



To: IFFIm Board of Directors

From: The World Bank, as IFFIm Treasury Manager

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

The Treasury Manager's quarterly report on the financial management activities of IFFIm for the fourth quarter of 2020 is attached. Questions concerning this report may be referred to Andrea Dore ([adore@worldbank.org](mailto:adore@worldbank.org)) or Karen Pillay ([kpillay@worldbank.org](mailto:kpillay@worldbank.org)).

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## **IFFIm: Treasury Manager Report Fourth Quarter of 2020**

### **I. International Capital Market Environment**

In its December monetary policy meeting, the ECB decided to increase the size of their pandemic emergency purchase programme (PEPP) by EUR 500 billion to EUR 1.85 trillion. Subsequently in their January monetary policy meeting, the ECB decided to keep their main policy rates unchanged.

Brexit transition completed on December 31, 2020. The EU and UK have reached an agreement which sets out the rules on the new partnership between the EU and UK that apply from 2021.

In US, the FOMC kept the target range for the federal funds rate fixed at 0 to 0.25% on January 27<sup>th</sup> 2021, and pledged to continue to increase its holdings of Treasury securities by at least \$80 billion per month and of agency mortgage-backed securities by at least \$40 billion per month until "substantial further progress" has been made toward its dual mandate goals.

### **II. Funding Activities**

#### **a. Issuance of Notes**

IFFIm issued a 3yr \$500m Reg-S benchmark on November 6<sup>th</sup>, 2020. This was a remarkable return of IFFIm to the US\$ benchmark market after 3 years and met strong interest from investors. In addition to the broad investor types and geographical distribution, IFFIm was able to achieve a very tight pricing – 3mths Libor + 20 basis points all in cost.

#### **b. Issuances from other Supranationals**

Table 1 shows Supranational/Non-U.S. Agency benchmark issuance activities during the fourth quarter of 2020 as well as indicative benchmark issuance costs for IFFIm as of December 31, 2020, for illustration purposes.

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

**USD**

Issuer	Amount (\$ billion)	Issue date	Maturity Date	Maturity (years)	All-in Spread (bps)
International Bank for Reconstruction and Development	3.0	11/24/2020	11/24/2023	3	\$LIBOR + 5
KFW	4.0	9/23/2020	10/19/2023	3	\$LIBOR + 7
European Bank for Reconstruction and Development	4.0	9/16/2020	12/25/2025	5	\$LIBOR + 12
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
<i>IFFIm Indications as at 12/31/2020*</i>					<b>All-in Spread (bps)</b>
<i>IFFIm</i>	<i>0.5 min</i>			3	<i>\$LIBOR + 15</i>
<i>IFFIm</i>	<i>0.5 min</i>			5	<i>\$LIBOR + 22</i>
<i>IFFIm</i>	<i>0.5 min</i>			10	<i>\$LIBOR + 32</i>

**EUR**

Issuer	Amount (EUR billion)	Issue Date	Maturity Date	Maturity (years)	All-in Spread	\$LIBOR eq spread (bps)
EFSF	5.0	10/13/2020	10/13/2027	7	EURIBOR - 4	\$LIBOR + 19
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>						<b>All-in Spread (bps)</b>
<i>IFFIm</i>	<i>1.0 min</i>			3	EURIBOR + 17	<i>\$LIBOR + 32</i>
<i>IFFIm</i>	<i>1.0 min</i>			5	EURIBOR + 18	<i>\$LIBOR + 36</i>
<i>IFFIm</i>	<i>1.0 min</i>			10	EURIBOR + 23	<i>\$LIBOR + 45</i>

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

**c. Marketing and Investor Outreach**

**Rating Agencies:** In October 2020, S&P affirmed France and the UK’s AA ratings with a stable outlook and Moody’s downgraded the UK’s rating to Aa3 with a stable outlook. In November 2020, Fitch affirmed France at its AA rating and negative outlook. In January 2021, Fitch affirmed the UK’s AA- rating and negative outlook and Moody’s affirmed the UK’s Aa3 rating and stable outlook. In February 2021, Moody’s affirmed France’s Aa2 rating and stable outlook.

