

## **Report of the Programme, Budget and Administration Committee of the Executive Board**

1. The eighteenth meeting of the Programme, Budget and Administration Committee was held in Geneva on 16 and 17 May 2013 under the chairmanship of Dr Jamal Thabet Nasher (Yemen).<sup>1</sup> The Committee adopted its agenda.<sup>2</sup>

### **Agenda item 4      Management and other matters to be considered by the Executive Board**

#### **4.1 General management update (document EBPBAC18/2)**

2. The Secretariat presented a summary to the Committee of the upgrade to the Global Management System, as well as information on staff development and learning and on the level of funding of the Region of the Americas. The upgraded version of the Oracle-based system will be rolled out on 5 June 2013, bringing improved system performance. Longer-term plans are being finalized for the future transformation of various system modules. By the first half of 2014, a new solution will be implemented that integrates the Global Management System and the records management system. In addition, the terminology of the new results-based framework terminology will be reflected in the system by the end of 2013.

3. Staff development and learning activities are supported by the Staff Development Fund in the amount of US\$ 14 million for the current biennium and are managed by a committee chaired by the Director-General and senior management representatives from all regions.

4. The Secretariat explained that the funding level of the Region of the Americas reflects a combination of assessed and voluntary contributions, the latter being raised by headquarters and by the regions. Only the WHO portion of assessed contributions, plus the voluntary contributions raised by headquarters were shown for the Region in the report presented to the Committee, as none of the PAHO voluntary contributions are included under the totals for the Region.

5. It was noted that the biggest portion of voluntary contributions raised by headquarters was for the African Region, where the needs were greatest.

**The Committee noted the report of the Secretariat contained in document EBPBAC18/2.**

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<sup>1</sup> The list of participants is available in document EBPBAC18/DIV./1.

<sup>2</sup> Document EBPBAC18/1.

## **4.2 Administration and management cost study (document EBPBAC18/3)**

6. The Secretariat provided a short introduction to the principal findings and recommendations contained in the report of the external consultant on costs of administration and management in the Organization.

7. The recommendations were in two groups:

- (i) those requiring further guidance from Member States, such as the cost recovery model, including the rate of programme support charges, and/or other cost recovery mechanisms;
- (ii) recommendations for improved budgeting, reporting and cost control for administration and management services that can be implemented immediately.

8. The Committee welcomed the report and raised a number of questions on the conclusions and recommendations contained in the document. It observed that data from the Region of the Americas had not been taken into account.

9. It was noted that many exceptions exist in programme support cost rates, arising from United Nations-wide agreements, or specific donor negotiations. Sustainable financing for administration and management required approved rates for cost recovery to be applied consistently.

10. Concerns were raised on the “cross subsidization” of the administration and managements costs required for voluntary programme implementation, from assessed contributions, and from core voluntary contributions. As stated in the report, administration and management must be financed, and under-recovery of costs will not create efficiency, but will simply transfer costs to another funding source. The principle of full cost recovery from all voluntary funded programmes, and from hosted partnerships, was emphasized by the Committee.

11. The Committee noted a need for the Secretariat to consider ways of incentivizing an increase in flexible funding and although expressing a preference for Option D for financing of administration and management costs, indicated a need for this to be analysed further.

12. The financing of administration and management must be considered as part of the overall financing of the Organization, and be included within the financing dialogue, given the use of assessed contributions in financing category 6, and given the links to the overall resource strategy (including whether to include “incentives” for unspecified contributions). Following these further discussions, the Director-General will make proposals to the Programme, Budget and Administration Committee at its meeting in January 2014 on the future financing of administration and management costs, and will report further on the cost control measures being implemented.

## **4.3 Evaluation: annual report (document EB133/8)**

13. The Secretariat introduced the annual report on evaluation, noting that the report is a progress update on the steps taken, during the transition period, to further the implementation of the WHO evaluation policy.

14. The Committee was informed that the Global Network on Evaluation (GNE) has now been constituted, with a wide membership, comprising 23 representatives from the three levels of the Organization.

