Biennial Projections and Comparisons

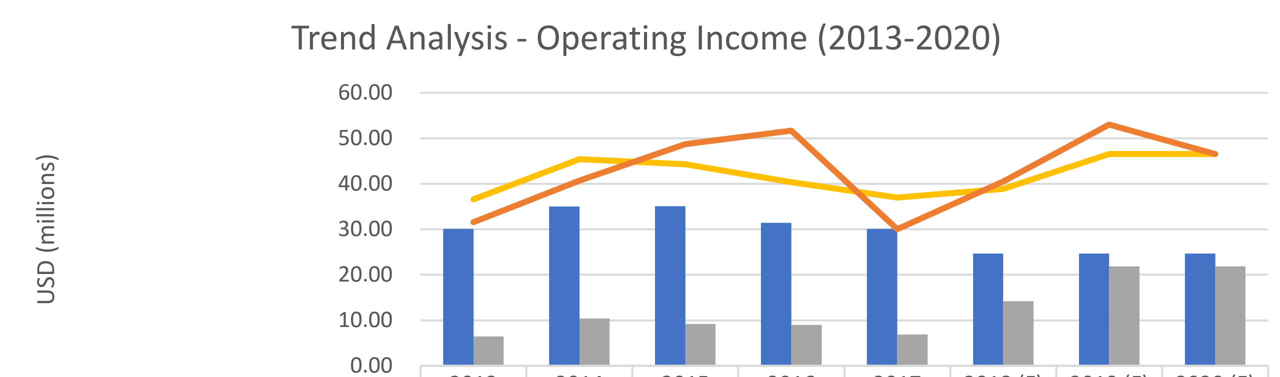
1. Operating income

Core

In 2018, GGGI is forecasting its operating core income to normalize at USD 24.70 million[1]. However, it's projected operating core income to be in range of USD 26.34 million[2] due to the deferred payment schedules agreed with DFID and DFAT.

DFAT has scheduled USD 3 million in 2017, USD 4 million in 2018 and USD 8 million in 2019 for its funding agreement (2017-2019), whereas DFID has scheduled GPB 5.5 million (appx USD 7.64 million) in 2018 and GBP 2.5 million (USD 3.47 million) in 2019 for its funding agreement (2017-2018).

For the next biennium 2019/20, GGGI is forecasting its operating core income to normalize at the same level of 2018, USD 24.70 million. This projected level of core income over 2018-2020 of about $25 million is a significant reduction over the core income received in the first five years (2013-2017) of a little over $30 million per annum.



	2013	2014	2015	2016	2017	2018 (F)	2019 (F)	2020 (F)
Normalised Core Contributions	30.11	35.03	35.09	31.43	30.10	24.70	24.70	24.70
Earmarked Contributions	6.47	10.40	9.21	8.96	6.86	14.16	21.84	21.84
Normalised Operating Income	36.58	45.43	44.30	40.38	36.96	38.86	46.54	46.54
Operating Income - AFS	31.55	40.70	48.74	51.68	30.02	40.50	53.01	46.54

Figure 1 – GGGI's normalized operating income (core and earmarked)

[1] Australia USD 5M, Denmark USD 2.7M, Korea USD 10M, Norway USD 2M, United Kingdom USD 5M.
[2] Australia USD 4M, Denmark USD 2.7M, Korea USD 10M, Norway USD 2M, United Kingdom USD 7.64M (UK's contribution is converted @ 1.388)

Earmarked

GGGI has taken many initiatives to diversify and improve its earmarked income from 2018 and onwards. As a result, GGGI's earmarked income is forecasted to increase by USD 7.30 million (106%) to USD 14.16[3] million in 2018.

The increased earmarked income confirmed to date for 2018 include new funding from:

2. Norwegian Government for Colombia;
3. Global Climate Fund (GCF) for Vanuatu, Mongolia, Papua New Guinea, Rwanda, Laos, Thailand, and Jordan;
4. Italian Government for Ethiopia and Rwanda;
5. Netherlands Government for Uganda; and
6. Hungarian Government for Uganda.

In the next biennium 2019/2020, GGGI is projecting an increase in its earmarked income to USD 43.64 million or USD 21.82 million for 2019 and 2020 respectively. The increase to USD 21.82 million per annum is a further increase of USD 7.66 million (54%) to the USD 14.16 million earmarked income anticipated in 2018.

