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

Agenda item 1. Opening of the meeting and adoption of the agenda (Document EBABFC14/1)

1. The fourteenth meeting of the Administration, Budget and Finance Committee (ABFC) was held in Geneva from 10 to 11 January 2001 under the chairmanship of Professor T. Zeltner (Switzerland). A list of participants appears in Annex 1.


2. This agenda item was considered in a joint session with the Programme Development Committee; the conclusions of the two committees are contained in Annex 2.

Agenda item 3. Assessed contributions

   • Status of collections, including Members in arrears in the payment of their contributions to an extent which would justify invoking Article 7 of the Constitution (Document EB107/10)

3. The Committee regretted the delay in production of document EB107/10 and urged the Secretariat to produce documents in a more timely manner in all languages in future. It noted the improved rate of collection of contributions for 2000 and the decline in unpaid contributions compared with past years. As the level of collection of contributions was a key indicator of the financial standing of the Organization, the improvements were welcomed. The Committee also noted the situation of Members in arrears to an extent which would justify invoking Article 7 of the Constitution. The efforts of certain countries were welcomed; in particular, of Bosnia and Herzegovina, Chad and Liberia. The Committee commended the substantial efforts of Belarus and Cuba, two countries subject to special arrangements, to reduce arrears.

4. The Committee was informed that, following the admission of the Federal Republic of Yugoslavia to the United Nations, that country had become a new Member of WHO on 28 November 2000. As a result, the document on status of collection of assessed contributions would need in future
to include a footnote regarding the unpaid assessments of the former Yugoslavia, which amounted to US$ 5.5 million on 31 December 2000.

- **Special arrangements for settlement of arrears** (Document EB107/33)

5. The Committee welcomed the proposals contained in document EB107/33 for a standard procedure to handle requests from Member States for special arrangements for the settlement of arrears of assessed contributions. It considered that the information to be supplied by Member States making such requests should include as a minimum the items specified in paragraph 6 of the document, so as to encourage Member States to provide reasons for requesting special arrangements. This information would assist the Committee in assessing the reasonableness of the request and in formulating recommendations to the Executive Board. The Committee also considered that it would assist Member States to propose realistic and achievable arrangements if their request indicated the minimum payment they intended to make each year.

**Recommendation to the Executive Board**

(1) To adopt the draft resolution contained in document EB107/Conf.Paper No.2.

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**Agenda item 4. Casual income (Document EB107/11)**

6. The Committee noted that the estimated exchange rate facility saving of US$ 5.2 million for 2000 reflected the impact of a United States dollar that was stronger than when the exchange rate of Swiss franc 1.52 was used in preparation of the programme budget 2000-2001. Further gains could not be expected in 2001, when a weaker dollar was forecast. The Committee was informed that the arrears of contributions of US$ 4 million credited to Casual Income relate exclusively to bienniums for which no drawings on the Working Capital Fund remained outstanding; and that the estimated interest earnings of US$ 9.5 million reflected improved treasury management. Moreover, the estimated savings on unliquidated obligations of US$ 3.7 million were considerably lower than comparable figures for previous bienniums, reflecting improved management and control of unliquidated obligations as at 31 December 1999.

7. The Committee supported the proposal to replenish the Working Capital Fund by US$ 4 million, noting that it would lead to sounder management of the Fund. The Committee also supported the proposal to retain the estimated balance of Casual Income of US$ 6 026 215 pending disposition as part of Miscellaneous Income (described in document EB107/INF.DOC./5, discussed under agenda item 2). Once the new Financial Regulations and Financial Rules had come into effect, and the transition from the old system to the new had occurred, the presentation of the Organization’s financial framework would be more comprehensible. A document would be produced explaining the way in which the various components of the financial framework fitted together.

**Recommendation to the Executive Board**

(2) To adopt the draft resolution contained in document EB107/11.

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**Agenda item 5. Real Estate Fund** (Document EB107/12)

8. The Committee expressed general support for the projects put forward by the Director-General. One member pointed out that caution was advisable in deciding on renovation instead of rebuilding, as the complexity of the task varied from project to project, and cost overruns were not uncommon.
Another member requested that the number of workplaces in the proposed new building should be kept under careful review as to appropriateness. The Committee requested that the Executive Board should be kept informed of progress in the proposed project for the new building.