15. The Secretariat reported that at the inception meeting of the Global Network on Evaluation in April 2013, the representatives had discussed implementation approaches, identified priorities and agreed on the task forces required to further the implementation of the evaluation policy in crucial areas. The Committee was also advised that the task forces have since been established and that their work was planned in such a way as to include those areas previously identified by Member States as being of particular interest. Notably, the criteria for identification of items for inclusion in the biennial Organization-wide evaluation plan; the reporting framework to synthesize lessons learnt; the system of quality control of evaluation products; and plans for strengthening evaluation capacity across the Organization, including advocacy and communication strategies.

**The Committee recommended that the Executive Board note the annual report on evaluation contained in document EB133/8.**

#### **4.4 Annual Report of the Independent Expert Oversight Advisory Committee (document EBPBAC18/4)**

16. The Chairman of the Independent Expert Oversight Advisory Committee introduced the Committee's annual report, and stressed that it considered the present opportunity for dialogue with the Programme, Budget and Administration Committee to be extremely important.

17. Two new members had recently joined the Independent Expert Oversight Advisory Committee, namely Ms Mary N'cube, who joined at the July 2012 meeting and Mr Farid Lahoud, who joined at the March 2013 meeting. The three remaining members, Mr John Fox, Mr Veerathai Santiprahbob and herself would complete their terms at the end of 2013.

18. The attention of the Programme, Budget and Administration Committee was drawn to a few specific items in the report, i.e. WHO reform; changes to the Financial Regulations of WHO; the Pricewaterhousecoopers (PwC) review of administration and management costs; the issue of annual financial statements; internal oversight and internal control; the Global Management System; and enterprise risk management.

19. Regarding WHO reform, the Independent Expert Oversight Advisory Committee had been urging since July 2011 the preparation of a clear implementation plan with dedicated resources, timelines, milestones and a communications strategy. The Chairman of the Independent Expert Oversight Advisory Committee was pleased to report that this plan was now in place and readily visible. Some initiatives, however, were still focused on process rather than outcomes. She urged the Secretariat to develop a detailed view of the desired outcomes of the reform so that initiatives could be channelled in the right direction, managerial accountability for results could be enhanced and efficient controls on the ground implemented.

20. The Independent Expert Oversight Advisory Committee expressed its appreciation of the role assigned to it in the reform process, namely to review the reform implementation, but noted with caution that the frequency of its own meetings might pose a problem if the reviews were to be meaningful and not to slow down the process. Where it was not feasible for the Independent Expert Oversight Advisory Committee to review reform proposals prior to consideration, it might usefully review implementation, and make recommendations as appropriate.

21. On the subject of Financial Rules and Financial Regulations, the proposed changes were considered and advice provided. Once approved and in place, the Independent Expert Oversight Advisory Committee suggested undertaking a more thorough review from first principles, taking

account of the impact of the introduction of the International Public Sector Accounting Standards (IPSAS), budget changes and the further evolution of the financing dialogue.

22. With respect to the recent administrative cost review, the Independent Expert Oversight Advisory Committee had received a briefing and a copy of the final report by Pricewaterhousecoopers and commended its findings to Member States. It also recommended that Member States engage, as soon as possible, in the debate to provide direction on the selection of the appropriate option on which to base future cost recovery. The warning contained in the “death spiral” diagram on slide 8 of the presentation made to the Programme, Budget and Administration Committee in January 2013, and reproduced in document EBPBAC18/4 should be heeded.

23. The need for an action plan to address existing weaknesses in cost control practices and to select a preferred cost recovery option plus a detailed cost-cutting action plan was stressed, as was the necessity to recognize the extra management and administration costs that were inherently associated with the Organization’s country, regional and headquarters structure.

24. Turning to the annual financial statements, produced for the first time in compliance with IPSAS for the financial year 2012, the Chairman of the Independent Expert Oversight Advisory Committee drew attention to the fact that these statements now reflected all the assets owned and used by the Organization in carrying out its work. Therefore, any unfunded liabilities arising from previous hiring decisions were also included, in order to show the true longer-term financial health of WHO.

25. The Independent Expert Oversight Advisory Committee had noted WHO’s overall net assets and the fact that unspent funds arising from voluntary contributions were normally earmarked, thus limiting their consideration as net assets or equity. The Committee intended to further review this item and any associated implications at its next meeting.

26. The Chairman stressed the responsibility of the Programme, Budget and Administration Committee to ensure sound financial management and stewardship of capital assets. She urged debate on options for discharge of long-term liabilities, noting that cash accounting and cash budgeting were the enemies of prudent financial management and that although WHO had made a start with IPSAS, there was more to be done.

