

## *Contents*

	page
<b>Introduction</b> .....	3
<b>Financial Statements</b>	
Statement of Financial Performance .....	7
Statement of Financial Position .....	8
Statement of Changes in Net Assets/Equity.....	9
Statement of Cash Flows.....	10
Statement of Accounting Policies .....	11
<b>Notes to the Financial Statements</b>	
Statement of Objectives .....	16
Disclosure of Consolidated and Non-Consolidated Entities .....	16
Supporting Information to the Statement of Financial Performance .....	17
Supporting Information to the Statement of Financial Position.....	21
Supporting Information to the Statement of Changes in Net Assets/Equity .....	28
Schedule 1 – Statement of Performance by Major Funds .....	29
Schedule 2 – Programme Budget Utilization – General Fund .....	30
Schedule 2.1 – Programme Budget Utilization – Regular Budget .....	31
Schedule 2.2 – Programme Budget Utilization – Voluntary Funds .....	32
Schedule 3 – Statement of Expense by Major Offices .....	33



## ***Introduction***

The 2008 Interim Financial Report represents WHO's activities for the first year of the biennium 2008–2009. The Report provides information to Member States and other partners about the sources, allocation and uses of financial resources and helps to measure the financial implementation of the approved programme budget. The Report covers the assessed contribution resources as approved by the Sixtieth World Health Assembly<sup>1</sup> and expenditure financed from other sources, as noted by the Programme, Budget and Administration Committee of the Executive Board at its ninth meeting<sup>2</sup> in January 2009. Further analysis on the use of funds is available in the interim report on implementation of the Programme budget 2008–2009<sup>3</sup>.

The Interim Financial Report is submitted in accordance with Article 34 of the Constitution and Financial Regulation XIII. The financial statements, accounting policies and notes to the accounts have been prepared in compliance with the requirements of WHO's Financial Regulations and Financial Rules and the United Nations Systems Accounting Standards (UNSAS). As the Report is prepared in the first year of the biennium, it is unaudited.

### **I. International Public Sector Accounting Standards (IPSAS)**

In 2008 WHO began to implement the International Public Sector Accounting Standards (IPSAS) as part of a United Nations system-wide effort to implement the Standards fully by 2010. The move to IPSAS will serve to provide better quality financial reports that will improve accountability, transparency and governance. The Chair of the Panel of External Auditors stated in a recent letter that, in the Panel's view, the adoption of IPSAS is "...the single most important aspect of the United Nations management reform". As a result of full or partial adoption of a number of the Standards, the presentation of these financial statements differs from that of previous years. All departures from UNSAS have been fully disclosed in the statement of accounting policies in accordance with UNSAS, paragraph 3.

The 2008 financial statements no longer include activities for the Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS), the International Drug Purchase Facility (UNITAID), the International Agency for Research on Cancer (IARC), the International Computing Centre (ICC), The Global Fund to Fight AIDS, Tuberculosis and Malaria (TGF) and the African Programme for Onchocerciasis Control (APOC). Based on IPSAS consolidation standards it was determined that these entities do not meet the requirements to be considered part of WHO; the financial results for each will be presented separately. Prior year figures have been restated accordingly in order to permit for meaningful comparison.

The overall presentation of the statement of financial performance (revenue and expenses) and the statement of financial position (balance sheet) has changed significantly from the presentation used for previous financial statements. In 2008 the total revenue and expenses of the Organization are presented in one consolidated statement. Supplementary information is provided in the notes to the financial statements in order to allow the reader to see the revenue and expenses by fund type. This detailed information also allows a more transparent comparison between the programme budget and the financial report. Some components of the balance sheet are not fully in accordance with IPSAS. For example, the full value of fixed assets does not appear on the balance sheet and long-term accruals for staff entitlements and health insurance costs do not reflect all future costs, as would be required if IPSAS were to be applied. These accounts are fully compliant with UNSAS.

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<sup>1</sup> See resolution WHA60.12.

<sup>2</sup> See document EB124/3.

<sup>3</sup> Document A62/26.

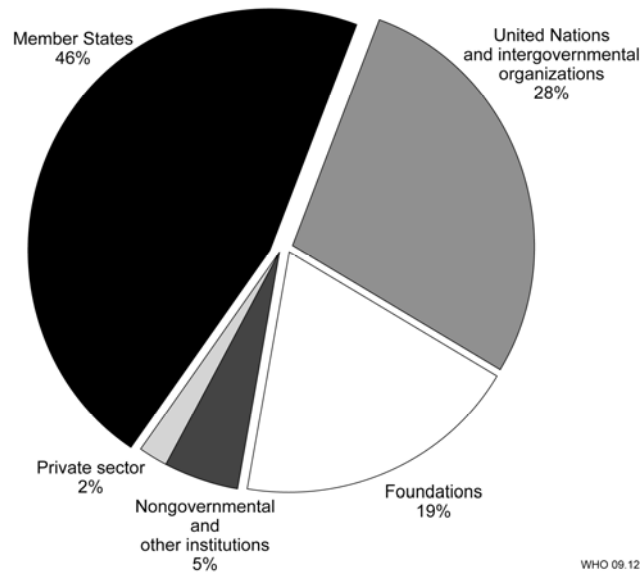
## II. Financial highlights

The total operating revenue for 2008 was US\$ 1735 million. Operating revenue represents total amounts recognized from Member States, voluntary donors and certain other sources related to WHO's work. Of this amount US\$ 1 685 million related to programme activities. A further US\$ 50 million related to non-programme work such as reimbursable procurement or sales of publications. The total operating expenses for the same period totalled US\$ 1735 million, of which US\$ 1706 million related to expenditure for programmes. Taking into consideration financial income of US\$ 61.5 million for 2008 (primarily interest earnings), the overall "surplus" (revenue less expenses) carried forward to 2009 was US\$ 34.7 million.

The total effective programme budget for 2008–2009 under all sources of funds was US\$ 4227 million. Taking into account the US\$ 1591 million of carry-forward fund balances from the biennium 2006–2007, along with the US\$ 1685 million of current year income for programmes from assessed contributions (US\$ 470 million), from voluntary contributions (US\$ 1111 million), and from Miscellaneous Income and other operating revenue (US\$ 104 million), the Organization had remaining funding requirements of US\$ 951 million for the current biennium. However, this does not include the additional carry-forward required to ensure sustained operations into the next biennium, which is estimated to amount to some US\$ 1000 million.

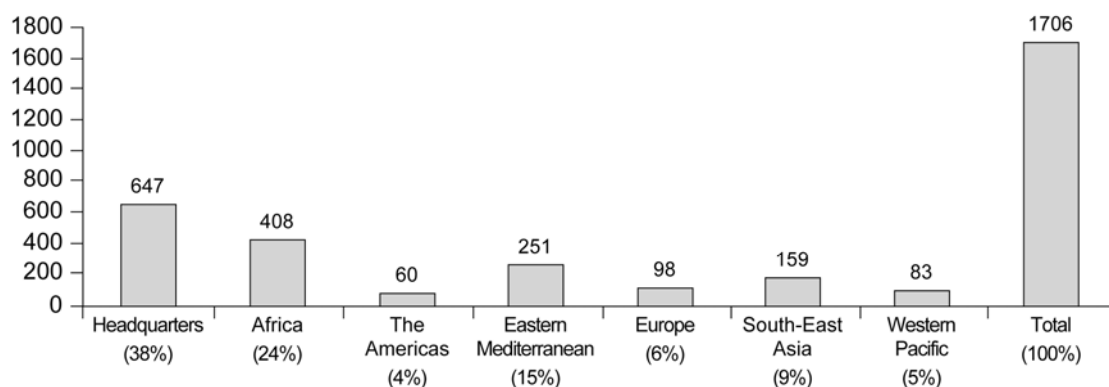
As in previous years, the Member States continue to be an important source of voluntary contributions. They contribute 46% of the total non-assessed (voluntary) budget (52% for the biennium 2006–2007). Income from the United Nations and intergovernmental organizations has increased to 28% through increased funding for joint programmes (25% for the biennium 2006–2007). Foundations (19%), nongovernmental organizations and other institutions (5%), and private sector (2%) donations account for the remaining voluntary contributions to the Organization.

**Figure 1. Voluntary income by source**



Information on expenses by regional office is given below; full details can be found in schedule 3.

**Figure 2. Total expenditure by location  
(US\$ million)**



WHO 09.13

### III. Assets

Total cash and cash equivalents at the end of the period were US\$ 2732 million. The investments are primarily short term in order to ensure availability of cash for programme needs. Some funds for longer-term liabilities are invested in securities in accordance with the recommendations of the Advisory Investment Committee. The total cash and cash equivalents balance available for WHO's programme activities was US\$ 1272 million, while US\$ 723 million related to cash held in WHO's accounts on behalf other entities (e.g. UNAIDS, UNITAID, TGF) under administrative agreements. A further US\$ 737 million related to cash and investments for the Staff Health Insurance Fund and for other WHO liabilities.

