FINANCIAL FORECAST

For Decision

1. STRATEGIC PURPOSE

1.1 The financial forecast is designed to provide the Board with sufficient information on the expected financial position of the Global Partnership in order to facilitate decision making with respect to allocations recommended by the Country Grants and Performance Committee, and indicative allocations for future funding rounds.

2. REQUESTED DECISION

2.1 The GERF recommends that the Board of Directors approves the following decision:

BOD/2015/12-XX—Approval of Maximum Country Allocations: The Board of Directors:

1. Approves the list of Maximum Country Allocations for Round 1 and Round 2 of 2017 below. The allocation for these countries will remain valid through the final application round of 2018 unless otherwise adjusted by the Board, and will be subject to the requirements of the funding model for the 2015–2018 period.

List of Eligible Countries *All Figures in USD Millions*	**Fixed (70%**	**Variable (30%)**	**Maximum Country Allocation**	**Earliest Application Round**
Burkina Faso	23.7	10.1	33.8	R1 2017
Cambodia	14.4	6.2	20.6	R1 2017
Eritrea	12.0	5.2	17.2	R1 2017
Haiti	11.5	5.0	16.5	R1 2017
Madagascar	32.8	14.0	46.8	R1 2017
Mali	24.9	10.7	35.6	R1 2017
Sierra Leone	12.0	5.2	17.2	R1 2017
Togo	9.8	4.2	14.0	R1 2017
Gambia	3.5	1.5	5.0	R2 2017
Benin	12.0	5.1	17.1	R2 2017
TOTAL	**156.6**	**67.2**	**223.8**	

List of Eligible Small Island and Landlocked Developing States *(All Figures in USD Millions)*	Maximum Country Allocation	Earliest Application Round
Sao Tome and Principe	**1.0**	**R1 2017**

2. Requests the GERF to conduct a review of the forecast of available resources at its next face-to-face meeting in 2016 and if possible to make recommendations for decision by the Board on potential positive adjustments to the Maximum Country Allocations for eligible countries impacted by the prioritization measures, and the resources available for the general provision.
3. Notes that due to continued adverse foreign exchange movements and a downward revision of a donor pledge, projected available resources are insufficient to provide allocations for a number of eligible GPE countries. The Board therefore calls on all partners to intensify their efforts to secure additional financing through the GPE Fund and for donors to fulfill their pledges in a timely manner.
4. Reiterates the importance of Board Decision (BOD/2015/05/05) and requests all partners continue to consider the scope for efficiency gains to be found in both the existing portfolio and when considering new requests for funding.

3. BACKGROUND

3.1 Based on the document (GERF/2015/11 DOC 02), the Secretariat provided the GERF with an update on GPE's projected available resources. The Secretariat stressed that since the last Board meeting in May 2015:

- **the projection of available resources** has continued to decline. The primary reasons are an announcement from a major donor that it is not able to fulfill the pledge made at the replenishment conference in June 2014 combined with communication from another donor that an increase to its pledge made via a top up contribution at the end of 2014 is unable to be counted as an increase, and therefore the top up payment must count against their original pledge made in June 2014.

- **Adverse foreign exchange rates** have continued to put pressure on available resources, although not to the same extent as experienced over the July 2014 – March 2015 period, as there has been relative stability in the US dollar/Euro exchange rate. Unfortunately, there has been a further strengthening of the US dollar against other GPE donor currencies, notably the Australian and Canadian dollars, as well as the Norwegian krone. The measures adopted by the Board to revalue Maximum Country Allocations based on the US dollar equivalent of the local currency allocation calculated at the time of the GPE replenishment in June 2014 to maintain the same allocation value

in local currency has created a natural currency hedge that has limited the negative impact of these foreign exchange movements, albeit by reducing the US dollar value of the allocations.

3.2 The Secretariat also noted that between the impact of foreign exchange and reductions from donors, the value of pledges for this current replenishment period is down from US$2.31 billion (based on the value of pledges when initially made) to US$1.86 billion, a decline of some US$450 million in total.

3.3 As requested in May 2015, the Secretariat has continued to work with the Trustee to consider ways to mitigate GPE's exposure to adverse foreign exchange movements, however the situation has not significantly advanced and is unlikely to without a change in approach from GPE Donors and/or the World Bank.

3.4 The Secretariat recommended that based on the existing prioritization criteria agreed by the Board, no new indicative MCAs be announced at this time for remaining eligible LMICs (Cameroon, Kyrgyz Republic, Mauritania, Pakistan, Senegal, Sudan, and Yemen) and considering that two LICs (Uganda and Niger) have existing grants that are not expected to close prior to 2018 and may in fact be extended if they encounter delays, that no new allocations are provisioned for these two LICs at this stage, but that the Board should re-examine their circumstances closer to the time or as available resources improve. This approach would enable MCA's to be announced for remaining LICs expected to apply in 2017 without the need for further prioritization.

3.5 During the discussion, the GERF concurred with the approach proposed by the Secretariat. The GERF specifically noted that:

- the option for holding euro contributions and providing euro grants should continue to be examined when preparing for the next replenishment cycle;

- the Secretariat should ensure communication to countries affected by the prioritization actions should be handled sensitively including reinforcing their importance to the Partnership;

- there is a continued need to seek to find efficiency gains in the portfolio.

- the Secretariat should continue raising awareness on the financial situation to the Board. Some GERF members noted that it seems that the sense of urgency is not perceived at the Board and that it is crucial that the Board get a clear message at this particular time. Some members stressed

that there may be a disconnect between the aspirations of the Board and the financial reality, and this should be considered in discussions around the Strategic Plan.

3.6 The Secretariat concurred with the importance of the Board understanding the financial position, and stressed that going forward there continues to be a number of considerable risks to GPE's financial position, that the room for further prioritization is limited, and that a further deterioration may result in some of the actions outlined in the Comprehensive Funding Guidelines (BOD/2013/05-07) being applied.

3.7 Among these risks the GERF noted the potential for a further strengthening of the US dollar in 2016, an inability to conclude lengthy negotiations between the World Bank and the European Commission on a contribution agreement to facilitate payment of EU funds, the risk that the ongoing refugee crisis in Europe either results in delays or reductions to donor contributions to the GPE Fund, and the risk that donors that may be in a position to increase funding in 2016 wait for the outcome of the Financing Commission in the second half of 2016.

3.8 The Secretariat concurred with the need to communicate sensitively to affected countries, to continue to explore the potential for euro grants in future funding cycles, and work to identify efficiency gains to be found in both the existing portfolio and when considering new requests for funding.

4. PLEASE CONTACT: Padraig Power (ppower@globalpartnership.org) for further information.

5. ADDITIONAL INFORMATION

GERF/2015/11 DOC 02