FINANCIAL FORECAST: REPORT FROM THE GOVERNANCE, ETHICS, RISK AND FINANCE COMMITTEE

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 for Education. This information is critical in order for the Board to allocate its financial resources in support of implementation of GPE strategic objectives.

2. EXECUTIVE SUMMARY

- The forecast is a projection of future events and is therefore subject to significant change.
- The overall financial position of GPE is little changed since the December Board meeting, meaning that there is no need for further prioritization actions — but at the same time, there is no scope to reverse some of the previous measures taken by the Board. Therefore, a significant number of GPE-eligible countries remain without an indicative allocation in this current replenishment period.
- Although there are sufficient funds for the Board to approve the recommended allocations for education sector program implementation grants (ESPIGs) from the Country Grants and Performance Committee (BOD/2016/06/DOC 06- ESPIG Allocations Round 1 of 2016), there is no scope to announce additional indicative allocations beyond those already announced by the Board.
- GPE's financial position is still subject to considerable risk. While exchange rates have stabilized, this could change over the course of 2016 based on timing of U.S. interest rate increases and the potential for a U.K. referendum decision to leave the European Union.
- The ongoing refugee crisis, security situation and general weakness in economic conditions continue to put pressure on European donors, with notifications from some donors that contributions may be back loaded and carry over into 2019.

- Substantial progress has been made over the past few months, thanks to efforts by the European Commission (EC) to remove the obstacles preventing it from contributing directly to the GPE Fund. However, there is one outstanding issue related to access rights for the European Court of Auditors (ECA). Language to amend the Financial Procedures Agreement that the trustee signs with all grant agents (BOD/2016/06/DOC 10-Financial Procedures Agreement) has been agreed to by the EC and the World Bank, which would resolve this last issue, but it requires the Board to adopt the language and all grant agents to accept the new terms. Resolving this issue will result in substantial administrative savings and significantly reduce the risk that a lack of liquidity will affect GPE's ability to commit funds.
- The Governance, Ethics, Risk and Finance Committee (GERF) noted that GPE's financial position is important for the Board to take into account when considering a date for the replenishment. This issue is addressed in further detail in the Strategic Financing Working Group paper (BOD/2016/06/DOC 12-Strategic Financing Working Group paper).
- The GERF also noted that it was important for all partners to intensify their efforts to raise additional resources, and for donors to fulfill their pledges. The GERF further noted the risks to GPE's liquidity if contributions are not made in a timely manner.

3. RECOMMENDED DECISION

3.1 The GERF requests that the Board of Directors approve the following decision:

BOD/2016/06-XX — <u>Financing Options</u>: The Board of Directors:

1. Notes that while additional prioritization measures are not currently anticipated, there is no scope to provide additional indicative allocations at this stage.
2. Calls on all partners to intensify their efforts to secure additional financing through the GPE Fund and on donors to fulfill their pledges in a timely manner.
3. Noting the risk to GPE's liquidity, calls on those donors that are in a position to do so to advance the timing of their contributions to the GPE Fund.
4. Requests that the GERF conduct a review of the forecast of available resources at its next face-to-face meeting in 2016, and, if possible, that it make recommendations for Board decision on potential positive adjustments to the maximum country allocations for eligible countries affected by the prioritization measures, and the resources available for the general provision.

4. BACKGROUND

4.1 As communicated in previous financial forecasts, it is important to note that the forecast is a projection of future events and is therefore subject to significant change that could positively and/or negatively affect the forecast.

4.2 These changes can be permanent in nature — for example, a reduction in donor contributions or an increase in commitments required — or temporary, such as a shift in the timing of a donor contribution from the end of one year to the start of another.

4.3 The assumptions used to develop the financial forecast and associated recommendations are outlined in the explanatory notes in Annex 6 and are based on the approach approved by the Board of Directors in June 2014 (BOD/2014/06-01).

4.4 The resources available for allocation are presented in both Annex 1 (calculation of the overall amount for allocation and impact on maximum country allocations), and Annex 2 (forecast of available resources to the end of 2018).