Accounts receivable, which represent amounts due from donors in respect of signed agreements, have decreased slightly. The value of land and buildings was reduced in 2008 as a result of separating the value of the new Geneva building between the respective balance sheets of WHO and UNAIDS.

### IV. Liabilities

The total value of Member States' contributions received in advance was US\$ 39.8 million. These advances will be applied as income in 2009. As in past financial periods, WHO has created a full provision of US\$ 109 million related to outstanding assessments from Member States as at 31st December 2008. Other current liabilities relate mainly to payments of donations that were received at the end of the year but only applied to the respective projects in 2009.

There was a decrease in the amount accrued for staff entitlements, which arises from an excess of expenditure over income in 2008. These accruals are used to settle current and future costs for home leave, repatriation travel, education grant, removal on repatriation and other separation payments. It should be noted that when the Organization applies IPSAS standards for measurement of these future liabilities, the amount accrued will need to provide for the present value of all future costs related to staff entitlements. The latest actuarial valuation of the accrued staff benefits (terminal payments) showed a potential unfunded liability of more than US\$ 100 million. Similarly, the Organization has an accrual for future staff health insurance costs which does not cover the full liability as calculated using the latest actuarial assumptions. A full update applying IPSAS standards will be provided as part of the audited financial statements for the biennium 2008–2009.

## **V. Foreign currency hedging operations**

The value of certain non-dollar assessed contribution budget expenditures has been protected from the impact of the declining value of the United States dollar during the biennium. Protection was achieved through forward currency option contracts. A total of US\$ 15 million resulting from the cash flow of these operations was credited against regular budget expenditures in 2008. As has been noted in the past, however, hedging operations can only protect against exchange losses within the time frame of the two-year biennium 2008–2009, and do not compensate for the longer-term decline in the value of the dollar.

## **VI. Fund accounting**

In 2008 the Organization has consolidated the previously existing fund structure into four fund types: the General Fund, Special Purpose Fund, Enterprise Fund and Fiduciary Fund. The General Fund consists of all WHO's operational income and expenditure and is linked to the programme budget for the same period. The Special Purpose Fund relates to appropriations from the regular budget which are restricted to specific projects that may extend beyond the current financial period (e.g. the Real Estate Fund and the Information Technology Fund). The Enterprise Fund relates to exchange transactions that are non-programmatic in nature (e.g. reimbursable procurement, sales of publication). The Fiduciary Fund covers funds that are held in a trustee or agent capacity for others, and cannot be used to support the WHO's own programmes (e.g. foundations and endowments). Further details on each of the fund types can be found in note 1.15.

The realignment of the fund structures improves the overall presentation of the financial statements by providing a clear separation between WHO's programme and non-programme activities. The consolidated statement of revenue and expenses (Statement of Financial Performance) is subdivided into the above-mentioned four funds. The revenue and expenses of the General Fund correspond primarily to the programme budget.

## World Health Organization

### *Statement of Financial Performance*

*For the year ended 31 December 2008*

	Notes	2008	2006-2007 (re-stated)
<b>Operating revenue</b>	1.6		
Member States assessed contributions	4.2	470 062 155	889 523 414
Miscellaneous income	4.3	58 653 943	66 407 691
Voluntary contributions	4.4, 4.8	1 111 325 223	2 932 643 718
Reimbursable procurement	4.5	36 569 065	129 012 481
Other operating revenue	4.6	58 259 650	82 353 364
<b>Total operating revenue</b>		<b>1 734 870 035</b>	<b>4 099 940 668</b>
<b>Operating expenses</b>	1.8		
Staff costs		810 324 192	1 572 904 591
Contractual services		262 663 858	407 467 909
Direct financial cooperation (DFC)		218 227 601	367 146 911
General operating expenses		118 461 341	330 133 718
Travel		114 575 211	158 062 773
Equipment, vehicles and furniture		85 792 612	164 998 516
Training		37 058 666	52 304 079
Consulting, research services		31 846 624	37 361 177
Medical supplies and literature		31 305 802	191 532 852
Telecommunication		14 792 790	23 014 874
Fellowships		9 952 921	21 524 063
<b>Total operating expenses</b>		<b>1 735 001 619</b>	<b>3 326 451 464</b>
<b>Surplus/(deficit) from operations</b>		<b>(131 583)</b>	<b>773 489 204</b>
Provision for collection of assessed contributions		(26 656 108)	(49 498 854)
Financial revenue and expense, net	4.7	61 500 110	181 268 003
<b>Total surplus for the year</b>		<b>34 712 418</b>	<b>905 258 353</b>

*The statement of accounting policies and the accompanying notes form part of the financial statements.*

## World Health Organization

### Statement of Financial Position

As at 31 December 2008

	Notes	2008	2006-2007 (re-stated)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1	2 731 672 596	2 586 701 203
Accounts receivable	5.2	405 492 526	561 225 745
Staff receivables	5.3	36 292 490	29 237 089
Prepayments	5.4	24 061 250	11 699 746
Interest receivable	5.5	17 439 358	24 090 954
<b>Total current assets</b>		<b>3 214 958 219</b>	<b>3 212 954 737</b>
<b>Non-current assets</b>			
Non-current receivables	5.6	53 642 088	25 016 304
Land and buildings	5.7	97 950 420	124 212 254
<b>Total non-current assets</b>		<b>151 592 508</b>	<b>149 228 558</b>
<b>TOTAL ASSETS</b>		<b>3 366 550 727</b>	<b>3 362 183 295</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Members' contributions received in advance	5.9	39 815 719	59 299 388
Accounts payable	5.10	268 593 379	293 649 732
Provision for liabilities and charges	5.11	108 958 260	139 924 190
Other current liabilities	5.12	64 463 146	25 517 863
Inter-entity liabilities	5.13	722 757 423	634 551 395
<b>Total current liabilities</b>		<b>1 204 587 926</b>	<b>1 152 942 568</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5.14	23 659 934	48 417 116
Accrued staff benefits	5.15	49 005 692	58 881 738
Staff health insurance	5.16	374 224 360	383 609 739
<b>Total non-current liabilities</b>		<b>446 889 986</b>	<b>490 908 593</b>
<b>TOTAL LIABILITIES</b>		<b>1 651 477 912</b>	<b>1 643 851 161</b>
<b>NET ASSETS/EQUITY</b>			
<b>Net assets/reserves</b>			
Member States' equity in capital assets	6.1	74 290 486	75 795 136
Unrealized gains/(losses) on revaluation	6.2	(36 467 087)	-
<b>Accumulated surpluses/(deficits)</b>			
<b>Non-restricted (Member States)</b>			
Member States - Regular Budget		76 507 388	7 085 068
Member States - others		63 403 330	41 754 464
<b>Total non-restricted (Member States)</b>		<b>139 910 718</b>	<b>48 839 532</b>
<b>Restricted</b>			
Voluntary funds		1 537 338 698	1 593 697 467
<b>Total accumulated surpluses/(deficits)</b>		<b>1 677 249 417</b>	<b>1 642 536 999</b>
<b>TOTAL NET ASSETS/EQUITY</b>		<b>1 715 072 816</b>	<b>1 718 332 135</b>
<b>TOTAL LIABILITIES AND NET ASSETS/EQUITY</b>		<b>3 366 550 727</b>	<b>3 362 183 295</b>

The statement of accounting policies and the accompanying notes form part of the financial statements.



# World Health Organization

## Statement of Changes in Net Assets/Equity

For the year ended 31 December 2008

	Notes	1 January 2008	Movements in 2008	31 December 2008
<b>Net assets/reserves</b>				
Member States' equity in capital assets	6.1	75 795 136	(1 504 650)	74 290 486
Unrealized gains/(losses) on revaluation	6.2	-	(36 467 087)	(36 467 087)
<b>Accumulated surpluses/(deficits)</b>				
<i>Non-restricted (Member States)</i>				
Member States - Regular Budget				
Regular Budget		(1 809 920)	13 687 989	11 878 069
Member States' income - other sources	6.3	13 821 140	19 520 260	33 341 399
Tax Equalization Fund	6.4	(4 926 152)	5 214 072	287 920
Working Capital Fund		-	31 000 000	31 000 000
Total Member States - Regular Budget		7 085 068	69 422 320	76 507 388
Member States - others		41 754 464	21 648 867	63 403 330
<b>Total non-restricted (Member States)</b>		<b>48 839 532</b>	<b>91 071 187</b>	<b>139 910 718</b>
<i>Restricted</i>				
Voluntary funds		1 593 697 467	(56 358 769)	1 537 338 698
<b>Total accumulated surpluses</b>		<b>1 642 536 999</b>	<b>34 712 418</b>	<b>1 677 249 417</b>
<b>Net assets/equity at end of year</b>		<b>1 718 332 135</b>	<b>(3 259 319)</b>	<b>1 715 072 816</b>

The statement of accounting policies and the accompanying notes form part of the financial statements.

