



WORLD HEALTH ORGANIZATION

EXECUTIVE BOARD
104th Session
Supplementary agenda item

EB104/12
26 May 1999

UNAIDS Operating Reserve Fund

Report by the Secretariat

BACKGROUND

1. Under a Memorandum of Understanding between UNAIDS and WHO, WHO provides the administration of UNAIDS within the framework of the United Nations Accounting Standards, WHO's Financial Regulations, Financial Rules, and practices and procedures. As WHO is responsible for the administration of UNAIDS, which is not itself a legal entity, it is legally responsible to ensure that the liabilities of UNAIDS are met. On 6 November 1998, UNAIDS brought to the attention of WHO the matter raised at the meeting of the UNAIDS Programme Coordinating Board (PCB) in May 1998 of the level of the UNAIDS Operating Reserve Fund.

2. UNAIDS has advised WHO that the level of its Operating Reserve Fund is US\$ 33 million. At the meeting of the Programme Coordinating Board, members were informed that the Fund is made up of two major components, namely, that part relating to the obligations for salaries and allowances, US\$ 20 million, and that part relating to the requirement to fund activities during the first part of a new biennium, US\$ 13 million. The meeting was further advised by UNAIDS that the Operating Reserve Fund part for salaries and allowances of US\$ 20 million is a direct consequence of application of the provision contained in the WHO Manual Part IV, Section 4, paragraph 100 (see below). The part relating to salaries reflects contractual arrangements with staff members to whom WHO has a liability under the terms of their contract. It should also be noted that this Operating Reserve Fund is not fully backed by cash because the timing of receipt of payments from donors does not match the timing of cash payments made for expenditures.

3. In February 1999 WHO informed UNAIDS that the obligations which are established for staff salaries should reflect the true substance of the underlying liability for the financial period concerned. WHO Manual Part IV, Section 4, paragraph 100 (which applies to UNAIDS) states that:

for funds other than regular budget, Special Account for Servicing Costs and Associate Professional Officers, salaries and allowances obligations are established on an annual basis to 31 December of the current calendar year or to the end of the contract or expiry of the authorized position, as applicable, whichever is the earlier.

This is sound financial management and prudent accounting in that it helps to avoid problems at the end of each calendar year. Otherwise, the situation could arise whereby legally binding financial commitments would not be recognized in the accounts.

ISSUES

4. The Programme Coordinating Board at its meeting in May 1998 considered the document entitled Financial and budgeting matters - UNAIDS Operating Reserve Fund.¹ The Board requested the UNAIDS Secretariat to continue to discuss with WHO's Secretariat mechanisms for the efficient use of scarce resources with regard to the Operating Reserve Fund, in particular, the specific requirement to obligate salaries for the calendar year, and to report to it at its next regular session in 1999.²

5. WHO understands that the Programme Coordinating Board at its meeting in June 1999 will consider a further document on the UNAIDS Operating Reserve Fund which in paragraph 20 proposes to adjust the level of the Fund from US\$ 33 million to US\$ 25 million.³ It states that US\$ 25 million represents an adequate level to satisfy both WHO's Financial Rules and the Programme's funding requirements during the first quarter of the year. In this case, US\$ 20 million would continue to be held to cover any liability for salary and related staff costs, and the balance of US\$ 5 million would be available to cover other liabilities.

ACTION BY THE EXECUTIVE BOARD

6. The Executive Board is invited to take note of this matter.

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¹ Document UNAIDS/PCB (6)/98.9.

² Document UNAIDS/PCB (6)/98.12.

³ Document UNAIDS/PCB(8)/99.4.