

 JUNE 7-8, 2023

MEETING OF THE BOARD OF DIRECTORS

BRUSSELS, BELGIUM

BOD/2023/06 DOC 03

FOR INFORMATION

FINANCIAL FORECAST

Please note: In accordance with the GPE Transparency Policy, documents are public only after their appraisal by the relevant governance instance. Governance officials may circulate documents to their constituency for consultation purposes, except for documents of a confidential nature.

Key issues for consideration:

- At its April 2023 meeting, the Finance and Risk Committee (FRC) expressed its satisfaction with the positive update on the financial position attributed to the US dollar's weakening and increased donors' contributions.
- Nevertheless, members noted the risk around fulfilment of pledges, the foreign exchange fluctuations, and the importance of accelerating grant approvals and disbursements.
- On the pace of grant approvals and disbursements, the Secretariat acknowledged the set of challenges but assured the FRC that numbers will rise over the course of 2023 and beyond.

Objective

1. This document provides the Board with an update on the financial position of the GPE Fund.

Background

2. Since the last financial forecast and Board discussion, the overall financial position of the GPE Fund has improved primarily due to weakening of the US dollar but also helped by increases in pledges from two donors (Germany and Japan). In the last financial forecast ([BOD/2022/12/DOC 06](#)), there was a projected deficit in available funds of US\$118 million beyond the authorized carryover of US\$1.2 billion in allocations to be made under GPE2025 to be financed in the 2026–2030 period from new donor pledges. That projected deficit has now reduced significantly to just US\$9 million.
3. While the current situation is more positive compared to six months ago, it should be noted that currency exchange volatility could easily reverse that situation. The operational details of the Foreign Exchange Management Proposal (BOD/2023/06 DOC 07) previously requested by the Board in June 2022 are now ready for Board decision in June 2023. The introduction of this framework which will allow for currency hedging of GPE contributions for the first time can partially

- mitigate the risk. To be as effective as possible, early signing of contribution agreements and preferably multi-year agreements from donors are needed.
4. Resource mobilisation risks remain elevated with the continued deterioration in the global economy characterized by high inflation, interest rates, public debt levels, and the impact of the war in Ukraine which is all putting pressure on development assistance budgets of donor governments. There has also been prioritization of other sectors such as health and climate. A donor has informed the Secretariat of a high risk that it may not be able to deliver on its full pledge. While the donor has not officially revised its pledge, the Secretariat has discounted a substantial portion in the forecast due to this risk. Close monitoring of the financial position over the coming months is warranted.
 5. Cash levels remain above the optimal range of nine to twelve months disbursement cover as most donors have continued to make contributions towards their pledges, while grant disbursements were behind expectations in 2022. This issue is expected to be temporary. Disbursements should rise in 2023, and cash levels will fall from 2024 onwards as the pace of disbursements exceeds the inflow of donor contributions as more grants get approved. The adoption of the foreign exchange management framework will require higher cash levels to ensure that collateral requirements don't impact negatively on liquidity. The Secretariat will adjust guidance on optimal cash levels should the foreign exchange management proposal be approved.
 6. Demand continues to grow for GPE funding, notably the Girls Education Accelerator (GEA), which is a targeted funding mechanism. As of end February, one country has been approved under the GEA for US\$5 million, while two others have secured US\$37 million in indicative allocations from the GEA based on Board approved Strategic Parameters and are working on grant applications. High levels of demand for the GEA from eligible countries is expected over the course of 2023, with up to 13 eligible countries expecting to request indicative allocations worth up to US\$195 million. It is, therefore, highly likely that the GEA may be oversubscribed towards the end of 2023. The Secretariat continues to prioritize resource mobilization for the GEA and will discuss options with the FRC later in 2023 should demonstrated demand exceed supply.

