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# Forecast of Funds Available for Round 8 and Scenarios for Future Funding Needs



**Eighteenth Board Meeting**

New Delhi, India 7-8 November 2008



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Forecast of Assets Available for Round 8

## What the Board must determine

Governed by Comprehensive Funding Policy

(paragraph 3c):

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.



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## Forecast of Assets Available for Round 8

# Calculation methodology

- The calculation covers the period during which Round 8 grant signings are expected to occur, 2008, 2009 and Q1 of 2010.
- The methodology was endorsed by FAC in 2006.
- 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).
- Includes confirmed pledges only.



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## Forecast of Assets Available for Round 8

# Main Assumptions

- All new grants are signed within 9 months following approval of the round.
- RCC: 45% (by value) of grants completing Phase 2 are approved for RCC with, on average, an 80% scale-up relative to Phase 2
- Contribution of pledges within 2009 follows similar timing as for 2007 & 2008
- Based on exchange rates at 1 Nov 2008
- Investment return of 4%



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# Forecast of Assets Available for Round 8

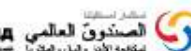
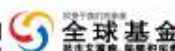
Forecast of Assets Available for New Rounds	US\$ millions	2008-2009	2010 Qtr. 1
<b>Uncommitted Assets at start of period</b>	<b>(A)</b>	<b>1,780</b>	<b>54</b>
<b>Contribution of Pledges (not contributed by end 2007)</b>			
Pledges for 2007		324	-
Adjustments in 2008 to pledges through 2007		-	-
Pledges for <b>2008</b>		2,842	-
Pledges for <b>2009</b>		2,630	-
Pledges for <b>2010</b>		-	544
<b>Total contributions forecast</b>	<b>(B)</b>	<b>5,796</b>	<b>544</b>
<b>Assets available</b>	<b>(A+B=) (C)</b>	<b>7,576</b>	<b>598</b>
<b>Required for commitments before new rounds:</b>			
Phase 2 signings		2,707	301
Rolling Continuation Channel signings		1,648	205
Round 7 grants signed in 2008		1,085	-
<b>Grant signing needs, before new Rounds</b>	<b>(D)</b>	<b>5,440</b>	<b>506</b>
<b>Uncommitted assets available BEFORE new Rounds</b>	<b>(C-D=) (E)</b>	<b>2,136</b>	<b>93</b>
<b>New Rounds:</b>			
		Approval	Signing
Round 8	November 2008	2,040	2,040
Round 8/9	May 2009	130	42
Round 9	November 2009	-	-
<b>Total New Round grants</b>		<b>2,170</b>	<b>88</b>
		<b>(F)</b>	
<b>Uncommitted Assets after new Rounds</b>	<b>(E-F=) (G)</b>	<b>54</b>	<b>4</b>

**Includes confirmed pledges only**

**\$2.2 bn available for Round 8:**  
 \$2.04 bn in Nov 08  
 \$0.13 bn in May 09



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# Forecast of Assets Available for Round 8 – Detail by Quarter

Forecast of Assets Available for New Rounds	US\$ millions	2008				2009				2010
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>Uncommitted Assets at start of period</b>	<b>(A)</b>	1,780	1,973	2,001	1,680	1,609	1,547	939	(37)	54
<b>Contribution of Pledges</b> (not contributed by end 2007)										
Pledges for 2007		40	37	202	45	-	-	-	-	
Adjustments in 2008 to pledges through 2007		-	-	-	-	-	-	-	-	
Pledges for <b>2008</b>		536	554	223	1,529	-	-	-	-	
Pledges for <b>2009</b>		-	-	-	-	628	481	898	623	-
Pledges for <b>2010</b>										544
<b>Total contributions forecast</b>	<b>(B)</b>	576	591	425	1,574	628	481	898	623	544
<b>Assets available</b>	<b>(A+B=) (C)</b>	<b>2,356</b>	<b>2,564</b>	<b>2,426</b>	<b>3,254</b>	<b>2,237</b>	<b>2,028</b>	<b>1,837</b>	<b>586</b>	<b>598</b>
<b>Required for commitments before new rounds:</b>										
Phase 2 signings		339	342	280	415	351	373	316	292	301
Rolling Continuation Channel signings		-	29	101	747	236	165	165	205	205
Round 7 grants signed in 2008		44	192	365	484	-	-	-	-	-
<b>Grant signing needs, before new Rounds</b>	<b>(D)</b>	<b>383</b>	<b>563</b>	<b>746</b>	<b>1,645</b>	<b>587</b>	<b>538</b>	<b>481</b>	<b>497</b>	<b>506</b>
<b>Uncommitted assets available BEFORE new Rounds</b>	<b>(C-D=) (E)</b>	1,973	2,001	1,680	1,609	1,649	1,490	1,356	89	93
<b>New Rounds:</b>										
		Approval								
Round 8	November 2008	2,040	-	-	-	102	551	1,387	-	-
Round 8/9	May 2009	130	-	-	-	-	-	7	35	88
Round 9	November 2009	-	-	-	-	-	-	-	-	-
<b>Total New Round grants</b>		<b>2,170</b>	<b>(F)</b>			102	551	1,394	35	88
<b>Uncommitted Assets after new Rounds</b>	<b>(E-F=) (G)</b>	1,973	2,001	1,680	1,609	1,547	939	(37)	54	4



