



WORLD HEALTH ORGANIZATION

FIFTY-FOURTH WORLD HEALTH ASSEMBLY
Provisional agenda item 12.3

A54/6
27 April 2001

Miscellaneous income budget

Report by the Secretariat

1. The new financial regulations adopted by the Fifty-third World Health Assembly replaced the term “Casual Income” with “Miscellaneous Income”. Certain substantive changes were also made to the way these receipts were handled so that the regular budget could be financed in part by Miscellaneous Income and a forecast of the expected level of Miscellaneous Income during the budget period could be made for that purpose. Expenditure previously financed from Casual Income would be incorporated into the regular budget.
2. As part of the transition to these new requirements, the present document submits to the Health Assembly in Annexes 1 and 2 an income and expenditure budget for Miscellaneous Income in 2002-2003. Future presentations of the proposed programme budget will show both income and expenditure fully integrated in the programme budget.
3. A consolidated table giving an overall perspective of the regular budget, incorporating Miscellaneous Income and also indicating the consequential level of proposed contributions payable by Member States is attached at Annex 3. The figures therein would form the basis of an appropriation resolution to be submitted to the Health Assembly in the light of its discussion of the budget proposals.
4. The Casual Income account will operate through 2000-2001, as a transitional arrangement (see document EB107/INF.DOC./5).

ANNEX 1

ESTIMATED MISCELLANEOUS INCOME AVAILABLE FOR 2002-2003

| | US\$ thousand |
|--|----------------------|
| Balance of Casual Income as at 31 December 2000 (see document A54/25) | 6 111 |
| Surplus Casual Income in 2001 | 6 000 |
| Savings on unliquidated obligations at 31 December 2001, available in 2002-2003 | 10 000 |
| Interest earnings in 2002-2003 | 12 500 |
| Sundry items in 2002-2003 | 500 |
| TOTAL | 35 111 |

1. The figures shown above have been budgeted on the following basis:
 - (a) the balance of Casual Income is based on the unaudited financial report for the year-end 31 December 2000;
 - (b) the amount arising in 2002-2003 from unliquidated obligations at 31 December 2001 is an estimate based on previous experience; the trend towards a lower level of unliquidated obligations is taken into account;
 - (c) the net interest earnings for 2002-2003 represents that amount of interest estimated to be earned on regular budget contributions, before deduction of the cost of the financial incentive scheme for 2002-2003 (estimated at US\$ 3 million in the miscellaneous income budget);
 - (d) no arrears of contributions are included since the first call on such receipts is repayment of internal borrowing, followed by replenishment of the Working Capital Fund up to its limit of US\$ 31 million. Any further arrears of contributions received will be credited to Miscellaneous Income and would normally be dealt with within the proposed programme budget for the financial period 2006-2007.
2. In view of the current level of availability of the Working Capital Fund (US\$ 17 million as at 31 December 2000, which will rise to US\$ 24 million should the Health Assembly adopt the approach proposed in document A54/25), it is possible that additional Miscellaneous Income may be generated. This would occur if significant payments of arrears of assessed contributions made by Member States are not required to repay internal borrowing or to replenish the Working Capital Fund up to its authorized limit of US\$ 31 million. However, any such amount of surplus Miscellaneous Income will be carried forward as part of the regular budget proposals for 2006-2007, subject to any supplementary proposals that the Health Assembly may adopt.
3. In the event that the estimated US\$ 35.1 million of Miscellaneous Income is not fully realized, the Director-General will be obliged to adjust expenditure during 2002-2003 in order to avoid overspending.

ANNEX 2

**PROPOSED ADDITIONAL EXPENDITURE FOR 2002-2003 BY REASON OF
INCLUSION OF THE MISCELLANEOUS INCOME BUDGET**

| | Approved 2000-2001 | Proposed 2002-2003 |
|--|-------------------------------|-------------------------------|
| | US\$ thousand | US\$ thousand |
| Priority programmes | 15 000 | 10 000 |
| Real Estate Fund | 4 800 | 3 000 |
| Information Technology Fund (see paragraph 4 below) | - | - |
| Exchange Rate Facility | 31 000 | 15 000 |
| Exchange rate hedging | - | 4 000 |
| Financial incentive scheme | 5 556 | 3 000 |
| TOTAL | <u>56 356</u> | <u>35 000</u> |

1. The Exchange Rate Facility was established at US\$ 31 million for 2000-2001, but, as in previous bienniums, was not funded. It is normally a first call on available Casual Income should the need arise.