2. Operating expenditures

GGGI's 2018 budget has been revised upwards to USD 64.21 million from USD 55.73 million as approved in the WPB, an increase of USD 8.48 million. The changes are a result of the following:

Classification	Core USD (M)	Earmarked USD (M)	Total USD (M)
Approved WPB	45.23	10.50	55.73
Less: Budget Reduction / Termination	(1.68)	(2.95)	(4.63)
Add: Reprioritization / New EM Income	5.39	6.47	11.86
2017 Deferred Commitments	1.10	0.14	1.24
Revised WPB 2018	50.04	14.16	64.20

The increase in the 2018 work program and budget is one-off, will not create any financial exposure to GGGI and is fully funded through the 2017 retained surplus, 2018 core contributions and new earmarked income. The increase is primarily driven by:

- New earmarked income (USD 4.5 million).
- Reprioritization of earmarked income (USD 1.97 million).
- Reprioritization of USD 5.39 million core budget to/in 2018 is after taking into consideration the underspending of USD 8.21 million in 2017 (USD 37.26 million) against the revised 2017 budget (USD 45.47 million).

[3] The forecast is based on signed earmarked agreement as at March 31, 2018.

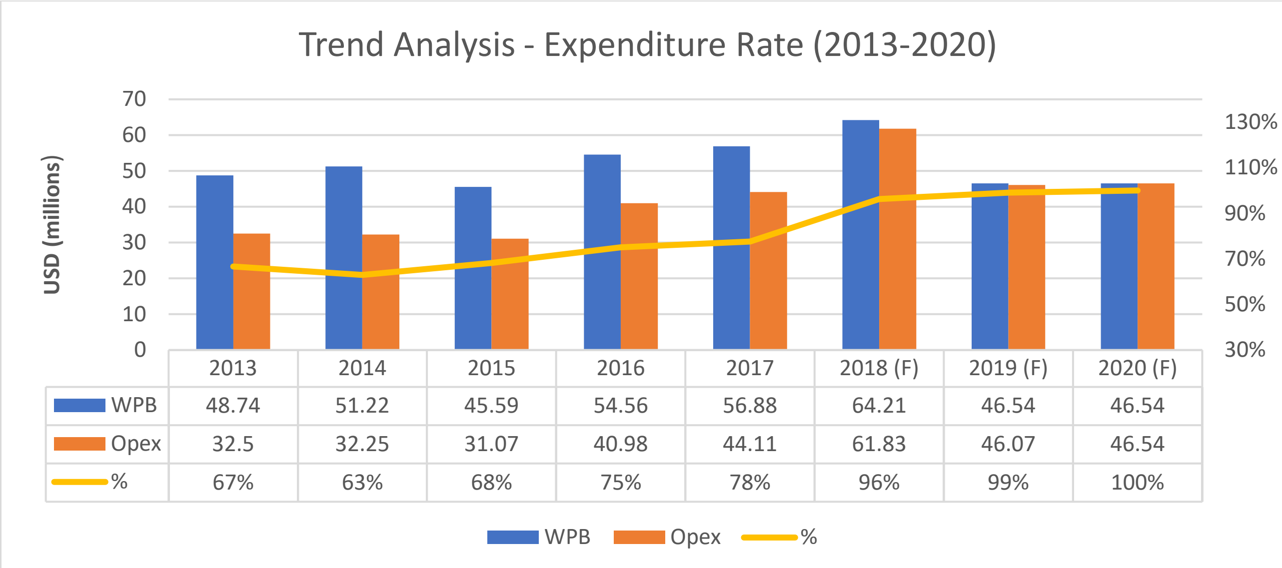


Figure 2 – GGGI's normalized expenditure rate (core and earmarked)

GGGI is projecting its expenditure rate in 2018 to increase from 78% (USD 44.11 million) to 96% (USD 61.80 million) in 2018, against the USD 64.20 million revised budget. The increase is based on a few important factors:

