

Amendments to the Financial Regulations and Financial Rules

Report by the Secretariat

1. The Programme, Budget and Administration Committee of the Executive Board, at its extraordinary session in December 2012, requested the Director-General to provide further information on the changes to the Financial Regulations and Financial Rules that are required in order to accommodate the proposals made in respect of the future financing of WHO, and with respect to the approval of an integrated budget, covering both assessed and voluntary funds.

FINANCIAL REGULATIONS

2. The main change to the Financial Regulations concerns Regulation V, Provision of Regular Budget Funds, since this is now extended to cover both assessed and voluntary sources to finance the entire budget. As assessed contributions and voluntary contribution funds have different characteristics, the Regulation needs to address how these funds are made available. For example, the voluntary contribution funds are made available only to the extent that agreements are recorded, whereas assessed contributions can be made available in full at the start of the budget period. It is for this reason that, for the voluntary contribution component, the Organization will always require funds to be carried forward at the start of the new biennium.

3. In addition, small changes are required in certain other regulations to align with the changes in Regulation V:

(a) **Regulation IV** Changes are required to the language in this section in order that the authority to incur expenditure follows directly from the approval of the budget by the Health Assembly.

(b) **Regulation VI** requires limited changes to language; the mechanics of managing the assessed contributions remain the same.

(c) **Regulation VII** addresses the way in which the budget may be financed through the Working Capital Fund, prior to the receipt of the assessed contributions. The Fund was created in order to provide the necessary cash flow to facilitate programme implementation ahead of receipt of assessed contributions. Although payment is due on 1 January each year, in practice many Member States pay after this date. Subsequently, funds arising from this practice have been augmented by internal borrowing, financed from non-voluntary contribution reserves.

No such “pre-financing” arrangement exists for the part of the budget financed by voluntary contributions. It is therefore necessary to maintain the practice of carrying forward funds that are then available at the start of the new biennium. The text in Regulation VII can remain largely unaltered, since it refers to arrangements for assessed contribution payments only.

FINANCIAL RULES

4. A small number of changes will also be required to the Financial Rules, in order to align them with the above proposed changes to the Financial Regulations. The full text of the proposed changes to the Financial Regulations and the Financial Rules is attached in the Annex.

ACTION BY THE EXECUTIVE BOARD

5. The Board is invited to note the report and the proposed revisions, and to consider the following draft resolution:

The Executive Board,

Having considered the report on the amendments to the Financial Regulations and Financial Rules,¹

CONFIRMS the amendments made by the Director-General to the Financial Rules as shown in the Annex, that will become effective at the same time as the amendments to the Financial Regulations;

RECOMMENDS to the Sixty-sixth World Health Assembly the adoption of the following resolution:

The Sixty-sixth World Health Assembly,

Having considered the report on amendments to the Financial Regulations and Financial Rules,

1. ADOPTS the changes to the Financial Regulations as shown in the Annex, to be effective as from 1 January 2014;
2. NOTES that the changes to the Financial Rules as confirmed by the Executive Board at its 132nd session shall be effective at the same time as the amendments to the Financial Regulations adopted in paragraph 1;
3. AUTHORIZES the Director-General to number the revised Financial Regulations and Financial Rules appropriately.

¹ Document EB132/44.

ANNEX
FINANCIAL REGULATIONS

EXISTING TEXT AS OF 1 JANUARY 2013	PROPOSED REVISED TEXT	COMMENTS
<i>Regulation IV – Regular Budget Appropriations</i>	<i>Regulation IV – Regular Budget Appropriations <u>Budget Approval</u></i>	
4.1 The appropriations approved by the Health Assembly shall constitute an authorization to the Director-General to incur contractual obligations and make payments for the purposes for which the appropriations were approved and up to the amounts so approved.	4.1 The appropriations budget approved by the Health Assembly shall constitute an authorization to the Director-General to incur contractual obligations and make payments for the purposes for which the appropriations were budget was approved and up to the amounts so approved.	The authority to incur expenditure comes from the budget approval itself. Amended to revise “appropriations” to “budget”.
4.2 Appropriations shall be available for making commitments in the financial period to which they relate for delivery in that financial period or the subsequent calendar year.	4.2 Appropriations shall be available for making Once the budget has been approved, commitments can be made in the financial period to which they relate for delivery in that financial period or the subsequent calendar year.	Authority is derived from the approved budget.
4.3 The Director-General is authorized, with the prior concurrence of the Executive Board or of any committee to which it may delegate appropriate authority, to transfer credits between sections. When the Executive Board or any committee to which it may have delegated appropriate authority is not in session, the Director-General is authorized, with the prior written concurrence of the majority of the members of the Board or such committee, to transfer credits between sections. The Director-General shall report such transfers to the Executive Board at its next session.	No change	
4.4 At the same time as budget proposals are approved an exchange rate facility shall be established by the Health Assembly, which shall set the maximum level that may be available to protect against losses on foreign exchange. The purpose of the facility shall be to make it possible to maintain the level of the budget so that the activities that are represented by the budget approved by the Health Assembly may be carried out irrespective of the effect of any fluctuation of currencies against the United States dollar at the official United Nations exchange rate.	No change	

