



**World Health Organization
Organisation mondiale de la Santé**

FIFTIETH WORLD HEALTH ASSEMBLY

COMMITTEE B

A50/B/SR/1
6 May 1997

PROVISIONAL SUMMARY RECORD OF THE FIRST MEETING

**Palais des Nations, Geneva
Tuesday, 6 May 1997, at 14:30**

Chairman: Dr T. TAITAI (Kiribati)

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Note

This summary record is **provisional** only. The summaries of statements have not yet been approved by the speakers, and the text should not be quoted.

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The final text will appear subsequently in **Fiftieth World Health Assembly: Summary records of committees** (document WHA50/1997/REC/3).

FIRST MEETING

Tuesday, 6 May 1997, at 14:30

Chairman: Dr T. TAITAI (Kiribati)

1. ELECTION OF VICE-CHAIRMEN AND RAPPORTEUR: Item 21 of the Agenda (Document A50/27)

The CHAIRMAN expressed gratitude for his election and welcomed all those present. He then drew attention to the third report of the Committee on Nominations (document A50/27) in which Dr Savel'ev (Russian Federation) and Dr Simkhada (Nepal) were nominated for the offices of Vice-Chairmen of Committee B and Dr Ammar (Lebanon) for that of Rapporteur.

Decision: Committee B elected Dr Savel'ev (Russian Federation) and Dr Simkhada (Nepal) as Vice-Chairmen and Dr Ammar (Lebanon) as Rapporteur.

2. ORGANIZATION OF WORK

The CHAIRMAN, recalling the problems caused by the late introduction of draft resolutions during the Health Assembly in previous years, drew attention to resolution WHA47.14 which contained *inter alia* the request that when a resolution was first initiated and presented at the Health Assembly without prior review by the Executive Board, the Chairmen of Committees A and B, supported by the Director-General, should determine whether the Committee concerned had sufficient information and whether to refer the matter to the General Committee.

The role of the representatives of the Executive Board, who would participate in the work of the Committee, was to convey the views expressed by the Board and to explain the rationale behind any recommendations made for the Health Assembly's consideration. He stressed that the Board representatives did not express the views of their respective governments.

He suggested that the normal working hours should be from 09:00 to 12:30 and from 14:30 to 17:30.

It was so agreed.

3. FINANCIAL MATTERS: Item 22 of the Agenda

Interim financial report on the accounts of WHO for 1996 and comments thereon of the Administration, Budget and Finance Committee; External Auditor's report on his work: Item 22.1 of the Agenda (Resolution EB99.R5; Documents A50/8 and Add.1, A50/22, A50/23 and A50/24)

Mr AITKEN (Assistant Director-General), introducing the interim financial report for 1996 (documents A50/8 and Add.1), recalled that since the adoption of biennial budgeting, there had been interim reports in even-numbered years, followed by final reports covering the entire previous two-year period in odd-numbered years. Unlike final reports, interim reports, being in essence mid-biennium progress reports, were not subject to external audit opinions.

In terms of its overall financial situation midway through the current biennium, WHO was making reasonable progress towards meeting its financial programme for 1996-1997. As a measure of financial

prudence, a 2.5% US\$ 21 million holdback on expenditure had been imposed, on the ground that payment of contributions up to that amount was likely to be delayed beyond the end of the forthcoming biennium. A highlight of the regular budget accounts (document A50/8) had been the reduction in internal borrowing during the past year: the figure of US\$ 178 million for the 1994-1995 period had been brought down to some US\$ 13 million as a result of payments made by Member States. However, the overall contribution situation was still by no means ideal. The rate of collection of contributions at 31 December 1996 had been 77.7% in comparison to 56.3% at end 1995; thus there was still a shortfall of approximately 20% and Member States were being urged to meet their current obligations. At the end of 1996, the overall cash flow situation was positive and showed a surplus of over US\$ 30 million. Hence the regular budget could be described as reasonably on course, although it was serious that some contributions were still not being paid on time.

The detailed report on extrabudgetary and voluntary contributions (document A50/8 Add.1) showed that estimates of contributions expected in 1996 had been fairly accurate; there had been no substantial increase at a time of budgetary restraint. The largest growth sector had been that of emergency assistance. The apparently excessive length of the document was due to the legal obligation to provide full details of any extrabudgetary expenditure in both interim and final accounts. However, some of WHO's sister organizations had stopped producing such interim accounts.

