



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

Twenty-Second Board Meeting
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GF/B22/17
Board Information
Revision 1

FORECAST OF ASSETS AVAILABLE FOR ROUND 10

PURPOSE:

1. This paper informs the Board of the forecast of assets to be available for grant commitments in 2010-2011, to support the Board when considering approval of Round 10 grant proposals at the Twenty Second Board Meeting.
2. Revision 1 updates confirmed pledge amounts based on new information provided by several donors since the previous version was issued. Based on this updated information, it is now forecast that US\$ 1,736 million will be available for approval of Round 10 proposals in December 2010.

EXECUTIVE SUMMARY:

This forecast has been compiled by the Secretariat in accordance with the comprehensive funding policy and applying a methodology endorsed by the FAC. It also incorporates the measure recommended by the Finance and Audit Committee to create a “Commitment Reserve” to assure grant renewal funding

Part 2 provides the computation of the amount available for approval of Round 10 grants which total US\$ 1,733 million, as recommended by the TRP to the Board. Based on current pledges, uncommitted assets of **US\$ 1,736 million** are forecast to be available at the time of signing Round 10 grant agreements. This will allow the Board to approve all round 10 proposals recommended by the TRP.

PART 1: INTRODUCTION

1.1 In accordance with the Comprehensive Funding Policy:

The Board may approve Rounds-Based proposals 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 the Secretariat committing the funds in the related grant agreements.

1.2 Accordingly, the Secretariat provides in this paper a forecast of available uncommitted assets so that the Board may make the determination required by the current Comprehensive Funding Policy, for the purpose of approving Round 10 grant proposals. The forecast was compiled in accordance with the Policy and applying the methodology endorsed by the FAC. The current version of that forecast is set out herein.

PART 2: AMOUNT AVAILABLE FOR ROUND 10

2.1 Based on currently confirmed pledges through 2011, uncommitted assets of **US\$ 1,736 million** are forecast to be available for approval of Round 10 in December 2010, in accordance with the current Comprehensive Funding Policy (see Table 1).

2.2 After the allocation of US\$ 1,733 for Round 10, it is projected that as a result of the “Commitment Reserve” for renewals described in GF/B22/6, there will be sufficient uncommitted assets for all forecast grant renewals (Phase 2 and RCC) during the Third Replenishment period (2011-13), leaving US\$ 36 million uncommitted at the end of 2013. (see Table 2).

2.3 Annex 1 describes the calculation process and assumptions underlying the forecast.

Table 1: Assets available for approval of Round 10 based on currently confirmed pledges of US\$ 9.0 billion for the Third Replenishment period (2011-13)

					US\$ millions	
Forecast of Assets Available for Grant* Approvals (including New Rounds)				US\$ millions	2010	2011
					US\$m	US\$m
Uncommitted Assets at start of period				(A)	1,738	489
Contribution of Pledges (not contributed by end 2009)						
Contribution of pledges for years prior to 2010						
				Paid in	208	-
	<u>Confirmed</u>	<u>Additional</u>	<u>Total</u>	<u>prior year</u>		
Contribution of pledges for 2010	3,423	-	3,423	(173)	2,886	364
Contribution of pledges for 2011	2,654	-	2,654		-	2,654
Investment income, minus operating expenses					(55)	(99)
Total contributions forecast				(B)	3,039	2,919
Assets available				(A+B=) (C)	4,777	3,409
Required for commitments before new rounds:						
Phase 2 signings					541	1,141
Rolling Continuation Channel signings (RCC1 & RCC2)					973	337
Grants Entering Single Stream of Funding in 2010					1,137	3
Round 8 grants approved in 2009 and signed in 2010					440	-
Round 9 grants approved in 2009 & 2010 and signed in 2010 and later					1,197	191
Grant signing needs, before new Rounds				(D)	4,288	1,672
Uncommitted assets available BEFORE new Rounds and add. to Commit. Reserve				(C-D=) (E)	489	1,736

- US\$1,736 million will be available for the approval of Round 10 in December 2010 based on confirmed pledges to date.