## World Health Organization

### Statement of Cash Flows

For the year ended 31 December 2008

	2008	2006-2007 (re-stated)
<b>Cash flows from operating activities</b>		
Surplus or deficit	34 712 418	905 258 353
Non-cash movements		
(Increase)/decrease in accounts receivable	155 733 219	(415 666 555)
(Increase)/decrease in prepaid expenses	(19 416 904)	(4 330 383)
Increase/(decrease) in contributions received in advance	(19 483 669)	8 971 419
Increase/(decrease) in accounts payable	(25 056 354)	(58 486 504)
Increase/(decrease) on account of revaluation	(36 467 087)	-
(Increase)/decrease in non-current receivables	(28 625 784)	10 518 495
(Increase)/decrease in provision for liabilities and charges	(30 965 930)	(5 635 000)
<i>Less</i> : Interest income included in fund balances	(61 500 110)	(181 268 003)
<b>Net cash flows from operating activities</b>	<b>(31 070 201)</b>	<b>259 361 822</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	24 757 184	(21 906 787)
<i>Plus</i> : Interest income included in fund balances	61 500 110	181 268 003
<i>Less</i> : (Increase)/decrease in interest receivable	6 651 596	(6 372 691)
<b>Net cash flows from investing activities</b>	<b>92 908 890</b>	<b>152 988 525</b>
<b>Cash flows from financing activities</b>		
Inter-entity adjustments	88 206 028	303 966 445
Increase/(decrease) in other liabilities	19 683 858	54 359 367
Repayment of loans	(24 757 182)	18 588 207
<b>Net cash flows from financing activities</b>	<b>83 132 704</b>	<b>376 914 018</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>144 971 393</b>	<b>789 264 365</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2 586 701 203</b>	<b>1 797 436 838</b>
<b>Cash and cash equivalents at end of period</b>	<b>2 731 672 596</b>	<b>2 586 701 203</b>

The statement of accounting policies and the accompanying notes form part of the financial statements.

## ***Statement of Accounting Policies***

### ***1. Basis of Preparation and Presentation***

- 1.1** The accounting policies and financial reporting practices applied are based on the WHO Financial Regulations and Financial Rules. Where the Regulations and Rules do not provide explicit provisions, the requirements of the United Nations System Accounting Standards (UNSAS) apply. The financial statements, accompanying notes and schedules are in accordance with UNSAS. In 2008 WHO began to implement International Public Sector Accounting Standards (IPSAS) as part a United Nations System wide effort to implement the standards by 2010. As a result there have been substantial changes to presentation and content of the 2008 Financial Statements. The departures from UNSAS are further explained in this section.
- 1.2** These financial statements have been prepared on the going concern basis, conforming to the historical cost convention using the accrual method of accounting.
- 1.3** The financial statements, notes, schedules and accompanying tables are presented in US dollars.
- 1.4** Listed below are all of the current IPSAS standards and their application in the 2008 Financial Statements:

#### ***Applied or not applicable:***

- IPSAS 1 – Presentation of Financial Statements
- IPSAS 2 – Cash Flow Statements
- IPSAS 10 – Financial Reporting in Hyperinflationary Economies
- IPSAS 11 – Constructions Contracts
- IPSAS 14 – Events After the Reporting Date
- IPSAS 16 – Investment Property
- IPSAS 22 – Disclosure of Information About the General Government Sector
- IPSAS 23 – Revenue from Non-Exchange Transactions (Taxes and Transfers)
- IPSAS 24 – Presentation of Budget Information in Financial Statements

#### ***Not applied:***

- IPSAS 3 – Accounting Policies, Changes in Accounting estimates and Errors
- IPSAS 4 – The Effects of Changes in Foreign Exchange Rates
- IPSAS 5 – Borrowing Costs
- IPSAS 6 – Consolidated and Separate Financial Statements (see notes 3.1 and 3.2)
- IPSAS 7 – Investments in Associates
- IPSAS 8 – Interests in Joint Ventures
- IPSAS 9 – Revenue from Exchange Transactions (see note 1.6)
- IPSAS 12 – Inventories
- IPSAS 13 – Leases
- IPSAS 15 – Financial Instruments: Disclosure and Presentation
- IPSAS 17 – Property, Plant and Equipment
- IPSAS 18 – Segment Reporting
- IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets
- IPSAS 20 – Related Party Disclosures
- IPSAS 21 – Impairment of Non-Cash Generating Assets

- IPSAS 25 – Employee Benefits
- IPSAS 26 – Impairment of Cash Generating Assets

**1.5** The following specific accounting policies that materially affect the measurement of financial performance and the financial position applied are:

**1.6 Revenue Recognition (Operating Revenue)**

*Assessed contributions* – Income from contributions from Members and Associate Members for the effective working budget 2008 is recorded on an accrual basis as per the assessments approved by the World Health Assembly. In accordance with Financial Regulation 7.1, pending receipt of assessed contributions, implementation of the regular budget may be financed from the Working Capital Fund and thereafter by internal borrowing against available cash reserves of the Organization, excluding Trust Funds. A provision is established for delays in collection of contributions amounting to 100% of the assessed contributions outstanding at 31 December 2008. The total amount of the provision is shown in statement of financial performance. When outstanding assessed contributions are paid, the amounts are credited first against any outstanding internal borrowing and then against any borrowing from the Working Capital Fund. In accordance with Financial Regulation 8.1 (g), any payments of arrears of contributions due from Member States that are not required to repay borrowings from internal borrowing and from the Working Capital Fund are credited to Miscellaneous Income.

New and formerly inactive Members - Income from assessed contributions from new and formerly inactive Members is subject to Financial Regulation 6.12.

*Voluntary contributions* – Voluntary contributions are recorded on an accrual basis. Formal funding agreements signed by both parties are required in order to recognize an asset before the receipt of cash. When the entire funding is payable up front, revenue equal to the funding set out in the agreement is recognized when the agreement is signed. When funds are transferred over the period of the agreement, revenue is recognized as the conditions to receive that funding are satisfied.

*Contributions in kind or in services* – Contributions in kind or in services received by WHO are recorded upon receipt. They are treated both as revenue and expenses in the General Fund where they are recorded at the best estimate of fair value.

*Revenue-producing activities* – Revolving Sales Fund – Income is recorded at fair value of the consideration received which is in partial compliance with IPSAS 9. The revenue is reflected under the Enterprise Fund.

**1.7 Accounts Receivable**

Accounts receivable are recorded at their estimated realizable value after providing for doubtful and uncollectible debts. Consistent with existing Financial Regulations and Rules, WHO created a provision for delays in Member States assessments. No provisions were made for non collection of voluntary contributions or other receivables.

**1.8 Expense Recognition (Expenditure)**

Expenditure recognition occurs at the time of delivery of goods or services. The implementation of an Enterprise Resource Planning (ERP) system (Oracle) effective 30 June 2008 at Headquarters and the Western Pacific Regional Office has enabled the Organization to better manage expenditures in accordance with this principle through systematic reporting of delivery dates. It should be noted that prior to the implementation of the ERP in June 2008 the legacy accounting systems used by the Organization recognized expenditure based on creation of an obligation. These legacy systems are still in use in the Regional Offices and country offices which are not currently using the ERP system. Plans are in place to have all offices using the ERP system before the Organization fully complies with

IPSAS in 2010. To mitigate the effect of this potential timing difference the Organization has put in place policies requiring obligations to be created for only those goods/services which are due to be delivered in the current period. At the end of the financial period a full review of all outstanding obligations will be performed to recognize expenditure only for goods or services which have been delivered.

### 1.9 Property and Equipment

Property is recorded at costs and is not depreciated. Equipment is fully expensed at cost value in the financial period in which it is acquired. An inventory of equipment is maintained and the value disclosed in the notes. For reporting purposes, only those items with a cost value of US\$ 2500 and above are included.

### 1.10 Employee Benefits

Employee benefits are recognized as expenses on an accrual basis. Similarly terminal payments to staff members, including repatriation grant, accrued annual leave, repatriation travel, removal on repatriation, and other separation payments are all expensed on an accrual basis. It should be noted that the current accruals for employee benefits are not sufficient to cover all future costs.

### 1.11 Pension Fund

WHO is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF) which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to staff. The Pension Fund is a funded defined benefit plan. The financial obligation of the Organization to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. At the time of this report the United Nations General Assembly had not invoked this provision.

### 1.12 Financial Risks

The Organization is exposed to certain financial risks including foreign currency exchange risk and credit risk. The Organization does use derivative financial instruments to hedge risk exposure. The Organization has purchased foreign exchange option contracts which grants the right but not the obligation to sell US dollars and buy euro and Swiss francs at fixed exchange rates as set out in Note 7. In accordance with Financial Regulation 11.1, funds not required for immediate use may be invested. All investments are carried out within the framework of investment policies approved by the Director-General. These policies are regularly reviewed by the Advisory Investment Committee, which includes external investment specialists. The Committee makes regular recommendations to the Director-General. The range of investments types are:

- **Short-term fixed income in US dollars** - These are invested in cash and high quality, short dated, government, agency, and corporate bonds as defined in the approved investment policy;
- **Long-term fixed income in US dollars** - These are invested in high quality, medium and long dated, government, agency, and corporate bonds. They represent funds managed for the Staff Health Insurance Fund and the Terminal Payments Account as defined in the approved investment policy; and
- **Equity investments in US dollars** - In accordance with approved investment policy, this portfolio represents funds managed for the Staff Health Insurance Fund.

