



UNAIDS/PCB(22)/08.10
20 March 2008

22nd Meeting of the UNAIDS Programme Coordinating Board
Chiang Mai, Thailand
23-25 April 2008

Provisional agenda item 7.3:

**Financial report and audited financial statements for the
financial period 1 January 2006 to 31 December 2007
and report of the external auditor**

Additional documents for this item: none

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

- i. Take note of the financial report and audited financial statements for the financial period 1 January 2006 to 31 December 2007 and also the report of the external auditor.
- ii. Further note the opinion of the external auditor that the financial statements included in the financial report for the 2006-2007 biennium accurately reflect UNAIDS accounts and the results of its operations and are consistent with Financial Regulations and Legislative Authority.

Cost implications for decisions: none

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PART I

INTRODUCTION

1. The financial report of the Joint United Nations Programme on HIV/AIDS (UNAIDS) for the biennium 2006–2007 is submitted by the UNAIDS Secretariat to the UNAIDS Programme Coordinating Board (PCB), in accordance with established procedures¹ which require the PCB to review the audited financial report of the Programme.

2. In line with the continuing process of simplification in the presentation of the financial information provided by the Programme, the present report is divided into four parts. Part I presents general information and the main highlights of the report; Part II contains the opinion of the external auditor; Part III contains the principal financial statements, schedules and the notes to the accounts and Part IV provides additional management information related to the financial period.

3. 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, at its 18th meeting held in Geneva 27–28 June 2006, the PCB approved the inclusion of a new supplemental budget line in the Interagency component in the amount of US\$ 40 million specifically dedicated to the provision of technical support to countries, bringing the total (core and supplemental) 2006–2007 Unified Budget and Workplan managed by UNAIDS to US\$ 406.7 million – an increase of 50.3% from US\$ 270.5 million in 2004–2005.

4. The 2006–2007 Unified Budget and Workplan is based on the following strategic considerations:

- supporting the achievement of the UN General Assembly Declaration of Commitment on HIV/AIDS and the Millennium Development Goal on HIV/AIDS;
- 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 gaps 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 unformed services; and,
- ensuring strategic coherence of the work of the Cosponsors and Secretariat and the UN system as a whole.

¹ *Function 5 (vi) of PCB modus operandi*

5. 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 results². The Unified Budget and Workplan also includes agreed principles and processes that further harmonize the work of Cosponsors and the Secretariat.
6. At its 18th meeting held in Geneva 27–28 June 2006, the PCB approved a revision of the expected results of UNAIDS Cosponsors and Secretariat in the 2006-2007 Unified Budget and Workplan and a planned reprogramming of resources within the approved budget, in order to take into account the recommendations of the Global Task Team on Improving AIDS Coordination and other related initiatives. A summary of the revised amounts under the relevant principal results is shown in Schedule 4 on page 18.
7. Taking into account total funds available including carry-over and contributions received as at 30 April 2006, the PCB, at its 18th meeting in June 2006, endorsed the Executive Director's proposal to utilize US\$ 20 million from the anticipated and available fund balance under the 2006-2007 Unified Budget and Workplan under separate appropriations outside the Unified Budget and Workplan. These funds were to be used to cover the costs of a number of urgent and strategic initiatives which included the following: the global implementation support team; the technical support facilities; increased UN system support for the scaling up towards universal access to prevention, treatment and care; the joint situation room and upgraded information technology structure.
8. In December 2006, the PCB further approved the recommendation of the Executive Director to allocate US\$ 1 million from the anticipated and available fund balance under the 2006-2007 Unified Budget and Workplan to cover the cost of developing a viable and sustainable long-term strategy for the AIDS response with a particular focus on resource mobilization and harmonization.
9. Despite a financial implementation rate of over 95 per cent each biennium since its establishment, under the Unified Budget and Workplan, the Joint 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 UBW. On 31 December 2007, this accumulated fund balance amounted to US\$ 188.9 million³.
10. Without a significant fund balance every biennium, the Joint Programme would not be able to operate without interruption. This fund balance enabled the Secretariat to earmark US\$ 100 million of the 2006-2007 fund balance to be transferred to Cosponsors at the beginning of 2008 in order to ensure continuity and smooth implementation of their activities. This represents 75% of Cosponsors' share under the 2008-2009 Unified Budget and Workplan.
11. The remainder of the fund balance enabled the Joint Programme to start earmarking funds for activities and staff costs falling under the Secretariat and Interagency components of the Unified Budget and Workplan for 2008-2009 in a timely manner.

² *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.*

³ *During 2006-2007, the resources mobilized for the Unified Budget and Workplan including interest, resulted in an excess of income over expenditure in the amount of US\$ 82.6 million under the sub-account for the Unified Budget and Workplan. More than 85% of this amount representing approximately US\$ 70 million was received during the last quarter of 2007.*

PART II



भारत के नियंत्रक - महालेखापरीक्षक
COMPTROLLER & AUDITOR GENERAL OF INDIA

VINOD RAI

25 March, 2008

LETTER OF TRANSMITTAL

The Chairman
22nd Meeting of the Programme Coordinating Board
Joint United Nations Programme on HIV/AIDS
20 Avenue Appia
CH-1211 Geneva 27
SWITZERLAND

Sir

I have the honour to present to the 22nd Meeting of the Programme Coordinating Board, a certified copy of the Financial Statements of the Joint United Nations Programme on HIV/AIDS for the biennium ended 31 December 2007, together with my opinion thereon.

Yours sincerely

Vinod Rai
Comptroller and Auditor-General of India
External Auditor

Opinion of the External Auditor

To: **The Programme Coordinating Board for the Joint United Nations Programme on HIV/AIDS**

I have audited the accompanying financial statements, comprising Statement I, the relevant schedules 1 to 6 and the supporting Notes of the Joint United Nations Programme on HIV/AIDS for the biennium ended 31 December 2007. These financial statements are the responsibility of the Director. My responsibility is to express an opinion on these financial statements based on our audit.

