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22-24 June 2009

2010-2011 Unified Budget and Workplan and 2008-2009 Reports

**Interim financial management update for the 2008–2009 biennium
for the period 1 January 2008 to 31 March 2009**

Additional documents for this item: none

Action required at this meeting - 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 2008 to 31 March 2009;
- ii. 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: none

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 2008 to 31 March 2009. 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 administration in support of the Programme as per resolution 1994/24 of the Economic and Social Council of the United Nations (ECOSOC) 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 priorities.
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 the 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 from 25-27 June 2007, the Programme Coordinating Board 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 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\$ 5.0 million as a contingency fund linked to the Unified Budget and Workplan. Furthermore, at its 22nd meeting held in Chiang Mai, Thailand from 23–25 April 2008, the Programme Coordinating Board endorsed the Executive Director’s proposal for the utilization of part of the available fund balance in the amount of US\$ 16 million (US\$ 10.5 million for the Secretariat and US\$ 5.5 million for Interagency activities) to cover priorities and investments that are not included in the 2008-2009 Unified Budget and Workplan, bringing the total of the 2008–2009 Unified Budget and Workplan managed by UNAIDS to US\$ 484.8 million – an increase of 19.2 per cent from US\$ 406.7 million in 2006-2007.

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 2008–2009 biennium

6. During the 15-month period under review, operating revenue of US\$ 417.3 million was made available for the core resources of the Unified Budget and Workplan for 2008-2009. Twenty eight governments contributed 98.0 per cent of this amount, and the World Bank contributed 1.9 per cent of this amount. The remaining 0.1 per cent is made up of miscellaneous revenue, including funds received from public institutions and private contributors other than governments, miscellaneous donations and honoraria received. In addition to this amount, financial revenue (primarily interest earnings) of US\$ 4.4 million was also received and apportioned during the reporting period bringing total revenue available to the Unified Budget and Workplan for 2008-2009 to US\$ 421.7 million. Table 1 provides the details of revenue attributed towards the Unified Budget and Workplan during the period 1 January 2008 to 31 March 2009.

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

Voluntary contributions	Funds received toward the 2008-2009 Unified Budget and Workplan
Governments	
Andorra	38
Australia	2 369
Belgium	12 581
Bulgaria	5
Canada	4 348
China	100
Denmark	10 097
Finland	23 191
France	1 775
Germany	2 726
Greece	1 415
Ireland	16 676
Japan	5 030
Liechtenstein	24
Luxembourg	7 322
Monaco	156
Netherlands	95 762
New Zealand	3 858
Norway	49 062
Poland	48
Portugal	301
Russia	500
Spain	5 829
Sweden	71 479
Thailand	50
Turkey	1 200
Switzerland	8 526
United Kingdom of Great Britain and Northern Ireland	32 237
United States of America	52 275 ^{a/}
	408 978
Cosponsoring organizations	
World Bank	8 000
Other	
Miscellaneous	354
Total	417 332
Other revenue	
Interest	4 348
GRAND TOTAL	421 680

a/ Represents balance of 2007 US letter of credit of US\$ 22.3 million and US letter of credit for 2008 of US\$ 30 million not yet called forward.

7. Table 2 compares the percentage of funds contributed towards the respective Unified Budget and Workplans for 2004–2005, 2006–2007 and 2008–2009 by 31 March of 2005, 2007 and 2009 for the respective biennium. The percentage of funds attributed to the Unified Budget and Workplan for 2008–2009 currently stands at 87.0 per cent (US\$ 421.7 million contributed against the Unified Budget and Workplan of US\$ 484.8 million), which compares favourably to the 67 per cent and 62 per cent received at the same time in 2005 and 2007.
8. Table 2 also shows that despite the significant increase in the level of the funding requirements for 2008–2009 as compared to 2004–2005 and 2006–2007, contributions for the period under review have remained at a high level, both in absolute and relative terms.
9. Several factors have contributed to this trend, such as a general increase in contributions from the donor community to UNAIDS; the weakening of the US dollar against other major donor currencies which has increased the US dollar value of several donor contributions; and the change in accounting policy of recognizing revenue on accrual basis (i.e. revenue is recognized upon signature of a donor agreement and not when the cash is received). It should be noted that due to this change of policy, US\$ 421.7 was recognized as revenue, but the entire amount has not been received. As of 31 March 2009 US\$ 56.9 million was still outstanding, i.e. not received. Under the revenue recognition policy of previous biennia, the percentage of revenue recognized against the Unified Budget and Workplan would have been only 75.2 per cent. 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 2009 in full.