The past year, 1996, had been the first year of work with the Organization of the current External Auditor. Cooperation between Mr Kluever and his team and WHO had been good. The Secretariat had already made some preliminary comments on the External Auditor's report, but would also, as was customary, be submitting a further report on the matter to the Executive Board at its January 1998 session.

He drew attention to two comments in the report of the Administration, Budget and Finance Committee (document A50/24) to which the Secretariat would be responding. Firstly, the Committee had felt that an effort should be made before presentation of the final accounts to iron out the divergence of views apparent in some instances between the reports of the External Auditor and of the Secretariat. Secondly, it had expressed the wish that establishment of an audit committee, as suggested by the External Auditor, should be explored and a report on the matter submitted by the Secretariat to the Executive Board at its January 1998 session. There had been some differences of opinion with the External Auditor concerning both accounting and policy, but he was confident that every effort would be made to resolve them during the coming year.

Mr KLUEVER (External Auditor), introducing his report (document A50/22) said that in his experience it was unprecedented for the head of an organization to comment (as had been done in document A50/23) on such a report. The practice would serve only to confuse the Health Assembly. Although the question of closer and more frequent communication between the Secretariat and his office could be pursued further, concentration on the issue might well divert attention from substantive findings. Moreover, his staff had gone to considerable lengths to ensure proper communication, using a mix of formal and informal contacts as deemed appropriate to circumstances in the regions and at headquarters. Further communication would not have changed the thrust of the findings, which had been reached by due process, as set out in the Financial Regulations. He hoped that establishment of an audit committee would help to overcome such difficulties in future.

His report had to be viewed in the light not only of the Financial Regulations but also of a number of Health Assembly resolutions, in particular resolution WHA46.35, in which the Director-General was requested to improve budget and accounting processes, *inter alia*, in line with United Nations common accounting standards, clarifying and simplifying presentation and allowing closer monitoring of progress towards realistic and measurable targets. He continued to favour greater involvement of Member States in overseeing the finances of the Organization, as that would facilitate timely communication and allow appropriate action to be taken. While agreeing with the Director-General's claim in paragraph 11 of document A50/23 that the Organization's accounting system was generally reliable and accurate, he stressed that the matters dealt with in his report were not just routine issues such as the recording of basic accounting transactions but indicators of possible material weaknesses calling for consideration and action.

He stressed that the interim financial report for the year 1996 was unaudited as could be inferred from the introduction of his report on his work (document A50/22); that information would appear on the title

page of future interim reports. In section 4.1 of his report, he had argued that it was vital to establish an audit committee. Such a committee should provide a forum to deal with complex technical auditing and accounting issues without becoming involved in policy matters or management tasks. He had forwarded to the Director-General draft guidelines for the establishment of the committee during the initial stages of the audit. As noted in section 4.3 of his report, it might be advisable for the proposed reforms of internal audit and oversight functions, to be entrenched by Health Assembly approval of their addition to the Financial Regulations.

Perhaps the most serious problem (section 5 of the report) concerned financial statements, which were extremely difficult to understand in their current format. The proposed new format would improve transparency as well as understandability. The United Nations common accounting standards were clearly designed to achieve more than just comparability and uniformity, and the governing bodies of the Organization could legitimately be expected to be involved in the reforms required by the common standards, which needed to be defined clearly in advance to all stakeholders. So far, he had seen no evidence of structured progress in that direction by the Organization. No amount of detailed disclosure subsequently could remedy inappropriate accounting and reporting in financial statements.

With regard to management arrangements (section 6.1 of the report) based on visits to the regions, observations at headquarters, management reports rendered and responses received, he reiterated his view that the pace of renewal needed to improve budgeting and accounting was a cause for concern. Another concern, with regard to the financial situation (section 6.2) was that the treatment of internal borrowing in interim reports was inconsistent with that in final reports and could lead to confusion.

On the question of bulk purchasing (section 6.6), he cited a written reply to his earlier inquiries admitting that much remained to be done to ensure that the benefits of bulk purchasing, particularly with respect to computers, would be noticeable by the end of the current biennium. Although he had been informed in November 1996 that no further action was planned to establish a code of purchasing ethics and register of financial interests, some action had recently been taken and progress was being monitored. With regard to inventory (section 6.7) there was still a possibility that there would be insufficient evidence available for the required disclosure in financial statements at the end of the current biennium.

He had carefully considered the largely informative comments of the Director-General, and found that they did not refute the evidence of the audit; he was satisfied with the content, context and factual accuracy of the report he had submitted.

