

**FORECAST OF FUNDS AVAILABLE FOR ROUND 9  
AND NATIONAL STRATEGY APPLICATIONS (NSAs)**

**OUTLINE:**

1. This paper informs the Board of the forecast of funds to be available for grant commitments in 2009-2010, to support the Board when considering approval of Round 9 grant proposals at the Twentieth Board Meeting.

**EXECUTIVE SUMMARY:**

1. This forecast has been compiled by the Secretariat in accordance with the Comprehensive Funding Policy and applying a methodology endorsed by the FAC. It incorporates the measures recommended by the Board Working Group on Managing the Tension between Demand and Supply in a Resource-Constrained Environment, as described in GF/B20/12.

2. Part 2 provides the computation of the amount available for approval of Round 9 and NSA grants which total US\$2.4 billion. Uncommitted assets of US\$ 1.7 billion forecast to be available for approval of Round 9 and NSA grant agreements in November 2009. This forecast takes account of confirmed pledges only. The remaining US\$ 0.7 billion could be approved once further pledges totalling US\$ 620 million are confirmed in 2010.

## PART 1: INTRODUCTION

1. In accordance with the Comprehensive Funding Policy:

*The Board may approve Rounds-Based proposals, Phase 2 Renewals, and RCC-I and RCC-II continuations, and commit funds for the resulting financial commitments up to the cumulative uncommitted amount of assets that the Board determines will be available at the time of signing the related grant agreements.*

2. Accordingly, the Secretariat provides in this paper a forecast of assets available so that the Board may make the determination required by the Comprehensive Funding Policy, for the purpose of approving Round 9 grant proposals and NSAs at the Twentieth Board Meeting. The forecast was compiled in accordance with the Policy and applying the methodology previously endorsed by the FAC.

## PART 2: AMOUNT AVAILABLE FOR ROUND 9 and NSAs

1. Based on currently confirmed pledges, and assuming that the 'Area A measures' recommended by the Board Working Group<sup>1</sup> are adopted, uncommitted assets of US\$ 0.7 billion are forecast to be available for approval of Round 9 and NSA grants in November 2009, in accordance with the Comprehensive Funding Policy (see Table 1).
2. Further pledges are expected to be confirmed for 2009 and 2010. Once additional pledges of US\$ 620 million beyond the pledges currently confirmed for 2009 and 2010 are confirmed, the remaining US\$ 0.7 billion of Round 9 and NSA grants could be approved in 2010 (see Table 2).
3. Annex 1 describes the calculation process and assumptions underlying the forecast. The forecast provides for the approval of bridge funding of US\$ 0.4 billion in 2010, as recommended by the Board Working Group, to ensure continuity of programs until Round 10 funding can be accessed.

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<sup>1</sup> The Measures for Area A recommended by the Board Working Group on Managing the Tension between Demand and Supply in a Resource-Constrained Environment, as described in GF/B20/12.

Table 1: After applying the Area A Measures and based on currently confirmed pledges

		US\$ millions		
Forecast of Assets Available for New Rounds	US\$ millions	2009	2010	2011
		US\$m	US\$m	US\$m
<b>Uncommitted Assets at start of period</b>	<b>(A)</b>	<b>2,462</b>	<b>717</b>	<b>17</b>
<b>Contribution of Pledges</b> (not contributed by end 2008)				
Contribution of pledges for years prior to 2009		323	-	-
Adjustments in 2009 to uncommitted assets at start of year		24	-	-
Contribution of pledges for <b>2009</b>		3,253	-	-
Contribution of pledges for <b>2010</b>		-	3,103	-
Contribution of pledges for <b>2011</b>		-	-	-
<b>Additional pledges, if assumed</b>		-	-	-
Investment income, minus operating expenses		(100)	(100)	-
<b>Total contributions forecast</b>	<b>(B)</b>	<b>3,500</b>	<b>3,003</b>	<b>-</b>
<b>Assets available</b>	<b>(A+B=) (C)</b>	<b>5,962</b>	<b>3,721</b>	<b>17</b>
<b>Required for commitments before new rounds:</b>				
Phase 2 signings		1,340	790	778
Rolling Continuation Channel signings		1,557	588	241
Round 8 grants approved in 2008 signed in 2009		1,969	-	-
Grant de-commitments (upon closure)		(83)	-	-
<b>Grant signing needs, before new Rounds</b>	<b>(D)</b>	<b>4,783</b>	<b>1,378</b>	<b>1,019</b>
<b>Uncommitted assets available BEFORE new Rounds</b>	<b>(C-D=) (E)</b>	<b>1,179</b>	<b>2,343</b>	<b>(1,002)</b>
<b>New Rounds:</b>		<b>Signing of grants</b>		
Time and amount of approval				
Round 8 (tranche 2)	March 2009 158	158	-	-
Round 8 (tranche 3)	April 2009 399	263	136	-
Round 8 (tranche 4)	June 2009 95	32	63	-
Round 8 (tranche 5)	August 2009 195	8	187	-
Round 9	November 2009 1,700	-	1,530	170
Round 9	March 2010	-	-	-
Round 9	August 2010	-	-	-
Bridge Funding	Throughout 2010 410	-	410	-
<b>Total New Round grants</b>	<b>2,957 (F)</b>	<b>461</b>	<b>2,326</b>	<b>170</b>
<b>Uncommitted Assets after new Rounds</b>	<b>(E-F=) (G)</b>	<b>717</b>	<b>17</b>	<b>(1,172)</b>

