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22nd Meeting of the UNAIDS Programme Coordinating Board
Chiang Mai, Thailand
23-25 April 2008

Provisional agenda item 8.2:

**Interim financial management information for the 2008–2009 biennium
and financial update for the period 1 January to 29 February 2008**

Additional documents for this item: *none*

Action required at this meeting - the Programme Coordinating Board is invited to:

See decision paragraph 17 as follows:

- i. Take note of the interim financial management information for the 2008-2009 biennium and the financial update for the period 1 January to 29 February 2008;
- ii. Endorse the Executive Director's proposal for the utilization of part of the available fund balance to cover priorities and investments that are not included in the 2008-2009 Unified Budget and Workplan;
- iii. Encourage donor governments and others to release their contributions towards the 2008-2009 Unified Budget and Workplan as soon as possible.

Cost implications for decisions: US\$16 million

I INTRODUCTION

1. The financial period of UNAIDS covers two consecutive calendar years, beginning with an even-numbered year. This document presents interim financial management information on the 2008–2009 biennium, for the period 1 January to 29 February 2008. A formal and certified financial report covering the full biennium will be prepared at the end of 2009, the second year of the financial period.
2. This interim financial management information is not accompanied by an audit opinion. However, the accounts of UNAIDS are subject to continuous examination and review by both internal and external auditors of WHO, which provides the administration in support of the Programme as per resolution 1994/24 of the Economic and Social Council of the United Nations and Article XI of the Memorandum of Understanding among Cosponsors establishing UNAIDS.

II THE UNIFIED BUDGET AND WORKPLAN FOR THE 2008–2009 BIENNIUM

Approved Budget and Workplan

3. The 2008-2009 Unified Budget and Workplan is based on the *2007-2010 Strategic Framework*, which outlines the following five strategic directions for the Joint Programme:
 - Guiding the global agenda, increasing involvement and monitoring progress;
 - Technical support and capacity building to “make the money work” for universal access;
 - Human rights, gender and reduced vulnerability of most at-risk populations;
 - Re-emphasizing HIV prevention alongside treatment, care and support; and
 - Strengthening harmonization and alignment to national partners.
4. The Unified Budget and Workplan includes a breakdown of the expected results and resource needs of each Cosponsor, the Secretariat and Interagency activities. The activities of each relate to one or more of the UNAIDS seven principal outcomes¹. These principal outcomes reflect overarching priorities in the global effort to move towards universal access to HIV prevention, treatment, care and support. The 2008–2009 Unified Budget and Workplan articulates broad activities by each Cosponsor and the Secretariat, as well as joint interagency activities, that will support achievement of individual principal outcomes and key outputs. The Unified Budget and Workplan also includes agreed principles and processes that further harmonize the work of Cosponsors and the Secretariat.
5. At its 20th meeting held in Geneva 25-27 June 2007, the PCB endorsed the strategies and approaches contained in the 2008–2009 Unified Budget and Workplan. It approved the total budget of US\$ 468.8 million and a proposed distribution of these resources as follows: US\$ 134.7 million to be shared among the 10 Cosponsors; US\$ 182.4 million for the Secretariat; US\$ 146.7 million for Interagency activities; and US\$ 5 million as a contingency fund for unexpected expenditures linked to the Unified Budget and Workplan.

¹ *The 2008-2009 Unified Budget and Workplan has adopted the nomenclature of the Development Cooperation Directorate of the Organisation for Economic Cooperation and Development, basing the structure of the Unified Budget and Workplan on Outcomes and Outputs.*

Funds made available to the Unified Budget and Workplan for 2008–2009

6. During the period under review, income totaling US\$ 30.1 million was made available towards the Unified Budget and Workplan for 2008–2009. This amount was contributed by four governments and the World Bank. Table 1 provides the details of the funds received towards the Unified Budget and Workplan during the period 1 January 2008 to 29 February 2008.