**Foreign currency exchange risk** - The Organization receives voluntary and regular budget contributions and makes payments in currencies other than US dollars. It is exposed to foreign exchange currency risk arising from fluctuations in the currency exchange rates. Exchange rate gains and losses on the purchase and sale of currencies, revaluation of cash book balances, and all other exchange differences are adjusted against the funds and accounts eligible to receive interest under the WHO general investment plan.

**Credit risk** - The credit risk associated with contributions from donors and on other accounts receivables is considered above in the note on accounts receivable.

The Organization is not subject to significant liquidity or price risk.

**Foreign Currency translation** - Translation into US dollars of transactions expressed in other currencies is effected at the prevailing United Nations accounting rate of exchange, as applicable at the date of the transaction. Assets and liabilities that are denominated in foreign currencies are translated at the rates of exchange prevailing on the first day of the month for purposes of reporting. Realized gains and losses resulting from the settlement and revaluation of foreign currency transactions are recognized in the statement of financial performance. Unrealized gains and losses from the revaluation of the balance sheet will be reflected in the equity section.

### **1.13 Tax Equalization Fund**

In accordance with Health Assembly resolution WHA21.10, under which the Tax Equalization Fund was established, the assessed contributions of all Members are reduced by the income generated by the staff assessment plan. In determining the reduction of assessed contributions to be applied to the Members concerned, the Tax Equalization Fund is credited with the revenue from the staff assessment plan, the credits being recorded in the name of individual Members, in proportion to their assessments for the biennium. For those Members that levy income tax on emoluments received from the Organization by their nationals or others liable to such taxes, the credit from the staff assessment plan is charged with the estimated amount to be levied by those Member States. Those amounts which have been charged are, in turn, used by the Organization to reimburse income tax paid by the staff concerned.

### **1.14 Savings on Prior Periods' Unliquidated Obligations**

Unliquidated obligations relating to prior financial periods are settled during the current financial period in accordance with the Financial Regulations. Variances on settlement are debited/credited to the relevant account. These amounts are reflected under Accounts Payable in the Statement of Financial Position.

### **1.15 Fund Accounting**

Fund Accounting is a method of segregating resources into categories, (i.e. funds) to identify both the source and use of the funds. Establishment of such funds help to ensure better reporting of revenue and expenses. The four types of funds are the General Fund, Special Purpose Fund, Enterprise Fund and Fiduciary Fund. Any transfers between funds that would result in duplication of revenue and/or expenses are eliminated during consolidation. Intra-fund transfers such as Programme Support Costs (PSC) within the General Fund are also eliminated. The four types of funds are further explained below.

**General Fund** – The accounts contained under this fund support the implementation of the Programme Budget. It consists of the following funds:

- Assessed Contributions
- Member States' Income - other sources
- Tax Equalization Fund
- Voluntary Funds (core, specified and partnerships)
- Special Account for Servicing Costs (also referred to as Programme Support Costs)

- WHO's Framework Convention on Tobacco Control<sup>1</sup>
- Stop TB Partnership Global Drug Facility<sup>1</sup>

**Special Purpose Fund** – The accounts contained under this fund represent transfers from the General Fund or appropriations by the World Health Assembly. The revenue and expense under this fund are not included in the reporting of the Programme Budget. This fund contains the following accounts:

- Real Estate Fund
- Security Fund
- Information Technology Fund
- Staff Development Fund
- Revolving Fund for Teaching and Laboratory Equipment
- Common Costs Charges

**Enterprise Fund** - This fund contains accounts that generate self financing revenue. The revenue and expenses under this fund is not included in the reporting of the Programme Budget. It contains the following accounts:

- Revolving Sales Fund<sup>2</sup>
- Special Account for Concession
- Insurance Policies Account
- Self-financing Account
- Procurement Activities

**Fiduciary Fund** - This fund accounts for assets that are held by WHO in a trustee or agent capacity for others and cannot be used to support the Organization's own programs. These funds include private-purpose funds such as endowments (foundations) given for a specific individual or purpose but not for general use. Similarly, financial activities related to financing the Organization's long term liabilities are managed through this fund. These funds are not available for operations and do not contribute to the Programme Budget 2008–2009. The following funds are contained therein:

- Staff Health Insurance
- Foundations

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<sup>1</sup> The Secretariat of WHO's Framework Convention on Tobacco Control and the Stop TB Partnership Global Drug Facility though not included within the budget also supports the achievement of the strategic objectives.

<sup>2</sup> In accordance with Health Assembly resolutions WHA22.8 and WHA55.9, this fund is credited with proceeds from the sale of publications, international certificates of vaccination, films, videos, DVD's and other information material. The related costs of production and printing are charged to the fund.

## ***Notes to the Financial Statements***

### **2. Statement of Objectives**

- 2.1 The objective of the World Health Organization, contained in Article 1 of the Constitution, is the “attainment by all peoples of the highest possible level of health”.
- 2.2 In order to achieve this objective, the functions of the Organization have been established and are contained in Article 2 of the Constitution.
- 2.3 The Eleventh General Programme of Work, 2006–2015, approved by World Health Assembly resolution WHA59.4 provides the policy and programmatic framework for the Programme Budget 2008–2009. WHA60.11 refines the framework of the Programme Budget 2008–2009 which moves away from the narrowly defined areas of work to strategic objectives.
- 2.4 The sixtieth World Health Assembly in May 2007 (WHA60.12) resolved to appropriate an Effective Working Budget of US\$ 959 million for the financial period 2008–2009. The Health Assembly also noted estimated expenditure of US\$ 3269 million to be financed from voluntary contributions.

### **3. Disclosure of Consolidated and Non-Consolidated Entities**

#### **3.1 Non-Consolidated Entities**

IPSAS 6, “*Consolidated Financial Statements and Accounting for Controlled Entities*”, provides guidance to determine which entities should be consolidated within an economic entity. As a result of a thorough review performed in 2008 the following entities do not meet the requirements of control and as such will no longer be consolidated in the financial report of the WHO. These entities listed as follows will each provide separate financial statements:

- Trust Fund for the Joint United Nations programme on HIV/AIDS (UNAIDS)
- International Drug Purchase Facility - (UNITAID)
- International Agency for Research on Cancer (IARC)
- International Computing Centre (ICC)
- The Global Fund to fight AIDS, Tuberculosis and Malaria (TGF)
- African Programme for Onchocerciasis Control<sup>1</sup> (APOC)

#### **3.2 Consolidated Entities**

WHO administers or participates in a large number of global health partnerships at all levels of the Organization. These partnerships contribute to the achievement of the WHO objectives and as such were reflected in the 2008–2009 Programme Budget. The activities implemented by the WHO have been consolidated in the financial report under the General Fund. The Secretariat of WHO’s Framework Convention on Tobacco Control and the Stop TB Partnership Global Drug Facility though not included within the budget were also reported in the General Fund. Before the Organization can fully comply with IPSAS 6, a comprehensive evaluation is required to determine whether partnerships meet consolidation criteria. This evaluation is expected to be completed before the 2010 financial reporting period. The partnerships and collaborative arrangements concerned are as follows:

- Alliance for Health Policy and Systems Research
- Global Alliance for Vaccines and Immunization (GAVI)
- Global Alliance against Chronic Respiratory Diseases

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<sup>1</sup> Includes residual values for former Onchocerciasis Control Programme.



- Global Health Workforce Alliance
- Global Polio Eradication Initiative
- Health Metrics Network
- Intergovernmental Forum on Chemical Safety
- Partnership for Maternal, Newborn and Child Health
- Roll Back Malaria Partnership
- UNICEF/UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases (TDR)
- International Food Safety Authorities Network
- United Nations System Standing Committee on Nutrition
- United Nations Road Safety Collaboration
- UNDP/UNFPA/WHO/World Bank Special Programme of Research, Development and Research Training in Human Reproduction (HRP)
- Initiative for Vaccine Research
- Violence Prevention Alliance
- Vision 2020: The Right to Sight
- WHO alliance for the global elimination of trachoma
- Framework Convention on Tobacco Control
- Stop TB Partnership Global Drug Facility

#### **4. *Supporting Information to the Statement of Financial Performance***

##### **4.1 Statement Overview**

The Statement of financial performance consolidates revenue and expenses for all activities throughout the Organization. The statement segregates operating activities from those arising from financing operations. Further details by fund and by major office are presented in Schedules 1, 2 and 3.

##### **4.2 Member States Assessed Contributions**

The WHA60.12 approved a budget of US\$ 4227 million for the period 2008–2009. Details on the status of collections can be found in document A62/30.

