



To: IFFIm Board of Directors

From: The World Bank, as IFFIm Treasury Manager

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

The Treasury Manager's quarterly report on the financial management activities of IFFIm for the third 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 Third Quarter of 2021

I. International Capital Market Environment

ECB held Governing Council in October and decided not to change its monetary policy framework. In the press conference, President Lagarde mentioned that ECB is facing pressure to push back on market expectation on rate hike in 2022 and said that such expectation is not in line with ECB's guidance. Lagarde also commented that ECB expects inflation pressure to be eased in 2022 where ECB predict supply chain issue will continue but be eventually solved next year. Meanwhile, Lagarde mentioned that PEPP will end in March 2022 as scheduled but the decision will depend on financial conditions.

BOE held MPC in November and decided not to change its monetary policy framework. BOE noted that the bank will wait for more information regarding labor market before acting. Despite the holding of rate in November, BOE noted the rate hike would be needed in coming months if the economy evolves along with forecast.

During the FOMC meeting in November, FED announced to start reducing net asset purchases by 10 billion USD for US Treasury and 5 billion USD for Agency MBS from the middle of November, while FED noted the pace of purchase will depend on changes in economic outlook. Chair Powell kept his view that current inflation is due to supply chain bottlenecks causing imbalances in supply and demand, however, the inflation will eventually come down as the bottlenecks are resolved. Importantly, Powell noted that it's not a good time to raise rates unless labor market is healed and emphasized that the decision on tapering doesn't imply anything about rate hikes.

II. Funding Activities

a. Issuance of Notes

No new issuances were made during the quarter. Between IFFIm's inception and September 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 third quarter of 2021 as well as indicative benchmark issuance costs for IFFIm as of September 30, 2021, for illustration purposes.

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

USD

Issuer	Amount (\$ billion)	Issue date	Maturity Date	Maturity (years)	All-in Spread (bps)
IBRD	5.0	9/13/2021	9/13/2028	7	\$LIBOR + 9
IFC	2.0	9/8/2021	10/8/2026	5	\$LIBOR + 3
EIB	3.0	9/1/2021	10/26/2026	5	\$LIBOR + 2
African Development Bank	2.75	7/22/2021	7/22/2026	5	\$LIBOR + 4
KFW	5.0	7/14/2021	9/20/2024	3	\$LIBOR + 1
<i>IFFIm Indications as at 9/30/2021*</i>					All-in Spread (bps)
<i>IFFIm</i>	<i>0.5 min</i>			3	<i>\$LIBOR + 9</i>
<i>IFFIm</i>	<i>0.5 min</i>			5	<i>\$LIBOR + 14</i>

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

c. Marketing and Investor Outreach

Rating Agencies: In October 2021, Moody’s affirmed IFFIm’s Aa1 rating with stable outlook. 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.

IFFIm and Main Donor Credit Ratings as of September 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.

III. Investment Activities and Performance

At the end of the quarter, IFFIm’s investment portfolio was USD 236 million. The portfolio is divided into two tranches: Operational and Stable. In aggregate, IFFIm’s investment portfolio outperformed the benchmark during the quarter by 7 basis points during the quarter.