In January 2021, S&P affirmed IFFIm’s rating at AA with stable outlook.

## IFFIm and Main Donor Credit Ratings as of December 31, 2020

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

**Investor and media outreach:** Credit Agricole arranged three investor calls (Rathbones, Main Street Partners, and Sella SGR) in December during their 11<sup>th</sup> Global Sustainable Bonds Conference. Other than that, Treasury continues to respond 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 479 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.

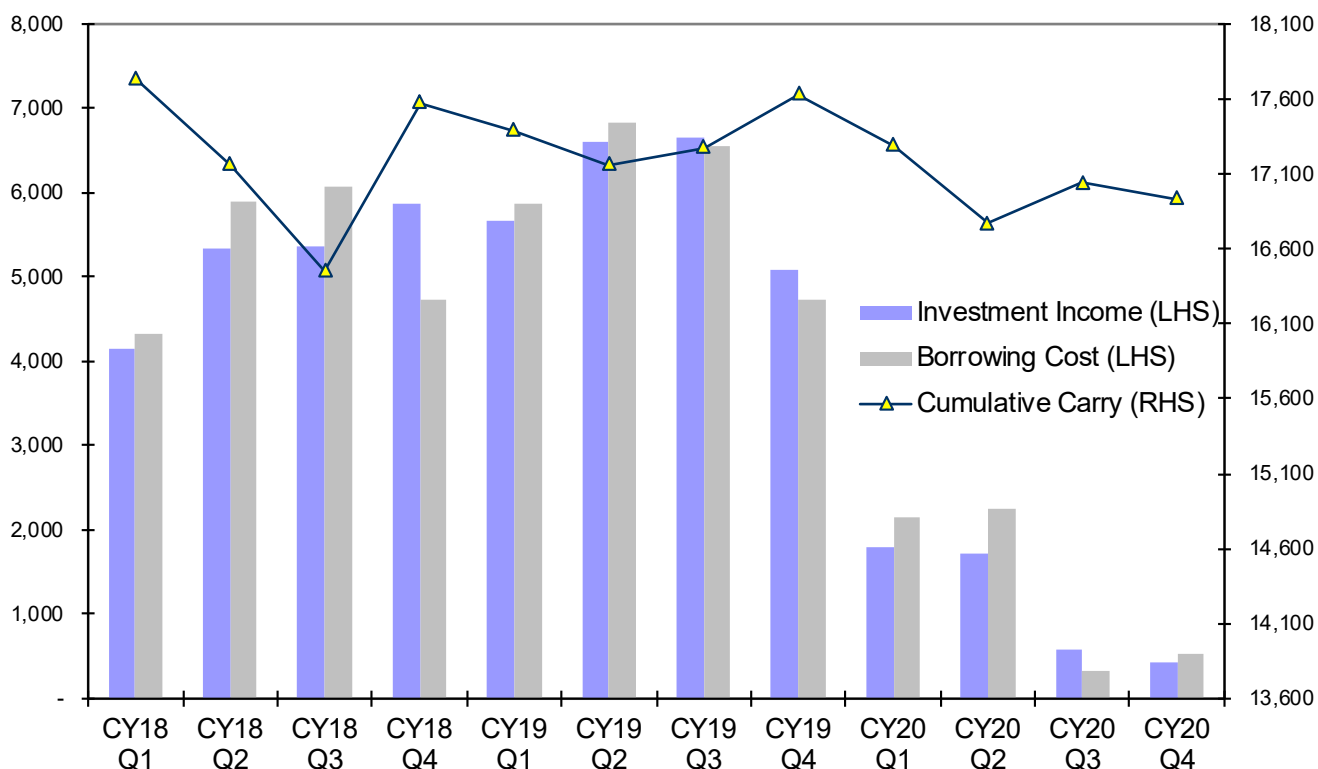
**Table 3 - IFFIm Investment Activity and Performance**

IFFIm - International Finance Facility for Immunisation							December				
							2	0			
Portfolio Performance							2	0			
Portfolio Returns and Excess Returns Before Fees											
	Benchmark Description	Current Benchmark Effective Date	31-Dec-20	Q4FY20		Client FY to date <sup>1/</sup>		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			478,607,941	0.10	7	0.99	31	0.99	31	1.68	34
Operational Cash	DB Fed Funds Effective Rate Index	9/1/08	13,504,641	0.06	4	0.78	48	0.78	48	1.49	44
Stable Cash	US LIBID 3-Mos Average	11/14/06	465,103,300	0.13	10	1.08	33	1.08	33	1.72	35

<sup>1/</sup> Client Fiscal Year: January - December. Inception November 6, 2006

Since inception, IFFIm’s cumulative carry was approximated \$17 million.