Table 1: Unified Budget and Workplan details of income (in thousands of US dollars)

Voluntary contributions	Funds received toward the 2008-2009 Unified Budget and Workplan
Governments	
France	1 775
New Zealand	1 934
Portugal	146
United States of America	22 275 ^{a/}
<i>Sub-total</i>	26 130
Cosponsoring Organizations	
World Bank	4 000
<i>Sub-total</i>	4 000
TOTAL	30 130

^{a/} Represents balance of 2007 US letter of credit not yet called forward which falls in 2008

Funds obligated under the Unified Budget and Workplan for 2008–2009

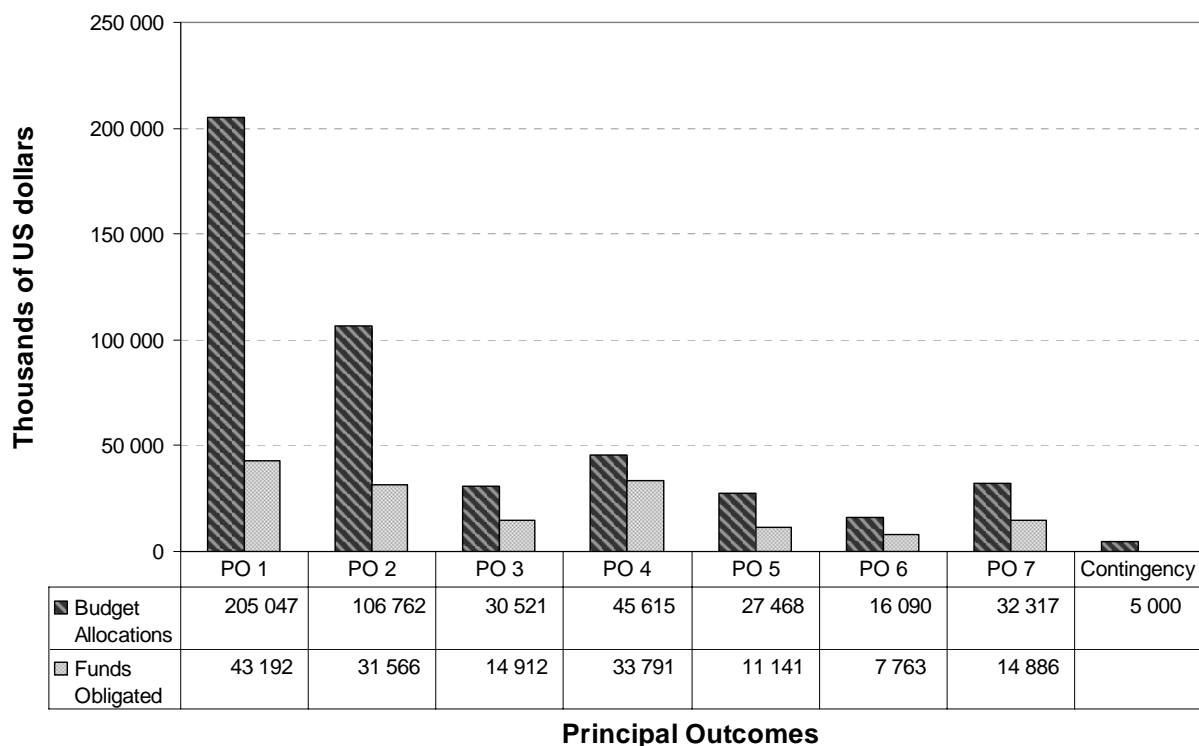
7. During the period 1 January 2008 to 29 February 2008, obligations (including transfers to Cosponsors) totaling US\$ 157.3 million were issued against the budget of US\$ 468.8 million approved for the 2008–2009 Unified Budget and Workplan, which corresponds to an obligation rate of 34%. This figure is higher than in previous biennia, primarily because the amount transferred to Cosponsors has been increased. The obligations were broken down as follows:

- US\$ 99.2 million was obligated and transferred to Cosponsors for the implementation of their AIDS activities contained in the Unified Budget and Workplan;
- US\$ 24.5 million was obligated for the Interagency activities; and
- US\$ 33.6 million was obligated for Secretariat activities and staff.

