



To: IFFIm Board of Directors

From: The World Bank, as IFFIm Treasury Manager

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

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

I. International Capital Market Environment

Recent US economic data highlighted the historically high inflation data in nearly 40 years which pushed market expectation of the FED's rate hike to be more aggressive.

ECB held Governing Council and decided not to change its policy framework, however, ECB members showed concerns on inflation. ECB explained the plan to end net purchases under PEPP program in March as scheduled.

BOE held Monetary Policy Committee and decided to raise policy rate by 25bps to 0.5%. The outcome was a hawkish tone that 4 members voted for raising policy rate by 50bps with concerns on inflation and BOE noted the commitment to reduce bond holdings including fully unwinding of its stock of corporate bonds.

II. Funding Activities

a. Issuance of Notes

IFFIm tapped into its April 2026 paper for another \$250 million during the quarter. The tap was executed at 3mths Libor + 11 basis points all in cost, 4bps tighter than the original issuance in April 2021. This transaction marks an excellent return of IFFIm to the US\$ market at its 15yr birthday. 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 fourth quarter of 2021 as well as indicative benchmark issuance costs for IFFIm as of December 31, 2021, for illustration purposes.

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

USD

Issuer	Amount (\$ billion)	Issue date	Maturity Date	Maturity (years)	All-in Spread (bps)
KBN	1.25	10/26/2021	10/26/2026	5	\$LIBOR + 1
KFW	3.0	10/20/2021	10/01/2026	5	\$LIBOR Flat
IADB	3.5	9/23/2021	9/23/2024	3	\$LIBOR + 2
<i>IFFIm Indications as at 12/31/2021*</i>					All-in Spread (bps)
<i>IFFIm</i>	<i>0.5 min</i>			3	<i>\$LIBOR + 6</i>
<i>IFFIm</i>	<i>0.5 min</i>			5	<i>\$LIBOR + 11</i>

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

c. Marketing and Investor Outreach

Rating Agencies: 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. 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 December 31, 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 Manager conducted a series of investor outreach with the objective of expanding IFFIm’s investor base and diversifying IFFIm’s source of funding. 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 601 million. The portfolio is divided into two tranches: Operational and Stable. In aggregate, IFFIm’s investment portfolio outperformed the benchmark during the quarter by 1 basis points during the quarter.

Table 3 - IFFIm Investment Activity and Performance

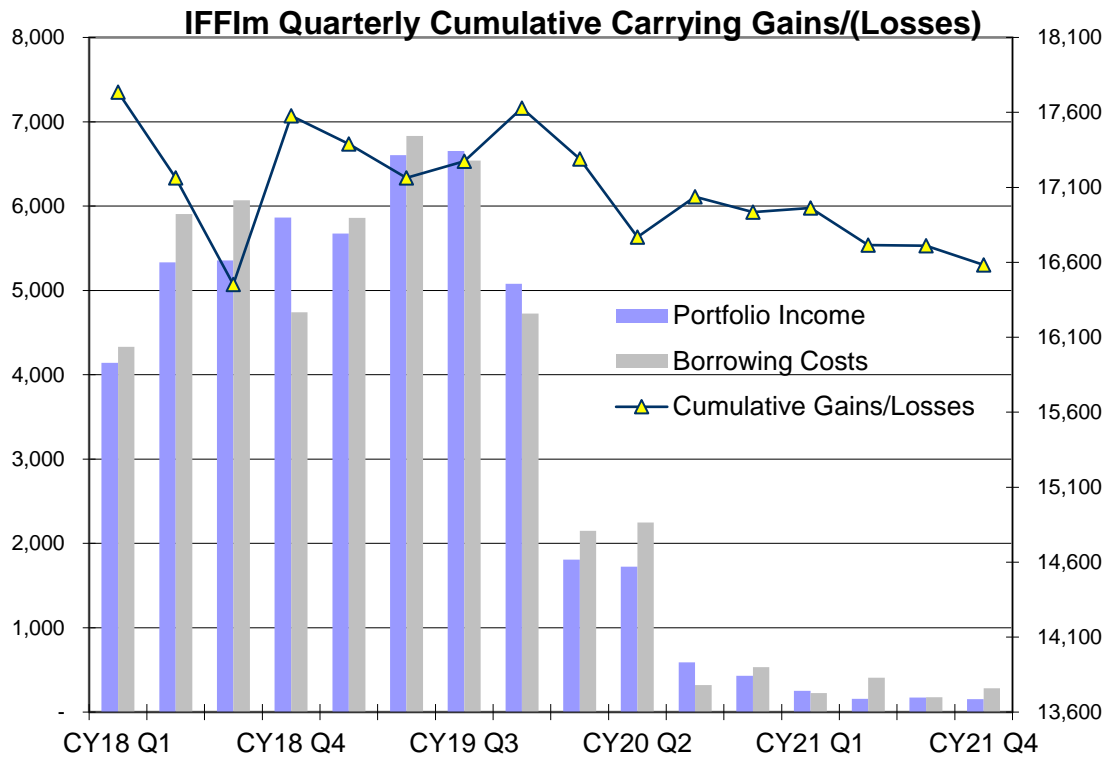
Portfolio Returns and Excess Returns Before Fees