**Chart-1 IFFm's cumulative carry since inception (as of December 31, 2020)**



#### **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**

IBRD intermediated two hedges for IFFm during the quarter to help IFFm hedge the following two new pledges for Gavi's Covax AMC during the quarter.

- GBP 500m pledged by the UK
- NOK 1 billion pledged by Kingdom of Norway

##### **b. Hedging IFFm Bonds**

The \$500m bond issuance during the quarter was swapped into US\$ floating rate through IBRD intermediation.

## V. Disbursements and Available Funding Balance

IFFIm's total fund balance increased from USD 397 million as of September 30, 2020 to USD 493 million as of December 31, 2020<sup>1</sup>. The increase is mainly from the USD 500 million Vaccine Bond issuance and donor inflows from the UK, the Netherlands, Spain and Brazil, which are partially offset by program disbursement and bond repayment.

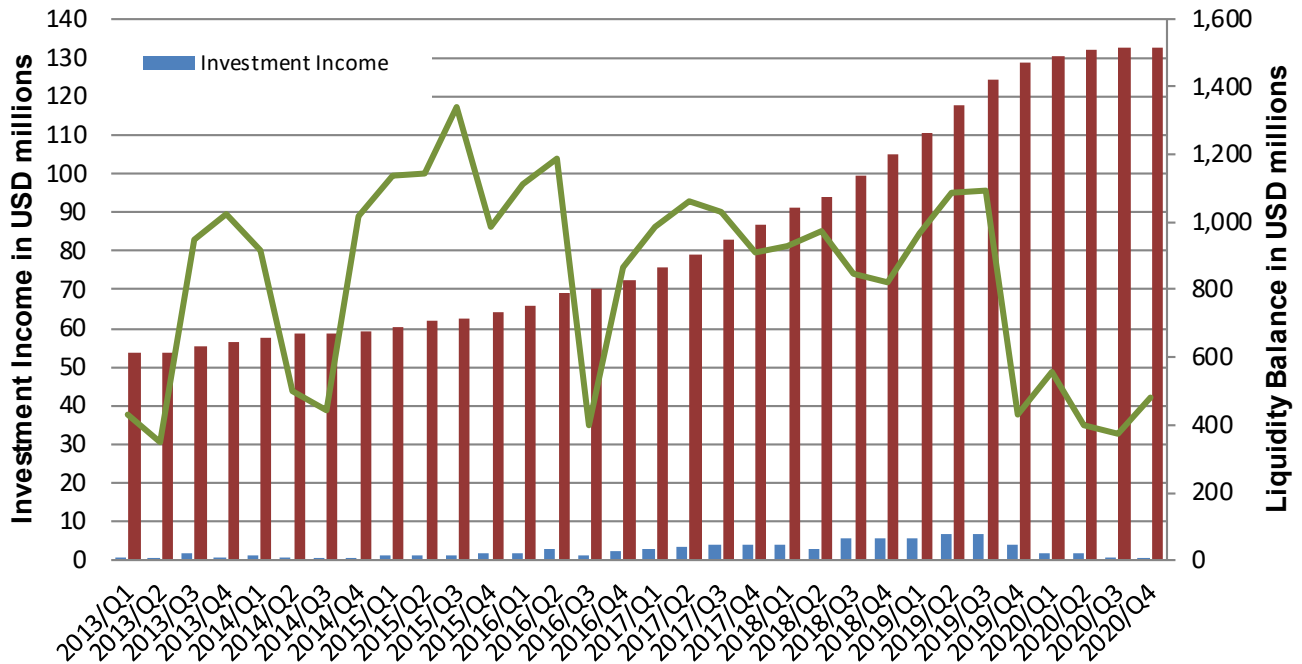
**Table 4 - Summary of Cash Flows for IFFIm<sup>2</sup>**