- US\$1.7 billion of Round 9 and NSAs can be approved in November 2009.

Table 2: After applying the Area A Measures and assuming that additional pledges of US\$620 million are confirmed in 2010

US\$ millions						
Forecast of Assets Available for New Rounds			US\$ millions			
			2009	2010	2011	
			US\$m	US\$m	US\$m	
Uncommitted Assets at start of period (A)			2,462	717	7	
Contribution of Pledges (not contributed by end 2008)						
Contribution of pledges for years prior to 2009			323	-	-	
Adjustments in 2009 to uncommitted assets at start of year			24	-	-	
Contribution of pledges for 2009			3,253	-	-	
Contribution of pledges for 2010			-	3,103	-	
Contribution of pledges for 2011					-	
Additional pledges, if assumed			-	620	-	
Investment income, minus operating expenses			(100)	(100)	-	
Total contributions forecast (B)			3,500	3,623	-	
Assets available (A+B=) (C)			5,962	4,341	7	
Required for commitments before new rounds:						
Phase 2 signings			1,340	790	778	
Rolling Continuation Channel signings			1,557	588	241	
Round 8 grants approved in 2008 signed in 2009			1,969	-	-	
Grant de-commitments (upon closure)			(83)	-	-	
Grant signing needs, before new Rounds (D)			4,783	1,378	1,019	
Uncommitted assets available BEFORE new Rounds (C-D=) (E)			1,179	2,963	(1,012)	
New Rounds:			Signing of grants			
Time and amount of approval						
Round 8 (tranche 2)	March 2009	158	} 2,400	158	-	-
Round 8 (tranche 3)	April 2009	399		263	136	-
Round 8 (tranche 4)	June 2009	95		32	63	-
Round 8 (tranche 5)	August 2009	195		8	187	-
Round 9	November 2009	1,700		-	1,530	170
Round 9	March 2010	700	-	630	70	
Round 9	August 2010		-	-	-	
Bridge Funding	Throughout 2010	410	-	410	-	
Total New Round grants 3,657 (F)			461	2,956	240	
Uncommitted Assets after new Rounds (E-F=) (G)			717	7	(1,252)	

- US\$1.7 billion of Round 9 and NSAs can be approved in November 2009.
- A further US\$0.7 billion, to complete the funding of Round 9 and NSAs, could be approved in 2010, once additional pledges of US\$620 million are confirmed.

Table 3: As Table2, but if RCC were continued until after Wave 10

		US\$ millions		
Forecast of Assets Available for New Rounds	US\$ millions	2009	2010	2011
		US\$m	US\$m	US\$m
<b>Uncommitted Assets at start of period</b>	<b>(A)</b>	<b>2,462</b>	<b>717</b>	<b>5</b>
<b>Contribution of Pledges</b> (not contributed by end 2008)				
Contribution of pledges for years prior to 2009		323	-	-
Adjustments in 2009 to uncommitted assets at start of year		24	-	-
Contribution of pledges for <b>2009</b>		3,253	-	-
Contribution of pledges for <b>2010</b>		-	3,103	-
Contribution of pledges for <b>2011</b>		-	-	-
<b>Additional pledges, if assumed</b>		-	620	-
Investment income, minus operating expenses		(100)	(100)	-
<b>Total contributions forecast</b>	<b>(B)</b>	<b>3,500</b>	<b>3,623</b>	<b>-</b>
<b>Assets available</b>	<b>(A+B=) (C)</b>	<b>5,962</b>	<b>4,341</b>	<b>5</b>
<b>Required for commitments before new rounds:</b>				
Phase 2 signings		1,340	790	778
Rolling Continuation Channel signings		1,557	842	299
Round 8 grants approved in 2008 signed in 2009		1,969	-	-
Grant de-commitments (upon closure)		(83)	-	-
<b>Grant signing needs, before new Rounds</b>	<b>(D)</b>	<b>4,783</b>	<b>1,632</b>	<b>1,078</b>
<b>Uncommitted assets available BEFORE new Rounds</b>	<b>(C-D=) (E)</b>	<b>1,179</b>	<b>2,708</b>	<b>(1,073)</b>
<b>New Rounds:</b>	<b>Time and amount of approval</b>	<b>Signing of grants</b>		
Round 8 (tranche 2)	March 2009 158	158	-	-
Round 8 (tranche 3)	April 2009 399	263	136	-
Round 8 (tranche 4)	June 2009 95	32	63	-
Round 8 (tranche 5)	August 2009 195	8	187	-
Round 9	November 2009 1,700	-	1,530	170
Round 9	March 2010 520	-	468	52
Round 9	August 2010	-	-	-
Bridge Funding	Throughout 2010 320	-	320	-
<b>Total New Round grants</b>	<b>3,387 (F)</b>	<b>461</b>	<b>2,704</b>	<b>222</b>
<b>Uncommitted Assets after new Rounds</b>	<b>(E-F=) (G)</b>	<b>717</b>	<b>5</b>	<b>(1,295)</b>

