GLOBAL PARTNERSHIP for EDUCATION

BOD/2018/12 DOC 08- Rev.1
Meeting of the Board of Directors
Dublin, Ireland
December 6-7, 2018

FINANCIAL FORECAST
For Information

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

Summary of FRC Committee Deliberations:

- The committee asked if the pledge from the Netherlands being made in dollars combined with demand for euro grants reduces the need for hedging. The Secretariat noted that it helped, but there was still a significant mismatch between non-USD contributions and USD expenditures. The Trustee noted a response to questions raised on hedging would be provided in the coming weeks, and that progress had been made on a more flexible approach for non-revocable agreements.
- The committee requested a further breakdown of the "provision for other costs" for Agency Fees, Secretariat, and Trustee which has now been provided in the paper.
- The committee noted there was an additional pledge expected shortly and ongoing discussions with other donors regarding additional or new pledges. Subsequent to the meeting, Germany formally announced an increase of EUR 9m and this has officially been moved from projections to pledges in the Forecast.
- The Secretariat noted that once the KIX proposal is approved; resource mobilization efforts would seek targeted financing for it.
- The committed inquired about the process to obtain a grant in euro and how the amount would be allocated. The Secretariat explained that the guidelines were now published and that once a requested was received, the euro value would be fixed on that date.
- The committed requested clarification on the UK performance-based pledge and the level of discounting used to value the pledge. It was noted that while the performance element was discounted using the Board approved methodology, the Secretariat was confident that the conditions will be achieved, allowing for full payment of the performance element.
- The committee noted that there were large undisbursed funds for some grants near their closing dates and questioned how this impacted subsequent allocations. The Secretariat advised that the GPC, through the Portfolio Review, monitors this carefully and oftentimes, grants are extended to complete activities and generally utilize the remaining funds. They also advised that new applications are only approved when an existing grant is 75% committed.
- The apparent low level of donor contributions to date relative to pledges was raised. It was clarified that this was expected as some donors backdated their pledges and made payments at year end. It was further explained that as disbursements will increase each year, so too will donor contributions.

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:

- The standard semi-annual financial forecast and related annexes (Annex 1-6)
- Updates on implementation of decisions and actions arising from the June 2018 Board meeting on currency hedging, introduction of euro grant allocations, and changes to the investment strategy for funds held in the GPE fund.

1.3 As all ESPIG eligible countries have been notified of their Maximum Country Allocations, funds have been provisioned for Multiplier, KIX, and ASA, and considering no material change in GPE's overall financial position since the last forecast, the Secretariat is not proposing any decisions for FRC recommendation to the Board.

2. EXECUTIVE SUMMARY

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

2.2 With the announcement of significant financial pledges at the GPE financing conference as well as the additional pledges announced since, GPE's overall financial position has remained stable.

2.3 In addition to the US$2.3 billion in pledges made at the Dakar Financing Conference, a new pledge from the Netherlands of 100 million Euros was made recently. While not yet formally classified as a pledge, as some remaining steps are required, an amount of US$87.5m for USFY18 has cleared the US Congress and would be additional to the US Pledge of US$75m made in Dakar for USFY17. An additional pledge from Germany of EUR 9m was announced following the FRC meeting.

2.4 GPE's financial position continues to be exposed to any significant strengthening of the US dollar over the 2018-2020 period. A general strengthening of the US dollar over the last 6 months against major GPE contributor currencies has resulted in a projected reduction in financial resources, although with new pledges during the period, the overall impact on GPE's financial position is relatively unchanged from what was reported to the Board in June, therefore no new allocations or reductions to previously announced allocations are proposed.

2.5 Since the June meeting, the GPE Secretariat working in close collaboration with the Trustee has 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 8). The Trustee has since informed the Secretariat that they may be able to provide more flexibility than initially anticipated with respect to requiring all contributors to sign non-revocable agreements and this is a positive development. The Secretariat and Trustee will continue to liaise with GPE contributors and come back to the FRC in due course on feasibility of a hedging solution.

