MAY 25, 26 AND 28, 2021

MEETING OF THE BOARD OF DIRECTORS

VIA VIDEOCONFERENCE	BOD/2021/05 DOC 06	FOR INFORMATION

FINANCIAL FORECAST

Please note: Documents are deliberative in nature and, in accordance with the GPE Transparency Policy, are considered public documents only after their appraisal by the relevant governance instance. It is understood that members will circulate documents among their constituency members prior to consideration for consultation purposes, with the exception of documents that are confidential.

Key issues for consideration:

- Continued high levels of approvals and disbursements.
- Increased donor contributions helping to reduce financial carryover into next financing period (2021-2025).
- Progress being made on currency hedging but more donors need to convert pledges to multi-year contribution agreements.
- The Financial Forecast will be updated after the financing conference and shared with the Finance and Risk Committee (FRC) shortly thereafter in August.

Objective

1. The financial forecast is designed to provide the Board with sufficient information on the expected financial position of the GPE Fund to enable it to make decisions on how to allocate its financial resources in support of implementation of GPE strategic objectives.
2. This forecast Is focused on the conclusion of the current financing period beginning in 2018 and is the last one prior to the Global Education Summit: Financing GPE 2021-2025. Therefore, it does not consider donor pledges made as part of the new campaign or new grants that will be funded after the Summit concludes. An updated forecast will be prepared shortly after the Summit concludes and will address such matters.

Background

3. GPE's overall financial position is stable and grant approvals have continued to increase significantly since the last FRC meeting, with approx. **US$2.7 billion** approved between January 2018 and March 31, 2021 and an additional US$470 million in applications received and under review as of the same date. The start to 2021 has been strong with over US$172 million in applications approved, and more than US$282m disbursed from the GPE Fund in the first quarter of the year.

4. As noted in the previous forecast, the creation of the COVID window required an increase in the authorized carryover to US$950 million in terms of funds required from the next financing period (2021-2025) to cover outstanding grant disbursements on approvals made in the current financing period. The projected carryover had reduced at the time of the last forecast, and is now projected to be lower again at US$792 million primarily due to additional donor contributions from Finland (EUR 2m), Sweden (SEK 14m), Denmark (DKK 35m), Japan (US$7.13m), and Canada (CAD 35m). While the continued reduction in the carryover is positive, it is still a substantial figure to carry into the next financing period, emphasizing the importance of a strong financing campaign and outcome in the coming months.

5. Disbursements have remained steady over the past 6 months, while donor contributions have increased as donors seek to fulfill their pledges, and due to additional contributions. GPE's cash balance at the end of March was less than US$800m and is at the top end of the optimal range of 9-12 months' worth of disbursements coverage. The value of disbursements to be made however on existing approved grants is much higher at US$1.35 billion as of the same date, so timely donor contributions are still important to ensure disbursements can be made as needed.

6. GPE's financial position continues to be exposed to any significant strengthening of the US dollar. The Trustee and World Bank Treasury have continued to engage with the Secretariat on ways to manage the volatility caused by foreign exchange movements. Significant progress has been made and a viable hedging solution is currently being developed by the Trustee. An update on the progress and analysis prepared by the Trustee was presented at the FRC meeting in March and is available on the governance hub.

7. In order to maximize the efficiency of the hedging solution, prompt signing by donors of multi-year contribution agreements following announcement of pledges would be desirable. 14 out of 22 donors have at some point in the past signed a multi-year contribution agreement. Not only would this be helpful for FX management purposes, but it would also provide greater certainty with

respect to cash flow management for the GPE Fund by reducing risk and allowing for better predictibility.

8. GPE's operating expenses which covers the costs of the Secretariat and governance structures aim to keep for budgeting purposes within a range of 5-7% of total expenditure (all transfers from the GPE Fund). The final FY21 rate (July 2020 to June 2021) will be reported to the FRC in October but is likely to be less than 6% for the full year and well within the guidance range.
9. The Secretariat notes that based on the comprehensive funding guidelines, GPE expects to have sufficient resources to be able to approve any and all proposals received over the next six months.

