

WORLD HEALTH  
ORGANIZATIONORGANISATION MONDIALE  
DE LA SANTÉ

EXECUTIVE BOARD

EB13/67 ✓  
14 January 1954Thirteenth Session

ORIGINAL: ENGLISH

## FINANCIAL PROBLEMS IN 1954

1. Introduction

1.1 In submitting the proposed Programme and Budget Estimates for 1954, the Director-General recommended that the regular budget be maintained at approximately the same working level as for 1953, despite the fact that "the addition to the 1953 figures of increases due to automatic salary increments and the rising cost of supplies, materials and services would normally have produced larger estimates". This proposal was made on the assumption that "increased resources will be available through the United Nations Technical Assistance Programme, and that the UNICEF allocations for health programmes will remain at least at the present level". The Director-General stated further that "should this assistance fail to materialize, it will be necessary to ask the Health Assembly for a supplementary budget for 1954 to enable WHO to meet these urgent needs of governments".

1.2 Since the time of the Sixth World Health Assembly, the amount of Technical Assistance resources which would be available to WHO for 1954 has become increasingly clear. The amounts which had been expected, and planned on, as compared to the now known availability of resources for 1954, is reflected in the following table:

|                            | <u>Expected</u>     | <u>Actual</u>          | <u>Shortfall</u>   |
|----------------------------|---------------------|------------------------|--------------------|
| Regular Funds              | \$8,497,700         | \$8,497,700            | 0                  |
| Technical Assistance Funds |                     |                        |                    |
| (Priority 1)               | 4,798,021           | 2,800,000 <sup>1</sup> | \$1,998,021        |
| (Priority 2)               | 782,647             |                        | 782,647            |
| (Priority 3)               | 414,700             |                        | 414,700            |
|                            | <u>\$14,493,068</u> | <u>\$11,297,700</u>    | <u>\$3,195,368</u> |

<sup>1</sup> Including estimated carry-over from 1953 of some \$450,000

1.3 A further impact on the financial problems of the Organization in 1954 has been created as a result of the fact that UNICEF, having increased resources available, has been able to apportion increased amounts for health work to be carried on in 1954. This increase has been such that WHO is financially unable to fulfil its expressed wish of financing with its own funds the technical personnel required for UNICEF assisted health projects. The UNICEF Executive Board has met the financial requirements of the new projects to start in 1954 (including BCG projects) as well as the continuation of projects started in 1953 with technical staff paid from UNICEF funds, by providing the funds necessary to finance such technical personnel in 1954.

1.4 However, the fundamental financial problem for WHO in 1954 is created by the fact that, instead of the increased resources under the United Nations Expanded Programme of Technical Assistance which had been foreseen at the time the Director-General submitted his proposed Programme and Budget Estimates for 1954, there will, in fact, be a very substantial reduction in the amount received from that source during 1954. The funds now known to be available from Technical Assistance sources in 1954 do not meet the costs of financing projects continuing in operation from 1953. Without making any provision whatever for even the most urgent of new projects the shortfall for Technical Assistance activities is \$1,188,668, as reflected in the statement attached as Annex 1.

1.5 This situation exists despite the fact that the Director-General on his own initiative and bearing in mind the steps authorized by the Executive Board<sup>2</sup> and the Sixth Health Assembly<sup>3</sup> in dealing with a comparable situation for 1953, took every measure possible five months before the beginning of this year to cut back costs wherever and whenever possible. This was done by not starting new projects which would involve the Organization in commitments for 1954, by not replacing staff except after careful review of the individual situation to ascertain that such replacement was absolutely necessary, by slowing down to the greatest extent possible the awarding of fellowships and by postponing the purchases of supplies and equipment. These measures were taken in August 1953, with two main objectives in view:

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<sup>2</sup> Off. Rec. Wld Hlth Org. 46, 26, resolution EB11.R57.4

<sup>3</sup> Off. Rec. Wld Hlth Org. 48, 20, resolution WHA6.9.

- (1) to reduce the operating expenses which would be continuing into 1954; and
- (2) to save funds which were available in 1953 in order to reduce the problem in 1954, since (a) the Technical Assistance Board had decided that funds which had been earmarked to participating organizations for 1953 would remain available to the organization concerned for financing in 1954 projects which had been started in 1953, and (b) savings under the 1953 regular budget could be used in 1954, providing the Assembly so authorized by approving a supplemental budget for 1954 to be financed by using some of such savings, rather than by making supplemental assessments on Member States.