2.6 The Secretariat welcomes the proposal from the Netherlands to provide their contributions in US dollars, and they would join the United Arab Emirates, Japan, and the Republic of Korea, Private Foundations, and the United States in providing such contributions. This helps reduce currency exchange risk by reducing the mismatch between donor contributions in non-us dollars and expenditure (Grants and Operating Expenses) in us dollars.

2.7 As approved by the Board in June 2018, progress has been made to operationalize the introduction of the Euro as a second holding currency of the GPE Fund, allowing both USD and Euro allocations to be made. This provides more flexibility to developing country partners and also helps reduce currency exchange risk. It's expected that the solution will be ready for implementation from 1 January 2019 once the necessary modifications to contribution agreements and financial procedures agreements are in place.

2.8 Also approved in June was a decision to diversify the approach for how GPE Trust Funds are invested. The investment of GPE Funds into Model Portfolio 4 (BOD/2018/06/DOC 8) will begin as of December 1, 2018 following an in-depth cash flow forecast analysis.

2.9 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 Grants and Performance Committee for over the next two funding rounds. The calculations per the comprehensive funding guidelines are disclosed in Annex 3

2.10 The Secretariat notes that as we are still early in the replenishment period, additional donor contributions may be expected along with additional resources should GPE satisfy donor-imposed conditions attached to their pledges. Therefore, the Board may be in a position to increase allocations for ESPIGs, Multiplier, KIX, and/or ASA at future meetings, and this will be monitored at each semi-annual financial forecast.

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.

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 2020).

5. RISK

5.1 The key risk to GPE's financial position moving forward relates to any further strengthening of the US dollar against major donor currencies. Significant progress has been made on currency hedging with the Trustee, although further work is required to determine feasibility with donors, notably concerning how many donors and how much of overall pledges could be hedged.

5.2 In addition, it will be important to continue to convert donor pledges into actual contribution agreements in a timely manner, and then ensure donors contribute on schedule.

6. NEXT STEPS

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

6.2 The Secretariat and Trustee will continue to work closely together to execute June Board decisions on the euro grants solution and commence implementation of diversifying the new investment portfolio.

6.3 The Secretariat will report back to the FRC once confirmation has been made on donors willingness to sign the agreements necessary to facilitate any potential future currency hedging solution

7. PLEASE CONTACT: Padraig Power at ppower@globalpartnership.org or David Glass at dglass@globalpartnership.org for further information.

8. ANNEXES OR INFORMATION

8.1 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 Third 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

SCENARIO – All figures in USD Millions	1
MCA Calculation Amount (2,000 = Minimum)	*2000*
Opening Uncommitted Cash Balance 1 July 2018	374
Balance on Signed Contribution Agreements	704
Donor Pledges (after discounting for uncertainty)	1183
Projections of Additional Contributions - Secretariat Recommended	236
Projected Carryover from 2018-2020 Approvals (20% of MCA)	399
RESOURCES FOR FORECASTING PURPOSES (A)	**2,895**
Remaining Commitments to be made on Existing Approved Grants (2013-2018)	(437)
Provisions for other Grants (Plan Development, Program Development)	(50)
KIX	(60)
ASA (including CSEF)	(60)
Multiplier	(300)
Provisions for other costs (Agency ($50m), Secretariat ($80m), Trustee ($1m)	(131)
Unallocated (20m indicatively for KIX and 10m for ASA)	45
Provision for Future Commitments based on MCAs for 2018-2020	(1,812)
TOTAL AMOUNT TO BE SET ASIDE (B)	**(2895)**
PROJECTED SURPLUS / (SHORTFALL)	**0**