5. REASONS FOR RECOMMENDATION

5.1 Since the last Board meeting in December 2015, the projection of available resources has remained relatively stable. The strong U.S. dollar continues to place pressure on GPE's financial position, while the ongoing impact of the refugee crisis continues to have a negative effect on the ability of some European donors to fulfill their pledges in a timely manner; payments from a number of countries are now expected to extend into 2019 rather than conclude in 2018, as initially scheduled. On the positive side, France has increased its pledge by €8 million; a number of other, smaller donors have indicated they are working on increasing their contributions but are not yet able to officially announce an increase.

5.2 In December 2015, a key risk to GPE's financial position was identified: ongoing negotiations between the European Commission (EC) and the World Bank regarding a contribution agreement raised the possibility of delays in the EC's contribution. Since December, the EC has made significant progress on finding a path forward to contributing directly to the GPE Fund for the first time, rather than through the planned World Bank-administered Single Donor Trust Fund. However, there remains the issue of finding a solution to facilitate access to GPE grant agents so that they may conduct verifications, which must first be resolved. The Secretariat is continuing to work with the World Bank, UNICEF and the EC toward an acceptable solution that would allow EC contributions directly into the GPE Fund. This would produce substantial administrative cost savings, and would

also improve GPE's ability to manage its liquidity and consider introduction of euro grants as a way to mitigate foreign currency exposure. Although progress has been made, the risk that GPE will have insufficient funds to make commitments when needed will remain high until the issue is resolved.

5.3 As outlined in the previous financial forecast submitted to the Board in December 2015, the Board took prioritization measures to ensure that the supply of available resources for allocation matched as far as possible the level of funding that the Board can indicatively make available for allocation. No further prioritization measures are currently anticipated; however, there are still insufficient funds to announce any increases in indicative allocations to eligible GPE countries.

5.4 Annex 1 provides a calculation of the resources expected to be available. This calculation takes into account all previous prioritization measures adopted by the Board through December 2015. It also takes into account the remaining commitments to be made on previously approved allocations, provisions for ongoing activities to the end of 2018, and the expected cost of providing allocations to countries with an indicative maximum country allocation (MCA) already announced by the Board (e.g., countries expected to apply in 2016 or 2017).

5.5 The Secretariat notes that, based on the comprehensive funding guidelines, the Board will be in a position to approve any and all proposals recommended by the Country Grants and Performance Committee for approval in Round 1 of 2016. Per the comprehensive funding guidelines, the calculations are disclosed in Annex 3.

5.6 As fundraising efforts are ongoing, and exchange rates may change over the course of 2016-2018 in a way that has a positive impact on the forecast, additional resources may become available. If so, the GERF may consider recommending to the Board an upward adjustment to these allocations at a future date. This may also include consideration of a new allocation for any eligible country approved in Round 2 of 2014, for which no future allocation is forecast before the end of 2018.

6. RISK

6.1 It should be recognized that there a number of considerable risks to GPE's financial position moving forward. Among these risks are the prospect that the U.S. dollar will strengthen further in the remainder of 2016, the potential of the ongoing refugee crisis in Europe to result in either further delays or reductions in donor contributions to the GPE Fund, and the risk that donors in a position to increase funding in 2016 may wait for the outcome of the Financing Commission in the second half of 2016. Resolving the remaining issues on the EC contribution is critical to GPE's liquidity and ability to commit funds in a timely manner.

6.2 Any further reduction in projected available resources could trigger prioritization measures, such as delaying of Board approval or grant commitments, as outlined in the Comprehensive Funding Guidelines approved by the Board in 2013.

7. NEXT STEPS

7.1 The Secretariat will continue to monitor the financial position and report to the GERF and the Board semi-annually with an updated financial forecast.

