



WORLD HEALTH ORGANIZATION

ADMINISTRATION, BUDGET AND FINANCE
COMMITTEE OF THE EXECUTIVE BOARD
Sixteenth meeting

EBABFC16/3
12 January 2002

Report of the sixteenth 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 EBABFC16/1)

1. The sixteenth meeting of the Administration, Budget and Finance Committee (ABFC) was held in Geneva from 10 to 11 January 2002 under the chairmanship of Dr K. Karam (Lebanon). A list of participants appears in the Annex.

Agenda item 2. Programme and budget matters

Miscellaneous income (Document EB109/23)

Miscellaneous income in 2002-2003

2. The Committee noted that five Member States have so far responded to the Director-General's appeal to those Member States that, as part of the relief measures agreed upon under resolution WHA54.17, would benefit from the use of Miscellaneous Income to complement the amounts payable as assessed contributions for 2002 and 2003. This means that the total amount of Miscellaneous Income required to finance the regular budget has been reduced to US\$ 46.9 million from the original figure of US\$ 52.2 million which had been approved by the Fifty-fourth World Health Assembly. In turn, the estimated shortfall of Miscellaneous Income for the biennium 2002-2003 has reduced to US\$ 13 million from the original estimated figure of US\$ 17 million. The Committee also noted that no estimate has been included in Miscellaneous Income for 2002-2003 for any amount of arrears of assessed contributions that may be paid by Member States. Such arrears will be used first to repay all internal borrowing and replenish fully the Working Capital Fund, with the remainder, if any, being included in Miscellaneous Income. In this regard the Committee was apprised that the total amount borrowed internally to finance the implementation of the regular budget for 2000-2001 is estimated at US\$ 37 million at 31 December 2001 – one of the lowest levels for many years.

3. With regard to the currently estimated shortfall of US\$ 13 million, the Committee was informed that, in addition to the five Member States that have already offered to forego relief, several others are still considering the issue. By the Fifty-fifth World Health Assembly in May 2002 the Organization will have a much clearer picture of the shortfall of Miscellaneous Income. Further information will be

provided at the 111th session of the Executive Board in January 2003, should this be necessary. The Committee was also informed that Regulation 5.4 in the Financial Regulations provides guidance on response to a shortfall in Miscellaneous Income.

Financial Incentive Scheme

4. The Committee noted the proposals in paragraphs 8-10 of document EB109/23 for the transition between the old and new Financial Incentive Schemes whereby Member States would receive credits due under the old scheme in 2002-2003. The proposed arrangements did not affect the amounts that would be credited. The Committee also noted that resolution WHA41.12 would be applied in all other respects.

Recommendation to the Executive Board (1) **To adopt the draft resolution contained in document EB109/23.**

Agenda item 3. Financial matters

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 EB109/20)

5. The Committee regretted the delay in the receipt of the document and urged that documentation for ABFC be produced in a more timely manner in future.

6. The Committee noted that the improvement in the rate of collection of contributions that had been seen in 2000 was sustained in 2001, although no further progress had been made in the reduction of arrears in payment of contributions as such arrears outstanding for more than two years had increased by US\$ 7 million between 31 December 1999 and 31 December 2001. The Committee encouraged all Member States not only to pay arrears, but also to meet their commitments on time. The Committee noted that efforts were being intensified towards recovery from Member States having significant arrears.

7. The Committee noted that since 30 November 2001, US\$ 16 million had been received from Gambia, Italy, Philippines, Poland, Puerto Rico and the United States of America in respect of assessments for 2001. US\$ 33 million had been received during December 2001, as advance payment of the assessments for 2002 from Canada, Cuba, Gambia, Haiti, Latvia, Lithuania, New Zealand, Poland, Sao Tome and Principe, Slovakia and the United Kingdom of Great Britain and Northern Ireland. In January 2002, Colombia and Uruguay had also made payments in respect of arrears, and Indonesia in respect of its 2001 assessment.

8. The Committee expressed its appreciation and thanks to all Member States having effected such payments. It also requested that these payments be reflected in an update to the report on status of collection.

