FINANCIAL FORECAST

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. It is understood that constituencies will circulate Board documents among their members prior to the Board meeting for consultation purposes.

Recommended by: The Finance and Risk Committee

Committee Consideration:

Additional Maximum Country Allocation (Decision Item)

The Committee supported the proposal to increase the carryover, increase the cap, and reactivate the MCA for Republic of Congo. It was noted that the recommendations are in line with the existing needs-based allocation approach agreed by the Board, and previous discussions of the Board to increase the cap if resources were available. It was further noted that this approach minimizes transactions costs due to the low number of countries impacted.
The FRC also noted that while these recommendations don't impact the next strategic plan or replenishment, the issues they raise around timely utilization of resources are important considerations for work on the next strategic plan, including potential revisions to the financing and funding framework, particular on the issues of approach to eligibility and allocation.

Liquidity Guidance (Information)

The Committee agreed that in the interest of ensuring an optimal cash balance level for the GPE Fund, the aim should be to maintain an average annual cash balance within a range of 9-12 months' worth of projected outflows from the GPE Fund; The Secretariat has attempted to incorporate suggested adjustments requested by the FRC in the guidance in Annex 7.

Currency Risk (Information)
The FRC took note of the situation and exploration on currency hedging in the lead up to the December Board did not result in a viable currency hedging solution. The FRC requested the Secretariat to continue to explore the issue with the Trustee to see if alternative options are available.

KIX/ASA (Information)
The FRC noted that there are still some funds tentatively reserved for a scale up in KIX/ASA and questioned whether they were necessary considering current projected utilization. They noted the mandate rests with SIC to make any recommendation on their usage based on implementation progress and demand, and FRC will revisit the issues at their October meeting.

1. Objective

1.1 The financial forecast is designed to provide the Board with sufficient information on the expected financial position of GPE. This information is critical for the Board to determine how to allocate its financial resources in support of implementation of GPE strategic objectives.

1.2 This paper covers the following key issues:

- For Decision
- Proposals for increasing the utilization of GPE resources in the current replenishment period
- For Information
- The standard semi-annual financial forecast and related annexes (Annex 1-6)
- Updates on currency hedging, and euro grant allocations. Changes to the investment strategy for funds held in the GPE fund are covered in the Consent Agenda (BOD/2019/06-DOC 02 Annex 3)
- A proposal to FRC for agreement on guidance for GPE fund cash balance levels (Annex 7)

2. Recommended Decision

BOD/2019/06-XX–Additional Maximum Country Allocation: The Board of Directors recognizing the need to maximize the level of funding to support implementation of GPE2020 and to respond to the needs of partners approves the following:

1. Increases the unfinanced carryover used to calculate the total available resources for allocation from 20% to 25%;
2. Authorizes countries that are currently subject to the cap on allocations of US$100 million to submit an application for up to US$125 million either as a new grant allocation or as additional financing to an allocation already approved in the 2018-2020 period;
3. Approves a Maximum Country Allocation of US$10.7 million to enable the Republic of Congo apply for an Education Sector Program Implementation Grant;
4. The above allocations will remain valid through the final application round of 2020 unless otherwise adjusted by the Board and will be subject to the requirements of the GPE funding model.

3. Background

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

3.2 GPE's overall financial position is stable, with modest increases in projected available resources due to additional pledges and contributions from Germany and Denmark respectively (both announced at the Dublin Board meeting), along with targeted financing from Japan.

3.3 Grant approvals are rapidly increasing with over US$400 million approved over the last 6 months. However, while the volume and amount of approvals are growing significantly, a sizeable portion of the remaining pipeline of applications is increasingly backloaded into 2020. With implementation periods tending to average four years, this will push a large volume of disbursements into the next replenishment period. Assuming the level of resources raised continues at or above current rates, the Board should consider increasing the maximum allocation level for countries that have the ability to apply for such funds in the current replenishment period 2018-2020 (See Annex A). GPE would demonstrate its ability to absorb additional donor contributions and further accelerate progress on implementation of GPE2020. The broader issue of how funds are allocated to countries, through which mechanisms, and how efficiently and effectively they're utilized are important considerations. Some of these are tackled through the Effective Partnerships Review but this will also be an important area of examination in the development of the next strategic plan.