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

	31 March 2005	31 March 2007	31 March 2009
Approved level of the Unified Budget and Workplan in the concerned biennium (in thousands of US\$ dollars)	270 500	406 700	484 820
Revenue recognized against the Unified Budget and Workplan (in thousand of US\$ dollars)	182 100	245 240	421 680
Percentage of revenue recognized against the Unified Budget and Workplan funding requirement	67.3%	60.3%	87.0%

III. NON-UNIFIED BUDGET AND WORKPLAN FUNDS

10. During the 15-month period under review, Non-Unified Budget and Workplan resources amounting to US\$ 50.2 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. In addition to this amount, financial revenue (primarily interest earnings) of US\$ 1.8 million was also received and apportioned during the reporting period bringing total revenue available to the Non-Unified Budget and Workplan to US\$ 52.0 million. Details on the sources of these funds are detailed in Table 3.

Table 3: Non-Unified Budget and Workplan details of revenue (in thousands of US dollars)

Voluntary contributions	Funds received toward Non-Unified Budget and Workplan activities 2008-2009
Governments	
Australia	5 740
Austria	1 089
Belgium	734
Canada	83
Denmark	4 593
France	518
Germany	52
Greece	157
Ireland	3 147
Italy	90
Japan	603
Luxembourg	2 590 a/
Mozambique	199
Netherlands	385
New Zealand	203
Norway	160 b/
Russian Federation	600
Spain	1 107
Sweden	8 675
United Kingdom of Great Britain and Northern Ireland	5 715
United States of America (USAID)	5 242
Flemish Ministry of Foreign Affairs, Belgium	707
	42 390
Cosponsoring Organizations	
UNDP	2 021
UNHCR	223
UNICEF	79
WHO	209
	2 531
Other	
AWARE	30
Bill and Melinda Gates Foundation	3 318
BM Creative Management LTD	10
CARICOM	50
Constella Futures	11
Ford Foundation	200
Geneva Global Inc.	27
Germany, GTZ	487
Global Fund	259
Organization of Petroleum Exporting Countries	200
OSIWA	20
UNCERF	38
UNEP	25
UNFIP	38
UNIFEM	66
UNOPS	516
Miscellaneous	3
	5 297
Total	50 218
Other revenue	
Interest	1 828
GRAND TOTAL	52 046

a/ Represents net revenue of US\$ 5 880 251 less pass through funds of US\$ 3 290 464

b/ Represents net revenue of US\$ 520 781 less pass through of US\$ 360 425

IV. FUNDS EXPENSED AND ENCUMBURED² UNDER THE UNIFIED BUDGET AND WORKPLAN FOR 2008-2009

11. During the period 1 January 2008 to 31 March 2009, expense and encumbrance (including transfers to Cosponsors) totaling US\$ 347.6 million were incurred against the budget of US\$ 484.8 million approved for the 2008–2009 Unified Budget and Workplan, which corresponds to a financial implementation rate of 72 per cent. The total expense and encumbrance were distributed as follows:
- US\$ 134.7 million was transferred to Cosponsors for the implementation of their AIDS activities contained in the Unified Budget and Workplan;
 - US\$ 96.6 million was expensed and encumbered for the Interagency activities; and
 - US\$ 116.3 million was expensed and encumbered for Secretariat activities and staff.
12. Table 4 provides details on the 2008-2009 Unified Budget and Workplan approved allocations, expense and encumbrance broken down by principal outcomes for the period 1 January 2008 to 31 March 2009.