Mr MOUT (Netherlands) said that a more timely distribution of the relevant documents would contribute to better informed debates. With regard to the format of the interim financial report, he suggested it should be broken down into the 16 categories of major programmes to facilitate comparison with the proposed programme budget. The question of internal borrowing was confusing; Mr Aitken had said that the level of internal borrowing was US\$ 13 million, while the Administration, Budget and Finance Committee put it at US\$ 14.2 million in paragraph 6 of its report (document A50/24). He asked the External Auditor how the level of internal borrowing for 1996 would have compared with the level of the previous year if both had been calculated using the same method. What was the most appropriate method to calculate the level of internal borrowing? He hoped that the issues the External Auditor had raised in relation to procurement would be solved before the end of the current biennium.

Mr KNOTT (Australia) said that the main problem with the interim financial statement was not what was in it but what was missing from it; it had fallen behind reforms elsewhere in the Organization. He therefore warmly welcomed the macro approach taken by the External Auditor, which helped to bring complex matters into focus and hoped he would continue to submit reports on an annual basis. He asked for clarification of the apparent discrepancy between the "utmost seriousness" with which the situation concerning assessed contributions was viewed in the last sentence of paragraph 5 of the interim financial report (document A50/8) and the relatively low figure given, and would appreciate figures allowing comparison of the situation at end 1996 with that at end 1994. He was concerned that internal borrowing, which was at a high level and showed no signs of falling, had not been paid off by the end of the first year of the biennium and that the US\$ 31 million in the Working Capital Fund remained fully drawn. Not only was there a need

for greater comparability between interim and biennial financial statements, there was also a need for greater understandability and transparency.

Ms BEAULIEU (Canada) endorsed the comments of the representative of Australia, in particular his request that the External Auditor should continue to report annually on significant matters. She would welcome an explanation of how internal borrowings were calculated; the amount should be consistent with that given for the end of the previous biennium. The problem of the improper setting-up of obligations for items which were planned activities but not necessarily committed activities also needed to be addressed. Referring to the US\$ 9.4 million in paragraph 10 of document A50/8, as expected to accrue in 1997 as a result of exchange rate fluctuations, she asked for the most recent estimate for that figure.

Mr POINSOT (France) agreed that it was regrettable that the Secretariat should have to resort to internal borrowing every year, but pointed out that that situation was not the result of any uncontrolled spending on its part, but was rather due to the fact that assessed contributions were not being paid regularly, so that there was no other way of balancing the budget. The problem was a fundamental one. As he saw it, once Member States had adopted a budget, and had asked an Organization to put in place a certain number of programmes, it was up to them to take responsibility for the consequences of their decision and to pay their assessed contributions. That was part of the basic philosophy of United Nations budgeting. It would be dangerous to resort to what was, in a sense, a reverse procedure, and to ask organizations to base their budgets on their expected income, which was entirely at variance with United Nations traditional practice.

France supported the proposal for the establishment of an audit committee, and agreed that the question should be further explored by the Executive Board, since it was not within the remit of the Administration, Budget and Finance Committee. It also considered that the submission of an annual external audit report would be a very useful exercise.

Mr KRIEBLE (New Zealand) endorsed the views of France and Canada on the question of an annual external audit report, and also endorsed the recommendation that an audit committee should be set up to help the Secretariat improve the quality of its financial statements. WHO should be in a position to know what it earned, what it spent, and what it owed; that would help it deal, for instance, with the problem of inventory control referred to by the External Auditor in paragraph 6.7 of his report.

He stressed that accounting matters were not merely of technical interest, but were fundamental to good management practice, in that they enabled decisions to be taken to maximize the resourcing of health programmes and health initiatives throughout the world.

Dr RAHIL (Libyan Arab Jamahiriya) suggested that in view of the lack of expertise of many Member States in accounting matters, a small group should be set up to work with the External Auditor, which could subsequently report to the Assembly.

Mr BOYER (United States of America) supported the suggestion that a report by the External Auditor should become a regular feature of the annual World Health Assembly. He had been struck by the somewhat caustic tone of the Director-General's comments on the External Auditors' report, and would have preferred a less defensive response. However, he would encourage the Director-General to continue to give written replies to points raised in that report, since those replies would be helpful to delegates in focusing on the issues before the Assembly. He also supported the proposal to establish an audit committee, which should consist of delegates with some experience of financial matters.

He had been struck by the statement in paragraph 5 of document A50/8 that in 1996 there had been a contribution shortfall of US\$ 93 million, that by the end of the year the Working Capital Fund had been totally depleted, that WHO had been obliged to resort to internal borrowing to implement the approved programme budget, and that the Director-General had had to maintain a contingency reserve of US\$ 21 million. He had also been concerned to learn that 63 Member States had made no payment whatever in 1996, that by the end of that year 41 had made no payment for over two years, and that 27 States had lost the right to vote in the current Assembly.