##### **4.3 Miscellaneous Income**

According to Financial Regulation 8.1, receipts of prior period Member States' assessments are credited to Miscellaneous Income. The Miscellaneous Income of US\$ 58.9 million forms part of the Member States income - other sources (See Note 6.3).

##### **4.4 Voluntary Contributions**

Total voluntary contributions to the WHO totalled US\$ 1111 million for the current period. These contributions represent revenue recognized from governments, intergovernmental organizations, institutions, other United Nations Organizations, as well as the private sector. Voluntary donations are accepted provided they are consistent with the policies and objectives of the Organization.

##### **4.5 Reimbursable Procurement**

WHO procures medicines and vaccines on behalf of Member States and other United Nations agencies. The total revenue recognized in 2008 for reimbursable procurement was US\$ 36.6 million. The revenue and expenses related to reimbursable procurement forms part of the Enterprise Fund and is not reported against the Programme Budget.

#### 4.6 Other Operating Revenue

In 2008 the Organization earned fees for hosting other entities such as UNAIDS, UNITAID, ICC, etc. Other sources of earnings also included the sale of publications and royalties earned. Savings coming from the cancellation of prior period obligations not attributable to Member States totalled US\$ 28 million. In previous years these savings were reported as credits against expenditure in the Voluntary Fund for Health Promotion.

	<b>2008</b> <i>(US dollars)</i>
Administrative service agreements	7 612 010
Revolving Sales Fund income	6 349 262
Savings on prior period obligations	28 331 960
Gains on sale of assets	139 645
Rental income	966 226
Hedging gains and other income	14 860 547
<b>Total</b>	<b>58 259 650</b>

#### 4.7 Financial Revenue and Expense, Net

	<b>2008</b> <i>(US dollars)</i>
Interest	50 388 870
Realized/unrealized gain on currency options	16 509 669
Realized foreign exchange losses	(5 398 430)
<b>Total</b>	<b>61 500 110</b>

#### 4.8 Special Account for Servicing Costs

This account was established in order to facilitate the budgeting and accounting of funds made available to the Organization to cover in part the costs of servicing activities financed from sources other than the assessed contribution budget (i.e. from voluntary contributions). In 2008 the Organization began recognizing the full amount of support costs based on revenue recorded instead of expenditure which had been existing practice. This policy change has resulted in a one time “catch-up” which substantially increased the level of fees earned.

The Account is credited with income from the following sources:

- (i) Under Resolution WHA34.17, funds received for support costs from voluntary sources, including funds-in-trust arrangements with governments and other entities, and the Voluntary Fund for Health Promotion. Amounts are calculated by applying a fixed percentage rate to total project expenditures;
- (ii) Administrative service agreements with other entities; and
- (iii) Interest earned on the balance of the fund.

	<b>2008</b>
	<i>(US dollars)</i>
<b>Balance as at 1 January 2008</b>	<b>41 846 396</b>
<b>Revenue</b>	
Programme support costs	249 974 175
Administrative service agreements with other entities	7 612 010
Other Income	15 233 860
Interest	5 064 841
<b>Total revenue</b>	<b>277 884 886</b>
<b>Expenses</b>	
Regional Office for Africa	23 080 142
Regional Office for the Americas	576 972
Regional Office for South-East Asia	8 644 822
Regional Office for Europe	4 158 124
Regional Office for the Eastern Mediterranean	10 556 007
Regional Office for the Western Pacific	5 826 241
Global and interregional activities	53 648 367
<b>Total expenses</b>	<b>106 490 674</b>
<b>Balance as at 31 December 2008</b>	<b>213 240 607</b>

#### 4.9 Real Estate Fund

This fund was established by the Twenty-third World Health Assembly in resolution WHA23.14. The Real Estate Fund, under the Financial Regulations and Financial Rules, is funded by appropriation from the regular budget. The Real Estate Fund is also credited with receipts of rentals relating to real estate operations (other than rental for office accommodation, garage rentals and income from the operation of concessions at headquarters), and interest earned on balances in the fund.

The fund is used to meet the costs of the construction of buildings or extensions to existing buildings; the acquisition of land which may be required; major repairs of and alterations to the Organization's existing office buildings and residences leased to staff by the Organization. Specific Health Assembly authorization is required for acquisition of land and construction of buildings or building extensions.

	<b>2008</b>
	<i>(US dollars)</i>
<b>Balance as at 1 January 2008</b>	<u>4 174 665</u>
<b>Revenue</b>	
Appropriation from regular budget	-
Rents collected	185 570
Interest	96 599
Other Income	44 732
<b>Total revenue</b>	<u>326 901</u>
<b>Expenses</b>	
Headquarters	320 970
Regional Office for Africa	209 329
Regional Office for the Americas	-
Regional Office for South-East Asia	-
Regional Office for Europe	-
Regional Office for the Eastern Mediterranean	1 237 487
Regional Office for the Western Pacific	-
<b>Total expenses</b>	<u>1 767 787</u>
<b>Balance as at 31 December 2008</b>	<u><u>2 733 779</u></u>

## 5. Supporting Information to the Statement of Financial Position

The notes within this section provide further details of the information presented in the statement of financial position and changes in equity.

### 5.1 Cash and Cash Equivalents (Unrestricted/Restricted)

Cash, deposits and securities are held on behalf of the Organization, including the General Fund, Special Purpose Fund, Enterprise Fund, Fiduciary Fund and entities administered by WHO.

	2008 <i>(US dollars)</i>	2006-2007 <i>(US dollars)</i>
<b>Cash at banks, investment accounts, in transit and on hand</b>		
Headquarters	232 656 247	237 099 412
Regional and country offices	107 171 249	102 411 703
<b>Total cash at banks, in transit and on hand</b>	<b>339 827 496</b>	<b>339 511 115</b>
<b>Deposits</b>		
Bank deposits	1 489 248 705	1 331 383 230
<b>Total deposits</b>	<b>1 489 248 705</b>	<b>1 331 383 230</b>
<b>Securities</b>		
Short-term fixed income in US dollars	589 720 715	573 144 578
Long-term fixed income in US dollars	270 930 508	274 975 982
Equity investments in US dollars	41 945 172	67 686 297
<b>Total securities</b>	<b>902 596 395</b>	<b>915 806 857</b>
<b>Total deposits and securities</b>	<b>2 391 845 099</b>	<b>2 247 190 087</b>
<b>Total cash, deposits and securities</b>	<b>2 731 672 596</b>	<b>2 586 701 202</b>

**5.1a Cash Available for Programmatic Activities:** Of the total cash and cash equivalent balance of US\$ 2732 million, US\$ 1272 million was available for WHO programmatic activities. The remaining cash relates to funds held on behalf of other organizations and those needed to settle current and future liabilities.

	2008 <i>(US dollars)</i>
<b>Restricted cash and cash equivalents</b>	
Funds held on behalf of other entities	722 757 423
Accounts payable	268 593 379
Accrued benefits	49 005 692
Long-term borrowings	23 659 934
Other current liabilities and provisions	587 461 484
Other assets (net)	(155 095 119)
<b>Add:</b> Unrealized losses	<b>(36 467 087)</b>
<b>Total restricted cash and cash equivalents</b>	<b>1 459 915 706</b>
<b>Available cash and cash equivalents</b>	
Fund balance - Member States Regular Budget	76 507 388
Fund balance - Member States other	63 403 330
Fund balance - voluntary funds	1 537 338 698
<b>Less:</b> Accounts receivable	<b>(405 492 526)</b>
<b>Total available cash and cash equivalents</b>	<b>1 271 756 891</b>
<b>Total cash, deposits and investments</b>	<b>2 731 672 596</b>

**5.1b Deposits and Securities:** Funds in currencies other than US dollars are accounted at their US dollar equivalent based on the United Nations accounting rate of exchange. Securities are accounted for at current market value. Market values are determined using the market price for a particular security on the last business day of the year. The investment policy reflects the nature of the WHO funds, which may be held for the short-term, pending programme implementation, or for the longer term in order to meet liabilities under the Staff Health Insurance Fund and other long-term funds of the Organization. Investments are recorded at current market value and investment income is recorded on an accrual basis. However, for the structured investment products of which the calculation of interest rate will not be made until the end of the interest period, the income is recognized on a cash basis and the accrued interest is not recorded.

**5.1c Investments:**

*Short-term fixed income in US dollars* - These are invested in cash and high quality, short dated, government, agency, and corporate bonds as defined in the approved investment policy.

*Long-term fixed income in US dollars* - These are invested in high quality, medium and long dated, government, agency, and corporate bonds. They represent funds managed for the Staff Health Insurance Fund and the Terminal Payments Account as defined in the approved investment policy.

*Equity investments in US dollars* - In accordance with approved investment policy, this portfolio represents funds managed for the Staff Health Insurance Fund.