List of Countries with MCAs for 2018-2020* *All figures in USD Millions*	
Afghanistan	100
Bangladesh	53.9
Benin	19.4
Bhutan	0.7
Burkina Faso	21.2
Burundi	46.9
Cabo Verde	1.1
Cameroon	38.8
Central African Republic	31.6
Chad	22.2
Comoros	2.7
Congo, Dem. Rep.	100
Côte d'Ivoire	28
Djibouti	5 + 5.0 Multiplier
Dominica	1.3
Eritrea	17.2
Ethiopia	100
Ghana	9.4 + 15.0 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	5.0 Multiplier
Lao PDR	5
Lesotho	5
Liberia	5.9
Madagascar	19.6
Malawi	48.7
Maldives	2.5
Mali	45.7
Marshall Islands	1.8
Mauritania	6.8 + 5.0 Multiplier
Micronesia, Fed. Sts.	1.8
Mozambique	100
Myanmar	73.7
Nepal	9.2 + 15.0 Multiplier
Nicaragua	5
Niger	85.1
Nigeria	100

Pakistan	100
Papua New Guinea	7.1 + 4.3 Multiplier
Rwanda	30.8
Samoa	1.9
Sao Tome and Principe	2.5
Senegal	32.6 + 10.0 Multiplier
Solomon Islands	2.5
Somalia	51.8
South Sudan	41.7
St. Lucia	1.3
St. Vincent and the Grenadines	1.3
Sudan	59
Syria	25
Tajikistan	10.0 Multiplier
Tanzania	94.24 + 2.5 Multiplier
Timor-Leste	4.1
Togo	15.6
Tonga	1.8
Tuvalu	1.8
Uganda	100
Uzbekistan	*10.0 Multiplier*
Vanuatu	2.1
Yemen, Rep.	32.4
Zambia	*15.9 + 10.0 Multiplier*
Zimbabwe	2.9 + 10.0 Multiplier
Total	**1,812 + 101.8 Multiplier**

ANNEX 2 – FORECAST OF UNCOMMITTED ASSETS

ANNEX 2 - FORECAST OF UNCOMMITTED ASSETS					
All Figures in USD Millions	**S2 2018**	**S1 2019**	**S2 2019**	**S1 2020**	**S2 2020**
A. Opening Balance Cash and Promissory Notes	518	712	622	802	493
A1. Total Committed	143	143	241	143	179
A2. Total Uncommitted/Available for Approval	374	569	380	659	314
B. Inflows	444	260	555	127	684
Contribution Agreement	294	28	163	10	159
Pledges	59	232	301	116	472
Projections	91	-	91	-	54
C. Outflows	250	350	375	435	475
D. New Commitments	249	449	276	472	402
Commitments (Existing Approved Grants)	71	129	26	93	45
Projected Commitments (Remaining Allocations)	113	254	184	313	291
Other Commitments	66	66	66	66	66

E. Closing Balance Cash and Promissory Notes (A+B-C)	712	622	802	493	703
E1. Total Committed (A1-C+D)	143	241	143	179	106
E2. Total Uncommitted/Available for Approval (A2+B-D)	569	380	659	314	596
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 JAN 2019 – 30 JUNE 2019	AMOUNT in USD millions
Estimated Available Assets on Hand 1 Jan 2019 (excluding projected contributions to 31 December 2018)	569
Pledged and Signed Contributions 1 Jan 2019 - 30 June 2019	260
Total Projected Assets	**829**
Recurrent Costs (Secretariat, and Trustee budgets, , Plan and Program Development Grants, CSEF etc) – 1 Jan 2019 – 30 June 2019	(52)
Projected Commitments for Existing Grants falling due 1 Jan 2019 – 30 June 2019	(129)
Total Projected Liabilities	**(181)**
Available Assets for First Grant Commitment of Round 1 2018 Applications	**648**
First Commitment of Round 1 2019 proposals required by 30 June 2019 (including related Supervision and Agency Fees)	(267)
Projected Surplus/(Shortfall)	**381**

