



UNAIDS/PCB(28)/11.9  
21 April 2011

**28<sup>th</sup> Meeting of the UNAIDS Programme Coordinating Board**  
**Geneva, Switzerland**  
**21-23 June 2011**

**Interim financial management update for the 2010–2011 biennium  
for the period 1 January 2010 to 31 March 2011**

**Additional documents for this item:** Unaudited Interim Financial Report for the year ended 31 December 2010 (Document: UNAIDS/PCB(28)/11.8)

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

- i. Take note of the interim financial management update for the 2010-2011 biennium for the period 1 January 2010 to 31 March 2011;
- ii. Encourage donor governments and others to release their contributions towards the 2010-2011 Unified Budget and Workplan as soon as possible;
- iii. Take note of the report of the Executive Director on provisions for employee benefits under IPSAS;
- iv. Endorse the Executive Director's recommendation to fully fund the organizational liabilities for employees from the fund balance and approve the funding of an initial amount of US\$ 20 million from the fund balance;
- v. Authorize the remaining estimated US\$ 30.2 million shortfall in the organizational liabilities for employees to be covered from the fund balance over a period of five years or less, subject to availability of funds.
- vi. Endorse the establishment of a Building Renovation Reserve Fund with an initial amount of US\$ 2.6 million;
- vii. Approve replenishment of the Fund on an annual basis out of the fund balance for the amount of depreciation accumulated to the UNAIDS' buildings or such other amount as might be determined from time to time by the Programme Coordinating Board; and
- viii. Authorize the Executive Director to use the Building Renovation Reserve Fund to meet the costs of major repairs of, alterations to, and investments in, UNAIDS' office buildings and report on the use of the Fund to the Programme Coordinating Board.

**Cost implications for decisions:** US\$22.6 million

## 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 2010–2011 biennium, for the period 1 January 2010 to 31 March 2011. A formal and certified financial report covering the full biennium will be prepared at the end of 2011, the second year of the financial period.
2. This interim financial management information is not accompanied by an audit opinion. However, the accounts and operations of UNAIDS are subject to continuous examination and review by both internal and external auditors of WHO, which provides administration in support of the Programme as per Economic and Social Council of the United Nations (ECOSOC) resolution 1994/24, and Article XI of the Memorandum of Understanding among Cosponsors establishing UNAIDS.

## THE UNIFIED BUDGET AND WORKPLAN FOR THE 2010–2011 BIENNIUM

### Approved Budget and Workplan

3. The 2010-2011 Unified Budget and Workplan has been guided by the 2007-2011 Strategic Framework for UNAIDS support to countries' efforts to move towards Universal Access to HIV prevention, treatment, care and support (UNAIDS/PCB(23)08.27). This Framework outlines the following five strategic directions for the Joint Programme:
  - Guiding the global agenda, increasing involvement and monitoring global progress;
  - Technical support and capacity building to 'make the money work' for Universal Access;
  - Human rights, gender equality and reduced vulnerability of most-at-risk populations;
  - Re-emphasizing HIV prevention alongside treatment, care and support; and
  - Strengthening harmonization and alignment to national priorities.
4. In addition, the 2010-2011 Unified Budget and Workplan reflects a focus on the following ten priority areas which are linked to expected outcomes and outputs:
  - Reducing sexual transmission of HIV;
  - Preventing mothers from dying and babies from becoming infected with HIV;
  - Ensuring people living with HIV receive treatment;
  - Preventing people living with HIV from dying of tuberculosis;
  - Protecting drug users from becoming infected with HIV;
  - Removing punitive laws, policies and practices, stigma and discrimination that block effective responses to AIDS;
  - Stopping violence against women and girls;
  - Empowering young people to protect themselves from HIV;
  - Enhancing social protection for people affected by HIV; and
  - Protecting men who have sex with men, sex workers, and transgender people from becoming infected with HIV.
5. At its 24th meeting held in Geneva from 22 to 24 June 2009, the Programme Coordinating Board endorsed the action agenda and priority areas contained in the 2010-2011 Unified Budget and Workplan. It approved the total budget of US\$ 484.8 million (the same level as for the previous biennium) and the distribution of these resources as follows: US\$ 161.0 million to be shared among 10 Cosponsors; US\$ 182.4 for the UNAIDS Secretariat; US\$ 136.4 million for interagency activities; and US\$ 5 million as a contingency fund.