Annex A - Financial Tables

Annex B - Financial Charts

Annex A - Financial Tables

Table 1 – Calculation of Available Assets for Allocation (All Figures in USD Millions)			
Opening Cash Balance (March 31 2021) (A)		792.5	*This is the balance of funds in the GPE Fund as of 31 March*
Remaining Disbursements to be made on Approved Allocations (B)		-1,351.3	*This represents the value of remaining disbursements to be made on grants and related allocations that have already been approved by GPE. It reconciles to the value in Table 5.*
Net Cash Available (C) = A – B		**-558.8**	***As the amount is negative, it shows that the cash balance alone would be insufficient to cover all existing obligations the Board has made.***
Balance on Donor Pledges	198.8		*Value of donor contributions at current FX rates to be made based on existing pledges. Reconciles to Table 3*
Projected additional donor contributions	108.2		*Secretariat estimate of additional contributions for donors that are unable to pledge but where there is a strong expectation of payment*
Projected Investment Returns	4.0		*Projected investment returns on funds held in the GPE Fund for the next six months.*
Projected Reflows from Closing Grants	20.7		*This represents an estimate of unutilized funds to be returned to the GPE Fund on grants that have or will close in the next six months.*
Total Projected Inflows (D)	331.7	331.7	*This is the sub-total of total of the above 4 rows*
Resources Available for Allocation (E) = C + D		**-227.2**	***Difference between net cash available and total estimated inflows. These are the assets available for allocation from this financing period***
Balance on MCAs (ESPIG + Multiplier + Cap Increase)	-524.3		*Total remaining value of maximum country allocations (MCA) not yet converted into approved grants. Reconciles to Table 4*
Maximum additional Accelerated Funding allocations	-21.2		*Maximum value of applications that may be approved in 2021 based on Dec 2019 Board decision on accelerated funding. Reconciles to Table 4*
Provision for small grant allocations (ESPDG, PDG)	-2.5		*Provision for ongoing education sector plan development grant and program development grant applications*
Provision for Agency Fees	-17.1		*Agency fees support the indirect costs of Grant Agents*
Total Projected New Grant Related Allocations (F)	**-565.1**	**-565.1**	***Sum of the 4 rows above - This represents the value of potential remaining grant approvals and related expenses***
Projected Carryover to be financed from next Financing Period (G) = (E – F)		**-792.3**	***The Board authorized a carryover of up to $950m with the expectation that it could be lowered if possible***
Note – the figures in this table don't account for new donor pledges made as part of the current financing campaign or grants that are expected to be approved as part of that financing period. Such information will be fully disclosed in the next forecast following the Financing Summit.			

Table 2 (A/B) – FORECAST OF ASSETS

Table 2A - FORECAST OF CASH BALANCE

All Figures in USD Millions	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
A. Opening Cash Balance (as of Mar 31 2021)	792.5	680.6	133.8	(354.5)	(660.7)	(784.4)
B. Inflows	321.1	10.6	-	-	-	-
C. Outflows	(433.0)	(557.4)	(488.3)	(306.2)	(123.6)	(7.9)
D. Closing Cash Balance 31 December (A + B – C)	680.6	133.8	(354.5)	(660.7)	(784.4)	(792.3)

While the information in Table 1 is used to calculate overall resources available for allocation, this table shows the projected inflows (i.e. predominantly donor contributions) into the GPE Fund and outflows (i.e. predominantly grant disbursements) and the impact on the cash balance. Donor contributions cease in 2022 as they don't take into account any contributions that may arise from pledges made for the upcoming 2021-2025 replenishment period. However as GPE is forecasting to approve over US$792m in grants that need to be financed from the next replenishment, the cash balance would be exhausted in 2023

Table 2B - FORECAST OF UNCOMMITTED ASSETS

All Figures in USD Millions	**2021**	**2022**	**2023**	**2024**
A. Opening Uncommitted Cash Balance (as of Mar 31 2021)	571.1	444.0	39.0	(376.7)
B. Inflows	321.1	10.6	-	-
C. Estimated Commitments	448.1	415.6	415.6	415.6
D. Funds Available to Commit (A + B – C)	444.0	39.0	(376.7)	(792.3)

While a Grant may be approved for a 3,4, or 5-year implementation period, the funds are only committed (earmarked in the fund as available for the Grant Agent) on an annual basis. In order to commit funds, the cash must be available in the Trust Fund. Therefore the level of uncommitted assets is important for GPE's ability to make grant approvals and funds available for Grant Agents. As donors make contributions into the Fund, it increases the funds available for commitments, however as grants are approved and subsequently committed on an annual basis, it reduces the available funds for commitment. The current forecast shows that GPE will run out of commitment authority in 2023 meaning that existing programs may need to be placed on hold. A timely and successful financing campaign for the 2021-2025 period should avoid this and also allow for new grants to be approved as part of the next Strategic Plan period.