Table 3 - IFFIm Investment Activity and Performance

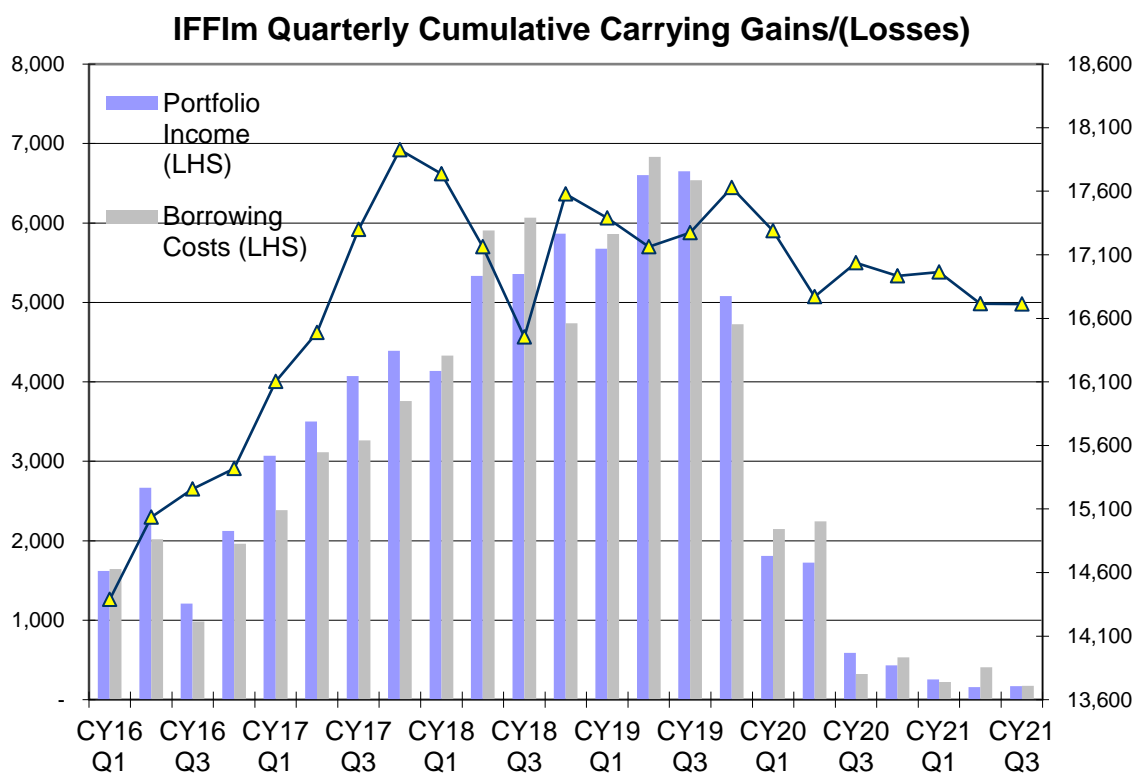
Portfolio Returns and Excess Returns Before Fees

	Benchmark Description	Current Benchmark Effective Date	30-Sep-21	Q3FY21		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 (%)
IFFIm			236,300,411	0.08	7	0.22	20	0.32	27	1.59	32
Operational Cash	ICE BofA SOFR Overnight Rate Index	11/1/16	76,575,734	0.03	2	0.12	11	0.18	15	1.42	41
Stable Cash	US LIBID 3-Month Average	7/30/13	159,724,676	0.10	9	0.42	38	0.55	48	1.66	36

^{1/} Client Fiscal Year: January - December. Inception November 6, 2006

Since inception, IFFIm’s cumulative carry was approximated \$16 million.

Chart 1 IFFIm’s cumulative carry since inception (as of September 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 increased slightly from USD 235 million as of June 30, 2021 to USD 245 million as of September 30, 2021¹. The increase is mainly due to donor inflows from Sweden and Brazil.

