FINANCIAL FORECAST – REPORT FROM THE FINANCE AND RISK COMMITTEE

For Decision

Please note: Board papers are deliberative in nature and, in accordance with the GPE Transparency Policy, are not public documents until the Board has considered them at the Board meeting.

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

Summary of Committee Deliberations

- The Finance and Risk Committee (FRC) agreed that the financial position while challenging is relatively stable. The FRC agreed that while previous prioritization actions could not be reversed there was no need for further reductions.
- The FRC emphasized that a successful replenishment is key for the success of the Financing and Funding Framework.
- The inability to adequately mitigate foreign currency risk remains a significant concern, and the FRC is eager to see progress on the Board's decision from December 2016 to explore with the World Bank whether any changes to GPE's institutional arrangements are needed to address this risk. The FRC will also consider at its next meeting whether it is worthwhile to establish a euro fund.

- FRC members noted that the current volume of grant applications is low. The Secretariat clarified that a significant number of applications is expected over the second half of 2017 and the first half of 2018.
- FRC members raised the issue of how pledges should be treated in the next replenishment period, especially where there is associated risk (e.g. pledges subject to conditions, or future parliamentary approval). The Secretariat clarified that the preference is for donors to publicly announce pledges even if subject to a certain amount of risk. The FRC could consider the appropriateness of discounting the value of pledges in the financial forecast based on an assessment of risk.

2. EXECUTIVE SUMMARY

2.1 The forecast is a projection of future events and is therefore subject to significant change.

2.2 Since the last forecast was prepared in November 2016 GPE's financial position, while remaining challenging, has slightly improved with a projected shortfall in available resources of US$21 million now reduced to US$13 million. While the forecast position currently projects a deficit, the Secretariat does not believe that further prioritization measures will be required at this stage due to the impact of the upcoming replenishment campaign, and factoring in that the pipeline of grant applications from countries with an existing indicative allocation will stretch into the next replenishment period.

2.3 The positive movement in the forecast is primarily attributable to a less than previously announced reduction from a major donor of its 2016 contribution, and a number of smaller increases from donors such as France with an announcement of a new pledge for a contribution of 8 million euros for 2017, while Switzerland also increased its 2016 contribution from 6.5 million Swiss francs to 10 million. Since the Contributions and Safeguards Policy was approved by the Board at its March 1, 2017 meeting, Japan was able to contribute an additional US$740,000 on top of its regular contributions on the basis that it is notionally allocated in support of an existing approved accelerated funding grant to Chad.

2.4 The key risk to GPE's financial position in 2017 is primarily related to continued exposure to any strengthening of the US dollar. Beyond 2017, the criticality of a successful replenishment is paramount for ensuring that GPE can fulfil its obligations on existing approved grants, to those countries with a Maximum Country Allocation (MCA) that will apply in 2017/early 2018, and with respect to implementing the Financing and Funding Framework approved by the Board.

2.5 The Secretariat forecasts that there will be sufficient funds for the Board to approve any recommended allocations for upcoming Education Sector Program Implementation Grants from the Grants and Performance Committee

2.6 As requested by the Board in Cambodia, the Secretariat with support of an external consultant is working closely with the World Bank to review the appropriateness of our current institutional arrangements. A particular emphasis of this work is focusing on options for mitigating GPE's exposure to exchange rate movements. A preliminary report is due to the Board for its meeting in June 2017.

3. RECOMMENDED DECISION

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

BOD/2017/06-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 for donors and developing country partners 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. 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 both 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. Alternatively, they can also be temporary in nature 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).

4.5 It is important to note that the financial forecast does not include any projections of any new resources that may be raised under the forthcoming replenishment period, nor does it project any new allocations that would be made from those resources, with the exception of projecting commitments under existing grants and previously announced Maximum Country Allocations.

5. REASONS FOR RECOMMENDATION

5.1 Since the last forecast was prepared in November 2016, there has been some marginal improvement in GPE's financial position and a reduction in the projected shortfall in available assets from US$21 million to US$13 million. As a deficit is still projected, it will not be possible to reverse any of the previous prioritization measures adopted by the Board.

5.2 While the forecast position currently projects a deficit, the Secretariat does not believe that further prioritization measures will be required at this stage due to the impact of the upcoming replenishment campaign, and factoring in that the pipeline of grant applications from countries with an existing indicative allocation will stretch into the next replenishment period.

5.3 Since the last forecast, the US dollar has slightly strengthened against major contributor currencies putting more pressure on the financial position. However, some positive donor developments have helped improve the financial position slightly.