## 2. Pertinent developments under the Expanded Programme of Technical Assistance

2.1 As reported in the document describing WHO participation in the United Nations Expanded Programme of Technical Assistance,<sup>4</sup> the Technical Assistance Board at its 25th session in August 1953, taking account of the then available information, considered that the amount of new 1954 funds which could safely be expected to be received in cash, at least during the first half of 1954, would be substantially less than the amount available for 1953. Accordingly, the Technical Assistance Board took certain decisions with the objective of:

- (a) encouraging participating organizations to conserve funds in 1953 to be carried over to assist in financing their requirements in 1954;
- (b) reducing the commitments of the participating organizations for 1954 to a level which could be financed from the cash resources expected to be available during the year; and
- (c) accumulating cash resources for the purpose of maintaining the financial solvency of the programme during the first six months of 1954.

2.2 The Technical Assistance Conference, which met in November 1953, pledged something over \$24,000,000 for the programme in 1954, but the Technical Assistance Board, meeting in December 1953, agreed that its assumptions regarding cash receipts during 1954 must be based on experience to date. That experience had demonstrated

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<sup>4</sup> EB13/63

that there was a considerable time-lag between the making of pledges and their payment; considering that fact, responsible financial management of the programme made it essential that plans be made to utilize the pledges only at such time as they are paid into the Special Account.

### 3. Need for Conservation of Available Resources

3.1 The outlook in August 1953 was such that steps had to be taken to reduce to a minimum the overall commitments of the Organization in 1954, in order to reduce the financial deficiencies to the greatest extent possible. Therefore, the Director-General, bearing in mind the decisions taken by the Executive Board at its eleventh session to meet the reduced resources available to WHO under the Technical Assistance programme for 1953,<sup>5</sup> as subsequently endorsed by the Sixth Health Assembly,<sup>6</sup> imposed drastic restrictions upon activities financed from regular as well as from Technical Assistance Funds for the remainder of 1953. The restrictions imposed under regular funds entailed the deferment of the implementation of new activities which would involve the Organization in commitments in 1954, in order to alleviate the difficult financial situation anticipated for that year. In the case of Technical Assistance activities, the restrictions were in accordance with the steps required by the Technical Assistance Board to be taken by the participating organizations. In particular, the restrictions imposed upon activities financed from both regular and Technical Assistance funds, besides being aimed at the conservation of convertible currencies under Technical Assistance funds so as to increase the amount of the carry-over from 1953, were designed

(a) in line with resolution EB11.R57.4 of the Executive Board, to defer the starting of new activities which would involve the Organization in commitments extending into 1954, "wherever and whenever possible in order to provide to the maximum extent for the financing of the activities which must continue and those which must be started", i.e., those projects "not yet started where plans have proceeded to the point where staff has been employed, where supplies or equipment have been ordered, and/or where the government of the country concerned has proceeded with arrangements for the project to the extent that funds already

<sup>5</sup> Off.Rec.Wld Hlth Org. 46, 26, resolution EB11.R57.4

<sup>6</sup> Off.Rec.Wld Hlth Org. 48, 20, resolution WHA6.9

spent or set aside would be lost if the project did not go forward"; and

(b) to provide for the reassignment, wherever possible, of existing staff members whose services might otherwise be lost to the Organization.

#### 4. UNICEF Action regarding Financing of New Joint Projects

4.1 Consistent with the request of the Executive Board in resolution EB11.R57.4, to continue "his negotiations with UNICEF to obtain such temporary financial assistance as it can provide during the 1953 financial period",<sup>7</sup> the Director-General also requested that the UNICEF Executive Board, at its September 1953 meeting, consider approving allocations of funds to finance in 1954 certain of the international technical personnel costs of UNICEF-assisted projects (including BCG projects). In response to this request, UNICEF has provided funds for this purpose in an amount totalling \$684,500.

#### 5. Present Position

5.1 A review of the 1954 financial requirements of the Organization from regular and Technical Assistance funds showed that the total requirements for the year are estimated at \$14,493,068. Of this amount, the estimated total requirements are \$8,497,700 from regular funds and \$5,995,368 from Technical Assistance funds. However, in compliance with resolution WHA6.27 of the Sixth World Health Assembly,<sup>8</sup> the Director-General has, in the proposed Programme and Budget Estimates for 1955, indicated the Technical Assistance project requirements of the Organization for 1954 as well as for 1955 under priorities or "categories of urgency". The projects in priority 1 for 1954 comprise:

- (a) all Technical Assistance projects planned to continue in operation after 31 December 1953; and
- (b) certain new projects to start in 1954 in respect of which the commitments entered into are such as to merit inclusion under the highest category of urgency, i.e. priority 1.

<sup>7</sup> Off.Rec.Wld Hlth Org. 46, 26

<sup>8</sup> Off.Rec.Wld Hlth Org. 48, 26

The net requirements in respect of the Technical Assistance projects in priority 1, together with the central administrative and indirect project costs, amount to \$4,798,021.