	Benchmark Description	Current Benchmark Effective Date	31-Dec-21	Q4FY21		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			600,738,572	0.02	1	0.24	21	0.24	21	1.53	30
Operational Cash	ICE BofA SOFR Overnight Rate Index	11/1/16	599,015,326	0.01	1	0.13	13	0.13	13	1.38	40
Stable Cash	US LIBID 3-Month Average	7/30/13	1,723,246	0.05	4	0.46	42	0.46	42	1.61	34

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

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

Chart 1- IFFIm’s cumulative carry since inception (as of December 31, 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 from USD 245 million as of September 30, 2021 to USD 616 million as of December 31, 2021¹. The increase is mainly due to bond proceeds of USD 250 million and donor inflows from the UK, Spain and Netherlands.

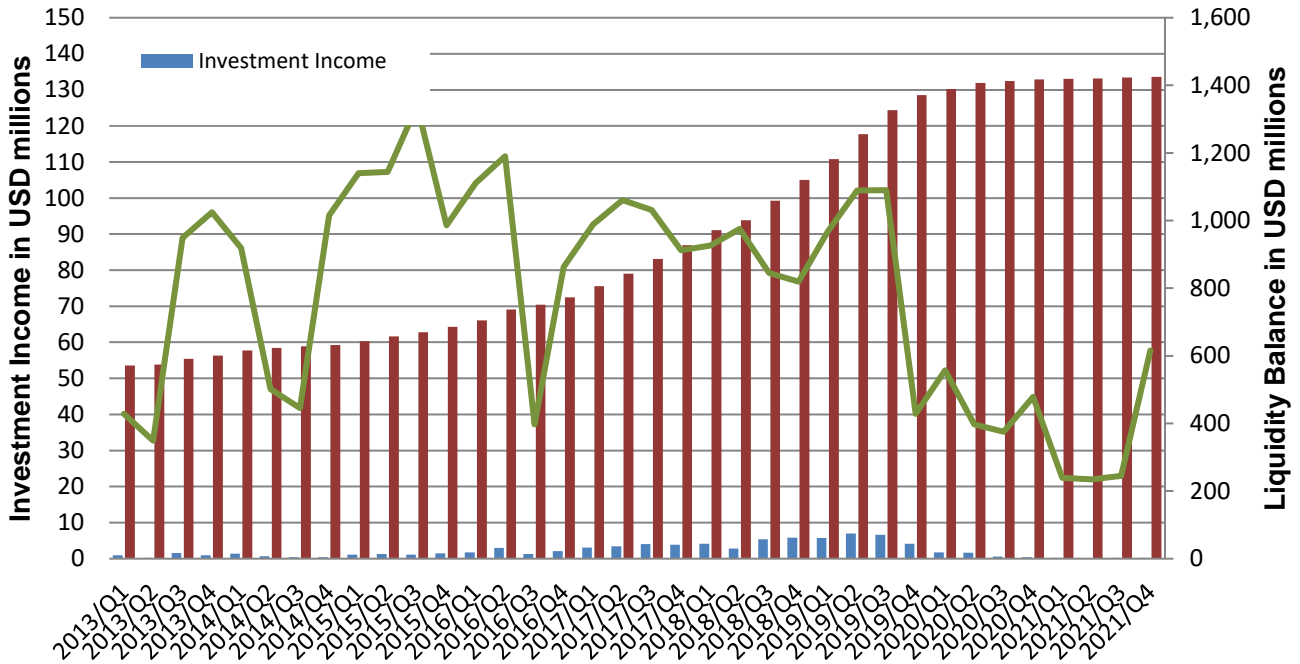
Table 4 - Summary of Cash Flows for IFFIm²