Annex A – Overview of GPE’s financial position

Annex B – Financial tables

Annex C – Donor contributions and grant outflows

Annex A – Overview of GPE’s Financial Position

1. Disbursements in 2023 were US\$262 million as of end April and are expected to increase steadily throughout the year and should exceed US\$700 million in 2023 which will be significantly above the US\$500m levels of 2022.
2. Grant Approvals will increase significantly with a number of grants from Cohorts 1, 2, and 3 expected to be submitted for approval in calendar year 2023 and should more than double the 2022 levels growing further again in 2024.
3. Donors have continued to contribute to the GPE Fund since the Global Education Summit in July 2021 with 32% of donor pledges converted to contributions as of February 2023. In light of the continued uncertainty and risks created by the current global economic conditions, some donors have accelerated their contributions earlier than anticipated which is always welcome, while others are backloading them. There is still significant uncertainty on the timing of many donor contributions. There is a high risk that at least one donor will not be able to deliver on its full pledge, and this has been discounted in the financial forecast.
4. As noted above, the weakening of the US dollar since October has increased the projected funding available for allocation. However, the unpredictability of the foreign exchange markets means that while the financial position has improved, the Secretariat will continue to closely monitor for any changes that could impact our ability to allocate funding for all of the proposed programs.
5. Should the situation deteriorate significantly either as a result of adverse foreign exchange movements and/or further reductions in donor pledges, the Secretariat will develop options for prioritization of resources for FRC consideration. The approval of the foreign exchange management framework will be an important milestone towards managing this risk. If approved, the Secretariat will immediately work with the Trustee to identify potential contributions that can be hedged to help provide predictability of funds by locking in the foreign exchange rate for those contributions. Donors can also help improve the effectiveness of the hedging strategy by signing contribution agreements as early as possible, or by contributing directly in US dollars where feasible. Grant allocations can also be made in Euros.
6. In terms of risks around donor contributions, there will be increased efforts from the Secretariat focused on continuing to increase contributions particularly to meet the emerging demand for the GEA, but also to secure contributions on existing pledges.
7. The Secretariat notes that based on the comprehensive funding guidelines, GPE expects to have sufficient resources to be able to approve any and all proposals received over the next six months, including those proposed under the Strategic Capabilities proposal (BOD/2023/06 DOC 08).

Annex B – Financial Tables¹

Table 1A – Forecast of Assets Available for Allocation (All Figures in US\$ millions, as of March 1, 2023)		
Opening Cash	1,199.7	<i>GPE Fund cash balance</i>
<i>Balance on Donor Pledges</i>	2,524.6	<i>Value of outstanding donor contributions based in USD</i>
<i>Projected additional donor contributions</i>	224.7	<i>Include projections for donors who could not pledge for the full period but intend to</i>
<i>Projected Investment Returns</i>	60.0	<i>Estimate of future investment returns on the GPE Fund</i>
<i>Projected Reflows from Closing Grants</i>	15.0	<i>Assumption of unused funds to be returned on closing grants</i>
(A) Total Resources Available	4,023.9	
<i>Disbursements on approved allocations</i>	(1,537.9)	<i>Funds required to disburse to Grant Agents on existing approved allocations</i>
<i>Balance on Multiplier Expression of Interest</i>	(125.8)	<i>Existing indicative allocations yet to be converted into GPE grants</i>
<i>Provision for System Transformation Grants</i>	(2,653.6)	<i>Provision for System Transformation Grants</i>
<i>Multiplier</i>	(446.8)	<i>Amount available for new Multiplier MCAs</i>
<i>Girls Education Accelerator</i>	(171.5)	<i>Available funds for GEA MCAs for Replenishment 4</i>
<i>Program Development Grants</i>	(16.6)	<i>Balance of the PDGs for Replenishment 4</i>
<i>System Capacity Grants</i>	(234.7)	<i>Balance of the SCG MCAs for Replenishment 4</i>
<i>Provision for Strategic Capabilities</i>	(40.0)	<i>US\$40m for other Strategic Capabilities</i>
<i>Provision for Agency Fees</i>	(99.5)	<i>Estimate for agency fees on future grant allocations</i>
<i>Provision for Operating Expenses (OPEX)</i>	(123.5)	<i>Assumptions for Secretariat OPEX for FY24, FY25, and 50% of FY26</i>
<i>Provision for Trustee Budget</i>	(4.5)	<i>Assumptions based on growth in GPE Fund balances and historic budgets</i>
<i>Provision for World Bank Indirect Cost Recovery</i>	(29.6)	<i>24% mark up as communicated by World Bank on projected Secretariat OPEX</i>
<i>Discounting on System Transformation Grants</i>	251.0	<i>Discount represents roughly 10% of the System Transformation Grant maximum values to reflect that not all funds may be approved or if approved, disbursed.</i>
(B) Total Funding to be set aside	(5,233.1)	
(C) Authorized Carryover to be financed from next financing period	1,200.0	<i>Amount that will need to be financed in the 2026–2030 period from future pledges</i>
(A+B+C) Projected Surplus/ (Deficit)	(9.2)	