8. PLEASE CONTACT: Padraig Power at ppower@globalpartnership.org for further information.

9. ANNEXES OR INFORMATION

9.1 The following Annexes are included in this paper

Annex 1 — Calculation of the Available Resources for Maximum Country Allocation

Annex 2 — Forecast of Available Resources to the End of 2018

Annex 3 — Forecast for the Purpose of Program Implementation Grant Approvals

Annex 4 — Status of Second Replenishment Pledges and Contributions

Annex 5 — Current Status of Grant Portfolio

Annex 6 — Explanatory Notes and Assumptions for Forecast of Available Resources

ANNEX 1 — CALCULATION OF THE AVAILABLE RESOURCES FOR MAXIMUM COUNTRY ALLOCATION

Current projected surplus required to fund all GPE-eligible countries and activities, based on prioritization measures agreed upon by the Board as of December 2015

SCENARIO	1
MCA Calculation Amount (2,000 = Minimum)	*2000*
Opening Uncommitted Cash Balance — January 1, 2016	153
Balance on Signed Contribution Agreements	370
Donor Pledges (After Discounting for Uncertainty)	893
Projections of Additional Contributions — Secretariat Recommended	181
Projected Carryover from 2015–2018 Approvals (20% of MCA)	240
RESOURCES FOR FORECASTING PURPOSES (A)	**1,836**
Remaining Commitments to Be Made on Existing Approved Grants (2013–2015)	(742)
Provisions for Other Grants (Plan Development, Program Development, CSEF)	(51)
Provisions for Other Costs (Supervision, Agency, Secretariat, Trustee)	(92)
General Provision (Leverage Fund and Contingencies)	-
Provision for Future Commitments Based on MCAs for 2016–2018	(950)
TOTAL AMOUNT TO BE SET ASIDE (B)	**1,834**
PROJECTED SURPLUS/(SHORTFALL)	**2**
List of Countries with MCAs for 2016–2018	
Afghanistan	100
Benin	17.1
Bhutan	1.6
Burkina Faso	33.8
Burundi	25.6
Cambodia	20.6
Cape Verde	1.2
Chad	34.8
Comoros	2
Congo, Dem. Rep. of	100
Cote d'Ivoire	24.1
Dominica	0.5
Eritrea	17.2
Ethiopia	100
FSM	0.5
Gambia, The	5

Grenada	0.5
Guinea-Bissau	4.4
Haiti	16.5
Kiribati	0.5
Lesotho	2.1
Liberia	11.9
Madagascar	46.8
Malawi	44.9
Maldives	1
Mali	35.6
Marshall Islands	0.5
Myanmar	73.7
Nicaragua	4.4
Papua New Guinea	6.6
Samoa	0.6
São Tomé and Príncipe	1
Sierra Leone	17.2
Solomon Islands	1.6
Somalia	33.1
South Sudan	30.3
St. Lucia	0.5
St. Vincent	0.5
Tanzania	82.3
Timor-Leste	3.9
Togo	14
Tonga	0.5
Tuvalu	0.5
Vanuatu	0.7
Zimbabwe	29.4
Total	**950**

ANNEX 2 — FORECAST OF UNCOMMITTED ASSETS						
All Figures in USD Millions	**S1 2016**	**S2 2016**	**S1 2017**	**S2 2017**	**S1 2018**	**S2 2018**
A. Opening Balance Cash and Promissory Notes	412	302	469	321	460	359
A1. Total Committed	259	209	224	203	220	217
A2. Total Uncommitted/Available for Approval	153	93	245	118	240	142
B. Inflows	141	416	103	389	149	218
Contribution Agreement	134	44	44	44	61	41
Pledges	6	298	59	291	88	124
Projections	0	74	0	54	0	54
C. Outflows	250	250	250	250	250	250
D. New Commitments	200	265	229	268	247	193
Commitments (Existing Approved Grants)	193	170	149	86	92	46
Projected Commitments (Remaining Allocations)	0	55	73	142	147	107
Other Commitments	8	40	8	40	8	40
E. Closing Balance Cash and Promissory Notes (A+B-C)	302	469	321	460	359	327
E1. Total Committed (A1-C+D)	209	224	203	220	217	160
E2. Total Uncommitted/Available for Approval (A2+B-D)	93	245	118	240	142	168
While the forecast shows that there should be sufficient liquidity to manage commitments to meet demand based on expected timing of applications, there is a risk of temporary funding shortages if donor contributions are delayed or grant implementation accelerates significantly, thus requiring the application of actions outlined in GPE's Comprehensive Funding Guidelines.						