The United States was proposing a 5% reduction in the WHO budget for 1998-1999 in order to bring assessments down to a level at which Member States could afford to pay, thus reducing the need for internal borrowing. He noted that the level of casual income earned at the end of 1996 had been higher than anticipated, and suggested that the Assembly should decide to use as large a share as possible of that money to help in reducing the assessments of Member States. In view of the difficult financial situation, he believed that it was not the right time for WHO to embark on capital expenditure in the form of construction of a new office building.

Referring to the consolidated statement of income and expenditure contained in Statement II of the document, he said that he was puzzled by the figures under section 3.1 indicating that US\$ 17 million was being held at the end of 1996 for the Global Programme on AIDS, although that programme had ceased to operate a year earlier. Paragraph 7 stated that WHO had had a cash balance of US\$ 37 million at the end of 1996, which seemed surprising in view of the earlier statement that it had had to resort to internal borrowing and had had to impose a contingency reserve because of the contribution shortfall.

The report also indicated that there had been a serious falling off in extrabudgetary contributions by governments: those had dropped from US\$ 230 million in 1995 to US\$ 167 million in 1996, a decline of 32%. Contributions to the Voluntary Fund for Health Promotion had fallen from US\$ 145 million to US\$ 119 million, and those to the Onchocerciasis Control Programme from US\$ 20 million to US\$ 15 million. Only contributions to the Tropical Diseases Research Programme had defied that trend by an increase of 61%, largely due to support from the Nordic countries. He would appreciate comments from the Secretariat on the reasons for that overall decline. Could extrabudgetary programmes generally be expected to suffer the same shortfall as regular budget programmes, and were there any steps Member States could take to remedy that situation?

Dr SUZUKI (Japan), agreeing that the establishment of an audit committee would help the many participants in the Health Assembly who were not familiar with accounting practices to become better informed, remarked that the creation of a new body might impose an additional financial burden, and suggested as an alternative that the Administration, Budget and Finance Committee might be asked to make a preliminary review of the External Auditor's report and report back to the Health Assembly.

Japan shared the views of France on the matter of internal borrowing - a useful facility to which the Director-General could resort, if so authorized by the Health Assembly, in order to cope with financial problems caused by delayed payment of assessed contributions, and which would not affect the soundness of WHO's financial management, provided that the unpaid contributions were collected in reasonable time. Unpaid assessments, for which internal borrowing was a compensation, represented the debts of Member States: the Organization itself was not at fault. If internal borrowing were to be ruled out or unduly restricted there would be serious management problems and - for example - cuts in programme implementation at country level.

Mr SIMMONS (United Kingdom of Great Britain and Northern Ireland) considered the practice of having the External Auditor present an interim financial report to be useful and well worth repeating, and one which he hoped would lessen the risk of unpalatable surprises in years when full reports were considered by the Health Assembly. The proposal for an audit committee was an interesting one, and the Secretariat should continue to discuss with the External Auditor ways of improving communication between themselves and with Member States. He, too, had been surprised at the tone of some of the Secretariat's comments on the report, and notably by the assertion that difficulties in working relations had been due to insufficient understanding of methods of work which had stood the test of time, some dating from as far back as 1980. In the United Kingdom's view, working methods ought not to be judged by their age, but by their efficacy.

While he could accept the practice of internal borrowing as a prudent and necessary management tool, he would urge the Secretariat to exercise proper control over its use.

Dr SAMBA (Regional Director for Africa) recalled that the External Auditor's report to the Committee some two years earlier had been very critical of the African region: he himself, as Regional Director, had promised that everything possible would be done to ensure that future reports were less negative.

Immediately following the visit by the External Auditor's team to Africa, a committee had been set up to implement its recommendations. Action had now been taken, for instance, to ensure that Member States were more involved in the audit exercise by having copies of all relevant correspondence exchanged forwarded to them. As a result, there had been improvements in three of the major problem areas highlighted by the External Auditor: the question of local cost subsidies had been squarely addressed; accounting backlogs had been eliminated; and whereas two years earlier only four States of the region had had properly functioning fellowship committees, 43 had now established such bodies.

He thanked the new external auditors for their help in making their work comprehensible to non-specialists, and voiced the hope that in the foreseeable future all audit reports on Africa would be positive.