¹ Sub-totals in the tables may not cast exactly due to rounding.

Table 1B – Girls Education Accelerator – capped at US\$ 250 million	
Donor	US\$ millions
Belgium	2.5
Ireland	12.0
Germany	120.0
OSF	1.0
Dubai Cares	1.25
Lego Foundation	15.0
Denmark	7.5
Unlocked matching from PF/PS ²	17.25
Total Funds Available	176.5
Partner Country	
El Salvador	(5.0)
Total Grants Approved	(5.0)
Congo, Dem. Rep	(25.0)
Zimbabwe	(12.4)
Total Indicative Allocations based on approved Strategic Parameters	(37.4)
Balance Available for Allocation	134.1

Table 1C – Financing Breakdown by Income Status (in US\$ millions)		
Income Status	Amount Available for STG Financing	Percentage of STG Financing
Low Income Countries	1,778.8	64% ³
Other Countries	981.3	36%
Total	2,760.0	100%

² Matching funds of up to US\$25m are available for contributions to the Girls Education Accelerator (GEA) from Private Foundations and the Business Community – the matching funds are sourced from the overall Multiplier allocation.

³ As per the December 2020 Board Document on Eligibility ([BOD/2020/11/12 DOC 06](#)), the percentage of funding under simulation 1 going to Low Income Countries (LICs) was 66.3%, roughly 2.3% more than is currently being proposed. The change is minor and attributable to a number of countries moving from LIC status to Lower-Middle Income Country (LMIC) status as of 1 July 2021. As this difference is minor, no further action is recommended. The Secretariat will in subsequent financial forecasts report on actual allocations to LICs to monitor whether there are any challenges with LICs in terms of accessing funds compared to other countries.

Table 2 (A/B) – FORECAST OF ASSETS

Table 2A – FORECAST OF CASH BALANCE						
<i>All Figures in US\$ Millions</i>	2023	2024	2025	2026	2027	2028
A. Opening Cash Balance (as of March 1 2023)	1,199.7	1,321.5	1,229.3	803.1	94.3	(552.3)
B. Inflows	810.2	858.6	772.1	330.2	53.0	0.0
C. Outflows	(688.4)	(950.8)	(1,198.3)	(1,039.0)	(699.7)	(472.1)
D. Closing Cash Balance 31 December (A + B – C)	1,321.5	1,229.3	803.1	94.3	(552.3)	(1,024.5)

While the information in Table 1 is used to calculate overall resources available for allocation, this table shows the projected inflows (i.e. predominantly donor contributions) into the GPE Fund and outflows (i.e. predominantly grant disbursements) and the impact on the cash balance. GPE aims to keep cash balances within a range of 9–12 months of disbursements and the projections through end of 2025 are expected to be within that range. For a graphical representation, see Graph 1 below.

Table 2B – FORECAST OF UNCOMMITTED ASSETS						
<i>All Figures in US\$ Millions</i>	2023	2024	2025	2026	2027	2028
A. Opening Uncommitted Cash Balance (as of March 1 2023)	1,037.1	1,190.5	1,066.4	693.1	(29.3)	(552.3)
B. Inflows	810.2	858.6	772.1	330.2	53.0	0.0
C. Estimated Commitments	(656.7)	(982.7)	(1,145.4)	(1,052.6)	(576.1)	(472.1)
D. Funds Available to Commit (A + B – C)	1,190.5	1,066.4	693.1	(29.3)	(552.3)	(1,024.5)