5.4 When preparing the last forecast, a major donor informed us that its 2016 contribution which was subject to parliamentary approval in the past needed to be further reduced to reflect prioritizations in the aid budget. The donor was subsequently able to significantly limit the amount of this reduction and therefore the impact on the financial position was not as severe as expected.

5.5 Switzerland increased its 2016 contribution from 6.5 million Swiss francs to 10 million Swiss francs, and a number of private foundations have made significant progress in providing targeted financing for Knowledge and Good Practice Exchange activities.

5.6 France originally pledged one million euros for 2015, increased its pledge by 8 million euros for 2016, and has recently announced a new contribution of 8 million euros for 2017.

5.7 Japan provided an additional US$740,000 that is notionally allocated towards an existing approved accelerated funding grant of US$6.95 million to Chad. The contribution is permitted under

the Contributions and Safeguards Policy approved by the Board and fully respects the approved safeguards under that policy.

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

5.9 The Secretariat notes that based on the Comprehensive Funding Guidelines[1], the Board will be in a position to approve any and all proposals recommended by the Grants and Performance Committee for approval over the next two funding rounds. The calculations per the Comprehensive Funding Guidelines are disclosed in Annex 3.

5.10 Normally the Board would consider the potential to reverse previous prioritization actions at each review of the Financial Forecast. However, given the proximity to the forthcoming replenishment, and the adoption of eligibility criteria and an allocation methodology for the 2018-2020 period, the Secretariat believes that should there be any further positive movement in GPE's financial position over the rest of 2017, there would be little point in trying to reverse previous prioritization measures. The focus should therefore be on meeting existing obligations and ensuring GPE's financial position is as strong as possible to meet demands under the Financing and Funding Framework for the 2018-2020 period.

6. RISK

6.1 The key risks to GPE's financial position moving forward relate to any strengthening of the US dollar against major donor currencies. The Secretariat has limited options to effectively mitigate this risk under our current institutional arrangements, but is continuing to explore options and a preliminary report on GPE's institutional arrangements will be delivered to the Board in June.

6.2 Any further reduction in projected available resources or significant delays in contributions from major donors 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. However, the Secretariat views this risk as relatively low for 2017.

[1] Board Decision BOD/2013/05-07 – Comprehensive Funding Guidelines

6.3 The key risk beyond 2017 for GPE's financial position is a replenishment that is unable to provide sufficient financing for successful implementation of the Financing and Funding Framework. While replenishment efforts will be intensive over the coming months to improve prospects of success, the Secretariat as requested by the Board will be preparing options for FRC consideration on prioritization of resources should resources be insufficient. At the same time, the Secretariat will prepare options for where to scale up GPE funding should the replenishment raise significantly higher levels of funds.

7. NEXT STEPS

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

7.2 The FRC will consider at its next meeting relevant follow-up actions arising from the preliminary report on GPE's institutional arrangements with respect to mitigating foreign exchange risk, including considering whether a euro fund to receive contributions and provide euro grants would be beneficial.

7.3 The Secretariat will prepare options for prioritization of GPE resources for the next scheduled face-to-face meeting of the FRC for recommendation to the Board in December 2017.

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 Education Sector 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 by the Board as of January 2017

SCENARIO – All figures in USD Millions	1
MCA Calculation Amount (2,000 = Minimum)	*2000*
Opening Uncommitted Cash Balance January 1, 2017	165
Balance on Signed Contribution Agreements	284
Donor Pledges (after discounting for uncertainty)	593
Projections of Additional Contributions - Secretariat Recommended	75
Projected Carryover from 2015-2018 Approvals (20% of MCA)	241
RESOURCES FOR FORECASTING PURPOSES (A)	**1,358**
Remaining Commitments to be made on Existing Approved Grants (2013-2016)	(601)
Provisions for Other Grants (Plan Development, Program Development, CSEF)	(40)
Provisions for Other Costs (Supervision, Agency, Secretariat, Trustee)	(54)
General Provision (Leverage Fund and Contingencies)	-
Provision for Future Commitments based on MCAs for 2017-2018	(677)
TOTAL AMOUNT TO BE SET ASIDE (B)	**1,371**
PROJECTED SURPLUS / (SHORTFALL)	**-13**
List of Countries with MCAs for 2017-2018	
Afghanistan	100
Benin	17.1
Bhutan	1.8
Burkina Faso	33.8
Burundi	25.6
Cambodia	20.6
Cape Verde	1.4
Chad	34.8
Comoros	2.3
Cote d'Ivoire	24.1
Eritrea	17.2
Gambia, The	5.3
Guinea-Bissau	4.7
Haiti	16.5