8. Table 2 below provides details on the 2008-2009 Unified Budget and Workplan budget allocations and obligations broken down by principal outcomes for the period 1 January to 29 February 2008:

Table 2: 2008–2009 Unified Budget and Workplan budget allocations and obligations for the period 1 January to 29 February 2008 (in thousands of US dollars)

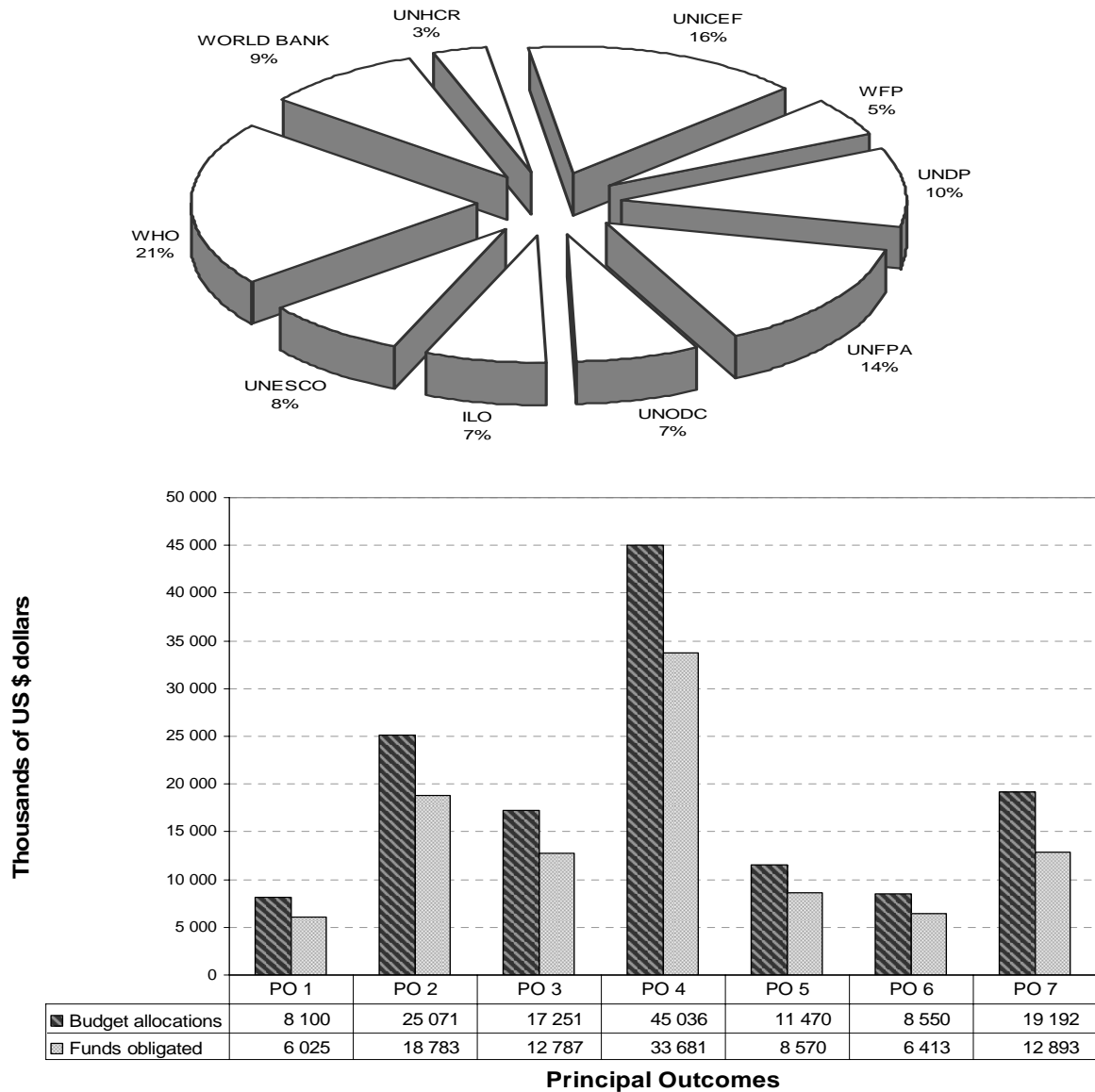
Principal Outcomes	Budget Allocations	Funds Obligated	%
1 Leadership and resource mobilization	205 047	43 192	21%
2 Planning, financing, technical assistance and coordination	106 762	31 566	30%
3 Strengthened evidence base and accountability	30 521	14 912	49%
4 Human resources and systems capacities	45 615	33 791	74%
5 Human rights, gender, stigma and discrimination	27 468	11 141	41%
6 Most at-risk populations	16 090	7 763	48%
7 Women and girls, young people, children and populations of humanitarian concern	32 317	14 886	46%
Contingency	5 000		
Total	468 820	157 251	34%