While a grant may be approved for a 3,4, or 5–year implementation period, the funds are only committed (earmarked in the fund as available for the Grant Agent) on an annual basis. In order to commit funds, the cash must be available in the Trust Fund. Therefore the level of uncommitted assets is important for GPE’s ability to make grant approvals and funds available for Grant Agents. As donors make contributions into the Fund, it increases the funds available for commitments, however as grants are approved and subsequently committed on an annual basis, it reduces the available funds for commitment. The current forecast shows that GPE will run out of commitment authority in 2026 meaning that existing programs may need to be placed on hold. However there may be periods when levels of uncommitted funds are under pressure and therefore timely payment of donor contributions are important. It is also noted that a replenishment campaign will be expected to fund the 2026–30 period.

Annex C – Donor contributions and grant outflows⁴

Table 3 – STATUS OF 4 th REPLENISHMENT (All figures in Millions)		Pledge (local currency)	Paid as of March 1, 2023	Remaining Value March 1, 2023	Total Value March 1, 2023
Donor	CUR	Pledged Amount	US\$ Value	US\$ Value	US\$ Value
Australia	AUD	180.0	34.9	89.3	124.2
Belgium	EUR	28.0	16.2	13.8	30.0
Canada	CAD	300.0	91.5	132.7	224.2
Denmark	DKK	1,050.0	44.1	106.9	151.0
Dubai Cares	USD	2.5	0.0	2.5	2.5
Estonia	USD	1.0	0.4	0.6	1.0
European Union	EUR	700.0	89.4	653.5	742.9
Finland	EUR	25.0	29.2	0.0	29.2
France	EUR	333.0	119.4	236.4	355.8
Germany	EUR	330.0	140.4	212.2	352.6
Ireland	EUR	60.0	24.6	40.3	64.9
Italy	EUR	25.0	11.2	15.9	27.1
Japan	USD	20.2	15.0	5.2	20.2
Kuwait	USD	30.0	0.0	30.0	30.0
LEGO	USD	28.0	18.0	10.0	28.0
Luxembourg	EUR	2.5	1.1	1.6	2.7
Netherlands	USD	59.2	59.2	0.0	59.2
Norway	NOK	1,850.0	109.6	81.5	191.1
Open Society Foundations	USD	1.0	1.0	0.0	1.0
Republic of Korea	USD	15.8	4.6	11.3	15.8
Saudi Arabia	USD	38.0	0.0	38.0	38.0
Spain	EUR	20.0	0.3	21.0	21.2
State of Qatar (through EAA)	USD	20.0	0.0	20.0	20.0
Sweden	SEK	1,200.0	56.2	64.1	120.3
Switzerland	CHF	52.0	23.4	32.0	55.3
United Arab Emirates	USD	100.0	40.0	60.0	100.0
United Kingdom	GBP	430.0	0.0	520.1	520.1
United States of America	USD	350.0	225.0	125.0	350.0
Total			1,154.6	2,523.8	3,678.5
Balance on 3rd Replenishment Pledges				0.8	0.8
Total Donor Pledges				2,524.6	3,679.2

⁴ Sub-totals in the tables may not add up due to rounding, and pledges may be subject to legislative approval processes.

Table 4 – List of Remaining Indicative Allocations Approved for 2021–2025 as of March 1, 2023 (All figures in US\$ Millions)⁵

