



WORLD HEALTH ORGANIZATION

FIFTY-SEVENTH WORLD HEALTH ASSEMBLY
Provisional agenda item 15.1

A57/20*
19 April 2004

Financial Report and Audited Financial Statements for the period 1 January 2002 – 31 December 2003 (Certified 30 March 2004)

and

Report of the External Auditor to the World Health Assembly (1 April 2004)

* Information on income received and expenditure incurred during 2002-2003 under extrabudgetary sources of funds is contained in the Annex (document A57/20 Add.1), which accompanies and forms part of the Financial Report for the biennium.

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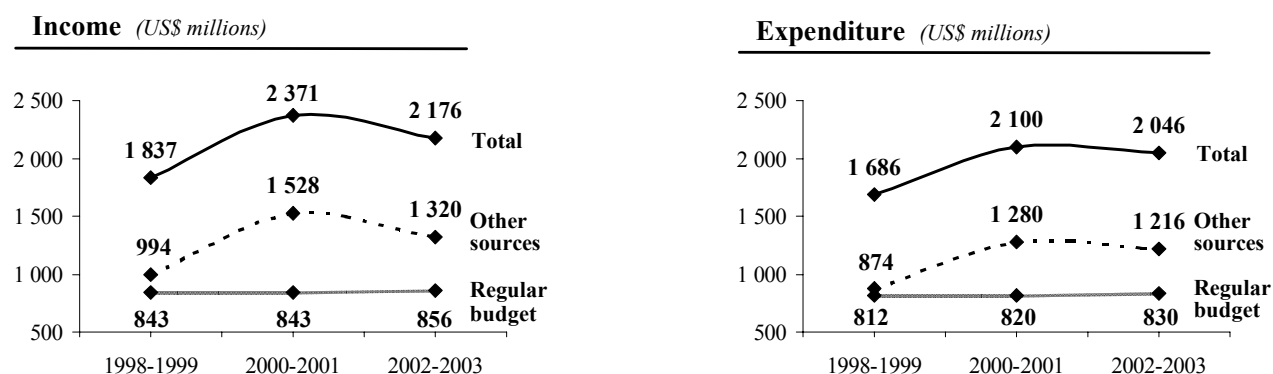
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Director-General's report

I am pleased to present the Financial Report of WHO for the period 2002-2003. The Report is submitted in accordance with Article 34 of the Constitution and with the Financial Regulations. It covers the regular budget as adopted by the Health Assembly, which also noted estimated expenditure to be financed from other sources^{1/}. Implementation of the programme budget is presented in the same format as the proposed Programme budget 2004-2005 submitted to the Health Assembly^{2/} and the other sources budget noted by the Health Assembly, thus showing the total financial position in respect of each area of work. This Financial Report has continued the process of improving transparency of the financial information provided by the Organization.

For the period 2002-2003 the overall implementation rate for the regular budget was 98%. This is the highest rate achievable given the need to withhold some of the budget as a contingency in view of the possibility of non-payment of assessed contributions by some Member States in respect of which it was not prudent to increase borrowing. The rate of collection of assessed contributions for 2002-2003 was 94%. Thus the Working Capital Fund of US\$ 31 million was fully drawn down and was supplemented by US\$ 2 million of internal borrowing in order to enable implementation of the regular budget. Although, I believe that an implementation rate of 98% is an excellent achievement, it was only reached by resorting to borrowing. I am concerned that US\$ 50 million, or 6% of assessed contributions, were not paid. Total unpaid assessed contributions, including amounts due for previous financial periods, is US\$ 138 million. Within this figure, long-term arrears stand at US\$ 88 million, having increased from US\$ 82 million at the end of the biennium 2000-2001. I take this opportunity to encourage those Member States which experience difficulty in paying their arrears to discuss payment arrangements with the Secretariat so that their proposals may be submitted to the Health Assembly for its consideration.

The evolution of income and expenditure over the past three bienniums is shown below. Even though the situation remained positive, we are developing a more coherent resource-mobilization strategy and allocation process in 2004-2005 in order to achieve the Organization's expected results.



The level of the regular budget has not changed significantly over the past three bienniums. After taking into account the reduction in income of US\$ 196 million from other sources after the successful conclusion of the Onchocerciasis Control Programme, the overall income for 2002-2003 remained at the same level as for 2000-2001. This has enabled WHO to maintain expenditure for programme activities at a level similar to that of the previous bienniums.

^{1/} Resolution WHA 54.20

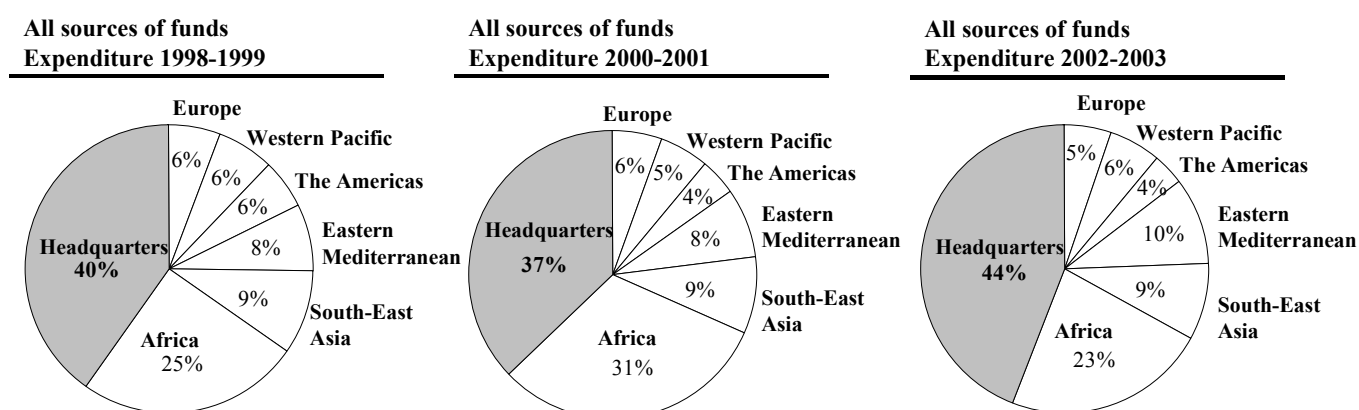
^{2/} Document PB/2004-2005

Financial highlights (US\$ millions)

	1998-1999	2000-2001	2002-2003		1998-1999	2000-2001	2002-2003
Income				Expenditure			
Regular budget	843	843	856	Regular budget	812	820	830
Extrabudgetary resources				Extrabudgetary resources			
<i>Voluntary Fund for Health Promotion</i>	650	1117	1030	<i>Voluntary Fund for Health Promotion</i>	562	945	1017
<i>WHO trust funds and United Nations programmes</i>	344	411	290	<i>WHO trust funds and United Nations programmes</i>	312	335	199
Total income WHO programme				Total expenditure WHO programme			
Activities	1837	2371	2176	activities	1686	2100	2046
Non-WHO programme activities	363	329	434	<i>Non-WHO programme activities</i> ^{a/}	314	400	424
Total income	2200	2700	2610	Total expenditure	2000	2500	2470

^{a/} Non-WHO programme activities include trust funds of various programmes and entities that are not considered part of WHO's international health programme, such as the Trust fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS); International Agency for Research on Cancer (IARC); Global Fund to Fight AIDS, Tuberculosis and Malaria; and International Computing Centre (ICC).

During the biennium 2002-2003, headquarters accounted for 44% of expenditure and regional and country offices for 56%. This compares with 37% for headquarters and 63% for regional and country offices in 2000-2001. The pie charts below show as a percentage expenditure by office, i.e., headquarters and each regional office, including its country offices, over the past three bienniums. The decrease in the proportion of expenditure in the African Region stems primarily from the conclusion of the Onchocerciasis Control Programme, as mentioned above. This has caused proportionate increases in the share of expenditure of the other regions and of headquarters.



I am already committed to achieving a target of 30% expended by headquarters and 70% by regional and country offices. I am determined that we intensify our efforts to reverse the rising trend of expenditure by headquarters.

Tables 1, 2 and 3 (pages 63 to 79) show the financial implementation of WHO's Programme budget for 2002-2003 by area of work. The largest amount - 17% of total expenditure - was spent on our work on immunization, more specifically for eradication of poliomyelitis. Our work on emergency preparedness and response, in particular in relation to activities in Iraq, accounted for 9% of the total.

Two important developments took place during 2002-2003 that will help to strengthen the Organization. First, the Security Fund was established to provide an effective mechanism to meet the requirements of United Nations General Assembly resolution 55/238(II) for cost-sharing arrangements for the safety and security of United Nations personnel, including WHO staff. This will enable WHO to focus appropriately on the security of staff as they undertake their work in sometimes difficult locations around the world. Second, the Information Technology Fund was established, which made it possible to set up the project office for the Global Management System. Since more of the Organization's resources are, and will be, managed and implemented at country level, new systems are needed to replace the Organization's outdated systems for managing financial and human resources. This renewal will improve the availability of management information for our work, particularly at country level.

In line with the increasing emphasis in the business community on good corporate governance, future financial reports will incorporate statements on corporate governance. They will refer to my responsibility, and that of the Secretariat, to maintain appropriate mechanisms that ensure openness, integrity and accountability.

I would like to express my appreciation to Member States and to donors for their financial support, and to all WHO staff for their contribution to the work of the Organization.

A handwritten signature in black ink, appearing to read 'Jong-wook', with a long horizontal flourish extending to the right.

LEE Jong-wook
Director-General

Geneva, 30 March 2004

Audited financial statements and schedules and notes to the accounts 2002-2003

The Financial Report, which is audited on a biennial basis, provides information on the actual income and expenditure of the Organization and shows the assets and liabilities at the end of the biennium, 31 December 2003. The report of the External Auditor is presented together with the Financial Report and enables Member States and other readers to know that an independent audit has taken place and whether there are any significant issues requiring attention. The External Auditor also expresses an opinion on whether the Financial Statements present fairly, in all respects, the financial position of the Organization.

The Financial Report of the Organization, together with the report of the External Auditor, is accepted by the Health Assembly.

This part of the Financial Report presents the overall financial position of the Organization, as at 31 December 2003. The statements and supporting schedules have been prepared in compliance with the Organization's Financial Regulations and Financial Rules together with the United Nations System Accounting Standards. The schedules provide further details and explanations with regard to individual funds and special accounts administered by the Organization in 2002-2003. The notes to the accounts are an integral part of the financial statements. Where appropriate, comparative figures have been provided in respect of the previous biennium.

Certification of Financial Statements

The appended statements, numbered I to IV, schedules 1 to 10 and notes to the accounts, are approved.



Hilary F. Wild
Comptroller



LEE Jong-Wook
Director-General

30 March 2004

1 April 2004

The President of the World Health Assembly
World Health Organization
CH-1211 Geneva 27
Switzerland

Dear Sir/Madam

LETTER OF TRANSMITTAL

I have the honour to present to the Fifty-seventh World Health Assembly my Report and Opinion on the Financial Statements of the World Health Organization for the financial period 1 January 2002 to 31 December 2003.