Lesotho	2.3
Liberia	11.9
Madagascar	46.8
Maldives	1.2
Mali	35.6
Myanmar	73.7
Nicaragua	4.4
Pacific Island States (*Micronesia, Kiribati, Marshall Islands, Samoa, Tonga, Tuvalu, Vanuatu*)	4.1
Papua New Guinea	6.6
Sao Tome and Principe	1.2
Sierra Leone	17.2
Solomon Islands	1.9
Somalia	33.1
South Sudan	30.3
Tanzania	82.3
Timor-Leste	4.1
Togo	14
Total	**676.6**

ANNEX 2 – FORECAST OF UNCOMMITTED ASSETS

ANNEX 2 - FORECAST OF UNCOMMITTED ASSETS				
All Figures in US$ Millions	**S1 2017**	**S2 2017**	**S1 2018**	**S2 2018**
A. Opening Balance Cash and Promissory Notes	313	369	372	310
A1. Total Committed	148	105	145	215
A2. Total Uncommitted/Available for Approval	165	264	226	95
B. Inflows	281	237	163	209
Contribution Agreement	133	4	39	89
Pledges	147	162	123	119
Projections	1	71	1	1
C. Outflows	225	235	225	215
D. New Commitments	182	275	295	165
Commitments (Existing Approved Grants)	158	164	169	52
Projected Commitments (Remaining Allocations)	-	88	103	90
Other Commitments	23	23	23	23
E. Closing Balance Cash and Promissory Notes (A+B-C)	369	372	310	304
E1. Total Committed (A1-C+D)	105	145	215	165
E2. Total Uncommitted/Available for Approval (A2+B-D)	264	226	95	139
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, requiring the application of actions outlined in GPE's Comprehensive Funding Guidelines.				

ANNEX 3 - FORECAST FOR THE PURPOSE OF EDUCATION SECTOR PROGRAM IMPLEMENTATION GRANT (ESPIGs) 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 and timelines that should be taken into consideration by the Board when considering approval of new ESPIGs.

The recommended approach has the following key features:

- The forecast is over a shorter period (six months) to reflect the typical grant signing timeframes. 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 be able to finance the first commitment within the semester following Board review of the proposal in order to provide the Board with an appropriate basis for approving a proposal.
- As the Board will approve proposals for their full amount requested, consideration needs to be given as to the likelihood that we will be 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) and ensuring 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 GPE prior to financing commitments for newly approved proposals.

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

FORECAST JULY 1, 2017 –DECEMBER 31, 2017	AMOUNT in US$ millions
Estimated Available Assets on Hand July 1, 2017 (excluding projected contributions to June 30, 2017)	263
Pledged and Signed Contributions July 1, 2017 – December 31, 2017	165
Total Projected Assets	**428**
Recurrent Costs (Secretariat, and Trustee budgets, , Plan and Program Development Grants, CSEF etc.) – July 1, 2017 – December 31, 2017	(23)
Projected Commitments for Existing Grants falling due July 1, 2017 – December 31, 2017	(164)
Total Projected Liabilities	**(187)**
Available Assets for First Grant Commitment of Round 2 of 2017 Applications	**241**
First Commitment of Round 1 and 2 of 2017 proposals required by December 31, 2017	(88)
Projected Surplus/(Shortfall)	**153**

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 of any Round 1 and Round 2 proposals that the Grants and Performance Committee may recommend in 2017 along with related agency costs.

In addition, no shortfall in available assets is predicted over the course of either of the longer-term forecast scenario 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