	Cohort 1 Pilot	Cohort 2	Cohort 3	Cohort 4	Cohort 5	Non-Cohort ⁶
Country name	System Transformation Grant Indicative Allocation	Multiplier Indicative Allocation ⁷	System Capacity Grant Indicative Allocation	Girls' Education Accelerator Indicative Allocation ⁸		
Afghanistan	102.0	0.0	5.0	0.0		
Algeria	0.0	0.0	3.7	0.0		
Angola	0.0	0.0	3.7	0.0		
Bangladesh	97.7	0.0	4.7	0.0		
Belize	0.0	5.0	1.6	0.0		
Benin	25.7	0.0	1.8	0.0		
Bhutan	5.0	3.3	1.0	0.0		
Bolivia	0.0	0.0	2.3	0.0		
Burkina Faso	67.4	0.0	2.4	0.0		
Burundi	68.2	0.0	2.9	0.0		
Cabo Verde	5.0	0.0	1.0	0.0		
Cambodia	15.4	0.0	2.7	0.0		
Cameroon	62.5	0.0	3.7	0.0		
Central African Republic	36.0	0.0	2.3	0.0		
Chad	90.5	0.0	3.6	0.0		
Comoros	5.0	0.0	1.5	0.0		
Congo, Dem. Rep.	162.5	0.0	3.9	25.0		
Congo, Rep.	11.0	0.0	2.9	0.0		
Cote d'Ivoire	44.9	0.0	2.3	0.0		
Djibouti	5.0	0.0	1.6	0.0		
Egypt, Arab Rep.	0.0	0.0	4.4	0.0		
El Salvador	0.0	0.0	0.0	0.0		
Eritrea	11.8	0.0	2.2	0.0		
Eswatini	0.0	0.0	1.6	0.0		
Ethiopia	107.6	0.0	4.1	0.0		
Gambia, The	5.9	0.0	1.9	0.0		

⁵ Amounts already approved have been reduced from these numbers.

⁶ As the respective local education groups have suspended direct contact with government on GPE processes in line with the Operational Framework for effective support in fragile and conflict-affected contexts in Afghanistan, Myanmar, Sudan and Syria, these countries haven't been included in cohort 5. The Secretariat has been in contact with the local education group on the potential pathway to access the system transformation grant allocation

⁷ Based on approved Expressions of Interest

⁸ Based on approved Strategic Parameters

Table 4 – List of Remaining Indicative Allocations Approved for 2021–2025 as of March 1, 2023 (All figures in US\$ Millions)⁵

	Cohort 1 Pilot	Cohort 2	Cohort 3	Cohort 4	Cohort 5	Non-Cohort ⁶
Country name	System Transformation Grant Indicative Allocation	Multiplier Indicative Allocation ⁷	System Capacity Grant Indicative Allocation	Girls' Education Accelerator Indicative Allocation ⁸		
Ghana	31.4	0.0	2.4	0.0		
Guinea	33.4	0.0	2.8	0.0		
Guinea-Bissau	5.7	0.0	2.2	0.0		
Haiti	31.6	0.0	2.9	0.0		
Honduras	0.0	0.0	2.0	0.0		
India	0.0	0.0	4.1	0.0		
Indonesia	0.0	0.0	4.0	0.0		
Kenya	0.0	0.0	0.0	0.0		
Kiribati	2.5	0.0	0.3	0.0		
Kyrgyz Republic	0.0	0.0	1.0	0.0		
Lao PDR	10.0	0.0	2.6	0.0		
Lesotho	5.0	2.5	1.6	0.0		
Liberia	19.5	0.0	2.0	0.0		
Madagascar	89.4	0.0	3.5	0.0		
Malawi	68.8	0.0	3.7	0.0		
Mali	76.0	0.0	3.4	0.0		
Mauritania	7.5	0.0	0.6	0.0		
Micronesia, Fed. Sts.	2.5	0.0	1.0	0.0		
Moldova	0.0	0.0	1.0	0.0		
Mongolia	0.0	0.0	1.3	0.0		
Morocco	0.0	0.0	3.7	0.0		
Mozambique	117.6	0.0	4.0	0.0		
Myanmar	42.9	0.0	4.0	0.0		
Nepal	0.0	0.0	3.4	0.0		
Nicaragua	5.0	0.0	1.3	0.0		
Niger	117.6	0.0	3.4	0.0		
Nigeria	117.6	2.1	9.4	0.0		
Pakistan	117.6	0.0	8.8	0.0		
Papua New Guinea	14.9	0.0	2.6	0.0		
Philippines	0.0	0.0	4.7	0.0		
Rwanda	31.3	0.0	1.2	0.0		
Sao Tome and Principe	2.5	0.0	1.5	0.0		
Senegal	38.2	40.0	1.7	0.0		

Table 4 – List of Remaining Indicative Allocations Approved for 2021–2025 as of March 1, 2023 (All figures in US\$ Millions)⁵