6. Furthermore, at its 27th meeting held in Geneva from 8 to 10 December 2010, the Programme Coordinating Board adopted the UNAIDS 2011-2015 Strategy. This Strategy outlines the following three strategic directions: (i) Revolutionize HIV prevention; (ii) Catalyse the next phase of treatment, care and support and (iii) Advance human rights and gender equality for the HIV response.
7. These strategic directions provide a transformative agenda for the global HIV response to ensure resources are deployed optimally to achieve universal access to HIV prevention, treatment, care and support and to halt and reverse the spread of HIV and contribute to the achievement of the Millennium Development goals by 2015.

#### **Funds made available for the 2010–2011 biennium**

8. During the period under review, operating revenue of US\$ 275.0 million was made available towards the Unified Budget and Workplan for 2010-2011. Twenty eight governments contributed 98.5 per cent of this amount, and the World Bank contributed 1.5 per cent of this amount. In addition to this amount, financial revenue (primarily interest earnings) of US\$ 4.3 million was also received and apportioned during the reporting period bringing the total revenue available to the Unified Budget and Workplan for 2010-2011 to US\$ 279.3 million. Table 1 provides the details of revenue attributed towards the 2010-2011 Unified Budget and Workplan during the period 1 January 2010 to 31 March 2011.

**Table 1**

**Unified Budget and Workplan - details of revenue  
for the period 1 January 2010 to 31 March 2011**  
(in US dollars)

Voluntary contributions	Funds made available towards the 2010-2011 Unified Budget and Workplan
<b>Governments</b>	
Andorra	41 667
Australia	6 818 182
Austria	144 300
Belgium	12 048 491
Canada	5 268 293
China	100 000
Denmark	14 500 945
Finland	12 145 749
Flemish Government	0
France	944 669
Germany	7 067 787
Ireland	3 952 569
Israel	5 000
Japan	5 650 271
Liechtenstein	23 063
Luxembourg	3 576 248
Monaco	132 116
Netherlands	38 840 937
New Zealand	5 250 350
Norway	26 823 135
Poland	61 653
Portugal	269 906
Russian Federation	500 000
Spain	2 975 721
Sweden	37 801 604
Switzerland	9 694 133
Thailand	199 973
United Kingdom of Great Britain and Northern Ireland	31 412 347
United States of America	44 700 000
<b>Sub-total</b>	<b>270 949 109</b>
<b>Cosponsoring organizations</b>	
World Bank	4 000 000
<b>Sub-total</b>	<b>4 000 000</b>
<b>Other</b>	
United Nations Federal Credit Union	33 734
Miscellaneous	32 155
<b>Sub-total</b>	<b>65 889</b>
<b>Total operating revenue</b>	<b>275 014 998</b>
<b>Other revenue</b>	
Interest	4 326 180
<b>Total other revenue</b>	<b>4 326 180</b>
<b>GRAND TOTAL</b>	<b>279 341 178</b>

9. Table 2 compares the funds contributed towards the Unified Budget and Workplan for 2004-2005, 2006–2007, 2008–2009 and 2010–2011 by 31 March of 2005, 2007, 2009 and 2011 for the relevant biennium. The percentage of funds made available against the 2010–2011 Unified Budget and Workplan currently stands at 57.6 per cent which is significantly lower than in previous biennia. This highlights the need for donors who have already made commitments, to pay the outstanding amounts and for those donors who have not yet done so, to pledge and pay their contributions to UNAIDS for 2011 in full.

**Table 2: Percentage of revenue recognized against the Unified Budget and Workplan funding requirements by 31 March in 2005, 2007, 2009 and 2011**

	31 March 2005	31 March 2007	31 March 2009	31 March 2011	31 March 2011
Approved level of the Unified Budget and Workplan in the concerned biennium (in thousands of US dollars)	270 500	406 700	484 820	484 820	484 820
Revenue recognized against the Unified Budget and Workplan (in thousand of US dollars)	182 100	245 240	421 680	279 341 <sup>a/</sup>	253 807 <sup>b/</sup>
<b>Percentage of revenue recognized against the Unified Budget and Workplan funding requirement</b>	67.3%	60.3%	87.0%	57.6% <sup>a/</sup>	52.4% <sup>b/</sup>

<sup>a/</sup> Based on the revised accounting policy of recognizing revenue on accrual basis (i.e. upon signature of donor agreement)

<sup>b/</sup> Based on the previous accounting policy of recognizing revenue on cash basis (i.e. when actual cash is received)

## EXTRA-BUDGETARY FUNDS

10. During the period under review, extra-budgetary resources amounting to US\$ 46.4 million were made available to UNAIDS to provide support to a number of global, regional and country activities and a number of interagency-managed activities that are not included in the Unified Budget and Workplan and do not specifically fall under any Cosponsor's mandate. Details on the sources of these funds are provided in Table 3.