2. For 2002-2003, the level of the Exchange Rate Facility is reduced to US\$ 15 million. Limitation of its use to headquarters and the Regional Office for Europe and the use of currency hedging made it possible to set a lower limit beyond which there will be no call on the regular budget. Possibly, the Facility may not be fully utilized up to the limit of US\$ 15 million, or the full amount of US\$ 4 million may not be necessary to cover the cost of hedging. In this event, it is proposed that up to US\$ 10 million may be reallocated, under the authority of the Director-General, as additional funding for priority programmes, in addition to US\$ 10 million proposed in the table above.

3. The budget of US\$ 3 million for the Real Estate Fund is based on a historic 10-year average of actual appropriations. Since expected spending to 31 May 2002 will be financed as recommended in the resolution contained in resolution EB107.R4, if adopted by the Health Assembly, the budget proposed for 2002-2003 represents the 19 months remaining in the biennium.

4. The Information Technology Fund is to be established under regulation 9.3 of the new Financial Regulations. Its purpose will be to meet capital expenditure for hardware and software. The Proposed programme budget 2002-2003 already includes funding for information technology under the area of work Informatics and infrastructure services: some US\$ 15.9 million from the regular budget and some US\$ 8 million from other sources. This represents only 1% of the total expenditure plan for all sources of funds for 2002-2003 and is considered the minimum required to support the maintenance of core operations. It does not include funding for new systems. The Director-General intends that this Fund should be funded at a level that will be adequate to meet the Organization's investment in information technology to produce more efficient and modern ways of working, incorporating best practice from both within the United Nations system and elsewhere.

5. Given that WHO will face significant requirements in respect of both real estate and information technology, a more detailed report on plans for both these areas of capital expenditure will be made to the Executive Board at its 109th session in January 2002. The question of setting aside monies for the Information Technology Fund may be reviewed at that time.

6. The amount of US\$ 3 million budgeted for the new financial incentive scheme is based upon the historic pattern of timing of payments made by Member States and projected interest rates. The comparative figure for 2000-2001 is the amounts earned under the former financial incentive schemes and appropriated for 2000-2001 in resolution WHA52.20.

ANNEX 3

PROPOSED REGULAR BUDGET INCORPORATING MISCELLANEOUS INCOME

| | 2000-2001 | 2002-2003 |
|---|------------------|------------------|
| | US\$ thousand | US\$ thousand |
| Regular budget (at 2000-2001 cost factors) | 842 654 | 842 654 |
| Cost increases (see document A54/5) | - | 26 679 |
| Less – Exchange-rate adjustment (see document A54/5) | - | (9 877) |
| Miscellaneous Income, excluding financial incentive scheme | N/A ¹ | 32 000 |
| Total regular budget | 842 654 | 891 456 |
| Financial incentive scheme expenditure | N/A ¹ | 3 000 |
| Total to be financed by Member States | 842 654 | 894 456 |
| Financed by: | | |
| Miscellaneous Income (see Annex 1) | | 35 111 |
| UNDP reimbursement | 1 700 | 500 |
| Balance of Casual Income | | |
| 1998 (resolution WHA52.17) | 2 765 | |
| 1999 (resolution WHA53.5) | 6 373 | |
| Former financial incentive scheme ² | | |
| 1997-1998 (resolution WHA52.20) | 5 556 | |
| 1999 (resolution WHA53.5) | | 6 012 |
| 2000 (see document A54/25) | | 6 883 |
| New financial incentive scheme ³ | | 3 000 |
| Net amount payable by Member States | 826 260 | 842 950 |

N/A = not applicable

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¹ See Annex 2 for a breakdown of Casual Income expenditures that are not included in the regular budget 2000-2001.

² In accordance with resolution WHA41.12, under the former financial incentive scheme amounts earned in 1997 and 1998 are credited to Member States in 2000 and 2001. The credits in 2002 and 2003 arise from earnings in 1999 and 2000. Amounts earned in 2001 under the former scheme will be credited to Member States in 2004-2005.

³ US\$ 3 million for the new financial incentive scheme is included in the above budget and is also shown as a financing item.