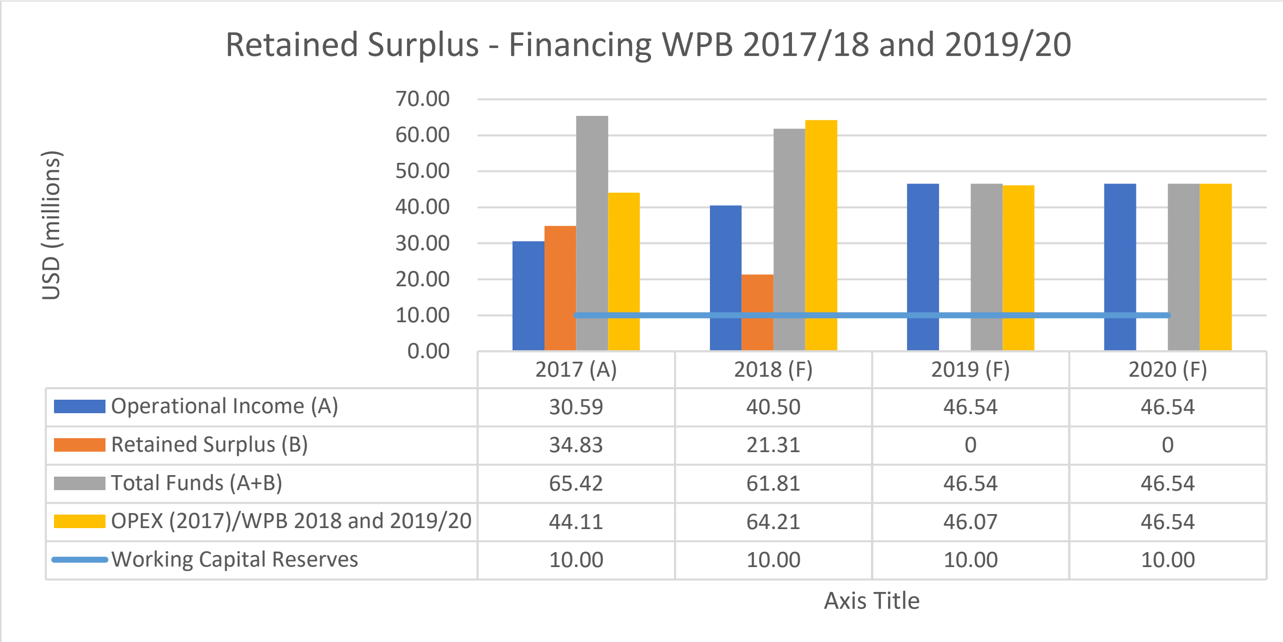
- At least 60% of GGGI's budget is personnel related and GGGI has successfully recruited most of its planned staff in 2017, 165 to 271 in 2017 to expedite its planned implementation of the 2017/18 work program.
- With the increase in the in-house staff, GGGI's work can be mostly under taken in house which is expected to reduce delays or dependence on outsourcing activities either through individual consultants or consulting firms.
- GGGI's earmarked income for 2018 and onwards has a shorter implementation time-frame, between 12 to 18 months. This is expected to expedite and improve earmarked disbursement rate significantly for 2018 and onwards.

In 2019 and 2020, GGGI's work program and budget is anticipated to reduce to USD 46.54 million for both the years respectively. The decrease is largely in line with the normalized operational income (base scenario) for core and earmarked projected for both 2019/20. The details of the projection can be referred to in GGGI's planning direction for 2019/2020.

3. Retained Surplus

GGGI will be fully funding its projected 2018 expenditure (USD 61.83 million) utilizing the USD 61.81 million total funds available in 2018 (USD 21.31 million - retained surplus and USD 40.50 million - operational income)

GGGI's is projecting to fully utilize its 21.31 million retained surplus by the end of 2018. The approach to fully utilize the retained surplus will complement the expectation of core donors to fully utilize the core funds in the year in which it was contributed.



	2017 (A)	2018 (F)	2019 (F)	2020 (F)
Operational Income (A)	30.59	40.50	46.54	46.54
Retained Surplus (B)	34.83	21.31	0	0
Total Funds (A+B)	65.42	61.81	46.54	46.54
OPEX (2017)/WPB 2018 and 2019/20	44.11	64.21	46.07	46.54
Working Capital Reserves	10.00	10.00	10.00	10.00

GGGI's financing model depends on timely contributions of core contributions. Consequent to the utilization of retained surplus by the end 2018, GGGI is anticipating a rigorous cashflow and liquidity management in 2019/20.

The highest priority for GGGI's financial stability is to ensure that contributing members pay early enough in the financial year that GGGI can meet its budgeted disbursement requirements with timely inflows of contributions.

This implies that the organization depends on a positive and regular cash flow from the beginning of the year to manage a disrupted cashflow.

GGGI may present a proposal to the Council in 2018 to utilize its working capital reserves of USD 10 million to ensure continuity of operations as described in the Regulation 6.2[4] of the Finance Regulation.

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[4] Regulation 6.2 Working Capital Fund

a) A Working Capital Fund shall be established to ensure continuity of operations by: (i) advancing moneys to the General Fund to finance budgetary expenditures pending receipt of contributions; and (ii) advancing moneys to the General Fund to finance unforeseen expenditures not provided for in the current budget. The amount of the Working Capital Fund shall be proposed by the Director-General and determined by the Council from time to time.
b) Advances from the Working Capital Fund to finance budgetary expenditures shall be made only with the written approval of the Director-General.
c) Withdrawals from the Working Capital Fund to finance unforeseen expenditures shall be made only with the written approval of the Director-General and shall be reported to the Management and Program Sub-committee at its next session.
d) Advances made from the Working Capital Fund shall be reimbursed to the Working Capital Fund as soon as possible and, in any case, not later than the next financial period, by program adjustments if necessary.
e) Income derived from investment of the Working Capital Fund shall be credited to miscellaneous income and shall accrue to the General Fund.