



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

**Sixteenth Board Meeting
Kunming, China, 12 – 13 November 2007**

**GF/B16/11
Information**

FORECAST OF FUNDS AVAILABLE FOR ROUND 7

OUTLINE:

1. This paper informs the Board of the funds forecast to be available for grant commitments in 2007–2008, to support determination by the Board of the amount available when considering approval of Round 7 grant proposals.

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.

2. Uncommitted assets of US\$ 1,177 million are forecast to be available at the time of signing Round 7 grant agreements. This amount is more than sufficient to allow approval in November 2007 of all the Round 7 proposals that the TRP has recommended to the Board.

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 7 grant proposals. The Finance and Audit Committee (FAC) has reviewed the forecast which was compiled in accordance with the Policy and applying the methodology previously endorsed by the FAC. The current version of that forecast is set out herein. In the event of any material changes prior to Board consideration of approving Round 7 proposals, the Secretariat will provide an updated forecast at the Seventeenth Board Meeting.

PART 2: AMOUNT AVAILABLE FOR ROUND 7

1. If approved in November 2007, the amount available for Round 7 would be US\$ 1,177 million, as set out in Annex 1.

2. Based on currently confirmed pledges through 2008¹, uncommitted assets of US\$ 1,931 million are forecast to be available for new Rounds in 2007-2008, as illustrated in Annex 1, Table 1. On taking account of the timing of contributions and grant signings, it is forecast that US\$ 1,177 million of this would be available *at the time of signing the related grant agreements* for Round 7 grants approved in November 2007, in accordance with Comprehensive Funding Policy.

3. The total (Phase 1) amount of Round 7 proposals recommended by the Technical Review Panel (TRP) for consideration at the Seventeenth Board Meeting is US\$ 1,112 million. Hence the uncommitted assets that will be available at the time of signing the related grant agreements are more than sufficient to allow approval of all the Round 7 proposals that the TRP has recommended to the Board.

¹ Pledges for 2009 will also be taken into account in determining the amount available for Round 8.

COMPUTATION OF THE AMOUNT AVAILABLE FOR ROUND 7

Calculation process

1. The calculation process covers the two calendar years during which Round 7 grant signings are expected to occur, 2007–2008. For that period, the calculation computes the amount of uncommitted assets expected to be available for approval of new proposals, taking account of the timing 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 2006, but not yet signed at 1 January 2007 (which, hence, are expected to be signed during 2007).
 - Less: (d) Phase 2 renewals and Rolling Continuations of grants forecast to be approved and signed during the period
 - Less: (e) Operating Expenses to the extent not covered by investment income.
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.
4. The timing of the signing of new grants is also estimated. The overall amount available for the approval of a new Round of proposals is thus constrained so as to ensure that there is no material shortage of uncommitted assets at the time a grant would be expected to be signed (and thus become a commitment) in the normal course. (Note: If such a shortage were to occur, grant signings would have to be postponed until contributions sufficient to eliminate the deficiency were contributed.)

Assumptions underlying the estimates

5. The forecast is dependent on assumptions made in arriving at the estimates for items b through e above, and the timing of new grant signings. The basis of 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.
 - ii. Grants and Phase 2 renewals approved in 2006 (but unsigned at 1 January 2007): If not already signed, the month of signing is estimated within 2007, assuming that all are signed by end of December.
 - iii. Phase 2 and RCC renewals approved and signed during 2007–2008: For Phase 2 renewals, it is assumed that the Board decides upon the renewal of each grant eligible for renewal at month 24 following the start of the program, and that the resultant grant extension is signed 3 months later. The amount of the Phase 2 increment is assumed to be 87% (in aggregate) of the maximum amount eligible. These assumptions are in

line with experience to date of Phase 2. In advance of substantial experience of RCC, it is assumed that 25% of expiring Phase 2 grants are continued through RCC with a 30% scale-up, on average.

- iv. New grant signings: It is assumed that all new grants are signed within nine months following approval of the proposals by the Board.
- v. Investment income covers operating expenses.

6. Based on the foregoing, the amount of uncommitted assets available for Round 7 is computed as US\$ 1,177 million, per Table 1 below. While uncommitted assets of US\$ 1,931 million are forecast to be available for new Rounds in 2007-2008, when the timing of grant signings and pledge payments is taken into account, US\$ 1,177 million of this would be available *at the time of signing the related grant agreements* for Round 7 grants approved in November 2007.

Table 1

Uncommitted Assets 2007-2008	US\$m
Uncommitted Assets at start of period	1,411
Pledges (confirmed)	
Pledges for 2005 contributed in 2007	26
Pledges for 2006 to be contributed in 2007	306
Adjustments in 2007 to pledges through 2006	(75)
Pledges for 2007	2,686
Pledges for 2008	2,220
Total pledges	5,163
Assets available	6,574
Required for commitments in 2007/8, before new rounds:	
Phase 2 signings	3,986
Less: Those of the above that will be signed in 2009	(712)
Rolling Continuation Channel	486
Round 6 (excluding grants signed in 2006)	883
Total grant signing needs	4,643
Uncommitted assets available BEFORE new rounds	1,931
New Round (if approved in November 2007)	1,177
Uncommitted Assets, AFTER new rounds	754