I conducted the audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and conforming with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Director, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

In my opinion, these financial statements present fairly, in all respects, the balance of the Fund of the Joint United Nations Programme on HIV/AIDS as at 31 December 2007 and the results of operations for the period then ended in accordance with the stated accounting policies set out in the Statement of Accounting Policies, which were applied on a basis consistent with that of the preceding financial period.

Further, in my opinion, the transactions of the Joint United Nations Programme on HIV/AIDS which have been tested as part of my audit have, in all significant respects, been in accordance with the Financial Regulations and Legislative Authority.

I have no further observations to report as a result of my audit.



Vinod Rai
Comptroller and Auditor-General of India
External Auditor
New Delhi, India
25 March, 2008

PART III

FINANCIAL STATEMENT, SCHEDULES AND NOTES TO THE ACCOUNTS FOR THE PERIOD 1 JANUARY 2006–31 DECEMBER 2007

This section of the financial report presents the overall financial position of UNAIDS as of 31 December 2007. The relevant statements and supporting schedules have been prepared in compliance with the requirements of the WHO Financial Regulations, Financial Rules and the United Nations System Accounting Standards. The schedules provide background details and explanations in support of individual funds and accounts administered by UNAIDS, through the WHO financial systems, for the biennial financial period 1 January 2006 to 31 December 2007.

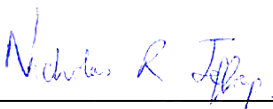
FINANCIAL REPORT ON THE ACCOUNTS OF THE UNAIDS SECRETARIAT FOR THE FINANCIAL PERIOD

1 January 2006 to 31 December 2007

Certification of Financial Statement

The appended statement and schedules, numbered 1 to 6, and notes to the accounts are approved

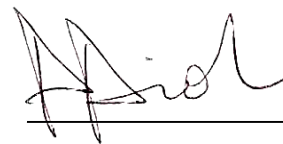
**Certification of the Financial Statement
(pages 8 and 9) by the
World Health Organization**



Nicholas R. Jeffreys
Comptroller

Date 17-3-08

UNAIDS



Peter Piot
Executive Director

Date 17/3/08

Statement I

Statement of income and expenditure and changes in fund balances

All sources of funds for financial period 2006-2007

(in thousands of US dollars)

	Unified Budget and Workplan	Non-Unified Budget and Workplan funds	Junior Professional Officers
	2006-2007	2006-2007	2006-2007
	(a)	(b)	(c)
Income			
<i>Voluntary contributions</i>			
Governments	430 039	63 616	1 002
Cosponsoring organizations	8 108	774	
Other	685	16 202	
	438 832	80 592	1 002
<i>Other income</i>			
Interest income	17 773	3 242	20
Other	473	2 160 ^{a/}	
<i>Total Income</i>	457 078	85 994	1 022
Expenditure			
Programme activities	374 453	64 840	1 675
<i>Total Expenditure</i>	374 453	64 840	1 675
Excess (shortfall) of income over expenditure	82 625	21 154	(653)
Transfer from WHO funds			
Savings on prior periods' unliquidated obligations	5 645		
Transfer between funds	(21 000) ^{b/}	21 000 ^{b/}	
Refund to donors		(83)	(339) ^{c/}
Total changes in fund balances	67 270	42 071	(992)
Fund balances - 1 January 2006	121 659	40 095	2 398
Fund balances - 31 December 2007	188 929	82 166	1 406

a/ Income from services rendered (refund of programme support costs)

b/ See Part IV (paragraphs 14 and 15 on page 26)

c/ US\$ 315 121 transferred to UNDP as JPOs are administered by UNDP/Copenhagen and US\$ 24 189 refunded to donor

Statement I (continued)

Operating Reserve Fund	Eliminations	Totals		
2006-2007		2006-2007	2004-2005	
(d)	(e)	(f) = (a+b+c+d+e)		
		494 657	349 171	Income
		8 882	9 404	<i>Voluntary contributions</i>
		16 887	10 989	Governments
				Cosponsoring organizations
				Other
		520 426	369 564	
		21 035	5 812	<i>Other income</i>
		473	1 339	Interest income
	(2 160) <i>a/</i>			Other
	(2 160)	541 934	376 715	<i>Total Income</i>
		438 808	315 853	Expenditure
	(2 160) <i>a/</i>			Programme activities
	(2 160)	438 808	315 853	<i>Total Expenditure</i>
		103 126	60 862	Excess (shortfall) of income over expenditure
			914	Transfer from WHO funds
		5 645	3 274	Savings on prior periods' unliquidated obligations
				Transfer between funds
		(422)		Refund to donors
		108 349	65 050	Total changes in fund balances
35 000		199 152	134 102	Fund balances - 1 January 2004
35 000		307 501	199 152	Fund balances - 31 December 2005

Notes to the accounts

1. Statement of objectives

The objective of the Joint United Nations Programme on HIV/AIDS (UNAIDS), as contained in the Memorandum of Understanding among Cosponsors establishing UNAIDS and in ECOSOC resolutions 1994/24 and 1995/2, is the coordination of the United Nations system's response to the HIV/AIDS epidemic.

This objective was further refined and updated as a result of the five-year evaluation carried out in 2001 and 2002, which resulted in PCB decisions 2.4 and 2.5 (UNAIDS/PCB(13)/02.6), enumerating the five core cross-cutting functions of UNAIDS, as follows:

- **leadership and advocacy** for effective action on the epidemic;
- **strategic information** required to guide the efforts of partners;
- **tracking, monitoring and evaluation** of the epidemic and responses to it;
- **civil society engagement and partnership development**; and
- financial, technical and political **resource mobilization**.