ANNEX 3 — FORECAST FOR THE PURPOSE OF PROGRAM IMPLEMENTATION GRANT APPROVALS

The Comprehensive Funding Guidelines approved by the Board of Directors in May 2013 outline the approach to be taken for the forecast of funds, as well as timelines that should be taken into consideration by the Board when considering approval of new program implementation grants.

The recommended approach has the following key features:

- The forecast is over a shorter period (six months) to reflect the typical grant signing time frames. It still considers the overall longer-term financial projections as set out in Annex 2 of this paper.
- The forecast of contributions excludes Secretariat projections of additional contributions, as there is less certainty that these funds will actually materialize compared to expected contributions arising from pledges and signed contribution agreements.
- The forecast seeks to determine whether there are sufficient funds to finance the first commitment within the semester following Board review of the proposal. This is in order to provide the Board with an appropriate basis for approving a proposal.
- As the Board will approve proposals for the full amount requested, consideration needs to be given as to the likelihood of being able to also finance the second and any subsequent commitments. This is provided by reviewing the longer-term forecast scenarios (set out in Annex 2) prior to financing commitments for newly approved proposals to ensure that there are no projected future shortfalls in funds available for commitments, and also by prioritizing upcoming (within the next six months) second and subsequent commitments, along with recurrent costs of the partnership.

Adhering to the approach recommended in the Comprehensive Funding Guidelines, the following forecast was determined.

FORECAST: JULY 1, 2016 – DECEMBER 31, 2016	AMOUNT in USD millions
Estimated available assets on hand July 1, 2016 (excluding projected contributions to June 30, 2016)	93
Pledged and signed contributions, July 1, 2016 – December 31, 2016	343
Total Projected Assets	**436**
Recurrent costs (Secretariat and trustee budgets, plan and program development grants, CSEF, etc.), July 1, 2016 – December 31, 2016	-40
Projected commitments for existing grants falling due July 1, 2016 – December 31, 2016	-170
Total Projected Liabilities	**-210**
Available Assets for First Grant Commitment of Round 1 2016 Applications	**226**
First commitment of Round 1 2016 proposals required by December 31, 2016 (including related supervision and agency fees)	-55
Projected Surplus/(Shortfall)	**171**

The expected available cash — along with pledged and signed contributions predicted to be made during the period less known liabilities arising from prior Board approvals or recurrent costs — exceeds the amount required to make the first commitment for Round 1 of 2016 proposals and related agency costs.

In addition, no shortfall in available assets is predicted over the course of either of the longer-term forecast scenarios presented in Annex 2 that would necessitate including a provision for a commitment reserve in this calculation of available funds.

ANNEX 4 — STATUS OF 2015–2018 Replenishment (all figures in millions)