In transmitting my Report I wish to advise that, in accordance with the World Health Organization's Financial Regulations, I have given the Director-General the opportunity to comment on my report and it is issued on the basis of the assurance that he does not have any significant comment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S A Fakie', with a stylized flourish at the end.

S A Fakie
External Auditor
Auditor-General of the Republic of South Africa

Opinion of the External Auditor

To the World Health Assembly

We have audited the accompanying financial statements, comprising Statements I to IV, Schedules 1 to 10 and the supporting Notes of the World Health Organization for the financial period ended 31 December 2003. These financial statements are the responsibility of the Director-General. My responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Director-General, as well as evaluating the overall financial statement presentation. I believe that our audit provides a reasonable basis for the audit opinion.

In my opinion, these financial statements present fairly, in all respects, the financial position of the World Health Organization as at 31 December 2003 and the results of operations and cash flows for the period then ended in accordance with the stated accounting policies set out in the Statement of Accounting Policies, which were applied on a basis consistent with that of the preceding financial period.

Further, in my opinion, the transactions of the World Health Organization which we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Legislative Authority.

In accordance with Regulation XIV of the Financial Regulations, I have also issued a long-form report on my audit of the World Health Organization's financial statements. Without qualifying my opinion above, I wish to draw your particular attention to paragraphs 53 to 57 in my report which sets out my concerns regarding the maintenance of complete and reliable records in respect of non-expendable equipment.



S A Fakie
External Auditor
Auditor-General of the Republic of South Africa

Pretoria, Republic of South Africa
1 April 2004

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Statement I

**Consolidated statement of income and expenditure and changes in fund balances:
all sources of funds
Financial period 2002-2003**

(US dollars)

	Reference	Regular Budget ^{a/} (Schedules 3,4; Note 2.21)	Voluntary Fund for Health Promotion (Schedule 5; Note 32)	Other WHO funds (Statement I.1)	Trust funds (Statements I.2, I.3, I.4)
Income:					
<i>Assessed contributions:</i>	Note 2.5				
For the effective working budget (2002-2003)		792 526 136		2 666 780	
Financial Incentive Scheme		(22 695 215)			
New and formerly inactive Members	Note 2.6			4 290	
<i>Total assessed contributions</i>		769 830 921		2 671 070	
<i>Voluntary contributions:</i>					
WHO programme activities	Notes 2.8, 4		993 852 514		183 791 225
Non-WHO programme activities	Note 2.10				388 861 338
<i>Other income:</i>					
Assessment relief forgone by Member States				5 477 239	
Revenue-producing activities	Notes 2.11, 5			6 620 423	681 652
Funds under inter-organization arrangements	Note 13				134 299 569
Income from services rendered	Note 6			134 031 976	
Interest income: - interest	Note 2.12		36 481 330	27 162 342	36 720 291
-shared exchange differential				(858 861)	
Gains (losses) on hedging operations	Note 7			2 972 329	
Other	Note 8			15 730 238	124 891 770
<i>Total income</i>		769 830 921	1 030 333 844	193 806 756	869 245 845
Expenditure:	Notes 2.13, 9				
International health programme		827 401 303	1 016 558 903	139 534 821	331 264 529
Other purposes		3 000 000		25 079 323	415 614 788
<i>Total expenditure</i>		830 401 303	1 016 558 903	164 614 144	746 879 317
Excess (shortfall) of income over expenditure		(60 570 382)	13 774 941	29 192 612	122 366 528
Provision for delays in the collection of assessed contributions		(49 908 250)			
Return to Members against assessed contributions					
Payment of assessed contributions of prior periods	Note 10	55 628 307		3 416 473	
Savings on prior periods' unliquidated obligations	Note 2.14			8 705 040	17 539 598
Increase in Capital Assets	Note 22				
Transfers between funds	Annex 1	77 734 664	(1 655 750)	(77 734 664)	1 655 750
Total changes in fund balances	Statement III	22 884 339	12 119 191	(36 420 539)	141 561 876
Fund balances - 1 January 2002	Statement II	(24 628 307)	443 766 060	252 323 534	365 071 045
Fund balances - 31 December 2003	Statement II	(1 743 968)	455 885 251	215 902 995	506 632 921

^{a/} Includes Working Capital Fund

Statement I (continued)

Equity in Capital assets (Note 2.19)	Interest accrued- unapportioned (Note 2.12)	Sub-totals	Eliminations (Statement I, Annex 2; Note 2.15)	Totals 2002-2003	2000-2001	
						Income:
						<i>Assessed contributions:</i>
		795 192 916		795 192 916	842 585 210	For the effective working budget (2002-2003)
		(22 695 215)		(22 695 215)		Financial Incentive Scheme
		4 290		4 290	107 927	New and formerly inactive Members
		772 501 991		772 501 991	842 693 137	<i>Total assessed contributions</i>
						<i>Voluntary contributions:</i>
		1 177 643 739	(34 513 553)	1 143 130 186	1 300 827 375	WHO programme activities
		388 861 338		388 861 338	243 023 648	Non-WHO programme activities
						<i>Other income:</i>
		5 477 239		5 477 239		Assessment relief forgone by Member States
		7 302 075		7 302 075	6 889 930	Revenue-producing activities
		134 299 569		134 299 569	92 701 756	Funds under inter-organization arrangements
		134 031 976	(134 031 976)		17 317 339	Income from services rendered
(16 390 408)		83 973 555		83 973 555	122 880 387	Interest income: - interest
		(858 861)		(858 861)	7 405 568	- shared exchange differential
		2 972 329		2 972 329		Gains (losses) on hedging operations
		140 622 008	(70 777 405)	69 844 603	97 621 171	Other
(16 390 408)		2 846 826 958	(239 322 934)	2 607 504 024	2 731 360 311	<i>Total income</i>
						Expenditure:
		2 314 759 556	(267 125 075)	2 047 634 481	2 110 068 042	International health programme
		443 694 111	(18 769 475)	424 924 636	400 028 275	Other purposes
		2 758 453 667	(285 894 550)	2 472 559 117	2 510 096 317	<i>Total expenditure</i>
						Excess (shortfall) of income over expenditure
(16 390 408)		88 373 291	46 571 616	134 944 907	221 263 994	
						Provision for delays in the collection of assessed contributions
		(49 908 250)		(49 908 250)	(64 321 035)	
					(9 138 043)	Return to Members against assessed contributions
		59 044 780		59 044 780	82 370 651	Payment of assessed contributions of prior periods
		26 244 638		26 244 638	21 736 740	Savings on prior periods' unliquidated obligations
239 578		239 578		239 578	2 099 842	Increase in Capital Assets
						Transfers between funds
239 578	(16 390 408)	123 994 037	46 571 616	170 565 653	254 012 149	Total changes in fund balances
66 887 366	16 390 408	1 119 810 106	(46 571 616)	1 073 238 490	819 226 341	Fund balances - 1 January 2002
67 126 944		1 243 804 143		1 243 804 143	1 073 238 490	Fund balances - 31 December 2003

Statement I.1

Other WHO funds
Consolidated statement of income and expenditure and changes in fund balances
Financial period 2002-2003

(US dollars)

		Miscellaneous	Casual	Holding	Real Estate	Security	RFTLE ^{a/}
		income	income ^{f/}	Account	Fund	Fund	SACH ^{b/}
	Reference	(Schedule 6)		(Statement I, Annex 1; Note 28)	(Schedule 8)	(Note 34)	SAIDPP ^{c/} SARF ^{d/} (Note 33)
Income:							
<i>Assessed contributions:</i>							
For the effective working budget (2002-2003)	Note 2.5						
New and formerly inactive Members	Note 2.6	4 290					
<i>Total assessed contributions</i>		4 290					
<i>Voluntary contributions:</i>							
WHO programme activities	Notes 2.8, 4						
<i>Other income:</i>							
Assessment relief forgone by Member States		5 477 239					
Revenue-producing activities	Notes 2.11, 5				481 915		556 141
Income from services rendered	Note 6						
Interest income: - interest	Note 2.12	10 037 660			106 030	239 620	272 400
- shared exchange differential		(858 861)					
Gains (losses) on hedging operations	Note 7						
Exchange rate facility							
Other	Note 8	3 101 238			3 000 000	8 188 000	
<i>Total income</i>		17 761 566			3 587 945	8 427 620	828 541
Expenditure:							
	Notes 2.13, 9						
International health programme		2 531 322				6 961 181	48 677
Other purposes					3 106 970		510 968
<i>Total expenditure</i>		2 531 322			3 106 970	6 961 181	559 645
Excess (shortfall) of income over expenditure							
		17 761 566 (2 531 322)			480 975	1 466 439	268 896
Payment of assessed contributions of prior periods	Note 10	3 416 473					
Savings on prior periods' unliquidated obligations	Note 2.14	8 705 040					
Transfers between funds	Annex 1	(64 097 823)	(1 165 071)	(13 395 523)			(62 993)
Total changes in fund balances	Statement I	(34 214 744)	(3 696 393)	(13 395 523)	480 975	1 466 439	205 903
Fund balances - 1 January 2002	Statement II	44 014 601 ^{e/}	3 638 374	13 395 523	557 442		4 234 193
Fund balances - 31 December 2003	Statement II	9 799 857	(58 019)		1 038 417	1 466 439	4 440 096

^{a/} RFTLE: Revolving Fund for Teaching and Laboratory Equipment

^{b/} SACH: Special Account for Concessions at Headquarters (Note 12)

^{c/} SAIDPP: Special Account for Income Derived from Patent Policy

^{d/} SARF: Special Account for the WHO Renewal Fund

^{e/} Transferred from Casual Income on 1 January 2002

^{f/} Casual Income - Appropriated for priority programmes

Statement I.1 (continued)

Revolving Sales Fund (Note 11)	Information Technology Fund (Note 35)	Special Account for Servicing Costs (Schedule 7)	Tax Equalization Fund (Notes 2.7, 3)	Terminal Payments Account (Schedule 9)	Totals	
					2002-2003	2000-2001
			2 666 780		2 666 780	7 212 000
					4 290	107 927
			2 666 780		2 671 070	7 319 927
						Income:
						<i>Assessed contributions:</i>
						For the effective working budget (2002-2003)
						New and formerly inactive Members
						<i>Total assessed contributions</i>
						<i>Voluntary contributions:</i>
						WHO programme activities
						<i>Other income:</i>
						Assessment relief forgone by Member States
5 582 367					5 477 239	5 889 821
					6 620 423	106 145 864
		112 166 290		21 865 686	134 031 976	39 237 700
	3 970	10 071 960		6 430 702	27 162 342	7 405 568
					(858 861)	12 101 700
		2 972 329			2 972 329	(413 629)
	1 441 000				15 730 238	
5 582 367	1 444 970	125 210 579	2 666 780	28 296 388	193 806 756	178 248 120
						Total income
						Expenditure:
7 535 274	481 314	121 977 053			139 534 821	86 839 717
			7 496 960	13 964 425	25 079 323	45 175 194
7 535 274	481 314	121 977 053	7 496 960	13 964 425	164 614 144	132 014 911
						Total expenditure
						Excess (shortfall) of income over expenditure
(1 952 907)	963 656	3 233 526	(4 830 180)	14 331 963	29 192 612	46 233 209
						Payment of assessed contributions of prior periods
					3 416 473	12 811 621
					8 705 040	(34 295 161)
7 926 996	986 746	(7 926 996)			(77 734 664)	
5 974 089	1 950 402	(4 693 470)	(4 830 180)	14 331 963	(36 420 539)	32 352 497
						Total changes in fund balances
500 000		140 796 882	6 607 610	38 578 909	252 323 534	219 971 037
						Fund balances - 1 January 2002
6 474 089	1 950 402	136 103 412	1 777 430	52 910 872	215 902 995	252 323 534
						Fund balances - 31 December 2003