Table 4: 2008–2009 Unified Budget and Workplan approved allocations, expense and encumbrances for the period 1 January 2008 to 31 March 2009 (in thousands of US dollars)

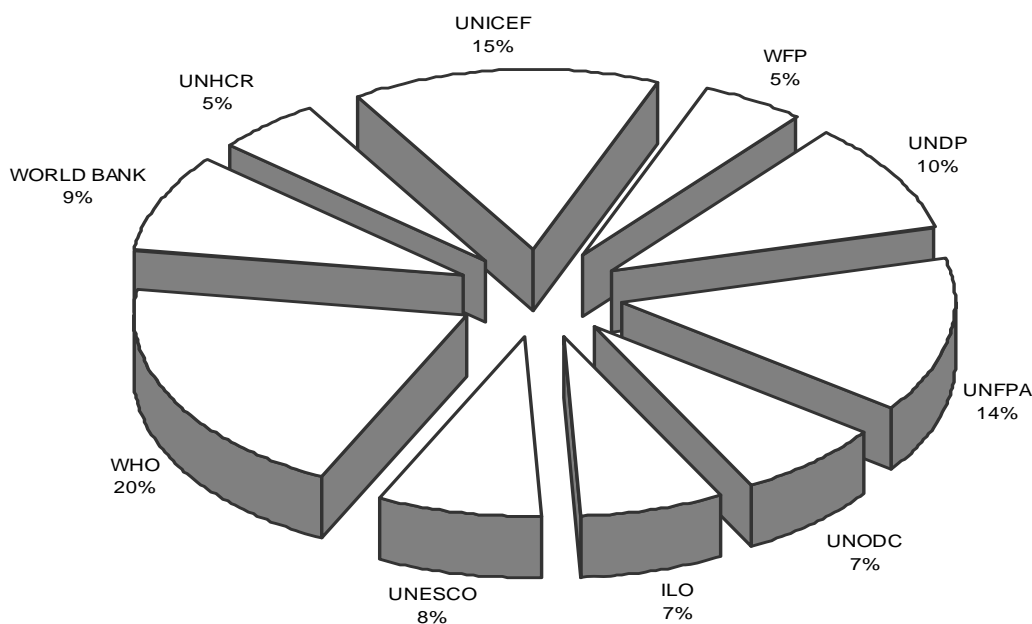
Principal Outcomes	Approved allocations	Expense	Encumbrance	Total	Balance	Percentage implementation
	(a)	(b)	(c)	(d) = (b + c)	(e) = (a - d)	(f) = (d / a)
1 Leadership and resource mobilization	214 509	120 927	17 404	138 330	76 179	64%
2 Planning, financing, technical assistance & coordination	110 911	63 099	22 732	85 831	25 080	77%
3 Strengthened evidence base and accountability	30 521	23 188	1 651	24 839	5 682	81%
4 Human resources and systems capacities	45 615	45 536	-	45 536	79	100%
5 Human rights, gender, stigma and discrimination	29 856	17 471	660	18 131	11 725	61%
6 Most at-risk populations	16 090	10 106	578	10 685	5 405	66%
7 Women & girls, young people, children and populations of humanitarian concern	32 317	23 145	1 065	24 211	8 106	75%
Contingency	5 000	-	-	-	5 000	-
Total	484 820	303 473	44 091	347 563	137 256	72%

² Encumbrance equals a firm commitment for goods and/or services which has not yet been delivered.

i) Funds transferred to Cosponsors

13. As of 31 March 2009, a total amount of US\$ 134.7 million has been expensed against the Cosponsors' budget, representing 100% of the Cosponsors' share under the 2008-2009 Unified Budget and Workplan. A total of US\$ 131.6 million had been transferred to the Cosponsors as of 31 March 2009 – the balance to be transferred corresponds to the remaining 25 per cent (or US\$ 3.1 million) of the World Bank allocation for which payment was in process. Figure 1 provides information on the proportion of funds transferred against each individual Cosponsor versus total funds allocated, along with funds transferred against each of the principal outcomes.

