



Joint United Nations Programme on HIV/AIDS  
**UNAIDS**  
UNICEF • WFP • UNDP • UNFPA • UNODC  
ILO • UNESCO • WHO • WORLD BANK

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## PROGRAMME COORDINATING BOARD

**Fifteenth meeting**  
**Geneva, 23-24 June 2004**

*Provisional agenda item 7:*

### **Interim financial management information for the 2004–2005 biennium and financial update as at 30 April 2004**

#### **Executive Summary**

- This report provides information on funds received and expenditures (including transfers to Cosponsors) as at 30 April 2004 against the Unified Budget and Workplan for 2004-2005.
- The report also describes unforeseen costs related to strengthening security measures at country level in compliance with UNSECOORD Minimum Operating Security Standards (MOSS), and additional payments to be made in connection with the construction costs of the new UNAIDS Secretariat premises in Geneva.

#### **Action required at this meeting**

The PCB is requested to take note of the interim financial management information for the 2004–2005 biennium and the financial update as at 30 April 2004.

The PCB is also requested to endorse the Executive Director's proposal to utilize part of the 2002-2003 funds carried over to cover the costs of additional security measures at country level and payments in conjunction with the construction of new premises in Geneva, including installation costs.

The PCB is finally requested to encourage donor governments and others to release their contributions towards the Unified Budget and Workplan for 2004–2005 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 2004–2005 biennium, as at 30 April 2004. A formal and certified financial report covering the full biennium will be prepared at the end of 2005, 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 2004–2005 BIENNIUM**

### **Approved budget and Workplan**

3. The structure of the 2004-2005 Unified Budget and Workplan (UBW) is based on the United Nations General Assembly Declaration of Commitment on HIV/AIDS and has six work areas:
  - building capacity and leadership, including human rights
  - prevention and vulnerability reduction
  - care, support and treatment
  - alleviating socioeconomic impact and addressing special situations
  - research and development
  - resources, follow-up, monitoring and evaluation
4. The Unified Budget and Workplan includes a breakdown of the expected results and resource needs of each Cosponsor, the Secretariat and Interagency initiatives. The activities of each relate to specific objectives and work areas. The Unified Budget and Workplan also includes agreed principles and processes that further harmonize the work of Cosponsors and the Secretariat.
5. At its 14th meeting, from 26 to 27 June 2003, the PCB endorsed the strategies and approaches contained in the 2004-2005 Unified Budget and Workplan. It approved a core budget of US\$ 250.5 million and a proposed distribution of those resources as follows: US\$ 85.7 million for Cosponsors; US\$ 91.2 million for the Secretariat; and US\$ 73.6 million for interagency activities. The PCB also approved an additional interagency core budget of US\$ 20 million, subject to availability of funds.

### **Funds made available to the core resources of the Unified Budget and Workplan for 2004–2005**

6. During the period under report, income totaling US\$ 25 829 019 was made available for the core resources of the Unified Budget and Workplan for 2004–2005. The details of the contributions received toward the Unified Budget and Workplan during the period 1 January –30 April 2004 is illustrated in Table 1.

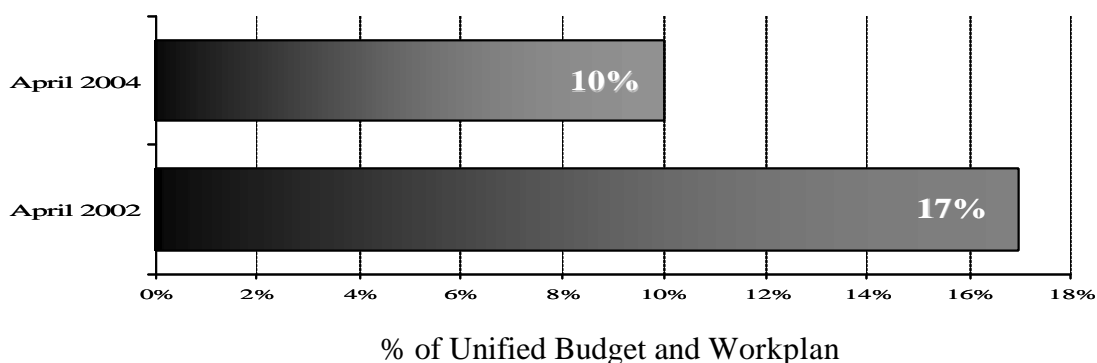
**Table 1: Core Unified Budget and Workplan – details of income  
as at 30 April 2004  
(US dollars)**