5.2 As stated in document EB13/63 the Technical Assistance Board, at its 27th meeting in December 1953 approved the Organization's 1954 programme insofar as the projects included under priority 1 are concerned, together with the relevant central administrative and indirect project costs, subject to operations being so phased that, as at 30 June 1954, obligations will not exceed \$2,343,000 plus the amount of WHO's carry-over from 1953. This latter amount is expected to total approximately \$450,000 so that the total amount which the Organization may obligate under the Technical Assistance programme, as at 30 June 1954, cannot exceed \$2,800,000. Consequently, the total minimum requirements of the Organization for 1954 in respect of the regular programme and the Technical Assistance programme exceed the total resources expected by \$1,998,021. Annex 1 to this document presents an analysis of the regular and Technical Assistance fund requirements and availabilities together with a summary of the steps which are being taken to meet the financial problems of 1954.

## 6. Action taken by the Director-General

6.1 In view of the above considerations, and in line with resolution EB11.R57.4 of the Executive Board authorizing him, in dealing with the situation which faced the Organization in 1953, "to take into consideration all resources ..... available under both the regular budget and Technical Assistance funds"<sup>9</sup> the Director-General applied these emergency policies established for 1953 to 1954, and therefore decided:

- 2 (a) to defer, as far as may be reasonably possible or practicable, the implementation of new regular activities so as to provide for the financing from regular funds of as many continuing Technical Assistance activities as possible;

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<sup>9</sup> Off. Rec. Wld Hlth Org. 46, 26

(b) to review the entire programme for 1954 as planned under regular and Technical Assistance funds with a view to effecting such economies in the requirements for individual projects as may be practicable, with particular reference to personnel, supplies and equipment and fellowships, thereby releasing additional funds to assist in meeting the deficit in respect of continuing Technical Assistance projects;

(c) to defer the implementation of all new Technical Assistance activities unless the implementation of any such new projects would provide opportunities to utilize the difficult-to-use currencies.

6.2 In order to implement the above decisions, a review of the total programmes for 1954 under both funds is under way, with the purpose of effecting such economies as may be possible. It is, however, expected that the possible reduction in the estimated requirements will not be sufficient to meet the estimated shortfall for the continuing activities and those new projects which must be started. In order to meet those requirements, the Director-General has decided, in exercise of the authority conferred upon him by the terms of the Working Capital Fund resolution for 1954, to advance from the Working Capital Fund an amount of \$250,000 and increase Appropriation Section 5 Advisory Services by that amount.

6.3 In making the advance from the Working Capital Fund, the Director-General believes that:

(a) all continuing projects should be provided for;

(b) provision should be made for the implementation of some new projects in those Regions where the comparatively late establishment of the Regional Offices concerned, or the nature and method of operation of the programmes renders the limitation of such programmes to continuing activities unduly restrictive; and

(c) provision should be made for certain projects, not yet started, where plans have proceeded to the point where staff has been employed, where supplies or equipment have been ordered, and/or where the government of the country has proceeded with arrangements for the project to the extent that funds already spent or set aside would be lost if the project did not go forward.

7. Further Action to be Taken

7.1 Should the review of the 1954 programmes which is now under way reveal that the available resources, inclusive of the amount advanced from the Working Capital Fund, are still insufficient, the Director-General believes that there are two possible alternative solutions to the problem:

(a) the advance, with the Board's concurrence in accordance with the provisions of the Working Capital Fund resolution for 1954, of such further amounts not exceeding \$250,000 as will be required to finance the 1954 programmes as finally modified;

(b) obtaining a loan from the Technical Assistance Board for such amount as may be required to make up the difference in the costs of continuing Technical Assistance projects. The Technical Assistance Board at its 27th meeting authorized the Executive Chairman to grant loans to any participating organization which found itself unable to maintain its obligations during the first six months of 1954, on the basis of a completely documented request justifying the loan and within certain limits.

7.2 The Director-General believes that, in the event steps already taken are not adequate to finance the modified 1954 programmes, the second alternative should be adopted. The Technical Assistance Board is already on notice that such a request may have to be made, and it is anticipated that it would probably be granted. If such a loan has to be obtained, repayment will be made out of any additional earmarkings and allocations which may be made to WHO for the Technical Assistance programmes for 1954 and/or 1955.

8. Report to the Seventh World Health Assembly

8.1 By the time of the Seventh World Health Assembly, the Director-General expects to be in a position to report the overall minimum requirements of WHO for the 1954 programmes and will submit to the Assembly a review of the entire situation as it develops during the first four months of the year. Furthermore, in compliance with the provisions of the Working Capital Fund resolution for 1954, he will report to the Assembly upon the circumstances relating to the advance of \$250,000, indicating:

- (a) the precise extent to which it has been found necessary to utilize the funds so advanced; and
- (b) whether the amount advanced is expected to be recoverable in whole or in part from other sources or whether reimbursement of the Working Capital Fund will need to be made by supplementary appropriation for 1954.