Mr KLUEVER (External Auditor) welcomed the expressions of support for the recommendations contained in his interim report.

The problem related to internal borrowing had been caused by differences in the treatment of unliquidated obligations. Certain calculations had been made in that regard, but could not be divulged because agreement had not yet been reached with the Secretariat concerning the exact figure. Reminding the Committee that the financial statements included in the Interim Financial Report for the year 1996 had not been audited, he suggested that queries in that connection should most properly be addressed to the Secretariat, rather than to the External Auditor.

Mr AITKEN (Assistant Director-General), in response to the request by the delegate of the Netherlands for a more detailed presentation of the accounts by programme, said that a full breakdown by programme headings was normally only given at the time the final accounts were presented every second year, and not in the interim report.

As to the matter of internal borrowing, he explained that the first figure given to the Administration, Budget and Finance Committee had been for 1994-1995, at a period when, because the major contributor had paid nothing, the Organization had been constrained to borrow up to US\$ 178 million. At the time of the ABFC meeting the previous week, that figure had been reduced to US\$ 14 million, and it now stood at some US\$ 13 million, thanks to further arrears payments. It was true, as the representative of Australia had pointed out, that the amount in question was still outstanding more than a year after the period to which the internal borrowing applied; but the Secretariat was relieved that the amount had fallen so significantly.

It should be remembered that the External Auditor had been referring in his interim report to internal borrowing in the course of a biennium. The Organization had adopted biennial accounting some 20 years earlier, so that programmes were budgeted for and delivered, and accounts were presented, on a biennial basis. By definition, interim reporting at the half-way point could not give the whole picture; the call for such reporting imposed on the Secretariat the difficult task of treating a biennium both as a single entity and on a "year-plus-year" basis.

Responding to the remarks by the delegate of the United States, he said that obligations entered into for an entire two-year period had to be accounted for, whether or not the monies in question had actually been disbursed. Figures for internal borrowing therefore showed all of WHO's financial obligations on paper, but not all of its actual disbursements. The cash flow situation, on the other hand, showed the amount of money in WHO's accounts at a given time. It was logical to have a cash balance (positive) in the accounts, and at the same time to show, on paper, possible internal borrowing (negative) to meet future bills. During the course of a biennium, however, the amount of the internal borrowing was not as critical to the delivery of the Organization's programme as it was at the end of the biennial period. In short, the Secretariat's principal contention was that biennial budgeting and accounting must go hand in hand. Although it was quite in order for the External Auditor to report on an interim basis on the broader aspects, requesting the Secretariat to account annually for a biennial budget would make it difficult to deliver a biennial programme. He pointed out that because so few Member States were prompt in paying their assessed contribution in full, on 1 January of the first year of a biennium the Organization would be regarded as internally borrowing hundreds of millions of dollars because it opened two-year obligations for staff salaries in anticipation of monies due. What needed to be looked at, perhaps, and presented more clearly in the reports to WHO's

membership, was whether those monies were coming in over the first 12 months or during the totality of the two-year exercise.

In response to questions concerning a code of ethics for procurement, he said that the Secretariat had considered existing staff regulations and rules to be adequate. However, the United Nations had decided to expand its own code of ethics, and WHO had agreed to consider its proposals, including the possibility of requiring financial declarations by senior staff and staff in positions particularly at risk. If and when a common view was reached within the system, it would be necessary to modify the Organization's staff regulations and rules accordingly.

As to the amount of casual income due to currency fluctuations in the current year, he said that it was estimated as being in the region of US\$ 18 million, provided there was no significant change in exchange rates.

With regard to monies still accruing to the Global Programme on AIDS which had been wound up at the end of 1995, he recalled that some governments had suggested that they should be transferred to UNAIDS. However, a sum had had to be set aside pending the outcome of an appeal by staff members whose positions had been terminated with the demise of the former programme. In addition, a small amount had been set aside, with the approval of UNAIDS, to wind up the final accounts of the Global Programme on AIDS. Almost all of the remaining balance had, however, already been transferred to the UNAIDS programme.

With reference to extrabudgetary resources, the table on page 28 of document A50/8 Add.1 set out contributions since the inception of the Voluntary Fund for Health Promotion. From 1995 to 1996 the fund had been about US\$ 5 million down although some US\$ 40 million had additionally been pledged. In reply to the more specific question by the delegate of the United States concerning the decline in contributions by governments to WHO's special programmes, he said that monies received for HIV/AIDS activities were no longer recorded as accruing to WHO; such contributions, which amounted to some US\$ 120 million per biennium, were credited to a separate UNAIDS account, maintained by WHO. Other government contributions for 1996 would be the subject of a report to the forthcoming session of the Executive Board, during the analysis of the extrabudgetary resource situation.