3.4 The Secretariat recommends that the Board authorize an increase in the carryover[1] from 20% of the value of grant allocations to 25%. Combined with existing projected resources, this increase would provide GPE with the in-hand resources to increase the ESPIG cap from US$100 million to US$125 million for a maximum of seven countries. Increasing the cap based on additional available funds was a principle previously agreed by the Board and is consistent with GPE's needs based allocation approach. By limiting the cap increase to seven countries, transaction costs will be limited while maximizing the rapid disbursement of resources. The adjustment to the carryover presents little risk to GPE based on the financial forecast and the assumption that GPE will continue operating at close to current levels beyond 2020. Such adjustments to the carryover and cap do not impact GPE's ability to adjust its financing and funding framework, which will be a key consideration as part of the upcoming Strategic Plan development work.

3.5 A recommendation to also reactivate a Maximum Country Allocation for the Republic of Congo (Brazzaville) is proposed. The country was eligible in the previous replenishment period but couldn't access its allocation. When the 2018-2020 eligibility was agreed, it fell outside eligibility

[1] The carryover allows GPE to make allocations in this replenishment period on the assumption that the cash required to disburse is only needed in the next replenishment period and thus can be partially financed from future pledges and contributions. The approach allows GPE to increase the value of allocations and disbursements and maintain a relatively low cash balance in the GPE Fund.

based on GNI per capita, and therefore no allocation was made available. Shortly afterwards the country moved into a category of fragile status, and thus would meet the eligibility criteria if considered now. The country has requested an allocation, and as an existing partner, it already has an assigned Country Lead and the additional work an ESPIG would bring has already been factored into the Secretariat's workplan. Considering these factors and projected availability of funds, the Secretariat recommends that the original allocation of US$10.7 million be reactivated.

3.6 GPE's financial position continues to be exposed to any significant strengthening of the US dollar over the 2018-2020 period, with the US dollar remaining strong yet stable over the past six months. During that time, the GPE Secretariat working in close collaboration with the Trustee reached out to all contributors on the possibility of modifying their contribution agreements to facilitate a currency hedging solution (see June Board paper BOD/2018/06/DOC 08). However, based on contributor information, it's unlikely that the conditions necessary to facilitate a hedging solution would be met at this time. Therefore, GPE should continue to encourage euro grant allocations and contributors should consider providing their contributions in US dollars[2]. As requested by the FRC, the Secretariat will continue to engage with the Trustee on possible alternative solutions to manage GPE's exposure.

3.7 As approved by the Board in June 2018, the introduction of the euro as a second holding currency of the GPE Fund has now been completed and allocations can be approved in euro and funds may be committed and disbursed accordingly. The Board's approval of an allocation for Senegal of €32.6 million euros is the first case.

3.8 An increasing number of donors are requiring evidence that their contribution to GPE is not being made ahead of need. Due to its approach to commit funds in annual instalments rather than in full or for more than one year at a time, GPE maintains a relatively low level of cash relative to other Funds and often has cash balances that are lower than the undisbursed funds of approved grants. To provide greater precision to donors on an acceptable funds level and to ensure liquidity levels are appropriate (i.e. cash is not too low or too high), the Secretariat proposed and FRC agreed to establish guidance on optimal liquidity levels and management. This is set out in Annex 7 and as this is guidance, rather than policy, a Board decision is not required.

3.9 The Secretariat notes that based on the comprehensive funding guidelines, the Board will be able to approve all proposals recommended by the Grants and Performance Committee over the next

[2] In addition to the US and Private Foundations, the Netherlands, UAE, Japan, and Korea provide their contributions in US dollars.

two funding rounds. The calculations per the comprehensive funding guidelines are disclosed in Annex 3.

