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18th Meeting of the UNAIDS Programme Coordinating Board

**Geneva, Switzerland
27–28 June 2006**

Provisional agenda item 6.1:

Interim financial management information for the 2006–2007 biennium and financial update as at 30 April 2006

EXECUTIVE SUMMARY

- This report provides information on funds received and expenditures (including transfers to Cosponsors) as at 30 April 2006 against the Unified Budget and Workplan for 2006–2007.
- The report also presents a plan for the utilization of the available fund balance, on the basis of income and expenditure projections up to 31 December 2007.

Action required at this meeting

The PCB is requested to:

- i. take note of the interim financial management information for the 2006–2007 biennium and the financial update as at 30 April 2006.
- ii. endorse the Executive Director's proposal for the utilization of the available fund balance.
- iii. encourage donor governments and others to release their contributions towards the Unified Budget and Workplan for 2006–2007 as soon as possible, if they have not already done so.

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 2006–2007 biennium, as at 30 April 2006. A formal and certified financial report covering the full biennium will be prepared at the end of 2007, 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.

THE UNIFIED BUDGET AND WORKPLAN FOR THE 2006–2007 BIENNIUM

Approved Budget and Workplan

3. The Unified Budget and Workplan 2006–2007 is geared to the following strategic considerations:

- supporting achievement of the UN Declaration of Commitment on HIV/AIDS and the Millennium Development Goals;
- securing additional resources for the AIDS response from international and domestic sources;
- providing timely and effective support to countries to scale up their national response;
- eliminating bottlenecks to effective action ("making the money work") through better coordination among donors, meeting demands for technical support and strengthening human resource capacity in countries;

- promoting country-level ownership, harmonization and accountability through implementation of the "Three Ones" principles to enhance strategic coordination and effectiveness;
- supporting major global initiatives including multilateral funding initiatives, and efforts to expand access to antiretroviral treatment and revitalize worldwide prevention efforts;
- addressing gap areas in the response such as stigma and discrimination, human rights and neglected population groups—including injecting drug users, sex workers, men who have sex with men, women and girls and uniformed services; and
- ensuring strategic coherence of the work of the Cosponsors and Secretariat and the UN system as a whole.

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 16 principal results¹. The Unified Budget and Workplan also includes agreed principles and processes that further harmonize the work of Cosponsors and the Secretariat.

5. At its 17th meeting held in Geneva 27–29 June 2005, the PCB endorsed the strategies and approaches contained in the 2006–2007 Unified Budget and Workplan. It approved a core budget of US\$ 320.5 million and a proposed distribution of these resources as follows: US\$ 120.7 million to be shared among the 10 Cosponsors; US\$ 115.4 million for the Secretariat; and US\$ 84.4 million for Interagency activities. The PCB also approved supplemental budgets for the Secretariat and Interagency activities in the amounts of US\$ 25

¹ *The principal results are derived from, and represent the Joint Programme's contribution to meeting the goals articulated in the Declaration of Commitment on HIV/AIDS of the United Nations General Assembly's Special Session on HIV/AIDS in 2001.*

million and US\$ 21.2 million respectively, subject to availability of funds, bringing the components of the 2006–2007 Unified Budget and Workplan (core and supplemental) managed by the UNAIDS Executive Director up to US\$ 366.7 million.

Funds made available to the Unified Budget and Workplan for 2006–2007

6. During the period under review, income totalling US\$ 67.3 million was made available towards the Unified Budget and Workplan for 2006–2007. Over 99% of this amount was contributed by 10 governments.

The remainder (less than 1%) is made up of miscellaneous income, including small donations resulting from UNAIDS promotional campaigns launched with the assistance of the United Nations Federal Credit Union and honoraria received by UNAIDS Secretariat staff. Table 1 provides the details of the funds received towards the Unified Budget and Workplan during the period 1 January–30 April 2006.