9. The Committee noted the situation of Members in arrears to an extent that would justify invoking Article 7 of the Constitution as well as the fact that one such Member, Uruguay, is no longer

affected by Article 7, following payment received in early January 2002. The Committee also noted that Table 4 of Annex 2, which lists contributions received in advance for 2002, was not correct in regard to four Member States and was informed that a corrigendum would be issued. The Committee further noted that requests for special arrangements had been put forward by the Dominican Republic and Somalia (Annex 4).

10. The Committee recommended that the Executive Board note all these developments. The Chairman said that a resolution would be prepared at the seventeenth meeting of ABFC in May 2002 for consideration by the Fifth-fifth World Health Assembly in respect of Members in arrears to an extent that would justify invoking Article 7 of the Constitution. Resolutions would also be prepared in respect of all Member States that had requested special arrangements by 31 March 2002, the deadline for submission of such requests following the procedure established by resolution WHA54.6 (including the Dominican Republic which had already made a request) as well as in respect of the proposal received to waive the arrears of Somalia.

Assessments for 2003 (Documents EB109/21 and EB109/INF.DOC./2)

11. With regard to the methodology used by the United Nations to arrive at its scale of assessment, the Committee was informed that copies of the Report of the Committee on Contributions to the 55th session of the United Nations General Assembly in December 2000 (document A/55/11), which provided insights to this issue, were available to members in all languages. This information may prove to be useful in the context of consideration by Member States of the scale of assessment for 2004-2005.

Revolving and other long-term funds (Document EB109/22)

Real Estate Fund

12. The Committee noted that, in response to the commitment at the Fifty-fourth World Health Assembly to present a report to the Executive Board at its 109th session in January 2002, initial plans for the next five years had been prepared, and that these would be further developed and consolidated within the framework of a master plan. The Committee emphasized that future plans should be developed in a more comprehensive manner so that priorities were better delineated. It noted that the Director-General's budget proposals for future bienniums will include proposals for funding of the Real Estate Fund based on these long-term plans.

13. The Committee also noted that the estimated cost of the plans for the 2002-2003 biennium would be met from appropriations already approved by the Health Assembly.

14. Although the maintenance and repair plan for the Regional Office for Africa had not yet been fully drawn up, the Committee recognized the importance of meeting immediate needs in respect of the move back to Brazzaville, and noted that appropriate longer-term plans will be included in future reports.

15. The Committee, affirming that the office accommodation in Geneva was overcrowded, expressed appreciation for the support of the Swiss authorities with whom negotiations are continuing for the construction of a new building for WHO and UNAIDS. The Committee noted that the project was well under way. It further noted that the WHO share of the cost of this and the construction projects in the Regional Office for the Western Pacific should be financed from the Real Estate Fund in accordance with resolution WHA23.14, which established such a Fund.

16. The Committee requested that the proposed draft resolution contained in paragraph 31 be amended to ensure that, should the WHO share of the estimated cost of construction of the new building in Geneva exceed CHF 27 500 000 by more than 10%, authorization to incur additional expenses be sought from the Health Assembly.

Information Technology Fund

17. The Committee observed that WHO's core administrative systems (budget, finance, procurement, human resources, and payroll) were 25 years old and would not be sustainable in the long term. Their replacement has become a priority. Significant preparatory work has taken place and it has been decided that a modular approach will be followed with systems being linked as appropriate. The Committee noted that the process is entering the operational phase with the assignment of a Project Director, Project Manager and small project team supplemented by staff to be drawn from regions and headquarters, thus making this endeavour a truly global effort of WHO. The new systems will support both regular budget and extrabudgetary funded activities.

18. The Committee was informed that initial funding had been allocated within the organizational priority "Investment in Change". However, the estimated project cost of some US\$ 50 million would require additional funding through both regular budget appropriations and allocations from programme support costs over at least three to four years, given the scope of the work involved. The Committee noted that a more accurate cost estimate would be available within the next six months for the first tranche of the process, which should be the finance system.