Statement I.2

Trust funds – inter-organization arrangements
Consolidated statement of income and expenditure and changes in fund balances
Financial period 2002-2003

(US dollars)

	Reference	Technical cooperation			
		UN Development Programme	UN Population Fund	UN Environment Programme	UN Drug Control Programme
Income:					
<i>Other income</i>					
Funds under inter-organization arrangements	Note 13	(6 262 949)	10 328 000	1 169 588	1 121 100
Interest income	Note 2.12				
Other		10 175	109 690		
<i>Total income</i>		(6 252 774)	10 437 690	1 169 588	1 121 100
Expenditure:	Notes 2.13, 9				
International health programme		1 385 607	9 551 911	967 687	779 800
<i>Total expenditure</i>		1 385 607	9 551 911	967 687	779 800
Excess (shortfall) of income over expenditure		(7 638 381)	885 779	201 901	341 300
Savings on prior periods' unliquidated obligations	Note 2.14	280 036	198 718		27 796
Transfers between funds	Annex 1				
Total changes in fund balances	Statement I	(7 358 345)	1 084 497	201 901	369 096
Fund balances - 1 January 2002	Statement II	4 654 493	(2 787 876)	(182 105)	(539 283)
Fund balances - 31 December 2003	Statement II	(2 703 852)	(1 703 379)	19 796	(170 187)

Statement I.2 (continued)

<u>Technical cooperation</u>		<u>Supply services</u>			
UN Iraq Programme SCR 986	Other UN funds	Other UN organizations	Totals 2002-2003	2000-2001	
					Income:
					<i>Other income</i>
93 562 208	9 349 150	25 032 472	134 299 569	92 701 756	Funds under inter-organization arrangements
1 601 150	5 300		1 606 450	274 250	Interest income
(1 685 470)	236 558		(1 329 047)	(228 767)	Other
93 477 888	9 591 008	25 032 472	134 576 972	92 747 239	<i>Total income</i>
					Expenditure:
108 474 434	8 682 078	20 702 534	150 544 051	89 498 939	International health programme
108 474 434	8 682 078	20 702 534	150 544 051	89 498 939	<i>Total expenditure</i>
(14 996 546)	908 930	4 329 938	(15 967 079)	3 248 300	Excess (shortfall) of income over expenditure
			506 550	563 094	Savings on prior periods' unliquidated obligations
1 691 086		(1 139 175)	551 911	40 186	Transfers between funds
(13 305 460)	908 930	3 190 763	(14 908 618)	3 851 580	Total changes in fund balances
	1 431 293	1 355 718	3 932 240	80 660	Fund balances - 1 January 2002
(13 305 460)	2 340 223	4 546 481	(10 976 378)	3 932 240	Fund balances - 31 December 2003

Statement I.3

Trust funds – WHO programme activities
Consolidated statement of income and expenditure and changes in fund balances
Financial period 2002-2003

(US dollars)

	Reference	Technical cooperation				TDR ^{b/ a/}
		Global Programme on AIDS	Onchocerciasis Control Programme ^{a/}	Programme for Onchocerciasis Control ^{a/}	Sasakawa Health Trust Fund ^{a/}	
Income:						
<i>Voluntary contributions:</i>						
WHO programme activities	Note 2.8		13 600 000	18 001 129	8 790 000	66 681 680
<i>Other income:</i>						
Revenue-producing activities	Notes 2.11, 5		161 507	490		561
Interest income	Note 2.12	28 620	(36 050)	554 260	814 810	1 755 940
Other			86 131	102 653		(238 199)
Total income		28 620	13 811 588	18 658 532	9 604 810	68 199 982
Expenditure:	Notes 2.13, 9					
International health programme		(33 079)	12 580 089	20 413 699	10 268 826	61 418 226
Total expenditure		(33 079)	12 580 089	20 413 699	10 268 826	61 418 226
Excess (shortfall) of income over expenditure		61 699	1 231 499	(1 755 167)	(664 016)	6 781 756
Savings on prior periods' unliquidated obligations	Note 2.14		1 248 264	5 615 874	745 577	2 788 932
Transfers between funds	Annex 1				782 197	351 297
Total changes in fund balances	Statement I	61 699	2 479 763	3 860 707	863 758	9 921 985
Fund balances - 1 January 2002	Statement II	223 749	(628 321)	(1 583 051)	9 267 757	7 386 910
Fund balances - 31 December 2003	Statement II	285 448	1 851 442	2 277 656	10 131 515	17 308 895

^{a/} See Annex (document A57/20 Add.1) for detailed financial statements.

^{b/} TDR: Trust Fund for the UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases.

^{c/} HRP: Trust Fund for the UNDP/UNFPA/WHO/World Bank Special Programme of Research, Development and Research Training in Human Reproduction.

Statement I.3 (continued)

Technical cooperation			Supply services			
HRP ^{c/ a/}	Associate	Other	National			
	Professional	technical	health			
	Officers	cooperation	services and	Totals		
		funds	institutions	2002-2003	2000-2001	
						Income:
						<i>Voluntary contributions:</i>
23 154 350	5 819 890	31 784 298	15 959 878	183 791 225	234 535 731	WHO programme activities
						<i>Other income:</i>
519 094				681 652	1 000 109	Revenue-producing activities
788 060	178 770	23 460		4 107 870	5 582 380	Interest income
9 944				(39 471)	(696 256)	Other
24 471 448	5 998 660	31 807 758	15 959 878	188 541 276	240 421 964	<i>Total income</i>
						Expenditure:
27 409 735	6 230 873	26 234 474	16 197 635	180 720 478	234 758 941	International health programme
27 409 735	6 230 873	26 234 474	16 197 635	180 720 478	234 758 941	<i>Total expenditure</i>
						Excess (shortfall) of income over expenditure
(2 938 287)	(232 213)	5 573 284	(237 757)	7 820 798	5 663 023	
957 527				11 356 174	5 054 167	Savings on prior periods' unliquidated obligations
522 256		(551 911)		1 103 839	771 750	Transfers between funds
(1 458 504)	(232 213)	5 021 373	(237 757)	20 280 811	11 488 940	Total changes in fund balances
9 580 817	3 527 260	18 826 367	3 116 483	49 717 971	38 229 031	Fund balances - 1 January 2002
8 122 313	3 295 047	23 847 740	2 878 726	69 998 782	49 717 971	Fund balances - 31 December 2003

Statement I.4

Other trust funds and associated entities

Consolidated statement of income and expenditure and changes in fund balances

Financial period 2002-2003

(US dollars)

	Reference	Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS) (Note 14)	International Agency for Research on Cancer (Note 14)	International Computing Centre (Note 14)	Staff Health Insurance (Notes 14, 15)
Income:					
<i>Voluntary contributions:</i>					
Non-WHO programme activities	Note 2.10	253 839 411	68 610 287		
<i>Other income:</i>					
Interest income	Note 2.12	7 238 020			23 387 657
Other		381 452		40 505 211	85 364 938
<i>Total income</i>		261 458 883	68 610 287	40 505 211	108 752 595
Expenditure:	Notes 2.13, 9				
Other purposes		189 658 449	66 756 164	41 104 635	64 636 846
<i>Total expenditure</i>		189 658 449	66 756 164	41 104 635	64 636 846
Excess (shortfall) of income over expenditure		71 800 434	1 854 123	(599 424)	44 115 749
Savings on prior periods' unliquidated obligations	Note 2.14	5 676 874			
Transfers between funds	Annex I				
Total changes in fund balances	Statement I	77 477 308	1 854 123	(599 424)	44 115 749
Fund balances - 1 January 2002	Statement II	56 624 627	20 741 560	3 672 706	223 500 118
Fund balances - 31 December 2003	Statement II	134 101 935	22 595 683	3 073 282	267 615 867

Statement I.4 (continued)

The Global Fund to fight AIDS, Tuberculosis and Malaria (Note 14)	Other funds (Note 16)	Foundations (Note 17)	Totals		
			2002-2003	2000-2001 (Re-stated, note 2.12)	
					Income:
					<i>Voluntary contributions:</i>
54 508 587	11 903 053		388 861 338	253 302 073	Non-WHO programme activities
	235 130	145 164	31 005 971	20 949 869	<i>Other income:</i>
	(33 939)	42 626	126 260 288	98 959 823	Interest income
					Other
54 508 587	12 104 244	187 790	546 127 597	373 211 765	<i>Total income</i>
41 710 583	11 591 768	156 343	415 614 788	365 131 506	Expenditure:
41 710 583	11 591 768	156 343	415 614 788	365 131 506	Other purposes
					<i>Total expenditure</i>
12 798 004	512 476	31 447	130 512 809	8 080 259	Excess (shortfall) of income over expenditure
			5 676 874	3 307 858	Savings on prior periods' unliquidated obligations
				2 189 569	Transfers between funds
12 798 004	512 476	31 447	136 189 683	13 577 686	Total changes in fund balances
	4 741 014	2 140 809	311 420 834	297 843 148	Fund balances - 1 January 2002
12 798 004	5 253 490	2 172 256	447 610 517	311 420 834	Fund balances - 31 December 2003

Statement I, Annex 1

Transfers between funds ^{a/}

(US dollars)

Funds	Appropriated for the effective working budget, 2002-2003			Balance as at 31 December 2001 to Revolving Sales Fund (Resolution WHA55.9)	Other programme transfers	Total
	(Financial Regulation 6.5 and Resolution WHA55.7)	(Resolutions WHA54.17, WHA54.20 and WHA56.12)	(Resolutions WHA53.5, WHA54.8 and WHA54.20)			
Regular Budget and Working Capital Fund	(22 695 215)	(41 643 926)	(13 395 523)			(77 734 664)
Miscellaneous Income	22 695 215	41 643 926			(241 318)	64 097 823
Holding Account			13 395 523			13 395 523
Revolving Sales Fund				(7 926 996)		(7 926 996)
Special Account for Servicing Costs				7 926 996		7 926 996
UN Iraq Programme SCR 986					(1 691 086)	(1 691 086)
Voluntary Fund for Health Promotion					1 655 750	1 655 750
TDR ^{b/}					(351 297)	(351 297)
HRP ^{c/}					(522 256)	(522 256)
Sasakawa Health Trust Fund					(782 197)	(782 197)
Other technical cooperation funds					551 911	551 911
National health services and institutions					1 139 175	1 139 175
Information Technology Fund					(986 746)	(986 746)
Casual Income/Priority Programmes					1 165 071	1 165 071
Special Account for the WHO Renewal fund					62 993	62 993
Net transfers	-	-	-	-	-	-

^{a/} These transfers between funds were made to implement decisions by the Health Assembly; and other programme transfers are in accordance with established accounting practices.