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 which 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 results⁴. The Unified Budget and Workplan also includes agreed principles and processes that further harmonize the work of Cosponsors and the Secretariat. 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 component in the amount of US\$ 40 million specifically dedicated to the provision of technical support to countries, bringing the total (core and supplemental) 2006–2007 Unified Budget and Workplan managed by the UNAIDS to US\$ 406.7 million.

2. Statement of accounting policies

2.1 General accounting policies

The accounts of UNAIDS are maintained in accordance with the Financial Regulations and Financial Rules of WHO, which provides administration of the Joint United Nations Programme on HIV/AIDS 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 accounting policies and financial reporting practices applied by UNAIDS are therefore based upon the WHO Financial Regulations and Financial Rules. Where the Financial Regulations and Financial Rules of WHO do not provide explicit provisions, the requirements of the United Nations System Accounting Standards (UNSAS) apply. The financial statements, accompanying notes and schedules are in accordance with UNSAS and prepared in the formats stated therein.

2.2 Presentation of financial statements

The financial statements, notes and schedules are presented in US dollars. All assets and liabilities, including accounts receivable and payable, are maintained globally within WHO's books of accounts.

⁴ 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.

2.3 Currency translation

Translation into US dollars of transactions expressed in other currencies is effected at the prevailing United Nations operational rate of exchange, as applicable at the date of the transaction. However, imprest account expenditure transactions are accounted for at the operational rate of exchange in effect at the date expenditures are recorded in the main accounts.

Assets and liabilities held in other currencies at the end of the financial period are also translated into US dollars at the United Nations operational rate of exchange prevailing for the month of December of the closing year. However, when significant changes occur in the exchange rates at the end of a financial period, the rates used 'as of 31 December' are those in force on 1 January of the subsequent year. In the current financial period, no substantial change occurred between the exchange rates in force at the end of 2007 and those in force on 1 January 2008.

2.4 Accounting for exchange differential

Exchange rate gains and losses on the purchase and sale of currencies, revaluation of cash book balances, and all other exchange differences are adjusted against the funds and accounts participating in the apportionment of interest under the WHO general investment plan.

2.5 Voluntary contributions

UNAIDS activities are fully funded through voluntary contributions. Voluntary contributions are recorded on an accrual basis (i.e. income is recognized upon signature of donor agreements and not when it is received). Income is therefore recorded on an accrual basis. As a result of this change in policy, outstanding pledges totalling US\$ 13.4 million has been recognized as income during 2006-2007 financial period.

Contributions of goods or services in-kind received by UNAIDS are recorded upon receipt. They are treated both as income and expenditure in the UNAIDS Trust Fund for Non-Unified Budget and Workplan activities where they are recorded at a fair value based on estimates provided by the donor.

2.6 Interest income

UNAIDS funds are invested by WHO. Interest income is recorded on an accrual basis. Interest earned on funds in accounts invested on a pooled basis is apportioned monthly in proportion to the accounts' capital at the end of each month. Earnings on investments made for specific funds are credited directly to the funds concerned. Interest is adjusted by the exchange differential arising from currency and revaluation operations.

Interest earned and apportioned during the financial period to specific WHO/UNAIDS accounts is retained for use within those accounts and funds.

2.7 Tax Equalization Fund

UNAIDS staff who are nationals of Member States that levy income tax on emoluments received from the organization are included in the WHO Tax Equalization Fund.

2.8 Expenditure

UNAIDS' expenditures (obligations) are recorded on an accrual basis (i.e. obligations are recorded as expenditure during the financial period for goods or services which are contractually due to be delivered during that period).

That part of an obligation, which has not yet been paid (i.e., an outstanding liability) is shown on the balance sheet of WHO as an accounts payable. The effect of this change in the financial policy of recording expenditure on an accrual basis is given in note number 12 on page 14.

2.9 Savings on prior periods' unliquidated obligations

Unliquidated obligations relating to prior financial periods are settled during the current financial period in accordance with Financial Regulation applicable to that period. Variances on settlement are debited/credited to the relevant Trust Fund sub-accounts.

2.10 Eliminations

The accounts of UNAIDS incorporate programme activities under the Unified Budget and Workplan and those under the Non-Unified Budget and Workplan activities. In order to preserve fund integrity and for transparency, income and expenditure are recorded separately for each individual fund. Income can be transferred from one fund to another fund in which case the amount is recorded as expenditure in the originating fund and as income in the receiving fund. However, income and expenditure are also consolidated in UNAIDS accounts and financial statements to give an overall picture of the costs of UNAIDS programme activities. In such circumstances, consolidation produces a duplication of income and expenditure which must be eliminated in order to reflect the net costs of programme delivery.

Programme support costs (PSC) are recorded both as income and expenditure through the accounting for Non-Unified Budget and Workplan activities giving rise to duplication on consolidation which must also be eliminated.

2.11 Cash at banks, in transit and on hand

UNAIDS imprest accounts are managed by UNAIDS and maintained by WHO. Imprest account balances only reflect disbursements recorded up to 30 November 2007, in order to ensure a consistent cut-off throughout WHO/UNAIDS. Disbursements that have not been accounted for in the financial period will be accounted for against the liquidation of the relevant expenditure (obligations) and bank balances in 2008.

UNAIDS cash at banks, in transit and on hand is shown on the balance sheet of WHO.

2.12 Deposits and securities

UNAIDS deposits and securities are administered by WHO and are included on its balance sheet.

2.13 Non-expendable equipment

In accordance with established accounting policy, non-expendable equipment (including furniture, computers and other office equipment and motor vehicles) is charged as expenditure at cost. An inventory of non-expendable equipment is maintained and the value disclosed in these notes.

2.14 Operating Reserve Fund

Pending receipt of core contributions, implementation of the Unified Budget and Workplan may be financed from the Operating Reserve Fund (ORF), which was established by the PCB in June 1996. The rules and procedures guiding the use of the ORF by the Executive Director were decided at the sixth meeting of the PCB held in Geneva in May 1998.