19. The Committee was also informed that, although an information technology system common to all organizations within the United Nations family was desirable at country level, certain pre-conditions would need to be met. In particular, any system used by an organization at country level cannot be different from the one used by other parts of that organization including its headquarters. It follows that, if organizations have different global systems, it would not be possible to integrate such systems at country level. However, at country level, opportunities for developing common approaches with other bodies in the United Nations system in the areas of voice and networking communications are already being explored.

Security fund

20. The Committee underlined the importance of the safety and security of WHO staff working in hazardous conditions in the field. The Committee was informed about the structure of the United Nations security management system, of which WHO is a part. In view of the changing environment in which the bodies of the United Nations system are operating, the United Nations General Assembly has approved an increase in the level of resources available to ensure the security and safety of United Nations system staff and their dependants. The bodies of the United Nations system have agreed to share the cost of this enhanced security system. In addition, the Director-General has established a department of Security coordination, including a roving field-security officer. The Committee fully supported the initiative to strengthen measures to ensure the security and safety of staff and recalled that the governing bodies have commended the work being done by WHO staff in difficult circumstances.

Revolving Sales Fund

21. The Committee noted that the implementation of the revised Financial Regulations and Financial Rules has led to a review of the presentation of the Revolving Sales Fund in the Financial

Report of the Organization. The resolution proposed in paragraph 32 of document EB109/22 would result in all transactions for the Revolving Sales Fund being presented in one account, whereas under the current relevant World Health Assembly resolutions the transactions are shown in two separate parts of the Financial Report.

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| Recommendation to the Executive Board | (2) To adopt the draft resolution contained in EB109/Conf.Paper No.3 (an amended version of the draft resolution contained in paragraph 31 of document EB109/22). |
| | (3) To adopt the draft resolution contained in paragraph 32 of document EB109/22. |
| | (4) To adopt the draft decision contained in EB109/Conf.Paper No.2. |

Agenda item 4. Human resources

Reform of human resources management (Document EB109/25)

22. The Committee noted that the main focus in 2001 had been contract reform, and that contractual arrangements had been revised after extensive discussions throughout the Organization. It also noted and expressed appreciation of the progress being made in the different areas of human resources management reform, notably in regard to performance management and development and efforts to improve geographical and gender balance.

23. The Committee considered that contractual reform was fundamental and that the implications, including those in terms of cost and consistency with the United Nations common system, needed to be carefully thought through. It received the following clarifications:

- The proposed term-limited appointments were similar to appointments of limited duration in place in several common-system organizations and programmes, notably the United Nations. The question of the use of those arrangements in the United Nations common system had been reviewed by the International Civil Service Commission in 1997, which had endorsed principles and guidelines for that purpose. Term-limited appointments were thus fully in line with common-system practice.
- For short-term, fixed-term and service appointments, implementation would be largely cost-neutral. Additional costs would accrue only in respect of the new term-limited appointments, which were designed to provide some improvement in employment conditions, in line with WHO's need to be a socially responsible employer even under sometimes volatile funding conditions. The annual financial implications were estimated at about US\$ 3 million with almost all such additional expenditures arising under extrabudgetary funds.

It also received details, in tabular form, of the distinguishing features of the revised contractual arrangements and of the service allowance applicable to term-limited appointments.

Amendments to the Staff Rules (Documents EB109/27 and EB109/27 Add.1)

24. With regard to the amendments to the Staff Rules in respect of action taken by the International Civil Service Commission (document EB109/27), the Committee was informed that the 2001 annual report of that body contained one item requiring action: an upward adjustment of 3.87%, in conformity with established methodology, of the common system base/floor salary scale for professional and higher-graded staff on a “no-loss – no-gain” basis, with effect from 1 March 2002. The Commission’s recommendation had been approved by the United Nations General Assembly and is expected to be implemented in all the other bodies of the common system. Parallel adjustments, which had also been approved by the United Nations General Assembly, were also proposed to the salaries of staff in ungraded posts with similar adjustments to the salary of the Director-General.

25. The Committee also noted the salient points of the Commission’s report, notably: ongoing work on the review of the pay and benefits system; approval of revised standards of conduct for the international civil service, and action taken by organizations to ensure a smooth transition to the Euro.