ANNEXES

The following Annexes are included in this paper:

Annex A – Additional Context and Details
Annex 1 – Calculation of the Available Resources for Maximum Country Allocation
Annex 2 – Forecast of Available Resources
Annex 3 – Forecast for the Purpose of Program Implementation Grant Approvals
Annex 4 – Status of Third Replenishment Pledges and Contributions
Annex 5 – Current Status of Grant Portfolio
Annex 6 – Explanatory Notes and Assumptions for Forecast of Available Resources
Annex 7 – Liquidity Approach

ANNEX A – ADDITIONAL CONTEXT AND DETAILS

1. Context

1.1 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.

1.2 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.

1.3 The assumptions used to develop the financial forecast and associated recommendations are outlined in the explanatory notes in Annex 6.

1.4 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 2020).

2. Additional Maximum Country Allocations

2.1 The financial forecast shows a projected surplus of US$50 million (Annex 1) that could be available for additional allocations. In addition, the FRC and Board have previously agreed that up to 20% of the value of Maximum Country Allocations can be added to the forecast and funded from a future replenishment to reflect the fact that for many grants approved in the outer years of a replenishment, the actual cash will be disbursed well into the subsequent period. Based on the current pipeline projections, the Secretariat estimates that at least US$1 billion worth of grants approved in the current replenishment period will be disbursed after 2021. Accordingly, the Secretariat believes there is little risk in increasing the value of the carryover from 20% to 25% which would have the effect of increasing the carryover by US$100 million to US$500 million. Combined with the existing projected surplus, this could make US$150 million available for additional allocations which would offer the opportunity to accelerate GPE funding in a number of countries.

2.2 **Republic of Congo (Brazzaville)** was eligible in the previous replenishment period for an allocation of US$10.7 million which wasn't utilized as its application was rejected for failing to meet the domestic financing requirement or to justify a valid exception. When the 2018-2020 eligibility was agreed, the Republic of Congo fell outside eligibility based on GNI per capita, and therefore no allocation was made available. However, the country subsequently moved into a category of fragile status, and thus would meet the eligibility criteria if considered now. The country has also requested

an allocation. As an existing partner, it already has an assigned Country Lead that is working currently to support a Joint Sector Review and potential multiplier application, and the additional work an ESPIG would bring has already been factored into the workplan. Considering these factors and projected availability of funds, the Secretariat recommends that the original allocation of US$10.7 million be reactivated.

2.3 **Raising the Cap**: There are currently seven GPE eligible countries that have their 2018-2020 allocation artificially capped at US$100 million. Afghanistan, DR Congo, Uganda, Nigeria, Pakistan, Mozambique, and Ethiopia. Raising the cap to US$125 million was originally envisaged by the Board subject to increasing availability of resources. Given that it's unlikely that all countries would avail of an increase in the cap but that some may, the Secretariat recommends that the cap be raised to US$125 million. All seven countries would have the opportunity to apply before end of 2020 for the increased amount as part of their application or as additional financing if already approved or in progress since 2018. For those already approved such as Afghanistan, the Secretariat would recommend that the existing process for additional financing as set out in BOD/2018/06 DOC 06 would be applied.

3. Risk

3.1 GPE continues to be exposed to currency exchange movements, and in the absence of a viable currency hedging policy (which has been explored), the risk will need to be accepted and monitored carefully. The Secretariat will continue to work with the Trustee to explore options for reducing GPE's exposure.

3.2 It will also be important that GPE can demonstrate demand and ability to absorb the additional financing raised in Dakar. While the value of approvals is increasing significantly, there is still a significant number of countries that have yet to submit their proposals for the 2018-2020 period.

