UPDATED DEMAND ESTIMATE 2008-2010

CONTENTS

INTRODUCTION

At the September 2007 conclusion in Berlin of the Second Replenishment, donors *"agreed to hold a mid-term meeting in 2009 as part of the replenishment process to review the performance of the Global Fund and to consider additional funding dependent on an updated demand estimate by the Global Fund, and Global Fund performance*". The donors agreed that at the 2009 meeting they would *"also plan for the third replenishment, for 2011 and beyond*"[1].

This paper responds to the request at the Berlin meeting to provide "*an updated demand estimate*" for donors to consider. It is based on Global Fund decisions taken to date and detailed assumptions about how demand may evolve over the coming years. It does not provide a forecast of any additional resources that may be provided by donors beyond what was indicated at the Berlin meeting and as updated since then. The paper has been prepared by the Global Fund Secretariat. A parallel paper is being provided that reviews Global Fund performance and results ("Results Report 2008 – Scaling up for Impact").

The Global Fund is now in a better position to project demand for the remaining period of the Second Replenishment, having approved Round 8, being able to estimate with greater precision the size of Round 9 and taking into consideration Board decisions affecting demand from implementing countries, including the introduction of National Strategy Applications in 2009.

With this information, and as described in Part 1 of the paper, the Secretariat estimates total demand to be at a level of at least US$ 13.5 billion for the three years 2008-2010. Donor funding, based on pledges received and indicated, is of the order of US$ 9.5 billion for the same period. Hence, there is currently a funding gap of approximately US$ 4 billion, and potentially more. Filling this gap is essential to finance programs that would enable countries to meet internationally agreed goals such as providing Universal Access to HIV/AIDS prevention, care and treatment by 2010 and the achievement of the Millennium Development Goals. The paper also presents tentative demand scenarios for 2011-2013, in advance of preparations for the Third Replenishment that will take place in 2010.

The Global Fund is acutely aware that these estimates are presented at a time of a severe financial crisis and economic downturn at global and national levels, and represent an additional burden to the budgets of donors. Still, thanks to unprecedented attention and financial support to global health, it is apparent that remarkable achievements are being made in improving access to health and that, through these achievements and their impact on human capital, poor countries become better equipped to unlock fully their social and economic potential and mitigate the effects of the economic crisis. The Global Fund hopes that the compelling evidence on demand, results, impact, effectiveness and efficiency, together with the effort made to be as precise and realistic as possible in these estimates, will be a convincing argument for donors to maintain and, hopefully, increase the financial commitments needed for Global Fund-supported programs.

[1] 'The Global Fund's Second Replenishment (2008-2010) Second Meeting, Berlin, 26-28 September 2007, Communiqué', 28 September 2007, para. 16. Available on the Global Fund website: http://www.theglobalfund.org/documents/replenishment/berlin/Communique_Berlin_2007.pdf

PART 1: DEMAND IN 2008-2010 – UPDATE

BACKGROUND

1.1 At the First Meeting of the Second Voluntary Replenishment (Oslo, March 2007) donors agreed to consider "*ambitious but realistic funding targets*" in the range of US$ 12-18 billion for the period 2008 – 2010, with the ultimate target being dependent on country demand.

1.2 In April 2007, the Global Fund Board recognized that the need for Global Fund financing could potentially reach the level of US$ 6 billion or even US$ 8 billion per year by 2010, if partners and stakeholders in developed and developing countries were to scale up their efforts to strengthen and improve the quality of demand from country partnerships.

1.3 In the context of scaling up efforts to achieve the Millennium Development Goals (MDGs), the G8 governments noted in their June 2007 Summit Declaration that "*We recognize that the level of demand to the Global Fund to Fight AIDS, Tuberculosis and Malaria will increase substantially in the future as has been projected by the [Global Fund] Board. In this regard, noting the conclusions of the April meeting of the [Global Fund] Board, which estimated an additional demand approximately of US$ 6 billion by 2010 which might possibly reach US$ 8 billion, G8 members pledge to work with other donors to replenish the Global Fund and to provide long-term predictable funding based on ambitious, but realistic demand-driven targets*". At the 2008 Hokkaido Toyako Summit the G8 governments confirmed these and other previous commitments to scale up funding for the fight against AIDS, tuberculosis and malaria, including the establishment of a follow-up mechanism to monitor progress on meeting commitments on global health and the pledge to provide 100 million long-lasting insecticide-treated bed nets by the end of 2010 to combat malaria.

1.4 In line with the aforementioned Board vision for the size of Global Fund resourcing and the expressed donor readiness to consider ambitious but realistic funding targets, three scenarios[2] were developed in 2007 for consideration for the Second Replenishment. These scenarios projected resource needs that reached levels of US$ 4 to 8 billion per year by 2010, with corresponding total needs for 2008-2010 amounting to US$ 12 to 18 billion:

Second Voluntary Replenishment (2007) -- Resource Needs Scenarios

US$ billion	2008	2009	2010	Total
Scenario A	3	4	4	**12**
Scenario B	4	5	6	**15**
Scenario C	4	6	8	**18**

1.5 The Second Meeting of the Second Replenishment (Berlin, September 2007) concluded with donors pledging a total of US$ 6.3 billion, with a further projection of US$ 3.4 billion anticipated from donors who were not able at that time to announce their pledges and from other additional contributions, thus potentially bringing the total to US$ 9.7 billion (see Annex 1).

