



UNAIDS/PCB(20)/07.4
15 May 2007

20th Meeting of the Programme Coordinating Board
Geneva, Switzerland
25-27 June 2007

Provisional agenda item 2:

2008-2009 Unified Budget and Workplan and Financial Report:
Interim financial management information for the 2006-2007 biennium
and financial update as at 30 April 2007

Additional documents for this item:

- i. 2008-2009 Unified Budget and Workplan (*UNAIDS/PCB(20)/07.3*)
- ii. Proposal to PCB for new discretionary authority for the Executive Director with respect to the programming and disbursement of funds received over the approved level of the budget (*UNAIDS/PCB(20)/07.15*)
- iii. Mid-term Progress Report: 2006-2007 Unified Budget and Workplan (*conference room paper*)

Action required at this meeting – the Programme Coordinating Board 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 2007.
- ii. 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.

Cost implications for decisions: none

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 2007. 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 response to AIDS 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 unmet 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 million and US\$ 21.2 million respectively, subject to availability of funds. Furthermore, the PCB at its 18th meeting held in Geneva 27–28 June 2006 approved the inclusion of a new supplemental budget line in the Interagency section in the amount of US\$ 40 million specifically

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.

dedicated to the provision of technical support to countries, bringing the components of the 2006–2007 Unified Budget and Workplan (core and supplemental) managed by the UNAIDS Executive Director up to US\$ 406.7 million².

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

6. During the period under review, income totaling US\$ 250.8 million was made available towards the Unified Budget and Workplan for 2006–2007. Some 28 governments and the World Bank contributed respectively 93% and 3% of this amount. The remaining 4% is made up of interest received and apportioned during the reporting period, together with 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 2006 –30 April 2007.

² Excludes US\$ 33 million of special allocations approved by the PCB; comprised of US\$ 21 million for priority strategic initiatives and investments and US\$ 12 million carried forward from previous biennium.

Table 1: Unified Budget and Workplan details of income as at 30 April 2007

Voluntary contributions	Funds received toward the 2006-2007 Unified Budget and Workplan
Governments	
Andorra	31 800
Australia	2 290 076
Belgium (incl. Ministry of the Flemish Community)	5 055 741
Brazil	100 000
Canada	13 057 738
China	99 980
Denmark	13 638 617
Finland	7 712 082
France	2 719 024
Germany	1 328 670
Greece	789 474
Ireland	7 755 138
Japan	3 200 000
Liechtenstein	16 130
Luxembourg	4 946 395
Monaco	75 000
Netherlands	38 346 734
New Zealand	2 749 400
Norway	27 538 087
Poland	50 000
Portugal	127 551
Russian Federation	449 969
Spain	1 652 467
Sweden	31 294 228
Switzerland	7 156 364
United Kingdom of Great Britain and Northern Ireland	18 849 000
United States of America	41 910 000 ^{a/}
Autonomous Government of the Region of Extramadura, Spain	156 171
Républic et Canton de Génève, Switzerland	356 589
Sub-total	233 452 425
Cosponsoring Organizations	
World Bank	8 000 000
Sub-total	8 000 000
Other	
Greek Action for Africa	294 357
United Nations federal credit Union	48 387
United Nations Office in Geneva	52 100
Miscellaneous	44 784
Sub-total	439 628
Other income	
Interest	8 877 790
Sub-total	8 877 790
TOTAL	250 769 843

^{a/} Includes US\$ 12.1 million balance of 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 2003, 2005 and 2007. The percentage of funds received against the Unified Budget and Workplan for 2006–2007 currently stands at 62% (US\$ 250.8 million against US\$ 406.7 million), which compares well to the 64% and 68% collection rate experienced at the same time in 2003 and 2005, considering the significant increase in the level of the 2006-2007 Unified Budget and Workplan.

