Report of the eighteenth meeting of the Administration, Budget and Finance Committee of the Executive Board

Agenda item 1 Opening of the meeting, election of the Chairman and adoption of the agenda (Document EBABFC18/1)

1. The eighteenth meeting of the Administration, Budget and Finance Committee (ABFC) was held in Geneva from 16 to 17 January 2003. A list of participants appears in the Annex. The Committee elected Dr A.A. Yoosuf (Maldives) as Chairman and adopted the provisional agenda.

Agenda item 2 Proposed programme budget for the financial period 2004-2005 (Documents PPB/2004-2005, EB111/13 and EB111/INF.DOC./5)

2. This item was taken up jointly with the Programme Development Committee.1

Agenda item 3 Financial matters

3.1 Assessed contributions

Status of collection of assessed contributions, including Members in arrears to an extent which would justify invoking Article 7 of the Constitution (Document EB111/14)

3. In noting the contents of the report the Committee was gratified that since 31 December 2002, further payments of assessed contributions totalling US$ 11 million had been received from Angola, Australia, Austria, Democratic People’s Republic of Korea, Russian Federation and Singapore. It also noted that amounts due to Member States under the Financial Incentive Scheme for 2001 had been credited to Members’ accounts on 1 January 2003. As a result of both these credits to Members’ accounts, and the payment indicated above, the rate of collection for 2002 has risen to 85%, and the number of Members having paid 2003 contributions in full has risen to 33, compared with 29 as

referred to in document EB111/14. Furthermore, arrears had been reduced to US$ 140 million, compared with US$ 153 million mentioned in the same document.

4. The Chairman indicated that since further information on the status of collection and Members in arrears to an extent that would justify invoking Article 7 of the Constitution was to be provided to ABFC at its nineteenth meeting (May 2003), only at that time would the Committee be able to formulate any recommendation to the Health Assembly.


5. The Committee was informed that document EB111/15 provided a proposed scale of assessment for the biennium 2004-2005, together with background information indicating that it was derived from the latest United Nations scale, i.e. that for 2003. It also described the criteria used for the calculations, and showed comparative data for United Nations and WHO scales for preceding and current bienniums as well as for 2004-2005.

6. Document EB111/15 Add.1 provided an updated version of the proposal for the 2004-2005 scale of assessment, incorporating the effect of the ad hoc adjustments for Afghanistan and Argentina recently adopted by the United Nations General Assembly with respect to the 2003 United Nations scale of assessments. The draft resolution contained in its paragraph 9 superseded the draft resolution contained in paragraph 13 of document EB111/15.

7. Document EB111/INF.DOC./6 provided additional data for WHO in terms of both percentage and actual amounts for all Members and Associate Members for the three successive bienniums 2000-2001, 2002-2003 and 2004-2005, in the event that the proposed scale of assessments contained in document EB111/15 Add.1 were to be adopted. The data for 2002 and 2003 indicated for each Member or Associate Member both contributions and relief amounts, if any.

8. The Committee recalled that both resolutions 55/5C and 57/4B of the United Nations General Assembly contained provisions to the effect that the approved rates should have no automatic implication for the apportionment of the expenses of the specialized agencies or IAEA.

9. The Committee requested additional information, including illustrative examples, describing the method by which the calculations for the proposed 2004-2005 assessment had been adjusted between those shown in document EB111/15 and those shown in document EB111/15 Add.1.

10. Some reservations were expressed concerning the proposed application of the ad hoc adjustment for Argentina approved in the United Nations General Assembly for the 2003 United Nations scale of assessment in respect of either WHO’s assessments for 2003 or its proposed scale of assessments for 2004-2005. Concern was expressed that Miscellaneous Income, which currently had a shortfall of US$ 4 million, should be used to compensate for Argentina, on the grounds that such funds should, where possible, be used for health priorities agreed by the Executive Board and the Health Assembly. Furthermore, it was clarified that no formal request had been received from either Argentina or Afghanistan.

11. In the light of the above reservations, the Committee concluded that it could recommend to the Executive Board only paragraph (1) of the resolution contained in paragraph 9 of document EB111/15
Add.1, which was related to the assessment for 2002 and 2003 for Timor-Leste. No recommendation was made on paragraphs (2), (3) or (4).

3.2 Miscellaneous Income 2002-2003 (Document EB111/INF.DOC./4)

12. The Committee noted that some of the initial estimates of income contained in the Annex to the document under review had been prepared on a conservative basis in March 2001. The actual balance of casual income as at 31 December 2001 after finalization of the 2000-2001 biennium financial closure was US$ 22 million rather than US$ 12 million. The original estimate of US$ 10 million savings on unliquidated obligations at 31 December 2001 had now been reduced to US$ 6 million, which reflected implementation of the revised Financial Regulations and Financial Rules. Furthermore, in view of the significant decline in interest rates, the original estimate of US$ 12.5 million interest earnings has been revised downwards to US$ 6 million. The Committee noted that the amount for exchange rate hedging would be finalized later in 2003.