1.6 The donors welcomed this significant increase in resources, noting that "*we recognize that the level of demand for Global Fund resources could increase substantially in the future.*

[2] "Funding the Global Fight against HIV/AIDS, Tuberculosis and Malaria. Resource Needs for the Global Fund 2008 – 2010" published in February 2007 and available on the Global Fund website: http://www.theglobalfund.org/documents/publications/replenishment/oslo/ResourceNeeds2008-2010_en.pdf

We will encourage initiatives to provide more support to countries to help express this demand through well designed programs". The donors emphasized that "*additional contributions are required, particularly from new donors and from existing donors who have the potential to make further contributions, and that they will be essential if demand increases as expected*".

1.7 It has to be acknowledged that these statements were made before the extent of the current global financial and economic crisis was fully recognized, putting additional pressure on budgets for development and health. This unforeseen situation requires significant efforts by all partners to mobilize sufficient resources and to use the resources as efficiently and effectively as possible.

1.8 The *Progress Report on Resource Mobilization Efforts* prepared and circulated separately for this Mid-Term Review describes the efforts made since the Berlin meeting to continue to work with existing donors, to attract new donors to support the Global Fund, and to develop and strengthen innovative financing initiatives. In a context of increased demand and hard financial constraints, it is by demonstrating results, impact, added value and efficiency that the Global Fund is positioning itself as an effective channel for donor financing.

MANIFESTATION OF INCREASED DEMAND

1.9 Already in 2008, the first year of the Second Replenishment period, a major increase in demand for funding of high quality programs was evident from the number and size of grants recommended for funding by the Technical Review Panel (TRP)[3]. This increase was manifested both in the renewal of well-performing grants through the Rolling Continuation Channel ("RCC") and in the approval of new grants in Round 8.

1.10 Rolling Continuation Channel[4]: Continued funding for strongly-performing grants upon completion of Phase 2 through the RCC commenced toward the end of 2007. By the end of 2008, US$ 1.2 billion of RCC renewals had been approved. The amount of successful RCC proposals was higher than originally projected (US$ 0.4 billion). In part, this reflects a high approval rate (40 percent by value) of grants seeking continuation through the RCC [5].

1.11 Round 8: In November 2008, the Board approved Round 8 for a maximum of US$ 2.75 billion for Phase 1[6], which is equivalent to 2.5 times the largest round previously approved (Round 7). Round 8 also manifested a significant improvement in the quality of submitted proposals. The TRP recommended 54 percent of submitted proposals to the Board for funding, compared to 30-49 percent in previous rounds. The amount approved by the Board takes into account a 10 percent efficiency gain through savings on the TRP-recommended amount of US$ 3.1 billion for Round 8, as further discussed in paragraph 1.17.

[3] The Technical Review Panel (TRP) is an independent panel of international experts of health and development that reviews eligible grant proposals for technical merit and submit recommendations for funding to the Global Fund's Board.

[4] Global Fund grants are initially awarded for two years (Phase 1). Those grants that are performing well against pre-determined targets are extended for up to an additional three years (Phase 2). After these five years, the Rolling Continuation Channel (RCC) allows for continued funding for strongly-performing grants for up to additional six years through a streamlined process.

[5] It also reflects a scale-up of an average 120 percent of the Phase 2 amount in the grants that were recommended by the TRP and approved by the Board for continuation through the RCC.

[6] Of the US$ 2.75 billion for Round 8, under the terms of the Global Fund's Comprehensive Funding Policy grants totalling US$ 1.9 billion were approved in 2008 and US$ 0.8 billion are expected to be approved in 2009.

1.12 The increase of high quality demand demonstrates successful collaboration and partnership. Bilateral and multilateral agencies have provided extensive support for CCMs. UNAIDS, the Stop TB Partnership, Roll Back Malaria, WHO and bilateral agencies have often provided technical assistance where required. Civil society organizations established country teams for additional support and conducted numerous workshops at country level financed largely by the Gates Foundation and the Open Society Institute.

1.13 Among the key factors leading to a large increase in the size of Round 8 was a significant scale-up effort by many countries in malaria interventions, particularly for coverage with Insecticide-Treated Nets (ITNs). In April 2008, the Secretary General of the United Nations called for universal coverage with essential malaria interventions in high-burden countries by 2010. Round 8 was the best option for countries to seek the necessary funding for this ambitious goal. The targeted support of Roll Back Malaria to countries was instrumental in the development of increasingly stronger proposals leading to an unprecedented approval rate of 68 percent for malaria and to more than 51 percent of resources approved for Round 8 being allocated for malaria programs, as compared to 62 percent and 42 percent, respectively, in Round 7.

1.14 Funding recommended for all three diseases was substantially larger than in previous rounds. The Phase 1 amounts recommended for both malaria and tuberculosis proposals more than tripled, while those for HIV doubled relative to Round 7. For HIV, Round 8 saw the continuation and scale-up of a number of large programs aiming to move towards universal access in several high burden countries.

1.15 It is also relevant that unsuccessful Round 8 Proposals in Category 3[7], together with the parts of the Category 2 and 2B proposals not approved, amounted to $2.3 billion, equivalent to two times the corresponding Round 7 amount. Many of these unsuccessful Round 8 applicants are likely to submit a revised proposal in the next Round.

