SEPTEMBER 2, 2021

MEETING OF THE FINANCE AND RISK COMMITTEE

VIA VIDEOCONFERENCE	FRC/2021/09 DOC 02	FOR DECISION

FINANCIAL FORECAST

Please note: Committee papers are deliberative in nature and, in accordance with the GPE Transparency Policy, are considered public documents only after the Committee has considered them. It is understood that Committee members will circulate Committee documents among their constituency members prior to Committee consideration for consultation purposes.

Key issues for considerations:

- Replenishment Outcome and its effect on funding.

Objective

1. This document is designed to provide the Finance and Risk Committee (FRC) with sufficient information on the expected financial position of the GPE Fund to enable it to allocate financial resources in support of implementation of GPE strategic objectives, based on delegated authority from the Board. The Secretariat has prepared the forecast following the methodology approved by the Board and confirms that no action to further prioritize resources is required at this point.

Recommended Decision

FRC/2021/09/-XX—Indicative Allocations: The Finance and Risk Committee in accordance with its delegated authority per Board Decision BOD/2021/05-05 to approve indicative allocations for GPE grants following conclusion of the Global Education Summit:

1. Approves the indicative allocations for System Transformation Grants and System Capacity Grants as set out in Annex A of the forecast of available assets (FRC/2021/09 DOC 02).

Background

2. With the conclusion of the Global Education Summit, where an unprecedented level of donor pledges were made (US$4 billion), GPE is in a position to announce indicative allocations in accordance with the decisions previously agreed by the

Board regarding eligibility and allocation (BOD/2020/11/12-04), and prioritization of resources (BOD/2021/05-05). Timely decisions will enable continued momentum with respect to grant approvals and disbursements. So far in 2021 over US$600 million in applications have been approved, and close to US$400m disbursed from the GPE Fund.

3. While GPE's current cash balance of approximately US$900m is on the high end, almost US$1.8 billion or double this amount remains to be disbursed on existing approved grants. Therefore, timely conversion of donor pledges into contribution agreements, and actual contributions into the fund is a priority.
4. As over 80% of donor pledges were made in non-us dollar currencies, GPE's financial position continues to be exposed to significant strengthening of the US dollar. Progress to develop a currency hedging solution by the World Bank is ongoing but the pace of progress from GPE's perspective is not as fast as was hoped. An update will be provided verbally by the Trustee.
5. 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.
6. Annex A shows how the success of the replenishment translates into the approvals expected over the 2021-2025 period based on the methodology approved by the Board in May 2021 and eligibility and allocation criteria agreed in December 2020.
7. Based on 1 July 2021 changes in economic classification by the World Bank, there are no changes in System Transformation Grant eligibility. Updated data per the allocation formula approved by the Board does result in changes in indicative allocations for a number of countries compared to the data used in December 2020. In addition, Belize and Iran have now become eligible for other forms of GPE grants due to them moving from Upper Middle Income status to Lower Middle Income as of 1 July 2021, and this has been reflected in the forecast.
8. While all countries will be notified of their eligibility and indicative allocations available for the 2021-2025 period, 11 countries are included in Cohort 2 based on the end dates of existing grants and assessment of readiness to commence work on developing a Compact. These countries which are shaded in Annex A Table 4 will have an initial 18 months to submit an application unless an extension request is made to the CEO. Cohort 3 countries will be announced in December 2021.