<b>Management Summary of Cash Flows for IFFIm</b>	
as of Dec 31, 2020	
In USD millions	
<b>Balance, September 30, 2020</b>	<b>397</b>
Inflows from bonds (including related swaps)	500
Inflows from donors (including related swaps)	103
Investment income	0.4
<b>Total inflows</b>	<b>603</b>
Disbursement for approved programs	206
Debt service	0.04
Bond repayment	300
Swap recouping	-
Administrative costs	0.6
<b>Total outflows</b>	<b>507</b>
<b>Balance, December 31, 2020</b>	<b>493</b>

<sup>1</sup> 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.

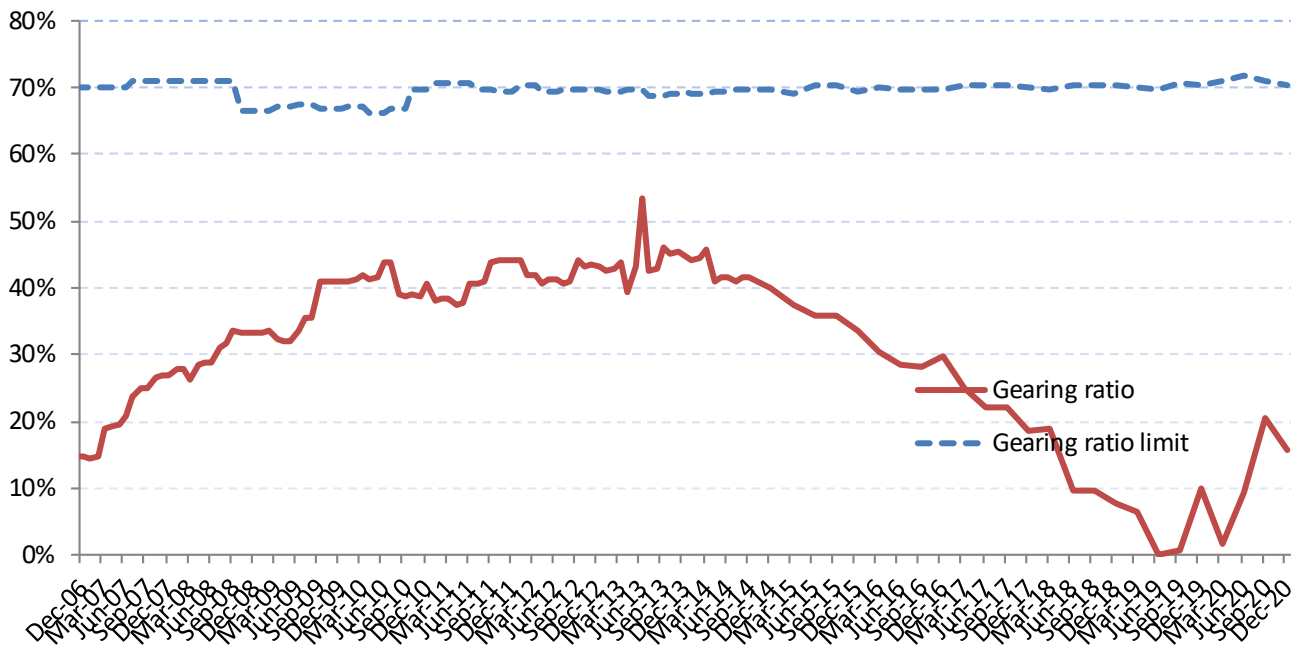
<sup>2</sup> The figures provided in this table may differ from those that will appear in IFFIm's financial statements.

**Chart 2 - Investment income and liquidity balance**



The Gearing Ratio Limit approved by the IFFIm Board for the fourth quarter of 2020 was 70.5%<sup>3</sup>. 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-December 2020 actual gearing ratio decreased to 15.7% from the end-September level of 20.4%.