STRIVING FOR EFFICIENCIES AND EFFECTIVENESS IN COUNTRY PROGRAMS

1.16 The Global Fund has taken a series of measures to maximize efficiencies and effectiveness in its business model. The expected effects of these measures, such as the decision to apply a 10% efficiency reduction in Round 8 budgets, the introduction of voluntary pooled procurement and the streamlining of the grant architecture, have been taken into account in the projections of the demand for funding from countries and the estimated resource needs. These measures are discussed in the following paragraphs.

1.17 In Round 8, the Technical Review Panel recommended proposals of a total amount of US$ 3.059 billion over a two-year period. Pursuant to the Comprehensive Funding Policy, the Global Fund Board approved all of these proposals in principle. However, in light of the funds available, the Board decided that proposals "*shall collectively be subject to a 10% adjustment for efficiency, resulting in a maximum limit of US$ 2.753 billion for Phase 1.*" The Secretariat is working with CCMs and Principal Recipients (PRs) to implement these efficiencies. The

[7] In TRP recommendations, proposals are broken down into four categories: Category 1 - recommended for approval without changes; Category 2 - recommended for approval with minor changes; Category 3 - not recommended in their current form, but strongly encouraged to re-submit following major revision; and Category 4 - rejected.

intention is to maintain the original targets as expressed in the grant applications with slightly reduced budgets. In most cases this should be achievable. Similarly, the Board decided that the Secretariat should find efficiency savings of 10% (US$ 0.5 billion) in Phase 2 renewals of existing grants and upcoming RCC renewals.

1.18 In April 2007, the Global Fund Board tasked the Secretariat to establish the Voluntary Pooled Procurement (VPP) that would allow Principal Recipients to procure core health products, including first-line anti-retroviral drugs (ARVs), second-line ARVs, artemisinin combination therapies (ACTs), and long-lasting insecticide treated nets (LLINs), through a global pooled procurement service operated by third party procurement agents. One of the principal potential benefits to a Principal Recipient utilizing the VPP is improved price outcomes attained by approaching the market as an aggregated purchasing power to negotiate better prices and reduce price volatility. Other anticipated benefits of the VPP for PRs include ease of participation through a transparent cost system, minimization of steps required for orders, and reduced reporting workload.

1.19 The Secretariat is currently undertaking a comprehensive review of the grant architecture agreed by the Board. The objective of this review is to greatly simplify the Global Fund architecture and to achieve better alignment and harmonization. This architecture redesign work is intended to present firm recommendations for improvements and simplifications to the Board in November this year. This will lead to a phased implementation of these new measures during 2010. It is expected that in the medium term, these architectural reforms will deliver efficiency savings to both implementers and to the Secretariat by moving from a project and multiple grant model to one that will be more program based and be implemented through a consolidated funding stream. In the immediate term, and especially in 2010, some efforts will be required to transition from the current architecture to the new design.

UPDATED DEMAND ESTIMATE FOR 2008-2010

1.20 The estimates of demand that follow are in effect the expression of actual need by implementing countries in a manner that takes into account absorptive capacity and implementation performance but does not consider limitations on access to funding. It is acknowledged that in situations of constrained resources, countries may eventually refrain from fully expressing actual demand in order to avoid the costs of submitting proposals for which funding might not be available.

1.21 The successful implementation of programs receiving Global Fund support is dependent on the capacity of implementing countries to absorb available financing. The ability of countries to scale-up investment in fighting AIDS, tuberculosis and malaria has so far been very encouraging as evidenced by the performance of Global Fund grants to date Most grants, even those in fragile states with weak health systems, are reaching or overachieving agreed targets. Details of grant performance are presented in a separate document "Results Report 2008 – Scaling up for Impact".

1.22 Demand in 2008-2010 includes two main components:

(i) The renewal of existing grants (Phase 2 + Rolling Continuation Channel).

(ii) The approval of new grants (Phase 1 of Round 8 and new Rounds including resubmitted proposals and National Strategy Applications).

1.23 **Renewal of existing grants 2008-2010**: The three resource needs scenarios presented in 2007 projected renewal needs of US$ 6.5 billion for the Second Replenishment 2008-2010. The renewal needs in 2008-2010 are currently projected[8] at US$ 6.0 billion. The overall net reduction of US$ 0.5 billion (8 percent) in projected renewal needs is summarized in the table below and explained in the paragraphs that follow.

Renewals 2008-2010 US$ billion	Current Projection				Prior projection	Change	
	2008	**2009**	**2010**	**Total**			
Phase 2	0.9	1.2	1.0	3.1	5.2	(2.1)	
Rolling Continuation	1.1	0.8	0.9	2.8	1.3	1.5	
Total	2.0	2.0	2.0	**6.0**	**6.5**	**(0.5)**	**-8%**

Totals may appear not to add because of rounding

1.24 *Phase 2 grant renewal (US$ 3.1 billion):* These needs are less than the amount that was previously projected mainly because the assumed acceleration of new grant signing, which was inherent in the prior projection, has not occurred. Hence, the approval of Phase 2 is now projected to happen later than was assumed in 2007. Furthermore, Phase 2 amounts projected for 2009 and 2010 now take into account a 10 percent efficiency reduction, as mandated by the Board when approving Round 8.

