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

Agenda item 1. Opening of the meeting

1. The twelfth meeting of the Administration, Budget and Finance Committee (ABFC) was held in Geneva from 19 to 20 January under the chairmanship of Professor T. Zeltner (Switzerland).

Agenda item 4. Implementation of budget resolutions (Documents EB105/17, EB105/17 Add.1, EB105/17 Add.2, EB105/17 Add.3, EB105/40 and EB105/INF.DOC./3)

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 5. Management and financial matters

• Draft policy on extrabudgetary resources (Document EB105/9)

3. The Committee commented that:

  – efforts to mobilize extrabudgetary resources for WHO’s priorities should be maintained; guidance should be provided to donor countries on earmarking, planning and allocation of voluntary support; advantage should be taken of new opportunities for more effective resource mobilization at regional and country levels, in particular WHO’s participation in the United Nations Development Group;

  – meetings of interested parties, organized within a coherent format, are a useful way for development agencies to receive clearer information on the technical work and management performance of the Organization;

  – further discussion on the issue of programme support costs would be welcome.

1 Document EBABFC12/1 Rev.1.
Recommendation to the Executive Board (1) To endorse the policy guidelines set out in document EB105/9.

- Status of collection of assessed contributions, including Members in arrears in the payment of their contributions to an extent which would justify invoking Article 7 of the Constitution (Document EB105/22)

4. The Committee noted the improved rate of collection of contributions for 1999 and the significant increase in full payments for the year 2000 received in advance, but expressed concern at the progressive increase in arrears of debts from past years. The level of the collection of contributions is a key indicator for the financial standing of the Organization. It would be useful if the Executive Board were to be briefed on the status of collection as compared to other international organizations. The Committee noted the situation as regards Members in arrears to an extent which would justify invoking Article 7 of the Constitution.

Recommendation to the Executive Board (2) To consider adoption of a resolution to encourage early payment.

- Real Estate Fund (Document EB105/24)

5. After considerable discussion, the Committee agreed that the proposed expenditures for the Real Estate Fund should be authorized. After subsequent discussion on casual income, it also agreed that, as in the past, financing should come from casual income in accordance with resolution WHA23.14. This resolution, which established the Real Estate Fund, stipulates that replenishments of, or increases in, the Real Estate Fund are to be made by appropriations from casual income. Accordingly, it was noted that in the draft resolution contained in document EB105/24, the amount to be appropriated was US$ 2 141 721, the figure quoted in document EB105/23 being an estimate only.

Recommendation to the Executive Board (3) To adopt the draft resolution contained in document EB105/24.

- Casual income (Documents EB105/23 and EB105/23 Corr.1)

6. The Committee was advised that “miscellaneous income” was a more appropriate term than casual income, which was not “casual”.

7. The report on casual income will be finalized when the financial closure for 1998-1999 is completed in March 2000 and will be submitted to the Fifty-third World Health Assembly in May 2000. The Committee noted the various sources of casual income set out in the document.

8. With regard to the proposal to replenish the Working Capital Fund by the amount of arrears of contributions, it was explained that the Fund was used as a credit to finance the regular budget when Member States were late in paying their assessed contributions or did not pay within the biennium.

9. The Working Capital Fund, which is funded by appropriations from casual income, had been fully drawn down for a number of bienniums, which meant that the Organization had to resort to internal borrowing. The Fifty-second World Health Assembly had criticized the depletion of the Fund. The Committee noted that the depletion arose from a restricted interpretation of the Financial Regulations whereby arrears of assessed contributions were credited to casual income while the Fund remained depleted. Crediting the arrears of contributions of US$ 10.1 million to the Fund would result
in a balance of at least that amount being available to finance late payments by Member States of their assessed contributions in 2000-2001.

10. Some members of the Committee expressed the view that the policy on casual income should revert to that of the past, whereby all such income was returned to the Member States. The Committee noted changes to the policy on casual income proposed in document EB105/25 on Financial Regulations and Financial Rules. It welcomed the proposal to integrate casual income into the budget process, which would eliminate the need for a separate procedure of appropriating casual income.

11. The Committee supported the proposals for the appropriation of casual income as set out in document EB105/23.

Recommendation to the Executive Board

(4) To adopt the draft resolution contained in document EB105/23.


