COMPREHENSIVE FUNDING GUIDELINES

MAY 2013

GPE Transforming Education

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The purpose of this document is to provide guidance on the forecasting available resources that can be considered by the Board when making approvals for program implementation grants, and to guide the prioritization of approval and commitment of funds in the event of a shortfall.

Part 1: Establishing the Available Resources

The Secretariat will prepare two forecasts for review by the Financial Advisory Committee ("FAC") at each of its semi-annual face-to-face meeting and subsequently the Board for its semi-annual face-to-face meetings: (i) a financial forecast; and (ii) a forecast for the purpose of program implementation grant approvals.

(i) Financial Forecast

The Financial Forecast covers the remainder of the existing and next replenishment period. This forecast will include both pledged resources and projections developed by the Secretariat using reasonable assumptions as to future contributions and future commitment needs (informed by the list of indicative allocations for program implementation grants). The first version of such a forecast was presented to the Board in November 2012.

The purpose of this forecast is to:

a. help inform the annual review of indicative allocations for program implementation grants and to provide the FAC and Board with an overview of the projected financial position over the medium term; and

b. to identify potential future shortfalls in the ability of the Board to make subsequent commitments of funds for program implementation grants subject to commitment of funds in annual installments as decided by the Board at its meeting in Paris in November 2012 (BOD/2012/11-04).

In the event that the forecast shows a potential shortfall based on future commitments arising from either previous approvals or those current proposals being considered for approval that would not be eliminated over the course of two semesters or the end of a calendar year, the Secretariat would create a commitment reserve in the forecast. The commitment reserve would reduce the available funds that could be considered by the Board when making new program implementation grant approvals. This approach is designed to maximize the chances that sufficient funds are available for second and subsequent commitments for program implementation grants previously approved by the Board.

(ii) Forecast for the Purpose of Program Implementation Grant Approvals

In determining the forecast of available funds for the purpose of grant approvals, the forecast of expected resources will be based on confirmed pledges (defined as the balance of funds in contribution agreements, amounts pledged publicly at a replenishment conference or publicly announced subsequently, and written confirmation of an expected contribution from a senior donor official), and expected available uncommitted cash on hand. This will provide a greater level of certainty on the financial position because projections for contributions from donors who have not yet pledged or signed a contribution agreement will be excluded.

The forecast will be prepared for the subsequent six-month period ending on 31 December for the first face-to-face Board meetings in a calendar year and 30 June for the second face-to-face meeting in a calendar year. This estimate will show clearly the assets expected to be available for commitment for the first year of funding of FAC recommended program implementation grants.

The Board will only approve proposals (including related agency fees and supervision allocations) when the expected available assets are sufficient to cover the first commitment within the next semester following the respective Board meeting. (i.e. 1 July – 31 December for the first face-to-face Board meeting and 1 January – 30 June for the second face-to-face Board meeting). To determine the available assets, the Secretariat will deduct from the expected resources, any expected commitments in the period arising from previously approved grants (i.e. second and subsequent commitments for program implementation grants approved in earlier application rounds) and after provision for routine recurrent costs has been made (Secretariat budget, Trustee Fees, Education Plan and Program Development Grants, Global and Regional Activities grants, Civil Society Education Fund, and any other initiatives approved by the Board with financing requirements). If a commitment reserve is required to eliminate an expected financial shortfall in a future period, it will also be deducted.

Part 2: Prioritization Criteria for Board Approvals

In the event that the available assets are expected to be insufficient to allow for approval of all the recommended program implementation grants, Board approval for grants and related supervision and agency fees will be made for those proposals whose cumulative first commitments do not exceed the value of available assets based on the following prioritization criteria:

1. Proposals expected to be signed into grant agreements and requiring funds **by** 30 September for approvals made at the first face-to-face Board meeting of the year, or 31 March for approvals made at the second face-to-face Board meeting of the year.

2. Proposals expected to be signed into grant agreements and requiring funds **after** 30 September for approvals made at the first face-to-face Board meeting of the year, or 31 March for approvals made at the second face-to-face Board meeting of the year.

If there is a shortfall within the categories above, the following prioritization criteria will then be applied:

- Tranche 1 – Accelerated Funding Requests
- Tranche 2 - Fragile States (as defined by the World Bank) and countries categorized as IDA Category i in the most recent list issued by the World Bank
- Tranche 3 - All other countries other than those in Category i (i.e. IDA Category ii, Small Island Developing States, and IDA Category iii that have been classified as IDA Category i or ii within the previous two years)

- The Board would approve all proposals in principle, however the effective approval date for any proposals that could not be immediately financed due to insufficient forecasted funds would only be made once the Secretariat determines that funding is expected to be available and notifies the Board and the country accordingly. The determination that additional available assets would be expected to be available within six months will be based on the same forecasting principles used to determine the initial available amounts (i.e. a forecast that excludes Secretariat projections of resources and only considers actual pledged amounts). The approval date for the purpose of application of the **Policy on Time Frames for Grant Agreement Signing and Implementation and Procedures for Proposed Revisions to Implementation Grant Programs** will be the date of notification to the Board of such availability.

- In the unlikely event that there were still unapproved program implementation grants after 12 months from the date of the Board meeting in which they were reviewed and approved in principle, the validity of the application and recommendation would need to be considered by the FAC based on a recommendation from the Secretariat and subsequently the Board based on recommendation of the FAC.

Part 3: Prioritization of Commitments

In the event of an actual or expected shortfall in uncommitted assets, the Secretariat would first follow the approach outlined below:

- in consultation with the concerned parties, delay commitments in cases where there would be no negative impact (e.g. if the funds for activities were not immediately required or if sufficient funds were available from an earlier commitment that could continue to finance operations for a certain period);

- following this step, any remaining activities requiring funds would be committed in the following order:

    a. Secretariat budget and Trustee budget;
    b. commitments arising from approved Accelerated Funding Requests;
    c. commitments for the Civil Society Education Fund, education plan and program development grants, and any other special initiatives or funding amounts approved by the Board other than those related to program implementation grants;
    d. second and subsequent commitments for program implementation grants;
    e. first commitments for program implementation grants; and
    f. commitments for Global and Regional Activities.

In the event of a shortfall in available assets within any of the categories resulting in the inability to fund the entire category at that time, the Secretariat in consultation with the parties concerned would make a determination of what it believed to be the most urgent case for commitment of funds. The CEO will provide the rationale to the Financial Advisory Committee for the purpose of the annual review of the portfolio.

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