1.25 *RCC grant renewal (US$ 2.8 billion):* These needs are more than was previously projected because both the approval rate and scale-up experienced in RCC are far greater than was assumed in 2007 (as noted in paragraph 1.10 above). However, the increase experienced in 2008 will be partially reduced in 2009 and 2010 because, as mandated by the Board when approving Round 8, RCC scale-up in the future will be limited to 40 percent on and above the Phase 2 amount, as compared to the average120 percent experienced through 2008. In addition, RCC amounts for 2009 and 2010, as with Phase 2 grant renewals, take into account a 10 percent efficiency reduction.

1.26 **Approval of new Rounds of grants:** Three scenarios have been developed below to illustrate potential demand for grants in new Rounds subsequent to Round 8, in 2009 and 2010, i.e. Round 9 and, potentially, Round 10. As mentioned in footnote 6, US$ 0.8 billion of Round 8 grants also remains to be approved in 2009; this amount is not included in the table below.

[8] The projections, based on past experience, assume that 85 percent (by value) of Phase 1 grants are renewed for Phase 2 and that 40 percent (by value) of Phase 2 grants are continued through the RCC.

New Grants 2009-2010 Scenario 1

US$ billions	2009	2010	Total
Resubmitted proposals	1.2	1.5	3.3
New proposals	0.6		
National strategy applications	0.5	1.0	1.5
Total	**2.3**	**2.5**	4.8

New Grants 2009-2010 Scenario 2

US$ billions	2009	2010	Total
Resubmitted proposals	1.4	2.0	4.3
New proposals	0.9		
National strategy applications	1.5	1.5	3.0
Total	**3.8**	**3.5**	7.3

New Grants 2009-2010 Scenario 3

US$ billions	2009	2010	Total
Resubmitted proposals	1.6	2.5	5.2
New proposals	1.1		
National strategy applications	2.5	3.0	5.5
Total	**5.2**	**5.5**	10.7

1.27 *Unsuccessful Round 8 proposals resubmitted for Round 9 in 2009 (US$ 1.2 to 1.6 billion)*: Unsuccessful components of proposals in Categories 1, 2 and all proposals in Category 3 in Round 8 amounted to US$ 2.3 billion. These proposals, if improved and re-submitted, could represent a corresponding amount of demand in Round 9. Resubmitted proposals in previous rounds had a higher acceptance rate than new proposals, as unsuccessful applicants receive detailed comments from the TRP that help them improve their proposals. Additionally the proposal guidelines did not change from Round 8 to Round 9 which will simplify the resubmission of proposals. The Secretariat estimates acceptance rates of 50, 60 and 70 percent[9] under Scenarios 1, 2 and 3, respectively, for resubmitted proposals leading to a demand estimate of US$ 1.2 to 1.6 billion in 2009 for resubmitted proposals in Round 9.

1.28 *New Round 9 proposals in 2009 (US$ 0.6 to 1.1 billion):* Some countries have informed the Global Fund Secretariat that they decided not to apply in Round 8 so as to have more time to work on high quality proposals for Round 9. In the above projection, these proposals are estimated to be in the range of US$ 0.6 billion to 1.1 billion in 2009. It has to be taken into account that some countries will request funding through National Strategy Applications potentially reducing the projection for completely new proposals in Round 9 compared to Round 8.

1.29 Based on the above estimates, TRP-recommended proposals for Round 9 could be expected in the range of some US$ 1.8 to 2.7 billion in 2009 for the two above categories (resubmitted and new proposals).

1.30 National Strategy Applications expected to be launched in 2009 (US$ 0.5 to 2.5 billion)[10]: The Board has approved the introduction of a new funding option in the form of

[9] The corresponding percentage in Round 8 was 51 percent (being the Round 7 proposal amount of proposals that were successfully resubmitted in Round 8, expressed as a percentage of all Round 7 proposals eligible for resubmission). This is prior to any scale-up of the proposals upon resubmission.

[10] A National Strategy Application is defined as an application derived from a country's national strategy in the form of a document outlining country-specific priorities, goals and approaches for improving health and/or fighting AIDS, tuberculosis and malaria.

National Strategy Applications. The size of these applications is difficult to predict, as the Global Fund has had no experience with this type of application so far. Preliminary estimates suggest that national strategies worth at least US$ 500 million could be expected for approval in 2009. The amounts could reach US$ 2.5 billion if large implementing countries put forward robust National Strategy Applications that are consistent with Board-approved principles.

1.31 Accordingly, the three scenarios above project a total demand for new approvals in 2009 at amounts of US$ 2.3, 3.8 and 5.2 billion, respectively. These estimates include resubmitted Round 8 proposals at a volume of US$ 1.2 to 1.6 billion, new proposals at a volume of US$ 0.6 to 1.1 billion and National Strategy Applications at a volume of US$ 0.5 to 2.5 billion.

1.32 Demand in 2010 is still difficult to predict. The Board has not yet decided about the launch of Round 10. Should this round be launched in 2009 for approval in 2010 the size could be similar to Round 8 or somewhat smaller because some countries will apply through National Strategies. Therefore the table in paragraph 1.26 assumes a range of US$ 1.5 billion to US$ 2.5 billion for new grants in 2010 (as the amount of resubmitted proposals is conditional to the size of Round 9 and cannot be projected at this stage, the estimated amount for resubmitted and new proposals is consolidated in one figure). Demand from National Strategy Applications is projected in the range of US$ 1.0 to 3.0 billion.