12. In general the Committee felt that such a substantive paper with broad-reaching implications needed time for study and consultation; members would like to reach consensus on such important items. If possible, the new Financial Regulations should be adopted by the Fifty-third World Health Assembly in May 2000, and the new Rules confirmed by the Executive Board at its 106th session.

Casual income

13. The Committee welcomed the proposal to include miscellaneous income in the resources which would finance the regular budget as part of an integrated budget.

14. In response to its queries on whether miscellaneous income would be in addition to regular budget assessments or part of the overall financing of the regular budget, on the implications for automatic return of funds to Member States, and on treatment of budget surpluses and individual components in the existing casual income, the Committee noted that:

(a) under the current Regulations the remainder within unliquidated obligations and unobligated appropriations had to be credited to casual income. Appropriations that had not been obligated represented a budget surplus, such surpluses were credited to casual income. The Health Assembly appropriated casual income (i.e. Member States decided how casual income was to be spent). On the basis of such appropriation of casual income, funds were returned to Member States by credit to their individual accounts in accordance with the existing Financial Regulations;

(b) under the proposed Financial Regulations, the remainder of unliquidated obligations and unobligated appropriations would be credited to miscellaneous income. Miscellaneous income would be part of the resources for regular budget activities and would reduce the amount that was to be financed by Member States through assessed contributions. Therefore, the principle of the return of funds to Member States was retained, as would be seen in the presentation of the regular budget within an integrated budget. The proposed Regulations include a provision to ensure that any income that had not been foreseen and dealt with separately elsewhere in the Regulations would be credited to miscellaneous income.
15. The Committee agreed on the principle proposed for the treatment of miscellaneous income, and on the need for further detailed drafting to help clarify points of implementation, in particular on the treatment of budget surpluses.

**Exchange rate facility**

16. The Committee noted that the exchange rate facility was authorized at US$ 31 million through the regular budget process and thus by resolution of the Health Assembly. Losses and profits were debited or credited to casual income within the level of the facility. In future the same process would operate using the miscellaneous income account.

**Late payment of, and arrears in, Members’ contributions**

17. Several members expressed reservations about the wisdom of the Director-General having full authority to accept any currency in payment of assessed contributions by Member States. Although that could provide significant flexibility to meet expenditures incurred in country offices, caution should be exercised to avoid negotiations that could cause embarrassment. However, WHO had a presence in virtually all countries where difficulties were experienced by Member States in paying their assessed contributions; in many countries the expenditure by WHO significantly exceeded the amount due from that Member State.

18. The Committee was advised that mechanisms were to be set up to ensure that currency risk was well managed. It was envisaged that the Director-General would make only annual decisions on acceptance of currency on a case-by-case basis. The proposed authority to be accorded to the Director-General followed the practice of other international organizations, but was more restrictive. Cooperation with other organizations such as UNDP would be one of the mechanisms employed to protect the interests of WHO against possible exchange losses.

**Financial incentive scheme**

19. Noting that under the current system Member States’ contributions were due on 1 January, the Committee questioned the appropriateness of an incentive scheme that rewarded Member States which paid either on, or after, 1 January, and requested a detailed review of experience with the current incentive scheme.

**Working capital fund**

20. Members sought clarification on the rules governing use of the Working Capital Fund for nonbudgeted items, the decision-making authority to establish its level, the rationale for the Fund’s source of financing, and the treatment of arrears payments by Member States. In many organizations two months’ expected expenditure represented an appropriate level for such a facility. Clarification was sought as to whether the level should be based upon the budget or the cash flow of the Organization.

21. The Committee noted that the Working Capital Fund could only be used to finance nonpayment by Member States of their assessed contributions, and that it could not be used to finance items that were funded through other sources, such as extrabudgetary funding. The level would be established by the Health Assembly through appropriation. It would be based upon recommendations from the Director-General who would review it every biennium. A level of two months’ expected expenditure might be appropriate; however, it would have to be reviewed regularly to ensure that it was still
appropriate in the light of changing circumstances. Although the level of the Fund would clearly be related to the level of the budget, the likely cash flow of the Organization also affected the amount that had to be financed through borrowing facilities.

22. The Chairman noted that flexibility regarding the level of the Working Capital Fund was important and should not be restrained by the Financial Regulations.