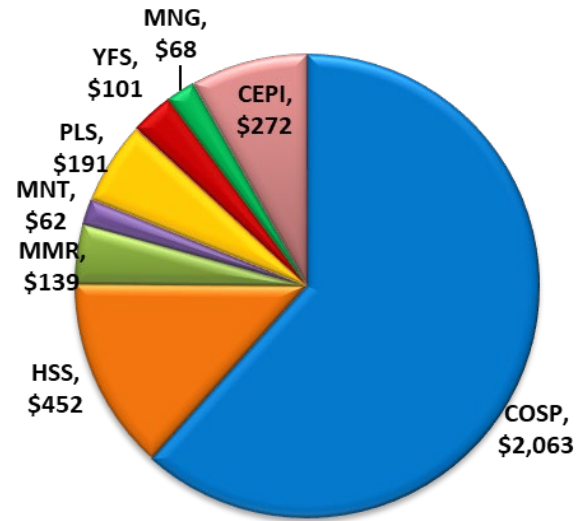
**Chart 3 - Gearing Ratio and Gearing Ratio Limit**



<sup>3</sup> Correction: The Gearing Ratio Limit for the third quarter of 2020 should be 71.7%, which was misstated as 70.5% in the last published third quarter report.

**Available funding balance for approved programs.** As of December 31, 2020, IFFIm-approved programs totaled USD 3.5 billion. Cumulative program disbursements from IFFIm to GAVI since inception to December 31, 2020, amounted to USD 3.3 billion. The breakdown of these transfers by program is summarized below.

**Chart 4 - Transfers from IFFIm to GAVI Alliance  
Inception to December 31, 2020 - USD 3.3 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 fourth quarter of 2020 amounted to USD 542,655. Compared with 1/4<sup>th</sup> of the billed amount, the actual costs were higher by USD 44,655. 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, Q4 CY2020**  
*Amounts in USD*

Client: International Finance Facility for Immunization					
Billing period: 2020 Q4 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
<b>A. Financial Service Cost</b>					<b>252,021</b>
• Bond Issuance – market research, design, execution	112,413	-			112,413
• Investment management fee (4.5 bps on average liquidity)			35,468		35,468
• Financial risk management (staff time and swaps fees)	22,781		81,359		104,140
<b>B. Treasury Manager Administration and Support Costs</b>					<b>290,634</b>
• 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	71,739	-			71,739
• Accounting and Reporting	64,214	-			64,214
• IT: IFFIm systems development and maintenance	-				-
• Legal	26,275				26,275
• Preparation and reporting for IFFIm Board Meetings	52,176				52,176
<b>Total invoice</b>	<b>425,828</b>	<b>-</b>	<b>116,827</b>	<b>-</b>	<b>542,655</b>

Client: International Finance Facility for Immunization					
Billing period: 2020 Q4 Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
<b>A. Financial Service Cost</b>					<b>213,750</b>
• 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>B. Treasury Manager Administration and Support Costs</b>					<b>284,250</b>
• Donor Relations, Management of Donor Pledges and Payments	26,500	-	-	-	26,500
• Fund Management (commitments, disbursements, programme track	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
<b>Total invoice</b>	<b>360,250</b>	<b>7,500</b>	<b>130,250</b>	<b>-</b>	<b>498,000</b>

Client: International Finance Facility for Immunization					
Billing period: 2020 Q4 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
<b>A. Financial Service Cost</b>					<b>38,271</b>
• Bond Issuance – market research, design, execution	50,413	(2,500)	-	-	47,913
• Investment management fee (4.5 bps on average liquidity)	-	-	(27,032)	-	(27,032)
• Financial risk management (staff time and swaps fees)	3,781	-	13,609	-	17,390
<b>B. Treasury Manager Administration and Support Costs</b>					<b>6,384</b>
• Donor Relations, Management of Donor Pledges and Payments	9,609	-	-	-	9,609
• Fund Management (commitments, disbursements, programme track	10,621	-	-	-	10,621
• Ratings maintenance including gearing ratio analysis, liquidity	(14,011)	-	-	-	(14,011)
• Accounting and Reporting	(10,286)	(2,500)	-	-	(12,786)
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	1,775	-	-	-	1,775
• Preparation and reporting for IFFIm Board Meetings	13,676	(2,500)	-	-	11,176
<b>Total invoice</b>	<b>65,578</b>	<b>(7,500)</b>	<b>(13,423)</b>	<b>-</b>	<b>44,655</b>

The actual Treasury Manager's costs for 2020 were USD 2,104,213 as reflected in table 6 below. The total actual costs were USD 112,213 more than the 2020 billed amount which will be reflected in the fee paid for year 2021.