In USD millions		
Balance, September 30, 2021	(A)	245
Inflows from bonds (including related swaps)		250
Inflows from donors (including related swaps)		119
Investment income		0.2
Total inflows	(B)	369
Disbursement for approved programs		-
Debt service		(2.33)
Bond repayment		-
Swap recouping		-
Administrative costs		0.64
Total outflows	(C)	(2)
Balance, December 31, 2021	(A)+(B)-(C)	616

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.

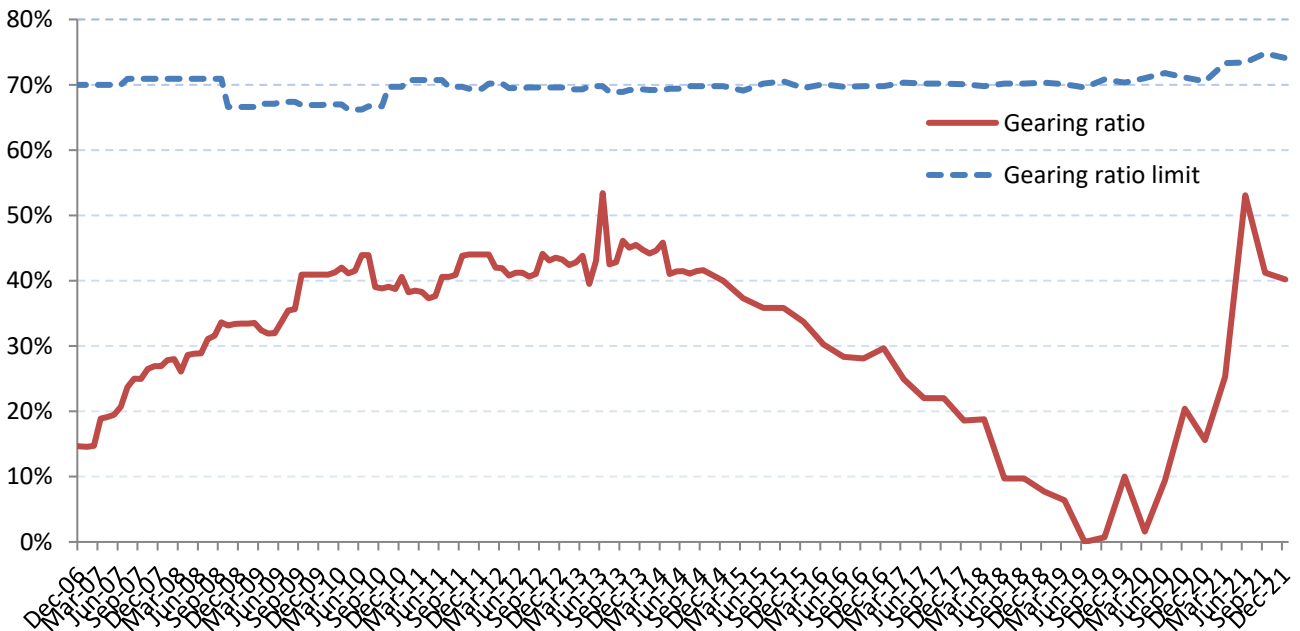
² The figures provided in this table may differ from those that will appear in IFFIm's financial statements.