Unliquidated obligations

23. The Committee noted that WHO followed the principle of accrual accounting embodied in the United Nations Accounting Standards. It sought clarification on the process for unliquidated obligations, in particular how long obligations could be held open, noting the relationship between that aspect and the proposed carry-forward proposals.

24. It was explained that the proposed change was designed to clarify the current wording only; there was no change in content or intent. Under the current Regulations, obligations could be held open for up to one year after the end of a biennium in order to allow for the completion of an activity that might have already started before the end of the biennium. The obligation could be held open for a second year, but only in order for disbursement of funds to take place. Obligations were raised when there was a legal commitment. Therefore, unliquidated obligations arose from the need to complete activities that were part of the planned activities during the previous biennium or to liquidate liabilities existing at the end of a biennium. Many obligations would have balances that remained unliquidated when they were finally closed. Those balances arose because of changes in the exchange rate of the currency of payment between the time when the obligation was raised and the time when disbursement took place, or because the specification of the goods or service that were being delivered had been modified. The remainder in unliquidated obligations represented a low percentage of the regular budget.

Carry forward

25. Some members of the Committee expressed a fundamental difficulty with the principle of a carry forward. They noted that there was no precedent for such a provision among organizations of the United Nations system financed through assessed contributions, and they did not feel it appropriate for WHO to create one. The principle of a carry forward was not in their opinion compatible with good planning. Other members noted that a carry-forward provision should be approved in principle because in many countries where WHO was working natural disasters occurred which could require the government to request WHO to stop work and resume during the next biennium. The Committee felt that further discussion on issues of principle and process was necessary.

26. Such an important and significant discussion could be facilitated through a further meeting so that other members could participate. An informal meeting should be convened no later than Tuesday, 25 January 2000 to provide further clarification so that members could make a proposal for the Executive Board to consider.

Revolving funds

27. The Committee sought clarification on the way revolving funds would be presented to Member States and surpluses would be applied. The question was raised of why WHO needed to use revolving funds, and clarification was sought on the type of income that might be involved.
28. It was explained that the proposed Regulations required full disclosure of income and expenditure, together with clear explanation of the purpose of the fund, which would therefore determine the application of any surplus. Revolving funds already existed, for example for sale of publications. The proposed Regulations furnished a framework in which financial information could be provided in a more transparent manner. Other sources of income could include garage rentals which could be used to finance ongoing maintenance costs. However, it was clearly stated in the proposed Regulations that Member States would have to approve any use of regular budget financing for revolving funds.

Programme support costs

29. In response to the query of why programme support costs had been included in the Financial Regulations, it was explained that such costs were at present governed by resolution WHA34.17. However, the process supporting that decision had become complex and concerns have been expressed by some donors at the levels of those costs. The proposed Regulation provided a framework within which a new policy, currently under review, could be implemented, after approval by the Health Assembly. Until that time existing policy and practices would prevail.

Transfers between appropriation sections

30. Although there was support for the recent move to link financial and managerial accountability to the organizational structure, there was concern about the principle of power-sharing between parliament and government. The authority of the Director-General with respect to organizational change was acknowledged and the Committee noted that financial regulations put in place today would govern the actions of future Directors-General. Some concern was expressed as to whether the alignment of the organizational structure with the budget and financial reporting would limit the authority of the Director-General to restructure.

31. The Legal Counsel explained that it was within the responsibility and power of the Director-General to restructure the Secretariat as she saw fit. The need for the proposed Regulation arose from the current linkage of the budget and financial reporting with the organizational structure of the Secretariat. Thus, if the Director-General carried out a reorganization, and there was no subsequent transfer between appropriation sections, transparency and synergy were lost. Two types of transfer were envisaged in the proposed Regulation: one would reflect changes in programme priorities and had been covered to date by Health Assembly resolutions up to an amount of 10% of the relevant appropriation; the other would simply maintain the relationship of the budget and financial reporting with the relevant structure in the event of a change in that structure.

32. The Chairman noted that the issue was whether a transfer arising simply from organizational restructuring needed to be reported to the Executive Board. That could involve constitutional rights and public management. As such it required further discussion.

33. One member suggested that some items might be missing from the proposed Regulations, for example, a provision that the Director-General was responsible and accountable to the Member States, and that any delegation of authority she might make must recognize that fact.