	Cohort 1 Pilot	Cohort 2	Cohort 3	Cohort 4	Cohort 5	Non-Cohort ⁶
Country name	System Transformation Grant Indicative Allocation	Multiplier Indicative Allocation ⁷	System Capacity Grant Indicative Allocation	Girls' Education Accelerator Indicative Allocation ⁸		
Sierra Leone	22.5	15.0	2.6	0.0		
Solomon Islands	5.0	0.0	1.5	0.0		
Somalia	79.7	0.0	6.4	0.0		
South Sudan	56.4	12.3	2.4	0.0		
Sri Lanka	0.0	0.0	2.7	0.0		
Sudan	86.5	0.0	5.0	0.0		
Syrian Arab Republic	15.0	0.0	3.6	0.0		
Tajikistan	10.0	15.0	0.0	0.0		
Tanzania	117.6	0.0	4.5	0.0		
Timor-Leste	5.0	0.0	1.5	0.0		
Togo	20.6	0.0	2.0	0.0		
Tunisia	0.0	0.0	1.6	0.0		
Uganda	162.5	0.0	3.8	0.0		
Ukraine	0.0	25.5	2.7	0.0		
Uzbekistan	0.0	0.0	2.9	0.0		
Vanuatu	2.5	0.0	1.3	0.0		
Vietnam	0.0	0.0	4.7	0.0		
West Bank and Gaza	0.0	0.0	1.6	0.0		
Yemen, Rep.	61.6	0.0	4.3	0.0		
Zambia	31.6	0.0	3.3	0.0		
Zimbabwe	24.8	0.0	3.0	12.4		
Dominica	2.5	0.0	1.0	0.0		
Fiji	5.0	0.0	0.9	0.0		
Grenada	2.5	0.0	1.0	0.0		
Guyana	5.0	0.0	1.3	0.0		
Maldives	5.0	0.0	1.5	0.0		
Marshall Islands	2.5	0.0	1.0	0.0		
Samoa	2.5	0.0	1.0	0.0		
St. Lucia	2.5	0.0	1.0	0.0		
St. Vincent and the Grenadines	2.5	0.0	1.0	0.0		
Tuvalu	2.5	0.0	1.0	0.0		
Tonga	2.2	0.0	0.3	0.0		

Table 4 – List of Remaining Indicative Allocations Approved for 2021–2025 as of March 1, 2023 (All figures in US\$ Millions)⁵						
	Cohort 1 Pilot	Cohort 2	Cohort 3	Cohort 4	Cohort 5	Non-Cohort ⁶
Country name	System Transformation Grant Indicative Allocation	Multiplier Indicative Allocation⁷	System Capacity Grant Indicative Allocation	Girls' Education Accelerator Indicative Allocation⁸		
OECS Region	0.0	0.0	0.3	0.0		
Pacific Region	0.0	0.0	1.0	0.0		
Total	2,653.6	120.8	234.7	37.4		

Table 5a – Information on Active Grant Portfolio as of 1 March 2023 (All figures in US\$ millions)

Total Value of Approved & Active Grants	3,804.8
Total Value of Disbursements from the GPE Fund	2,266.9
Balance to be Disbursed from the GPE Fund for Grants	1,537.9

Table 5B – Information on Active Grant Portfolio as of 1 March 2023 (All figures in US\$ millions)

Grant Agent	Value of Approved and Active	Value of Disbursements	Value to be Disbursed
ADB	15.0	6.5	8.5
AFD	294.0	224.2	69.9
IDRC	153.5	65.0	88.5
IsDB	37.9	21.2	16.7
OECS	13.0	4.6	8.4
OXFAM	132.9	55.6	77.2
Save the Children Australia	9.1	4.6	4.4
Save The Children UK	50.6	42.6	8.0
Save The Children US	75.3	71.7	3.6
UNESCO	72.6	72.6	0.0
UNICEF	825.7	745.8	79.9
World Bank	2,125.3	952.4	1,172.9
Total	3,804.8	2,266.9	1,537.9

Cash Balance (US\$mm, in bold) based on Current Estimates