Recommendation to the Executive Board

(3) To adopt the draft resolution contained in document EB107/Conf.Paper No.1 (an amended version of the draft resolution contained in document EB107/12).


9. The Committee noted comments that a grace period as early as 31 January (Rule 104.2) might prevent some countries from benefiting from the financial incentive scheme. At the same time, it was pointed out that measures to enable countries to pay in local currencies would help many of them to pay more promptly than in the past. The Committee noted that transparency in financial reporting and clear delegations of authority from the Director-General under the Financial Rules were both important elements of financial reform. The Committee decided to recommend that the Executive Board should confirm the proposed Rules, subject to further consideration by the Director-General of the date of the grace period for the financial incentive scheme.

Recommendation to the Executive Board

(4) To adopt the draft resolution contained in document EB107/13, subject to further consultation on the date stipulated in proposed Rule 104.2.

Agenda item 7. Human resources

• Annual report (Document EB107/14)

10. The Committee was informed that the annual report contained data on the overall staff numbers and associated costs, on gender and geographical balance, on age and length of service, and on short-term staff. In response to requests from Member States and others, related to the report for 1999, information had also been provided on the distribution of the workforce by occupational group, on internal and external recruitment, and on national professional officers. The Committee welcomed the report, which presented a clear overview of the Organization’s staffing profile. A number of comments and suggestions were made, including use of an earlier reference date, in order to facilitate timely distribution and review. It was agreed that once adequate baseline data had been assembled, the report would include data tracking, projection and analysis.

• Policy development (Documents EB107/15 and EB107/15 Add.1)

11. The Committee was informed that the Director-General was especially committed to comprehensive reform of human resources management, an essential part of management reform in WHO. Work on reform of contract policy would be completed rapidly so that proposals could be submitted to the Executive Board in 2002. A major impetus had been provided by the Task Force on Human Resources Management Reform, although a number of initiatives for change had predated it, and more would be forthcoming. Implementation of the reform package would include improvements in information technology related to human resources, introduction of a new performance management
system, development of tools to improve geographical and gender balance, better grievance procedures, and more attention to work/family matters.

12. The Committee generally welcomed the report, although more detailed information might be needed in future on those aspects of the policy yet to be finalized. It agreed to recommend to the Executive Board that it should confirm the changes to the Staff Rules deriving from implementation of the strategic framework for reform of human resources management.

Recommendation to the Executive Board

(5) To adopt the draft resolution contained in document EB107/15 Add.1.

- **Report of the International Civil Service Commission** (Documents EB107/16 and EB107/16 Add.1)

13. The Committee was informed that the annual report of the International Civil Service Commission for 2000 contained two items requiring action: (a) an adjustment, in conformity with the established methodology, to adjust the base/floor salary scale for professional and higher-graded categories by 5.1% on a no-loss, no-gain basis; and (b) an adjustment of 11.89% to the dependency allowances for the professional and higher categories. These recommendations had been approved by the United Nations General Assembly and could be expected to be implemented throughout the organizations of the common system.

Recommendation to the Executive Board

(6) To adopt the two draft resolutions contained in document EB107/16 Add.1.

- **Confirmation of amendments to Staff Rules** (Document EB107/17)

14. The Committee was informed that the proposed amendments to the Staff Rules were considered necessary in the light of experience and actual practice (assignment grant, boards of appeal), or to align certain provisions with those of the United Nations and other organizations of the common system (payments and deductions from salary, and official holidays).

Recommendation to the Executive Board

(7) To adopt the draft resolution contained in document EB107/17.

