NARRATIVE TO THE

2022 FINANCIAL MANAGEMENT REPORT

Stop TB Partnership Secretariat (STBP) 2022 financial management report has been prepared following "Accruals" principles under the International Public Sector Accounting Standards (IPSAS). As per the accrual principle, 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 expenditure 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 2022. The objective was to maintain consistency with prior years and to illustrate the way the cost elements related to the Partnership’s key functional entities evolve over time.

The balance brought forward from prior years was US$168.6 million. Out of this balance brought forward, a total of US$37.2 million corresponded to funds encumbered prior to the reporting period and shall have been disbursed after 1 January 2022.

Compared to the 2021 income of US$99 million, the income in 2022 showed a substantial increase, reaching US$153.7 million. This represents an approximate 55% rise from the previous year, and it is due to the increase in income received from Governments and their Agencies. A total of US$32.4 million was received from USAID in 2021 vs. US$45.6 million in 2022. The income received from countries for ‘In-House’ procurement orders placed through GDF increased from US$59.7 million in 2021 to US$89.1 million in 2022. Finally, the income received from new donor contributions (KOICA, The Government of Canada and FCDO) increased for a total of US$12.2 million.
The overall expenditure for the year of US$132.9 million shows a 17% increase versus the expenditure incurred in 2021, of US$113.6 million. This 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 32% increase from 2021 to 2022, from US$79.7 million in 2021 to US$105.6 million in 2022, mainly explained by the increase vs. the previous year of the total value of TB products procured through GDF (from US$71.8 million in 2021 to US$97.2 million in 2022). The 37% increase in the expenditure incurred under SG1 (TBP) is explained by the significant increase of 48% in grants, from US$7 million in 2021 to US$10.3 million in 2022.

The increase in the overall expenditure was partially offset by the important decrease by 50% in SG2 (TB REACH) expenditure, from US$11 million in 2021 to US$5.5 million in 2022, mainly due to the end of the TB REACH donor funding in 2021, with only some of the new donor proposals materialized in 2022 and additional proposals only in 2023.

The balance brought forward to 2023 is US$189.4 million. Out of the US$189.4 million balance brought forward, a total of US$33.6 million corresponds to funds encumbered and to be disbursed after 1 January 2023.

Same as in previous years, the free cash resources of the Partnership were used to generate additional income. The STBP’s idle funds were invested during 2022 as part of the UNOPS corporate invested pool of funds. The returns through 2022 for these idle funds reached US$0.5 million, being 49% higher than in the previous year, but lower than in prior years, consistent with the low interest rates in the financial markets during 2022.

As of 31 December 2022, there was an income from the sliding fee of US$0.2 million, represented by the UNOPS management fee rebate for the year 2022, as the final annual expenditure reported 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 the 2022 expenditure exceeded the US$100 million threshold, the Partnership received a sliding fee income.

Overall, during the reporting year, STBP has shown good progress with the activities picking up after the challenges faced during the COVID-19 pandemic. Additionally, the funding constraints faced in 2021 with some donor contributions ending, were overcome with new funding proposals materialized in 2022. As in previous years, the unearmarked funding available to the Stop TB Partnership in 2022 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 targets.