The CHAIRMAN invited the Committee to approve the draft resolution contained in paragraph 14 of the report of the Administration, Budget and Finance Committee (document A50/24).

The draft resolution was approved.

The CHAIRMAN invited the representative of the Executive Board to introduce the recommendation contained in resolution EB99.R5, concerning the transfer of funds to the Voluntary Fund for Health Promotion Special Account for Disasters and Natural Catastrophes.

Mr NGEDUP (representative of the Executive Board) recalled that the Director-General had proposed that the sum of US\$ 100 000 from the Executive Board's special fund, which had not been tapped since 1977, should be transferred to the Voluntary Fund for Health Promotion Special Account for Disasters and Natural Catastrophes to supplement voluntary contributions used in emergency and humanitarian actions. Since most of the emergency situations involving WHO were financed through voluntary contributions and resources provided by relief agencies under the Voluntary Fund, the requested transfer would be fully justified from both the operational and the administrative points of view. The Executive Board therefore commended for adoption by the Health Assembly the text contained in resolution EB99.R5.

The draft resolution was approved.

Status of collection of assessed contributions including Members in arrears in the payment of their contributions to an extent which would justify invoking Article 7 of the Constitution: Item 22.2 of the Agenda (Resolution EB99.R3; Documents A50/9 and A50/10)

Mr NGEDUP (representative of the Executive Board) said that the Director-General's report on the status of collection of assessed contributions as at 31 December 1996 had been reviewed by the Executive Board at its ninety-ninth session. The Board had expressed deep concern at the level of outstanding contributions and the impact of the shortfall on the programme of work approved by the Health Assembly. The Board had noted: that at 31 December 1996, the rate of collection of 1996 contributions in respect of the effective working budget had amounted to 77.72%, which had resulted in a contribution shortfall of US\$ 93 394 425; that only 102 out of 190 Members and two Associate Members contributing to the effective working budget had paid their 1996 contributions in full; that 63 Members had made no payment towards their 1996 contributions; that unpaid arrears of contributions to the effective working budgets for 1995 and prior years exceeded US\$ 76 000 000; and that consequent to the adoption (by resolution WHA41.12) of an incentive scheme to promote the timely payment of assessed contributions, those Members which paid their assessed contributions early in the year in which they were due would have their future contributions notably reduced, whereas Members which paid late would see their contributions only slightly reduced, if at all.

In view of the Organization's financial situation, the Board had proposed that those Members which regularly paid their contributions late should make every effort to ensure prompt and regular payment. The text of a draft resolution for consideration by the Health Assembly would be found in resolution EB93.R3. The Director-General's report to the Executive Board's January 1997 session showed the status of Member States' financial indebtedness to the Organization as at 31 December 1996. The status of contributions as at 30 April 1997 would be found in document A50/9.

Mr AITKEN (Assistant Director-General), speaking on documents A50/9 and A50/10 (second report of the Administration, Budget and Finance Committee of the Executive Board), said that at the end of April 1997, 33% of total contributions had been received. Subsequently, just over US\$ 2 million in payment of their 1997 contribution had been received from 10 Members: Belize, Cook Islands, El Salvador, Ghana, Greece, Guyana, Jamaica, Lao People's Democratic Republic, Mongolia and Turkey. In addition, almost US\$ 8 million had been received in respect of arrears since 30 April 1997 from Antigua and Barbuda, Brazil, Cuba, Ecuador, Guatemala, Haiti, Jamaica, Lithuania, Madagascar, Mauritania, Peru, Romania, Russian Federation, Togo and Turkey. Countries which had commendably and consistently paid in full, either on the due date or in advance, over the past five years included: Bhutan, Brunei Darussalam, Canada, Egypt, Indonesia, Kuwait, Mauritius, Myanmar, New Zealand, Saint Lucia, Sweden, Tonga and Zimbabwe; he hoped that others would emulate their performance.