Figure 1: Cosponsors' share of funds transferred as of 31 March 2009



Principal Outcomes	Approved allocations	Expense	Percentage Implementation
	(a)	(b)	(c) = (b / a)
1 Leadership and Resource Mobilization	8 100	8 100	100%
2 Planning, financing, technical assistance and coordination	25 071	25 071	100%
3 Strengthened evidence base and accountability	17 251	17 251	100%
4 Human resources and systems capacities	45 036	45 036	100%
5 Human rights, gender, stigma and discrimination	11 470	11 470	100%
6 Most at-risk populations	8 550	8 550	100%
7 Women & girls, young people, children and populations of humanitarian concern	19 192	19 192	100%
Total	134 670	134 670	100%

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 15-month period under review, a total amount of US\$ 70.7 million was expended and US\$ 25.9 million was encumbered for Interagency activities out of a biennium approved allocation of US\$ 152.2 million³ which together represents a financial implementation rate of 63 per cent. Further details on the funds expended and encumbered under the Interagency activities are shown by principal outcome in Table 5.

Table 5: Interagency resources approved allocations, expense and encumbrances for the period 1 January 2008 to 31 March 2009 (in thousands of US dollars)

Principal Outcomes	Approved allocations	Expense	Encumbrance ^{a/}	Total	Balance	Percentage implementation
	(a)	(b)	(c)	(d) = (b + c)	(e) = (a - d)	(f) = (d / a)
1 Leadership and resource mobilization	81 427	44 585	8 310	52 896	28 531	65%
2 Planning, financing, technical assistance and coordination	54 931	23 149	17 380	40 529	14 402	74%
4 Human resources and systems capacities	579	500	-	500	79	86%
5 Human rights, gender, stigma and discrimination	13 718	2 298	160	2 458	11 260	18%
7 Women & girls, young people, children and populations of humanitarian concern	1 595	208	27	234	1 361	15%
Total	152 250	70 740	25 878	96 618	55 632	63%

^{a/} Encumbrance equals a firm commitment for goods and/or services which has not yet been delivered.

iii) Funds expended and encumbered against the Secretariat budget

15. During the 15-month period under review, a total amount of US\$ 98.1 million was expended and US\$ 18.2 million was encumbered against the Secretariat biennium budget of US\$ 192.9 million which together represent a financial implementation rate of 60 per cent. This financial implementation rate is less than in previous biennia when salaries of Secretariat staff were encumbered for a full year, compared to only encumbering funds on a monthly basis as is done for the current biennium. The total amount expended and encumbered includes US\$ 50.6 million for staff costs and US\$ 65.7 million for activities. Further details on the funds expended and encumbered by the Secretariat are shown by principal outcomes in Table 6.

³ 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 6: Secretariat approved allocation, expense, and encumbrance for the period
1 January 2008 to 31 March 2009** (in thousands of US dollars)

Principal Outcomes	Approved allocations	Expense	Encumbrance ^{a/}	Total	Balance	Percentage implementation
	(a)	(b)	(c)	(d) = (b + c)	(e) = (a - d)	(f) = (d / a)
1 Leadership and resource mobilization	128 482	68 241	9 093	77 335	51 147	60%
2 Planning, financing, technical assistance & coordination	27 410	14 879	5 352	20 231	7 179	74%
3 Strengthened evidence base and accountability	13 270	5 937	1 651	7 588	5 682	57%
5 Human rights, gender, stigma and discrimination	4 668	3 703	500	4 203	465	90%
6 Most at-risk populations	7 540	1 556	578	2 135	5 405	28%
7 Women & girls, young people, children and populations of humanitarian concern	11 530	3 746	1 038	4 784	6 746	41%
Total	192 900	98 063	18 213	116 276	76 624	60%

^{a/} Encumbrance equals a firm commitment for goods and/or services which has not yet been delivered.