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 2018-2019 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 4 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 Sept 15 2018)	Remaining Value (Sept 15, 2018)	Total Value (Sept 15, 2018)
Donor	**CUR**	**Pledged Amount**	**USD Value**	**USD Value**	**USD Value**
Australia	AUD	106.0	11.7	64.8	76.4
Belgium	EUR	19.5	8.0	15.2	23.2
Canada	CAD	180.0	24.3	115.4	139.7
Denmark	DKK	1200.0	5.1	182.0	187.0
European Commission	EUR	337.5	89.2	310.1	399.3
France	EUR	200.0	23.4	210.6	234.0
Germany	EUR	54.0	6.4	56.8	63.1
Ireland	EUR	25.0	0.0	29.3	29.3
Italy	EUR	12.0	0.0	14.0	14.0
Japan	USD	1.8	1.8	0.9	2.7
Luxembourg	EUR	0.3	0.4	0.0	0.4
Netherlands* **	EUR	100.0	0.0	117.0	117.0
Norway	NOK	2070.0	78.7	171.2	250.0
Republic of Korea	USD	2.2	0.0	2.2	2.2
Senegal	USD	2.0	0.0	2.0	2.0
Spain	EUR	1.5	0.0	1.8	1.8
Sweden	SEK	1068.0	36.8	83.3	120.2
Switzerland	CHF	33.3	13.9	20.7	34.6
United Arab Emirates	USD	100.0	0.0	100.0	100.0
United Kingdom**	GBP	252.0	0.0	330.7	330.7
United States	USD	75.0	75.0	0.0	75.0
Children's Investment Fund Foundation*	USD	2.0	0.0	2.0	2.0
Dubai Cares*	USD	1.0	0.0	1.0	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			**376.4**	**1,831.9**	**2,208.3**

***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**
*****Discussions around contribution currency are ongoing**

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

Information on Active Grants as of August 31, 2018						
Country	**Grant Agent**	**Start Date**	**Closing Date**	**Grant Amount**	**Total Disbursed**	**Undisbursed**
Afghanistan	UNICEF	Aug-12	Jun-18	55,700,000	55,700,000	-
Benin	World Bank	Mar-14	Apr-18	42,300,000	42,158,667	141,333
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	13,455,084	6,644,916
Cabo Verde	UNICEF	Sep-18	Dec-21	1,400,000	-	1,400,000
Cambodia	UNESCO	Jun-18	May-21	14,400,000	2,439,485	11,960,515
Cambodia	UNICEF	Jul-18	Dec-21	6,200,000	-	6,200,000
Cameroon	World Bank	Mar-14	Sep-18	53,300,000	36,158,038	17,141,962
Central African Republic	UNICEF	Dec-14	Jul-18	15,510,000	14,832,798	677,202
Chad	UNESCO	Apr-13	Jun-17	7,060,000	6,933,935	126,065
Chad	UNESCO	Jun-18	Jul-21	8,607,324	-	8,607,324
Chad	UNICEF	Jun-18	Jul-21	19,237,506	-	19,237,506
Comoros	UNICEF	Sep-13	Jun-18	4,600,000	4,459,412	140,588
Comoros	UNICEF	Jul-18	Jul-21	2,300,000	-	2,300,000
Congo, DR	World Bank	May-13	Feb-17	100,000,000	99,938,746	61,254
Congo, DR	World Bank	Aug-17	Feb-21	100,000,000	13,608,162	86,391,838
Cote d'Ivoire	World Bank	Mar-18	May-22	23,350,000	-	23,350,000
Djibouti	World Bank	Apr-14	Jun-18	3,800,000	3,713,789	86,211
Eritrea	UNICEF	Mar-14	Dec-18	25,300,000	15,111,579	10,188,421
Ethiopia	World Bank	Jul-17	Jun-19	99,500,000	49,203,787	50,296,213