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

SCENARIO – All figures in USD Millions	1
MCA Calculation Amount (2,000 = Minimum)	*2000*
Opening Uncommitted Cash Balance 1 Jan 2019	590
Balance on Signed Contribution Agreements	580
Donor Pledges (after discounting for uncertainty)	937
Projections of Additional Contributions - Secretariat Recommended	240
Projected Carryover from 2018-2020 Approvals (20% of MCA)	399[3]
RESOURCES FOR FORECASTING PURPOSES (A)	**2,745**
Remaining Commitments to be made on Existing Approved Grants (2013-2018 as of March 15, 2019)	(502)
Provisions for other Grants (Plan Development, Program Development)	(35)
KIX	(58.5)
ASA (including CSEF extension)	(60)
Multiplier*	(290)
Provisions for other costs	
Agency Fees	(47)
Operating Expenses Budget	(80)
Trustee Costs	(1)
Unallocated	

[3] If Board decision adopted, this would increase to US$500m

KIX (Indicative)	(20)
ASA (Indicative)	(10)
Provision for Future Commitments based on MCAs for 2018-2020	(1,591)
TOTAL AMOUNT TO BE SET ASIDE (B)	**(2,694)**
PROJECTED SURPLUS / (SHORTFALL)[4]	**50**
List of Countries with MCAs for 2018-2020* ***All figures in USD Millions***	
Bangladesh	53.9
Benin [Full Amount Approved March 2019]	19.4
Bhutan	0.7
Burkina Faso	21.2
Burundi [$25.6M Approved March 2019]	46.9
Cabo Verde	1.1
Cameroon [$7.76M Submitted as Accelerated Financing for GPC review April 2019]	38.8
Central African Republic	25.28
Chad	22.2
Comoros	2.7
Congo, Dem. Rep.	100
Côte d'Ivoire [Proposal submitted to GPC April 2019]	28
Djibouti	5 + 5 Multiplier
Dominica	1.3
Eritrea	17.2
Ethiopia	100
Ghana	9.4 + 15 Multiplier
Grenada	1.3
Guinea	37.9
Guinea-Bissau	0.3
Guyana	1.3
Haiti	16.5
Kenya	9.7
Kiribati	1.8
Kyrgyz Rep	5 Multiplier
Lao PDR	5
Lesotho	5

[4] The recommended Board decision would increase the projected surplus to US$150m which would then be available to fund an MCA for Republic of Congo, and allow applications from capped countries of US$125m

Liberia	5.9
Madagascar	19.6
Malawi	48.7
Maldives	2.5
Mali	45.7
Marshall Islands	1.8
Mauritania	6.8 + 5 Multiplier
Micronesia, Fed. Sts.	1.8
Mozambique	100
Nepal [Full Amount Approved in March 2019]	9.2 + 15 Multiplier
Nicaragua	5
Niger	85.1
Nigeria	100
Pakistan	100
Papua New Guinea [$7.4M Approved March 2019]	7.1 + 3.52 Multiplier
Rwanda	30.8
Samoa	1.9
Sao Tome and Principe	2.5
Senegal	32.6 + 10 Multiplier
Solomon Islands	2.5
Somalia	51.8
St. Lucia	1.3
St. Vincent and the Grenadines	1.3
Sudan	59
Syria	25
Tajikistan	10 Multiplier
Tanzania [$90M Approved March 2019]	94.24 + 2.5 Multiplier
Timor-Leste	4.1
Togo	15.6
Tonga	1.8
Tuvalu	1.8
Uganda	100
Uzbekistan [Full Amount Approved Jan 2019]	10 Multiplier
Vanuatu	2.1
Yemen, Rep.	32.4
Zambia	15.9 + 10 Multiplier
Zimbabwe	2.9
Total	**1,591 + 91 Multiplier**