Table 1: Unified Budget and Workplan details of income as at 30 April 2006

| Voluntary contributions | Funds received towards the Unified Budget and Workplan (in US\$ `000) |
|--|---|
| Governments | |
| Canada | 6 552 |
| Denmark | 6 483 |
| Japan | 3 200 |
| Luxembourg | 2 013 |
| New Zealand | 1 367 |
| Spain | 355 |
| Sweden | 25 457 |
| United Kingdom of Great Britain and Northern Ireland | 9 382 |
| United States of America | 12 150 ^{a/} |
| République et Canton de Genève, Switzerland | 357 |
| Sub-total | 67 316 |
| Other | |
| United Nations Federal Credit Union | 13 |
| Miscellaneous | 15 |
| Sub-total | 28 |
| Total | 67 344 |

^{a/} 2005 letter of credit drawn in 2006

7. Table 2 compares the percentage of funds contributed towards the respective Unified Budget and Workplans for 2002–2003, 2004–2005 and 2006–2007 by 30 April in the fiscal years 2002, 2004 and 2006. The percentage of funds received against the Unified Budget and Workplan for 2006–2007 currently stands at 18% (US\$ 67.3 million against US\$ 366.7 million) which compares favourably to the 17%

and 10% collection rate experienced respectively at the same time in 2002 and 2004.

8. This table also shows that despite the significant increase in the level of the funding requirements for 2006–2007 as compared to 2002–2003 and 2004–2005, that contributions for the period under review have remained at a high level, both in absolute and relative terms.

Table 2: Percentage of income received against the Unified Budget and Workplan funding requirements by 30 April in 2002, 2004 and 2006

| | 30 April 2002 | 30 April 2004 | 30 April 2006 |
|--|------------------|------------------|------------------|
| Income received against the Unified Budget and Workplan (in US\$ `000) | 32 000 | 25 800 | 67 300 |
| Approved level of the Unified Budget and Workplan in the concerned biennium (in US\$ `000) | 190 000 | 270 500 | 366 700 |
| Percentage of income received against the Unified Budget and Workplan funding requirement | 17% | 10% | 18% |

9. Several factors have contributed to this trend, such as a general increase in contributions from the donor community to UNAIDS, as well as the continued weakening of the US dollar against other major donor currencies which has increased the US dollar value of several donor contributions.

AIDS activities contained in the Unified Budget and Workplan;

- US\$ 25.2 million was expended for the Interagency activities; and

- US\$ 36.8 million was expended for Secretariat activities and staff.