i) Funds obligated and transferred to Cosponsors

9. During the month of January 2008, a total amount of US\$ 99.2 million has been obligated against the Cosponsors budget, representing 74% of the Cosponsors' share under the 2008-2009 Unified Budget and Workplan. Compared to previous biennia, the portion of the Cosponsors UBW shares transferred at the beginning of the biennium has been increased to enable the start-up of UBW activities and the introduction of a performance-based release of UBW funds in 2009 following a full year of implementation. As at 29 February 2008, US\$ 86.6 million had been transferred to the Cosponsors – with the exception of UNHCR and the World Bank for which payments were being processed. Figure 2 below provides information on the proportion of funds obligated against each individual Cosponsors versus total funds obligated, together with funds obligated against each of the principal outcomes:

Figure 2: Funds and proportions obligated/transferred to Cosponsors as at 29 February 2008



ii) Funds obligated against Interagency resources

10. Interagency activities involve joint initiatives by more than one member of the UNAIDS family. These activities typically focus on cross-cutting activities that help strengthen the multisectoral AIDS response. During the period under review, a total amount of US\$ 24.5 million was obligated for Interagency activities out of a biennium budget allocation of US\$ 146.7 million² representing a financial implementation rate of 17%, which is consistent with previous biennia. Further details on the funds obligated under the Interagency activities are shown by principal outcome in Table 3 below:

Table 3: Interagency resources budget allocations and obligations for the period 1 January to 29 February 2008 (in thousands of US dollars)

Principal Outcomes	Budget Allocations	Funds Obligated	%
1 Leadership and resource mobilization	75 927	13 295	18%
2 Planning, financing, technical assistance and coordination	54 931	8 758	16%
4 Human resources and systems capacities	579	110	19%
5 Human rights, gender, stigma and discrimination	13 718	2 145	16%
7 Women and girls, young people, children and populations of humanitarian concern	1 595	225	14%
Total	146 750	24 533	17%

iii) Funds obligated against the Secretariat budget

11. A total amount of US\$ 33.6 million has been obligated against the Secretariat budget during the period from 1 January 2008 to 29 February 2008 representing a financial obligation rate of 18% of the US\$ 182.4 million available, which is less than in previous biennia when salaries of Secretariat staff for a full year were obligated, compared to six months under the new accounting standards. The total amount obligated includes US\$ 14.9 million for staff costs and US\$ 18.7 million obligated for activities. Further details on the funds obligated by the Secretariat are shown by principal outcomes in Table 4 below.

² The Interagency budget includes a provision of US \$ 100 million for the salaries of the Interagency country staff (UNAIDS Country Coordinators and advisers on monitoring and evaluation, partnership development and social mobilization) and operational costs for 83 UNAIDS country offices and related investment in IT field connectivity.

**Table 4: Secretariat budget allocation and obligations for the period
1 January 2008 to 29 February 2008** (in thousands of US dollars)

Principal Outcomes	Budget Allocations	Funds Obligated	%
1 Leadership and resource mobilization	121 020	23 872	20%
2 Planning, financing, technical assistance and coordination	26 760	4 025	15%
3 Strengthened evidence base and accountability	13 270	2 125	16%
5 Human rights, gender, stigma and discrimination	2 280	426	19%
6 Most at-risk populations	7 540	1 350	18%
7 Women and girls, young people, children and populations of humanitarian concern	11 530	1 768	15%
Total	182 400	33 566	18%