**Table 3**

**Extra-budgetary funds - details of revenue  
for the period 1 January 2010 to 31 March 2011  
(US dollars)**

<b>Voluntary contributions</b>	<b>Funds made available towards Extra-budgetary funds 2010-2011</b>
<b>Governments</b>	
Australia	9 385 782
Denmark	4 378 517
France	1 033 811 <sup>1/</sup>
Ireland	2 400 182
Japan	800 000
Luxembourg	2 699 055
Netherlands	322 304
Norway	464 870
Spain	359 789
Sweden	2 600 646
United Kingdom of Great Britain and Northern Ireland	2 528 481
United States of America (CDC)	1 025 423
United States of America (USAID)	5 125 000
<b>Sub-total</b>	<b>33 123 860</b>
<b>Cosponsoring Organizations</b>	
UNDP	651 268
WHO	407 104
<b>Sub-total</b>	<b>1 058 372</b>
<b>Other</b>	
Asean Foundation	140 097
Bill and Melinda Gates Foundation	1 233 169
CARICOM	84 436
European Commission	2 342 303
Ford Foundation	1 200 000
Germany, GTZ	1 432 090
MDTF Office	3 507 859
OHCHR	95 000
Public Health Foundation in India	71 262
UNCERF	564 962
UNOPS	449 418
Miscellaneous	6 600
Refund to donors and others	( 59 485)
<b>Sub-total</b>	<b>11 067 711</b>
<b>Total operating revenue</b>	<b>45 249 943</b>
<b>Other revenue</b>	
Interest	1 194 340
<b>Total other revenue</b>	<b>1 194 340</b>
<b>GRAND TOTAL</b>	<b>46 444 283</b>

<sup>1/</sup> Includes in-service contribution of US\$ 478 255.

## FUNDS EXPENDED AND ENCUMBERED <sup>1</sup> UNDER THE 2010-2011 UNIFIED BUDGET AND WORKPLAN

11. During the period 1 January 2010 to 31 March 2011, expense and encumbrance (including transfers to Cosponsors) totaling US\$ 374.4 million were incurred against the budget of US\$ 484.8 million approved for the 2010–2011 Unified Budget and Workplan, which corresponds to a financial implementation rate of 77.2 per cent. The total expense and encumbrance for the implementation of the AIDS activities contained in the Unified Budget and Workplans were distributed as follows:
- US\$ 158.5 million was transferred to Cosponsors;
  - US\$ 95.5 million was expended and encumbered for the Interagency activities; and
  - US\$ 120.4 million was expended and encumbered for Secretariat activities and staff.
12. Table 4 provides details on the 2010-2011 Unified Budget and Workplan approved allocations, expense and encumbrance broken down by Cosponsors, Interagency and Secretariat for the period 1 January 2010 to 31 March 2011.

**Table 4: 2010–2011 Unified Budget and Workplan approved allocations, expense and encumbrances for the period 1 January 2010 to 31 March 2011** (in thousands of US dollars)

	Approved allocations	Expense	Encumbrance <sup>a/</sup>	Total	Balance	Percentage implementation
	(a)	(b)	(c)	(d) = (b + c)	(e) = (a - d)	(f) = (d / a)
<b>Cosponsors</b>	160 970	158 539		158 539	2,431	98.5%
<b>Interagency</b>	136 450	77 071	18 430	95 501	40 949	70.0%
<b>Secretariat</b>	182 400	107 420	12 954	120 374	62 026	66.0%
<b>Contingency</b>	5 000	-	-	-	5 000	-
<b>Total</b>	<b>484 820</b>	<b>343 030</b>	<b>31 384</b>	<b>374 414</b>	<b>110 406</b>	<b>77.2%</b>

<sup>a/</sup> Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.