		Brussels Pledge + Post-Brussels Pledges and Adjustments		Paid to Date (Mar 31, 2016)	Remaining Pledge Value (Mar 31, 2016)	Total Value of Pledge + Paid In (Mar 31, 2016)	FX-Related Change in Value (as of Mar 31, 2016)
Donor	**CUR**	**Pledged Amount**	**USD Equivalent**	**USD Value**	**USD Value**	**USD Value (in millions)**	**USD Value (in millions)**
Australia	AUD	140	131.8	69.0	38.4	107.4	(24.4)
Belgium	EUR	36.0	49.0	12.1	27.9	40.0	(9.0)
Canada	CAD	120.0	94.2	46.0	45.3	91.3	(2.9)
CIFF	USD	22.0	22.0	5.0	17.0	22.0	-
Denmark	DKK	1,125.0	205.4	48.6	119.8	168.4	(37.0)
Dubai Cares	USD	1.0	1.0	-	1.0	1.0	-
EC	EUR	375.0	510.5	-	418.6	418.6	(91.9)
Finland	EUR	4.8	6.6	3.1	2.2	5.4	(1.2)
France	EUR	9.0	10.1	1.1	8.9	10.0	(0.1)
Germany	EUR	35.0	47.6	20.1	19.5	39.7	(8.0)
Ireland	EUR	16.0	21.8	4.4	13.4	17.8	(3.9)
Italy	EUR	7.5	10.2	3.5	5.0	8.5	(1.7)
Japan	USD	3.9	3.9	3.9	-	3.9	-
Norway	NOK	1,660.0	270.0	71.5	127.6	199.2	(70.9)
Korea	USD	5.0	5.0	1.4	3.6	5.0	-
Luxembourg	EUR	0.3	0.4	0.3	0.0	0.3	(0.1)
Sweden	SEK	1,300.0	192.9	85.4	75.9	161.3	(31.5)
Switzerland	CHF	26.0	29.1	6.8	20.0	26.8	(2.3)
United Kingdom	GBP	300.0	510.8	25.7	399.4	425.1	(85.8)
United States	USD	90.0	90.0	85.0	5.0	90.0	-
Total			**2,212.3**	**493.1**	**1,348.6**	**1,841.7**	**(370.7)**

ANNEX 5 — Current Status of Education Sector Program Implementation Grant Portfolio

Information on Active Grants as of March 31 2016						
Country	**Grant Agent**	**Start Date**	**Closing Date**	**Grant Amount**	**Total Disbursed**	**Undisbursed**
Afghanistan	UNICEF	Sep-12	Dec-17	55,700,000	27,856,780	27,843,220
Bangladesh	World Bank	Jan-16	Jun-18	100,000,000	0	100,000,000
Benin	World Bank	Mar-14	May-17	42,300,000	24,000,000	18,300,000
Burkina Faso	AFD	Nov-13	Jun-17	78,200,000	44,700,000	33,500,000
Burundi	BTC	Jun-13	Jun-16	52,900,000	32,800,000	20,100,000
Cambodia	World Bank	May-14	Jul-17	38,500,000	23,329,342	15,170,658
Cameroon	World Bank	Mar-14	Sep-18	53,300,000	6,551,485	46,748,515
Central African Republic	UNICEF	Jan-15	Dec-17	15,510,000	6,404,896	9,105,104
Chad	UNICEF	May-13	Dec-16	40,140,000	39,114,554	1,025,446
Chad	UNESCO	Apr-13	Dec-16	7,060,000	3,759,881	3,300,119
Comoros	UNICEF	Sep-13	Sep-16	4,600,000	3,535,143	1,064,857
Congo, Dem. Rep. of	World Bank	May-13	Aug-16	100,000,000	82,678,794	17,321,206
Cote d'Ivoire	World Bank	Jul-12	Sep-16	41,400,000	31,016,236	10,383,764
Djibouti	World Bank	Apr-14	Jun-17	3,800,000	504,446	3,295,554
Eritrea	UNICEF	Jan-14	Dec-16	25,300,000	12,666,241	12,633,759
Ethiopia	World Bank	May-14	Feb-17	100,000,000	80,000,000	20,000,000
Gambia, The	World Bank	Apr-14	Feb-18	6,900,000	3,984,610	2,915,390
Ghana	World Bank	Nov-12	Aug-16	75,500,000	75,500,000	0
Guinea	World Bank	Jul-15	Jul-18	37,800,000	4,500,000	33,300,000
Guinea-Bissau	UNICEF	May-13	Mar-17	12,000,000	9,391,403	2,608,597
Guyana	World Bank	May-15	Sep-18	1,700,000	790,189	909,811
Haiti	World Bank	Nov-14	Jun-17	24,100,000	12,952,056	11,147,944
Kenya	World Bank	Jun-15	Mar-19	88,400,000	5,990,000	82,410,000