ANNEX 2 – FORECAST OF UNCOMMITTED ASSETS

ANNEX 2 - FORECAST OF UNCOMMITTED ASSETS					
All Figures in USD Millions	**S1 2019**	**S2 2019**	**S1 2020**	**S2 2020**	**S1 2021**
A. Opening Balance Cash and Promissory Notes	651	521	836	710	953
A1. Total Committed	62	88	141	300	314
A2. Total Uncommitted/Available for Approval	590	433	695	410	639
B. Inflows	89	587	237	586	153
Contribution Agreement	63	181	56	187	46
Pledges	26	315	182	306	107
Projections	-	92	-	94	-
C. Outflows	220	272	363	344	398
D. New Commitments	246	325	522	358	476
Commitments (Existing Approved Grants)	86	130	64	87	46
Projected Commitments (Remaining Allocations)	130	140	395	182	367
Other Commitments (including KIX, ASA, Multiplier Unallocated)	30	55	63	88	63
E. Closing Balance Cash and Promissory Notes (A+B-C)	521	836	710	953	708
E1. Total Committed (A1-C+D)	88	141	300	314	393
E2. Total Uncommitted/Available for Approval (A2+B-D)	433	695	410	639	315
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 PROGRAM IMPLEMENTATION GRANT APPROVALS

The Comprehensive Funding Guidelines approved by the Board of Directors in May 2013 outlines 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 program implementation grants.

The recommended approach has the following key features:

- The forecast is over a shorter period (6 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 the Global Partnership prior to financing commitments for newly approved proposals.

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

FORECAST 1 JUL 2019 – 31 DECEMBER 2019	AMOUNT in USD millions
Estimated Available Assets on Hand 1 July 2019 (excluding projected contributions to 30 June 2019)	433
Pledged and Signed Contributions 1 July 2019 - 31 December 2019	587
Total Projected Assets	**1,020**
Recurrent Costs (Secretariat, and Trustee budgets, Plan and Program Development Grants, CSEF etc) – 1 July 2019 – 31 December 2019	(64)
Projected Commitments for Existing Grants falling due 1 July 2019 – 30 June 2019	(216)
Total Projected Liabilities	**(280)**
Available Assets for First Grant Commitment of Round 3 and 4 2019 Applications	**740**
First Commitments of new grants approved in second half of 2019, as of 31 December 2019 (including related Supervision and Agency Fees)	(144)
Projected Surplus/(Shortfall)	**596**

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 3 and Round 4 proposals that the Grants and Performance Committee may recommend in 2019 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 2018-2020 REPLENISHMENT

ANNEX 4 - STATUS OF 2018-2020 Replenishment (All figures in Millions)		Dakar Pledge + Post Dakar Pledges and Adjustments	Paid to Date (as of Mar 15, 2019)	Remaining Value (Mar 15, 2019)	Total Value (Mar 15, 2019)
Donor	**CUR**	**Pledged Amount**	**USD Value**	**USD Value**	**USD Value**
Australia	AUD	90.0	0	63.7	63.7
Belgium	EUR	19.5	8.0	14.7	22.7
Canada	CAD	180.0	24.3	112.6	136.9
Denmark	DKK	1231.8	50.3	135.8	186.2
European Commission	EUR	337.5	146.7	243.4	390.1
France	EUR	200.0	30.2	197.0	227.1
Germany	EUR	75.0	20.7	64.5	85.2
Ireland	EUR	25.0	12.1	16.4	28.5
Italy	EUR	12.0	4.7	9.1	13.8
Japan	USD	2.7	1.8	3.2	5.0
Luxembourg	EUR	1.3	1.5	0.0	1.5
Netherlands* **	USD	113.6	56.8	56.8	113.6
Norway	NOK	2070.0	82.0	161.4	243.3
Republic of Korea	USD	2.2	0.7	1.5	2.2
Senegal	USD	2.0	0.0	2.0	2.0
Spain	EUR	1.5	0.0	1.7	1.7
Sweden	SEK	1068.0	53.4	64.8	118.1
Switzerland	CHF	33.3	13.9	19.9	33.8
United Arab Emirates	USD	100.0	24.7	75.3	100.0
United Kingdom**	GBP	252.0	34.4	298.2	332.7
United States	USD	75.0	75.0	0.0	75.0
Children's Investment Fund Foundation*	USD	2.0	2.0	0.0	2.0
Dubai Cares*	USD	1.0	0.5	0.5	1.0
OSF (through AOSI) *	USD	1.0	1.0	0.0	1.0
Stichting Benevolentia (Porticus)*	USD	1.7	0.9	0.8	1.7
Total		**2429.4**	**645.5**	**1543.3**	**2188.8**