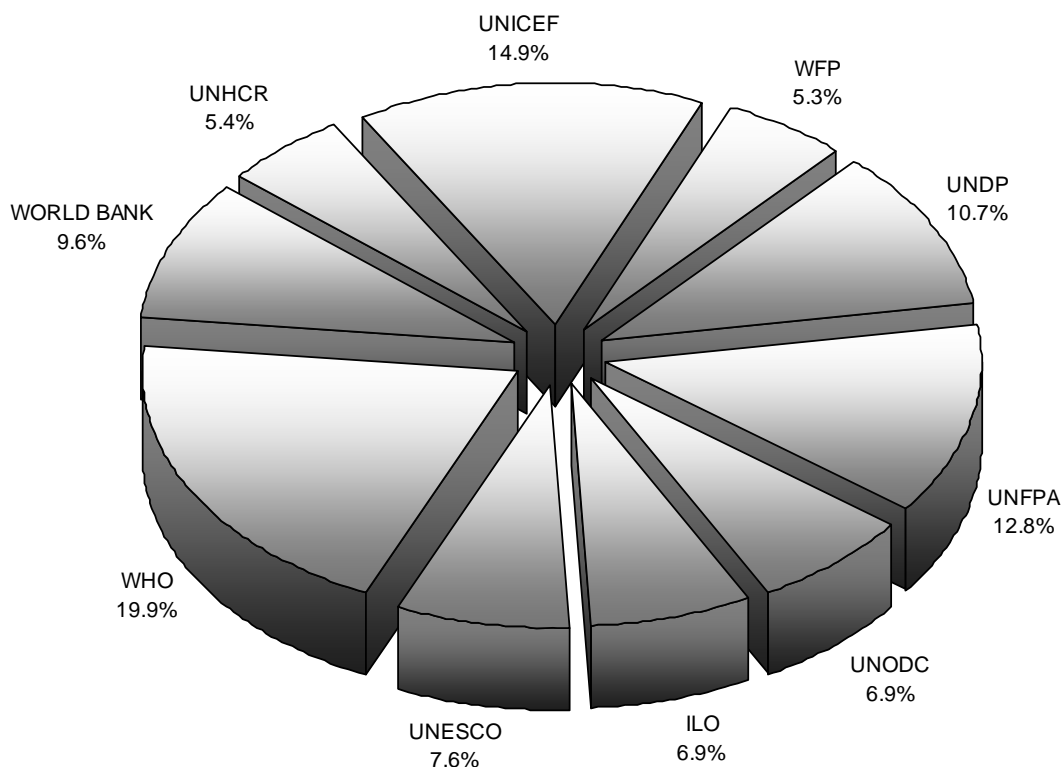
### *i) Funds transferred to Cosponsors*

13. As of 31 March 2011, a total amount of US\$ 158.5 million has been transferred against the Cosponsors' budget, representing 98.5 per cent of the Cosponsors' share under the 2010-2011 Unified Budget and Workplan. Figure 1 provides information on the proportion of funds transferred against each individual Cosponsor versus total funds allocated.

<sup>1</sup> Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.



**Figure 1: Cosponsors' share of funds transferred as of 31 March 2011**



**ii) Funds expended and encumbered against Interagency resources**

14. Interagency activities involve joint initiatives by more than one member of the UNAIDS Cosponsors and/or the Secretariat. 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\$ 77.1 million was expended and US\$ 18.4 million was encumbered for Interagency activities out of an approved biennium allocation of US\$ 136.4 million<sup>2</sup> which together represents a financial implementation rate of 70.0 per cent.

**iii) Funds expended and encumbered against the Secretariat budget**

15. During the period under review, a total amount of US\$ 107.4 million was expended and US\$ 13.0 million was encumbered against the Secretariat biennium budget of US\$ 182.4 million which together represent a financial implementation rate of 66.0 per cent. The total amount expended and encumbered includes US\$ 57.8 million for fixed term core staff costs and US\$ 49.6 million for activities.

**FUNDS EXPENDED AND ENCUMBERED AGAINST THE EXTRA-BUDGETARY FUNDS FOR 2010-2011**

16. During the period under review, a total of US\$ 48.8 million was expended and US\$ 18.8 million was encumbered against the extra-budgetary resources as detailed in Table 5.
17. Table 5 also presents: (i) an overview of the total extra-budgetary resources (column c), including funds carried over from 2009 which have been made available to programme activities; and (ii) the amount of funds expended and encumbered from 1 January 2010 to 31 March 2011.