3. Income from services rendered

This item refers to income from programme support costs levied against programme expenditure under the funds for Non-Unified Budget and Workplan activities and Junior Professional officers. Income earned during the financial period is recorded under UNAIDS Trust Fund sub-account for Non-Unified Budget and Workplan for use in the succeeding financial period.

4. Staff Health Insurance

UNAIDS staff are covered by WHO's Staff Health Insurance. Income of the WHO Staff Health Insurance Fund consists of contributions received for both active and retired staff (of which one-third is paid by the participants and two-thirds by the organization), as well as interest earned on

investments. In order to ensure the adequate funding of future claims from retired staff, a fixed percentage (currently 25%) of active staff contributions is set aside each year. The remaining 75% of contributions is required to meet current claims from active staff. The balance of the WHO fund on 31 December 2007, US\$ 383.6 million, is held to satisfy statutory reserves, as follows:

	31 December 2007 (US dollars)	31 December 2005 (US dollars)
Settlement of outstanding claims (SHI rule 470.1)	17 887 917	14 676 678
Future costs of retired staff (SHI rule 470.2) ^{a/}	306 451 000	272 031 000
Reserve for major claims and cost of reinsurance (SHI rule 470.3)	59 270 822	23 992 623
Total	383 609 739	310 700 301

5. Letters of credit

At 31 December 2007, in addition to actual cash resources on hand, undrawn balances under two letters of credit received from the United States of America towards the UNAIDS Unified Budget and Workplan activities and Non-Unified Budget and Workplan activities amounted to US\$ 34.6 million.

6. Outstanding pledges

As at 31 December 2007, in addition to the 2006-2007 outstanding pledges which were recognized as in income during 2006-2007 financial period, there are outstanding pledges for the subsequent financial periods amounting to US\$ 43.7 million.

7. Accounts receivable

Due to the revised accounting policy on income recognition effective 1 January 2006, income from voluntary contributions is now accrued. As a result of this change in policy US\$ 13.4 million has been recognized as income during 2006-2007 for UNAIDS programme activities and is shown as an accounts receivable at 31 December 2007 and is reflected in WHO's balance sheet.

8. Prepaid expenses

The amount of US\$ 2.1 million in prepaid expenses is recorded in WHO's balance sheet and represents disbursements made in respect of obligations against the next financial period and will be charged as expenditure in that period.

9. Construction in progress and loan from the Swiss Confederation

At its 12th meeting in May 2004, the PCB endorsed UNAIDS negotiation of a direct loan with the Swiss Confederation for the construction of a new building in Geneva for UNAIDS Secretariat and WHO at an estimated cost of CHF66 million, of which UNAIDS' share was estimated at CHF33 million. In December 2003, the Swiss Confederation agreed to provide an interest-free loan of CHF59.8 million, of which UNAIDS' share is CHF29.9 million. The repayment over a 50-year period of UNAIDS' share of the interest-free loan provided by the Swiss Confederation will be 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.

The building was completed in November 2006. The amount under capital assets includes US\$ 51.2 million transferred from the construction in progress which represents the expenditure incurred on the building up to 31 December 2007. The additional amount of US\$ 2.8 million above the loan amount from the Swiss Confederation has been financed equally by WHO and UNAIDS. The

^{a/} The most recent actuarial valuation of the future cost of retired staff, dated July 2004, estimates an Accumulated Post-retirement Benefit Obligation (APBO) for retirees of \$ 370.0 million.

loan repayable of US\$ 48.4 million at 31 December 2007 represents the total amount of the loan received from the Swiss Confederation.

10. Capital assets

UNAIDS Capital assets is made up of the 50% of the cost of the new building in Geneva which is included in the balance sheet of WHO at a value of US\$ 51.2 million.

11. Non-expendable equipment

On 1 January 2006, the opening value of the UNAIDS inventory was US\$ 6.9 million. New non-expendable items at a cost of US\$ 3.6 million were purchased during the 2006–2007 biennium, whereas obsolete items totalling US\$ 0.5 million were disposed of, resulting in an inventory figure of US\$ 10 million at 31 December 2007.

12. Accounts payable

In accordance with the revision to Financial Regulation IV, effective 1 January 2006, unliquidated obligations have been replaced by accounts payable. The total accounts payable for UNAIDS programme activities at 31 December 2007 is US\$ 36.8 million (detailed below). The total unliquidated obligations figure at 31 December 2005 for UNAIDS programme activities was US\$ 39.9 million (detailed below). The reduction of US\$ 3.1 million reflects the new expenditure recognition policy in Financial Regulation 4.2 whereby obligations are recorded as expenditure during the current financial period for goods and services which are contractually due to be delivered during that period.

	31 December 2007 (US dollars)	31 December 2005 (US dollars)
Unified Budget and Workplan	27 824 359	28 998 224
Designated Non-Unified Budget and Workplan funds	8 964 215	10 704 750
Junior Professional Officers	38 398	223 310
Total	36 826 972	39 926 284

13. United Nations Joint Staff Pension Fund

UNAIDS participates in the United Nations Joint Staff Pension Fund (UNJSPF) through WHO, which is a member organization participating 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-benefit plan. The financial obligation of the organization 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.

14. Administrative waivers, amounts written off, extra-gratia payments and fraud

During the 2006–2007 biennium, there was no administrative waiver; no amount written off or any extra-gratia payment. Furthermore, no cases of fraud were reported during the 2006–2007 biennium.

15. Contingent liabilities

As of 31 December 2007, there were no legal proceedings pending against the Programme.