Annex A - Financial Tables

Annex A - Financial Tables

Table 1A – Forecast of Assets Available for Allocation (All Figures in USD Millions, as of July 31, 2021)		
Opening Cash	**906.6**	*GPE Fund cash balance*
Balance on Donor Pledges	4,032.6	*Value of outstanding donor contributions based in USD*
Projected additional donor contributions	528.7	*Include projections for donors who could not pledge for the full period but intend to*
Projected Investment Returns	40.00	*Estimate of future investment returns on the GPE Fund*
Projected Reflows from Closing Grants	15.00	*Assumption of unused funds to be returned on closing grants*
(A) Total Resources Available	**5,522.9**	
Disbursements on approved grants	(1,766.4)	*Funds required to disburse to Grant Agents on existing approved grants*
Balance on MCAs (ESPIG/Multiplier/Accelerated Funding)	(159.1)	*Existing indicative allocations yet to be converted into GPE grants*
Provision for Agency Fees	(126.4)	*Provision for agency fees on future grant allocations*
Provision for Operating Expenses	(259.9)	*Assumptions for Secretariat OPEX for 5 years*
Provision for Trustee Budget	(5.00)	*Assumptions based on growth in GPE Fund balances and historic budgets*
Provision for World Bank Indirect Cost Recovery	(59.0)	Based on Secretariat OPEX and rates communicated by World Bank
(B) Total Funding to be set aside	**(2,375.9)**	
(A-B) Amount available for new allocations	**3,147.0**	
Carryover of 20% applied to amount available for new allocations (A-B)	629.4	*Amount that will need to be financed in the 2026-2030 period from future pledges*
(C) Total Funding Available for new grant allocations	**3,776.5**	
Girls Education Accelerator	139	*Based on value of targeted contributions that satisfy Contributions and Safeguards Policy*
Program Development Grants	20.00	*Provision based on expected number of applications*
System Capacity Grants	270.4	*Provision based on expected number of applications and increased to factor in future decisions on accessing funds above the ceiling.*
Provision for Strategic Capabilities (includes KIX and EOL)	200.00	*Includes $17.35m application for EOL top up, and provisions for future Board decisions on EOL/KIX and other capabilities*
Multiplier	637.97	*Funds available for new Multiplier allocations based on 20% of Row C = $755.3m less $117.6m for EOIs/GEA matching already allocated for 2021-2025*
Sub-total other grants	**1,267.4**	

Balance Available for System Transformation Grants	**2,509.1**	*Funding expected to be disbursed on STGs – actual amount available for allocation will be 10% higher per approved methodology*
(D) Total new Allocations	**3,776.5**	
(C-D) Projected Surplus/ Deficit	**-**	

Table 1B - Girls Education Accelerator – capped at US$250m	
Donor	**Amount**
Belgium	$2.5m
Ireland	$12m
Germany	$120m
OSF	$1m
Dubai Cares	$1.5m
Unlocked matching from PF/PS[1]	$2.5m
Total	**$139.5m**

Table 1C - Financing Breakdown by Income Status (in US$ millions)		
Income Status	**Amount Available for STG Financing**	**Percentage of STG Financing**
Low Income Countries	1,778.8	64%*
Other Countries	981.3	36%
Total	**2,760.0**	**100%**

*As per the December Board Paper on Eligibility, the percentage of funding under simulation 1 going to LICs was 66.3%, roughly 2.3% more than is currently being proposed. The change is minor and attributable to a number of countries moving from LIC status to LMIC status as of 1 July 2021. As this difference is minor, no further action is recommended. The Secretariat will in subsequent financial forecasts report on actual allocations to LICs to monitor whether there are any challenges with LICs in terms of accessing funds compared to other countries.

[1] Matching funds of up to US$25m are available for contributions to the GEA from Private Foundations and the Business Community – the matching funds are sourced from the overall Multiplier allocation.

Table 2 (A/B) – FORECAST OF ASSETS

Table 2A - FORECAST OF CASH BALANCE

All Figures in USD Millions	**Remainder 2021**	**2022**	**2023**	**2024**	**2025**	**2026**
A. Opening Cash Balance (as of July 31 2021)	906.6	940.8	738.1	678.8	522.1	439.4
B. Inflows	414.1	645.9	960.3	1,024.4	1,113.7	597.6
C. Outflows	(379.9)	(848.5)	(1,019.6)	(1,181.2)	(1,196.3)	(751.1)
D. Closing Cash Balance 31 December (A + B – C)	940.8	738.1	678.8	522.1	439.4	285.9

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. New donor contributions are expected begin in 2021 from the replenishment, but are not expected to pick up until mid to late 2022. However, GPE is forecasting to begin approving new STG allocations in 2022, the cash balance is expected to be positive until 2027.

Table 2B - FORECAST OF UNCOMMITTED ASSETS

All Figures in USD Millions	**Remainder 2021**	**2022**	**2023**	**2024**	**2025**	**2026**
A. Opening Uncommitted Cash Balance (as of July 31 2021)	718.6	278.5	36.1	25.8	29.0	121.4
B. Inflows	414.1	645.9	960.3	1,024.4	1,113.7	597.6
C. Estimated Commitments	854.30	888.2	970.6	1,021.3	1,021.3	658.9
D. Funds Available to Commit (A + B – C)	278.5	36.1	25.8	29.0	121.4	60.2

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 2027 meaning that existing programs may need to be placed on hold. However there may be periods when levels of uncommitted funds are under pressure and therefore timely payment of donor contributions are important.