Voluntary contributions	Funds received towards the 2004-2005 Unified Budget and Workplan
<b>Governments</b>	
Australia	124 834
Canada	2 985 043
Japan	3 100 000
Liechtenstein	7 812
Luxembourg	939 024
Monaco	10 000
Spain	606 796
Sweden	6 622 683
United Kingdom of Great Britain	213 535
United States of America	9 840 000
Ministry of the Flemish Community, Belgium	622 822
<b><i>Sub-total</i></b>	<u>25 072 549</u>
<b>Other</b>	
United Nations Federal Credit Union	25 464
Miscellaneous <sup>1</sup>	56 866
<b><i>Sub-total</i></b>	<u>82 330</u>
<b>Other income</b>	
Interest	674 140
<b><i>Sub-total</i></b>	<u>674 140</u>
<b><i>TOTAL</i></b>	<u><u>25 829 019</u></u>

7. Figure 1 compares the percentage of funds contributed towards the Unified Budget and Workplans by 30 April in 2002 and 2004. The percentage of funds received against the Unified Budget and Workplan for 2004-2005 currently stands at 10% (US\$ 25.8 million against US\$ 250 million). This is lower than what was received at the same time in the previous biennium (17% – US\$ 32 million against US\$ 190 million).

<sup>1</sup> Includes miscellaneous donations resulting from UNAIDS promotional campaigns and honoraria received by staff.

**Figure 1: Percentage of funds received by 30 April in 2002 and 2004**



8. Based on a linear projection of income, a greater amount should have been received by 30 April 2004 in order to keep pace with the operational requirements of the programme, especially in the early months of the biennium.

### **Funds expended against the core resources of the 2004–2005 Unified Budget and Workplan**

9. During the period 1 January to 30 April 2004, expenditure (including transfers to Cosponsors) totaling US\$ 109.0 million was incurred against the budget of US\$ 250.5 million approved for the 2004-2005 Unified Budget and Workplan. This expenditure was made as follows:

- (a) US\$ 64.3 million was transferred to Cosponsors for the implementation of their global and regional HIV/AIDS activities;
- (b) US\$ 13 million was incurred under the Interagency resources section of the Unified Budget and Workplan;
- (c) US\$ 31.7 million was expended for Secretariat activities and staff.

#### *3.1. Funds transferred to Cosponsors*

10. Table 2 below illustrates the financial transfers made to Cosponsors against their allocation under the 2004-2005 Unified Budget and Workplan. It indicates that 75% of Cosponsors' activities under the Unified Budget and Workplan were already funded by 30 April 2004.

**Table 2: Implementation of Cosponsor share  
of the Unified Budget and Workplan as at 30 April 2004**  
(in US dollars)

Cosponsor	Funds for Cosponsors' global and regional/intercountry activities		
	allocated	transferred	%
ILO	6 500 000	4 875 000	75%
UNDCP	4 500 000	3 375 000	75%
UNDP	9 360 000	7 020 000	75%
UNESCO	7 200 000	5 400 000	75%
UNFPA	13 200 000	9 900 000	75%
UNICEF	16 000 000	12 000 000	75%
WHO	21 500 000	16 125 000	75%
WORLD BANK	7 410 000	5 557 500	75%
<b>Total</b>	<b>85 670 000</b>	<b>64 252 500</b>	<b>75%</b>

### 3.2 Expenditure incurred against Interagency resources

11. The Interagency resources share of the Unified Budget and Workplan consists of three main parts: the direct financial support to catalytic projects that contribute to or strengthen an expanded response in priority countries through the Programme Acceleration Funds (PAF) programmed by Theme Groups; the operational and related support of the inter-agency country staff (UNAIDS Country Coordinators and experts in monitoring and evaluation, partnership development and resource mobilization) working with the Theme Groups; and support to stimulate effective responses to HIV/AIDS through the implementation of appropriate interventions at country, regional and global level.

12. As at 30 April 2004, total expenditures amounting to US\$ 13 042 484 were incurred against a biennial budget of US\$ 73 600 000 under Interagency resources. These expenditures were made as follows:

- US\$ 11 615 340 towards the operations of Theme Groups, including salary costs for UNAIDS Country Coordinators and experts.
- US\$ 1 427 143 to support a number of interventions including activities to strengthen country level information systems and for best practices.