Schedule 1

**Unified Budget and Workplan - details of income
for the period ended on 31 December 2007**
(in thousands of US dollars)

Voluntary contributions	Funds received toward the 2006-2007 Unified Budget and Workplan
Governments	
Andorra	67
Australia	3 535
Belgium (incl. Ministry of the Flemish Community)	10 562
Brazil	100
Canada	13 058
China	200
Denmark	15 615
Finland	17 958
France	2 719
Germany	2 900
Greece	789
Ireland	16 112
Italy	1 702
Japan	5 840
Liechtenstein	16
Luxembourg	4 354
Monaco	150
Netherlands	89 411
New Zealand	2 749
Norway	55 345
Poland	100
Portugal	128
Russian Federation	590
Spain	7 783
Sweden	64 140
Switzerland	7 157
Thailand	50
Turkey	100
United Kingdom of Great Britain and Northern Ireland	56 911
United States of America	49 385 a/
Autonomous Government of the Region of Extramadura, Spain	156
Républic et Canton de Génève, Switzerland	357
Sub-total	430 039
Cosponsoring Organizations	
UNDP	108
World Bank	8 000
Sub-total	8 108
Other	
Greek Action for Africa	294
Estate of Diane Strong	167
United Nations Federal Credit Union	68
United Nations Office in Geneva	80
Miscellaneous	76
Sub-total	685
Other income	
Interest	17 773
Other	473
Sub-total	18 246
TOTAL	457 078

a/ Includes US\$ 12.1 million balance of 2005 letter of credit drawn in 2006 and excludes US\$ 22.3 million balance of 2007 letter of credit not yet called forward which falls in year 2008.

Schedule 2

**Non-Unified Budget and Workplan funds - details of income
for the period ended on 31 December 2007**
(in thousands of US dollars)

Voluntary contributions	Funds received toward Non-Unified Budget and Workplan activities 2006-2007
Governments	
Australia	4 124
Austria	765
Belgium (incl. Ministry of Flemish Community)	3 101
Canada	125
Denmark	1 075
Finland	1 285
France	1 755
Germany	1 164
Greece	19
Ireland	3 128
Japan	398
Luxembourg	10 987
Netherlands	44
New Zealand	350
Norway	1 524
Russian Federation	410
Saudi Arabia	100
Spain	1 325
Sweden	5 514
Switzerland	69
United Kingdom of Great Britain and Northern Ireland	24 085
United States of America (USAID)	2 269 a/
Sub-total	63 616
Cosponsoring Organizations	
UNHCR	23
UNICEF	25
WFP	25
UNDP	445
UNFPA	20
UNODC	15
ILO	25
WHO	196
Sub-total	774
Other	
Bill and Melinda Gates Foundation	5 296
CARICOM	200
CDC, USA	5 859
Commission of the European Communities	718
Ford Foundation	650
Global Fund	200
Germany, GTZ	736
International AIDS Society	40
International AIDS Alliance	9
John Hopkins University	240
Johnson & Johnson Products Inc.	50
Merck & Co Inc.	125
National Agency for AIDS Research	50
Organization of Petroleum Exporting Countries	1 800
Rupert Everett	25
Standford University	10
UNOPS	172
WIPO	10
Miscellaneous	12
Sub-total	16 202
Other income	
Interest	3 242
Other (refund of programme support costs)	2 160
Sub-total	5 402
TOTAL	85 994

a/ Excludes US\$ 3.5 million balance of 2007 US letter of credit not yet called forward which falls in year 2008

Schedule 3

**Junior Professional Officers - details of income
for the period ended on 31 December 2007**
(in thousands of US dollars)

Voluntary contributions	Funds received toward Junior Professional Officers 2006-2007
Governments	
Denmark	224
Germany	16
Italy	238
Norway	304
Sweden	220
Sub-total	1 002
Other income	
Interest	20
Sub-total	20
TOTAL	1 022

Schedule 4

**2006-2007 Unified Budget and Workplan
Budget and Expenditure Summary by Principal Results
for the period ended on 31 December 2007**
(in thousands of US dollars)

Principal Results	Approved Budget	Reprogramming	Revised Budget	Expenditure 2006-2007
	(a)	(b)	(c) = (a+b)	(d)
1 UN system coordination	56 209	9 358	65 567	55 046
2 Human rights	12 907	(3 907)	9 000	8 963
3 Leadership and advocacy	41 807	(19 071)	22 736	22 551
4 Partnerships	18 112	1 680	19 792	19 758
5 Country capacity "Three Ones"	70 377	12 986	83 363	72 830
6 HIV prevention	31 747	(6 932)	24 815	24 715
7 Women and adolescent girls	13 609	2 118	15 727	15 692
8 Children affected by HIV and AIDS	5 742	(3 102)	2 640	2 640
9 Programmes addressing vulnerability to HIV	8 796	3 404	12 200	12 200
10 Health care systems for treatment of HIV and AIDS	18 580	(4 643)	13 937	13 937
11 Family and community-based care	4 279	(449)	3 830	3 830
12 National action to alleviate impact	5 415	(862)	4 553	4 553
13 AIDS in conflict-and disaster-affected regions	3 655	1 198	4 853	4 853
14 Strategic information, research and reporting	46 144	(1 164)	44 980	44 735
15 Resource mobilization, tracking and needs estimation	18 896	(19)	18 877	18 807
16 Human and technical resources	50 395	9 405	59 800	49 343
TOTAL	406 670	0	406 670	374 453

Schedule 5

**Non-Unified Budget and Workplan funds
Funds available and expenditure summary by source of income
for the period ended on 31 December 2007
(in thousands of US dollars)**