Table 3 - STATUS OF 4th REPLENISHMENT (All figures in Millions)		London Pledge	Paid as of July 31 2021	Remaining Value July 31, 2021	Total Value July 31, 2021
Donor	**CUR**	**Pledged Amount**	**USD Value**	**USD Value**	**USD Value**
Australia	AUD	180.0	22.5	114.5	137.0
Belgium	EUR	28.0	0	33.6	33.6
Canada	CAD	300.0	27.9	216.1	244.0
Denmark	DKK	-	-	0.0	0.0
Dubai Cares	USD	2.5	-	2.5	2.5
Estonia	USD	1.0	-	1.0	1.0
European Union	EUR	700.0	-	840.1	840.1
Finland	EUR	25.0	-	30.0	30.0
France	EUR	333.0	-	399.7	399.7
Germany	EUR	325.0	-	390.1	390.1
Ireland	EUR	60.0	-	72.0	72.0
Italy	EUR	25.0	-	30.0	30.0
Japan	USD	7.2	6.5	0.7	7.2
Kuwait	USD	30.0	-	30.0	30.0
LEGO	USD	10.0	3.0	7.0	10.0
Luxembourg	EUR	2.5	-	3.0	3.0
Netherlands	EUR	50.0	-	60.0	60.0
Norway	NOK	3,700.0	-	435.3	435.3
Open Society Foundations	USD	1.0	-	1.0	1.0
Republic of Korea	USD	15.0	-	15.0	15.0
Saudi Arabia	USD	38.0	-	38.0	38.0
Spain	EUR	20.0	-	24.0	24.0
Sweden	SEK	1200.0	-	141.8	141.8
Switzerland	CHF	52.0	-	57.0	57.0
United Arab Emirates	USD	100.0	-	100.0	100.0
United Kingdom	GBP	430.0	-	600.3	600.3
United States of America	USD	305.0	-	305.0	305.0
Total			**59.9**	**3,947.7**	**4,007.6**
Balance on 3rd Replenishment Pledges				**25.0**	**25.0**
Total Donor Pledges				**3,972.7**	**4,032.6**

Table 4 - List of Outstanding MCAs Approved for 2021-2025 as of July 31st (All figures in USD Millions)			
Country name	**System Transformation Grant Indicative Allocation**	**Multiplier Allocation[2]**	**System Capacity Grant**
Afghanistan	102.02		5.00
Algeria	Not Eligible		3.70
Angola	Not Eligible		3.70
Bangladesh	97.69		4.70
Belize	Not Eligible		1.60
Benin	25.70		2.40
Bhutan	5.00		1.00
Bolivia	Not Eligible		2.30
Burkina Faso	67.39		3.40
Burundi	68.24		3.60
Cabo Verde	5.00		1.00
Cambodia	15.39	10.00	2.70
Cameroon	62.50		3.70
Central African Republic	35.95		2.90
Chad	90.52		3.60
Comoros	5.00		2.20
Congo, Dem. Rep.[3]	162.50		4.70
Congo, Rep.	11.03		2.90
Cote d'Ivoire	44.91	15.00	3.10
Djibouti	5.00		1.60
Egypt, Arab Rep.	Not Eligible		4.40
El Salvador[4]	Not Eligible	10.00	1.60
Eritrea	11.82		2.20
Eswatini	Not Eligible	5.00	1.60
Ethiopia	117.59		4.10
Gambia, The	5.86		1.90
Ghana	31.43		3.10
Guatemala[5]	Not Eligible	10.00	Not Eligible
Guinea	33.38		3.00
Guinea-Bissau	5.71		2.20

[2] Amounts indicatively allocated based on approved Expressions of Interest
[3] Eligible for a further US$25 million from the Girls Education Accelerator (GEA)
[4] Eligible for a further US$5 million from the GEA
[5] Guatemala secured a Multiplier EOI as part of the third replenishment period but is no longer eligible for new funding under GPE2025