EXISTING TEXT AS OF 1 JANUARY 2013	PROPOSED REVISED TEXT	COMMENTS
<p><i>Regulation V – Provision of Regular Budget Funds</i></p> <p>5.1 Appropriations shall be financed by assessed contributions from Members, according to the scale of assessments determined by the Health Assembly, and by projected interest earned on regular budget, prior period collection of arrears and any other income attributable to the regular budget.</p>	<p><i>Regulation V – Provision of Regular Budget Funds</i></p> <p>5.1 Appropriations The budget shall be financed by assessed contributions from Members, according to the scale of assessments determined by the Health Assembly, and by voluntary contributions, by projected interest earned on regular budget, prior period collection of arrears and any other income attributable to the regular budget.</p>	Revisions to wording and inclusion of voluntary contributions.
<p>5.2 The amount to be financed by contributions from Members shall be calculated after adjusting the total amount appropriated by the Health Assembly to reflect that proportion of the regular budget to be financed by the other sources noted in 5.1 above.</p>	No change	
	<p><u>5.2.1 The Health Assembly shall approve the amount to be financed by assessed contributions from Member States, and shall approve the amount to be raised by the Director-General from voluntary sources.</u></p>	A new Regulation to reflect the discussion of the Programme, Budget and Administration Committee at its extraordinary session in December 2012.
<p>5.3 In the event that the total financing for appropriations is less than the amount approved by the Health Assembly under the regular budget proposals, the Director-General shall review implementation plans for the regular budget in order to make any adjustments that may be necessary.</p>	<p>5.3 In the event that the total financing for appropriations the budget is less than the amount approved by the Health Assembly under the regular budget proposals, the Director-General shall review implementation plans for the regular budget in order to make any adjustments that may be necessary.</p>	Amended to reflect the fact that it is now a single budget (assessed and voluntary contributions).
	<p><u>5.4 Assessed contributions are made available for implementation on 1 January of each year of the financial period. Voluntary contributions are made available for implementation upon recording of agreements with the resource contributors.</u></p>	A new Regulation to clarify availability of assessed and voluntary contributions. Voluntary contributions can only be made available to incur commitments to the extent that agreements have been recorded. Therefore the part of the budget funded by voluntary contributions will always require funds to have been carried forward for the start of the biennium.

EXISTING TEXT AS OF 1 JANUARY 2013	PROPOSED REVISED TEXT	COMMENTS
	<u>5.5 The Director-General shall submit to the Health Assembly annual reports on the collection of contributions (both voluntary and assessed).</u>	A new Regulation to clarify that reporting is made on all contributions and collections (includes previous 6.10 below on assessed contributions).
<i>Regulation VI – Assessed Contributions</i> 6.1 The assessed contributions of Members based on the scale of assessments shall be divided into two equal annual instalments. In the first year of the financial period, the Health Assembly may decide to amend the scale of assessments to be applied to the second year of the financial period	No change	
6.2 After the Health Assembly has adopted the budget, the Director-General shall inform Members of their commitments in respect of contributions for the financial period and request them to pay the first and second instalments of their contributions.	6.2 After the Health Assembly has adopted the budget, the Director-General shall inform Members of their commitments in respect of <u>assessed</u> contributions for the financial period and request them to pay the first and second instalments of their contributions.	Amended to clarify that this Regulation refers to “assessed” contributions
6.3 If the Health Assembly decides to amend the scale of assessments, or to adjust the amount of the appropriations to be financed by contributions from Members for the second year of a biennium, the Director-General shall inform Members of their revised commitments and shall request Members to pay the revised second instalment of their contributions	6.3 If the Health Assembly decides to amend the scale of assessments, or to adjust the amount of the <u>budget appropriations</u> to be financed by <u>assessed</u> contributions from Members for the second year of a biennium, the Director-General shall inform Members of their revised commitments and shall request Members to pay the revised second instalment of their contributions.	Amended to revise “appropriations” to “budget” and to clarify that this Regulation refers to “assessed” contributions
6.4 Instalments of contributions shall be due and payable as of 1 January of the year to which they relate.	6.4 Instalments of <u>assessed</u> contributions shall be due and payable as of 1 January of the year to which they relate.	Amended to clarify that this Regulation refers to “assessed” contributions
6.5 As of 1 January of the following year, the unpaid balance of such contributions shall be considered to be one year in arrears.	6.5 As of 1 January of the following year, the unpaid balance of such <u>assessed</u> contributions shall be considered to be one year in arrears.	Amended to clarify that this Regulation refers to “assessed” contributions