13. Regarding the disbursements of Programme Acceleration Funds under the 2004-2005 Unified Budget and Workplan, an updated guidance note was transmitted to all Theme Group Chairs at the end of March 2004. Theme Groups have been invited to submit proposals before 31 May 2004. In 54 countries, the approval of proposals is now delegated to the Theme Group Chairs. This delegation is being accompanied by strengthened monitoring and reporting requirements. Therefore, PAF funds will be made available as soon as the Secretariat receives approved proposals from Theme Groups. For other countries and exceptional cases, the PAF Committee will meet in early June to review proposals received as at 31 May. A sharp acceleration in PAF expenditure is therefore expected during the second quarter of the biennium.

14. A breakdown of Interagency resource expenditure under areas of work is provided in Table 3.

**Table 3: 2004–2005 Unified Budget and Workplan: Interagency resources  
 budget allocation and expenditure as at 30 April 2004**  
 (in US dollars)

Work area	Interagency resources			
	allocation	expenditure	%	
1 Building capacity and leadership, including human rights	13 568 199	2 692 106	20	
2 Prevention and vulnerability reduction	14 485 569	2 349 844	16	
3 Care, support and treatment	13 756 115	2 347 344	17	
4 Alleviating socioeconomic impact and addressing special situations	13 756 115	2 347 344	17	
5 Research and development	501 499	-		
6 Resources, follow-up, monitoring and evaluation	17 532 503	3 305 846	19	
	<b>Total</b>	<b>73 600 000</b>	<b>13 042 484</b>	<b>18</b>

### 3.3 Expenditure incurred against the Secretariat budget

15. Table 4 shows the total level of Secretariat expenditure in the amount of US\$ 31 706 728 during the period 1 January to 30 April 2004; representing a financial implementation rate of approximately 35%.

16. The aforementioned figure includes US\$ 16 099 505 expended on activities and US\$ 15 607 223 on staff costs. It should be noted that the WHO financial rules require that the costs of filled posts are obligated for the full year at the beginning of each calendar year, as opposed to being obligated throughout the biennium, as and when expenses occur, as is the case for activities.

17. Table 4 also shows further details on the funds expended by the Secretariat under the respective areas of work.

**Table 4: 2004–2005 Unified Budget and Workplan Secretariat  
budget allocation and expenditure as at 30 April 2004**  
(in US dollars)

Work area	Secretariat			
	allocation	expenditure	%	
1 Building capacity and leadership, including human rights	28 118 110	9 491 767	34	
2 Prevention and vulnerability reduction	9 890 082	3 401 700	34	
3 Care, support and treatment	8 203 366	2 869 617	35	
4 Alleviating socioeconomic impact and addressing special situations	7 228 649	2 669 812	37	
5 Research and development				
6 Resources, follow-up, monitoring and evaluation	37 759 793	13 273 832	35	
	<b>Total</b>	<b>91 200 000</b>	<b>31 706 728</b>	<b>35</b>

#### **ADDITIONAL COSTS TO BE INCURRED IN CONNECTION WITH THE CONSTRUCTION OF NEW PREMISES FOR THE UNAIDS SECRETARIAT**

18. A report on the progress of the construction of new premises for the UNAIDS Secretariat was submitted to the PCB at its Fourteenth meeting in June 2003.

19. On that occasion, the PCB was informed that the Swiss authorities had submitted a request to the Swiss Parliament for a 50-year interest free loan in the amount of CHF 59.8 million in April 2003. The PCB was further informed that total construction costs were estimated at CHF 66 million, which implied that a shortfall of CHF 6.2 million needed to be financed from other sources. This also reflects the original wish of the Swiss Government that UNAIDS and WHO, which will share half of the new premises with UNAIDS, should make a matching contribution of 10% of the total construction costs. UNAIDS' share of the shortfall is therefore CHF 3.1 million, representing approximately US\$ 2.4 million at the prevailing United Nations accounting rate of exchange.

20. The PCB was also informed that there would be installation and other costs related to moving into and equipping the new premises which will need to be covered. These additional costs are currently estimated at US\$ 3 million.