- Funds available for Round 9 and NSAs would be reduced by US\$ 180 million (to US\$ 2.2 billion). Hence the amount of additional pledges required to complete the approval of Round 9 and NSAs would increase from US\$620 million to US\$800 million.

## COMPUTATION OF THE AMOUNT AVAILABLE FOR ROUND 9 and NSAs

### PART 1: CALCULATION PROCESS

1. The calculation process covers the calendar years from approval to when Round 9 and NSA grant signings are expected to occur, 2000-2011. For that period, the calculation computes the amount of uncommitted assets expected to be available for approval of new proposals, taking account of when pledges are contributed and when grants are signed (i.e. committed). The methodology was endorsed by FAC in 2006.

2. The uncommitted amount available comprises:

- (a) Uncommitted assets at the start of the period
- Plus: (b) Confirmed pledges to be contributed during the period
- Less: (c) Grants and Phase 2 renewals approved in 2008, but not yet signed at 1 January 2009 (which, hence, require to be signed during 2009).
- Less: (d) Phase 2 renewals and Rolling Continuations of grants forecast to be approved and signed during the period. It is assumed that RCC will be discontinued after approval of Wave 8 in March 2010.
- Less: (e) Operating Expenses to the extent not covered by investment income. A provision of US\$ 100 million has been made for this in each of 2009 and 2010.
- Less: (f) a provision for Bridge Funding of US\$ 0.4 billion in 2010 (to provide continuity for programs with grants ending prior to Round 10).

3. The timing of each item is estimated by month, to give a computation of the uncommitted assets remaining at the end of each month, after taking account of the foregoing. The timing of the signing of new grants is also estimated. As endorsed by the FAC in September 2009, temporary funding shortages forecast for a quarter should not be allowed restrict approval of grants, provided the shortage is eliminated within a period of four quarters following approval. If the shortfall actually occurred, signing of the grants would be postponed until the shortfall was eliminated (upon receipt of additional contributions sufficient to eliminate the deficiency).

### PART 2: ASSUMPTIONS UNDERLYING THE ESTIMATES

1. The forecast is dependent on assumptions made when making the estimates for items (b) through (e) above, and the timing of new grant signings. The estimation used for each of these is as follows:

- i. Pledges: Only confirmed pledges are taken into account. The timing of contribution is as indicated by the donor. Where no time has been indicated, an estimate is made having regard to the timing of previous contributions.

Note: Pledges as currently confirmed for 2009-2010 include a United States pledge of US\$ 900 million for 2010. The attribution to 2010 of the Japan multi-year pledge had not yet been determined. Pledges as currently confirmed for 2009-2010 do not take account of expected private sector income (such as from Product RED), contributions from the Russian Federation and from other donors which do not confirm a pledge in advance of making the contribution.

- ii. Grants and Phase 2 renewals approved in 2008 (but unsigned at 1 January 2009): If not already signed, the month of signing is estimated within 2009, assuming that all are signed by end of December.
- iii. Phase 2 renewals approved during 2009-2011: The amount of the increment approved for Phase 2 is assumed to be 85% of the maximum amount eligible for approval.
- iv. Rolling Continuation Channel renewals approved during 2009-2011: Based on initial experience of RCC, it is assumed that expiring Phase 2 grants that are continued through RCC incorporate a scale-up of 40% over their Phase 2 amount, and that 45% (by value) of RCC applications are approved, on average.
- v. Board mandated reductions to Phase 2 and RCC have been taken into account.
- vi. New grant signings: It is assumed that all new grants are signed within nine months following approval of the proposals by the Board. (Note: In practice, this period spans up to 12 months.)
- vii. Investment income covers operating expenses except for a provisional residual amount of US\$ 200 million in 2009-2010.

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