Table 4 - List of Outstanding MCAs Approved for 2021-2025 as of July 31st (All figures in USD Millions)			
Country name	**System Transformation Grant Indicative Allocation**	**Multiplier Allocation[2]**	**System Capacity Grant**
Haiti	31.60		2.90
Honduras	Not Eligible		2.00
India	Not Eligible		4.10
Indonesia	Not Eligible		4.70
Iran	Not Eligible		4.40
Kenya	53.30		3.80
Kiribati	2.50		1.00
Kyrgyz Republic	Not Eligible		1.00
Lao PDR	10.00		2.60
Lesotho	5.00		1.60
Liberia	19.50		2.20
Madagascar	89.44		3.70
Malawi	68.82	8.50	3.70
Mali	75.95		3.40
Mauritania	7.53		1.30
Micronesia, Fed. Sts.	2.50		1.00
Moldova	Not Eligible	5.00	1.00
Mongolia	Not Eligible	5.00	1.30
Morocco	Not Eligible		3.70
Mozambique	117.59		4.00
Myanmar	42.94		4.00
Nepal	20.00		3.40
Nicaragua	5.00		1.30
Niger	117.59		3.40
Nigeria	117.59	15.45	4.70
Pakistan	117.59		4.40
Papua New Guinea	14.91		2.60
Philippines	Not Eligible	25.00	4.70
Rwanda	31.29		2.40
Sao Tome and Principe	2.50		1.50
Senegal	38.22		2.40
Sierra Leone	22.47		2.60
Solomon Islands	5.00		1.50
Somalia	98.74		3.60
South Sudan	56.43		2.90
Sri Lanka	Not Eligible		2.70
Sudan	86.50		5.00

Table 4 - List of Outstanding MCAs Approved for 2021-2025 as of July 31st (All figures in USD Millions)			
Country name	**System Transformation Grant Indicative Allocation**	**Multiplier Allocation[2]**	**System Capacity Grant**
Syrian Arab Republic	18.75		3.60
Tajikistan	10.00		2.60
Tanzania	117.59		4.10
Timor-Leste	5.00		1.50
Togo	20.64		2.00
Tunisia	Not Eligible		2.30
Uganda	162.50		3.80
Ukraine	Not Eligible		2.70
Uzbekistan	Not Eligible		3.10
Vanuatu	2.50		1.30
Vietnam	Not Eligible	25.00	4.70
West Bank and Gaza	Not Eligible		1.60
Yemen, Rep.	61.57		4.30
Zambia	31.55		3.30
Zimbabwe	24.83		3.30
Dominica	2.50		1.00
Fiji	5.00		1.50
Grenada	2.50		1.00
Guyana	5.00		1.50
Maldives	5.00		1.50
Marshall Islands	2.50		1.00
Samoa	2.50		1.00
St. Lucia	2.50		1.00
St. Vincent and the Grenadines	2.50		1.00
Tuvalu	2.50		1.00
Tonga	2.50		1.00
Total	**2,760.03 ***	**133.95**	**247.10**

*The value of STG allocations exceeds the amount in Annex 1 under the assumption that roughly 10% of the value would either not be applied for, approved, or disbursed considering the significant amounts linked to the enabling conditions and results based financing.

Cohort 1 Pilot Countries

Cohort 2 Countries

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

Total Value of Approved & Active Grants	3,624.6
Total Value of Disbursements from the GPE Fund	1,851.3
Balance to be Disbursed from the GPE Fund	1,773.3

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

Grant Agent	Value of Approved and Active	Value of Disbursements	Value to be Disbursed
ADB	15.0	-	15
AFD	294.0	138.9	155.1
CARE	25.9	19.9	5.9
FCDO	75.8	25.2	50.6
GCE	33.3	33.3	0
IDRC	70.5	36.5	34.0
IsDB	24.5	15.8	8.7
OECS	13.0	4.6	8.4
OXFAM	55.5	32.5	23.0
Save the Children Australia	3.8	2.6	1.1
Save The Children UK	34.6	26.6	8.0
Save The Children US	67.6	41.8	25.9
Sida	142.7	125.9	16.8
UNESCO	72.6	55.6	17.0
UNICEF	743.2	473.1	270.1
World Bank	1,952.7	818.9	1,133.8
Total	**3,624.6**	**1,851.3**	**1,773.3**