**5.1d Foreign Exchange Hedging:** In accordance with Financial Regulation 4.4, foreign exchange hedging seeks to maintain the level of the assessed contribution budget, irrespective of the effect of any fluctuation of currencies against the US dollar. The amounts available for hedging are approved by the World Health Assembly for the financial period concerned. The exact method of hedging is determined in accordance with the investment policy, which specifies permitted hedging instruments: namely forward foreign exchange and option contracts. The exchange rate to be protected and prevailing market conditions are also taken into account. Costs associated with the purchase of foreign currency options are recorded at the time of purchase and are expensed in the biennium to which they relate. Gains (losses) on forward contracts and any gains on option contracts are taken to income (or expenditure) when the contracts mature.

**5.1e Foreign Exchange Hedging Transactions arising in 2008:** Exchange gains on foreign exchange hedging contracts in 2008 amounted to US\$ 19.3 million (US\$ 7.8 million in 2006–2007), all of which have been recorded in the assessed contribution budget.

Summary of outstanding options as at 31 December 2008 (in relation to 2009 hedging contracts)  
WHO has the option to sell:

USD 135 000 000 and buy CHF if the market rate is lower than 1.1500 at USD 1.00 = CHF 1.15  
USD 47 000 000 and buy EUR if the market rate is more than 1.4000 at USD 1.40 = EUR 1.00

Net premiums paid on these contracts amounting to US\$ 4.2 million have been recorded as prepaid expenses as at 31 December 2008 (US\$ 7.8 million at 31 December 2007).

Unrealized net gains on these contracts amounted to US\$ 15.9 million as at 31 December 2008 (US\$ 21.1 million at 31 December 2007).

Realized gains or losses on these contracts will be recorded on maturity of the contracts and applied during 2009.

## 5.2 Accounts Receivable

At 31 December 2008, total accounts receivable amounted to US\$ 405.5 million (US\$ 561.2 million at 31 December 2007). The receivable balance includes outstanding amounts for both assessed and voluntary contributions.

Other receivables of US\$ 2.9 million comprise payments due from international organizations and other debtors.

	2008 <i>(US dollars)</i>
<b>Non-exchange transactions</b>	
Assessed contributions	55 316 172
Voluntary contributions	347 204 266
<b>Total Non-exchange transactions</b>	<b>402 520 438</b>
<b>Exchange transactions</b>	
Revolving sales	778 062
Other receivables	2 194 027
<b>Total exchange transactions</b>	<b>2 972 089</b>
<b>Total</b>	<b>405 492 526</b>

## 5.3 Staff Receivables

In accordance with the WHO staff rules, staff receive salary advances pending processing of employment contracts. When staff salaries are processed through payroll, the advance is recovered and amounts charged to the respective project. Advances for education grant are settled at the end of the scholastic year upon presentation of invoices. Rental advances are allowed as per staff rule - 320.4. Travel advances are cleared upon presentation and settlement of travel claims.

	2008 <i>(US dollars)</i>
Salary advance	22 989 424
Education grant	5 171 768
Rental advance	1 376 158
Travel advance	6 400 460
Other staff receivable	354 680
<b>Total</b>	<b>36 292 490</b>

#### 5.4 Prepayments

These represent payments to suppliers in advance of receipt of goods or services and guarantee deposits. It is common practice for technical service contractors to request funds in advance of a project to support work during project. When goods or services are delivered prepayments are applied to settlement and the appropriate expenditure account is charged.

#### 5.5 Interest Receivable

This represents amounts due from banks and other investment firms for interest earned during the period.

#### 5.6 Non-Current Receivables

This represents amounts due from Member States for assessed contributions which have been rescheduled under WHA resolutions. A total of US\$ 53.6 million was outstanding at the end of 2008. As these amounts are not expected to be collected in the next 12 months, they have been classified as non-current.

#### 5.7 Land and Buildings

These assets represent WHO and other trust fund properties at headquarters and in regional office locations. The properties have either been purchased, constructed or received as donations. The land upon which buildings have been erected is either owned by the Organization/trust fund or has been made available by the host country concerned, at no cost or at a nominal annual ground rent. The value of the land and building has not been revalued to be in compliance with IPSAS and has not been subject to depreciation charges. The cost of land and buildings at each location comprises the following:

	2008 <i>(US dollars)</i>
Headquarters	67 971 982
Regional Office for Africa	8 257 182
Regional Office for South-East Asia	1 483 295
Regional Office for the Eastern Mediterranean	12 088 203
Regional Office for the Western Pacific	8 149 758
<b>Total</b>	<b>97 950 420</b>

#### 5.8 Non-Expendable Equipment

The total value at cost at 31 December 2008 amounted to US\$ 62.2 million (US\$ 60 million at 31 December 2007). In accordance with established accounting policy, non-expendable equipment (including furniture, computers and other office equipment and motor vehicles) is charged to expenditure at cost. An inventory of non-expendable equipment is maintained and the value disclosed in these notes. For reporting purposes, only those items with a cost value of US\$ 2500 and above are included. When the Organization fully complies with IPSAS, assets will be required to be capitalized and depreciated.

#### 5.9 Members' Contributions Received in Advance

At 31 December 2008 some Members had, either in full or in part, made advance payments against their regular budget contributions for 2009 and future years. In addition, certain Members had received credits against assessed contributions for the current biennium which will be offset against future assessments.



### 5.10 Accounts Payable

This represents the total amount outstanding to suppliers of goods and services at the end of 2008.

	<b>2008</b>
	<i>(US dollars)</i>
Regional Office for Africa	62 463 744
Regional Office for the Americas	(1 317 262)
Regional Office for South-East Asia	34 856 536
Regional Office for Europe	28 383 988
Regional Office for the Eastern Mediterranean	86 641 940
Regional Office for the Western Pacific	10 743 937
Global and interregional activities	46 820 496
<b>Total</b>	<b>268 593 379</b>

### 5.11 Provision for Liabilities and Charges

This represents the uncollected assessments from Member States for prior periods. Provision of 100% of the non collected assessments is consistent with the existing WHO financial policies for accounts receivable provisions. This policy will need to be amended with the adoption of IPSAS.

	<b>2008</b>
	<i>(US dollars)</i>
Provision for Member States' assessments	55 316 172
Non-current receivables - rescheduled assessments	53 642 088
<b>Total</b>	<b>108 958 260</b>

### 5.12 Other Current Liabilities

At the end of 2008 the Organization received large contributions totalling US\$ 66 million which will be applied to programmes in 2009. Pending application these funds were held as a sundry liability.

	<b>2008</b>
	<i>(US dollars)</i>
Unapplied and unidentified receipts	66 117 155
Foundations	3 924 480
Due to estates of deceased staff members	272 503
Special account for compensation	5 231 366
WHO inter-office	(11 082 358)
<b>Total</b>	<b>64 463 146</b>

### 5.13 Inter-Entity Liabilities

WHO hosts a number of entities through administrative service agreements. As cash for all entities is managed by WHO, liabilities exist with these entities for funds held on their behalf. The total amounts due per entity are as follows.

	<b>2008</b>
	<i>(US dollars)</i>
The Global Fund to fight AIDS, Tuberculosis and Malaria	75 085 114
International Computing Centre	7 263 982
International Drug Purchase Facility - UNITAID	357 926 355
African Programme for Onchocerciasis Control	8 870 693
Trust Fund for the Joint United Nations Programme on HIV/AIDS	273 611 280
<b>Total</b>	<b>722 757 423</b>

### 5.14 Long Term Borrowings

The World Health Assembly, in resolutions WHA55.8 and WHA56.13, authorized the Director-General to proceed with the construction of a new building at headquarters for WHO and UNAIDS at a cost estimated at CHF 66 million, of which WHO's share was estimated at CHF 33 million. The Swiss Confederation has agreed to provide an interest-free loan to WHO and UNAIDS of CHF 59.8 million of which WHO's share is CHF 29.9 million. The Health Assembly also approved the use of the Real Estate Fund for the repayment over a 50-year period of WHO's share of the interest-free loan provided by the Swiss Confederation with effect from the first year of the completion of the building.

### 5.15 Accrued Staff Benefits

This represents:

(i) Terminal payments account - This account was established to provide for financing the terminal emoluments of staff members, including repatriation grant, accrued annual leave, repatriation travel, removal on repatriation and other separation payments. It is funded by a budgetary provision set for biennium 2008–2009 at 2.5% of all staff.

(ii) Non payroll staff entitlements account - This account provides for non payroll staff entitlements. These consists of education grant, education grant travel, home leave, recruitment and assignment travel, assignment grant, transportation of personal effects. Professional staff salaries are charged at a rate of 10% to fund these entitlements.

	<b>2008</b>
	<i>(US dollars)</i>
Terminal payments	52 397 187
Non-payroll staff entitlements	(3 391 495)
<b>Total</b>	<b>49 005 692</b>

**5.16 Staff Health Insurance**

The income of the Staff Health Insurance Fund consists of contributions received in respect of both active and retired staff (of which one-third is paid by the participants and two-thirds by the Organization) as well as interest earned on investments. In order to ensure the adequate funding of future claims from retired staff, a fixed percentage (currently 25%) of active staff contributions is set aside each year. The remaining 75% of contributions are required to meet current claims from active staff.