Source of income	2004-2005	Funds	Interest and	Total	Expenditure
	Carry-over	received in 2006-2007	Transfers from other funds	Funds	2006-2007
	(a)	(b)	(c)	(d)=(a+b+c)	(e)
Voluntary contributions and other income					
Andorra	63			63	52
Australia	1 650	4 124	35	5 809	2 661
Austria		765		765	614
Belgium	1 733	2 403	30	4 166	2 916
Canada	257	125		382	283
Denmark	188	1 075		1 263	590
Finland	832	1 285	25	2 142	206
France	1 396	1 755	31	3 182	1 818
Germany	2	1 164		1 166	1 587
Germany (GTZ)	509	736		1 245	
Greece		19		19	19
Ireland	382	3 128		3 510	753
Italy	167			167	68
Japan	1 159	398		1 557	680
Luxembourg	614	10 987	62	11 663	1 313
Netherlands	88	44		132	125
New Zealand	143	349		492	268
Norway	404	1 523		1 927	224
Russian Federation	261	410		671	332
Saudi Arabia		100		100	100
Spain		1 325		1 325	173
Sweden	5 014	5 514		10 528	4 805
Switzerland	70	69		139	138
United Kingdom of Great Britain & Northern Ireland	7 280	24 085	335	31 700	24 961
Ministry of the Flemish Community, <i>Belgium</i>	499	698		1 197	280
United States of America (USAID)	438	2 269		2 707	2 412
United States of America (CDC)	143	5 859		6 002	3 827
United States of America (NHI)	43			43	24
Action Aid	4			4	4
African Comprehensive HIV/AIDS Partners	11			11	3
Bill & Melinda Gates Foundation	34	5 296	22	5 352	2 855
CARICOM		200		200	134
Commission of the European Communities	143	718		861	786
Ford Foundation		650		650	224
Global Fund	1	200		201	154
Greek Action for Africa Foundation	4			4	
International AIDS Alliance		9		9	9
International AIDS Society		40		40	39
International Labour Organisation	3	25		28	10

Schedule 5 (continued)

Source of income	2004-2005	Funds	Interest and	Total	Expenditure
	Carry-over	received in 2006-2007	Transfers from other funds	Funds	2006-2007
	(a)	(b)	(c)	(d)=(a+b+c)	(e)
Japan International Corporation	1			1	
Japanese Foundation for AIDS	115			115	115
John Hopkins Univeristy		241		241	235
Johnson & Johnson Products Inc.		50		50	38
Merck & Company Inc.	171	125		296	
National Agency for AIDS Research	3	50		53	30
Organization of Petroleum Exporting Countries	563	1 800	6	2 369	1 305
Rupert Everett		25		25	
Southern African Development Community	139			139	95
Standford Univeristy		10		10	
UBS SA, Switzerland	1			1	
UNODC	15	15		30	15
UNDP	226	446	(83) b/	589	493
UNESCO	116			116	
UNFPA		20		20	10
UNHCR		23		23	10
UNICEF	153	25		178	151
United Nations	30			30	9
UNFIP	189			189	(41)
United Nations Development Fund for Women	14			14	14
United Nations Foundation	25			25	25
UNOPS		172		172	64
Office of the United Nations High Commissioner for Human Rights	13			13	13
Office for the Coordination of Humanitarian Affairs	1			1	
WHO		196		196	48
World Bank	164			164	121
World Economic Forum				0	
WFP		25		25	10
WIPO		10		10	10
Miscellaneous	36	12		48	22
Interest and other (including refund on PSC)	2 012	2 160	1 750	5 922	1 439
Sub-total	27 522	82 752	2 213	112 487	59 679
Transfer from other funds					
Transfer from Global Programme on AIDS	149			149	140
Special PCB allocations	12 424		21 946	34 370	5 021
Sub-total	12 573		21 946	34 519	5 161
Total	40 095	82 752	24 159	147 006	64 840 a/

a/ Actual expenditure incurred during the biennium amounted to US\$ 65.5 million. This figure has been reduced by the total savings of US\$ 0.7 million generated through the reduction/cancellation of prior periods' unliquidated obligations, thus arriving at net expenditure of US\$ 64.8 million.

b/ Refunded to donor

Schedule 6

Junior Professional Officers
Funds available and expenditure summary by source of income
for the period ended on 31 December 2007
(in thousands of US dollars)

Source of income	2004-2005 carry-over	Funds received in 2006-2007	Interest and Transfers	Total funds	Expenditure 2006-2007
	(a)	(b)	(c)	(d)=(a+b+c)	(e)
Governments					
Austria	36			36	35
Belgium	270		(250) ^{a/}	20	(28)
Denmark	169	224		393	282
Finland	65		(65) ^{b/}		
Germany	154	16	(24) ^{c/}	146	101
Italy	(21)	238		217	306
Japan	20			20	
Netherlands	369			369	(11)
Norway	593	304	20	917	622
Sweden	389	220		609	368
Sub-total	2 044	1 002	(319)	2 727	1 675
Other income					
Interest received	354			354	
Sub-total	354			354	
Total	2 398	1 002	(319)	3 081	1 675 ^{d/}

a/ b/ Funds transferred to UNDP Copenhagen as JPOs are now administered by UNDP.

c/ Refunded to donor

d/ Actual expenditure incurred during the biennium amounted to US\$ 1.8 million. This figure has been reduced by the total savings of US\$ 0.1 million generated through the reduction/cancellation of prior periods' unliquidated obligations, thus arriving at net expenditure of US\$ 1.7 million.

PART IV

MANAGEMENT INFORMATION

Funds contributed during the 2006–2007 biennium

1. During the financial period under review, income totalling US\$ 457.1 million was made available for the core resources of the Unified Budget and Workplan for 2006–2007. Thirty one governments contributed 94.1% of this amount, and the World Bank and UNDP combined contributed 1.5% of this amount. The remaining 4.4% is made up of interest received and apportioned during the reporting period as well as miscellaneous income, including funds received from public institutions and private contributors other than governments, miscellaneous donations and honoraria received. Schedule 1 on page 15 provides the details of this income.

2. Furthermore, Non-Unified Budget and Workplan resources amounting to US\$ 86 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 detailed in Schedule 2 on page 16.