1.33 **Total demand 2008-2010:** The updated demand estimates for all the components (renewal of existing grants for Phase 2 and RCC, the Phase 1 approval of the remainder of Round 8 in 2009[11] and new grants in Rounds 9 and 10, including National Strategy Applications) result in total projected demand for 2008-2010 in the amounts of US$ 13, 16 and 19 billion (rounded figures) respectively, as illustrated below. The implications in 2011-2013[12] of projected renewals of grants approved through 2010 are also illustrated in the tables below.

	Scenario 1				Later implications		
US$ billion	2008	2009	2010	Total	2011	2012	2013
Phase 2	0.9	1.2	1.0	6.0	2.6	3.1	3.0
Rolling Continuation	1.1	0.8	0.9		1.3	1.1	1.1
Phase 1 - Round 8	1.9	0.8		7.5			
Phase 1 - New Rounds (incl. NSAs)		2.3	2.5				
Total	3.9	5.1	4.5	13.5	3.9	4.2	4.1

	Scenario 2				Later implications		
US$ billion	2008	2009	2010	Total	2011	2012	2013
Phase 2	0.9	1.2	1.0	6.0	2.6	4.9	4.2
Rolling Continuation	1.1	0.8	0.9		1.3	1.1	1.1
Phase 1 - Round 8	1.9	0.8		10.0			
Phase 1 - New Rounds (incl. NSAs)		3.8	3.5				
Total	3.9	6.6	5.5	16.0	3.9	6.0	5.3

A national strategy is typically developed by the national government (usually led by the ministry of health or the national AIDS coordinating authority), but often also involves other stakeholders.

[11] See paragraph 1.11 and footnote 6.

[12] The amounts projected for Phase 2 renewals in 2011-2013 reflect a 25% reduction on the TRP-recommended Phase 2 amounts of Round 8 proposals, as decided by the Eighteenth Board meeting. The Board also decided to review the need for this reduction in the light of circumstances prevailing at the time of renewal in 2011. Full elimination of the reduction would increase needs in 2011 by US$ 0.9 billion.

US$ billion	Scenario 3				Later implications		
	2008	2009	2010	Total	2011	2012	2013
Phase 2	0.9	1.2	1.0	**6.0**	2.6	6.5	6.5
Rolling Continuation	1.1	0.8	0.9		1.3	1.1	1.1
Phase 1 - Round 8	1.9	0.8		**13.4**			
Phase 1 - New Rounds (incl. NSAs)		5.2	5.5				
Total	3.9	8.0	7.5	**19.4**	3.9	7.6	7.6

COMPARISON WITH APPROVAL NEEDS PROJECTED IN 2007

1.34 The tables below compare the approval needs for 2008-2010 that were projected in 2007 (per prior Scenarios A, B and C) for the Second Replenishment meetings, with the updated demand estimates outlined in paragraph 1.33 (per new Scenarios 1, 2 and 3).

US$ billion	2008	2009	2010	Total	
Scenarios modeled in 2007:					
Scenario A	3.4	3.9	4.3	**11.6**	**$12 bn**
Scenario B	4.0	5.0	6.0	**15.0**	**$15 bn**
Scenario C	4.5	6.0	7.5	**18.0**	**$18 bn**
Scenarios modeled in 2009:				**Need**	
Scenario 1	3.9	5.1	4.5	**13.5**	**$13 bn**
Scenario 2	3.9	6.6	5.5	**16.0**	**$16 bn**
Scenario 3	3.9	8.0	7.5	**19.4**	**$19 bn**

Key observations are:

i. The actual approval need in 2008 at US$ 3.9 billion was in line with prior Scenario B. The amount approved in 2008 includes US$ 1.9 billion for Round 8, with a further US$ 0.8 billion to be approved in 2009, after applying a 10 percent efficiency gain to the TRP-recommended amounts. Had the TRP-recommended amounts been approved in full in 2008, the total approval need in 2008 (including renewals) would have been US$ 5 billion, which exceeds the US$ 4.5 billion projected for 2008 under Scenario C.

ii. The updated renewal needs for 2008-2010 are 8 percent less than the prior projections (see paragraph 1.23).

iii. Total projected demand in 2008-2010 under new Scenario 1 (US$ 13 billion) is greater than Scenario A but lower than Scenario B.

iv. Total projected demand in 2008-2010 under new Scenario 2 (US$ 16 billion) is greater than Scenario B but lower than Scenario C.

THE DEMAND SCENARIOS AND RESULTANT FUNDING GAP FOR 2008-2010

1.35 Donors are fulfilling the commitments made in Berlin, as illustrated in Annex 1. Pledges currently confirmed, estimated additional contributions from public sector donors that have not yet been confirmed and estimated contributions from the private sector amount to a total of US$ 9.7 billion for 2008-2010, of which US$ 9.5 billion is available for grant approvals, as shown in the following table[13].