**Table 6 - Comparison of Treasury Manager's actual costs vs. billed estimates, CY2020**  
*Amounts in USD*

Client: International Finance Facility for Immunization					
Billing period: 2020 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
<b>A. Financial Service Cost</b>					<b>1,013,621</b>
• Bond Issuance – market research, design, execution	422,995	-			422,995
• Investment management fee (4.5 bps on average liquidity)			184,494		184,494
• Financial risk management (staff time and swaps fees)	88,841		317,291		406,132
<b>B. Treasury Manager Administration and Support Costs</b>					<b>1,090,592</b>
• Donor Relations, Management of Donor Pledges and Payments	102,428	6,133			108,561
• Fund Management (commitments, disbursements, programme tracking)	113,809	6,133			119,942
• Ratings maintenance including gearing ratio analysis, liquidity	266,769	-			266,769
• Accounting and Reporting	288,314	18,488			306,801
• IT: IFFIm systems development and maintenance	-				-
• Legal	114,484				114,484
• Preparation and reporting for IFFIm Board Meetings	174,034				174,034
<b>Total invoice</b>	<b>1,571,674</b>	<b>30,754</b>	<b>501,785</b>	<b>-</b>	<b>2,104,213</b>

Client: International Finance Facility for Immunization					
Billing period: 2020 Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
<b>A. Financial Service Cost</b>					<b>855,000</b>
• Bond Issuance – market research, design, execution	248,000	10,000	-	-	258,000
• Investment management fee (4.5 bps on average liquidity)	-	-	250,000	-	250,000
• Financial risk management (staff time and swaps fees)	76,000	-	271,000	-	347,000
<b>B. Treasury Manager Administration and Support Costs</b>					<b>1,137,000</b>
• Donor Relations, Management of Donor Pledges and Payments	106,000	-	-	-	106,000
• Fund Management (commitments, disbursements, programme tracking)	118,000	-	-	-	118,000
• Ratings maintenance including gearing ratio analysis, liquidity	343,000	-	-	-	343,000
• Accounting and Reporting	298,000	10,000	-	-	308,000
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	98,000	-	-	-	98,000
• Preparation and reporting for IFFIm Board Meetings	154,000	10,000	-	-	164,000
<b>Total invoice</b>	<b>1,441,000</b>	<b>30,000</b>	<b>521,000</b>	<b>-</b>	<b>1,992,000</b>

Client: International Finance Facility for Immunization					
Billing period: 2020 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
<b>A. Financial Service Cost</b>					<b>158,621</b>
• Bond Issuance – market research, design, execution	174,995	(10,000)	-	-	164,995
• Investment management fee (4.5 bps on average liquidity)	-	-	(65,506)	-	(65,506)
• Financial risk management (staff time and swaps fees)	12,841	-	46,291	-	59,132
<b>B. Treasury Manager Administration and Support Costs</b>					<b>(46,408)</b>
• Donor Relations, Management of Donor Pledges and Payments	(3,572)	6,133	-	-	2,561
• Fund Management (commitments, disbursements, programme tracking)	(4,191)	6,133	-	-	1,942
• Ratings maintenance including gearing ratio analysis, liquidity	(76,231)	-	-	-	(76,231)
• Accounting and Reporting	(9,686)	8,488	-	-	(1,199)
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	16,484	-	-	-	16,484
• Preparation and reporting for IFFIm Board Meetings	20,034	(10,000)	-	-	10,034
<b>Total invoice</b>	<b>130,674</b>	<b>754</b>	<b>(19,215)</b>	<b>-</b>	<b>112,213</b>