Table 2: Assets available for approval of future rounds and renewals after approving Round 10 grants of US\$ 1,733 million and incorporating the Commitment Reserve for renewals, assuming that US\$ 11.7 billion pledged and projected for the Third Replenishment period is contributed in the period

					US\$ millions					
Forecast of Assets Available for Grant* Approvals (including New Rounds)					US\$ millions		2010	2011	2012	2013
							US\$m	US\$m	US\$m	US\$m
Uncommitted Assets at start of period (A)						1,738	489	36	36	
Contribution of Pledges (not contributed by end 2009)										
Contribution of pledges for years prior to 2010						208	-	-	-	
		<u>Confirmed</u>	<u>Additional</u>	<u>Total</u>	<u>Paid in prior year</u>					
Contribution of pledges for 2010		3,423	-	3,423	(173)	2,886	364	-	-	
Contribution of pledges for 2011		2,654	676	3,330		-	3,330	-	-	
Contribution of pledges for 2012		3,096	812	3,908		-	-	3,908	-	
Contribution of pledges for 2013		3,101	812	3,913		-	-	-	3,913	
Investment income, minus operating expenses						(55)	(99)	(126)	(131)	
Total contributions forecast (B)						3,039	3,595	3,782	3,782	
Assets available (A+B=) (C)						4,777	4,084	3,818	3,818	
Required for commitments before new rounds:										
Phase 2 signings						541	1,141	2,050	2,456	
Rolling Continuation Channel signings (RCC1 & RCC2)						973	337	773	916	
Grants Entering Single Stream of Funding in 2010						1,137	3	441	-	
Round 8 grants approved in 2009 and signed in 2010						440	-	-	-	
Round 9 grants approved in 2009 & 2010 and signed in 2010 and later						1,197	191	85	-	
Grant signing needs, before new Rounds (D)						4,288	1,672	3,349	3,372	
Uncommitted assets available BEFORE new Rounds and add. to Commit. Reserve (C-D=) (E)						489	2,412	470	445	
New Rounds:					<u>Time and amount of approval</u>		<u>Commitment (signing) of grants</u>			
Round 10					December 2010	1,733	-	1,733	-	-
Phase 2 of Round 10							-	-	1,486	
Total New Round grants						1,733	(F)	-	1,733	-
Addition to/ release from Commitment Reserve for renewals (G)							-643	-434	1,077	
Uncommitted assets available for new Rounds AFTER addition to Commitment Reserve for renewals (E-F+G=) (H)							36	36	36	

*After additions to or releases from the Commitment Reserve

- After the approval of Round 10, US\$ 36 million is projected to be available for new rounds after incorporating the Commitment Reserve for renewals

COMPUTATION OF THE AMOUNT AVAILABLE FOR ROUND 10

CALCULATION PROCESS

1. The calculation process covers the calendar year from approval to when Round 10 grant signings are expected to occur, 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) New Grants, Phase 2 renewals and Rolling Continuation of grants approved in 2010, but not yet signed at 1 January 2011 (which, hence, require to be signed during 2011).

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 for the year, to give a computation of the uncommitted assets remaining at the end of each year, after taking account of the foregoing. 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 year. If a temporary shortage occurs during the year, grant commitments would be temporarily halted until sufficient assets were made available to commit the grant(s).

ASSUMPTIONS UNDERLYING THE ESTIMATES

4. 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. New Grants, Phase 2 renewals and Rolling Continuation of new grants approved in 2010 (but unsigned at 1 January 2011): If not already signed, the month of signing is estimated within 2011, assuming that all are signed by end of December.
- iii. Phase 2 renewals approved and signed during 2010-2011: The amount of the increment approved for Phase 2 is assumed to be 85% of the maximum amount eligible for approval. This assumption is in line with experience to date of Phase 2.
- iv. Provision has been made for easing the reduction placed by the Board on the TRP-recommended Phase 2 amounts of Rounds 8 and 9 and NSAs from 25% to 10% when approving those proposals. In November 2009, the Board decided that the resultant limitation be increased from 75% to 90% of the Phase 2 amounts when new resources become available, subject to approval by the Board at that time (GF/B20/DP9, para. 3). The impact of this increase in forecast commitments, if approved, would commence in 2011 and is reflected in the amount of Phase 2 signings.
- v. New grant signings: It is assumed that all new grants are signed within nine months following approval of the proposals by the Board.

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