**Agenda item 8. Views of Audit Committee**

15. The Chairman of the Audit Committee said it had completed its third session, having reviewed matters related to external and internal audit, and to the 1999 cycle of reports of the Joint Inspection Unit, and a further report on common services in Geneva. Agreement had been reached with the Director-General on the Audit Committee’s future access to selected reports of the Internal Auditor. It was agreed that the Audit Committee and ABFC would remain in communication to ensure that the work of each continued to complement and support the other as far as possible.
Agenda item 9. **Efficiency savings 2000-2001 and management reviews** (Document EB107/INF.DOC./2)

16. The Committee was informed that, in accordance with resolution WHA52.20, paragraph 5, the Director-General had identified 2% to 3% of additional efficiency savings for reallocation to high-priority programmes, and US$ 26.9 million had been made available to the priority areas determined by the Director-General after consultation with Regional Directors. The Committee noted that progress had been made in each region and at headquarters towards achieving efficiency savings in travel, procurement, study tours and fellowships, and publications and documents during the period January to June 2000, and that the recommendations of management reviews were being implemented.

17. The Committee noted that these activities were continuing and expected that efforts towards achieving efficiency savings would be strengthened in coming years and reported to the Board. It encouraged pursuit of innovative publishing and dissemination practices, such as those of IARC. As WHO, like other organizations, had made investments in telecommunications that were intended to reduce travel expenses, it would be useful to monitor its use to determine whether telecommunications actually supplement or complement travel. The Committee noted that the Board would receive regular progress reports on efficiency savings, not least to clarify whether savings of US$ 26.9 million had been achieved, whether reallocation had in fact produced cuts in the budgets of technical programmes.
ANNEX 1

LIST OF PARTICIPANTS

Switzerland
Professor Thomas Zeltner (Member, Chairman)
   Mr Raffael Vonovier (Adviser)

Belgium
Dr Godfried Thiers (Member)
   Mrs J. Zikmundova (Adviser)

Democratic People’s Republic of Korea
Dr Kim Won Ho (Member)
   Mr Il Choe (Adviser)
   Mr Chun Sik Jang (Adviser)

Guatemala
Dr Rudy Cabrera Márquez (Member)

Japan
Dr Hiroyoshi Endo (Alternate)
   Dr Masami Sakoi (Adviser)
   Mr Satoshi Hemmi (Adviser)
   Mr Akito Yokomaku (Adviser)
ANNEX 2

JOINT MEETING OF THE ADMINISTRATION, BUDGET AND FINANCE COMMITTEE AND THE PROGRAMME DEVELOPMENT COMMITTEE

1. The joint meeting of the Administration, Budget and Finance Committee (ABFC) and the Programme Development Committee (PDC) was held on 11 and 12 January 2001.


**General discussion**

2. The meeting was informed that the Proposed programme budget 2002-2003 differed from previous budgets in several significant ways. It applied the principles of results-based budgeting, it had been jointly prepared by headquarters and the regional offices, and it had been reviewed by all the regional committees before finalization. Like the general programme of work, 2002-2005, the proposed programme budget reflected the policy framework contained in WHO’s corporate strategy.

3. The structure of the programme budget, which covered 35 areas of work, and its place within WHO’s overall managerial framework was explained. It was stressed that the strategic planning reflected in the programme budget would be followed later in the current year by a process of operational planning, in which more detailed work plans, with precise products and activities, would be elaborated. The hierarchy of objectives in both the strategic and planning phases was also explained. Although the increase in projected funds from extrabudgetary sources was higher than in the past, projections were considered to be realistic.

4. Members of the committees welcomed the programme budget in its new format. In particular, they appreciated its clarity, its close relationship with other policy instruments guiding the reform process, the overview of funds available from all sources, and the inclusion of activities at all levels of the Organization. Members further noted that the projected increases in extrabudgetary funds were a tribute to WHO’s renewed strength and dynamism. Some were concerned by the growing discrepancy in the amounts funded from the regular budget and from voluntary contributions, and saw the need for vigilance to ensure that important programmes, which might not be attractive to donors, did not suffer.

5. Specific questions raised centred on the extent to which priorities agreed on in recent international forums were reflected; the absence of detail on expenditures for human resources and contractual services; and the need for adequate emphasis on evaluation. Additional questions concerned the impact on the programme budget of the new Massive Effort against diseases of poverty and of joint ventures with other organizations and foundations, such as the Global Alliance for Vaccines and Immunization (GAVI). Members also sought assurance that clearly important areas, such as child health, that would be funded from budget lines across the Organization, were accorded adequate priority with regard to resources.