34. The Committee would request the Executive Board to proceed openly with further discussion and elaboration in order to reach consensus at the Fifty-third World Health Assembly.
• Financial Regulations and Rules: Voluntary Fund for Health Promotion (Document EB105/41)

35. The Committee noted the changes that would apply from the beginning of the 2000-2001 biennium, and that it would be possible to group contributions from related entities.

Recommendation to the Executive Board (5) To take note of developments in the restructuring of the Voluntary Fund for Health Promotion.

• Report of the International Civil Service Commission and confirmation of amendments to the Staff Rules (Documents EB105/26 and EB105/26 Add.1)

36. The Committee noted the highlights of the report of the International Civil Service Commission and confirmation of amendments to the Staff Rules submitted to the fifty-fourth session of the United Nations General Assembly, and considered two draft resolutions on the subject.

Recommendation to the Executive Board (6) To adopt the two draft resolutions contained in document EB105/26 Add.1.

• Reports of the Joint Inspection Unit (Document EB105/27)

37. The Vice-Chairman of the Joint Inspection Unit (JIU) gave a brief overview of the proposed system of follow-up to reports of the Unit, as reflected in JIU/Note/99/1 which had been made available to the Committee.

38. In response to concerns about the cost and time involved in introducing the proposed follow-up system, JIU clarified its plans for improvements in its future work practices, namely, clearer focusing of both reports and recommendations on individual organizations; a general reduction in the number of recommendations in specific reports; and a clearer distinction between recommendations requiring legislative action and those which do not.

39. Some members requested the Secretariat and JIU to explore options for mutually productive cooperation. The Committee did not agree with the proposal to defer consideration of the new follow-up system until the 107th session of the Board in January 2001, and requested that further consultations should take place between JIU and the Secretariat in order to submit to the Executive Board at its 106th session an appropriate process for handling JIU reports. A suggestion that JIU reports should be reviewed by the Audit Committee, which would meet prior to the 106th session of the Executive Board, should also be examined.

40. One member drew attention to document JIU/REP/98/4, United Nations system common services at Geneva, and suggested that a report should be submitted to the Executive Board on WHO’s use of common services at Geneva.

Recommendation to the Executive Board (7) The WHO Secretariat and the Joint Inspection Unit should continue their dialogue in order to establish clear procedures for the handling of JIU reports in the future.
Agenda item 6. **Staff development and support** (Documents EB105/14, EB105/14 Add.1 and EB105/INF.DOC./2)

41. The Committee welcomed the consolidated annual report on human resources which provided for the first time a transparent and detailed overview of WHO’s staffing. For the future, it would be helpful to have more analysis of the workforce data, and a summary of actions taken to adapt human resources policies to the Organization’s changing needs and priorities. Suggestions were also made for additional data that might be included in the report.

42. In response to a question about geographical representation, the Committee noted that since the current Director-General had taken office, staff appointments had been made on the basis of open competition and transparent, objective assessment.

**Recommendation to the Executive Board**

(8) To note the annual report on human resources contained in documents EB105/14, EB105/14 Add.1 and EB105/INF.DOC./2.

Agenda item 7. **Executive Board matters** (Documents EB105/39 and EB105/39 Add.1)

43. 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.

**Closure of the meeting**

44. It was agreed that the thirteenth meeting of the Committee would take place in Geneva on the afternoon of 12 May 2000.
ANNEX 1

LIST OF PARTICIPANTS

Switzerland

Professor Thomas Zeltner (Member, Chairman)

Mr Francis A. Gruber

Bangladesh

Professor S. M. Ali (Member)

China

Mr Luo Meifu (Alternate)

Dr Qi Qingshun (Adviser)

Ms Lu Guoping (Adviser)

Comoros

Dr M. Toyb (Member)

Cyprus

Dr A. Polynikis (Alternate)

Germany

Mr H. Voigtländer (Member)

Mr Ulrich Kalbitzer (Adviser)

Mr Klaus Botzet (Adviser)

United States of America

Dr Thomas Novotny (Member)

Ms Linda Vogel (Adviser)

Ms Ann Blackwood (Adviser)

Ms Karen Johnson (Adviser)
ANNEX 2

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

1. The joint meeting of the Programme Development Committee (PDC) and the Administration, Budget and Finance Committee (ABFC) was held on 20 January 2000.