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# Forecast of Assets Available for Round 8

Forecast of Assets Available for New Rounds	US\$ millions	2008-2009	2010 Qtr. 1
<b>Uncommitted Assets at start of period (A)</b>		1,780	(0)
<b>Contribution of Pledges (not contributed by end 2007)</b>			
Pledges for 2007		324	-
Adjustments in 2008 to pledges through 2007		-	-
Pledges for 2008		2,842	-
Pledges for 2009		2,630	-
Pledges for 2010		-	544
Investment income, minus operating expenses		-	-
<b>Total contributions forecast (B)</b>		<b>5,796</b>	<b>544</b>
<b>Assets available (A+B=) (C)</b>		<b>7,576</b>	<b>544</b>
<b>Required for commitments before new rounds:</b>			
Phase 2 signings		2,707	301
Rolling Continuation Channel signings		1,648	205
Round 7 grants signed in 2008		1,085	-
<b>Grant signing needs, before new Rounds (D)</b>		<b>5,440</b>	<b>506</b>
<b>Uncommitted assets available BEFORE new Rounds (C-D=) (E)</b>		<b>2,136</b>	<b>38</b>
<b>New Rounds:</b>			
		Approval	Signing
Round 8	November 2008	2,120	2,120
Round 8/9	May 2009	50	16
Round 9	November 2009	-	-
<b>Total New Round grants (F)</b>		<b>2,170</b>	<b>2,136</b>
<b>Uncommitted Assets after new Rounds (E-F=) (G)</b>		<b>(0)</b>	<b>4</b>

Includes confirmed pledges only

If contributed by 30 Sep 2009

\$2.2 bn available for Round 8:  
\$2.12 bn in Nov 08  
\$0.05 bn in May 09



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## Forecast of Assets Available for Round 8

# Summary – Available for Round 8

<u>Based on</u>	<u>Approved in:</u> US\$ billion		
	<u>Nov 08</u>	<u>Apr 09</u>	<u>Total</u>
1. Confirmed pledges only (as currently confirmed) <sup>(a)</sup>	2.04	0.13	<b>2.17</b>
2. If all 2009 pledges are contributed by Sep. 2009	2.12	0.05	<b>2.17</b>

<sup>(a)</sup>Note: Confirmed pledges do not include expected contributions of at least US\$1.6 bn for 2009 & 2010 that have not yet been pledged.



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# Forecast of Assets Available for Round 8

## Round 8 proposals – TRP recommended amounts

Category	Phase 1 (US\$ million)		
	per TRP	Cumulative	90%
1	452	452	406
2-8	1,134	1,585	1,427
2-6	124	1,710	1,539
2-5	420	2,129	1,916
2-3	177	2,306	2,075
2B-8	443	2,749	2,474
2B-6	99	2,848	2,564
2B-5	125	2,974	2,676
2B-3	85	3,059	2,753
<b>Total:</b>	<b>3,059</b>		

Categories 1 & 2

**Assets Available:**  
**\$2.04 bn**  
 (or \$2.12bn if pledges are contributed by Sep 2009)



# Scenarios for Future Funding Needs



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## Scenarios for Future Funding Needs

# Implications of amounts approved

- The amount of new grants (Phase 1) approved has funding implications in future years
  - when renewed through Phase 2 and RCC
- Relevant to Round 8 and also subsequent Rounds
  - and National Strategy Applications
- Given the very large value of Round 8, scenarios illustrate impact of options to optimize use of resources




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# Scenarios for Future Funding Needs Before any changes

Approval needs if Round 8 is fully approved at \$3.05 bn, in 2 tranches

US\$ billions	2008	2009	2010	2011
Round 8	2.1	0.9		
Round 9 -- illustrative amount				
Renewals (Phase 2 & RCC)	2.3	1.7	2.9	5.6
<b>Total</b>	<b>4.4</b>	<b>2.6</b>	<b>2.9</b>	<b>5.6</b>
<b>Total 2008-2010: \$9.9 bn</b>				
Confirmed pledges: \$7.9 bn				



**PEAK**

- To fully fund Round 8, additional \$2 billion in pledges is needed; at least \$1.6 billion is likely.
- Creates large peak in 2011. No provision for Round 9.