<sup>2</sup> 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 85 UNAIDS country offices.

Table 5

**Extra-budgetary funds**  
**Funds available, expense and encumbrance summary by source of revenue**  
**for the financial the period 1 January 2010 to 31 March 2011**  
(in US dollars)

Source of revenue	2008-2009	Funds made	Total	Expense	Encumbrance <sup>a/</sup>	Total	Balance	Percentage
	Carry-over	available in	Available Funds					Implementation
	(a)	(b)	(c) = (a+b)	(d)	(e)	(f) = (d + e)	(g) = (c - f)	(h) = (f / c)
<b>Voluntary contributions and other revenue</b>								
Andorra	205	-	205	-	-	-	205	-
Australia	4 385 336	9 385 782	13 771 118	4 874 392	2 478 163	7 352 555	6 418 563	53.4%
Austria	724 319	-	724 319	421 484	272 484	693 968	30 351	95.8%
Belgium	178 368	-	178 368	-	-	-	178 368	-
Canada	1 786	-	1 786	-	-	-	1 786	-
Denmark	220 271	4 378 517	4 598 788	3 008 968	568 463	3 577 431	1 021 357	77.8%
Finland	1 343 094	-	1 343 094	982 515	358 462	1 340 977	2 117	99.8%
France	1 676 410	1 033 811 <sup>b/</sup>	2 710 221	1 167 160	222 295	1 389 455	1 320 766	51.3%
Germany including GTZ	1 143 102	1 432 090	2 575 192	553 588	449 270	1 002 858	1 572 334	38.9%
Greece	5 613	-	5 613	5 613	-	5 613	-	100.0%
Ireland	3 821 579	2 400 182	6 221 761	1 971 353	690 398	2 661 751	3 560 010	42.8%
Italy	29 973	-	29 973	-	-	-	29 973	-
Japan	530 594	800 000	1 330 594	727 773	49 174	776 947	553 647	58.4%
Luxembourg	7 889 612	2 699 055	10 588 667	4 636 990	1 859 856	6 496 846	4 091 821	61.4%
Ministry of the Flemish Community, Belgium	1 164 335	-	1 164 335	478 774	197 355	676 129	488 206	58.1%
Mozambique	68 294	-	68 294	68 228	-	68 228	66	99.9%
Netherlands	294 272	322 304	616 576	348 032	154 229	502 261	114 315	81.5%
New Zealand	158 672	-	158 672	113 905	-	113 905	44 767	71.8%
Norway	949 749	464 870	1 414 619	193 711	251 159	444 870	969 749	31.4%
Russian Federation	7 907	-	7 907	-	-	-	7 907	-
Saudi Arabia	12 765	-	12 765	12 459	-	12 459	306	97.6%
Spain	1 346 169	359 789	1 705 958	890 115	176 765	1 066 880	639 078	62.5%
Sweden	6 658 603	2 600 646	9 259 249	5 871 245	459 057	6 330 302	2 928 947	68.4%
United Kingdom of Great Britain & Northern Ireland	1 502 107	2 528 481	4 030 588	1 444 462	639 242	2 083 704	1 946 884	51.7%
United States of America (CDC)	2 226 839	1 025 423	3 252 262	131 516	30 785	162 301	3 089 961	5.0%
United States of America (NIH)	16 807	-	16 807	-	-	-	16 807	-
United States of America (USAID)	4 767 013	5 125 000	9 892 013	3 835 016	1 872 374	5 707 390	4 184 623	57.7%
Asean Foundation	-	140 097	140 097	8 249	80 000	88 249	51 848	63.0%
