

 **DECEMBER 7, 8 AND 10, 2021**

MEETING OF THE BOARD OF DIRECTORS

VIA VIDEOCONFERENCE

BOD/2021/12 DOC 03 **REV.1**

FOR INFORMATION

FINANCIAL FORECAST

Please note: Documents are deliberative in nature and, in accordance with the GPE Transparency Policy, are considered to be public documents only after their appraisal by the relevant governance instance. It is understood that members will circulate documents among their constituency members prior to consideration for consultation purposes, with the exception of documents that are confidential.

Key issues for consideration:

- The impact of Norway's communication to the Secretariat on November 8 (after the Finance and Risk Committee meeting) that it intends to reduce its pledge to the GPE Fund by 50%. The proposed budget, presented by the government, is subject to Parliamentary debate. Conclusion of this debate is expected by middle of December this year.
- The Finance and Risk Committee noted the trustee's efforts to develop a currency hedging solution but raised concerns around delays and the impact of foreign exchange volatility on GPE's financial position.
- Higher cash balance as of September 2021 is expected to drop back within target range over the course of 2022 and 2023 as disbursements are projected to increase.

Objective

1. This document is designed to provide the Board with sufficient information on the financial position of the GPE Fund in order to enable it to make decisions on how to allocate its financial resources in support of implementation of GPE strategic objectives.

Background

2. With the conclusion of the Global Education Summit, where an unprecedented level of donor pledges were made (US\$4 billion), GPE was in a position to announce indicative allocations in accordance with the decisions previously agreed by the Board regarding eligibility and allocation ([BOD/2020/11/12-04](#)), and prioritization of resources ([BOD/2021/05-05](#)).
3. Countries have been informed of their eligibility and the second cohort of System Transformation Grant countries has now been launched, with the third cohort to be launched in January 2022.

4. Over US\$730 million has been approved, and more than US\$620 million disbursed from the GPE Fund so far in 2021.
5. As of 30 September, GPE's cash on hand is over US\$1 billion which is higher than our optimal range of 9-12 months' worth of disbursements cover but is expected to drop back within range over the course of 2022 and 2023 as disbursement rates increase in line with the increased investment in new grant allocations. It should be noted when considering the cash balance, that almost US\$1.74 billion remains to be disbursed on existing approved grants and these obligations far exceed the cash on hand.
6. Since the Global Education Summit, there has been an appreciation of the US dollar and this has already reduced the value of donor pledges made in London. As the vast majority of pledges will be paid out over the next 5 years, the rates may change and become positive or there could be further appreciation which would further erode the value of the pledges in US dollars. As over 80% of donor pledges were made in non-US dollar currencies, progress to develop a currency hedging solution is critical. The World Bank will be preparing a briefing note to share with the Finance and Risk Committee (FRC) and in particular Donors, as they will be required to modify their contribution agreements to facilitate any solution.
7. On November 8, and subsequent to the FRC meeting, the Secretariat was informed that Norway intends to reduce its pledge of 3.7 billion NOK (US\$422 million) for the 2021-2025 period by 50% to 1.85 billion NOK (US\$211 million). When combined with the movement in Foreign Exchange (FX) rates and some further minor refinements to the forecast (mainly offsetting), the forecast now shows a projected deficit of nearly US\$280 million.
8. The Secretariat recommends to monitor the situation but not make any adjustment to planned allocations at this time. The GPE fund should have sufficient liquidity to meet projected disbursement obligations through 2025 which would allow some time to attempt to raise the additional resources needed to eliminate the forecasted deficit. With respect to the impact of FX rates, the rates only crystallize when contributions are actually made and for many pledges this will be several years away. Therefore, the rate may change in GPE's favor. However, given the significant change in GPE's financial position, if the situation does not improve or deteriorates further over the course of 2022 and into 2023, the Board will need to make decisions as to whether to reduce the amount of funds it is willing to allocate for GPE grants or increase the amount of unfinanced grant obligations it is willing to carry into the 2026-2030 period.
9. 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.