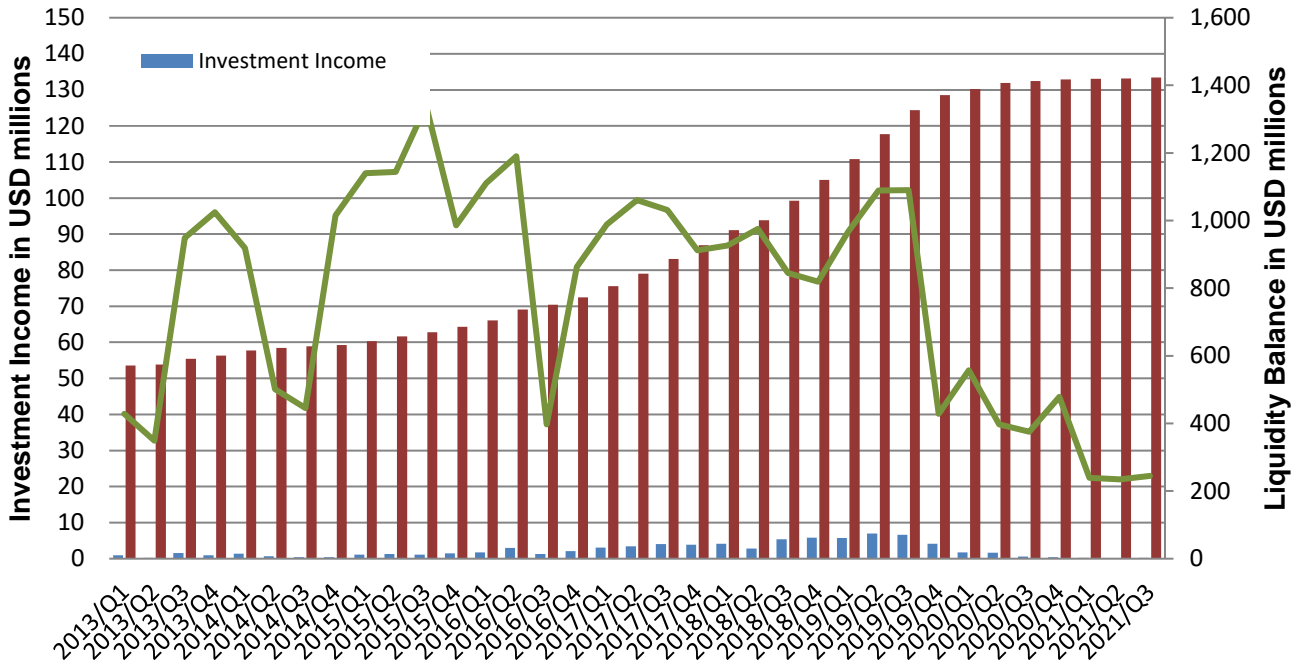
Table 4 - Summary of Cash Flows for IFFIm²

	as of Sep 30, 2021
In USD millions	
Balance, June 30, 2021	235
Inflows from bonds (including related swaps)	-
Inflows from donors (including related swaps)	12
Investment income	0.2
Total inflows	12
Disbursement for approved programs	-
Debt service	1.15
Bond repayment	-
Swap recouping	-
Administrative costs	0.7
Total outflows	2
Balance, September 30, 2021	245

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.

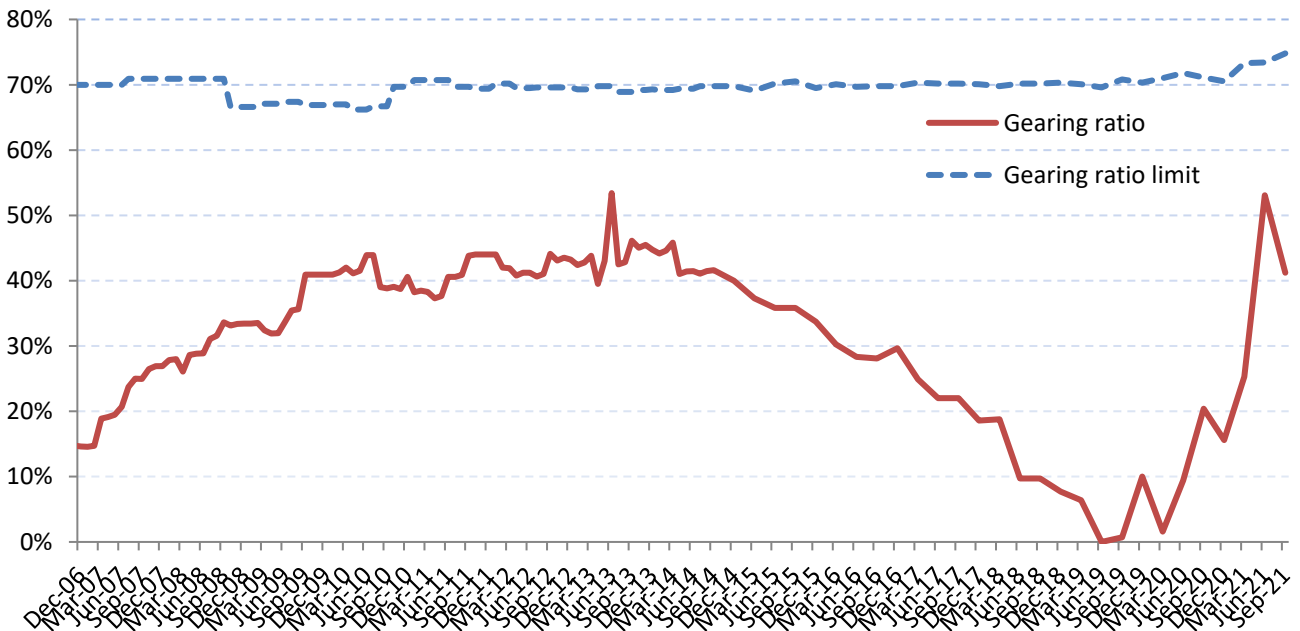
² The figures provided in this table may differ from those that will appear in IFFIm's financial statements.