Table 3 - STATUS OF 2018-2020 Replenishment

STATUS OF 2018-2020 Replenishment (All figures in Millions)		Dakar Pledge + Post Dakar Pledges and Adjustments	Paid as of Mar 31 2021)	Remaining Value (Mar 31, 2021)	Total Value (Mar 31, 2021)
Donor	**CUR**	**Pledged Amount**	**USD Value**	**USD Value**	**USD Value**
Australia	AUD	90.0	61.9	2.5	64.3
Belgium	EUR	19.5	22.9	-	22.9
Canada	CAD	215.0	135.5	27.8	163.3
Denmark	DKK	1,266.8	160.5	31.6	192.1
European Commission	EUR	337.5	410.3	0.0	410.3
Finland	EUR	2.0	2.5	-	2.5
France		200.0	178.0	51.9	229.9
Germany	EUR	141.0	151.7	12.9	164.6
Ireland	EUR	25.0	28.3	-	28.3
Italy	EUR	12.0	13.9	-	13.9
Japan	USD	12.9	12.9	-	12.9
Luxembourg	EUR	1.8	2.1	-	2.1
Netherlands	USD	113.6	113.6	-	113.6
Norway	NOK	2,070.0	232.0	-	232.0
Republic of Korea	USD	2.2	2.2	-	2.2
Senegal	USD	2.0	-	2.0	2.0
Spain	EUR	1.5	1.6	-	1.6
Sweden	SEK	1,082.0	118.8	-	118.8
Switzerland	CHF	39.8	41.1	-	41.1
United Arab Emirates	USD	100.0	99.0	1.0	100.0
United Kingdom**	GBP	239.6	244.0	68.6	312.7
United States	USD	252.5	252.5	-	252.5
Children's Investment Fund Foundation (CIFF)*	USD	2.0	2.0	-	2.0
Dubai Cares*	USD	1.0	1.0	-	1.0
OSF (through AOSI)*	USD	1.0	1.0	-	1.0
Stichting Benevolentia (Porticus)	USD	1.4	1.4	-	1.4
Total			**2,290.6**	**198.3**	**2,488.9**

*Contribution is approved/partially approved for Targeted Activities

**Contributions subject to a cap of 15% of total replenishment value, and partially linked to performance criteria

Table 4 - List of Countries with Outstanding MCAs for 2018-2021 as of March 31st (All figures in USD Millions)