Annex A – Financial tables

Annex B – Donor contributions and grant outflows

Annex A – Financial Tables¹

Table 1A – Forecast of Assets Available for Allocation (All Figures in USD Millions, as of September 30, 2021)		
Opening Cash	1,056.7	<i>GPE Fund cash balance</i>
<i>Balance on Donor Pledges</i>	3,525.7	<i>Value of outstanding donor contributions based in USD</i>
<i>Projected additional donor contributions</i>	523.3	<i>Include projections for donors who could not pledge for the full period but intend to</i>
<i>Projected Investment Returns</i>	45.00	<i>Estimate of future investment returns on the GPE Fund</i>
<i>Projected Reflows from Closing Grants</i>	20.00	<i>Assumption of unused funds to be returned on closing grants</i>
(A) Total Resources Available	5,170.8	
<i>Disbursements on approved grants</i>	(1,754.3)	<i>Funds required to disburse to Grant Agents on existing approved grants</i>
<i>Balance on MCAs (ESPIG/Multiplier/Accelerated Funding)</i>	(145.5)	<i>Existing indicative allocations yet to be converted into GPE grants</i>
<i>Provision for System Transformation Grants</i>	(2,760.0)	<i>Provision for System Transformation Grants</i>
<i>Multiplier</i>	(637.97)	<i>Amount available for new Multiplier MCAs</i>
<i>Girls Education Accelerator</i>	(139.25)	<i>Amount available for Girls Education Accelerator in Replenishment 4</i>
<i>Program Development Grants</i>	(19.3)	<i>Balance of the PDGs for Replenishment 4</i>
<i>System Capacity Grants</i>	(261.7)	<i>Balance of the System Capacity Grant MCAs for Replenishment 4</i>
<i>Provision for Strategic Capabilities</i>	(180.0)	<i>Provision for Strategic Capabilities (adjusted to account for EOL top up approved in September)</i>
<i>Provision for Agency Fees</i>	(121.6)	<i>Provision for agency fees on future grant allocations</i>
<i>Provision for Operating Expenses</i>	(250)	<i>Assumptions for Secretariat OPEX for 5 years</i>
<i>Provision for Trustee Budget</i>	(4.2)	<i>Assumptions based on growth in GPE Fund balances and historic budgets</i>
<i>Provision for World Bank Indirect Cost Recovery</i>	(56.0)	<i>Based on Secretariat OPEX and rates communicated by World Bank</i>
<i>Discounting on System Transformation Grants</i>	251	<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	(6,078.8)	
(C) Authorized Carryover to be financed from next financing period	629.4	<i>Amount that will need to be financed in the 2026-2030 period from future pledges</i>
(A+B+C) Projected Surplus/ (Deficit)	(278.6)	

¹ Sub-totals in the tables may not add up due to rounding.

Table 1B – Girls Education Accelerator – capped at US\$250m	
Donor	Amount
Belgium	\$2.5m
Ireland	\$12m
Germany	\$120m
OSF	\$1m
Dubai Cares	\$1.25m
Unlocked matching from PF/PS ²	\$2.25m
Total	\$139m

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%*
Other Countries	981.3	36%
Total	2,760.0	100%

*As per the December 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.

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.

Table 2 (A/B) – FORECAST OF ASSETS

Table 2A – FORECAST OF CASH BALANCE						
<i>All Figures in USD Millions</i>	Remainder 2021	2022	2023	2024	2025	2026
A. Opening Cash Balance (as of Sept 30 2021)	1,056.7	1,148.1	851.2	816.6	651.2	712.8
B. Inflows	359.2	536.2	917.1	939.1	1,025.9	336.6
C. Outflows	(267.8)	(833.1)	(951.6)	(1,104.4)	(964.4)	(713.0)
D. Closing Cash Balance 31 December (A + B – C)	1,148.1	851.2	816.6	651.2	712.8	336.4

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. New donor contributions are expected begin in 2021 from the replenishment, but are not expected to pick up until mid to late 2022. However, GPE is forecasting to begin approving new STG allocations in 2022, the cash balance is expected to be positive until 2027.

Table 2B – FORECAST OF UNCOMMITTED ASSETS						
<i>All Figures in USD Millions</i>	Remainder 2021	2022	2023	2024	2025	2026
A. Opening Uncommitted Cash Balance (as of Sept 30 2021)	798.2	830.0	550.0	478.1	384.7	399.9
B. Inflows	359.2	536.2	917.1	939.1	1,025.9	336.6
C. Estimated Commitments	(327.4)	(816.2)	(989.2)	(1,032.4)	(1,010.8)	(902.7)
D. Funds Available to Commit (A + B – C)	830.0	550.0	478.1	384.7	399.9	(166.2)

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 2027 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.