Chart 2 - Investment income and liquidity balance



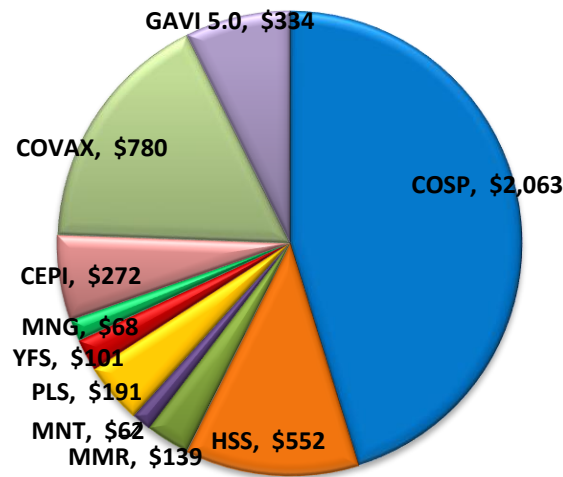
The Gearing Ratio Limit approved by the IFFIm Board for the third quarter of 2021 was 74.8%. The Risk Management Buffer was adjusted down to zero after the swap re-coupons transaction, and the approved Gearing Ratio was 74.8%. The end-September 2021 actual gearing ratio decreased to 41.2% from the end-June level of 53.1%.

Chart 3 - Gearing Ratio and Gearing Ratio Limit



Disbursements from IFFIm to GAVI for approved programs. As of September 30, 2021, cumulative program disbursements from IFFIm to GAVI since inception to September 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 September 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 third quarter of 2021 amounted to USD 630,270. Compared with 1/4th of the billed amount, the actual costs were higher by USD 1,020. 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, Q3 CY2021
Amounts in USD

Client: International Finance Facility for Immunization					
Billing period: 2021 Q3 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					246,532
• Bond Issuance – market research, design, execution	58,533	-			58,533
• Investment management fee (4.5 bps on average liquidity)			25,875		25,875
• Financial risk management (staff time and swaps fees)	35,465		126,660		162,125
B. Treasury Manager Administration and Support Costs					383,737
• Donor Relations, Management of Donor Pledges and Payments	37,490	-			37,490
• Fund Management (commitments, disbursements, programme tracking)	41,656	-			41,656
• Ratings maintenance including gearing ratio analysis, liquidity	101,645	-			101,645
• Accounting and Reporting	111,040	-			111,040
• IT: IFFIm systems development and maintenance	-				-
• Legal	52,280				52,280
• Preparation and reporting for IFFIm Board Meetings	39,627				39,627
Total invoice	477,735	-	152,535	-	630,270

Client: International Finance Facility for Immunization					
Billing period: 2021 Q3 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 Q3 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					(55,468)
• Bond Issuance – market research, design, execution	(28,217)	-	-	-	(28,217)
• Investment management fee (4.5 bps on average liquidity)	-	-	(41,625)	-	(41,625)
• Financial risk management (staff time and swaps fees)	16,215	-	(1,840)	-	14,375
B. Treasury Manager Administration and Support Costs	-	-	-	-	56,487
• Donor Relations, Management of Donor Pledges and Payments	6,240	-	-	-	6,240
• Fund Management (commitments, disbursements, programme track	6,906	-	-	-	6,906
• Ratings maintenance including gearing ratio analysis, liquidity	5,895	-	-	-	5,895
• Accounting and Reporting	17,790	-	-	-	17,790
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	26,280	-	-	-	26,280
• Preparation and reporting for IFFIm Board Meetings	(6,623)	-	-	-	(6,623)
Total invoice	44,485	-	(43,465)	-	1,020