V. FUNDS EXPENSED AND ENCUMBURED UNDER THE NON-UNIFIED BUDGET AND WORKPLAN FOR 2008-2009

16. During the 15-month period under review, a total of US\$ 39.5 million was expensed and US\$ 15.2 million was encumbered against the Non-Unified Budget and Workplan resources as detailed in Table 7. This amount includes US\$ 0.2 million expensed to cover the contracts of Junior Professional Officers.
17. Table 7 also presents: (i) an overview of the total Non-Unified Budget and Workplan resources (column c), including funds carried over from 2007 which have been made available to programme activities; and (ii) the amount of funds expensed and encumbered from 1 January 2008 to 31 March 2009.

VI. FUND BALANCE

18. Despite an overall financial implementation rate of over 95 per cent each biennium since its establishment, under the Unified Budget and Workplan, the Programme has consistently ended each financial period with a positive and growing fund balance, commensurate with the increase in the budget of the Programme and mobilization of resources for the Unified Budget and Workplan. On 31 December 2007, this accumulated fund balance amounted to US\$ 188.9 million.
19. A sizeable fund balance has proven to be essential to ensure continuity of UNAIDS activities for the start-up of new activities in a new biennium. Without a significant fund balance every biennium, the Programme could not operate without interruption. The fund balance enabled UNAIDS to encumber 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 the Secretariat to encumber and transfer to Cosponsors up to 75 per cent of their shares of the 2008–2009 Unified Budget and Workplan. This has facilitated the start-up of Cosponsors' Unified Budget and Workplan activities,

including funding of posts which many Cosponsors need to encumber for the full year at the beginning of each calendar year, and continuity and smooth implementation of their activities.

20. Based on indications and assurances received from donor governments regarding their contributions for the 2008–2009 biennium, UNAIDS Secretariat currently estimates being in a position to raise approximately US\$ 480 million to fund the 2008–2009 Unified Budget and Workplan.
21. On the assumption that the UNAIDS Secretariat can fully implement the 2008-2009 Unified Budget and Workplan by 31 December 2009, the Programme could be left with an estimated fund balance of approximately US\$ 195 million as of 31 December 2009, which is consistent with fund balances of previous biennia compared to the size of the budget and resources mobilized.
22. The Executive Director recommends that advances again be made to Cosponsors against their shares of the 2010-2011 Unified budget and Workplan. Subject to the separate approval of the 2010-2011 Unified Budget and Workplan by the Programme Coordinating Board, it is therefore recommended to earmark up to US\$ 120.7 million under the anticipated fund balance as at 31 December 2009, representing up to 75 per cent of the Cosponsors' share under the 2010-2011 Unified Budget and Workplan, for transfers to Cosponsors in January 2010. The remaining amount under the anticipated fund balance will enable a smooth start of activities falling under the Secretariat and Interagency components of the Unified Budget and Workplan at the beginning of 2010 pending receipt of pledges.

Table 7

Non-Unified Budget and Workplan funds
Funds available, expense and encumbrance summary by source of income
for the period 1 January 2008 to 31 March 2009
(in thousands of US dollars)