***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 March 15, 2019						
Country	**Grant Agent**	**Start Date**	**Closing Date**	**Grant Amount**	**Total Disbursed**	**Undisbursed**
Afghanistan	World Bank	Dec-18	Dec-24	98,000,000	-	98,000,000
Bangladesh (Accelerated Funding)	UNICEF	Oct-18	Sep-20	8,332,407	-	8,332,407
Benin	World Bank	Mar-14	Apr-18	42,300,000	42,030,538	269,462
Bhutan	Save The Children	Oct-18	Oct-21	1,800,000	-	1,800,000
Burkina Faso	AFD	Mar-18	Mar-22	33,800,000	7,878,667	25,921,333
Burundi	UNICEF	Apr-16	Mar-19	20,100,000	19,631,647	468,353
Cabo Verde	UNICEF	Sep-18	Dec-21	1,400,000	-	1,400,000
Cambodia	UNICEF	Jul-18	Dec-21	6,200,000	-	6,200,000
Cambodia	UNESCO	Jun-18	May-21	14,400,000	2,439,485	11,960,515
Cameroon	World Bank	Mar-14	Jun-19	53,300,000	36,819,915	16,480,085
Central African Republic	UNICEF	Dec-14	Jul-18	15,510,000	14,832,798	677,202
Central African Republic (Accelerated Funding)	UNICEF	Sep-18	Mar-20	6,320,000	3,348	6,316,652
Chad	UNESCO	Jun-18	Jul-21	8,607,324	2,439,485	6,167,839
Chad	UNICEF	Jun-18	Jul-21	19,237,506	-	19,237,506
Comoros	UNICEF	Jul-18	Jul-21	2,300,000	-	2,300,000
Comoros	UNICEF	Sep-13	Jun-18	4,600,000	4,459,412	140,588
Congo, DR	World Bank	Aug-17	Feb-21	100,000,000	12,445,025	87,554,975
Cote d'Ivoire	World Bank	Mar-18	May-22	23,350,000	2,105,079	21,244,922
Djibouti	World Bank	Apr-14	Jun-18	3,800,000	3,798,499	1,501
Eritrea	UNICEF	Mar-14	Dec-18	25,300,000	20,938,909	4,361,091
Ethiopia	World Bank	Jul-17	Jun-19	99,500,000	65,304,442	34,195,558
Gambia, The	World Bank	Jul-18	Jul-22	5,000,000	3,200,040	1,799,960
Guinea	World Bank	Jul-15	Aug-19	37,800,000	32,807,185	4,992,815