[13] The amount of contributions currently expected for 2008-2010, US$ 9.7 billion, corresponds with the total of pledges and projected contributions at the conclusion of the Second Replenishment in Berlin. If exchange rates had remained constant

Expected Contributions 2008-2010 US$ billions	2008	2009	2010	Total
Confirmed pledges	3.1	2.5	2.2	7.7
Pledge confirmed, assumed attribution by year		0.2	0.2	0.4
Estimated additional contributions		0.5	1.1	1.6
Total expected contributions in 2008-2010	3.1	3.2	3.4	**9.7**
less: Needed for 2007 grant approvals & 2009 operating expenses				(0.2)
Available for grant approvals in 2008-2010				**9.5**

1.36 Should the actual demand in 2009 and 2010 be in line with Scenarios 1, 2 or 3, the funding gap would be as follows:

US$ billion	2008	2009	2010	Total Need	Available	Gap
Scenario 1	3.9	5.1	4.5	13.5	9.5	**3.9**
Scenario 2	3.9	6.6	5.5	16.0	9.5	**6.4**
Scenario 3	3.9	8.0	7.5	19.4	9.5	**9.8**

Totals may appear not to add because of rounding

To meet a reasonable estimate of new demand in 2009 and 2010, as reflected in Scenario 1, an additional $3.9 billion would be required. If no further contributions were made for this period beyond the US$ 9.7 billion currently expected, US$ 0.9 billion would nevertheless be available for Round 9 (including National Strategy Applications). However, no funding would be available for a Round 10 in 2010, as illustrated below.

	US$ billions
Total available 2008-2010	9.5
less: Round 8	(2.7)
less: Renewals	(6.0)
Available for Round 9	**0.9**

Totals may appear not to add because of rounding

1.37 It will be a considerable challenge for donors – public and private – to fill a gap of US$ 4 to 10 billion in 2009-2010, given the prevailing global economic situation. However, the funding gap exists because countries around the world have improved their capacity to prepare and implement programs that address real and urgent health needs. Countries have followed calls for scaled-up action, particularly to reach the targets of Universal Access to HIV/AIDS prevention, treatment and care, and universal coverage with comprehensive malaria interventions by 2010, thus leading to a potential elimination of malaria as a public health threat. These calls have been confirmed both by the G8 governments and by the United Nations, through the General Assembly and the Secretary General. While the response to these calls must now compete with the need to stabilize the global economy, it is also clear that a failure to fill this gap would seriously undermine the concerted efforts that have been made to achieve agreed goals.

since then, the amount of expected contributions would now be US$ 10.2 billion. However, movement in exchange rates since Berlin has worked against the Global Fund and reduced this amount by 5% to US$ 9.7 billion (see Annex 1). (Note: The Board working group that considered the funding of Round 8 at the Eighteenth Board meeting took account of potential additional contributions in the range of US$ 1.6 to 2.2 billion in 2009-2010; the estimate of additional contributions included in the table in paragraph 1.35 (US$ 1.6 billion) is computed similarly to the projected contributions included in the Berlin pledge table, and is at the lower end of that range.)

PART 2: DEMAND IN 2011-2013

2.1 In 2010, the Global Fund will undertake its Third Voluntary Replenishment, to fund demand from countries for the period 2011 through 2013 (assuming that a three-year duration is again decided upon by the Board). The results achieved in programs funded through the Replenishment will be essential to the achievement of the related MDGs by 2015. It is of critical importance that donors are well informed of the results achieved to date and the progress made in harmonizing the interaction between the Global Fund and bilateral and multilateral partners and other institutions playing key roles in advancing the attainment of the MDGs, such as the World Health Organization, the Joint United Nations Programme on HIV/AIDS (UNAIDS), the Global Alliance on Vaccines and Immunizations, the World Bank and other development organizations.

2.2 The Replenishment will be an opportunity to allay the anxiety felt in implementing countries regarding the ability of the Global Fund to continue funding the scale-up of demand manifested in Round 8. The extent to which long-term pledges are made in the Replenishment will be a significant factor in maintaining the confidence of implementers to continue and scale up well performing programs (long-term commitments will be the subject of a separate paper).

TENTATIVE DEMAND SCENARIOS 2011-2013

2.3 For the purpose of considering potential demand in 2011-2013, the three Scenarios considered in Part 1 of this paper have been extended through 2013, assuming that the 2010 level of new grant approvals remains constant through the following three years. The implications in 2014 and 2015 of projected renewals of grants approved through 2013 are also indicated[12]. These are preliminary, tentative projections and the demand scenarios when presented for consideration by the Third Replenishment will be set in the context of a review of results and performance that takes account absorptive capacity, and informed by the review of Global Fund grant architecture.

	Scenario 1				2011 - 2013				Later Implications	
US$ billion	2008	2009	2010	Total	2011	2012	2013	Total	2014	2015
Phase 2	0.9	1.2	1.0	6.0	2.6	3.1	3.0	12.1	3.0	3.0
Rolling Continuation	1.1	0.8	0.9		1.3	1.1	1.1		1.7	2.1
Phase 1 - Round 8	1.9	0.8		7.5				7.5		
Phase 1 - New Rounds (incl. NSAs)		2.3	2.5		2.5	2.5	2.5			
Total	3.9	5.1	4.5	13.5	6.4	6.7	6.6	19.6	4.6	5.0