Paragraph 10 of the second report of the Administration, Budget and Finance Committee of the Executive Board (document A50/10) contained a draft resolution concerning a number of Members in arrears in the payment of their contributions to an extent which would justify the suspension of their voting rights. Since the meeting of ABFC on 2 May 1997, Togo had, however, made sufficient payments to warrant automatic restoration of its voting rights. An amendment should consequently be inserted between the fourth and fifth preambular paragraphs, to read:

"Having been informed that the voting rights of Togo had been restored as a result of payment made which reduced its unpaid prior years' arrears of contributions to a level below that indicated in resolution WHA41.7;"

Since Guatemala and Haiti had also made additional payments and were consequently no longer at risk of losing their voting rights, their names should be deleted from the list of countries in operative paragraph 6(1), and a further preambular paragraph should be inserted immediately prior to operative paragraph 1, to read:

"Having been informed that as a result of payments received after the opening of the Fiftieth World Health Assembly, the arrears of contributions of Guatemala and Haiti have been reduced to a level below the amount which would justify invoking Article 7 of the Constitution;"

Two other draft resolutions recommended by ABFC concerned Cuba and Bosnia and Herzegovina. The governments of both countries had written to the Director-General requesting a scheduled payment plan whereby their voting rights would be restored subject to a commitment to pay their current contributions in full as well as a tenth of their arrears each year for the next 10 years. There were precedents for such plans; the Organization had last been requested to approve one such plan some 10 years previously.

Professor LI Shichuo (China) said that the status of collection of contributions remained a cause for serious concern. Although the amount collected was higher compared to the same period the previous year, it was at its lowest level for 10 years, and total arrears amounted to some US\$ 191 million in 1996. The arrears of three Member States together owed as much as US\$ 97 million, and they could hardly be described as developing countries. China had always insisted that Members be urged to honour their obligations in timely fashion, particularly if they had strong economies. Even partial arrears, after all, had a considerable impact on WHO's activities. Regarding suspension of voting rights, the same standards could not be applied to every case. Certain developing countries experiencing particular difficulties should be granted an extension in arrears payments. China supported the draft resolutions concerning Cuba and Bosnia and Herzegovina which reflected such a spirit of flexibility and understanding.

Mr VAN REENEN (Netherlands), rising to a point of order, said his delegation did not wish to stand in the way of debate on the main part of document A50/10 and on the corresponding draft resolution. It wished, however, consideration of the requests contained in Annex 2 to be postponed for at least 24 hours to allow delegations more time to examine the matter, which had only just been brought to their attention, and to seek instructions from their governments.

Mr ROBERTSON (Australia) said that as the Health Assembly embarked on its consideration of the proposed programme budget, the time was ripe for reflection on the fact that support for the budget, including the cost increase component, must be directly translated into a commitment to pay. On 30 April 1997, arrears had amounted to almost US\$ 165 million, equal to approximately 15% of the biennium budget - a continued source of concern. WHO appeared incapable of acquitting itself of what had become an imbedded, underlying debt offering no immediate prospect of being significantly reduced and appearing, on the contrary, to be growing.

While welcoming the efforts of Bosnia and Herzegovina and Cuba to pay their arrears, Australia would welcome an assurance that they would adhere strictly to the conditions contained within the proposed resolutions. Their situation could perhaps be reviewed on a two-yearly basis.

Agreeing with the previous speaker that Members needed adequate time to consider requests for special treatment, he suggested that such applications might be examined at the January sessions of the Executive Board.

In response to a question by Ms KIZILDELI (Turkey), Mr TOPPING (Legal Counsel) said that the references to Bosnia and Herzegovina and Cuba in the third preambular paragraph of the draft resolution recommended in paragraph 10 of document A50/10 reflected existing circumstances, and were of no new legal import.

The draft resolution recommended by the Administration, Budget and Finance Committee in paragraph 10 of document A50/10, as amended, was approved.

The draft resolution recommended by the Executive Board in resolution EB99.R3 was approved.

The CHAIRMAN said that discussion of the draft resolutions on the proposals by Cuba and by Bosnia and Herzegovina (document A50/10, Annex 2) would be resumed at a later date.

Report on casual income: Item 22.3 of the Agenda (Document A50/11)

Mr NGEDUP (representative of the Executive Board), introducing the item, said that the Board had been informed at its ninety-ninth session in January 1997 that the estimated balance of casual income available as at 31 December 1996 was US\$ 27 689 514. As indicated in the interim financial report (document A50/8), the actual amount of casual income available as at 31 December 1996 had amounted to US\$ 29 467 019. If account was taken of the recommendations of the Executive Board in resolutions EB99.R2, EB99.R6 and EB99.R7 that a total of US\$ 16 850 000 of casual income be appropriated for the financing of the WHO worldwide management information system and to the Real Estate Fund, the available balance amounted to approximately US\$ 12 617 000, which could be used to help reduce Members' assessed contributions to the regular programme budget for the coming biennium. The interest earned during 1995 and 1996 and credited to casual income, namely US\$ 9 994 020 of the above sum, would be apportioned among Members in accordance with the financial incentive scheme adopted by resolution WHA41.12. The balance of US\$ 2 622 980 would be deducted from appropriations for the 1998-1999 regular budget approved by the Health Assembly, prior to the calculation of assessed contributions for that financial period.