3. For the placement of Junior Professional Officers, five governments contributed a total amount of US\$ 1 million during the 2006-2007 biennium. The details of these contributions are shown in Schedule 3 on page 17.

Funds expended during the 2006–2007 biennium

4. The total expenditure of US\$ 438.8 million shown in Statement I (column f) on page 9 is the sum of all the different sub-accounts at the end of the 2006–2007 financial period. Out of this expenditure figure, the funds fully disbursed on 31 December 2007 totalled US\$ 402 million, leaving an amount of accounts payable of US\$ 36.8 million.

5. During the period under review, the funds expended against the US\$ 406.7 million 2006–2007 Unified Budget and Workplan amounted to US\$ 374.5 million resulting in a financial implementation of 92.1%⁵ (summarized in Schedule 4 on page 18). The amount of US\$ 374.5 million includes:

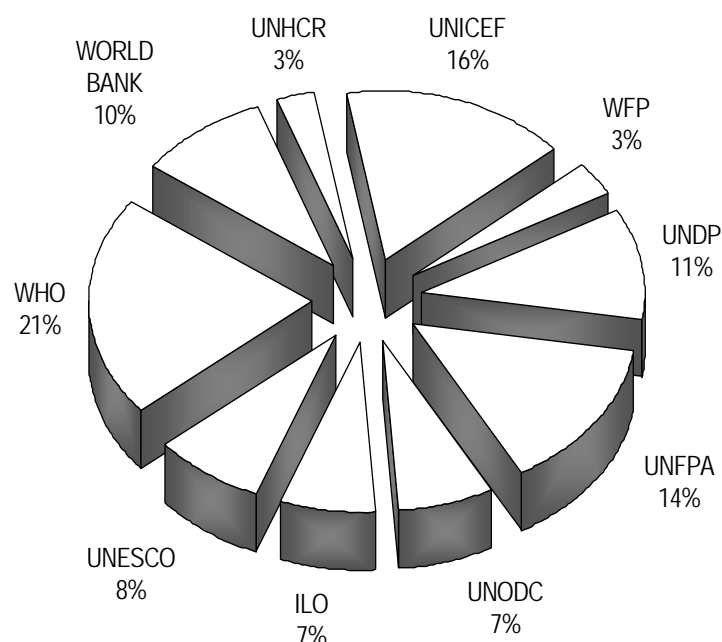
- (a) US\$ 120.7 million transferred to Cosponsors for the implementation of their AIDS activities contained in the Unified Budget and Workplan.
- (b) US\$ 114.2 million expended for the Interagency activities.
- (c) US\$ 139.6 million expended for Secretariat activities and staff.

a) Funds transferred to Cosponsors

As at 31 December 2007, financial transfers made to Cosponsors amounted to US\$ 120.7 million. These transfers represent 100% of the 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.

⁵ It should be noted that US\$26.8 million of the budget of US\$40 million approved by the PCB for support to National AIDS Programmes was not funded through designated contributions, which means the total amount available for implementation was US\$379.9 million. The total expenditure of US\$374.4 million therefore corresponds to an implementation rate of 98.6 per cent.

Figure 1: Funds and proportions transferred to Cosponsors for the period ended on 31 December 2007



Principal Results	Funds transferred (in thousands of US dollars)
1 UN system coordination	400
2 Human rights	2 833
3 Leadership and advocacy	3 120
4 Partnerships	13 625
5 Country capacity "Three Ones"	11 247
6 HIV prevention	23 015
7 Women and adolescent girls	9 560
8 Children affected by HIV and AIDS	2 640
9 Programmes addressing vulnerability to HIV	12 200
10 Health care systems for treatment of HIV and AIDS	13 937
11 Family and community-based care	3 830
12 National action to alleviate impact	4 553
13 AIDS in conflict-and disaster-affected regions	4 853
14 Strategic information, research and reporting	7 080
15 Resource mobilization, tracking and needs estimation	6 377
16 Human and technical resources	1 400
Total	120 670

b) Expenditures incurred against Interagency resources

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 UNAIDS country staff working with Theme Groups and Joint Teams on AIDS at country level (Country Coordinators and advisers on monitoring and evaluation, partnerships and social mobilization); direct financial support to catalytic projects that contribute to or strengthen an expanded response in priority countries provided through Programme Acceleration Funds; coordinated and collective UNAIDS action to support the stimulation of effective responses to AIDS through the implementation of appropriate interventions at country, regional and global level; the enhancement of UN system staff capacity to respond to the AIDS epidemic at individual, professional and organizational levels; and technical support to countries.

During the period under review, a total amount of US\$ 114.2 million was expended for Interagency activities as follows:

- US\$ 67.9 million towards the operations of Theme Groups, including salaries of UNAIDS Country Coordinators and advisers on monitoring and evaluation and social mobilization;
- US\$ 14.6 million disbursed for Programme Acceleration Funds;
- US\$ 16.5 million to support a number of targeted interventions at country, regional and global levels;
- US\$ 2.3 million disbursed towards activities aiming at increasing staff capacity on HIV and AIDS;
- US\$ 12.9 million disbursed towards technical support to countries.

A breakdown of Interagency resource expenditures is provided by principal results in Table 1 below:

Table 1 : Interagency budget allocations and expenditure for the period ended on 31 December 2007 (in thousands of US dollars)

Principal Results	Interagency resources	
	allocations	expenditure
1 UN system coordination	47 700	37 266
3 Leadership and advocacy	2 150	2 061
5 Country capacity "Three Ones"	45 900	35 510
6 HIV prevention	1 800	1 700
14 Strategic information, research and reporting	2 150	2 100
16 Human and technical resources	45 900	35 509
Total	145 600 ^{a/}	114 147

a/ Consists of US\$ 84.4 million core budget and US\$ 61.2 million supplemental. It should be noted that US\$ 26.8 million of the budget of US\$40 million approved by the PCB for support to National AIDS Programmes under the Inter-Agency component was not funded through designated contributions, which means the total amount available for implementation was US\$ 118.8 million. The total expenditure of US\$ 114.1 million therefore, corresponds to an implementation rate of 96 per cent.

c) Expenditures incurred against the Secretariat budget

UNAIDS Secretariat expenditures amounted to US\$ 139.6 million as at 31 December 2007, representing a financial implementation rate of approximately 99.5% of the US\$ 140.4 million (core and supplemental) budget. This includes US\$ 74.7 million spent on activities, and US\$ 64.9 million in staff costs. Further details on the funds expended by the Secretariat are shown by principal results in Table 2 below.