Annex B – Donor contributions and grant outflows³

Table 3 – STATUS OF 4 th REPLENISHMENT (All figures in Millions)		London Pledge	Paid as of Sept 30 2021	Remaining Value Sept 30, 2021	Total Value Sept 30, 2021
Donor	CUR	Pledged Amount	USD Value	USD Value	USD Value
Australia	AUD	180.0	22.5	110.2	132.8
Belgium	EUR	28.0	0	33.0	33.0
Canada	CAD	300.0	27.9	210.4	238.3
Denmark	DKK	-	-	-	-
Dubai Cares	USD	2.5	-	2.5	2.5
Estonia	USD	1.0	-	1.2	1.2
European Union	EUR	700.0	-	825.3	825.3
Finland	EUR	25.0	29.2	-	29.2
France	EUR	333.0	-	392.6	392.6
Germany	EUR	325.0	-	383.2	383.2
Ireland	EUR	60.0	11.8	59.0	70.8
Italy	EUR	25.0	5.9	23.6	29.5
Japan	USD	7.2	6.5	0.7	7.2
Kuwait	USD	30.0	-	30.0	30.0
LEGO	USD	10.0	10.0	-	10.0
Luxembourg	EUR	2.5	-	2.9	2.9
Netherlands	EUR	50.0	-	59.0	59.0
Norway	NOK	1,850.0	-	211.2	211.2
Open Society Foundations	USD	1.0	-	1.0	1.0
Republic of Korea	USD	15.0	-	15.0	15.0
Saudi Arabia	USD	38.0	-	38.0	38.0
Spain	EUR	20.0	-	23.6	23.6
Sweden	SEK	1200.0	-	138.8	138.8
Switzerland	CHF	52.0	-	56.6	56.6
United Arab Emirates	USD	100.0	-	100.0	100.0
United Kingdom	GBP	430.0	-	592.7	592.7
United States of America	USD	305.0	100.0	205.0	305.0
Total			213.9	3,515.5	3,729.4
Balance on 3rd Replenishment Pledges				10.3	10.3
Total Donor Pledges				3,525.8	3,739.7

³ Sub-totals in the tables may not add up due to rounding.

Table 4 - List of Outstanding MCAs Approved for 2021-2025 as of Sept 30 (All figures in USD Millions)

Country name	System Transformation Grant Indicative Allocation	Multiplier Allocation ⁴	System Capacity Grant
Afghanistan	102.02		5.00
Algeria	Not Eligible		3.70
Angola	Not Eligible		3.70
Bangladesh	97.69		4.70
Belize	Not Eligible		1.60
Benin	25.70		2.40
Bhutan	5.00		1.00
Bolivia	Not Eligible		2.30
Burkina Faso	67.39		3.40
Burundi	68.24		3.60
Cabo Verde	5.00		1.00
Cambodia	15.39	10.00	2.70
Cameroon	62.50		3.70
Central African Republic	35.95		2.90
Chad	90.52		3.60
Comoros	5.00		2.20
Congo, Dem. Rep. ⁵	162.50		4.70
Congo, Rep.	11.03		2.90
Cote d'Ivoire	44.91	15.00	3.10
Djibouti	5.00		1.60
Egypt, Arab Rep.	Not Eligible		4.40
El Salvador ⁶	Not Eligible	10.00	1.60
Eritrea	11.82		2.20
Eswatini	Not Eligible	5.00	1.60
Ethiopia	117.59		4.10
Gambia, The	5.86		1.90
Ghana	31.43		3.10
Guatemala ⁷	Not Eligible	10.00	Not Eligible
Guinea	33.38		3.00
Guinea-Bissau	5.71		2.20
Haiti	31.60		2.90

⁴ Amounts indicatively allocated based on approved Expressions of Interest.

⁵ Eligible for a further US\$25 million from the GEA.

⁶ Eligible for a further US\$5 million from the GEA.

⁷ Guatemala secured a Multiplier EOI as part of the third replenishment period but is no longer eligible for new funding under GPE2025.