	Scenario 2				2011 - 2013				Later Implications	
US$ billion	2008	2009	2010	Total	2011	2012	2013	Total	2014	2015
Phase 2	0.9	1.2	1.0	6.0	2.6	4.9	4.2	15.1	4.2	4.2
Rolling Continuation	1.1	0.8	0.9		1.3	1.1	1.1		1.7	3.1
Phase 1 - Round 8	1.9	0.8		10.0				10.5		
Phase 1 - New Rounds (incl. NSAs)		3.8	3.5		3.5	3.5	3.5			
Total	3.9	6.6	5.5	16.0	7.4	9.5	8.8	25.6	5.8	7.2

	Scenario 3				2011 - 2013				Later Implications	
US$ billion	2008	2009	2010	Total	2011	2012	2013	Total	2014	2015
Phase 2	0.9	1.2	1.0	6.0	2.6	6.5	6.5	19.1	6.5	6.5
Rolling Continuation	1.1	0.8	0.9		1.3	1.1	1.1		1.7	4.0
Phase 1 - Round 8	1.9	0.8		13.4				16.5		
Phase 1 - New Rounds (incl. NSAs)		5.2	5.5		5.5	5.5	5.5			
Total	3.9	8.0	7.5	19.4	9.4	13.1	13.1	35.6	8.2	10.5

COMPARISON WITH DEMAND PROJECTED IN 2007

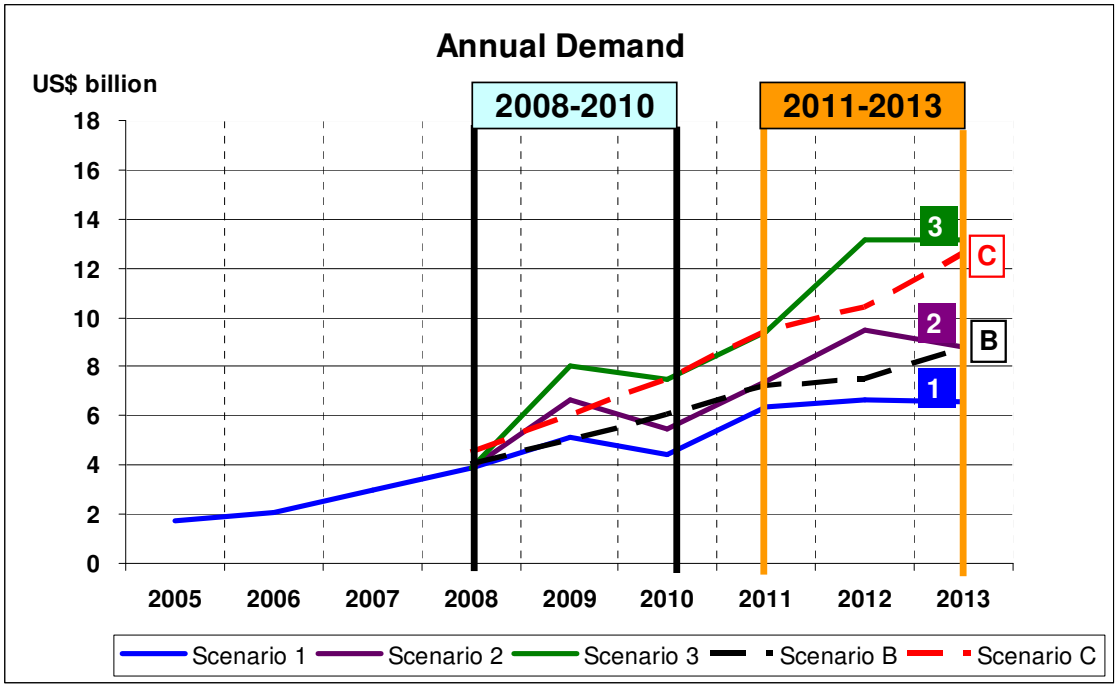
2.4 The table below compares the demand projections for 2011-2013 that were discussed with donors in preparation for the Second Replenishment, as illustrated in Scenarios A, B and C of the 2007 resource needs paper (see footnote 1), with the updated estimates outlined in paragraph 1.23 (Scenarios 1, 2 and 3). Key observations are:

i. Total projected demand in 2011-2013 under Scenario 1 (US$ 20 billion) is similar to Scenario B.

ii. Total projected demand in 2011-2013 under Scenario 2 (US$ 26 billion) is greater than Scenario B but less than Scenario C.

US$ billion	2011	2012	2013	Total	
Scenarios modeled in 2007:					
Scenario A	4.8	4.3	4.5	**13.6**	**$14 bn**
Scenario B	7.2	7.5	8.7	**23.4**	**$23 bn**
Scenario C	9.4	10.4	12.6	**32.4**	**$32 bn**
Scenarios modeled in 2009:				**Need**	
Scenario 1	6.4	6.7	6.6	**19.6**	**$20 bn**
Scenario 2	7.4	9.5	8.8	**25.6**	**$26 bn**
Scenario 3	9.4	13.1	13.1	**35.6**	**$36 bn**

2.5 The chart below illustrates the updated demand estimates per Scenarios 1, 2 and 3 and the demand as projected in 2007 per Scenarios B and C for the period of the Second Replenishment (2008-2010) and for 2011-2013.