^{b/} Trust Fund for the UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases.

^{c/} Trust Fund for the UNDP/UNFPA/WHO/World Bank Special Programme of Research, Development and Research Training in Human Reproduction.

Statement I, Annex 2**Eliminations***(US dollars)*

Originating Fund	Expenditure	Receiving Fund	Income
Regular Budget	2 262 668	TDR ^{a/}	2 262 668
	249 985	Onchocerciasis Control Programme	249 985
	100 000	African Programme for Onchocerciasis Control	100 000
	3 000 000	Real Estate Fund	3 000 000
	4 128 000	Security Fund	4 128 000
United Nations Population Fund	2 575 000	HRP ^{b/}	2 575 000
TDR ^{a/}	2 296 284	Special Account for Servicing Costs	2 296 284
African Programme for Onchocerciasis Control	2 803 000	TDR ^{a/}	2 803 000
	50 000	Special Account for Servicing Costs	50 000
Onchocerciasis Control Programme	225 000	TDR ^{a/}	225 000
The Global Fund to fight AIDS, Tuberculosis and Malaria	1 763 300	Special Account for Servicing Costs	1 763 300
Voluntary Fund for Health Promotion	1 324 211	TDR ^{a/}	1 324 211
UNAIDS	676 000	HRP ^{b/}	676 000
	24 297 689	Voluntary Fund for Health Promotion	24 297 689
	2 762 644	Special Account for Servicing Costs	2 762 644
International Computing Centre	1 136 000	Special Account for Servicing Costs	1 136 000
All funds	21 865 686	Terminal Payments Account	21 865 686
	58 148 405	Staff Health Insurance	58 148 405
Special Account for Servicing Costs	4 060 000	Security Fund	4 060 000
	1 441 000	Information Technology Fund	1 441 000
Programme support costs received	104 158 062	Special Account for Servicing Costs	104 158 062
Eliminations 2002-2003	239 322 934	Eliminations 2002-2003	239 322 934
Elimination of timing differences accumulated as at 31 December 2001 ^{c/}	46 571 616		
Total elimination of expenditures	285 894 550	Total elimination of income	239 322 934

^{a/} TDR: Trust Fund for the UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases.

^{b/} HRP: Trust Fund for the UNDP/UNFPA/WHO/World Bank Special Programme of Research, Development and Research Training in Human Reproduction.

^{c/} Following a review of the methodology which recognized timing differences between the elimination of the duplication of income and expenditure, it has been decided to effect both eliminations in the same period. This recognizes the principle of eliminating expenditure in the originating fund and the income in the receiving fund simultaneously.

Statement II

Statement of assets, liabilities, and fund balances as at 31 December 2003

(US dollars)

	Reference	2003	2001
Assets			
Cash at banks, in transit and on hand	Schedule 1(a), Notes 2.16, 18	119 127 604	130 180 971
Deposits and securities	Schedule 1(a), Notes 2.17, 2.18	1 342 529 653	1 283 464 037
<i>Accounts receivable</i>			
Assessed contributions receivable from Member States	Schedule 3	137 525 690	146 661 244
Less: Provision for delays in the collection of assessed contributions		(137 525 690)	(146 661 244)
Net assessed contributions		-	-
Sundry debtors	Note 20	56 265 615	45 560 413
<i>Total accounts receivable</i>		56 265 615	45 560 413
Prepaid expenses	Note 21	1 365 347	1 615 472
Interest receivable	Note 2.12	4 928 917	16 390 408
Construction in progress	Note 27	2 890 562	
Capital assets	Notes 2.19, 22	67 126 944	66 887 366
Total assets		1 594 234 642	1 544 098 667
Liabilities and fund balances			
<i>Liabilities</i>			
Members' contributions received in advance	Note 24	46 685 427	35 168 620
Unliquidated obligations	Notes 2.13,25	247 250 242	350 548 082
Accounts payable and deferred income	Note 26	53 662 819	38 571 859
Borrowings payable after one year	Note 27	2 832 011	
<i>Total liabilities</i>		350 430 499	424 288 561
<i>Fund Balances</i>			
Trust funds	Statements I.2, I.3, I.4	506 632 921	381 461 453
Voluntary Fund for Health Promotion	Statement I	455 885 251	443 766 060
Regular Budget and Working Capital Fund	Statement I	(1 743 968)	(24 628 307)
Other WHO funds	Statement I.1	215 902 995	252 323 534
Members' equity in capital assets	Statement I	67 126 944	66 887 366
<i>Total fund balances</i>		1 243 804 143	1 119 810 106
Total liabilities and fund balances		1 594 234 642	1 544 098 667

Statement III

Statement of cash flow Financial period 2002-2003

(US dollars)

	2002-2003	2000-2001
Cash flows from operating activities		
Total changes in fund balances (Statement I)	123 994 037	254 012 149
(Increase)/decrease in accounts receivable - sundry debtors	(10 705 202)	(8 163 741)
(Increase)/decrease in prepaid expenses	250 125	(1 299 874)
(Increase)/decrease in interest receivable	11 461 491	(4 896 374)
Increase/(decrease) in contributions received in advance	11 516 807	(6 943 283)
Increase/(decrease) in unliquidated obligations	(103 297 840)	93 748 492
Increase/(decrease) in accounts payable and deferred income	15 090 960	5 103 541
Savings on prior periods' unliquidated obligations	26 244 638	(21 736 740)
Net elimination of programme support costs		32 906 745
Less: Interest income included in fund balances	(83 114 694)	(130 285 955)
<i>Net cash from operating activities</i>	(8 559 678)	212 444 960
Cash flows from investing and financial activities		
(Increase)/decrease in deposits and securities	(59 065 616)	(284 800 365)
Increase/(decrease) in borrowings payable after one year	2 832 011	
Plus: Interest income included in fund balances	83 114 694	130 285 955
<i>Net cash from investing and financial activities</i>	26 881 089	(154 514 410)
Cash flows from other sources		
(Increase)/decrease in land and buildings	(239 578)	(2 099 842)
(Increase)/decrease in construction in progress	(2 890 562)	
Savings on prior periods' unliquidated obligations	(26 244 638)	21 736 740
<i>Net cash from other sources</i>	(29 374 778)	19 636 898
Net increase/(decrease) in cash	(11 053 367)	77 567 448
Cash as at 1 January 2002 and 2000	130 180 971	52 613 523
Cash as at 31 December 2003 and 2001	119 127 604	130 180 971

Statement IV

Statement of appropriations for the financial period 2002-2003

(US dollars)

Appropriation section	Amounts approved by resolution WHA54.20	Transfers between sections made by the Director-General (Note 36)	Transfers between sections as % of approved appropriations	Effective appropriations	Expenditure (Note 36)	Unobligated balance of appropriations (Note 36)
1. Communicable diseases	50 892 000	3 558 000	6.99	54 450 000	53 380 502	1 069 498
2. Noncommunicable diseases and mental health	40 170 000	318 000	0.79	40 488 000	39 682 600	805 400
3. Family and community health	33 372 000	2 796 200	8.38	36 168 200	35 491 539	676 661
4. Sustainable development and healthy environments	47 368 000	3 497 800	7.38	50 865 800	49 937 414	928 386
5. Health technology and pharmaceuticals	34 982 000	(1 976 000)	(5.65)	33 006 000	32 251 592	754 408
6. Evidence and information for policy	94 132 000	(1 456 000)	(1.55)	92 676 000	90 727 816	1 948 184
7. External relations and governing bodies	44 746 000	1 313 000	2.93	46 059 000	45 138 972	920 028
8. General management	139 459 000	1 182 000	0.85	140 641 000	137 811 724	2 829 276
9. Director-General, Regional Directors and independent functions	21 528 000	2 279 000	10.59	23 807 000	22 757 784	1 049 216
10. Country programmes	336 005 000	(11 512 000)	(3.43)	324 493 000	318 347 476	6 145 524
<i>Sub total</i>	842 654 000			842 654 000	825 527 419	17 126 581
11. From Miscellaneous income:						
11.1 Exchange rate hedging	10 000 000			10 000 000	1 873 884	8 126 116
11.2 Real Estate Fund	3 000 000			3 000 000	3 000 000	
<i>Sub total</i>	13 000 000			13 000 000	4 873 884	8 126 116
Effective working budget	855 654 000			855 654 000	830 401 303	25 252 697
12. Transfer to Tax Equalization Fund	80 000 000			80 000 000	80 000 000	
Total	935 654 000			935 654 000	910 401 303	25 252 697

Notes to the accounts

1. Statement of objectives

- 1.1 The objective of the World Health Organization, contained in Article 1 of the Constitution, is the "attainment by all peoples of the highest possible level of health".
- 1.2 In order to achieve this objective, the functions of the Organization have been established and are contained in Article 2 of the Constitution.
- 1.3 The General Programme of Work 2002-2005, approved by World Health Assembly resolution WHA54.1 provides the policy framework for the Programme Budget 2002-2003.
- 1.4 The Fifty-fourth World Health Assembly (WHA54.20) resolved to appropriate an Effective Working Budget of \$ 855.7 million for the financial period 2002-2003 and noted estimated expenditure of \$ 1 380 million to be financed from other sources.

2. Statement of accounting policies

2.1 General accounting policies

The accounting policies and financial reporting practices applied are based upon the WHO Financial Regulations and Financial Rules. Where the Regulations and Rules do not provide explicit provisions, the requirements of the United Nations System Accounting Standards (UNAS) apply. The financial statements, accompanying notes and schedules are all in accordance with the UNAS and are drawn up on the basis of the formats defined therein.

2.2 Presentation of financial statements

The financial statements, schedules, notes and accompanying tables are presented in US dollars. All assets and liabilities, including accounts receivable and payable, are maintained globally within the Organization's books of account.

2.3 Foreign currency translation

Translation into US dollars of transactions expressed in other currencies is effected at the prevailing United Nations accounting rate of exchange, as applicable at the date of the transaction. However, imprest account expenditure transactions are accounted for at the accounting rate of exchange in effect at the date expenditures are recorded in the main accounts.

Assets and liabilities held in other currencies at the end of the financial period are also translated into US dollars at the United Nations accounting rate of exchange prevailing for the month of December of the closing year. However, when significant changes occur in the exchange rates at the end of a financial period, the rates used "as at 31 December" are those in force on 1 January of the subsequent year. In the current financial period, no substantial change occurred between the exchange rates in force at the end of the financial period and those in force at 1 January 2004.

2.4 Accounting for exchange differential

Exchange rate gains and losses on the purchase and sale of currencies, in addition to the exchange differential arising from the revaluation of cash book balances, are adjusted against the funds and accounts participating in the apportionment of interest under the WHO general investment plan. All other exchange differences are accounted for within miscellaneous income.