Recommendation to the Executive Board (5) **To adopt the draft resolutions contained in document EB109/27.**

26. With regard to the amendments to the Staff Rules in order to implement contractual reform with effect from 1 July 2002 and the system for performance management and development with effect from 1 January 2002 (document EB109/27 Add.1), the Committee requested the Director-General to consider an amendment to Staff Regulation 4.5, which would reflect past governing body resolutions concerning renewals of appointments of Regional Directors.

Recommendation to the Executive Board (6) **To adopt the draft resolutions contained in document EB109/27 Add.1 in light of the Board’s consideration of the Committee’s proposal with respect to Staff Regulation 4.5.**

Annual report on human resources (Document EB109/37)

27. The Committee examined and took note of the report, recognizing that the annual report with complete data as at 31 December 2001 would be submitted to the Fifty-fifth World Health Assembly.

Agenda item 5. Briefing by the Chairman of the Audit Committee

28. The Chairman of the Audit Committee reported to ABFC on its fifth meeting (see document EBAC5/5). With a view to seeing how best the work of the Audit Committee could assist WHO’s efforts on continuing reform, the Committee had reflected on its mandate. It considered that its terms of reference were sufficiently detailed yet broad in scope for it to perform such a role. Members of the Committee had expressed strong dissatisfaction that most of its documentation had not been dispatched within a timeframe that would have permitted better preparation and consultations. The Audit Committee had been given the commitment that in future all documents would be forwarded 15 working days before the Committee was to meet and, if the translations were not yet ready, to send

advance copies in English. Nevertheless, it had suggested a study of the operational difficulties in producing documentation for the governing bodies.

29. The Audit Committee had considered the report of the External Auditor on the status of implementation of recommendations, and received an update on the progress of the external audit for the biennium 2000-2001. It also noted the ambitious plans for 2002 of the Office of Internal Audit and Oversight but questioned whether sufficient coverage of regional operations could be assured through one visit per year. Members had suggested other options that could be pursued, and stressed the need to focus on the major elements of risk.

30. The Audit Committee had reviewed reports of the Joint Inspection Unit, particularly a major report on review of management and administration in WHO, which had made highly pertinent and important recommendations. The Committee had expressed strong support for the work of the Joint Inspection Unit in this regard and noted WHO's commitment to ensure full implementation of the recommendations made in the report that came under the authority of the Director-General, with the possible exception of one or two minor areas where some differences of perception existed.

Agenda item 6. Implementation of resolution WHA54.20: information on categories of expenditure (Document EBABFC16/2)

31. In accordance with a specific request in the appropriation resolution for the financial period 2002-2003 (resolution WHA54.20), ABFC was provided with a report on the approved Programme budget for 2002-2003 broken down by appropriation section and categories of planned expenditure. It was informed that the consolidated breakdown should to some extent still be regarded as provisional, as decisions by regions and clusters on how to fund the various expected results set out in the Programme budget would often be taken quite close to actual implementation; this was consistent with the principles of results-based budgeting. As such, fairly large amounts still appeared against the category "other expenditure", all of which would be reallocated into other categories as the biennium progressed. The Committee took note that the final breakdown by category of expenditure would be provided in the audited Financial Report of WHO for the financial period 2002-2003.

ANNEX

LIST OF PARTICIPANTS

MEMBERS, ALTERNATES AND ADVISERS

Lebanon

Dr K. Karam (Member, Chairman)

Democratic People's Republic of Korea

Mr Jang Chun Sik (Alternate to Dr Kim Won Ho)

Mr Kim Yong Ho (Adviser)

Equatorial Guinea

Dr S. Abia Nseng (Member)

Guatemala

Dr I. Lemus Bojorquez (Member)

Mr A. Arenales Forno (Adviser)

Mr I. Espinoza Farfán (Adviser)

Ms S. Hochstetter Skinner-Klee (Adviser)

Japan

Mr O. Tasaka (Alternate to Dr H. Shinozaki)

Mr A. Beppu (Adviser)

Mr S. Hemmi (Adviser)

United Kingdom

Mr T. Kingham (Alternate to Professor L. Donaldson)

Miss H. Nellthorp (Adviser)

Mr J. Bradley (Adviser)

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