Mr AITKEN (Assistant Director-General) added that the three main uses of casual income recommended by the Executive Board to the Health Assembly would be identified in resolutions and discussed in committee. Committee A would consider resolution EB99.R2 concerning the financing of the WHO worldwide management information system within the framework of its examination of the budget; Committee B would discuss the appropriation of casual income to the Real Estate Fund under a separate agenda item. The extent to which monies from casual income could help reduce Members' contributions had already been illustrated in Committee A. Committee B was being asked to endorse the Director-General's proposal (document A50/11), which would then be incorporated in the substantive debate leading up to the adoption of the appropriation resolution.

Mr ROBERTSON (Australia) commented that casual income involved a number of different inflows and outflows, and that Committee B was responsible for apportioning it. For the first time in the decade, exchange rates had yielded a positive inflow to casual income, affording a welcome degree of flexibility. Two years previously, the Committee, foreseeing the situation, had decided that US\$ 10 million, if available, would be allocated each year of the current biennium to priority country programmes. Applauding the fact that such a sum had indeed been allocated to country programmes in Africa in 1996, Australia looked forward to a further US\$ 10 million being similarly allocated to priority country programmes during 1997.

He noted that the proposed deduction from appropriations for the 1998-1999 regular budget amounted to US\$ 2.6 million - a rather disappointing figure when compared with the US\$ 7.6 million in 1995.

Given that a major part of the WHO reform programme relied on improved information, Australia strongly supported the proposal to use a proportion of available casual income for the WHO worldwide management information system; it was - on the other hand - doubtful concerning the wisdom of regularly apportioning casual income to the Real Estate Fund.

Since it was likely that the strong flow of casual income would continue through the coming biennium, it was to be hoped that a reasonable proportion would be used to decrease the level of Members' assessed contributions.

Mr KOVALENKO (Russian Federation) endorsed the previous speaker's remarks. There had been a disquieting tendency in recent years to treat casual income as a second budget to meet expenditures which should ordinarily be covered by the regular budget. Currently, an insignificant amount of available casual income was being used for what should be its main purpose: to reduce Members' assessed contributions, not including the incentive scheme, the objective being to alleviate the burden on those Member States which were not in a position to be able to meet arrears and which had thereby lost or were being threatened with loss of their voting rights.

Mr BOYER (United States of America) remarked that any decision regarding the use of casual income to finance the regular budget would depend on the fate of the proposals contained in resolutions EB99.R2, EB99.R6 and EB99.R7, which had yet to be discussed; it would thus be premature for the Committee to come to any conclusion on the figures proposed in document A50/11.

Mr AITKEN (Assistant Director-General) acknowledged that the general use of casual income was a matter which lay at the discretion of the Health Assembly. As the Australian delegate had pointed out, the Forty-eighth World Health Assembly had decided that US\$ 20 million of such income would be allocated to priority country-level programmes during 1996-1997. A total of US\$ 10 million had indeed already been allocated to malaria control in Africa, and it was likely that a further US\$ 10 million would be available for such programmes at the end of 1997, in accordance with the decision of the Health Assembly.

He fully understood the concern voiced by Australia and the Russian Federation that casual income should also be used to reduce the contributions of Member States, and called attention to the fact that the total reduction in appropriations being proposed from casual income was already 6.5% more than in the previous biennium.

Concurring with the delegate of the United States of America that the three draft resolutions recommended by the Executive Board in connection with the use of casual income would have to be considered before the amount to be deducted from appropriations could be determined, he suggested that the Committee might wish to take note of the proposal by the Director-General in document A50/11, and to return to the issue during the budget debate.

Ms PERLIN (Canada) echoed the notes of caution voiced by the delegates of Australia and the Russian Federation. Casual income should be returned to Member States, and must not be treated as just another source of regular programme budget funding. Member States might, however, decide that casual income might be used for exceptional purposes or for special initiatives; there existed a number of precedents in that connection. It would be preferable if management information services were financed under the regular budget since they properly constituted "technical improvements", which were a part of office management and administration.

The CHAIRMAN asked whether the Committee wished to take note of the proposal for the use of casual income available as at 31 December 1996, as contained in document A50/11.

It was so agreed.

The meeting rose at 17:30.

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