2.5 Assessed contributions

Income from contributions from Members and Associate Members for the effective working budget 2002-2003 is recorded on the basis of assessments approved by the World Health Assembly. In accordance with Financial Regulation 7.1, pending receipt of assessed contributions, implementation of the regular budget may be financed from the Working Capital Fund and thereafter by internal borrowing against available cash reserves of the Organization, excluding Trust Funds. A provision is established for delays in collection of contributions

amounting to 100% of the assessed contributions outstanding at 31 December 2003. The total amount of the provision is shown in Schedule 3. When outstanding assessed contributions are paid in subsequent financial periods, the amounts are credited first against any outstanding internal borrowing and secondly against any borrowing from the Working Capital Fund. In accordance with Financial Regulation 8.1 (h), any payments of arrears of contributions due from Member States that are not required to repay borrowings from internal borrowing and from the Working Capital Fund are credited to Miscellaneous Income.

2.6 New and formerly inactive Members

Income from assessed contributions from new and formerly inactive Members is subject to Financial Regulation 6.12. Such income is recorded on a cash basis (i.e., as received) and is credited to Miscellaneous Income.

2.7 Tax Equalization Fund

In accordance with Health Assembly resolution WHA21.10, under which the Tax Equalization Fund was established, the assessed contributions of all Members are reduced by the income generated by the staff assessment plan. In determining the reduction of assessed contributions to be applied to the Members concerned, the Tax Equalization Fund is credited with the revenue from the staff assessment plan, the credits being recorded in the name of individual Members, in proportion to their assessments for the relevant financial period. For those Members that levy income tax on the earnings their nationals receive from WHO, the credit from the staff assessment plan is charged with the estimate of the amount to be levied by those Member States. Those amounts which have been charged are in turn used by the Organization to reimburse income tax paid by the staff concerned.

2.8 Voluntary contributions

Voluntary contributions for WHO programme activities are recorded on a cash basis (i.e., as received).

Contributions in kind or in services received by WHO, are recorded upon receipt. They are treated both as income and expenditure in the Voluntary Fund for Health Promotion where they are recorded at a fair value based on estimates provided by the donor.

2.9 Letters of credit

The funds available from donors under these facilities are recorded as income in the accounts of the Organization when actually drawn down, according to programme requirements.

2.10 Other trust funds

WHO administers other trust funds and entities that do not form part of WHO's programme activities; contributions for these trust funds and entities are recorded on a cash basis.

2.11 Revenue-producing activities

Income is recorded on a cash received basis.

2.12 Interest income

Interest earned on funds and accounts invested on a pooled basis is apportioned monthly in proportion to their capital at the end of each month. Earnings on investments made for specific funds are credited directly to the funds concerned. Interest is adjusted by the exchange differential arising from currency operations.

Interest earned and apportioned during the financial period to specific WHO accounts, trust funds and the Voluntary Fund for Health Promotion, is retained for use within those accounts and funds.

Unapportioned interest is taken up as a single receivable in the accounts and is reflected in a separate trust fund for unapportioned interest. In the 2000-2001 Financial Report, unapportioned interest was shown in Statement I.4 with Other trust funds and associated entities. In the current financial period, unapportioned interest is shown in Statement I, the Consolidated statement of income and expenditure and changes in fund balances: all sources of funds. The comparative figures for 2000-2001 in Statement I.4 have been amended accordingly.

2.13 Expenditure

Expenditure (obligations) under all funds administered by WHO for technical assistance, supply services and other WHO programmes is recorded on an accrual basis.

With the exception of some activities financed under interagency arrangements (e.g., United Nations Development Programme, United Nations Population Fund and other United Nations organizations for which WHO is executing agency) expenditure (obligations) is established in accordance with Financial Regulation IV and Financial

Rule VI. Where obligations against the aforementioned funds are provided under interagency arrangements, obligations are set up and maintained in accordance with the financial regulations of the respective funding agencies.

For other trust funds and entities administered by WHO and which do not form part of WHO's programme activities, expenditure is recorded on an accrual basis.

That part of an obligation which has not yet been paid, i.e. an outstanding liability, is shown in the balance sheet as an unliquidated obligation.

2.14 Savings on prior periods' unliquidated obligations

Unliquidated obligations relating to prior financial periods are settled during the current financial period in accordance with Financial Regulation 4.5. Variances on settlement are debited/credited to the relevant fund.

2.15 Eliminations

The international health programme incorporates programme activities under the Regular Budget and those under extrabudgetary sources of financing. In order to preserve fund integrity and for programmatic purposes, income and expenditure are recorded separately for each individual fund. However, income and expenditure are also consolidated in the Organization's accounts and financial statements to give a global picture of the costs of technical cooperation and programme delivery. Consolidation produces a duplication of income and expenditure which must be eliminated in order to reflect the net costs of programme delivery.

The same is also true for programme support costs (PSC), since PSC are recorded both as income and expenditure through the accounting for extrabudgetary funds and the Special Account for Servicing Costs.

2.16 Cash at banks and in transit and on hand

Imprest account balances only reflect disbursements recorded up to 30 November 2003 in order to ensure a consistent cut off throughout the Organization. Disbursements that have not been accounted for in the financial period will be accounted for against the liquidation of the relevant obligations and bank balances in 2004.

2.17 Deposits and securities

Funds in currencies other than US dollars are accounted at their US dollar equivalent based on the United Nations accounting rate of exchange. Securities are accounted for at current market value. Market values are determined using the market price for a particular security on the last business day of the year.

2.18 Investments

In accordance with Financial Regulation 11.1, funds not required for immediate use may be invested. All investments are carried out within the framework of investment policies approved by the Director-General. These policies are regularly reviewed by the Advisory Investment Committee, which includes external investment specialists. The Committee makes recommendations to the Director-General as and when the Committee considers it appropriate. The investment policy reflects the nature of the WHO funds, which may be held for the short-term, pending programme implementation, or for the longer term in order to meet liabilities under the Staff Health Insurance Fund and other long-term funds of the Organization. Investments are recorded at current market value and investment income is recorded on an accrual basis.

2.19 Capital assets and Members' equity in capital assets

The value of capital assets represents the cost at the time of acquisition or construction or, in the case of donated properties, the value as advised by the donor. No adjustment is made for depreciation, appreciation or fluctuations in currencies. In certain regional office locations, WHO occupies premises made available to it by the host country concerned, either at no cost or on a rental basis. The costs of improvements or extensions to such premises which have been borne by WHO are not recorded as capital assets in the accounts of the Organization but are charged to expenditure.

2.20 Non-expendable equipment

In accordance with established accounting policy, non-expendable equipment (including furniture, computers and other office equipment and motor vehicles) is charged to expenditure at cost. An inventory of non-expendable equipment is maintained and the value disclosed in note 23. The value is determined at cost or at valuation for those items where cost cannot be determined.

2.21 Working Capital Fund and Internal Borrowing

Pending the receipt of assessed contributions, implementation of the Regular Budget may be financed from the Working Capital Fund and thereafter by internal borrowing against available cash reserves of the Organization, excluding trust funds. Amounts borrowed are repaid from the collection of arrears of assessed contributions which are credited first against any internal borrowing outstanding and second against any borrowing outstanding from the Working Capital Fund.

2.22 Foreign exchange hedging

In accordance with Financial Regulation 4.4, foreign exchange hedging seeks to maintain the level of the budget, irrespective of the effect of any fluctuation of currencies against the US dollar. The amounts available for hedging are approved by the World Health Assembly for the financial period concerned. The exact method of hedging is determined in accordance with the investment policy, which specifies permitted hedging instruments: namely forward foreign exchange and option contracts. The exchange rate to be protected and prevailing market conditions are also taken into account. Costs associated with the purchase of foreign currency options are booked as expenses at the time of purchase. Gains/losses on forward contracts and any gains on option contracts are taken to income (or expenditure) when the contracts mature and are allocated to the relevant fund.

3. Tax Equalization Fund

In 2002-2003, income credited to the Tax Equalization Fund is derived as follows:

	2002-2003 (US dollars)	2000-2001 (US dollars)
Staff Assessment (Statement IV, Appropriation Section 12)	80 000 000	80 000 000
<i>Less:</i> Credits to Members	77 333 220	72 788 000
Total	2 666 780	7 212 000

4. Contribution in kind or in services

Total contribution in kind or in services in 2002-2003 amounted to \$ 80 818 030.
(\$ 214 981 139 in 2000-2001).

5. Revenue-producing activities

Revenues comprise the following:

- rentals from staff accommodation and from travel agents, which are credited to the Real Estate Fund;
- rentals from concessionaires at Headquarters, which are credited to the Special Account for Operation of Concessions at Headquarters;
- sale of WHO publications and other promotional material; and income from rights and royalties, which are credited to the Revolving Sales Fund; and
- revenue derived from patent policy is credited to the Special Account for Income Derived from Patent Policy.

6. Income from services rendered

This item refers to income from programme support costs levied against programme expenditure under extrabudgetary financed activities and fees received from the provision of administrative services to other entities. Income earned during the financial period is retained in the Special Account for Servicing Costs for use in the following financial period. Transfers to the Terminal Payments Account are also shown under this heading.

7. Foreign exchange hedging transactions arising in 2002-2003

Exchange gains arising on foreign exchange hedging contracts maturing in 2002-2003 amounted to \$ 40 860 807, of which \$ 37 888 478, has been recorded in the Regular Budget and \$ 2 972 329 in the Special Account for Servicing Costs.

Options to purchase an amount of CHF 448 000 000 at an exchange rate of 1.40 were outstanding at 31 December 2003. These contracts will only be exercised if the market rate of exchange reaches or exceeds 1.40, at the maturity of the contracts. Furthermore, options to purchase an amount of CHF 140 000 000 at an exchange rate of 1.40 will be exercised in the event that the market rate of exchange is less than 1.40, at the maturity of the contracts. At 31 December 2003, the market rate of exchange was 1.25. These option contracts have maturities at various dates during 2004.

An option obliging WHO to sell \$ 25 000 000 for an amount of DKK 175 000 000 was outstanding at 31 December 2003, to be exercised should the market rate of exchange reach DKK 7 to US\$ 1. The option lapsed in January 2004 without being exercised. Net premiums paid on these contracts, amounting to \$ 1 037 008 have been recorded as prepaid expenses as at 31 December 2003.

Unrealized net gains on these contracts amounted to \$ 13 132 276 at 31 December 2003.

Realized gains or losses on these contracts will be recorded on maturity of the contracts and applied to during 2004-2005.

8. Miscellaneous income - other

This includes:

	2002-2003 (US dollars)	2000-2001 (US dollars)
Refunds and rebates	850 387	870 136
Exchange differential	1 214 372	(2 030 381)
Sale of equipment and material	254 519	268 077
Revenue from the Swiss postal authorities	23	3 913
Underground parking operations	781 937	474 626
Total	3 101 238	(413 629)

9. Expenditure

Expenditure for WHO programme activities in Statement I, covering technical cooperation and supply services, is reported against the expenditure line "International health programme".