13. With regard to the currently estimated shortfall of US$ 4 million, the Committee noted that both income and expenditure might still vary over the remainder of the biennium 2002-2003. In this regard, the original estimated shortfall of slightly over US$ 17 million had progressively been reduced to US$ 4 million, based upon data available at end October 2002, and a further reduction in the shortfall could be expected. However, should there still be a shortfall in miscellaneous income in 2003, then, as indicated in paragraph 8 of document EB111/INF.DOC./4, in accordance with Financial Regulation 5.4, the Director-General would review implementation plans for the regular budget in order to make any adjustments that might be necessary, bearing in mind the overall level of implementation of the regular budget for the biennium 2002-2003.

14. The Committee requested that, in future, as a regular feature, a progress report should be provided to the Executive Board on the financial implementation of the regular budget at the end of the first year of the biennium. It noted that the full financial report for the first year of the biennium would, as usual, be submitted to the Health Assembly in the following year.

3.3 Amendments to the Financial Regulations and Financial Rules (if any)

15. There were no amendments to be considered.

Agenda item 4 Briefing by the Chairman of the Audit Committee

16. The Chairman of the Audit Committee of the Executive Board reported to ABFC on its seventh meeting (15 January 2003).

17. On External audit matters, the Audit Committee had noted that the two relevant reports (documents EBAC7/2 and EBAC7/3) had been issued with some delay, which had limited the possibility of their being adequately studied before the meeting. However, it was appreciated that an overall improvement had been made with respect to the documents for the Executive Board session itself. Recalling that the Audit Committee had suggested that a study should be undertaken of the production and distribution of documents for the governing bodies, with a view to identifying ways in which the operational issues might be resolved, it was agreed that such a report would be prepared by the Secretariat and considered by the Audit Committee at its eighth meeting (May 2003).
18. There was nonetheless a discussion on the **Status of implementation of the recommendations** of the External Auditor. It was the third time that the Audit Committee was reviewing such a status report, in the format it had itself recommended, and which it had noted with appreciation was evolving in the light of experience. The Audit Committee had also noted that the External Auditor remained essentially satisfied with the overall response of the Secretariat to all the recommendations submitted, and that there was no fundamental disagreement. At its eighth meeting the Audit Committee would consider the latest status of implementation of the External Auditor’s recommendations.

19. On the **External audit strategic plan of work for the financial period 2002-2003**, the Audit Committee had heard a presentation on the new strategy of the Office of the Auditor General of South Africa, that emphasized satisfying the needs of stakeholders and providing value for money. It had noted the proposed plan of work, which took into consideration suggestions for further work made earlier by the Committee, by ABFC, and by the Health Assembly.

20. The Audit Committee had reviewed the **Reports of the Joint Inspection Unit**. Of the Recent JIU reports of direct interest to WHO, one from 2001 entitled Enhancing governance oversight role: structure, working methods and practices on handling oversight reports, had retained the Committee’s particular attention, since some of its recommendations touched upon the work of the three committees of the Executive Board. Three others examined concerned the involvement of civil society organizations and the private sector in technical cooperation activities; support costs related to extrabudgetary activities; and reform of the administration of justice in the United Nations system.

21. The Audit Committee had reviewed Previous JIU reports; status of implementation of recommendations which was presented for the first time under a new tracking system. With specific reference to the JIU report entitled Review of management and administration in WHO, which had been submitted to the Executive Board at its 109th session, the Audit Committee had expressed satisfaction at the progress made to date in implementing the 12 recommendations.

22. In considering the **Plan of work of the Internal Auditor**, the Audit Committee had been briefed on the criteria and mechanisms used for risk assessment, noting that a careful balance had to be kept between the work plan and staffing capacity.

23. In concluding its work, the Audit Committee had noted with pleasure the high level of concordance and compliance with recommendations emanating from the various oversight bodies, whether the External Auditors, JIU, or the Office of Internal Audit.

**Agenda item 5 Human resources**

5.1 **Annual report** (Document EB111/17 and EB111/17 Corr.1)

24. The Committee took note of the report, acknowledging that the annual report with complete data as at 31 December 2002 would be submitted to the Fifty-sixth World Health Assembly.

5.2 **Representation of developing countries in the Secretariat** (Document EB111/35)

25. The Committee welcomed the information on geographical representation, including the formula used in WHO and other organizations of the United Nations system and the options for a possible updating and/or adaptation of WHO’s formula, and noted with appreciation the concrete measures taken to improve geographical representation. It pointed out that WHO could benefit from
the experience of other organizations, for example in organizing targeted recruitment missions to unrepresented or underrepresented countries in order to identify suitable candidates.

26. The Committee was strongly of the view that Staff Regulation 4.2 should remain the fundamental principle as regards recruitment to the Organization.

27. Although there was some support for retaining the current formula for establishing desirable geographical ranges, the percentage allocated to the population factor was questioned. At the same time, the Committee noted that only three organizations – the United Nations, UNIDO and WHO – used population as one of the factors in their formula to establish desirable geographical ranges, and that all three assigned 5% of the total number of posts to the population factor.