Fund balance

12. Despite an overall financial implementation rate of nearly 100% since its establishment in 1996 (and 92% in the 2006-2007 biennium), UNAIDS has consistently ended each financial period with a positive and accumulated fund balance, commensurate with the increase in the biennial budget and resources mobilized. On 31 December 2007, this accumulated fund balance amounted to US\$ 188.9 million³.
13. A sizeable fund balance has proven to be essential to ensure continuity of UNAIDS activities between biennia and the start-up of new activities in a new biennium. Without a significant fund balance every biennium, the Joint Programme could not operate without interruption. The fund balance has enabled UNAIDS to obligate the necessary funds for activities and staff costs falling under the Secretariat and Interagency components of the Unified Budget and Workplan at the beginning of 2008. The opening fund balance at the beginning of 2008 also enabled obligating and initiating the transfer to Cosponsors of up to 75% of their shares of the 2008–2009 Unified Budget and Workplan. This has facilitated the start-up of Cosponsors' UBW activities, including funding of posts which many Cosponsors need to obligate for the full year at the beginning of each calendar year, and, enables a performance-based release of UBW funds in 2009 following a full year of implementation.
14. Based on indications and assurances received from donor governments regarding pledges for the 2008–2009 biennium, UNAIDS Secretariat currently estimates being in a position to raise approximately US\$ 440 million to fund the 2008–2009 Unified Budget and Workplan. This estimate is also in line with the total unearmarked income received against the 2006–2007 Unified Budget and Workplan.

³ During 2006-2007, the resources mobilized for the Unified Budget and Workplan including interest, resulted in an excess of income over expenditure in the amount of US\$ 82.6 million for the Unified Budget and Workplan. More than 85% of this amount representing approximately US\$ 70 million was received during the last quarter of 2007.

15. On the assumption that the UNAIDS Secretariat can fully implement the 2008-2009 Unified Budget and Workplan by 31 December 2009, the Programme will be left with an estimated fund balance of US\$ 160 million as at 31 December 2009, which is consistent with fund balances of previous biennia compared to the size of the budget and resources mobilized. It also corresponds to the estimated needs for a smooth start-up of the 2010-2011 Unified Budget and Workplan.

Utilization of the anticipated and available fund balance under the 2008–2009 Unified Budget and Workplan

16. Since the PCB approved the 2008–2009 Unified Budget and Workplan in June 2007, additional needs and priorities have emerged. These include the funding to implement decisions and recommendations of the PCB as well as ensuring the safety and security of UNAIDS staff worldwide. Considering the new and additional needs against the need to guarantee the smooth operations of UNAIDS throughout the biennium and the next performance-based transfer of funds to UNAIDS Cosponsors in early 2009, the Executive Director recommends programming an amount of US\$ 16 million from the excess of 2006-2007 UBW income over expenditures towards the priorities and investments listed below which are not included in the 2008-2009 Unified Budget and Workplan:
 - US\$ 8 million to cover costs associated with the implementation of PCB recommendations and decisions adopted at *the 20th PCB meeting in June 2007* (sustainability of AIDS financing; NGO/civil society participation in the PCB; global coordination of AIDS and additional PCB meetings; gender guidance and strengthening gender capacity in the Secretariat, and; implementation of the Global Task Team assessment); *the 21st PCB meeting in December 2007* (the 2nd independent evaluation of UNAIDS); as well as the *22nd PCB meeting in April 2008* (the gender action plan and the establishment of a PCB subcommittee on planning and performance monitoring – if endorsed by the PCB under agenda item 2 and 5, respectively, of this meeting).
 - US\$ 8 million to strengthen current security measures and to ensure full compliance with the revised Minimum Operating Security Standards (MOSS) in the field and at headquarters;
17. Based on the above, **the Programme Coordinating Board is invited to:**
 - i. Take note of the interim financial management information for the 2008-2009 biennium and the financial update for the period 1 January to 29 February 2008;
 - ii. Endorse the Executive Director's proposal for the utilization of part of the available fund balance to cover priorities and investments that are not included in the 2008-2009 Unified Budget and Workplan;
 - iii. Encourage donor governments and others to release their contributions towards the 2008-2009 Unified Budget and Workplan as soon as possible.