Funds expended under the Unified Budget and Workplan for 2006–2007

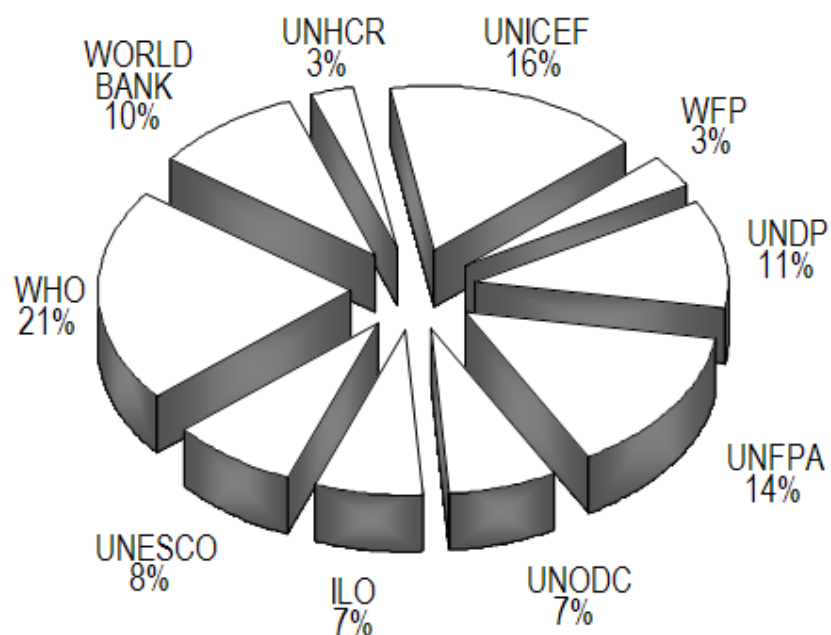
i) Funds transferred to Cosponsors

10. During the period 1 January to 30 April 2006, expenditure (including transfers to Cosponsors) totalling US\$ 122.3 million was incurred against the budget of US\$ 366.7 million approved for the 2006–2007 Unified Budget and Workplan (core and supplemental) resulting in a financial implementation rate of 33.3%. This expenditure was made as follows:

- US\$ 60.3 million was transferred to Cosponsors for the implementation of their

11. In accordance with PCB decision 12.1 (UNAIDS/PCB(17)05.6.2), financial transfers amounting to US\$ 60.3 million were made to Cosponsors as at 30 April 2006. These transfers represent 50% of Cosponsors' share under the Unified Budget and Workplan for 2006–2007. Information on the proportion of transfers made to individual Cosponsors versus total transfers together with amounts transferred against each of the agreed principal results is provided in Figure 1.

Figure 1: Funds transferred to Cosponsors as at 30 April 2006



| Principal Results | Funds transferred (in US dollar `000) |
|---|--|
| 1 UN system coordination | 96 |
| 2 Human rights | 870 |
| 3 Leadership and advocacy | 2 521 |
| 4 Partnerships | 2 889 |
| 5 Country capacity "Three Ones" | 4 581 |
| 6 HIV prevention programme | 14 942 |
| 7 Women and adolescent girls | 3 721 |
| 8 Children affected by HIV and AIDS | 2 871 |
| 9 Programmes addressing vulnerability to HIV | 4 398 |
| 10 Health care systems for treatment of HIV and AIDS | 8 626 |
| 11 Family and community-based care | 2 140 |
| 12 National action to alleviate impact | 2 708 |
| 13 AIDS in conflict-and disaster-affected regions | 1 827 |
| 14 Strategic information, research and reporting | 3 376 |
| 15 Resource mobilization, tracking and needs estimation | 3 198 |
| 16 Human and technical resources | 1 573 |
| | 60 337 |

ii) Expenditure incurred against Interagency resources

12. The Interagency budget provides funding for joint or collective action by the UNAIDS family as a whole. The Interagency resources share of the Unified Budget and Workplan for 2006–2007 consists of four main parts: the operational and related support of the Interagency country staff (UNAIDS Country Coordinators and experts in monitoring and evaluation, partnership development and resource mobilization) working with Theme Groups on HIV/AIDS at country level; direct financial support to catalytic projects that contribute to or strengthen an expanded response in priority countries through the Programme Acceleration Funds programmed by these Theme Groups; coordinated and collective UNAIDS action to support the stimulation of effective responses to HIV/AIDS through the implementation of appropriate interventions at country, regional and global level; and the enhancement of UN System staff's capacity to respond to the AIDS epidemic at individual, professional and organizational levels.

13. As at 30 April 2006, total amount of US\$ 25.2 million was expended for Interagency activities as follows:

- US\$ 21.8 million towards the operations of Theme Groups, including salary costs for UNAIDS Country Coordinators and experts;

- US\$ 3.2 million to support a number of interventions including activities to support scaling up towards universal access; US\$ 0.2 million disbursed towards activities aiming at increasing staff capacity on HIV and AIDS.