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 2003, 2005 and 2007

	30 April 2003	30 April 2005	30 April 2007
Approved level of the Unified Budget and Workplan in the concerned biennium (in US\$ `000)	190 000	270 500	406 700 ³
Income received against the Unified Budget and Workplan (in US\$ `000)	122 500	185 200	250 800
Percentage of income received against the Unified Budget and Workplan funding requirement	64%	68%	62%

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.

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

10. During the period 1 January 2006 to 30 April 2007, expenditure (including transfers to Cosponsors) totaling US\$ 292 million was incurred against the budget of US\$ 406.7 million approved for the 2006–2007 Unified Budget and Workplan (core and supplemental) resulting in a financial implementation rate of 71.8%. This expenditure was made as follows:

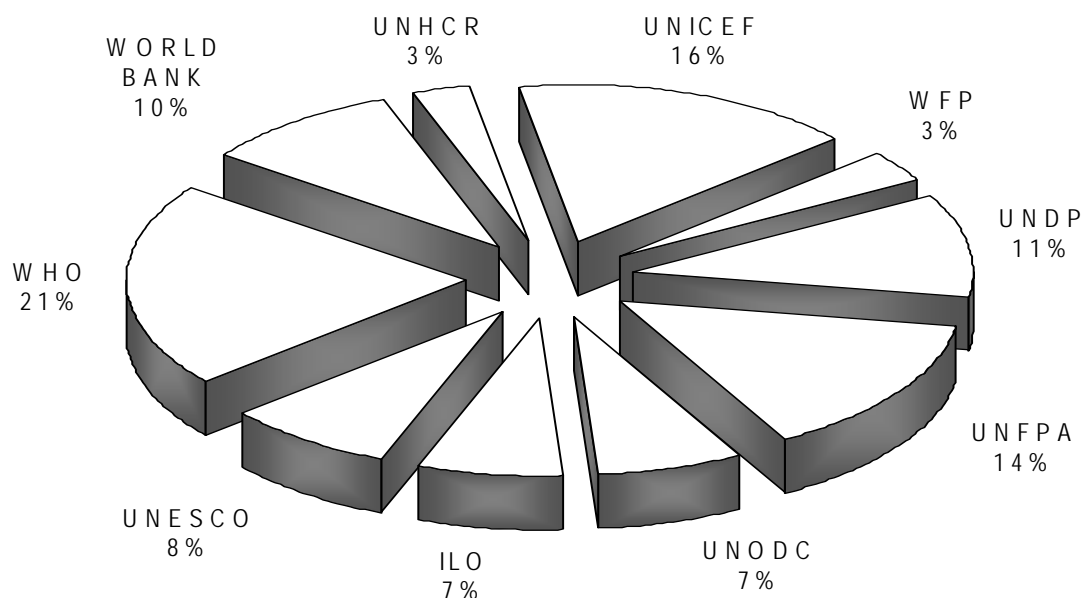
- US\$ 120.7 million was transferred to Cosponsors for the implementation of their AIDS activities contained in the Unified Budget and Workplan;
- US\$ 73.3 million was expended for the Interagency activities; and
- US\$ 98 million was expended for Secretariat activities and staff.

1. Funds transferred to Cosponsors

11. As at 30 April 2007, financial transfers made to Cosponsors amounted to US\$ 120.7 million. These transfers represent 100% 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.

³ See footnote no. 2 page 3

Figure 1: Funds and proportions transferred to Cosponsors as at 30 April 2007



Principal Results	Funds transferred (in US dollar `000)
1 UN system coordination	191
2 Human rights	1 741
3 Leadership and advocacy	5 042
4 Partnerships	5 778
5 Country capacity "Three Ones"	9 161
6 HIV prevention	29 947
7 Women and adolescent girls	7 443
8 Children affected by HIV and AIDS	5 742
9 Programmes addressing vulnerability to HIV	8 796
10 Health care systems for treatment of HIV and AIDS	18 580
11 Family and community-based care	4 279
12 National action to alleviate impact	5 415
13 AIDS in conflict-and disaster-affected regions	3 655
14 Strategic information, research and reporting	5 359
15 Resource mobilization, tracking and needs estimation	6 396
16 Human and technical resources	3 145
	120 670

2. 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 five 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; the enhancement of UN System staff's capacity to respond to the AIDS epidemic at individual, professional and organizational levels and the technical support to countries.