ANNEX 4 - STATUS OF 2015-2018 Replenishment (All figures in Millions)		Brussels Pledge + Post Brussels Pledges and Adjustments		Paid to Date (as of Jan 31, 2017)	Remaining Pledge Value (Jan 31, 2017)	Total Value of Pledge + Paid in (Jan 31, 2017)	FX Related Change in Pledged Value (as of Jan 31, 2017)
Donor	**CUR**	**Pledged Amount**	**USD Equivalent**	**USD Value**	**USD Value**	**USD Value (in millions)**	**USD Value (in millions)**
Australia	AUD	140.0	131.8	69.2	38.6	107.8	-24.0
Belgium	EUR	36.0	49.0	19.1	20.2	39.2	-9.8
Canada	CAD	120.0	94.2	46.0	45.8	91.8	-2.4
Children's Investment Fund Foundation (CIFF)*	USD	22.0	22.0	6.0	16.0	22.0	0.0
Denmark	DKK	925.0	164.7	77.3	57.8	135.1	-29.6
Dubai Cares*	USD	1.0	1.0	0.0	1.0	1.0	0.0
European Commission	EUR	375.0	510.5	64.2	338.7	402.9	-107.6
Finland	EUR	4.8	6.6	3.1	2.2	5.3	-1.3
France	EUR	9.0	10.1	9.5	0.0	9.5	-0.6
Germany	EUR	35.0	47.6	24.0	15.1	39.1	-8.6
Ireland	EUR	16.0	21.8	8.8	8.6	17.4	-4.4
Italy	EUR	10.0	13.0	7.7	3.2	10.9	-2.0
Japan	USD	3.9	3.9	3.9	0.0	3.9	0.0
Luxembourg	EUR	0.3	0.4	0.3	0.0	0.3	-0.1
Norway	NOK	1660.0	270.0	129.7	72.5	202.2	-67.9
Republic of Korea	USD	5.0	5.0	2.1	2.9	5.0	0.0
Rockefeller Foundation*	USD	0.4	0.4	0.4	0.0	0.4	0.0
Sweden	SEK	1300.0	192.9	116.3	39.9	156.3	-36.6
Switzerland	CHF	36.0	38.9	16.7	19.7	36.4	-2.5
United Kingdom**	GBP	300.0	510.8	136.8	241.8	378.6	-132.3
United States	USD	155.0	155.0	155.0	0.0	155.0	0.0
Total			**2,249.6**	**896.2**	**923.9**	**1,820.1**	**(429.5)**

*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

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

Information on Active Grants as of February 28, 2017						
Country	**Grant Agent**	**Start Date**	**Closing Date**	**Grant Amount**	**Total Disbursed**	**Undisbursed**
Afghanistan	UNICEF	Aug-12	Dec-16	55,700,000	52,153,726	3,546,274
Bangladesh	World Bank	Jan-16	Jun-18	100,000,000	20,000,000	80,000,000
Benin	World Bank	Mar-14	May-17	42,300,000	29,926,929	12,373,071
Burkina Faso	AFD	Nov-13	Jun-17	78,200,000	69,800,000	8,400,000
Burundi	UNICEF	Apr-16	Jun-18	20,100,000	4,752,702	15,347,298
Burundi	Belgium	Jun-13	Dec-16	32,800,000	32,800,000	0
Cambodia	World Bank	May-14	Jul-17	38,500,000	35,057,917	3,442,083
Cameroon	World Bank	Mar-14	Sep-18	53,300,000	16,754,314	36,545,686
Central African Republic	UNICEF	Dec-14	Dec-17	15,510,000	10,517,556	4,992,444
Chad	UNICEF	Feb-16	Feb-17	6,955,170	4,612,074	2,343,096
Chad	UNICEF	Jan-13	Jun-17	40,140,000	36,420,392	3,719,608
Chad	UNESCO	Apr-13	Jun-17	7,060,000	5,209,140	1,850,860
Comoros	UNICEF	Sep-13	Aug-17	4,600,000	3,357,838	1,242,162
Congo, DR	World Bank	May-13	Feb-17	100,000,000	100,000,000	0
Congo, DR	World Bank	Nov-16	Feb-21	100,000,000	0	100,000,000
Côte d'Ivoire	World Bank	Jul-12	Aug-17	41,400,000	39,476,992	1,923,008
Djibouti	World Bank	Apr-14	Jun-17	3,800,000	998,143	2,801,857
Eritrea	UNICEF	Mar-14	Dec-17	25,300,000	6,544,565	18,755,435
Ethiopia	World Bank	May-14	Feb-18	100,000,000	85,614,844	14,385,156
Ethiopia	World Bank	Mar-17	Apr-18	99,500,000	0	99,500,000
Gambia, The	World Bank	Apr-14	Feb-18	6,900,000	4,944,947	1,955,053
Guinea	World Bank	Jul-15	Jul-18	37,800,000	7,928,504	29,871,496
Guinea-Bissau	UNICEF	Sep-12	Mar-17	12,000,000	9,368,786	2,631,214
Guyana	World Bank	Jun-15	Sep-18	1,700,000	1,201,644	498,356
Haiti	World Bank	Nov-14	Jun-17	24,100,000	23,266,643	833,358
Kenya	World Bank	Jun-15	Mar-19	88,400,000	24,274,393	64,125,607
Kyrgyz Republic	World Bank	May-14	Jun-17	12,700,000	8,599,414	4,100,586
Lao People's Democratic Republic	World Bank	Jun-15	Jul-19	16,800,000	1,688,689	15,111,311
Madagascar	World Bank	Oct-13	Jun-17	85,400,000	70,751,021	14,648,979
Malawi	World Bank	Sep-16	Dec-20	44,900,000	0	44,900,000
Mali	World Bank	May-13	Dec-17	41,700,000	32,225,291	9,474,709
Mauritania	World Bank	Feb-14	May-17	12,400,000	8,327,424	4,072,576
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	36,687,006	22,612,994