Annex 1: Update on commitments made in Berlin in September 2007

Million

Pledges per Berlin table for 2008-2010				Contributions currently expected for 2008-2010							Difference	
				In currency of pledge				At USD Equivalent			At USD Equivalent	
Donor	**In currency of pledge**		**At USD Equiv.**	Contributed	Pledged, not yet contributed	Estimated additional amounts	**Total**	**at Berlin Rates**	**at 2009 Rates**		On amount pledged	Due to exchange rates
Australia	AUD	135.0	118.9	42.0	93.0		135.0	118.9	100.6			(18)
Belgium	EUR	54.0	76.4	12.4	26.0		38.4	54.3	50.0		(22)	(4)
Canada	(see below)		tbd	-	-		-					
China	USD	6.0	6.0	2.0	4.0		6.0	6.0	6.0			
Denmark	DKK	519.9	98.7	175.0	346.6		521.6	99.0	90.5		0	(9)
European Commission	EUR	300.0	424.5	50.0	250.0		300.0	424.5	394.8			(30)
Finland	EUR	6.0	8.5	2.5	3.5		6.0	8.5	8.5			0
France	EUR	900.0	1,273.6	275.0	625.0		900.0	1,273.6	1,185.8			(88)
Gates Foundation	USD	300.0	300.0	100.0	200.0		300.0	300.0	300.0			
Germany	EUR	600.0	849.1	250.0	350.0		600.0	849.1	835.5			(14)
India	USD	7.0	7.0	-	7.0		7.0	7.0	7.0			
Ireland	EUR	90.0	127.4	25.0	65.0		90.0	127.4	122.5			(5)
Italy	EUR	390.0	551.9	130.0	260.0		390.0	551.9	528.1			(24)
Japan	(see below)		tbd	-	-		-					
Korea (Republic of)	USD	7.0	7.0	3.0	4.0		7.0	7.0	7.0			
Luxembourg	EUR	7.5	10.6	2.5	5.0		7.5	10.6	10.5			(0)
Netherlands	EUR	230.0	325.5	80.0	150.0		230.0	325.5	311.0			(14)
Norway	NOK	1,125.0	205.2	375.0	750.0		1,125.0	205.2	164.3			(41)
Portugal	USD	8.0	8.0	3.0	5.0		8.0	8.0	8.0			
Russia	USD	217.0	217.0	40.2	39.9		80.2	80.2	180.2	(a)	(137)	100
Saudi Arabia	USD	18.0	18.0	6.0	12.0		18.0	18.0	18.0			
Singapore	USD	0.2	0.2	0.2	-		0.2	0.2	0.2			
South Africa	ZAR	1.0	0.1	-	1.0		1.0	0.1	0.1			(0)
Spain	USD	600.0	600.0	136.5	463.5		600.0	600.0	600.0			
Gen.Catalunya/ Spain	EUR	1.5	2.1	-	1.5		1.5	2.1	2.0			(0)
Sweden	SEK	1,830.0	281.3	970.0	916.2		1,886.2	289.9	258.2		9	(32)
Switzerland	CHF	21.0	17.9	7.0	14.0		21.0	17.9	18.9			1
Thailand	USD	3.0	3.0	1.9	1.1		3.0	3.0	3.0			(0)
United Kingdom	GBP	360.0	728.6	50.0	280.0	30.0	360.0	728.6	515.5	(b)		(213)
United States	(see below)		tbd	-	-		-					
Projected Contributions 2008 - 2010												
					-		-					
Debt2Health - Gemany	EUR	200.0	283.0		-		-					
of which realized as restricted contribution from:					-		-	35.4	34.3	(c)	(248)	(1)
Indonesia	EUR	15.0		5.0	10.0		15.0					
Pakistan	EUR	10.0		-	10.0		10.0					
Canada	CAD	375.0	374.4	116.5	333.5		450.0	449.2	376.2		75	(73)
Japan	USD	183.8	183.8	183.8	-	378.0	561.8	561.8	561.8	(d)	378	
United States	USD	2,172	2,172.0	640.8	699.5	1,180.0	2,520.3	2,520.3	2,520.3	(e)	348	
Private Donors	USD		420.0	87.7	9.0	250.0	346.7	346.7	350.0	(f)	(73)	3
Various	USD			1.7	0.1	200.0	201.8	201.8	101.8	(g)	202	(100)
Total:	**million**		**9,700**					**10,232**	**9,671**		**532**	**(561)**
			$9.7 bn					**$10.2 bn**	**$9.7 bn**			

(a) The contribution is determined by amounts to be disbursed on Global Fund grants in the Russian Federation; see note (g) also.

(b) Includes a potential additional contribution of GBP 30 million, the release of which in 2010 is subject to a review of the performance of the Global Fund.

(c) See note (g).

(d) Includes an estimate made by the Global Fund Secretariat of $378 million in respect contributions for 2009 and 2010 from an amount of US$ 560 million pledged by Japan that has not yet been attributed to specific years.

(e) Includes an estimate made by the Global Fund Secretariat of $1,180 million in respect of an additional contribution for 2009 and the entire contribution for 2010, based on the US contribution for fiscal year 2008 of US$ 840 million. It is understood that this estimate does not constitute a pledge.

(f) Includes an estimate of Private Donor contributions of US$ 250 million based on expected results from consumer campaigns, corporate partnerships and major gifts from individuals and foundations (excluding the Bill and Melinda Gates Foundation, which is listed separately on the table).

(g) Includes an estimate of US$ 200 million for contributions to be received from the Russian Federation, as a result of Debt2Health swaps, and from other donors including those donors whose pledges are dependent on the overall amount of contributions to the Global Fund for 2008-2010.