	2008 <i>(US dollars)</i>
<b>Balance as at 1 January 2008</b>	<b>383 609 739</b>
<b>Revenue</b>	
Contributions collected	75 777 309
Unrealized loss on investments	(21 103 611)
<b>Total revenue</b>	<b>54 673 698</b>
<b>Expenses</b>	
Claims paid	62 221 061
Operating expenses	1 838 016
<b>Total expenses</b>	<b>64 059 077</b>
<b>Balance as at 31 December 2008</b>	<b>374 224 360</b>

**5.17 Administrative Waivers, Amounts Written-Off, Ex-Gratia Payments**

During 2008, there was no administrative waivers, one case of an amount written-off totalling US\$ 839; and no ex-gratia payments.

**5.18 Contingent Liabilities**

At 31 December 2008, there were pending legal proceedings against the Organization concerning: four accidents involving WHO vehicles; a rental issue at one WHO office; four alleged contractual obligations; one issue concerning alleged fraudulent fuel trafficking; and cases of alleged unlawful dismissal by 29 former staff members. In addition, there are several claims that are currently being processed; they involve four alleged contractual obligations, an alleged obligation due to one former staff member and one case relating to alleged ecological damage caused by the construction of the WHO/UNAIDS building. These claims are not deemed to be of material significance. Finally, there were outstanding personnel matters before the ILO Administrative Tribunal. These are currently being contested by the Organization. The legal proceedings have not progressed sufficiently to determine the extent of any liability of the Organization with any degree of certainty.

**5.19 Changes in Equity**

This statement is broken down into various categories, namely, non-restricted and restricted equity. Non-restricted equity refers to Member States and other funds. Restricted equity refers to the fund balances under voluntary funds.

**5.20 Re-statement of 2006–2007 comparative figures**

The presentation of figures in 2008 has made it necessary to re-state relevant 2006–2007 figures for comparative purposes. The following factors were considered in restating the comparative figures:

- The 2006-2007 financial report included results from a number of other entities as identified in Note 3.1 and 3.2. The current financial report includes only results from those entities controlled by WHO;
- WHO continues to manage cash for the other entities, therefore it is assumed that the cash continue to be reflected under WHO's financial statements;
- The expenditure has been realigned to the new expense categories;
- The accounts receivable has been classified by entity; and
- The accounts payable has been classified by entity.

## 6. Supporting Information to the Statement of Changes in Net Assets/Equity

### 6.1 Member States' Equity in Capital Assets

During the financial period, capital assets are expensed as purchased, thus reducing the respective fund balances appropriated. At the end of each financial period, an entry is passed to capitalize the assets and credit Member States' equity. At the end of 2008, Member States' equity in capital assets was US\$ 74.2 million (US\$ 97 950 420 total land and buildings less long-term borrowings of US\$ 23 659 934)

### 6.2 Unrealized Gains/(Losses) on Revaluation

At the end of each month, all assets and liabilities held in non-US dollar currencies are revalued at the current month's exchange rate. The revaluation creates unrealized exchange gains and losses that form part of the net assets/equity section. All realized gains and losses on exchange are presented in the statement of financial performance under "financial revenue and expense, net".

### 6.3 Member States Income - Other Sources

This fund (formerly referred to as the Miscellaneous Income Fund) is used to consolidate all sources of income attributable to Member States other than current period assessed contributions. The fund earns income from interest, exchange gains/(losses), cancellation of prior period's obligations, and any other miscellaneous income as defined by Financial Regulation VIII. The WHA appropriated US\$ 15 million for activities in 2008. A further US\$ 15 million has been approved for appropriation in 2009 in accordance with WHA.61.6.

	2008 (US dollars)
<b>Balance as at 1 January 2008</b>	<b>13 821 140</b>
<b>Revenue</b>	
Receipt for prior period contribution	58 432 469
Rebates and refunds	38 766
Interest	2 020 096
Other financing activities	6 838 849
<b>Total revenue</b>	<b>67 330 180</b>
<b>Less:</b>	
Appropriation for the Regular Budget (WHA60.12)	15 000 000
Repayment of Working Capital and Internal Borrowing	32 809 920
<b>Sub-total</b>	<b>47 809 920</b>
<b>Balance as at 31 December 2008</b>	<b>33 341 399</b>

### 6.4 Tax Equalization Fund

A full description of the governance of the Tax Equalization Fund is provided above in the Statement of Accounting Policies.

	2008 (US dollars)
<b>Balance as at 1 January 2008</b>	<b>(4 926 152)</b>
Staff Assessment Plan	11 384 210
<b>Less:</b>	
Tax levied on staff members	6 170 138
<b>Balance as at 31 December 2008</b>	<b>287 920</b>

**Schedule 1**

**Statement of Performance by Major Funds**

	Notes	General Fund			Special Purpose Fund	Enterprise Fund	Fiduciary Fund	Eliminations	Total
		Regular Budget	Voluntary Contributions	Subtotal					
<b>Operating revenue</b>	1.6			-					
Member States assessments	4.2	470 062 155	-	470 062 155	-	-	-	470 062 155	
Miscellaneous Income	4.3	58 471 235	182 708	58 653 943	-	-	-	58 653 943	
Voluntary contributions	4.4	-	1 111 273 662	1 111 273 662	51 561	-	-	1 111 325 223	
Reimbursable procurement		-	-	-	-	36 569 065	-	36 569 065	
Other operating revenue		17 933 806	26 827 860	44 761 665	9 326 285	13 477 771	9 306 071	58 259 650	
<b>Total operating revenue</b>		<b>546 467 195</b>	<b>1 138 284 230</b>	<b>1 684 751 425</b>	<b>9 377 846</b>	<b>50 046 836</b>	<b>9 306 071</b>	<b>1 734 870 035</b>	
<b>Operating expenses</b>	1.8								
Staff costs		350 689 818	460 309 573	810 999 392	4 978 054	3 652 818	9 306 071	810 324 192	
Contractual services		26 700 526	234 728 315	261 428 841	849 318	368 750	16 949	262 663 858	
Direct financial cooperation (DFC)		16 541 300	201 717 612	218 258 912	(55 909)	24 598	-	218 227 601	
General operating expenses		17 926 571	90 529 712	108 456 284	557 172	9 447 886	-	118 461 341	
Travel		12 453 200	100 241 859	112 695 059	1 788 596	91 556	-	114 575 211	
Equipment, vehicles and furniture		10 581 110	68 403 563	78 984 674	1 476 473	3 554 983	1 776 483	85 792 612	
Training		4 881 069	30 725 693	35 606 762	1 447 816	4 088	-	37 058 666	
Consulting, research services		1 040 493	30 787 078	31 827 571	212	18 842	-	31 846 624	
Medical supplies and literature		1 385 512	22 183 927	23 569 439	93 817	7 642 546	-	31 305 802	
Telecommunication		4 249 872	10 262 651	14 512 523	18 620	261 648	-	14 792 790	
Fellowships		6 049 371	3 888 591	9 937 963	3 800	5 650	5 508	9 952 921	
<b>Total operating expenses</b>		<b>452 498 843</b>	<b>1 253 778 576</b>	<b>1 706 277 419</b>	<b>11 157 968</b>	<b>25 073 363</b>	<b>1 798 940</b>	<b>1 735 001 619</b>	
<b>Surplus/(deficit) from operations</b>		<b>93 968 352</b>	<b>(115 494 346)</b>	<b>(21 525 994)</b>	<b>(1 780 123)</b>	<b>24 973 473</b>	<b>(1 798 940)</b>	<b>(131 583)</b>	
Provision for collection of assessed contributions		(26 656 108)	-	(26 656 108)	-	-	-	(26 656 108)	
Financial Revenue and Expense, Net	4.7	2 110 076	59 135 577	61 245 654	254 456	-	-	61 500 110	
<b>Total surplus/(deficit) for the year</b>		<b>69 422 320</b>	<b>(56 358 769)</b>	<b>13 063 552</b>	<b>(1 525 667)</b>	<b>24 973 473</b>	<b>(1 798 940)</b>	<b>34 712 418</b>	
<b>Fund balance - 1 January 2008</b>		<b>7 085 068</b>	<b>1 593 697 467</b>	<b>1 600 782 535</b>	<b>21 364 944</b>	<b>20 389 520</b>	<b>-</b>	<b>1 642 536 999</b>	
<b>Fund balance - 31 December 2008</b>		<b>76 507 388</b>	<b>1 537 338 698</b>	<b>1 613 846 086</b>	<b>19 839 277</b>	<b>45 362 993</b>	<b>(1 798 940)</b>	<b>1 677 249 417</b>	