AWARE	30 009	-	30 009	-	-	-	30 009	-
Bill & Melinda Gates Foundation	1 258 260	1 233 169	2 491 429	1 255 474	178 771	1 434 245	1 057 184	57.6%
BM Creative Management LTD	648	-	648	-	-	-	648	-
CARICOM	109 023	84 436	193 459	165 379	14 558	179 937	13 522	93.0%
Commission of the European Communities	27 117	-	27 117	-	-	-	27 117	-
Constella Futures	657	-	657	-	-	-	657	-
European Commission	-	2 342 303	2 342 303	909 837	771 390	1 681 227	661 076	71.8%
Ford Foundation	536 276	1 200 000	1 736 276	423 663	327,098	750 761	985 515	43.2%
Geneva Global Inc.	26 549	-	26 549	-	-	-	26 549	-
Global Fund	149 880	-	149 880	5 250	-	5 250	144 630	3.5%
Imperial College London	13 808	-	13 808	-	-	-	13 808	-
International Labour Organization	9 019	-	9 019	3 980	-	3 980	5 039	44.1%
John Hopkins Univeristy	5 786	-	5 786	-	-	-	5 786	-
Johnson & Johnson Products Inc.	4 874	-	4 874	-	-	-	4 874	-
MDTF Office	-	3,507,859	3 507 859	1 328 154	1 741 653	3 069 807	438 052	87.5%
Merck & Company Inc.	189 120	-	189 120	-	-	-	189 120	-
National Agency for AIDS Research	10 589	-	10 589	-	-	-	10 589	-
Organization of Petroleum Exporting Countries	1 021 858	-	1 021 858	49 353	437 961	487 314	534 544	47.7%
OHCHR	-	95 000	95 000	-	-	-	95 000	-
OSIWA	3 850	-	3 850	-	-	-	3 850	-
Public Health Foundation in India	-	71 262	71 262	4,719	66 543	71 262	-	100.0%
Southern African Development Community	43 555	-	43 555	-	-	-	43 555	-
Stanford Univeristy	10 000	-	10 000	-	-	-	10 000	-
UNCERF	-	564 962	564 962	90 940	474 022	564 962	-	100.0%
UNDP	2 205 232	651 268	2 856 500	1 566 666	387 241	1 953 907	902 593	68.4%
UNESCO	116 000	-	116 000	-	-	-	116 000	-
UNFIP	505	-	505	-	-	-	505	-
UNHCR	83 562	-	83 562	70 780	10 241	81 021	2 541	97.0%
UNICEF	36 767	-	36 767	299	-	299	36 468	0.8%
UNIFEM	22 145	-	22 145	-	-	-	22 145	-
United Nations	20 000	-	20 000	-	-	-	20 000	-
United Nations Foundation	4 668	-	4 668	115	-	115	4 553	2.5%
UNODC	13 825	-	13 825	-	-	-	13 825	0.0%
UNOPS	106 304	449 418	555 722	337 748	81,861	419 609	136 113	75.5%
WFP	14 019	-	14 019	5 809	-	5 809	8 210	41.4%
WHO	98 429	407 104	505 533	323 345	42 541	365 886	139 647	72.4%
World Bank	7 275	-	7 275	-	-	-	7 275	-
Special PCB allocations	20 065 783	-	20 065 783	7 447 961	2 630 524	10 078 485	9 987 298	50.2%
Miscellaneous	32 639	6 600	39 239	-	-	-	39 239	-
Interest and other	12 369 412	1 194 340	13 563 752	3 035 654	828 976	3 864 630	9 699 122	28.5%
Refund to donors	-	(59 485)	(59 485)	-	-	(59 485)	-	-
<b>Total</b>	<b>79 771 237</b>	<b>46 444 283</b>	<b>126 215 520</b>	<b>48 770 674</b>	<b>18 802 911</b>	<b>67 514 100</b>	<b>58 701 420</b>	<b>53.5%</b>