Information on Active Grants as of March 15, 2019						
Country	**Grant Agent**	**Start Date**	**Closing Date**	**Grant Amount**	**Total Disbursed**	**Undisbursed**
Guinea-Bissau	World Bank	Dec-18	Jun-23	4,300,000	-	4,300,000
Guyana	World Bank	Jun-15	Sep-18	1,700,000	1,698,273	1,727
Kenya	World Bank	Jun-15	Jun-19	88,400,000	72,040,182	16,359,818
Kyrgyz Republic	World Bank	May-14	Jun-18	12,700,000	12,699,459	542
Lao People's Democratic Republic	World Bank	Jun-15	Dec-20	16,800,000	6,669,092	10,130,908
Lesotho	World Bank	Jul-17	Aug-20	2,100,000	796,712	1,303,288
Liberia	World Bank	Jun-18	Nov-21	11,070,000	850,308	10,219,692
Madagascar	World Bank	Jul-18	Jan-23	45,700,000	1,200,000	44,500,000
Malawi	World Bank	Dec-16	Dec-20	44,900,000	26,244,438	18,655,562
Mali	World Bank	May-13	Dec-17	41,700,000	41,012,073	687,927
Mauritania	World Bank	Feb-14	Nov-18	12,400,000	12,243,001	156,999
Mozambique	World Bank	Sep-15	Jun-19	57,900,000	50,000,000	7,900,000
Myanmar	World Bank	Mar-19	Aug-23	73,000,000	-	73,000,000
Nepal	World Bank	Jan-16	Jul-19	59,300,000	45,389,006	13,910,994
Niger	World Bank	Jul-14	Jun-19	84,200,000	69,620,161	14,579,839
Nigeria	World Bank	May-15	Jun-19	100,000,000	74,342,964	25,657,036
OECS (Caribbean Island States)	World Bank	Jul-16	Sep-19	2,000,000	1,237,026	762,974
Pakistan (Balochistan)	World Bank	Mar-15	Mar-19	34,000,000	34,000,000	-
Senegal	World Bank	Nov-13	May-18	46,900,000	46,322,809	577,191
Sierra Leone	UNICEF	Sep-18	Sep-22	17,200,000	-	17,200,000
Somalia - Federal	CARE	Sep-18	Sep-21	17,900,000	-	17,900,000

Information on Active Grants as of March 15, 2019						
Country	**Grant Agent**	**Start Date**	**Closing Date**	**Grant Amount**	**Total Disbursed**	**Undisbursed**
Somalia - Somaliland	Save The Children	Jul-18	Jul-21	7,680,000	-	7,680,000
Somalia (Puntland)	UNICEF	Jun-13	Oct-16	2,100,000	2,087,167	12,833
Somalia (Puntland)	UNICEF	Oct-17	Sep-20	5,600,000	2,121,997	3,478,003
Somalia (Somaliland)	UNICEF	Jun-13	Sep-17	4,200,000	4,175,811	24,189
Somalia (South Central)	UNICEF	Oct-13	Dec-17	8,200,000	7,611,232	588,768
South Sudan	UNICEF	Jan-19	Jan-23	35,700,000	-	35,700,000
South Sudan	UNICEF	Jan-13	May-18	36,100,000	34,782,567	1,317,433
South Sudan (Accelerated Funding)	UNICEF	Jul-18	Mar-19	6,000,000	1,448,126	4,551,874
Sudan	World Bank	Apr-13	Feb-19	76,500,000	75,968,394	531,606
Tanzania	Sida	Jul-14	Dec-18	94,800,000	94,800,000	-
Tanzania (Zanzibar)	Sida	Mar-18	Mar-22	5,761,000	2,497,127	3,263,873
Togo	World Bank	Mar-15	Sep-19	27,800,000	22,284,737	5,515,263
Uganda	World Bank	Aug-14	Jun-19	100,000,000	71,199,287	28,800,713
Uzbekistan	World Bank	Oct-14	Jul-19	49,900,000	42,102,158	7,797,842
Yemen, Republic of	UNICEF	Mar-14	Mar-19	72,600,000	37,060,453	35,539,547
Zambia	DFID	Nov-13	Sep-18	35,200,000	21,264,000	13,936,000
Zimbabwe	UNICEF	Dec-16	Dec-19	20,580,000	10,770,578	9,809,422
Zimbabwe (Variable) and Multiplier	UNICEF	Sep-18	Dec-20	18,820,000	-	18,820,000
Total				**2,012,668,237**	**1,197,673,613**	**814,994,624**