Kyrgyz Republic	World Bank	May-14	Jun-17	12,700,000	7,334,988	5,365,012
Lao People's Democratic Republic	World Bank	Jun-15	Jul-19	16,800,000	1,500,000	15,300,000
Liberia	World Bank	Sep-10	Jun-16	40,000,000	40,000,000	0
Madagascar	World Bank	Oct-13	Jun-17	85,400,000	41,573,918	43,826,082
Mali	World Bank	May-13	Dec-16	41,700,000	29,140,133	12,559,867
Mauritania	World Bank	Feb-14	May-17	12,400,000	5,547,710	6,852,290
Mozambique	World Bank	Sep-15	Dec-18	57,900,000	18,000,000	39,900,000
Nepal	World Bank	Jan-16	Jul-18	59,300,000	0	59,300,000
Nicaragua	World Bank	Apr-13	Aug-16	16,700,000	9,368,432	7,331,568
Niger	World Bank	Jul-14	Sep-18	84,200,000	8,901,567	75,298,433
Nigeria	World Bank	May-15	Jun-19	100,000,000	8,000,000	92,000,000
Pakistan (Balochistan)	World Bank	Mar-15	Dec-18	34,000,000	8,068,017	25,931,983
Pakistan (Sindh)	World Bank	Mar-15	Sep-17	66,000,000	22,000,000	44,000,000
Rwanda	DFID	Jun-15	May-18	25,200,000	0	25,200,000
São Tomé and Príncipe	World Bank	Feb-14	Jun-17	1,100,000	566,289	533,711
Senegal	World Bank	Nov-13	May-17	46,900,000	32,316,524	14,583,476
Sierra Leone	World Bank	Aug-14	Feb-17	17,900,000	1,855,526	16,044,474
Somalia (Puntland)	UNICEF	Jun-13	May-16	2,100,000	1,551,184	548,816
Somalia (Somaliland)	UNICEF	Jun-13	Dec-16	4,200,000	2,881,827	1,318,173
Somalia (South Central)	UNICEF	Oct-13	Dec-16	8,200,000	4,748,696	3,451,304
South Sudan	UNICEF	Jan-13	Nov-17	36,100,000	16,047,971	20,052,029
Sudan	World Bank	Apr-13	Feb-17	76,500,000	33,593,095	42,906,905
Tajikistan	World Bank	Oct-13	Sep-16	16,200,000	8,335,231	7,864,769
Tanzania	Sida	Jul-14	Jun-17	94,800,000	58,213,210	36,586,790
Tanzania (Zanzibar)	Sida	Aug-13	Aug-16	5,200,000	5,194,966	5,034

Togo	World Bank	Mar-15	Sep-18	27,800,000	6,971,097	20,828,903
Uganda	World Bank	Aug-14	Jun-18	100,000,000	8,503,767	91,496,233
Uzbekistan	World Bank	Oct-14	Jan-18	49,900,000	16,881,088	33,018,912
Vietnam	World Bank	Jan-13	May-16	84,600,000	84,600,000	0
Yemen, Republic of	UNICEF	Mar-14	Mar-18	72,600,000	9,677,187	62,922,813
Zambia	DFID	Nov-13	Nov-16	35,200,000	17,664,000	17,536,000
Zimbabwe	UNICEF	Jan-14	Dec-16	23,600,000	12,235,196	11,364,804
Total				**2,360,310,000**	**1,053,297,676**	**1,307,012,324**

Commitment Information as of March 31, 2016			
Outstanding Commitments	**Grant Amounts**	**Committed Amount**	**To Be Committed**
AFD	78,200,000	54,393,236	23,806,764
Belgium Technical Cooperation	52,900,000	52,900,000	0
DFID	60,400,000	29,800,000	30,600,000
Sida	100,000,000	83,987,113	16,012,887
UNESCO	7,060,000	7,060,000	0
UNICEF	300,050,000	216,361,191	83,688,809
World Bank	1,761,700,000	1,173,541,473	588,158,527
Total	**2,360,310,000**	**1,618,043,013**	**742,266,987**

ANNEX 6 — EXPLANATORY NOTES TO ANNEX 1 AND ANNEX 2

Opening Balance

The opening balance of funds in Annexes 1 and 2 reflects the cash available in both the Catalytic Funds and GPE Funds as of January 1, 2016.