8.2 Should it ultimately become necessary to recommend to the Assembly the adoption of a supplementary appropriation as envisaged in (b) above, the Director-General is satisfied that the full amount of the advance could, if the Assembly so decide, be withdrawn from the cash portion of the Assembly Suspense Account so that no additional assessment upon Member States would be required. The action described in paragraph 1.5 of this report to save 1953 regular budget funds was taken by the Director-General in August 1953 in order that, should the 1954 financial situation be such as to require a supplemental appropriation for 1954, funds would be accumulated in the Assembly Suspense Account for the purpose of financing it.

## 9. Effect of these measures and other plans for future years

9.1 The actions described in this report are required to be taken primarily to avoid a sharp and sudden disruption of programme operations as a result of shortage of cash under the Technical Assistance programme. They will have the secondary effect of providing, for the Technical Assistance programme, a relatively smooth transition to succeeding years. The Director-General believes that, as a result of these measures and following decisions now being considered for the future financing of the Expanded Programme of Technical Assistance, as described in document EB13/63 a substantial advancement towards greater financial stability will have been achieved by 1955, rendering unnecessary recourse to extraordinary financial arrangements such as those applied in 1953 and outlined in this document for 1954.

STATEMENT OF FINANCIAL POSITION FOR 1954

Table 1: Analysis of Estimated Requirements and Resources under Regular and Technical Assistance Funds showing over-all shortfall

| <u>Programme</u>                                | <u>Estimated Requirements</u> |  |                   | <u>Resources</u>       | <u>Overall Shortfall</u> |
|---|-------------------------------|--|-------------------|------------------------|--------------------------|
|   | <u>Total</u>                  | <u>Projects included in lowest categories of urgency</u> | <u>Net</u>        |                        |                          |
| <u>Regular</u>                                  |                               |  |                   |                        |                          |
| Continuing Activities                           | 7,477,807                     | -  | 7,477,807)        | 8,497,700              | -                        |
| New Activities                                  | 1,019,893                     | -  | 1,019,893)        |                        |                          |
| <b>Total</b>                                    | <b>8,497,700</b>              | <b>-</b>   | <b>8,497,700</b>  | <b>8,497,700</b>       | <b>-</b>                 |
| <u>Technical Assistance</u>                     |                               |  |                   |                        |                          |
| Priority I - Continuing Activities              | 3,988,668                     | -  | 3,988,668         | 2,800,000 <sup>1</sup> | 1,188,668                |
| Priority I - New Activities                     | 809,353                       | -  | 809,353           |                        | 809,353                  |
| Priority II - New Activities                    | 782,647                       | 782,647  |                   |                        |                          |
| Priority III - New Activities                   | 414,700                       | 414,700  |                   |                        |                          |
| <b>Total</b>                                    | <b>5,995,368</b>              | <b>1,197,347</b>   | <b>4,798,021</b>  | <b>2,800,000</b>       | <b>1,998,021</b>         |
| <b>Total - Regular and Technical Assistance</b> | <b>14,493,068</b>             | <b>1,197,347</b>   | <b>13,295,721</b> | <b>11,297,700</b>      |                          |

<sup>1</sup> Includes estimated carry-over of \$450,000 from 1953

Table 2: Director-General's Plan to meet the 1954  
Financial Situation

Regular Funds

|  |                      |                        |
|--|----------------------|------------------------|
| Continuing Regular Activities  | 7,477,807            |                        |
| Continuing Technical Assistance Activities<br>transferred to Regular Funds | 850,000 <sup>1</sup> |                        |
| New Activities   | <u>419,893</u>       | 8,747,700 <sup>1</sup> |

Technical Assistance Funds

|   |                            |                               |
|---|----------------------------|-------------------------------|
| Continuing Technical Assistance Activities                        | 2,800,000                  |                               |
| Remaining shortfall continuing Technical<br>Assistance Activities | <u>338,668<sup>2</sup></u> | <u>3,138,668</u>              |
|   |                            | <u>11,886,368<sup>3</sup></u> |

<sup>1</sup> Including an amount of \$250,000 advanced by the Director-General from the Working Capital Fund under the authority vested in him in resolution WHA6.29

<sup>2</sup> To the extent that the modifications to the programmes now being undertaken do not meet this deficiency a loan is envisaged from Technical Assistance Funds against future earmarkings and allocations for 1954 and 1955 to the Organization

<sup>3</sup> This total expected to be somewhat reduced depending on the extent to which modifications providing economies can be effected