14. Regarding the disbursements of Programme Acceleration Funds under the 2006–2007 Unified Budget and Workplan, an updated guidance note was transmitted to all Regional Support Teams on 3 April 2006 asking them to inform Theme Group Chairs in their regions of the new decentralized Programme Acceleration Funds process and also, where relevant, of their country allocations. The Regional Support Teams were also asked to form their own Programme Acceleration Funds Review Committees, which are to include two members from Cosponsors' Regional Offices as soon as possible. Theme Groups have been invited to submit proposals by 31 May 2006. Therefore, Programme Acceleration Funds grants will be made available as soon as the Secretariat in Geneva receives approved proposals from the Regional Support Teams. A sharp acceleration in Programme Acceleration Funds expenditure is therefore expected during the second quarter of the biennium.

15. A breakdown of Interagency resource expenditure is provided by principal results in Table 3 below:

Table 3: 2006–2007 Unified Budget and Workplan: Interagency resources budget allocation and expenditure as at 30 April 2006 (in US `000 dollars)

| | Principal Results | Interagency resources | |
|----|---|-----------------------|-------------|
| | | allocation | expenditure |
| 1 | UN system coordination | 32 736 | 7 858 |
| 3 | Leadership and advocacy | 3 168 | 685 |
| 5 | Country capacity "Three Ones" | 33 792 | 8 110 |
| 6 | HIV prevention programme | 2 112 | 457 |
| 14 | Strategic information, research and reporting | 2 112 | 457 |
| 16 | Human and technical resources | 31 680 | 7 629 |
| | Total | 105 600 ^{a/} | 25 196 |

^{a/} Consists of US\$ 84.4 million core budget and US\$ 21.2 million supplemental

iii) Expenditure incurred against the Secretariat budget

16. Secretariat expenditure amounted to US\$ 36.8 million as at 30 April 2006; representing a financial implementation rate of approximately 26% of the US\$ 140.4 million. This includes US\$ 9.1 million spent on activities, and US\$ 27.7 million on staff costs.

Further details on the funds expended by the Secretariat are shown by principal results in Table 4 below.

Table 4: 2006–2007 Unified Budget and Workplan Secretariat budget allocation and expenditure as at 30 April 2006 (in US dollars `000)

| Principal Results | Secretariat | |
|--|-----------------------|-------------|
| | allocation | expenditure |
| 1 UN system coordination | 19 699 | 5 293 |
| 2 Human rights | 4 125 | 1 139 |
| 3 Leadership and advocacy | 19 799 | 5 322 |
| 4 Partnerships | 4 555 | 1 238 |
| 5 Country capacity "Three Ones" | 27 958 | 7 263 |
| 7 Women and adolescent girls | 4 234 | 1 154 |
| 14 Strategic information, research and reporting | 31 476 | 8 061 |
| 15 Financial resources | 14 114 | 3 617 |
| 16 Human and technical resources | 14 441 | 3 683 |
| Total | 140 400 ^{a/} | 36 770 |

^{a/} Consists of US\$ 115.4 million core budget and US\$ 25 million supplemental

Fund balance

17. Despite an overall financial implementation rate of nearly 100% during the ten-year period from 1996 to 2005, the Joint Programme has consistently ended each financial period with a sizeable accumulated fund balance, commensurate with the biennial budget increases. On 31 December 2005, this accumulated fund balance amounted to US\$ 121.7 million.

Such a fund balance has proven to be essential to ensure continuity and smooth implementation of the Programme's operations under PCB approved increased budgets.

18. Immediate access to this fund balance at the beginning of 2006 provided the possibility for the Secretariat to transfer to Cosponsors up to 50% of their shares under the 2006–2007 Unified Budget and Workplan during the month of January 2006, thus ensuring continuity and smooth implementation of their activities. It is worth noting in this context, that the financial rules of most Cosponsor organizations require the costs of filled posts be obligated for the full year at the beginning of each calendar year, and that such upfront payments therefore facilitate continuity.

19. In light of the level of funds already received for the Unified Budget and Workplan for 2006–2007, as well as assurance received from donor governments regarding the timely release of their outstanding pledges for the biennium 2006–2007, the UNAIDS Secretariat estimates to be in a position to successfully raise over US\$ 340 million to fund the 2006–2007 Budget and Workplan. This estimate is also based on total unarmarked income received against the 2004–2005 Unified Budget and Workplan.