6. The meeting was informed that the programme budget under consideration was strategic in nature, and that breakdowns for human resources requirements would be provided in a subsequent

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1 Documents EBABFC14/1 and EBPDC7/1.
phase, once operational planning was completed later in the current year. Concerning staffing needs, the concept of strategic budgeting would allow greater flexibility than in the past. The relationship of the Massive Effort, which aimed to help countries draw on bilateral funds, to existing WHO programmes was explained, and the impact on the budget of GAVI financing handled directly by the Organization was clarified.

7. The meeting decided to consider the 35 areas of work set out in the programme budget in nine groups.

**Communicable diseases**

8. Several members expressed concern that some vital areas of work showed allocations of zero amounts at regional level. One member asked for reassurance that funding would be adequate to tackle the growing problems of tuberculosis and resistance to antimicrobial drugs.

9. It was explained the new structure of the programme budget, of which the 35 areas of work were the building blocks, was not always matched, area-by-area, with similar activities in the regional offices. These differences resulted in the allocation of zero values to several budget lines in the regions, and thus explained why no financing appeared under several specific headings. For the Region of the Americas, it was important to realize that PAHO had a separate budget that was not included in the WHO budget. Concerns about allocations in the Regional Office for the Americas should be resolved when the PAHO budget was looked at in its entirety. Members were reassured about the evolution and adequacy of the budget for tuberculosis, though the Organization did face some constraints for financial reasons.

**Recommendation to the Secretariat**

To prepare a brief paper, for submission to the Executive Board at its 107th session, explaining the zero allocations for some budget lines.

**Sustainable development and healthy environments**

10. Although members welcomed the increases shown for most items in this group, considerable concern centred on the reductions indicated for nutrition, particularly as malnutrition, especially in children, remained a major problem in many developing countries. Reduced funding for health and environment was likewise of concern in view of mounting awareness of the health impact of environmental hazards. Several members noted the growing political importance of food safety and the complexity of issues involved. One member asked for reassurance that WHO collaborated closely with FAO to ensure that health arguments were at the forefront when economic and agricultural sectors considered food safety issues.

11. Members were reassured of the close collaboration with FAO and the importance of food safety as a priority for the Organization.

**Noncommunicable diseases and mental health**

12. Members welcomed the increases shown for most items in this group, especially mental health and substance abuse. The leadership of the Tobacco Free Initiative, and the vital work under way to establish the framework convention on tobacco control, were especially appreciated. It was felt that WHO’s strong leadership in this area would help mobilize national action and attract funds for use at country level. Noting the sharp increase in regular budget funding for tobacco control, but not from
other sources, one member asked for clarification concerning the extent of reliance on extrabudgetary funds in this sensitive area.

13. Members were informed of the difficulty of attracting extrabudgetary resources for tobacco control and of the current needs for increased funding in order to support continued work on the framework convention. The increases in allocations to the regions were intended to help shore up countries for what would be a long fight against formidable opponents.

**Family and community health**

14. Discussion centred on the severity of the HIV/AIDS pandemic and the need to maintain work in this area as a top priority. Clarification was requested on the relationship with UNAIDS, the existence of a unified work plan and budget with UNAIDS, WHO involvement in a summit later this year, and progress in negotiations with the pharmaceutical industry aimed at making therapeutic drugs more accessible and affordable, as requested in resolution WHA53.14, HIV/AIDS: confronting the epidemic.

15. Members were informed of several organizational changes at WHO, which took place after preparation of the programme budget, that represented an effort to scale up WHO’s response to the pandemic, especially in terms of its normative work. Stronger action was foreseen in the areas of prevention, care, support, and strengthening of the health sector’s response. The contribution from UNAIDS to this budget line was small. WHO collaborated closely with UNAIDS and was heavily engaged in preparation for the forthcoming meeting of heads of State at the United Nations. Interactions with the pharmaceutical industry were ongoing, and WHO was providing support to countries in their direct negotiations with pharmaceutical companies.