Gambia, The	World Bank	Apr-14	Aug-18	6,900,000	6,900,000	-
Gambia, The	World Bank	Jul-18	Jul-22	5,000,000	-	5,000,000
Guinea	World Bank	Jul-15	Aug-19	37,800,000	26,621,237	11,178,763
Guinea-Bissau	UNICEF	Sep-12	Sep-17	12,000,000	11,624,839	375,161
Guinea-Bissau	World Bank	Jun-18	Jun-23	4,300,000	-	4,300,000
Guyana	World Bank	Jun-15	Sep-18	1,700,000	1,700,000	-
Haiti	World Bank	Nov-14	Jun-18	24,100,000	24,100,000	-
Kenya	World Bank	Jun-15	Mar-19	88,400,000	62,642,880	25,757,120
Kyrgyz Republic	World Bank	May-14	Jun-18	12,700,000	12,579,478	120,522
Lao People's Democratic Republic	World Bank	Jun-15	Dec-20	16,800,000	7,447,705	9,352,295
Lesotho	World Bank	Jul-17	Aug-20	2,100,000	355,639	1,744,361
Liberia	World Bank	Jun-18	Nov-21	11,070,000	-	11,070,000
Madagascar	World Bank	Jul-18	Jan-23	45,700,000	-	45,700,000
Malawi	World Bank	Dec-16	Dec-20	44,900,000	16,000,000	28,900,000
Mali	World Bank	May-13	Dec-17	41,700,000	41,248,412	451,588
Mauritania	World Bank	Feb-14	Nov-18	12,400,000	11,441,681	958,319
Mozambique	World Bank	Sep-15	Jun-19	57,900,000	50,000,000	7,900,000
Nepal	World Bank	Jan-16	Jul-19	59,300,000	54,091,006	5,208,994
Niger	World Bank	Jul-14	Jun-19	84,200,000	61,333,371	22,866,629
Nigeria	World Bank	May-15	Jun-19	100,000,000	74,213,050	25,786,950
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	-
Rwanda	DFID	Jun-15	May-18	25,200,000	25,200,000	-

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
Somalia - Somaliland	Save The Children	Jul-18	Jul-21	7,680,000	-	7,680,000
Somalia (Puntland)	UNICEF	Oct-17	Sep-20	5,600,000	661,498	4,938,502
Somalia (Somaliland Accelerated Funding)	Save The Children	Jun-17	Mar-18	1,920,000	-	1,920,000
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-13	May-18	36,100,000	34,782,567	1,317,433
Sudan	World Bank	Apr-13	Feb-19	76,500,000	74,628,068	1,871,932
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	19,762,611	8,037,389
Uganda	World Bank	Aug-14	Jun-19	100,000,000	66,199,287	33,800,713
Uzbekistan	World Bank	Oct-14	Jul-19	49,900,000	42,285,035	7,614,965
Yemen, Republic of	UNICEF	Mar-14	Mar-19	72,600,000	32,996,611	39,603,389
Zambia	DFID	Nov-13	Sep-18	35,200,000	21,264,000	13,936,000
Zimbabwe	UNICEF	Dec-16	Dec-19	20,580,000	2,798,237	17,781,763
Zimbabwe (Variable) and Multiplier	UNICEF	Sep-18	Dec-20	18,820,000	-	18,820,000
Total				**2,016,095,830**	**1,339,113,365**	**676,982,465**

Commitment Information as of September 15th 2018			
By Grant Agent	**Grant Amounts**	**Committed**	**Uncommitted**
AFD	33,800,000	7,878,667	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	100,561,000	97,350,000	3,211,000
UNESCO	30,067,324	11,938,970	18,128,354
UNICEF	345,647,506	260,683,263	84,964,243
World Bank	1,416,320,000	1,167,500,000	248,820,000
Total	**2,016,095,830**	**1,604,524,830**	**411,571,000**

***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

Opening Balance

The opening balance of funds in Annex 3 and 4 reflects the cash available in both the Catalytic Funds and GPE Funds as of July 1, 2018. The Catalytic Funds have had no new allocations since July and are going to close 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 November 1, 2018 was **US$704 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$1,183 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$286 million out of a maximum potential pledge of US$331 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$235.5 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.