

NARRATIVE REPORT FOR 2021 FINANCIAL MANAGEMENT REPORT

Stop TB Partnership Secretariat (STBP) 2021 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 actual financial status.

As in previous years, in accordance with its Financial Policy approved by the 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 the 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 from being entered into or expenditures incurred unless funds are available, ensuring tight control and sound 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 2021. The objective was to maintain 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\$183.2 million. Out of this balance brought forward, a total of US\$37.1 million corresponded to funds encumbered prior to the reporting period and shall have been disbursed after 1 January 2021.

The income in 2021 of US\$99 million shows a significant decrease of 43% vs. 2020 income of US\$174.5 million, mainly due to the decrease in income received from Governments and their Agencies. A total of US\$81.5 million was received from USAID in 2020 vs. US\$32.4 million in 2021. Income received from countries for ‘In-House’ procurement orders placed through GDF with a decrease from US\$73.3 million in 2020 to US\$59.7 million in 2021. Finally the income

received from the Government of Canada decreased from US\$12.9 million in 2020 to zero in 2021, with new proposal submitted to the donor but not yet concretized.

The overall expenditure in 2021 of US\$113.6 million shows a similar level versus the expenditure incurred in 2020 of US\$113 million. This slight increase in the overall expenditure is mainly explained by the increase in expenditure incurred under Strategic Goal 3 (GDF) and Strategic Goal 1 (TBP). GDF expenditure showed a 5% increase from 2020 to 2021, from US\$76.2 million in 2020 to US\$79.7 million in 2021, explained by the increase in the total value of TB products procured through GDF vs. previous year (from US\$68.5 million in 2020 to US\$71.8 million in 2021). The decrease of 16% in the value of 'In-House' procurement done through GDF in 2021 is coincided with the beginning of the new Global Fund's 3-year grant cycle, started in January 2021. The increase in TBP is explained by the significant increase of 69% in grants, from US\$4.1 million in 2020 to US\$7 million in 2021.

The slight increase in the overall expenditure was partially offset by the important decrease in SG2 (TB REACH) expenditure from US\$16.6 million in 2020 to US\$11 million in 2021, mainly due to the end of the TB REACH donor funding in early 2021, with new donor proposals submitted by materialized at a later date.

The balance brought forward to 2022 is US\$168.6 million. Out of the US\$168.6 million balance brought forward, a total of US\$37.2 million corresponds to funds encumbered and to be disbursed after 1 January 2022.

Same as in previous years, the free cash resources of the Partnership were used to generate additional income. The Partnership's idle funds were invested during 2021 as part of the UNOPS corporate invested pool of funds. The returns through 2021 for STBP idle funds reached US\$0.3 million, being 69% lower than in the previous year, but consistent with the lower interest rates in the financial markets.

As of 31 December 2021, there was an income from the sliding fee of US\$0.4 million represented by the UNOPS management fee rebate for years 2020 (US\$0.2 million) and 2021 (US\$0.2 million), as the final annual expenditure reported for 2020 and 2021 surpassed the US\$100 million threshold. 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 (PSC gets reduced to 6.5%, instead of 7%) on expenditures related to STBP activities. As 2020 and 2021 expenditure exceeded the US\$100 million threshold, the Partnership received the sliding fee income, having both years 2020 and 2021 accounted for in 2021.

Overall and similar to year 2020, STBP has shown stable progress, despite challenges caused by the progression of the COVID-19 pandemic and funding for some initiatives in the Partnership coming to an end early 2021:

- Continued important advocacy efforts, communication, and partnership building activities implemented during the year working with partners.
- New wave of Challenge Facility for Civil Society grants awarded during the year.
- Decreased activities related to TB REACH with lower number of grants issued under the new wave of TB REACH grants (Wave 9) launched during the year in line with the funding for TB REACH coming to an end early 2021.
- Consolidation of GDF activities implemented during the year with slight increase in the volume of TB products procured through GDF.

As in previous years, the unearmarked funding available to the Stop TB Partnership in 2021 has been very limited. Efforts shall be continued to identify new sources of un-earmarked funding that will allow the Partnership to meet its strategic goal targets.