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## Scenarios for Future Funding Needs

# Measures to reduce the 2011 peak

- **Budget savings** – mainly on commodity prices
  - Comparison of budgets with PRM data suggests 10% saving may be feasible, overall
- **Limiting RCC scale-up** – to a set % of the Phase 2 amount
  - A limit of 30% scale-up would allow expansion to 130% of the Phase 2 amount
  - Restrict carry-over of unspent funds at end of Phase 1



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# Scenarios for Future Funding Needs – Scenario 1

## If 10% saving in Round 8

	US\$ billions			
	2008	2009	2010	2011
Round 8	1.9	0.8		
Round 9 -- illustrative amount				
Renewals (Phase 2 & RCC)	2.3	1.7	2.9	5.3
<b>Total</b>	<b>4.2</b>	<b>2.5</b>	<b>2.9</b>	<b>5.3</b>
<b>Total 2008-2010:</b>			<b>\$9.6 bn</b>	
<b>Confirmed pledges:</b>			<b>\$7.9 bn</b>	

**PEAK**

- To fund Round 8, additional \$1.7 billion in pledges is needed in 2009 & 2010; at least \$1.6 billion is expected.
- Lower peak in 2011, still large. No provision for Round 9.



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## Scenarios for Future Funding Needs – Scenario 2 If 10% saving in Round 8; and RCC Scale-up is limited to 30%; \$1.1 bn for Round 9

	US\$ billions	2008	2009	2010	2011
Round 8		1.9	0.8		
Round 9 -- illustrative amount			1.1		
Renewals (Phase 2 & RCC)		2.3	1.5	2.5	4.8
<b>Total</b>		<b>4.2</b>	<b>3.5</b>	<b>2.5</b>	<b>4.8</b>
		<b>Total 2008-2010: \$10.1 bn</b>			
		Confirmed pledges: \$7.9 bn			

**PEAK**

- \$1.1 billion provision for Round 9.
- To fund Rounds 8 & 9, additional \$2.2 billion in pledges is needed in 2009 & 2010; at least \$1.6 billion is expected.
- Lower peak in 2011



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# Scenarios for Future Funding Needs – Scenario 3 Excludes Category 2B of Round 8

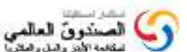
US\$ billions	2008	2009	2010	2011
Round 8	1.9	0.2		
Round 9 -- illustrative amount		1.1		
Renewals (Phase 2 & RCC)	2.3	1.5	2.5	4.5
<b>Total</b>	<b>4.2</b>	<b>2.8</b>	<b>2.5</b>	<b>4.5</b>
<b>Total 2008-2010: \$9.5 bn</b>				
<b>Confirmed pledges: \$7.9 bn</b>				



- To fund Rounds 8 & 9, additional \$1.6 billion in pledges is needed in 2009 & 2010, which is likely to occur.
- Lower peak in 2011.



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# Scenarios for Future Funding Needs – Scenario 4 As Scenario 2, but Round 9 at \$2 bn

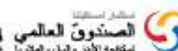
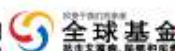
Approval needs if Round 8 is \$2.75 bn (10% reduction), with Round 9 at \$2 bn and RCC scale-up is limited to 30%

US\$ billions	2008	2009	2010	2011	2012
Round 8	1.9	0.8			
Round 9 -- illustrative amount		2.0			
Renewals (Phase 2 & RCC)	2.3	1.5	2.5	4.8	4.2
<b>Total</b>	<b>4.2</b>	<b>4.4</b>	<b>2.5</b>	<b>4.8</b>	<b>4.2</b>
Total 2008-2010:			\$11.0 bn		
Confirmed pledges:			\$7.9 bn		

- Assumes Round 9 is \$2 billion
- Approval needs increase to **\$11 billion** for 2008-2010.



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# Scenarios for Future Funding Needs – Scenario 5 As Scenario 2, but Rounds 9 & 10 at \$2 bn

Approval needs if Round 8 is \$2.75 bn (10% reduction), with Rounds 9 & 10 at \$2 bn and RCC scale-up is limited to 30%

US\$ billions	2008	2009	2010	2011	2012
Round 8	1.9	0.8			
Round 9 -- illustrative amount		2.0			
Round 10 -- illustrative amount			2.0		
Renewals (Phase 2 & RCC)	2.3	1.5	2.5	4.8	4.2
<b>Total</b>	<b>4.2</b>	<b>4.4</b>	<b>4.5</b>	<b>4.8</b>	<b>4.2</b>
<b>Total 2008-2010:</b>			<b>\$13.0 bn</b>		
Confirmed pledges:			\$7.9 bn		

- Add Round 10, at \$2 billion.
  - Approval needs increase to **\$13 billion** for 2008-2010.
- Note: Scenario B of Second Voluntary Replenishment foresaw needs of \$15 billion for 2008-2010.



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