a/ Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.

b/ Includes in-service contribution of US\$ 478 255

## FUND BALANCE (WORKING CAPITAL)

18. At its 26<sup>th</sup> meeting held in Geneva from 22-24 June 2010, the Programme Coordinating Board approved a maximum level for UNAIDS working capital equivalent to 35 per cent of the UNAIDS biennial budget. On 31 December 2009, the fund balance stood at US\$ 218.3 million or 45 per cent of the biennial budget. On 31 December 2010, the fund balance amounted to US\$ 183.4 million<sup>3</sup> or 37.9 per cent of the biennial budget (i.e. a reduction of US\$ 34.9 million). This reduction is mainly due to high implementation rate and lower income received during the year ended on 31 December 2010.
19. In order to reduce the level of the fund balance to the approved level of 35 per cent of the biennial budget, the Executive Director requests the Programme Coordinating Board to endorse the utilization of a portion of the fund balance to:
  - (i) fund the organizational liabilities for employees, and;
  - (ii) establish a Building Renovation Fund.

## PROVISION FOR EMPLOYEE BENEFITS UNDER IPSAS AND OPTIONS FOR THEIR FUNDING

20. UNAIDS, along with the World Health Organization (WHO), will be adopting International Public Sector Accounting Standards (IPSAS) as from 1 January 2012. Among other issues, IPSAS requires an entity to recognize, measure and disclose all its liabilities, which include employee benefits<sup>4</sup>.
21. IPSAS 25 deals with four categories of employee benefits, namely:
  - Short-term employee benefits, such as salaries, social security contributions and annual leave.
  - Post-employment benefits such as pensions and after service health insurance (ASHI).
  - Other long-term employee benefits, such as long-term disability benefits.
  - Termination benefits.
22. **Short-term employee benefits.**

In accordance with the staff rules and regulations, at separation, eligible staff members who have an accrued annual leave credit will be paid for each day of annual leave, up to a maximum of 60 days. The latest actuarial calculation shows the required accrual for annual leave to be US\$ 9.2 million of which US\$ 3.7 million is already provided, leaving an under provision of US\$ 5.5 million.
23. **Post employment benefits - pensions**

UNAIDS participates in the United Nations Joint Staff Pension Fund (UNJSPF) through WHO, which is a member organization in the UNJSPF. The UNJSPF was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to staff. The pension fund is a funded defined-benefits plan. The financial obligation of the Programme to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly, together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. At the time of this report, the United Nations General Assembly has not invoked this provision.

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<sup>3</sup> Please refer to Programme Coordinating Board document (UNAIDS/PCB(28)/5.2, page 5, paragraph number 11.

<sup>4</sup> Note 1.7 to the financial statements for the year 1 January to 31 December 2010 states:

*"Employee benefits are recognized as expense on an accrual basis. Similarly, terminal payments to staff members, including repatriation grant, accrued annual leave, repatriation travel and removal on repatriation, are expensed on an accrual basis. As per actuarial valuations, the current accruals for employee benefits are not sufficient to cover all future costs."*

24. **Post employment benefits - after service health insurance (ASHI)**  
UNAIDS staff are covered by the WHO's Staff Health Insurance (SHI). Revenue to this fund consists of contributions by both active and retired staff (of which one-third is paid by participants and two-thirds by the Programme), as well as interest earned on investments. Under IPSAS, the present value of the Programme's contributions for retired staff needs to be accrued during the time they are in active service. As disclosed in note 4.11 to the Financial Statements for the year 1 January to 31 December 2010, the latest actuarial calculation as at 31 December 2010 estimates the full liability for UNAIDS to be US\$ 64.3 million. The net unfunded liability is US\$ 39.3 million (i.e. US\$ 64.3 million less plan assets specific to UNAIDS of US\$ 25.0 million).
25. **Other long term employee benefits**  
UNAIDS has no long term employee benefits that fall in this category and which are not already accrued in the accounts.
26. **Termination benefits**  
On termination of their contracts, eligible staff members are entitled to certain terminal benefits and, in particular, repatriation grants, repatriation removal and repatriation travel. The latest actuarial calculation shows the required accrual for such terminal benefits to be US\$ 8.9 million of which US\$ 3.5 million is already provided, leaving an under provision of US\$ 5.4 million.
27. Therefore, in order to be compliant with IPSAS 25, UNAIDS would have required an additional amount of US\$ 50.2 million as at 31 December 2010, summarized as follows:

Employee Benefit	Accrued end 2010	Actuarial requirement end 2010	Under provision
	(in million's of US \$)	(in million's of US \$)	(in million's of US \$)
Annual Leave	3.7	9.2	5.5
ASHI	25.0	64.3	39.3
Terminal Payments	3.5	8.9	5.4
<b>Total</b>	<b>32.2</b>	<b>82.4</b>	<b>50.2</b>

28. **Financial implications**  
To prepare IPSAS compliant financial statements, UNAIDS must disclose this shortfall of US\$ 50.2 million in its financial statements which will have implications on the net assets/equity of the Programme. For example, based on the 2010 Financial Statements, the net assets/equity would have been US\$ 297.3 million instead of US\$ 347.5 million<sup>5</sup>.
29. IPSAS does not require the funding of employee liabilities and only requires the recognition, measurement and disclosure. However, the Executive Director considers it judicious to fully fund these liabilities in order to avoid the possibility of available resources being depleted which could result in UNAIDS being forced to request contributions to cover the shortfall in staff entitlements. For prudent financial management, the Executive Director proposes to cover these liabilities from the fund balance and to fund an initial amount of US\$ 20 million in 2011, with the remaining shortfall of US\$ 30.2 million to be covered in equal yearly amounts over a period of 5 years or less depending on the availability of funds.
30. It should be noted that UNAIDS will obtain updated actuarial calculations on an annual basis to ensure the most accurate estimates of its liabilities which will be used in the IPSAS compliant

