme tracking)	(11,476)	-	-	-	(11,476)
• Ratings maintenance including gearing ratio analysis, liquidity	(25,480)	-	-	-	(25,480)
• Accounting and Reporting	(11,325)	(2,500)	-	-	(13,825)
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	(15,432)	-	-	-	(15,432)
• Preparation and reporting for IFFIm Board Meetings	(10,848)	(2,500)	-	-	(13,348)
Total invoice	(74,499)	(7,500)	(2,243)	-	(84,242)