EXISTING TEXT AS OF 1 JANUARY 2013	PROPOSED REVISED TEXT	COMMENTS
6.6 Contributions shall be assessed in United States dollars, and shall be paid in either United States dollars, euros or Swiss francs, or such other currency or currencies as the Director-General shall determine.	6.6 <u>Assessed</u> Contributions shall be assessed in United States dollars, and shall be paid in either United States dollars, euros or Swiss francs, or such other currency or currencies as the Director-General shall determine.	If the proposal to change to 50% assessed in Swiss francs is agreed, this Regulation will be amended. Payment of the assessed amount may continue to be possible in another currency, in which case Financial Regulation 6.9, below, applies.
6.7 The acceptance by the Director-General of any currency that is not fully convertible shall be subject to a specific, annual approval on a case-by-case basis by the Director-General. Such approvals will include any terms and conditions that the Director-General considers necessary to protect the World Health Organization.	No change	
6.8 Payments made by a Member shall be credited to the Member's account and applied first against the oldest amount outstanding.	No change	
6.9 Payments in currencies other than United States dollars shall be credited to Members' accounts at the United Nations rate of exchange ruling on the date of receipt by the World Health Organization.	No change	
6.10 The Director-General shall submit to the regular session of the Health Assembly a report on the collection of contributions.	6.10 The Director General shall submit to the regular session of the Health Assembly a report on the collection of contributions.	Amended to delete the former clause and replace with a new clause within Regulation V (5.5 above), to explain that reports will be provided to the Health Assembly on the status of collection of <u>all</u> funds, both voluntary and assessed.
6.11 New Members shall be required to make a contribution for the financial period in which they become Members at rates to be determined by the Health Assembly. Such contributions shall be recorded as income in the year in which they are due.	<u>6.10</u>	Updated to 6.10

EXISTING TEXT AS OF 1 JANUARY 2013	PROPOSED REVISED TEXT	COMMENTS
<p><i>Regulation VII – Working Capital Fund and Internal Borrowing</i></p> <p>7.1 Pending the receipt of assessed contributions, implementation of the regular budget may be financed from the Working Capital Fund, which shall be established as part of the regular budget approved by the Health Assembly, and thereafter by internal borrowing against available cash reserves of the Organization, excluding Trust Funds.</p>	<p><i>Regulation VII – Working Capital Fund and Internal Borrowing</i></p> <p>7.1 Pending the receipt of assessed contributions, implementation of the regular budget may be financed from the Working Capital Fund, which shall be established as part of the regular budget approved by the Health Assembly, and thereafter by internal borrowing against available cash reserves of the Organization, excluding Trust Funds.</p>	
<p>7.2 The level of the Working Capital Fund shall be based on a projection of financing requirements taking into consideration projected income and expenditure. Any proposals that the Director-General may make to the Health Assembly for varying the level of the Working Capital Fund from that previously approved shall be accompanied by an explanation demonstrating the need for the change.</p>	No change	
<p>7.3 Any repayments of borrowing under Regulation 7.1 shall be made from the collection of arrears of assessed contributions and shall be credited first against any internal borrowing outstanding and secondly against any borrowing outstanding from the Working Capital Fund.</p>	No change	
	FINANCIAL RULES	
<p><i>Rule III – Regular Budget Appropriations</i></p> <p>103.1 The appropriations approved by the Health Assembly constitute an authority to issue awards up to the amount approved to enable expenditures to be incurred for the purposes for which the appropriations were approved. The Director-General may determine the maximum amount of the appropriations that it would be prudent to issue as awards taking into account the prospects for payment of assessed contributions and the availability of both the Working Capital Fund and internal borrowing.</p>	<p><i>Rule III – Regular Budget Appropriations <u>Approval</u></i></p> <p>103.1 The appropriations budget approved by the Health Assembly constitutes an authority to issue awards up to the amount approved to enable expenditures to be incurred for the purposes for which the appropriations were budget is approved. The Director-General may determine the maximum amount of the appropriations that it would be prudent to issue as awards taking into account the prospects for payment of assessed collection of contributions and the availability of both the Working Capital Fund and internal borrowing.</p>	<p>Amended to revise “appropriations” to “budget”</p> <p>Amended to reflect financing of the budget by both voluntary and assessed contributions</p>