Utilization of the anticipated and available fund balance under the 2006–2007 Unified Budget and Workplan

21. Strategically utilizing new developments in the area of AIDS for more effective country support, the UNAIDS Secretariat has prioritized a number of emerging initiatives. These strategic initiatives include the following:

- the **Global Joint Problem Solving Team (GIST)**, set up to unblock immediate bottlenecks to accelerated grant implementation, as recommended by the Global Task Team;
- the **UNAIDS Technical Support Facilities** aiming to provide timely and quality technical support at the regional level;
- increased **UN system support** for the **scaling up towards universal access to prevention, treatment, care and support**;
- the **Joint Situation Room** at the UNAIDS/WHO headquarters to enable rapid response analysis; and
- upgraded **Information Technology Infrastructure**, to allow more efficient operations of UNAIDS. These emerging initiatives will not only assist countries to significantly increase their outreach to populations in need of information and services, but also accelerate UN reforms resulting in a more effective UN response.

22. Based on the above and taking into account the need to transfer funding to the cosponsoring organizations by the beginning of 2008, the Executive Director therefore recommends to programme an amount of US\$ 20 million from the anticipated and available fund balance under the 2006–2007 Unified Budget and Workplan, towards the following priority strategic initiatives and investments to be launched/implemented during the biennium 2006–2007:

- US\$ 3 million to respond to requests from at least 10 countries to identify and unblock bottlenecks to the implementation of large grants for HIV/AIDS prevention, care and treatment through the **Global Joint Problem Solving Team (GIST)** and putting in place of country and regional-level GIST-like processes.
- US\$ 5 million for further scaling up **UNAIDS Technical Support Facilities (TSFs)** in providing quality assured technical support to country partners in priority areas,

including fulfilment of new commitments made at the 2006 High Level Meeting on AIDS. The additional funding will enable further consolidation of the TSFs in Southern Africa, West and Central Africa, Eastern Africa and South East Asia and the Pacific and for scaling up to cover Eastern Europe and South Asia.

- US\$ 5 million for follow-up to the country consultations on **scaling up towards universal access and the country support called for in the declaration of the 2006 High Level Meeting on AIDS**, as per country needs and in line with the UNAIDS technical support division of labour. These follow-up activities will focus on countries that require additional technical support to meet the target-setting, monitoring and reporting commitments made at the High Level Meeting. The key technical support areas include:

- i) target setting on scaling up towards universal access through participatory consultations;

- ii) revisions, where necessary, of the national strategic plan and the costed action plan to reach targets on scaling up towards universal access; and

- iii) supporting monitoring and mid-term reporting on progress on achieving targets.

- US\$ 3 million to create and start up a **Joint Situation Room and Information Centre** on AIDS in the new UNAIDS/WHO Headquarters building. Based on real-time information exchange and intelligence gathering, the situation room will allow rapid response analysis and action, to increase effectiveness of other emerging AIDS initiatives.
- US\$ 4 million for **information technology (IT) infrastructure** upgrades and services to implement and maintain effective and efficient IT

support for all UNAIDS staff at regional and country levels, focusing on the following interrelated areas: (i) connectivity and infrastructure upgrades for UNAIDS regional support teams and country offices to ensure reliable and secure networks and internet connectivity; (ii) an improved common and reliable e-mail system for all staff in the Secretariat; (iii) systems to enable effective communication, knowledge sharing and information management among UNAIDS staff at country, regional and global levels and Cosponsoring Organizations and other partners; (iv) common standards for all IT services at country, regional and global levels for effective and efficient use of resources. This has become vital for the efficient operation of the Programme.

23. The Programme Coordination Board is requested to approve these special allocations for priority strategic initiatives and investments at its eighteenth meeting on 27–28 June 2006.