21. It is worth noting that these additional costs will be offset by significant savings in the current and projected rental costs for Secretariat office space in Geneva, given that market rental prices are likely to increase, while loan repayments, which are far less than the current and projected rental costs, will be fixed.

22. Further to the information previously provided to the PCB on the anticipated requirement of funding for the completion of the construction of the new premises together with installation and equipping costs, the Executive Director wishes to propose earmarking a total amount of US\$5.4 million against the fund balance available in the Trust Fund.

23. For future biennia, it is intended that the UNAIDS Unified Budget and Workplan would include provisions for both building maintenance costs and the repayment of the loan from the Swiss Federal Government. As noted in paragraph 19 above, these costs would be offset by savings in rental costs. The need for the establishment of a formal UNAIDS Secretariat real estate fund to cover such costs in the future will be kept under review.

### **ADDITIONAL COSTS OF SECURITY MEASURES**

24. Recent events in Iraq and elsewhere have focused attention on the need for additional security measures for staff throughout the UN system. Pursuant to General Assembly Resolution 57/155: Safety and security of humanitarian personnel and protection of United Nations personnel, an independent team of consultants was commissioned to assess the security arrangements within the UN. Other reviews and evaluations were undertaken following the bombing of the UN headquarters in Baghdad in August 2003. The outcome of these reviews has been a realization of the need to drastically strengthen current security measures and to ensure compliance with revised Minimum Operating Security Standards (MOSS) in the field.

25. Addressing MOSS shortfalls and upgrading the overall field security management system will require additional resources for all members of the United Nations family. In this connection, UNDP, UNFPA, WFP and UNICEF have already allocated a total of US\$ 47 million for additional security expenditure in the next biennium (UNICEF – US\$ 14 million; WFP – US\$ 20 million; UNDP – US\$ 11.5 million; UNFPA – US\$ 1.8 million). In the case of UNDP, this represents an additional 2% of the total biennial support budget.

26. In the case of UNAIDS, the additional unbudgeted costs for strengthened security measures at the field level are estimated at US\$ 1.4 million for the current biennium. Of this total, some 37% is attributable to the costs of ensuring compliance with the current revised MOSS, including, for example, provision of communications equipment. A further 48.6% reflects increased UNAIDS contributions to shared UN system security costs, calculated now on the basis of 1% of total UN security costs, and the remaining 14.4% represents additional security measures directly required for UNAIDS staff including Minimum Operating Residential Security Standards (MOSS).

27. Due to the unexpected increase in security requirements, none of these additional costs had been foreseen in the Unified Budget and Workplan for the current biennium. Therefore, the Executive Director proposes to use part of the 2002-2003 fund balance to cover these additional costs in the amount of US\$ 1.4 million.

### **OVERVIEW OF FINANCIAL SITUATION**

28. Table 5 below presents the status of funding of the Programme as at 30 April 2004. Despite the current shortfall of US\$ 5 125 046 the Programme has been able to carry on its operations by borrowing US\$ 15 million from the Operating Reserve Fund. The advanced funding from the Operating Reserve Fund has largely been used to cover salaries pending the receipt of contributions.

29. This Table also indicates that the Programme has been successful in fully utilizing funds available in its Trust Fund at the beginning of the new biennium. The 2002-2003 carryover enabled the Programme to continue operations without interruption and jumpstart activities to implement decisions of PCB.



**Table 5: Financial status of UNAIDS  
as at 30 April 2004  
(US dollars)**

Total funds available including carry-over and contributions as at 30 April 2004	110 661 281
Funds set aside to cover additional costs	(6 784 615) <sup>2</sup>
Net fund balance available for core Unified Budget and Workplan activities	103 876 666
<u>Less</u>	
Core Unified Budget and Workplan expenditure (including transfers to Cosponsors) as at 30 April 2004	109 001 712
Current shortfall	<b>(5 125 046) <sup>3</sup></b>

30. To ensure full and smooth implementation of the Unified Budget and Workplan, it is essential that donors increase their contributions to the Programme approved budget for 2004-2005, and that they make their contributions as soon as possible.

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<sup>2</sup> Under the assumption that the PCB endorses the Executive Director's proposal to use part of the available fund balance for extraordinary additional costs in conjunction with the cost overrun for the construction of the new premises, installation costs and additional costs to strengthen security measures at country level.

<sup>3</sup> Shortfall currently covered through borrowing from the Operating Reserve Fund.