## Schedule 2

### Programme Budget Utilisation - General Fund

	Programme Budget (PB)	Programme Budget Utilization			Balance	Percentage Implementation
		Expense	Encumbrance <sup>1/</sup>	Total	PB	PB
<b>Strategic Objectives</b>						
1 Communicable disease	894 043 000	467 654 026	28 510 815	496 164 841	397 878 159	55%
2 HIV/AIDS, tuberculosis and malaria	706 932 000	224 313 008	16 735 733	241 048 741	465 883 259	34%
3 Chronic non communicable conditions	158 104 000	35 727 084	2 721 651	38 448 735	119 655 265	24%
4 Child, adolescent, maternal, sexual and reproductive health, and ageing	359 833 000	86 833 011	5 533 110	92 366 121	267 466 879	26%
5 Emergencies and disasters	218 413 000	171 815 149	9 697 227	181 512 376	36 900 624	83%
6 Risk factors for health	162 057 000	41 005 433	2 706 012	43 711 445	118 345 555	27%
7 Social and economic determinants of health	65 905 000	15 475 774	477 895	15 953 669	49 951 331	24%
8 Healthier environment	130 456 000	37 137 241	2 032 614	39 169 855	91 286 145	30%
9 Nutrition, and food safety	126 934 000	19 128 261	1 059 263	20 187 524	106 746 476	16%
10 Health systems and services	514 054 000	141 109 891	9 820 285	150 930 176	363 123 824	29%
11 Medical products and technologies	134 033 000	58 041 239	4 221 815	62 263 054	71 769 946	46%
12 WHO leadership, governance, and partnerships	214 344 000	114 142 005	1 887 348	116 029 353	98 314 647	54%
13 Enabling and support functions	542 372 000	234 875 970	9 979 403	244 855 373	297 516 627	45%
<b>Programme Budget Utilisation</b>	<b>4 227 480 000</b>	<b>1 647 258 092</b>	<b>95 383 171</b>	<b>1 742 641 263</b>	<b>2 484 838 737</b>	<b>41%</b>
<i>Non-Programme Budget Utilisation</i>						
Global Drug Facility		53 416 246		53 416 247		
Framework Convention on Tobacco Control		5 603 081		5 603 081		
<i>Total Non-Programme Budget Utilisation</i>		<i>59 019 327</i>		<i>59 019 328</i>		
<b>Total Expenditure - General Fund</b>		<b>1 706 277 419</b>		<b>1 801 660 591</b>		

<sup>1/</sup> Encumbrance equals a firm commitment or obligation for goods and services which have not yet been delivered.

## Schedule 2.1

### Programme Budget Utilisation - Regular Budget

Strategic Objectives	Programme Budget (PB)	Programme Budget Utilization			Balance	Percentage Implementation
		Expense	Encumbrance <sup>1/</sup>	Total	PB	PB
1 Communicable disease	85 368 000	37 138 913	1 293 754	38 432 667	46 935 333	45%
2 HIV/AIDS, tuberculosis and malaria	48 996 000	22 317 500	651 766	22 969 266	26 026 734	47%
3 Chronic non communicable conditions	45 215 000	14 943 478	612 452	15 555 930	29 659 070	34%
4 Child, adolescent, maternal, sexual and reproductive health, and ageing	55 909 000	21 843 773	461 187	22 304 959	33 604 041	40%
5 Emergencies and disasters	17 631 000	6 306 027	138 167	6 444 195	11 186 805	37%
6 Risk factors for health	39 077 000	13 957 706	369 873	14 327 579	24 749 421	37%
7 Social and economic determinants of health	14 427 000	7 605 403	-	7 605 403	6 821 597	53%
8 Healthier environment	32 736 000	14 226 266	197 894	14 424 160	18 311 840	44%
9 Nutrition, and food safety	23 054 000	7 584 144	114 006	7 698 150	15 355 850	33%
10 Health systems and services	139 630 000	64 775 800	1 855 332	66 631 132	72 998 868	48%
11 Medical products and technologies	31 244 000	13 230 536	533 855	13 764 392	17 479 608	44%
12 WHO leadership, governance, and partnerships	139 448 000	78 698 360	536 901	79 235 261	60 212 739	57%
13 Enabling and support functions	286 105 000	149 870 937	4 198 199	154 069 136	132 035 865	54%
<b>Total Expenditure - Regular Budget</b>	<b>958 840 000</b>	<b>452 498 843</b>	<b>10 963 386</b>	<b>463 462 228</b>	<b>495 377 772</b>	<b>48%</b>

<sup>1/</sup> Encumbrance equals a firm commitment or obligation for goods and services which have not yet been delivered.

**Schedule 2.2**

**Programme Budget Utilisation - Voluntary Funds**

	Programme Budget (PB)	Programme Budget Utilization			Balance	Percentage Implementation
		Expense	Encumbrance <sup>1/</sup>	Total	PB	PB
<b>Strategic Objectives</b>						
1 Communicable disease	808 675 000	430 515 112	27 217 061	457 732 173	350 942 827	57%
2 HIV/AIDS, tuberculosis and malaria	657 936 000	201 995 508	16 083 967	218 079 475	439 856 525	33%
3 Chronic non communicable conditions	112 889 000	20 783 606	2 109 199	22 892 805	89 996 195	20%
4 Child, adolescent, maternal, sexual and reproductive health, and ageing	303 924 000	64 989 238	5 071 923	70 061 161	233 862 839	23%
5 Emergencies and disasters	200 782 000	165 509 122	9 559 060	175 068 182	25 713 818	87%
6 Risk factors for health	122 980 000	27 047 727	2 336 139	29 383 866	93 596 134	24%
7 Social and economic determinants of health	51 478 000	7 870 371	477 895	8 348 266	43 129 734	16%
8 Healthier environment	97 720 000	22 910 975	1 834 720	24 745 695	72 974 305	25%
9 Nutrition, and food safety	103 880 000	11 544 117	945 257	12 489 374	91 390 626	12%
10 Health systems and services	374 424 000	76 334 091	7 964 953	84 299 044	290 124 956	23%
11 Medical products and technologies	102 789 000	44 810 703	3 687 960	48 498 663	54 290 337	47%
12 WHO leadership, governance, and partnerships	74 896 000	35 443 645	1 350 447	36 794 092	38 101 908	49%
13 Enabling and support functions	256 267 000	85 005 033	5 781 204	90 786 237	165 480 763	35%
<b>Programme Budget Utilisation</b>	<b>3 268 640 000</b>	<b>1 194 759 248</b>	<b>84 419 784</b>	<b>1 279 179 032</b>	<b>1 989 460 968</b>	<b>39%</b>
<i>Non-Programme Budget Utilisation</i>						
Global Drug Facility		53 416 247		53 416 247		
Framework Convention on Tobacco Control		5 603 081		5 603 081		
<i>Total Non-Programme Budget Utilisation</i>		<i>59 019 328</i>		<i>59 019 328</i>		
<b>Total Expenditure - Voluntary Funds</b>		<b>1 253 778 576</b>		<b>1 338 198 360</b>		

<sup>1/</sup> Encumbrance equals a firm commitment or obligation for goods and services which have not yet been delivered.



**Schedule 3**

**Statement of Expenses by Major Offices - General Fund**

<b>Operating expenses</b>	<b>HQ</b>	<b>AFRO</b>	<b>AMRO</b>	<b>EMRO</b>	<b>EURO</b>	<b>SEARO</b>	<b>WPRO</b>	<b>Grand Total</b>
Staff costs	397 880 442	146 456 704	33 916 793	79 920 709	62 291 514	46 392 844	44 140 385	810 999 392
Contractual services	126 734 046	14 761 872	8 260 256	49 265 630	16 680 928	36 660 969	9 065 140	261 428 841
Direct financial cooperation (DFC)	2 276 771	156 439 565	-	32 424 904	107 103	17 951 265	9 059 305	218 258 912
Travel	57 336 890	24 188 889	2 704 652	8 366 961	6 355 909	5 298 682	8 443 077	112 695 059
General operating expenses	17 326 202	25 617 616	3 549 064	42 459 081	5 058 846	11 507 995	2 937 480	108 456 284
Equipment, vehicles and furniture	8 169 688	24 930 300	4 256 975	19 784 542	2 540 139	16 946 282	2 356 747	78 984 674
Training	2 566 783	11 535 701	5 915 466	3 306 931	2 991 711	8 039 344	1 250 826	35 606 762
Consulting, research activities	27 200 450	19 998	1 881 558	665 332	150 524	438 374	1 471 335	31 827 571
Medical supplies and literature	4 692 987	(1 008 868)	-	9 570 129	380 819	8 451 440	1 482 933	23 569 439
Telecommunications	2 604 154	2 672 795	-	2 223 165	1 337 908	5 014 011	660 490	14 512 523
Fellowships	208 697	2 643 508	87 021	2 799 854	10 678	2 353 391	1 834 814	9 937 963
<b>Total</b>	<b>646 997 110</b>	<b>408 258 080</b>	<b>60 571 785</b>	<b>250 787 237</b>	<b>97 906 078</b>	<b>159 054 598</b>	<b>82 702 531</b>	<b>1 706 277 419</b>