Commitment Information as of March 15th 2019			
By Grant Agent	**Grant Amounts**	**Committed**	**Uncommitted**
AFD	112,000,000	86,078,667	25,921,333
CARE	17,900,000	6,449,601	11,450,399
DFID	60,400,000	46,500,000	13,900,000
Save the Children International	11,400,000	6,224,329	5,175,671
SIDA	105,443,256	102,232,256	3,211,000
UNESCO	30,067,324	11,938,970	18,128,354
UNICEF	432,737,655	334,754,206	97,983,449
World Bank	2,098,320,000	1,780,366,667	309,620,000
Total	**2,868,268,235**	**2,374,544,696**	**485,390,206**

***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 3 and 4 reflects the cash available in only the GPE Fund as of Jan 1, 2019. The Catalytic Funds have had no new allocations since July and closed on December 31, 2018.

In Annex 1, 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, 2019 was **US$580 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$937 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$253 million out of a maximum potential pledge of US$298 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 the Global Partnership have been included, along with investment returns on the GPE Fund. The value of projections included in the forecast is **US$240 million** and has been increased from December to reflect future pledges for the 2018-2020 period.

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 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 3 to 4-year timeframe 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 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.

ANNEX 7 - LIQUIDITY APPROACH

The Secretariat is increasingly receiving detailed requests from contributors to justify that donor contributions are not in excess of need. The absence of clear guidance on what is a GPE endorsed liquidity approach is making these conversations more challenging than they need to be.

The management of funds for GPE differs from the management of many other World Bank Financial Intermediary Funds. Once an application is approved by the Board or Committee, the funds are committed (essentially ring-fenced by the Trustee and available for transfer) and transferred over the implementation cycle of the grant, usually in three or more tranches. Therefore, while funds are not committed in advance of need, it's implied that the funding will be available when the grant agent requests it. As noted in the Annex 1 of the forecast, commitments are still being made for grants which were approved several years ago.

Other funds, such as the Global Environment Facility commit full funding upon approval of the grant, and therefore must always have available cash to commit for the entire amount at the time of approval. On average, the GEF disburses US$1 billion per year to their grant agent equivalents, while their most recently reported cash balance was in excess of US$4.6 billion (i.e. at least 4 years of disbursement equivalents held in cash). Another fund, GAFSP also disbursed in 2018 a little over $110m while maintaining an average cash balance in excess of $400 million.

As noted on page in most recent Trustee Report for GPE (December 31, 2018), the total amount of funding allocated is US$3,303.1m, while the amount committed is US$2,780.3m, leaving the balance to be committed of US$522.8m. The cash on hand as of December 31, 2018 was US$651.3m, of which US$61m has been committed and US$589.6m was available for commitment, showing that while cash levels were relatively high (there is typically a temporary spike in cash at year end as many donors pay in December), they matched quite closely to remaining commitments to be made.

GPE must have cash to be able to commit funds and can't rely on donor pledges or even contribution agreements. As most contribution agreements are single year and are often not signed well in advance of payment, the majority of funds that are the result of the pledges made by donors are unknown in both timing and amount. Therefore, to strike the right balance between the risk of having too little funds and jeopardizing our ability to make timely commitment or transfers of grants, or the risk of holding too much funds and appearing inefficient, the Secretariat recommends that FRC endorse an optimal cash balance in the region of nine to twelve months relative to projected annual

cash transfers. This is a considerably lower than similar FIFs but deemed to be sufficient to cope with any temporary shocks (major delay from one or more large donors in payments or unexpected spike in country demand). Based on current projections, a nine to twelve-month optimal cash balance would range for the twelve-month period ending June 2020 from US$475m to US$635m, and for the period ending June 2021 from US$560 to US$740m as disbursements are expected to rise.

The Secretariat will monitor the appropriate levels as part of the semi-annual forecast and a risk indicator will reflect these levels in the risk management framework.

Cash Balance Flow of Funds (EXAMPLE) Based on a Three-Year Replenishment