Agenda item 2. Towards a strategic agenda for the WHO Secretariat (Document EB105/3)

2. The committees noted that the development of a corporate strategy would feed into products such as the General Programme of Work and the programme budget, and provide inspiration for ongoing reform in such areas as resource mobilization, information policy and human resources. They appreciated the participatory nature of the preparation of the strategy, its emphasis on the unity of the Organization and partnership with countries, and the manner in which it brought together in a more coherent fashion the many existing policies better to guide the work of the Secretariat.

3. The committees requested an analysis of the many new and existing partnerships between WHO and other bodies with a view to identifying better WHO’s advantages compared to others, and strengthening its leadership role in health development. They also noted that the identification of priorities did not mean a lessening of the Organization’s commitment to other areas of essential work, nor a separation between technical cooperation and normative work. The committees welcomed the emphasis on “one WHO” and reaffirmed the importance of being able clearly to identify regional issues and strategies.

Agenda item 5. Implementation of budget resolutions (Documents EB105/17, EB105/17 Add.1, EB105/17 Add.2, EB105/17 Add.3, EB105/40 and EB105/INF.DOC./3)

4. The committees noted that US$ 53.9 million had been identified for efficiency savings, of which US$ 15 million would be channelled to seven clearly defined priorities in the 2000-2001 biennium.

5. They noted that implementation of the mutually agreed separation of staff was aimed at freeing resources that would be channelled to priority programmes and at changing the mix of staff skills. The separation exercise was an integral and major part of the efficiency savings plan and had contributed approximately US$ 20 million in savings.

6. Support was expressed for the efforts undertaken in the area of programme monitoring and evaluation, where priority had been given to developing standardized business rules and procedures for programme implementation and monitoring. Noting plans for an integrated system of planning, budgeting, monitoring and evaluation, the committees suggested that a mechanism should be set up to involve the Board in the systematic review of programme evaluations.

1 Document EBPDC6/1 Rev.1.
Recommendation to the Executive Board (1) To add programme evaluations to the agenda of future joint meetings of ABFC/PDC, as and when appropriate.

7. With regard to partnership mobilization for global health issues, the committees noted that:

- secondments were included in the figures of extrabudgetary income wherever their financial implications could be calculated. Donations, both in kind and in service, would be identified separately in the future;
- most extrabudgetary income went to priority areas, which were clearly identified throughout the programme budget. A table indicating where extrabudgetary funds were allocated during 1998-1999 would be prepared once accounts had been closed at the end of February.
- in relationships with the private sector and innovative fund-raising initiatives, such as lotteries, prudence had been the guide, in order to protect the integrity and reputation of the Organization.

8. On evaluation of the management support units (MSUs) the committees sought clarification on whether the creation of MSUs had given rise to inconsistencies, particularly in the area of interpretation and application of rules and procedures. They noted that some inconsistencies had been identified in the needs of MSUs arising from differences in the type of work in the various clusters, but all clusters were expected to apply common rules and standards. Evaluation of MSUs would continue through regular audits and other review processes.

9. Concerning transfers between appropriation sections, the committees noted that the requested transfer was the result of an organizational change. Hence in no way did it augment the level of the programme budget or change the contents of the programme approved by the Fifty-second World Health Assembly. The requested transfer would make possible transparent management and financial reporting of the related activities.

Recommendation to the Executive Board (2) To adopt the draft resolution contained in document EB105/40.

Agenda item 7. Executive Board matters

- Report by the Chairman of the Board: Terms of reference of the Programme Development Committee and the Administration, Budget and Finance Committee (Documents EB105/39 and EB105/39 Add.1)

10. The committees noted that in a changing work environment, constant attention had to be paid to the terms of reference of the committees of the Board. The current organizational reforms had implications for the activities of the governing bodies and could lead to improvements or refinements in the method of work, including innovative use of new communication technology. The committees stressed the important nature of their tasks and the need for sufficient time to carry them out well.

11. The committees agreed that their two Chairmen, the Chairman of the Audit Committee and the Chairman of the Board should participate in preparation of a document outlining options for revised terms of reference for the committees, to be submitted to the Executive Board at its 106th session. It might also address implications for the work of the governing bodies of the current organizational reforms in WHO.