

## **NARRATIVE REPORT FOR 2020 FINANCIAL MANAGEMENT REPORT**

Stop TB Partnership Secretariat (STBP) 2020 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 2020. 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\$121.7 million. Out of this balance brought forward, a total of US\$37.8 million corresponded to funds encumbered prior to the reporting period and shall have been disbursed after 1 January 2020.

The income in 2020 of US\$174.5 million shows a significant increase of 69% vs. 2019 income of US\$103.3 million, mainly due to the increase in income received from Governments and their Agencies (received from USAID a total of US\$33.1 million in 2019 vs. US\$81.5 million in 2020, and income received from countries for ‘In-House’ procurement orders placed through GDF with an increase from US\$48 million in 2019 to US\$73.3 million in 2020).

The overall expenditure in 2020 of US\$113 million shows an increase of 18% versus the expenditure incurred in 2019 of US\$96 million. This increase in the overall expenditure is mainly explained by the increase in expenditure incurred under Strategic Goal 3 (GDF). GDF expenditure showed a 27% increase from 2019 to 2020, from US\$60.1 million in 2019 to US\$76.2 million in 2020, explained by the increase in the value of the 'In-House' procurement of TB diagnostics and drugs done through GDF vs. previous year (from US\$44.5 million in 2019 to US\$59.4 million in 2020). The increase of 33% in the value of 'In-House' procurement done through GDF in 2020 coincided with the end of The Global Fund's 3-year grant cycle in December 2020.

The overall rise in expenditure was also due to a slight 8% increase incurred under Strategic Goal 4 (Operations), from US\$8.7 million in 2019 to US\$9.5 million in 2020, mainly explained by the increase in the UNOPS PSC, justified by the increase of the overall expenditure incurred in 2020 vs. 2019.

The balance brought forward to 2021 is US\$183.2 million. Out of the US\$183.2 million balance brought forward, a total of US\$37.1 million corresponds to funds encumbered and to be disbursed after 1 January 2021.

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 2020 as part of the UNOPS corporate invested pool of funds. The returns through 2020 for STBP idle funds reached US\$1 million, being 55% lower than in the previous year.

As of 31 December 2020, there will be no income from the sliding fee in the year, as the final expenditure reported for 2019 did not surpass the US\$100 million threshold (total expenditure was US\$ 96 million). 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 expenditure exceeds the US\$100 million threshold, the Partnership will receive the sliding fee income for the year, however it will be accounted for in 2021.

Overall, STBP has shown stable progress in 2020 comparatively with 2019 despite challenges caused by the COVID-19 pandemic, in particular with regards to:

- Increased advocacy efforts, communication, and partnership building activities implemented during the year working with partners.
- Increased activities related to TB REACH with the new wave of TB REACH grants (Wave 8) launched during the year.
- Increase in contributions to continue the build-up and strengthen the national Stop TB Partnerships across the world.

- New wave of Challenge Facility for Civil Society grants awarded during the year.
- Consolidation of GDF activities implemented during the year and increase in the volume of procurement done through GDF.

As in previous years, the unearmarked funding available to the Stop TB Partnership in 2020 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.

Resource mobilization efforts shall be put in place to diversify the pool of donors. This is particularly important and urgent as several donor grants funding various Partnerships 'initiatives ended in 2020.