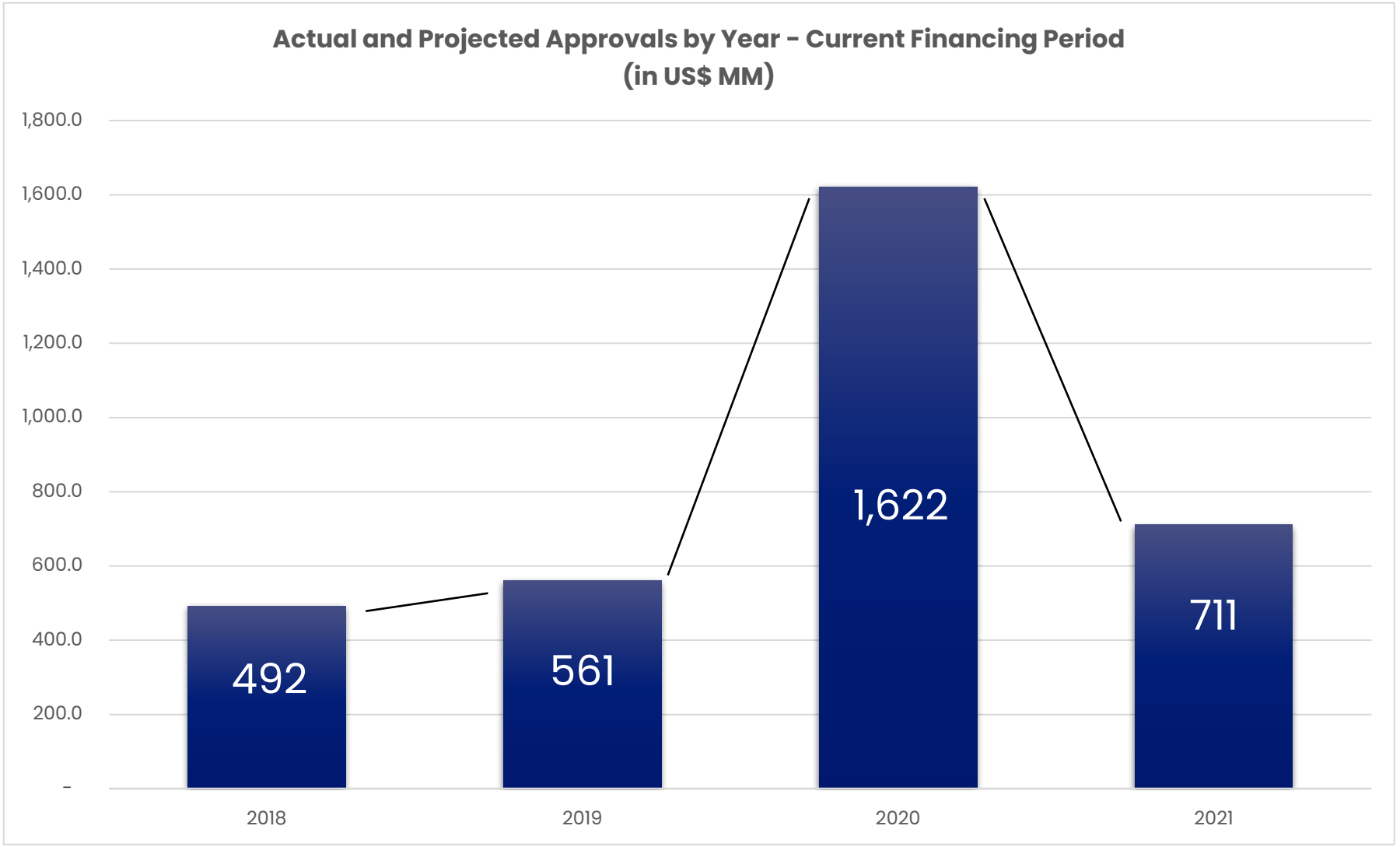
Country	ESPIG MCA + Multiplier MCA + Cap Increase	Eligible for Accelerated Financing
Bangladesh*	53.9	
Burundi*	21.3	
Cambodia (Multiplier)	10.0	
Comoros	5.2	
Congo, Republic of*	10.7	
Cote d'Ivoire (Multiplier)	13.03	
Guinea-Bissau*	2.8	
Haiti*	16.5	
Lesotho*	7.5	
Malawi*	48.7	
Myanmar*		14.74
Nigeria*	125.0	
OECS*	10.0	
Pakistan*	68.26	
Papua New Guinea*	3.62	
Syrian Arab Republic*	25.0	
Togo*	15.6	
Yemen, Rep.*	47.4	6.48
Zambia*	39.84	
Total	**524.3**	**21.2**