<sup>5</sup> Statement III of the 2010 Unaudited Financial Report for the year ended 31 December 2010 refers.

financial statements. These estimates may vary as circumstances, or actuarial basis, change. For example, the current estimates do not include any liability to UNAIDS arising from the transfer of UNAIDS staff at country and regional level presently on UNDP contracts who will be transferred to UNAIDS contracts during this year in line with the decision to move to a single administrative system.

31. Having reviewed the proposal of the Executive Director related to employee benefits and employee liabilities, **the Programme Coordinating Board is requested to:**
- a) **Take note of the report of the Executive Director on provisions for employee benefits under IPSAS;**
  - b) **Endorse the Executive Director's recommendation to fully fund the organizational liabilities for employees from the fund balance;**
  - c) **Approve the funding of an initial amount of US\$ 20 million from the fund balance; and**
  - d) **Authorize the remaining shortfall of US\$ 30.2 million<sup>6</sup> to be covered from the fund balance over a period of five years or less, subject to availability of funds.**

## **BUILDING RENOVATION FUND**

32. At its 12th meeting in May 2004, the Programme Coordinating Board endorsed UNAIDS' negotiation of a direct loan with the Swiss Confederation for the construction of a new building in Geneva for the UNAIDS' Secretariat and the World Health Organization (WHO) at an estimated cost of CHF 66.0 million, of which UNAIDS' share was 50 per cent or CHF 33.0 million. In December 2003, the Swiss Confederation agreed to provide an interest-free loan of CHF 59.8 million, of which UNAIDS' share is CHF 29.9 million. The repayment over a 50-year period of UNAIDS' share of the interest-free loan provided by the Swiss Confederation is made through the reallocation of funds otherwise expended on the rental of office space with effect from the first year of the completion of the building.
33. The building was completed in November 2006 at a cost to UNAIDS of US\$ 25.6 million which represents its 50 per cent share.
34. While the building is currently in good condition, no provision has been made for major repairs and renovations that are habitually required over time for the good management of real estate. Indeed, other organizations in the UN system have major problems for maintaining their buildings and especially the financing thereof.
35. The Executive Director considers that for good prudent financial management a portion of the fund balance should be set aside and held in reserve for future major repairs that will most certainly be required in the future. The establishment of such a fund would spread out the expenditure and ensure that a sizeable amount would be available without having a negative impact on programme implementation at that time. The amount to be set aside would be determined by the Programme Coordinating Board according to requirements at any given moment. However, to meet the cost of major repairs, an initial amount at least equivalent to the probable depreciation of the building of 2 per cent (i.e., a 50 year life) since November 2006 when it was first put into service is recommended. This would give an amount in reserve of approximately US\$ 2.6 million at the end of 2011.

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<sup>6</sup> Plus the anticipated shortfall arising from staff contracts being converted from UNDP to UNAIDS which is estimated to be between US\$ 6 to US\$ 8 million

36. Having reviewed the proposal of the Executive Director, **the Programme Coordinating Board is requested to:**
- a) **Endorse the establishment of a Building Renovation Fund in the amount of US\$ 2.6 million;**
  - b) **Approve replenishment of the Fund on an annual basis out of the fund balance for the amount of depreciation accumulated to the UNAIDS' buildings or such other amount as might be determined from time to time by the Programme Coordinating Board; and**
  - c) **Authorize the Executive Director to use the Fund to meet the costs of major repairs of, alterations to, or investments in, UNAIDS' office buildings and report on such use of the Fund to the Programme Coordinating Board.**
37. The Programme Coordinating Board is requested to take note of the information contained in the Interim Financial Management Update for the 2010-2011 biennium for the period 1 January 2010 to 31 March 2011 and encourage donor governments and others to release their contributions towards the 2010-2011 Unified Budget and Workplan as soon as possible.
38. Furthermore, the Programme Coordinating Board is requested to approve the Executive Director's proposal concerning the utilization of a portion of the fund balance to fund staff liabilities and to establish a Building Renovation Fund.

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