Table 2: Secretariat budget allocations and expenditure for the period ended on 31 December 2007 (in thousands of US dollars)

Principal Results	Secretariat	
	allocation	expenditure
1 UN system coordination	17 467	17 380
2 Human rights	6 167	6 130
3 Leadership and advocacy	17 467	17 370
4 Partnerships	6 167	6 133
5 Country capacity "Three Ones"	26 216	26 073
7 Women and adolescent girls	6 166	6 132
14 Strategic information, research and reporting	35 750	35 555
15 Financial resources	12 500	12 430
16 Human and technical resources	12 500	12 433
Total	140 400 ^{a/}	139 636

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

d) Expenditures incurred against the Non-Unified Budget and Workplan funds

As indicated in Schedule 5, on pages 19 and 20, the actual expenditure incurred under the sub-account for Non-Unified Budget and Workplan resources amounted to US \$ 65.5 million as of 31 December 2007. This amount has been reduced by US\$ 0.7 million representing the savings generated by the reduction/cancellation of prior periods' unliquidated obligations. Hence, a net expenditure figure of US\$ 64.8 million is shown in Statement I, column (b) on page 8 under the sub-account for Non-Unified Budget and Workplan activities as at 31 December 2007.

6. Schedule 5 also presents: (i) an overview of the total Non-Unified Budget and Workplan resources, including funds carried over from 2005 (as well as interest received in the 2006–2007 biennium), which have been made available to programme activities under this component (column d); and (ii) the amount of funds expended during the period ended on 31 December 2007.

7. To cover the contracts of Junior Professional Officers up to 31 December 2007, total funds in the amount of US\$ 1.7 million were expended in relation to their assignments. Schedule 6 on page 21 provides details on the amounts received and expended during the period ended on 31 December 2007.

Fund balances

8. The fund balances as at 31 December 2007 are a result of a combination of the fund balances as at 31 December 2005, which are shown against the line for fund balances on 1 January 2006 in

Statement I, and other factors occurring during the 2006–2007 financial period as detailed below:

Excess (shortfall) of income over expenditure

9. During 2006-2007, the resources mobilized for the Unified Budget and Workplan including interest, resulted in an excess of income over expenditure in the amount of US\$ 82.6 million for the Unified Budget and Workplan. More than 85% of this amount, or approximately US\$ 70 million, was received during the last quarter of 2007.

10. The excess of US\$ 21.2 million, under the sub-account for Non-Unified Budget and Workplan activities on 31 December 2007 results from two main factors. Firstly, a large number of these contributions made during the 2006-2007 biennium were to fund global, regional and country activities continuing beyond 2007. Secondly, a large portion of these resources was also received during the last quarter of 2007. It should be noted that the Programme was able to implement, in a timely manner, a large number of activities that absorbed a major portion of the 2005 fund balance as well as a substantial part of the income received during the biennium

11. The expenditures under the sub-accounts for Junior Professional Officers as at 31 December 2007 exceed the funds received in these sub-accounts during the period 1 January 2006 to 31 December 2007 by US\$ 0.7 million. This shortfall was met from the fund balance available as at 1 January 2006.

Savings on prior periods' unliquidated obligations

12. During the course of the 2006-2007 biennium, disbursements were made against some of the prior financial periods' unliquidated obligations. A number of these obligations were reduced to reflect revised commitments or were cancelled where they no longer represented valid charges. Furthermore, at the end of 2007, the 2004-2005 Unified Budget and Workplan unliquidated obligations were cancelled in accordance with Financial Regulations applicable to that period. The reduction and cancellation of these unliquidated obligations generated a total amount of US\$ 5.6 million, shown against savings on prior periods' unliquidated obligations line under Statement I, column (a) on page 8.

Transfer between funds and fund balances as of 31 December 2007

13. As also shown in Statement I, in order to implement PCB Recommendations 11.2 of June 2006 and 3.6 of December 2006, funds amounting to US\$ 21 million were transferred from the available fund balance under the Unified Budget and Workplan (column a) to the Non-Unified Budget and Workplan sub-account (column b).

14. In this context, the US\$ 21 million was transferred to the sub-account of Non-Unified Budget and Workplan activities (column b) to cover the costs of a number of strategic initiatives which include the following: the global implementation support team for US\$ 3 million; the UNAIDS technical support facilities for US \$ 5 million; increased UN system support for the scaling up towards universal access to prevention, treatment and care for US \$ 5 million; the joint situation room for US\$ 3 million; upgraded information technology infrastructure for US\$ 4 million and developing a viable and sustainable long-term strategy for the AIDS response with a particular focus on resource mobilization and harmonization for US\$ 1 million.

15. The net result of the above is a total fund balance of US\$ 307.5 million, as at 31 December 2007, shown in Statement I (column f) on page 9, of which the 2006-2007 Unified Budget and Workplan accounted for 61.4%, or US\$ 188.9 million (column a).

16. The fund balance under the sub-account for Non-Unified Budget and Workplan activities accounted for 26.7%, or US\$ 82.2 million, of the US\$ 307.5 million. The balance of funds in the sub-account for Junior Professional Officers accounted for 0.5% or US\$ 1.4 million and the remaining 11.4% or US\$ 35 million is made up of the Operating Reserve Fund.