The expenditure line "Other purposes" relates to expenditure for non-WHO programme activities, or to funds or entities for which the Organization has administrative responsibility or with which it has some other relationship.

10. Payment of assessed contributions of prior years

Arrears of assessed contributions collected in 2002-2003 in respect of the prior financial periods have been applied as follows:

		(US dollars)
Repayments on internal borrowing	(Schedule 4)	24 628 307
Repayments of Working Capital Fund	(Schedule 4)	31 000 000
Total		55 628 307

11. Revolving Sales Fund

In accordance with Health Assembly resolution WHA55.9, this fund is credited with proceeds from the sale of publications, international certificates of vaccination, films, videos, DVD's and other information material. The related costs of production and printing are charged to the fund.

12. Special Account for Operation of Concessions at Headquarters

Established by the Director-General under the terms of the Financial Regulations, this account is credited with all amounts paid by concessionaires for space, equipment and other facilities made available by the Organization. The cost of repairs, utilities, maintenance work and replacement of equipment are charged against the account.

13. Funds under inter-organization arrangements

These represent cash drawings from the United Nations Development Programme, the United Nations Population Fund, the UN Iraq Programme under Security Council resolution 986, and other organizations and bodies of the United Nations system. Such drawings are made in order to finance activities funded by those agencies for which WHO is executing or associated agency.

Also included as income from this source are the disbursements made by the United Nations Development Programme acting as paying agent for WHO in field locations.

14. Trust funds not part of WHO's programme activities

In accordance with the Financial Regulations, the Director-General has established trust funds to record the financial operations of various programmes and entities that are not considered part of WHO's International Health Programme. The funds included are:

- Trust fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS)
- International Agency for Research on Cancer (IARC)
- Global Fund to Fight AIDS, Tuberculosis and Malaria
- International Computing Centre (ICC)

For each of these funds, detailed financial reports are issued and audit certification is made to the governing body concerned, as required.

Trust funds not part of WHO's programme activities also include WHO Staff Health Insurance (SHI)

15. Staff Health Insurance

The income of the Staff Health Insurance Fund consists of contributions received in respect of both active and retired staff (of which one-third is paid by the participants and two-thirds by the Organization) as well as interest earned on investments. In order to ensure the adequate funding of future claims from retired staff, a fixed percentage (currently 25%) of active staff contributions is set aside each year. The remaining 75% of contributions are required to meet current claims from active staff. The balance of the fund at 31 December 2003, \$ 267 615 867 is held to satisfy statutory reserves as follows:

	31 December 2003 (US dollars)	31 December 2001 (US dollars)
Settlement of outstanding claims (SHI rule 470.1)	11 441 025	9 070 287
Future costs of retired staff (SHI rule 470.2) ^{a/}	218 020 000	195 995 000
Reserve for major claims and cost of reinsurance (SHI rule 470.3)	38 154 842	18 434 831
Total	267 615 867	223 500 118

^{a/} The most recent actuarial valuation of the future cost of retired staff, dated June 2000, estimates an Accumulated Post-retirement Benefit Obligation (APBO) for retirees of \$ 224.5 million.

16. Other funds

Special Fund for Compensation

This fund was set up by the Director-General under the Financial Regulations for the payment of periodic benefits awarded to staff members under WHO compensation rules for service-incurred accidents and illnesses. It is financed by funds allocated to cover the cost of employing the staff member in question; and by the credit of benefits received from the commercial accident and illness insurance policy established for this purpose, and any interest earned.

Due to Estates of Deceased Staff Members

This figure reflects balances due on accounts of deceased members of WHO staff, pending the conclusion of legal and other succession-related formalities.

Other Trust Funds held by WHO

These funds relate to balances held on behalf of interagency and other entities for which WHO acts as trustee.

17. Foundations

This comprises foundations for which WHO holds funds in trust and is responsible for financial and administrative management. At 31 December 2003, the foundations were as follows:

- Léon Bernard Foundation
- Darling Foundation
- Dr A.T. Shousha Foundation
- Jacques Parisot Foundation
- Ihsan Dogramaci Family Health Foundation
- Dr Comlan A.A. Quenum Prize
- Professor Francesco Pocchiari Fellowship Prize
- United Arab Emirates Health Foundation
- Down Syndrome Research Prize in the Eastern Mediterranean Region.

18. Cash, deposits and securities

Cash, deposits and securities are held on behalf of the Organization, including the Voluntary Fund for Health Promotion, its special accounts and trust funds and the various foundations and entities administered by WHO.

Cash at banks, in transit and on hand represent the aggregation of all the Organization's liquid resources (including cash, bank accounts, and funds in transit) and amount to \$ 119 127 604 at 31 December 2003. Within this figure, imprest account disbursements, which have not been accounted for in the financial period, amount to \$ 41.6 million. These disbursements will be accounted for against the liquidation of the appropriate unliquidated obligations and bank balances in 2004.

Short-term fixed income portfolios in US dollars are invested in cash and high quality short dated, government, agency, and corporate bonds.

Long-term fixed income portfolios in US dollars are invested in high quality, medium and long dated, government, agency, and corporate bonds. These portfolios represent funds managed for the Staff Health Insurance Fund and the Terminal Payments Account.

Equity portfolio in US dollars

In accordance with the approved investment policy, this portfolio represents funds managed for the Staff Health Insurance Fund.

Total cash, deposits and securities as at 31 December 2003

This figure includes \$ 442 million held by WHO on behalf of UNAIDS, International Agency for Research on Cancer, International Computing Centre, Staff Health Insurance, The Global Fund to fight AIDS, Tuberculosis and Malaria, and Foundations.

The total revenue from cash, deposits and securities for the financial period 2002-2003, taking into account an amount of \$ 7 858 871 exchange differential (gain), was \$ 83 973 555 (2000-2001: \$ 131 172 633),

of which \$ 9 178 799 (2000-2001: \$ 28 859 483) related to the Regular Budget and was credited to miscellaneous income. After taking into account an amount of \$ 372 194 (2000-2001: \$ 624 917) which related to IT system services, the balance of \$ 74 422 562 (2000-2001: \$ 101 688 233) was apportioned to other funds and special accounts in accordance with Financial Regulation 11.2.

19. Letters of credit

At 31 December 2003, in addition to actual cash resources in hand, undrawn balances under letters of credit received from the United States of America amounted to \$ 111 732 402 (\$ 68 815 457 at 31 December 2001). These relate to the following activities:

The US Agency for International Development

- Voluntary Fund for Health Promotion: \$ 99 131 164
- Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS): \$ 9 840 000

The US Environmental Protection Agency

- Voluntary Fund for Health Promotion: \$ 2 761 238

20. Sundry debtors

Sundry debtors (\$ 56 265 615, as detailed below) comprise payments due from other international organizations, advances made to staff members in accordance with the regulations and rules of the Organization, guarantee deposit accounts and other debtors. This item includes certain expenses that will be charged against corresponding reserves for unliquidated obligations, or other appropriate accounts in 2004.

	31 December 2003 <i>(US dollars)</i>	<i>31 December 2001</i> <i>(US dollars)</i>
Personal accounts of WHO staff - advances	17 976 211	16 990 769
Due from other United Nations organizations and agencies, institutions, governments and ministries, firms, corporations and other entities, for goods and services provided	25 119 689	12 382 728
Clearance accounts		6 344 837
UNAIDS/UNDP Operating Fund	12 526 707	5 295 075
Other debtors	507 596	4 432 123
Guarantee deposits	135 412	114 881
Total	56 265 615	45 560 413

21. Prepaid expenses

The amount of \$ 1 365 347 (\$ 1 615 472 at 31 December 2001) represents disbursements made in respect of obligations against the next financial period and will be charged as expenditure in that period.

22. Capital assets and Members' equity in capital assets

These assets represent WHO properties at headquarters and in regional office locations. WHO has either purchased or constructed the properties or has received them as donations. The land upon which buildings have been erected is either owned by the Organization or has been made available by the host country concerned, at no cost or at a nominal annual ground rent.

The cost of land and buildings at each location comprises the following:

WHO offices	2002 - 2003		31 December 2003	31 December 2001
	Additions	Retirements	(US dollars)	(US dollars)
Location				
<i>Headquarters</i>			41 597 370	41 597 370
<i>Regional Office for Africa</i>				
Regional Office			7 012 106	7 012 106
Africa Region - other			1 249 634	1 249 634
<i>Total: Regional Office for Africa</i>			8 261 740	8 261 740
<i>Regional Office for South-East Asia</i>			1 483 295	1 483 295
<i>Regional Office for the Eastern Mediterranean</i>				
Regional Office			12 019 834	12 019 834
Eastern Mediterranean Region - other			68 369	68 369
<i>Total: Regional Office for the Eastern Mediterranean</i>			12 088 203	12 088 203
<i>Regional Office for the Western Pacific</i>	239 578		3 696 336	3 456 758
Total	239 578		67 126 944	66 887 366

23. Non-expendable equipment

The total value at 31 December 2003 was \$ 125 696 779 (\$ 98 348 194 at 31 December 2001).

24. Members' contributions received in advance

At 31 December 2003 some Members had, either in full or in part, made advance payments against their Regular Budget contributions for 2004 and future years. In addition, certain Members had received credits against assessed contributions for the current biennium, which will be offset against future assessments. In total, contributions paid in advance at 31 December 2003 amounted to \$ 46 685 427.

25. Unliquidated obligations

Programme activities	31 December 2003 (US dollars)	31 December 2001 (US dollars)
WHO Programme Activities		
Regular Budget	50 862 686	82 011 578
Other WHO funds	11 809 283	11 615 284
Voluntary Fund for Health Promotion	107 219 907	109 060 477
Inter-organization arrangements	11 626 302	2 171 416
Trust funds	35 453 367	77 379 704
<i>Total Unliquidated obligations - WHO programme activities</i>	216 971 545	282 238 459
Non-WHO Programme Activities		
Trust Fund for the Joint United Nations Programme on HIV/AIDS	15 937 264	66 689 082
International Computing Centre	2 494 776	1 620 541
The Global Fund to fight AIDS, Tuberculosis and Malaria	11 846 657	
<i>Total Unliquidated obligations - Non-WHO programme activities</i>	30 278 697	68 309 623
Total	247 250 242	350 548 082

26. Accounts payable and deferred income

	31 December 2003 (US dollars)	31 December 2001 (US dollars)
Accounts payable		
Personal accounts of WHO staff – proceeds of claims and other amounts due	3 522 304	3 951 152
Due to other United Nations organizations and agencies, institutions, government ministries, firms, corporations and other entities, for goods and services received	5 479 403	12 257 332
Due to United Nations Joint Staff Pension Fund for contributions and other payments outstanding	1 063 607	9 109 543
UNAIDS/UNDP Operating Fund	12 514 964	5 014 259
Clearance accounts	31 082 541	5 803 250
<i>Total accounts payable</i>	53 662 819	36 135 536
Deferred income		
Advance payment by Members of benefit from the use of Miscellaneous Income to complement the amounts payable as assessed contributions for 2002 and 2003 under resolution WHA54.17		2 436 323
Total accounts payable and deferred income	53 662 819	38 571 859

27. Construction in progress and loan from the Swiss Confederation

The World Health Assembly, in resolutions WHA55.8 and WHA56.13, authorized the Director-General to proceed with the construction of a new building at headquarters for WHO and UNAIDS at a cost estimated at CHF 66 000 000, of which WHO's share was estimated at CHF 33 000 000. The Swiss Confederation has agreed to provide an interest-free loan to WHO and UNAIDS of CHF 59 800 000 of which WHO's share is CHF 29 900 000. The Assembly also approved the use of the Real Estate Fund for the repayment over a 50-year

period of WHO's share of the interest-free loan provided by the Swiss Confederation with effect from the first year of the completion of the building.