Nicaragua	World Bank	Apr-13	Aug-17	16,700,000	16,700,000	0
Niger	World Bank	Jul-14	Sep-18	84,200,000	27,475,957	56,724,043
Nigeria	World Bank	May-15	Jun-19	100,000,000	19,713,549	80,286,451
OECS (Caribbean Island States)	World Bank	Aug-16	Sep-19	2,000,000	411,400	1,588,600
Pakistan (Balochistan)	World Bank	Mar-15	Dec-18	34,000,000	13,068,017	20,931,983
Pakistan (Sindh)	World Bank	Mar-15	Sep-17	66,000,000	28,650,000	37,350,000
Rwanda	DFID	Jun-15	May-18	25,200,000	0	25,200,000
Sao Tome and Principe	World Bank	Feb-14	Jun-17	1,100,000	828,014	271,986
Senegal	World Bank	Nov-13	May-17	46,900,000	36,011,032	10,888,968
Sierra Leone	World Bank	Aug-14	Feb-17	17,900,000	13,547,148	4,352,852
Somalia (Somaliland)	UNICEF	Jun-13	May-17	4,200,000	3,645,774	554,226
Somalia (South Central)	UNICEF	Oct-13	Dec-17	8,200,000	6,121,033	2,078,967
South Sudan	UNICEF	Jan-13	Nov-17	36,100,000	15,884,296	20,215,704
Sudan	World Bank	Apr-13	Feb-17	76,500,000	53,217,229	23,282,771
Tajikistan	World Bank	Oct-13	Sep-17	16,200,000	14,761,769	1,438,231
Tanzania	Sida	Jul-14	Jun-17	94,800,000	76,490,492	18,309,508
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	31,682,118	68,317,882
Uzbekistan	World Bank	Oct-14	Jan-18	49,900,000	25,310,064	24,589,936
Yemen, Republic of	UNICEF	Mar-14	Mar-19	72,600,000	10,662,768	61,937,232
Zambia	DFID	Nov-13	Mar-18	35,200,000	17,664,000	17,536,000
Zimbabwe	UNICEF	Dec-16	Dec-19	29,400,000	0	29,400,000
Total				**2,412,065,170**	**1,220,076,650**	**1,192,488,520**

Commitment Information as of February 28, 2017			
Outstanding Commitments	**Grant Amounts**	**Committed Amount**	**To Be Committed**
AFD	78,200,000	71,093,236	7,106,764
Belgium Technical Cooperation	32,800,000	32,800,000	0
DFID	60,400,000	38,940,000	21,460,000
SIDA	94,800,000	78,792,147	16,007,853
UNESCO	7,060,000	7,060,000	0
UNICEF	330,805,170	257,073,950	73,731,220
World Bank	1,808,000,000	1,325,380,000	482,620,000
Total	**2,412,065,170***	**1,811,139,333**	**600,925,837**

***Figure includes grants which have applications approved by the Board, but are pending implementation and are not yet active. Grants generally have funds committed by the Trustee prior to the start of implementation.**

ANNEX 6 - EXPLANATORY NOTES TO ANNEX 1 and 2

Opening Balance

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

In Annex 2, Committed Assets refers to the amount of assets that are 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 of Directors.

Inflows

Inflows are comprised primarily of funding from donors that fall into 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 2017 was **US$284 million.**

- **Pledges:** These are amounts which donors have announced they expect to contribute either through a replenishment conference, public announcement, or 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$593 million. The following pledges have been discounted:**

    i. *The full value of the pledge for the UK has not been factored into the forecast primarily because the pledge is subject to a limit of 15% of the value of total new contributions and due to additional performance conditions that are attached to the pledge but for which progress has been fully assessed by DFID. As a result, only US$265 million out of a maximum potential pledge of US$379 million has been factored into the forecast of available resources to take account of these risks.*

- **Projections:** These are estimates developed by the Secretariat of additional contributions that are expected to be made 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 that have a track record of contributing to GPE have been included,

along with investment returns on the GPE Fund. The value of projections included in the forecast is **US$75 million** and 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 the cash transfers from the Trust Funds to Grant Agents and 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 education sector 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 projected delays in signings or grant extensions.

It is important to note that outflows impact the level of committed assets and have 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 (i.e., 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 they will submit an application. Where information is available on the split of a proposal budget over the lifetime of a grant, this is reflected in the forecast, where this is not available, and the Secretariat makes assumptions of commitments over a three to four-year timeframe in line with the 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 impact is that 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.