Source of income	2006-2007 Carry-over	Funds received ^{a/}	Total Funds	Expense	Encumbrance ^{b/}	Total	Percentage implementation
	(a)	(b)	(c) = (a+b)	(d)	(e)	(f) = (d + e)	(g) = (f / c)
Voluntary contributions and other income							
Andorra	11	-	11	-	-	-	-
Australia	3 148	5 740	8 888	3 751	2 408	6 159	69%
Austria	153	1 089	1 242	243	373	616	50%
Belgium	1 298	734	2 032	967	-	967	48%
Canada	85	83	168	90	2	92	55%
Denmark	784	4 593	5 377	416	1 330	1 746	32%
Finland	1 936	-	1 936	137	3	140	7%
France	1 360	518	1 878	105	37	142	8%
Germany, including GTZ	867	539	1 406	814	143	957	68%
Greece	-	157	157	10	123	133	85%
Ireland	2 754	3 147	5 901	915	471	1 386	23%
Italy	10	90	100	6	-	6	6%
Japan	876	603	1 479	648	45	693	47%
Luxembourg	10 342	2 590	12 932	1 361	713	2 074	16%
Ministry of the Flemish Community, Belgium	917	707	1 624	533	93	626	39%
Mozambique	-	199	199	-	199	199	100%
Netherlands	387	385	772	366	406	772	100%
New Zealand	224	203	427	67	157	224	52%
Norway	1 991	160	2 151	795	28	823	38%
Russian Federation	339	600	939	815	-	815	87%
Spain	1 152	1 107	2 259	1 283	51	1 334	59%
Sweden	5 961	8 675	14 636	5 081	1 316	6 397	44%
United Kingdom of Great Britain & Northern Ireland	6 735	5 715	12 450	7 257	1 076	8 333	67%
United States of America (CDC)	2 173	-	2 173	-	-	-	-
United States of America (NHI)	17	-	17	-	-	-	-
United States of America (USAID)	295	5 242	5 537	3 582	908	4 490	81%
AWARE	-	30	30	-	-	-	0%
Bill & Melinda Gates Foundation	2 497	3 318	5 815	2 345	977	3 322	57%
BM Creative Management LTD	-	10	10	9	-	9	90%
CARICOM	66	50	116	39	-	39	34%
Commission of the European Communities	75	(30)	45	15	14	29	64%
Constella Futures	-	11	11	-	-	-	-
Ford Foundation	426	200	626	45	187	232	37%
Geneva Global Inc.	-	27	27	-	-	-	-
Global Fund	47	259	306	120	-	120	39%
International Labour Organization	15	-	15	1	-	1	7%
John Hopkins University	6	-	6	-	-	-	-
Johnson & Johnson Products Inc.	12	-	12	1	-	1	8%
Merck & Company Inc.	296	-	296	38	-	38	13%
National Agency for AIDS Research	23	-	23	13	-	13	56%
Organization of Petroleum Exporting Countries	1 064	200	1 264	131	95	226	18%
OSIWA	-	20	20	-	-	-	-
Rupert Everett	25	-	25	25	-	25	100%
Southern African Development Community	44	-	44	-	-	-	-
Stanford University	10	-	10	-	-	-	-
UNCERF	-	38	38	3	-	3	8%
UNDP	96	2 021	2 117	719	741	1 460	69%
UNEP	-	25	25	25	-	25	100%
UNESCO	116	-	116	-	-	-	-
UNFIP	230	(192)	38	3	-	3	8%
UNFPA	10	-	10	5	-	5	50%
UNHCR	13	223	236	1	-	1	-
UNICEF	26	79	105	45	7	52	49%
UNIFEM	-	67	67	-	-	-	-
United Nations	20	-	20	-	-	-	-
UNODC	15	-	15	1	-	1	7%
UNOPS	108	516	624	190	140	330	53%
WFP	15	-	15	1	-	1	7%
WHO	148	209	357	115	1	116	33%
World Bank	34	-	34	3	-	3	9%
Special PCB allocations	29 349	-	29 349	9 022	3 071	12 093	41%
Miscellaneous	26	3	29	1	-	1	3%
Interest and other	4 947	3 404	8 351	1 669	45	1 714	21%
Programme support costs (PSC)	-	-	-	(4 330)	-	(4 330)	-
Total	83 572	53 364	136 936	39 497	15 160	54 657	40%

^{a/} Includes revenue, refunds to donor and savings on prior period unliquidated obligations.

^{b/} Encumbrance equals a firm commitment for goods and/or services which has not yet been delivered.