The amount of Construction in Progress reflects expenditure incurred on the building up to 31 December 2003.

28. Holding Account

This account holds funds appropriated by the Health Assembly for a future financial period. Two World Health Assembly resolutions, WHA54.20 and WHA55.7, appropriated \$ 718 882 and \$ 21 976 333 of Miscellaneous Income respectively. The total of these funds, \$ 22 695 215, was used to meet payments under the financial incentive scheme, in accordance with Financial Regulation 6.5 and Health Assembly resolution WHA41.12.

29. United Nations Joint Staff Pension Fund

WHO is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF) which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the Organization to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. At the time of this report United Nations General Assembly had not invoked this provision.

30. Administrative waivers, amounts written-off, cases of fraud, ex-gratia payments

During 2002-2003, there were three administrative waivers for \$ 11 915, ten cases of amounts written-off totalling \$ 474 344, one case of fraud for \$ 64 706 and five ex-gratia payments for \$ 27 521. In addition, further cases have been reported and these are being investigated.

31. Contingent liabilities

At 31 December 2003, there were pending legal proceedings against the Organization concerning two accidents involving WHO vehicles. In addition, there are several claims that are currently being processed; they involve a rental issue at a two offices, an alleged contractual obligation, alleged unpaid fuel invoices, and alleged obligations due to two former staff members. These claims are not deemed to be of material significance. Finally, there were outstanding personnel matters before the ILO Administrative Tribunal. These are currently being contested by the Organization. The legal proceedings have not progressed sufficiently to determine the extent of any liability of the Organization with any degree of certainty.

32. Voluntary Fund for Health Promotion

In accordance with the Director-General's decision of August 2001 to merge the Noncommunicable Diseases cluster and the Social Change and Mental Health cluster, resulting in the formation of the Noncommunicable Diseases and Mental Health cluster, the balances as at 31 December 2001 from the Noncommunicable Diseases cluster of \$ 7 617 394 and the Social Change and Mental Health cluster of \$ 45 673 761 were transferred to the Noncommunicable Diseases and Mental Health cluster on 1 January 2002.

33. Fund balances

	31 December 2003 (US dollars)	31 December 2001 (US dollars)
Revolving Fund for Teaching and Laboratory Equipment (RFTLE)	400 000	400 000
Special Account for Concessions at Headquarters (SACH)	4 036 186	3 830 903
Special Account for Income Derived from Patent Policy (SAIDPP)	3 910	3 290
Special Account for the WHO Renewal Fund (SARF)		
Total	4 440 096	4 234 193

34. Security Fund

The Security Fund was established in 2002-2003 to meet the requirements of United Nations General Assembly resolution 55/238(II). This resolution requested the Secretary-General to develop, in coordination with the executive heads of the United Nations specialized agencies, funds and programmes, an effective mechanism for cost-sharing arrangements for the proposals set forth in the Secretary-General's report on the safety and security of United Nations personnel.

In view of the increased importance attached to the provision of security for WHO staff, in accordance with Financial Regulation 9.3, the Director-General established a security fund to record the income and expenditure related to provision of security coordination both through reimbursement of WHO's share of the United Nations systems' costs and those pertaining to the Secretariat. The security fund is financed by \$ 4 128 000 from regular budget allocations for headquarters and the regions, and \$ 4 060 000 from other sources (the Special Account for Servicing Costs). Costs pertain to the provision of security services for staff in all locations who are engaged in work that is funded by both the regular budget and other sources.

35. Information Technology Fund

The Information Technology Fund was established in 2002-2003 by the Director-General under Financial Regulation 9.3 to meet the current and future administrative information requirements of the Organization. This fund may be financed by way of appropriation from the regular budget and from other sources (the Special Account for Servicing Costs). This financing reflects the fact that the systems will support management of programmes funded by both the regular budget and extrabudgetary contributions.

36. Statement of appropriations for the financial period 2002-2003

Transfers from the regular budget

Expenditure figures for this period include transfers from the Regular Budget of \$ 2 262 668 to the UNDP/World Bank/WHO Trust Fund for the Special Programme for Research and Training in Tropical Diseases; of \$ 249 985 to the Onchocerciasis Control Programme; of \$ 100 000 to the African Programme for Onchocerciasis Control; of \$ 3 000 000 to the Real Estate Fund; and of \$ 4 128 000 to the Security Fund.

Unobligated balance of appropriations

The unobligated balance of regular budget appropriations at the end of the financial period could either be funded in part, in total or not at all depending on the extent to which assessed contributions have been collected. Any funded part of the unobligated balance of regular budget appropriations is credited to miscellaneous income. The unfunded part of the unobligated balance of regular budget appropriations represents the amount of the Effective Working Budget that cannot be implemented. The unfunded part is credited to miscellaneous income only when the underlying outstanding assessed contributions are collected. At 31 December 2003, the unobligated balance of regular budget appropriations of \$ 17 126 581 was all unfunded.

Transfers between sections of the Appropriation Resolution

Paragraph 4.C of the Appropriation Resolution for the financial period 2002-2003 (resolution WHA54.20) states that "Notwithstanding the provisions of Financial Regulation 4.3, the Director-General is authorized to make transfers between appropriation sections 1 to 10 of the effective working budget up to an amount not exceeding 10% of the amount appropriated for the section from which the transfer is made. All such transfers shall be reported in the financial report for the financial period 2002-2003. Any other transfers required shall be made and reported in accordance with the provisions of Financial Regulation 4.3".

All transfers between appropriation sections made by the Director-General during the 2002-2003 biennium were within the authority granted under the Appropriation Resolution and were effected in order to meet changing programme needs. However, an additional requirement under one allocation in a given section may be frequently offset by a reduced requirement under another allocation in the same appropriation section, thereby avoiding the need for a transfer. The regular budget transfers made in the course of the implementation of the 2002-2003 programme budget are summarized as follows:

<i>(US dollars)</i>		
Appropriation Section 1 - Communicable Diseases		
<i>Increases:</i>		
African Region	Various priority programmes and activities	1 059 000
South-East Asia Region	Priority activities including SARS activities	649 000
European Region	Priority areas including the Health Evidence Network	146 000
Western Pacific Region	SARS activities as well as new activities in dengue prevention and control, and control of other parasitic diseases	1 310 000
Global and interregional	SARS activities	911 000
<i>Decrease:</i>		
Eastern Mediterranean Region	Reallocation to priority activities due to staff cost savings	(517 000)
<i>Net increase:</i>		<u>3 558 000</u>
 Appropriation Section 2 - Noncommunicable Diseases and Mental Health		
<i>Increases:</i>		
South-East Asia Region	Implementation of the High-Level Task Force (HLTF) recommendations towards priority activities under intercountry programmes	817 000
European Region	Increased staff costs	56 000
Eastern Mediterranean Region	Revised requirements and strengthening of intercountry programme	119 000
Global and interregional	Minor adjustment	9 000
<i>Decreases:</i>		
African Region	Efficiency shifts to priority areas	(333 000)
Western Pacific Region	Cost savings and efficiency shifts	(350 000)
<i>Net increase:</i>		<u>318 000</u>

(US dollars)

Appropriation Section 3 - Family and Community Health

Increases:

African Region	Due to regional office move	439 000
South-East Asia Region	Implementation of the High-Level Task Force (HLTF) recommendations towards priority activities under intercountry programmes	1 183 000
Western Pacific Region	New harm reduction activity	100 000
Global and interregional	Shifts to priority activities notably HIV/AIDS	2 294 000

Decreases:

European Region	Strengthening of country presence	(301 800)
Eastern Mediterranean Region	Organizational structure changes and redistribution of staff costs	(918 000)

Net increase: 2 796 200

Appropriation Section 4 - Sustainable Development and Healthy Environments

Increases:

African Region	Regional office move and shifts to priority activities	1 872 000
South-East Asia Region	Implementation of the High-Level Task Force (HLTF) recommendations towards priority activities under intercountry programmes	776 000
Eastern Mediterranean Region	Country contribution to Regional Centre for Environmental Health activities and strengthening of intercountry programme	2 299 000
Western Pacific Region	New activities in the areas of food safety and nutrition	304 000

Decreases:

European Region	Strengthening of country presence	(231 200)
Global and interregional	Shifts to priority activities and implementation of structural changes	(1 522 000)

Net increase: 3 497 800

Appropriation Section 5 - Health Technology and Pharmaceuticals

Increases:

South-East Asia Region	Implementation of the High-Level Task Force (HLTF) recommendations towards priority activities under intercountry programmes	131 000
European Region	To accommodate staff costs and strengthen WHO presence in the region	71 000
Western Pacific Region	To accommodate new activities in blood safety and clinical technology and essential medicines	430 000

Decreases:

African Region	Reprogramming of savings in the regional office	(385 000)
Eastern Mediterranean Region	Organizational structure changes and redistribution of staff costs	(448 000)
Global and interregional	Shifts to priority activities and implementation of structural changes	(1 775 000)

Net decrease: (1 976 000)

(US dollars)

Appropriation Section 6 - Evidence and Information for Policy*Increases:*

South-East Asia Region	Shifts to priority activities	54 000
Eastern Mediterranean Region	Strengthening of intercountry programme	320 000
Global and interregional	Shifts to implement reorganization of departments	266 000

Decreases:

African Region	Efficiency shifts to priority areas	(655 000)
European Region	Savings reprogrammed to strengthen WHO presence in countries	(721 000)
Western Pacific Region	Savings on staff costs reprogrammed to fund priority activities	(720 000)

Net decrease: (1 456 000)

Appropriation Section 7 - External Relations and Governing Bodies*Increases:*

African Region	Regional office move and shifts to priority programmes	1 208 000
European Region	Strengthening WHO presence in countries	205 000
Eastern Mediterranean Region	Organizational structure changes and redistribution of staff costs and meetings	1 731 000

Decreases:

South-East Asia Region	Savings on staff costs redeployed to priority programmes	(537 000)
Western Pacific Region	Savings on staff costs redeployed to priority programmes	(290 000)
Global and interregional	Shifts in implementing organizational changes in departments	(1 004 000)

Net increase: 1 313 000

Appropriation Section 8 - General Management*Increases:*

African Region	Regional office move, notably security and informatics costs	3 493 000
South-East Asia Region	Organizational structure changes and redistribution of staff costs	389 000

Decreases:

