

Narrative Report for 2019 Financial Management Report

Stop TB Partnership Secretariat (STBP) 2019 financial management report has been prepared following “Accruals” principles under the International Public Sector Accounting Standards (IPSAS). As per the accruals principles, the recognition of economic events happens by matching revenues to expenses (the matching principle) at the time the transaction occurs rather than when cash is transferred (or received). This approach provides a more accurate picture of the entity’s real financial status.

As previous years, in accordance with its Financial Policy approved by the Coordinating Board in 2004 and the new Financial Management Policy Outline reviewed by the Finance Committee in December 2016, STBP accumulates cost elements and prepares the financial management report on activity-based costing and IPSAS principles.

Under UNOPS processes, financial liabilities are managed through establishing encumbrances in its financial system. Thus, for any order placed or contract entered into by UNOPS on behalf of STBP, an encumbrance is established in UNOPS system. No encumbrance is established unless funds are available. Expenditures are incurred against previously established encumbrances as per UNOPS rules. This approach prevents liabilities being entered into or expenditure incurred unless funds are available, ensuring a tight control and good financial management of the STBP funds.

Based on this approach, UNOPS financial system (oneUNOPS) and STBP Order Management System (OMS) were used and financial data was extracted to prepare the annual financial management report for 2019. The objective was to maintain the consistency with prior years and to illustrate the manner in which the cost elements related to the Partnership’s key functional entities evolve over time.

The balance brought forward from prior years was US\$114.4 million. Out of this balance brought forward, a total of US\$36.77 million corresponded to funds encumbered prior to the reporting period and shall have been disbursed after 1 January 2019.

The income in 2019 of US\$103.3 million shows a slight decrease of 3% vs 2018 income of US\$106.9 million, mainly due to the decrease in the income received from Multilateral Organizations (from US\$4.1 million in 2018 to US\$0.3 million in 2019) and Foundations (from US\$5.5 million in 2018 to US\$1.2 million in 2019). This decrease was partially offset by an increase in the income received from Governments and their Agencies (from US\$94.4 million in 2018 to US\$97.8 million in 2019), specifically income received from countries for In House procurement orders placed through GDF in 2019.

The overall expenditure in 2019 of US\$96 million shows a decrease of 4% versus the expenditure incurred in 2018 of US\$100.1 million. This modest decrease in the overall expenditure is mainly explained by the decrease in expenditure incurred under the Strategic Goal 3 (GDF). GDF expenditure showed a 10% decrease from 2018 to 2019, from US\$66.6 million in 2018 to US\$60.1 million in 2019, explained by the decrease in the value of the In-House procurement of TB diagnostics and drugs done through GDF vs. previous year (from US\$54 million in 2018 to US\$44.5 million in 2019).

The overall expenditure reduction was offset by a 3% increase of the expenditure incurred under Strategic Goal 1 (Partnership Building and Advocacy, Communications and Resource Mobilization), from US\$10.5 million in 2018 to US\$10.8 million in 2019. Strategic Goal 2 (TB REACH) also showed a 16% increase in the expenditure, from US\$14.2 million in 2018 to US\$16.5 million in 2019, explained by the launch in 2019 of the Wave 6 Scale Up and Wave 7 TB REACH grants..

The balance brought forward to 2020 is US\$121.7 million. Out of the US\$121.7 million balance brought forward, a total of US\$37.8 million corresponds to funds encumbered and to be disbursed after 1 January 2020.

The funds flow statement for the year 2019 was also prepared to reflect the Partnership's cash position. This is particularly important as the free cash resources can be used to generate additional income. Same as in previous years, the Partnership's idle funds were invested again during 2019 as part of the UNOPS corporate invested pool of funds, investments that proved to be rather successful. The returns through 2019 for STBP idle funds reached US\$2.23 million, being 64% higher than in the previous year, mainly explained by the additional interest generated on free funds received for In House orders in 2019.

In addition, as of 31 December 2019, there is income of US\$182,353 from a reduced UNOPS management fee applied to expenditure incurred in 2018 but accounted for 2019 fiscal year. This is in line with the sliding fee scale presented in the UNOPS hosting proposal and approved by the STBP Board in July 2014, under which UNOPS would apply a reduced management fee (PSC) should the annual expenditure surpass certain thresholds. Since the 2018 expenditure surpassed US\$100 million, the PSC was reduced to 6.5%, instead of 7%, on expenditures related to STBP activities. There will not be income from the sliding fee in 2020, as the final expenditure reported for 2019 has not surpassed the US\$100 million (total expenditure for 2019 is \$US 96 million).

Overall STBP has shown a stable progress in 2019 comparatively with 2018, in particular with regards to:

- Increase Advocacy efforts, Communication and Partnership Building activities implemented during the year and post UNHLM activities.
- Significant increase in contributions to build up Stop TB partnerships across the world.
- Increased activities related to TB REACH with a scale up and a new wave of grants (Wave 6 Scale Up and Wave 7) awarded to grantees during the year.
- Consolidation of GDF activities implemented during the year and volume of procurement done through GDF.

As in previous years the unearmarked funding available to the Partnership in 2019 has been very limited and efforts shall be continued to identify new sources of un-earmarked funding that will allow the Partnership to meet its strategic goal targets.

Resource mobilization efforts shall be put in place to diversify the pool of donors. This is particularly important as several donor grants funding various Partnerships initiatives come to an end in 2020, and in view of the Stop TB partnership transition from UNOPS to a new hosting entity.