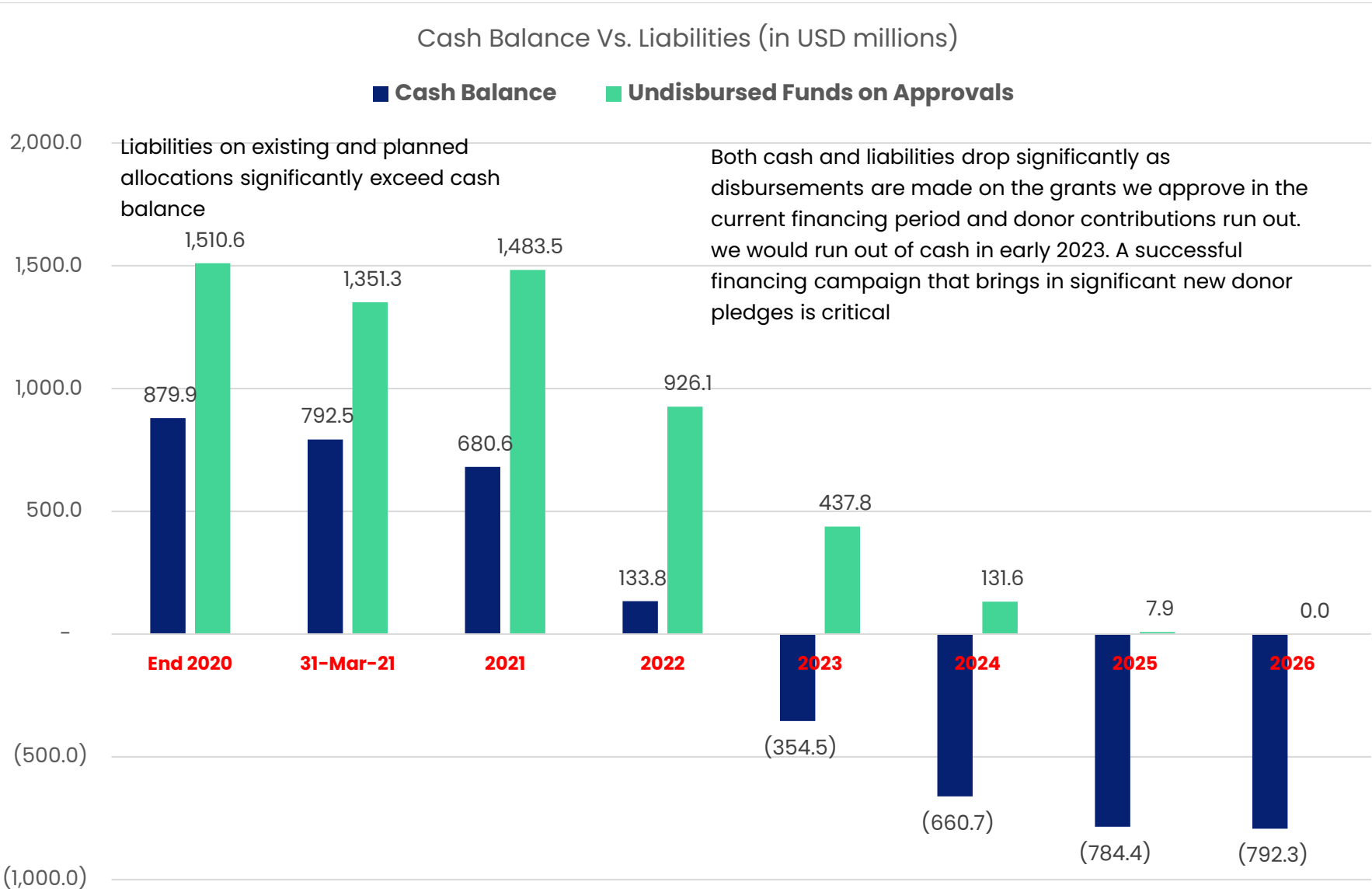
Application received and under review

Table 5 – Information on Active Grant Portfolio as of 31 March 2021 (All figures in USD millions)

Grant Agent	Value of Approved and Active	Value of Disbursements	Value to be Disbursed
ADB	15.0	-	15.0
AFD	272.7	127.5	145.2
CARE	25.9	15.2	10.6
FCDO	75.8	25.2	50.6
GCE	33.3	33.3	-
IDRC	70.5	30.1	40.4
IsDB	24.5	15.8	8.7
OECS	3.0	2.0	1.0
OXFAM	55.5	32.5	23.0
Save the Children Australia	3.8	0.7	3.0
Save The Children UK	31.0	26.6	4.4
Save The Children US	67.6	47.5	20.1
SIDA	142.7	74.7	68.0
UNESCO	61.9	53.2	8.6
UNICEF	681.2	473.6	207.6
World Bank	1,564.0	818.9	745.1
Total	**3,128.2**	**1,776.9**	**1,351.3**

Annex B – Financial Charts




Cash Balance Vs. Liabilities (in USD millions)
Cash Balance
Undisbursed Funds on Approvals
Liabilities on existing and planned allocations significantly exceed cash balance
Both cash and liabilities drop significantly as disbursements are made on the grants we approve in the current financing period and donor contributions run out. we would run out of cash in early 2023. A successful financing campaign that brings in significant new donor pledges is critical
2,000.0
1,500.0
1,000.0
500.0
-
(500.0)
(1,000.0)
879.9
1,510.6
792.5
1,351.3
680.6
1,483.5
133.8
926.1
(354.5)
437.8
(660.7)
131.6
(784.4)
7.9
(792.3)
0.0
End 2020
31-Mar-21
2021
2022
2023
2024
2025
2026