13. As at 30 April 2007, total amount of US\$ 73.3 million was expended for Interagency activities as follows:

- US\$ 54 million towards the operations of Theme Groups, including salary costs for UNAIDS Country Coordinators and experts;
- US\$ 9.7 million disbursed for Programme Acceleration Funds;
- US\$ 5.0 million to support a number of targeted interventions at country, regional and global levels;
- US\$ 1.9 million disbursed towards activities aiming at increasing staff capacity on HIV and AIDS;
- US\$ 2.7 million disbursed towards technical support to countries.

14. 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 2007 (in US `000 dollars)

Principal Results		Interagency resources	
		allocation	expenditure
1	UN system coordination	47 700	23 566
3	Leadership and advocacy	7 150	6 047
5	Country capacity "Three Ones"	45 900	22 532
6	HIV prevention	1 800	1 034
14	Strategic information, research and reporting	7 150	6 047
16	Human and technical resources	35 900	14 077
Total		145 600 ^{a/}	73 303

^{a/} Consists of US\$ 84.4 million core budget and US\$ 61.2 million supplemental

3. Expenditure incurred against the Secretariat budget

15. Secretariat expenditure amounted to US\$ 98 million as at 30 April 2007; representing a financial implementation rate of approximately 70% of the US\$ 140.4 million (core and supplemental). This includes US\$ 37.2 million spent on activities, and US\$ 60.8 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 2007 (in US dollars `000)

Principal Results	Secretariat	
	allocation	expenditure
1 UN system coordination	8 318	5 087
2 Human rights	11 166	7 504
3 Leadership and advocacy	29 615	23 155
4 Partnerships	12 334	8 494
5 Country capacity "Three Ones"	15 316	8 072
7 Women and adolescent girls	6 166	3 262
14 Strategic information, research and reporting	33 635	23 892
15 Financial resources	12 500	9 760
16 Human and technical resources	11 350	8 786
Total	140 400 ^{a/}	98 012

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

Fund balance

16. 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 positive and accumulated fund balance, commensurate with the biennial budget increases. On 31 December 2005, this accumulated fund balance amounted to US\$ 121.7 million.

17. Without a significant fund balance every biennium, the Joint Programme would not be able to operate without interruption. 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.

18. In light of the level of funds already received for the Unified Budget and Workplan for 2006–2007, as well as assurances received from donor governments regarding the timely release of their outstanding pledges for the biennium 2006–2007, the UNAIDS Secretariat estimates at this time to be in a position to raise approximately US\$ 400 million to fund the 2006–2007 Unified Budget and Workplan. On the assumption that the UNAIDS Secretariat can fully implement the 2006-2007 Unified Budget and Workplan by 31 December 2007, the Programme will be left with an estimated fund balance of US\$ 126 million as at 31 December 2007, which is consistent with previous biennia fund balances.

19. The Executive Director recommends that advances again be made to Cosponsors against their shares under the 2008-2009 Unified Budget and Workplan. Subject to the separate approval of the 2008-2009 Unified Budget and Workplan by the PCB, it is therefore recommended to earmark US\$ 67.3 million under the anticipated fund balance as at 31 December 2007, representing 50% of Cosponsors' share under the proposed 2008-2009 Unified Budget and Workplan, for transfer to Cosponsors in January 2008. The remaining amount under the anticipated fund balance will enable the Executive Director to continue Secretariat and Interagency activities during the transition period, and to obligate the

costs of filled posts under both Secretariat and Interagency sections of the 2008-2009 Unified Budget and Workplan in January 2008 in accordance with the financial rules which require the costs of filled posts be obligated for the full year at the beginning of each calendar year, pending receipt of contributions for 2008-2009.