Chart 2 - Investment income and liquidity balance



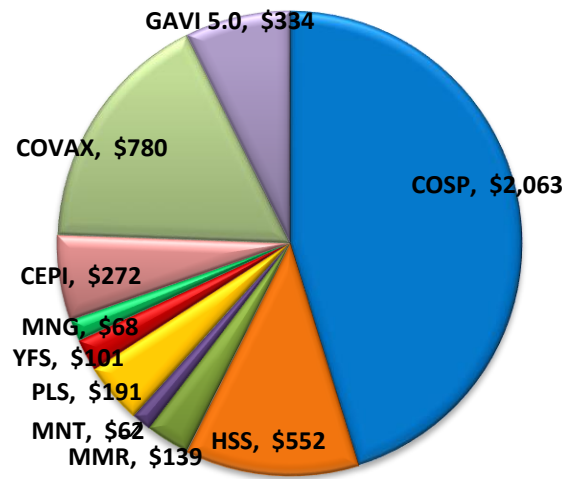
The Gearing Ratio Limit approved by the IFFIm Board for the fourth quarter of 2021 was 74.1%. The Risk Management Buffer was adjusted down to zero after the swap re-coupons transaction, and the approved Gearing Ratio was 74.1%. The end-December 2021 actual gearing ratio decreased to 40.3% from the end-September level of 41.2%.

Chart 3 - Gearing Ratio and Gearing Ratio Limit



Disbursements from IFFIm to GAVI for approved programs. As of December 31, 2021, cumulative program disbursements from IFFIm to GAVI since inception to December 31, 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 December 31, 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 fourth quarter of 2021 amounted to USD 614,286. Compared with 1/4th of the billed amount, the actual costs were lower by USD 14,964. 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 CY2021
Amounts in USD

Client: International Finance Facility for Immunization					
Billing period: 2021 Q4 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					315,760
• Bond Issuance – market research, design, execution	125,649	-			125,649
• Investment management fee (4.5 bps on average liquidity)			36,309		36,309
• Financial risk management (staff time and swaps fees)	33,644		120,157		153,801
B. Treasury Manager Administration and Support Costs					298,527
• Donor Relations, Management of Donor Pledges and Payments	24,677	-			24,677
• Fund Management (commitments, disbursements, programme tracking)	27,419	-			27,419
• Ratings maintenance including gearing ratio analysis, liquidity	112,399	-			112,399
• Accounting and Reporting	44,659	-			44,659
• IT: IFFIm systems development and maintenance	-				-
• Legal	41,509				41,509
• Preparation and reporting for IFFIm Board Meetings	47,864				47,864
Total invoice	457,820	-	156,466	-	614,286

Client: International Finance Facility for Immunization					
Billing period: 2021 Q4 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 Q4 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					13,760
• Bond Issuance – market research, design, execution	38,899	-	-	-	38,899
• Investment management fee (4.5 bps on average liquidity)	-	-	(31,191)	-	(31,191)
• Financial risk management (staff time and swaps fees)	14,394	-	(8,343)	-	6,051
B. Treasury Manager Administration and Support Costs					(28,723)
• Donor Relations, Management of Donor Pledges and Payments	(6,573)	-	-	-	(6,573)
• Fund Management (commitments, disbursements, programme track	(7,331)	-	-	-	(7,331)
• Ratings maintenance including gearing ratio analysis, liquidity	16,649	-	-	-	16,649
• Accounting and Reporting	(48,591)	-	-	-	(48,591)
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	15,509	-	-	-	15,509
• Preparation and reporting for IFFIm Board Meetings	1,614	-	-	-	1,614
Total invoice	24,570	-	(39,534)	-	(14,964)