In Annex 2, Committed Assets refers to the amount of assets earmarked to pay for existing obligations, such as program implementation grants already approved by the Board of Directors but not as yet disbursed.

Uncommitted Assets/Available for Approval refers to the amount of funds available that can be allocated to new activities approved by the Board.

Inflows

Inflows primarily comprise funding from donors that falls into one of three categories:

- **Signed Contribution Agreements:** Agreements signed between the donor and trustee outlining the amount that a donor agrees to pay, payment schedule and any conditions attached to such payments. The balance on signed contribution agreements as of January 1, 2016, was **US$370 million.**

- **Pledges:** These are amounts that donors have announced they expect to contribute through a replenishment conference, a public announcement, or a written communication from an authorized official, but which have not yet been signed into a contribution agreement. It is important to note that while some donors pledge over a multi-year period, they are only in a position to sign a contribution agreement on an annual basis. The balance on outstanding pledges after discounting and factoring in increases/decreases to pledges is **US$893 million. The following pledges have been discounted:**

    i. *The full value of the pledge for the U.K. has not been factored into the forecast — primarily because the pledge is subject to a limit of 15 percent of the value of total new contributions, and secondarily because of additional performance conditions that are attached to the pledge, but for which progress has not yet been assessed by DFID. To take account of these risks, only US$304 million out of a maximum potential pledge of US$442 million has been factored into the forecast of available resources.*

- **Projections:** These are estimates of additional contributions that are expected to be made; they are developed by the Secretariat based on the information available to it from its interactions with current and potential donors. For the purpose of the financial forecast, only reasonable projections from donors with a track record of contributing to GPE have been included. The

value of projections included in the forecast is **US$181 million**; this has been reduced from December to reflect that future pledges for the 2018 period that have not yet been announced are likely to be held back by donors in order to be counted as part of the next replenishment.

Outflows

Outflows reflect (1) the cash transfers from the trust funds to grant agents and (2) the transfer of funds to cover the operational expenses of the Secretariat and trustee.

The majority of outflows relate to transfers of funds from the trustee to finance disbursements for program implementation grants. The current outflows are based on simple projections that implementation grants will be disbursed over a three- to four-year period to account for any expected delays in signings or grant extensions.

It is important to note that outflows have an impact on the level of committed assets but no impact on the level of uncommitted assets, which are used for the purpose of making financial commitments.

New Commitments

Grant commitments are obligations for the provision of financial resources to grant agents over a predetermined period of time. The practice since January 1, 2013, is to commit funds for program implementation grants in annual tranches over the lifetime of the grant (e.g., three tranches for a three-year grant).

The forecast of grant commitments for program implementation grants is based on the Secretariat's assessment of when applications will be received from relevant countries, and only based on grants already approved by the Board or MCAs announced or to be announced at the next Board meeting. It should be noted that in a number of cases, the Secretariat's assessment differs from when the country has indicated it will submit an application. Where information is available on the split of a proposal budget over the lifetime of a grant, it is reflected in the forecast; where this is not available, the Secretariat makes assumptions of commitments over a three- to four-year time frame in line with the new funding model.

Closing Balance

The closing balance reflects the projected level of assets available at the end of each period.

The uncommitted/available for approval balance is not projected to be negative, indicating that there should be no disruption to program implementation grants due to lack of funding. However, as forecasts are subject to change, any negative event — such as reduced or delayed donor contributions, or higher

or earlier than anticipated applications for funding — could create a shortfall in uncommitted assets. In these cases, as the trustee cannot commit negative funds, the commitment of funds (and subsequent cash transfer) for grants would be delayed until new contributions had arrived to eliminate the negative balance. These issues are covered in greater detail in the Comprehensive Funding Guidelines approved by the Board of Directors in May 2013.

At present, there is a risk of temporary funding shortfalls should additional donors reduce their pledges and/or seek to backload their pledges to the latter years of the replenishment, or if grant implementation accelerates.