

NARRATIVE TO THE 2023 FINANCIAL MANAGEMENT REPORT

Stop TB Partnership Secretariat (STBP) 2023 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 2023. 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 evolved over time.

The balance brought forward from prior years was US\$189.4 million. Out of this balance brought forward, a total of US\$33.6 million corresponded to funds encumbered prior to the reporting period and shall have been disbursed after 1 January 2023.

The income in 2023 of US\$185.6 million shows a significant increase of 21% vs. 2022 income of US\$153.7 million, mainly due to the increase in income received from Governments and their Agencies and Multilateral Organizations. A total of US\$45.6 million was received from USAID in 2022 vs. US\$58.6 million in 2023. The income received from new donors’ contributions (France Government) increased for a total of US\$1.6 million. Income received from countries for ‘In-House’ procurement orders placed through GDF increased from US\$89.1 million in 2022 to US\$91.9 million in 2023. Income from Multilateral Organizations (The Global Fund) increased from US\$1 million in 2022 to US\$2.5 million in 2023.

The overall expenditure for the year of US\$179.4 million shows a 35% increase versus the expenditure incurred in 2022 of US\$132.9 million. This increase in the overall expenditure is mainly explained by the increase in expenditure incurred under Strategic Goal 2 (TBR) and Strategic Goal 1 (TBP). TBR expenditure showed a 169% increase from US\$5.5 million in 2022 to US\$14.9 million in 2023, explained by the increase in the number of grants managed by TBR under Wave 9 and Wave 10, following the implementation of the 2022 and 2023 new donor contributions received by the program (Canada, FCDO, USAID). TBP expenditure showed a 61% increase from 2022 to 2023, from US\$18.2 million in 2022 to US\$29.4 million in 2023, mainly explained by the increase in the in the number of CFCS (Challenge Facility for Civil Society) grants implemented. Strategic Goal 3 expenditure showed a 17% increase from 2022 to 2023, from US\$105.6 million in 2022 to US\$123.2 million in 2023, due to the increase in the value of the 'In-House' procurement of TB diagnostics and drugs done through GDF. The increase of 33% in the value of 'In-House' procurement done through GDF (US\$73.9 million in 2022 versus US\$98 million in 2023) coincided with the end of The Global Fund's three-year grant cycle in December 2023.

The balance brought forward to 2024 is US\$195.5 million. Out of the US\$195.5 million balance brought forward, a total of US\$41.2 million corresponds to funds encumbered and to be disbursed after 1 January 2024.

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 2023 as part of the UNOPS corporate invested pool of funds. The returns through 2023 for STBP idle funds reached US\$1.9 million, being a considerable increase vs. previous year (US\$0.5 million in 2022), consistent with the higher interest rates in the financial markets during 2023.

As of 31 December 2023, there was an income from the sliding fee of US\$0.4 million represented by the UNOPS management fee rebate for year 2023, as the final annual expenditure reported surpassed the US\$150 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%, instead of 7%) on expenditures related to STBP activities. As 2023 expenditure exceeded the US\$150 million threshold, the Partnership received a sliding fee income.

Overall, during the reporting year, STBP has shown good progress with increased activity and new donor contributions materialized during the year (France, LSTM) and the continuation of recently signed donor contributions that started in 2022 (KOICA and FCDO).

Finally, despite the new donor contributions, as in prior years, the unearmarked funding available to the Stop TB Partnership in 2023 has remained limited. Efforts shall be continued to identify new sources of un-earmarked funding that will allow the Partnership to meet its strategic goal targets.