The actual Treasury Manager's costs for 2021 were USD 2,254,751 as reflected in table 6 below. The total actual costs were USD 262,249 lower than the 2021 billed amount, majorly due to the lower actual average liquidity resulting in lower investment management costs, SWAP and Bond issuance costs. The 2021 under-run will be reflected in the fee paid for year 2022.

Table 6 - Comparison of Treasury Manager's actual costs vs. billed estimates, CY2021
Amounts in USD

Client: International Finance Facility for Immunization					
Billing period: 2021 Actuals					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					935,458
• Bond Issuance – market research, design, execution	324,511	-			324,511
• Investment management fee (4.5 bps on average liquidity)			100,810		100,810
• Financial risk management (staff time and swaps fees)	111,592		398,544		510,136
B. Treasury Manager Administration and Support Costs					1,319,293
• Donor Relations, Management of Donor Pledges and Payments	131,962	-			131,962
• Fund Management (commitments, disbursements, programme tracking)	146,625	-			146,625
• Ratings maintenance including gearing ratio analysis, liquidity	323,556	-			323,556
• Accounting and Reporting	363,182	-			363,182
• IT: IFFIm systems development and maintenance	-				-
• Legal	184,866				184,866
• Preparation and reporting for IFFIm Board Meetings	169,103				169,103
Total invoice	1,755,397	-	499,354	-	2,254,751

Client: International Finance Facility for Immunization					
Billing period: 2021 Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					1,208,000
• Bond Issuance – market research, design, execution	347,000	-	-	-	347,000
• Investment management fee (4.5 bps on average liquidity)	-	-	270,000	-	270,000
• Financial risk management (staff time and swaps fees)	77,000	-	514,000	-	591,000
B. Treasury Manager Administration and Support Costs					1,309,000
• Donor Relations, Management of Donor Pledges and Payments	125,000	-	-	-	125,000
• Fund Management (commitments, disbursements, programme track	139,000	-	-	-	139,000
• Ratings maintenance including gearing ratio analysis, liquidity	383,000	-	-	-	383,000
• Accounting and Reporting	373,000	-	-	-	373,000
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	104,000	-	-	-	104,000
• Preparation and reporting for IFFIm Board Meetings	185,000	-	-	-	185,000
Total invoice	1,733,000	-	784,000	-	2,517,000

Client: International Finance Facility for Immunization					
Billing period: 2021 Actuals vs. Estimates billed					
Services	Staff Costs	Travel	Swap Fees/ Investment Fees	Paid Third Party Costs	Final Total
A. Financial Service Cost					(272,542)
• Bond Issuance – market research, design, execution	(22,489)	-	-	-	(22,489)
• Investment management fee (4.5 bps on average liquidity)	-	-	(169,190)	-	(169,190)
• Financial risk management (staff time and swaps fees)	34,592	-	(115,456)	-	(80,864)
B. Treasury Manager Administration and Support Costs					10,293
• Donor Relations, Management of Donor Pledges and Payments	6,962	-	-	-	6,962
• Fund Management (commitments, disbursements, programme track	7,625	-	-	-	7,625
• Ratings maintenance including gearing ratio analysis, liquidity	(59,444)	-	-	-	(59,444)
• Accounting and Reporting	(9,818)	-	-	-	(9,818)
• IT: IFFIm systems development and maintenance	-	-	-	-	-
• Legal	80,866	-	-	-	80,866
• Preparation and reporting for IFFIm Board Meetings	(15,897)	-	-	-	(15,897)
Total invoice	22,397	-	(284,646)	-	(262,249)