28. A suggestion was made to use a formula for establishing desirable ranges whereby a gradually rising weight would be allocated to staff depending on their grade. The Committee requested that an information document should be prepared for consideration by the Executive Board on the practice of FAO, which uses a weighting approach in its geographical representation formula.

29. Another suggestion was that WHO should apply a two-tier system of ranges, whereby two figures would be reported for each country: one that would include the total number of its staff in WHO regardless of level, and the second indicating the number of its staff at D.1 and above, including ungraded posts.

30. There did not appear to be a consensus on the number of posts that should be used for computing geographical representation. Some members favoured the option suggested in the document, whereby only posts financed under the regular budget would be used. Others considered that all posts, including those financed from extrabudgetary funds, should continue to be used.

31. Concern was expressed about the way to implement within the proposed target of 60% of all vacancies for the appointment of nationals from unrepresented and underrepresented countries and countries below the midpoint of their desirable range, the concept of giving preference to candidates from developing countries and countries in transition when recruiting for all professional and higher category posts for the coming two years. A proposal was made to increase the target to 80%, focusing particularly on candidates from developing countries.

5.3 Report of the International Civil Service Commission (Document EB111/18)

32. The Committee noted the salient points in the Commission’s annual report for 2002, namely, a progress report on the review of the pay and benefits system, proposed increases in education grant entitlements, and recommendations for a differentiated salary increase for the professional and higher categories.

5.4 Amendments to the Staff Rules (Documents EB111/19 and EB111/19 Add.1)

33. The Committee reviewed the amendments to be introduced, with effect from 1 January 2003, to the Staff Rules. With regard to Staff Rule 320.1 (salary on appointment) the Committee requested the Director-General to include the word “initial” in the first line between the words “On” and “appointment”.

34. The Committee was informed that the revised wording of the last sentence, designed to clarify the basis for granting additional steps on initial appointment, reflected prevailing practice within the
United Nations system, which was not the case for the current practice of allowing for matching of prior salary levels, irrespective of experience. Under the new approach, initial appointments would normally be made at step 1 of the grade, but some limited flexibility in granting additional steps could be envisaged in recognition of experience over and above the requirements of the job. The intent was to restrict such flexibility rather than to increase it.

Recommendation to the Executive Board

(1) To adopt the draft resolution contained in document EB111/19, including the Committee’s amendment with respect to Staff Rule 320.1.

35. With regard to the amendments to the Staff Rules contained in document EB111/19 Add.1, the Committee was informed that the United Nations General Assembly had approved the following salary increases for the professional and higher categories: P.4: 1.3%; P.5: 2.6%; D.1: 9.1% and D.2: 6.3%, effective 1 January 2003. Adjustments equivalent to those at the D.2 level were also proposed to the salaries of staff in ungraded posts, with similar adjustment to the salary of the Director-General. The General Assembly had also approved increases in respect of education grant entitlements, with effect from the school year in progress on 1 January 2003. These increases were expected to be implemented in all organizations of the common system.

36. The Committee was informed that the financial implications of the increase were estimated at US$ 8 million per biennium for the regular budget and US$ 7 million per biennium for extrabudgetary resources. It noted that the proposed programme budget for 2004-2005 included provisions for the increase; for the regular budget in 2003 the cost of the increase could be absorbed from savings resulting from exchange rate hedging. Additional costs in terms of extrabudgetary funding would have to be met from such resources, both for 2003 and for the biennium 2004-2005.

Recommendation to the Executive Board

(2) To adopt the two draft resolutions contained in document EB111/19 Add.1.
ANNEX

LIST OF PARTICIPANTS

MEMBERS, ALTERNATES AND ADVISERS

Maldives
Dr A.A. Yoosuf (Member, Chairman)

China
Ms Liu Guangyuan (Alternate to Mr Liu Peilong)

Mr Diao Mingsheng (Adviser)

Equatorial Guinea
Dr S. Abia Nseng (Member)

Jordan
Dr S. Al Kharabseh (Alternate to Dr W. Al-Maani)

Ms R. Alaadeen (Adviser)

Saudi Arabia
Dr Y.Y. Al-Mazrou (Member)

United Kingdom of Great Britain and Northern Ireland
Mr T. Kingham (Alternate to Sir Liam Donaldson)

Miss H. Nellthorp (Adviser)

United States of America
Dr W. Steiger (Member)

Ms A. Blackwood (Adviser)
Mr D. Hohman (Adviser)
Mr C. Stonecipher (Adviser)
OTHER EXECUTIVE BOARD MEMBERS, ALTERNATES AND ADVISERS

Mr S. Hemmi (Japan)
Mr P. Chernikov (Russian Federation)

MEMBER STATES NOT REPRESENTED ON THE EXECUTIVE BOARD

Mr L. Broderick (Australia)
Dr J. Larivièere (Canada)
Mr D. MacPhee (Canada)
Mrs D. Valle (Mexico)