Table 4 - List of Outstanding MCAs Approved for 2021-2025 as of Sept 30 (All figures in USD Millions)

Country name	System Transformation Grant Indicative Allocation	Multiplier Allocation⁴	System Capacity Grant
Honduras	Not Eligible		2.00
India	Not Eligible		4.10
Indonesia	Not Eligible		4.70
Kenya	53.30		3.80
Kiribati	2.50		1.00
Kyrgyz Republic	Not Eligible		1.00
Lao PDR	10.00		2.60
Lesotho	5.00		1.60
Liberia	19.50		2.20
Madagascar	89.44		3.70
Malawi	68.82	8.50	3.70
Mali	75.95		3.40
Mauritania	7.53		1.30
Micronesia, Fed. Sts.	2.50		1.00
Moldova	Not Eligible	5.00	1.00
Mongolia	Not Eligible	5.00	1.30
Morocco	Not Eligible		3.70
Mozambique	117.59		4.00
Myanmar	42.94		4.00
Nepal	20.00		3.40
Nicaragua	5.00		1.30
Niger	117.59		3.40
Nigeria	117.59	15.45	4.70
Pakistan	117.59		4.40
Papua New Guinea	14.91		2.60
Philippines	Not Eligible	25.00	4.70
Rwanda	31.29		2.40
Sao Tome and Principe	2.50		1.50
Senegal	38.22		2.40
Sierra Leone	22.47		2.60
Solomon Islands	5.00		1.50
Somalia⁸	98.74		3.60
South Sudan	56.43		2.90
Sri Lanka	Not Eligible		2.70

⁸ Eligible for US\$25 million from the GEA.

Table 4 - List of Outstanding MCAs Approved for 2021–2025 as of Sept 30 (All figures in USD Millions)

Country name	System Transformation Grant Indicative Allocation	Multiplier Allocation ⁴	System Capacity Grant
Sudan	86.50		5.00
Syrian Arab Republic	18.75		3.60
Tajikistan	10.00		2.60
Tanzania	117.59		4.10
Timor–Leste	5.00		1.50
Togo	20.64		2.00
Tunisia	Not Eligible		2.30
Uganda	162.50		3.80
Ukraine	Not Eligible		2.70
Uzbekistan	Not Eligible		3.10
Vanuatu	2.50		1.30
Vietnam	Not Eligible	25.00	4.70
West Bank and Gaza	Not Eligible		1.60
Yemen, Rep.	61.57		4.30
Zambia	31.55		3.30
Zimbabwe ⁹	24.83		3.30
Dominica	2.50		1.00
Fiji	5.00		1.50
Grenada	2.50		1.00
Guyana	5.00		1.50
Maldives	5.00		1.50
Marshall Islands	2.50		1.00
Samoa	2.50		1.00
St. Lucia	2.50		1.00
St. Vincent and the Grenadines	2.50		1.00
Tuvalu	2.50		1.00
Tonga	2.50		1.00
Total	2,760.03 *	133.95	242.7 **

*The value of STG allocations exceeds the amount in Annex 1 under the assumption that roughly 10% of the value would either not be applied for, approved, or disbursed considering the significant amounts linked to the enabling conditions and results based financing.

**Based on the proposal to increase allocations in Federal States and regional contexts per the separate FRC document, this may increase by a further US\$19 million.

Cohort 1 Pilot Countries

Cohort 2 Countries

⁹ Eligible for US\$12.415 million from the GEA.

Table 5a – Information on Active Grant Portfolio as of 30 September 2021 (All figures in USD millions)

Total Value of Approved & Active Grants	3,626.5
Total Value of Disbursements from the GPE Fund	1,872.2
Balance to be Disbursed from the GPE Fund	1,754.3

Table 5B – Information on Active Grant Portfolio as of 30 September 2021 (All figures in USD millions)

Grant Agent	Value of Approved and Active	Value of Disbursements	Value to be Disbursed
ADB	15.0	-	15
AFD	294.0	138.9	155.1
CARE	25.9	19.9	5.9
FCDO	75.8	25.2	50.6
GCE	33.3	33.3	-
IDRC	70.5	36.5	34.0
IsDB	24.5	17.0	7.5
OECS	13.0	4.6	8.4
OXFAM	72.9	32.5	40.3
Save the Children Australia	3.8	2.6	1.1
Save The Children UK	38.2	26.6	11.6
Save The Children US	73.9	46.4	27.5
Sida	142.7	127.8	14.9
UNESCO	72.6	55.6	17.0
UNICEF	717.9	481.4	236.5
World Bank	1,952.7	823.8	1,128.9
Total	3,626.5	1,872.2	1,754.3