**Evidence and information for policy**

16. Members welcomed the inclusion of a budget line for research policy and promotion, a vital area that was often neglected. Noting the importance given by Member States to WHO as a source of authoritative information and advice, one member requested clarification on the mechanisms by which the Organization secured expert opinion, particularly when scientific evidence was not firm. Other members wished to know if requests made in resolution EB105.R6, on the use of languages in WHO, were reflected in the allocation to health information management and dissemination, and what provisions were made for work on bioethical issues.

17. Members were advised about the mechanisms used by WHO to gather expertise and draw on its network of expert panels and collaborating centres. Efforts to promote multilingualism were taking place throughout the Organization and were thus reflected in several budget lines. Although bioethics was not separately included in the budget, the Organization was pursuing several projects associated with elucidation of the human genome and the ethical review of research.

**Health technology and pharmaceuticals**

18. Several members expressed concern over the reduced funding for vaccines and immunization, and requested clarification. Additional queries related to collaboration with WTO, particularly concerning the pressing need for more affordable vaccines and medicines in developing countries, and support for WHO’s normative work on vaccine safety.
19. It was explained that 80% of the resources for immunization and vaccine development were currently devoted to the drive to eradicate poliomyelitis. As WHO hoped to stop transmission within 24 months, and certify eradication by 2005, the need for funds would gradually diminish. Concerning vaccine development, initiatives such as GAVI did much to stimulate research and encourage industry to develop new vaccines. Members were reassured that vaccine safety remained a top priority. Collaboration with WTO continued to expand in line with the directions set out in the Revised Drug Strategy.

20. Concerning GAVI, one member drew attention to the many conditions that had to be met before assistance was granted. In effect, some of the poorest countries, which could not meet those conditions, were being excluded.

External relations and governing bodies

21. Several members mentioned the need to have documentation for the governing bodies prepared in a timely fashion. One observer delegation reiterated previously mentioned concerns about linguistic diversity, and suggested that additional results and indicators on the matter might be useful.

General management

22. One observer delegation requested clarification regarding the increased allocation to human resources development for the European Region. It was explained that the increase derived from the introduction of new programmes for staff development and training.

Director-General, Regional Directors and independent functions

23. One observer delegation asked for clarification concerning internal mechanisms for evaluation and the way in which they worked to ensure support for strategic decisions and to determine which programmes needed to be strengthened or diminished.

24. It was explained that, in the new managerial structure, programme evaluation was linked to the budget and management reform, and not to audit. A system for evaluation was in preparation and would be detailed in a forthcoming report, which would evaluate the eradication of poliomyelitis and the process of strategic budgeting. Moreover, in many cases, an evaluation component was built into programmes and therefore did not need to be reflected in a separate budget line.

- Approaches to cost increases and exchange rates (Document EB107/INF.DOC./1)

25. Attention was drawn to the Director-General’s intention to use the Exchange Rate Facility more strategically in future, in accordance with new Financial Regulation 4.4, and to limit the application in the regular budget for 2002-2003 to the local currencies of headquarters and the Regional Office for Europe. Cost increases for the regular budget were to be calculated in the light of information obtained from an authoritative external organization providing forecasts all over the world. Before making her request in that regard, the Director-General also intended to consult her staff. Moreover, a foreign exchange option was to be purchased, to insure the Organization against foreign exchange losses beyond those that would be provided for by the Exchange Rate Facility. The cost of that option would be a charge on Miscellaneous Income.
• **Miscellaneous income** (Document EB107/INF.DOC./5)

26. With regard to the Executive Board’s confirmation of the Financial Rules, members welcomed the information provided about the implications of replacing previous practices concerning Casual Income with new procedures relating to Miscellaneous Income.

• **Use of extrabudgetary allocations** (Document EB107/INF.DOC./4)

27. One member found that the reports cited as sources of information were voluminous and that it was not practical for Member States easily to identify and collect the desired information on extrabudgetary resources by country. Although much information was available on expenditure, it was not easy to see how extrabudgetary resources were allocated at country level in the present financial system.