27. Concerning internal oversight matters, the Independent Expert Oversight Advisory Committee’s regular discussions with the Director of Internal Oversight and review of the associated reports had provided useful insights into the issues identified. It recommended that analysis be undertaken by the Secretariat in order to identify the significant recurring shortcomings highlighted in these reports and to assess what interventions might prove useful to remedy the underlying causes of this situation.

28. In this context, the analysis by the Office of Internal Oversight to identify best- and worst-performing offices by control area might prove useful. Useful interventions might include training, recruiting for specific capability, increased use of the Global Support Centre, automation of controls in the Global Management System, and strengthened oversight from regional offices, including sharing of best practices among country offices. A risk-based approach to intervention would target the country offices where the risks of control breakdown were highest.

29. With regard to the Global Management System, the Independent Expert Oversight Advisory Committee had received an update on progress with the upgrade and noted the increase in organizational capability arising from the investment in the system. The system capabilities had

however not yet been fully exploited and the Secretariat was urged to continue to invest in improved capability.

30. In particular, the Independent Expert Oversight Advisory Committee recommended that the system be further explored as a tool to reduce costs through elimination of duplication of effort in headquarters, regional and country offices and to deliver further benefits through increased internal control and reduction of risk. Further investment would enable its inbuilt controls to be better used, thus improving compliance and management accountability.

31. The Global Management System was a good example of how interregional cooperation had enabled the development of a key management system benefiting the entire Organization at all three levels. This could provide a model for other support areas such as information technology, where fragmented systems and disparate equipment driven by regional investment decisions rather than organization-wide solutions had increased the probability of system breakdown, suboptimal performance and poor response times. In addition, they resulted in increased operating costs overall.

32. Finally, on the subject of enterprise risk management, the updates received indicated significant positive progress made in the development of a top-level risk register implying a vastly improved understanding of enterprise risk management and a real commitment to moving the work forward. The Independent Expert Oversight Advisory Committee had recommended that the Secretariat establish a timeline for developing the risk register as well as an action plan to roll out the enterprise risk management structure across the Organization.

33. In the following discussion, Programme, Budget and Administration Committee members thanked the Independent Expert Oversight Advisory Committee for its most useful work and asked several questions. These concerned the additional information that the WHO budget should contain in order to make it a more useful tool for analysis and expenditure control and the kind of human resource system that the Organization should ideally adopt in order to optimize its performance management, including the related mix of rewards and sanctions.

34. Regarding human resource management reform, this was one of the most important, but also most difficult areas of the overall reform process, given the Organization's high level of complexity. The Chairman therefore urged Member States to support the efforts of the Secretariat. In response to a question on the budget, she suggested that it be informed by operational plans so that it was both "top down" and "bottom up".

**The Committee noted the annual report of the Independent Expert Oversight Advisory Committee contained in document EBPBAC18/4.**

#### **4.5 External and internal audit recommendations: progress on implementation (document EBPBAC18/5)**

35. The Secretariat presented the report and noted that its purpose was to highlight the measures taken in response to observations and recommendations made by the Internal and External Auditors. These included several initiatives to deal comprehensively with weaknesses in internal controls.

36. The Committee expressed satisfaction over progress made in responding to open audit recommendations, noting the specific efforts that had been undertaken to strengthen WHO's internal control framework, including the provision of additional financial support at country level. At the

same time it was highlighted that those efforts would need to be further intensified to ensure that the issues identified are permanently resolved.

37. The Secretariat also noted that, although there is still room for improvement in this area, it was important to recognize the very challenging contexts in which WHO is operating in many countries. In addition, bringing about the behavioural changes that are needed to improve compliance and accountability takes time.

**The Committee noted the report contained in document EBPBAC18/5.**

#### **4.6 Amendments to Staff Regulations and Staff Rules (document EB133/12)**

38. The Secretariat introduced the amendments to the Staff Rules made by the Director-General, and submitted for consideration to the Executive Board.

**The Committee recommended that the Executive Board adopt the resolution as set out at paragraph 14 of document EB133/12.**

#### **Agenda item 5 Adoption of the reports and closure of the meeting**

39. The Committee adopted its report to the Executive Board.

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