European Region	Strengthening of WHO presence in countries	(1 037 000)
Eastern Mediterranean Region	Organizational structure changes and redistribution of staff costs	(704 000)
Western Pacific Region	Cost control and staff cost savings	(564 000)
Global and interregional	Shifts in implementing organizational changes in departments, partly offset by regional contribution towards WHO security costs	(395 000)

Net increase: 1 182 000

(US dollars)

Appropriation Section 9 - Director-General, Regional Directors and Independent Functions

Increases:

African Region	Shifts to priority activities	150 000
South-East Asia Region	Implementation of the High-Level Task Force (HLTF) recommendations towards priority activities under intercountry programmes	182 000
European Region	Strengthening WHO presence in the region	45 000
Global and interregional	Priority activities and implementation of structural changes	2 224 000

Decreases:

Eastern Mediterranean Region	Shifts to priority activities, especially at country level	(102 000)
Western Pacific Region	Shifts to priority areas	(220 000)

Net increase: 2 279 000

Appropriation Section 10 – Country Programmes

Increase:

European Region	Strengthening of WHO presence in countries	1 768 000
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Decreases:

African Region	Regional office move, as well as priority activities	(6 848 000)
South-East Asia Region	Implementation of the High-Level Task Force (HLTF) recommendations towards priority activities under intercountry programmes	(3 644 000)
Eastern Mediterranean Region	Shifts to regional priority activities	(1 780 000)
Global and interregional	Shift of country level contribution towards WHO security costs	(1 008 000)

Net decrease: (11 512 000)

Overall net transfer: -

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Schedule 1(a)

**Cash, deposits and securities
as at 31 December 2003**

(US dollars)

Funds in currencies other than US dollars are accounted at their US dollar equivalent based on the United Nations accounting rate of exchange. Securities are accounted at current market value.

	2003	2001
Cash at banks, in transit and on hand		
Headquarters	54 312 881	76 769 646
Regional Offices	64 814 723	53 411 325
<i>Total cash at banks</i>	119 127 604	130 180 971
Deposits		
Deposits and call accounts in US dollars	639 901 603	749 471 246
Securities		
Short-term fixed income portfolios in US dollars	517 460 266	369 885 964
Long-term fixed income portfolios in US dollars	176 058 649	134 817 160
Long-term fixed income portfolios in Swiss Francs		22 358 993
Equity portfolio in US dollars	9 109 135	6 930 674
<i>Total securities</i>	702 628 050	533 992 791
Total cash, deposits and securities as at 31 December 2003 and 31 December 2001 (Note 18)	1 461 657 257	1 413 645 008

Schedule 1(b)**Cash, deposits and securities by sources of funds
as at 31 December 2003**

(US dollars)

	2003	2001
Unliquidated obligations		
<i>WHO programme activities</i>		
Inter-organization arrangements	7 044 454	21 981 432
Other WHO funds	11 876 268	11 615 284
Regular Budget	50 862 686	82 011 578
Trust funds	51 814 887	57 569 688
Voluntary Fund for Health Promotion	107 219 907	109 060 477
<i>Sub total</i>	228 818 202	282 238 459
<i>Non-WHO programme activities</i>		
International Computing Centre (ICC)	2 494 776	1 620 541
UNAIDS ^{a/}	15 937 264	66 689 082
<i>Sub total</i>	18 432 040	68 309 623
<i>Total unliquidated obligations</i>	247 250 242	350 548 082
Trust Funds		
Inter-organization arrangements	(10 976 378)	3 932 240
WHO programme activities	69 998 782	49 717 971
Non-WHO programme activities	447 610 517	327 811 242
<i>Total trust funds</i>	506 632 921	381 461 453
Voluntary Fund for Health Promotion	455 885 251	443 766 060
Internal borrowing	(1 743 968)	(24 628 307)
Other WHO funds		
Miscellaneous Income	9 799 857	
Casual Income Account	(58 019)	47 652 974
Holding Account		13 395 523
Real Estate Fund	1 038 417	557 442
Security Fund	1 466 439	
Revolving Fund for Teaching and Laboratory Equipment	400 000	400 000
Special Account for Operation of Concessions at Headquarters	4 036 186	3 830 903
Special Account for Income Derived from Patent Policy	3 910	3 290
Revolving Sales Fund	6 474 089	500 000
Information Technology Fund	1 950 402	
Special Account for Servicing Costs	136 103 412	140 796 882
Tax Equalization Fund	1 777 430	6 607 610
Terminal Payments Account	52 910 872	38 578 909
<i>Total other WHO funds</i>	215 902 995	252 323 533
Accounts payable and receivable		
Accounts payable and deferred income	53 662 817	38 571 859
Accounts receivable and prepaid expenses	(62 559 877)	(63 566 292)
<i>Total accounts payable and receivable</i>	(8 897 060)	(24 994 433)
Construction in Progress	(2 890 562)	
Members' contributions received in advance	46 685 427	35 168 620
Borrowings payable after one year	2 832 011	
Total cash, deposits and securities	1 461 657 257	1 413 645 008

^{a/} Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS)

Schedule 2

Income and expenditure for the effective working regular budget for 2002-2003

(US dollars)

	Actual	Budget
Income:		
Members' net assessments (Schedule 3), Note (a)	795 192 916	795 192 916
Less: Provision for delays in collection of assessed contributions (Schedule 3)	49 908 250	
Contributions collected	745 284 666	795 192 916
(Includes amounts credited under the financial incentive scheme - Financial Regulation 6.5)		
Less: Amounts transferred to Tax Equalization Fund, Note (b)	2 666 780	2 666 780
Contributions collected for the effective working budget	742 617 886	792 526 136
Plus: Reimbursement of programme support costs by the United Nations Development Programme (resolution WHA54.20)	500 000	500 000
World Health Assembly Appropriations:		
resolution WHA53.5 Casual income/Financial incentive scheme	6 012 373	6 012 373
resolution WHA54.8 Casual income/Financial incentive scheme	6 883 150	6 883 150
resolution WHA54.17 Miscellaneous income/assessments	36 153 017	36 153 017
resolution WHA54.20 Miscellaneous income/Real Estate Fund	3 000 000	3 000 000
Hedging operations	1 911 600	10 000 000
resolution WHA56.12 Revised contributions for Afghanistan and Argentina	579 309	611 135
Adjustment		(31 811)
Total income for the effective working budget	797 657 335	855 654 000
Expenditure:		
Expenditure for the effective working budget (Statement IV, Appropriation sections 1 to 11), Note (c)	830 401 303	855 654 000
Excess of expenditure over income	32 743 968	-
Financed from:		
- the Working Capital Fund	31 000 000	
- Internal borrowing	1 743 968	-

Notes:

(a) Assessed contributions for 2002-2003	795 192 916	100.00%
Contributions collected:		
in 2002	359 900 941	45.26%
in 2003	385 383 725	48.46%
Total (Schedule 3)	745 284 666	93.72%
Shortfall in collection of contributions for 2002-2003	49 908 250	6.28%
(b) Transfer to Tax Equalization Fund (Appropriation section 12)	80 000 000	
Less: Credits to Members	77 333 220	
Amounts transferred to Tax Equalization Fund to meet Income Tax reimbursements	2 666 780	
(c) Effective appropriations (Statement IV)	855 654 000	
Less: Expenditure	830 401 303	
Unobligated balance of appropriations (Statement IV)	25 252 697	

*Schedule 3***Assessed contributions – 2002-2003
and prior financial periods***(US dollars)*

Members , including Associate Members	2002-2003 assessments			Assessments of prior financial periods			Total outstanding
	Net Assessments	Collected during 2002-2003	Balance outstanding 31 December 2003	Balance outstanding 1 January 2002	Collected or adjusted during 2002-2003	Balance outstanding 31 December 2003	
Assessed Members							
Afghanistan	16 845		16 845	243 030		243 030	259 875
Albania	24 544	24 544					
Algeria	578 222	578 222					
Andorra	32 655	32 655					
Angola	14 204	14 204		40 735	40 735		
Antigua and Barbuda	16 844		16 844	199 254		199 254	216 098
Argentina	8 624 134		8 624 134	13 337 490		13 337 490	21 961 624
Armenia	16 844		16 844	2 496 150	16 844	2 479 306	2 496 150
Australia	12 064 413	12 064 413					
Austria	7 808 921	5 762 482	2 046 439	2 667 235	2 667 235		2 046 439
Azerbaijan	33 685	16 842	16 843	4 277 430	283 158	3 994 272	4 011 115
Bahamas	96 955	96 955					
Bahrain	139 666	139 666					
Bangladesh	81 824	81 824					
Barbados	68 113	68 113					
Belarus	160 005		160 005	872 515	637 045	235 470	395 475
Belgium	9 048 639	9 048 639		833 120	833 120		
Belize	8 211	8 211					
Benin	16 374	16 374		76	76		
Bhutan	8 261	8 261					
Bolivia	59 972	31 474	28 498	28 105	28 105		28 498
Bosnia and Herzegovina	33 235	33 235		235 095	235 095		
Botswana	82 894	82 894					
Brazil	12 829 865	3 109 060	9 720 805	5 976 359	5 976 359		9 720 805
Brunei Darussalam	176 568	176 568					
Bulgaria	91 280	91 280					
Burkina Faso	16 404	16 404					
Burundi	8 421		8 421	4 235	3 510	725	9 146
Cambodia	8 381	8 381					
Cameroon	73 911	63 863	10 048				10 048
Canada	20 549 948	20 549 948					
Cape Verde	8 101	8 101		8 256	8 256		
Central African Republic	8 421		8 421	147 840		147 840	156 261
Chad	8 421		8 421	243 586	26 934	216 652	225 073
Chile	1 177 439	928 400	249 039	109 068	109 068		249 039
China	8 586 819	8 586 819					
Colombia	952 693	113 440	839 253	437 190	437 190		839 253
Comoros	8 421		8 421	449 467	12 426	437 041	445 462
Congo ^{a/}	(381 629)	(381 629)					
Cook Islands	8 361	8 361					
Costa Rica	135 352	67 659	67 693	54 630	54 630		67 693
Côte d'Ivoire	74 571	74 571					
Croatia	247 373	247 373					
Cuba	200 534	200 534		227 892	227 892		
Cyprus	274 194	274 194					

Schedule 3 (continued)

Members , including Associate Members	2002-2003 assessments			Assessments of prior financial periods			Total outstanding
	Net assessments	Collected during 2002-2003	Balance outstanding 31 December 2003	Balance outstanding 1 January 2002	Collected or adjusted during 2002-2003	Balance outstanding 31 December 2003	
Czech Republic	921 639	921 639					
Democratic People's Republic of Korea	71 051	71 051					
Democratic Republic of the Congo	33 685	33 470	215	108 882	108 882		215
Denmark	5 605 952	5 605 952					
Djibouti	8 421		8 421	37 600	8 411	29 189	37 610
Dominica	8 121	4 441	3 680				3 680
Dominican Republic	134 741		134 741	957 988		957 988	1 092 729
Ecuador	173 689	173 689					
Egypt	537 866	537 866					
El Salvador	105 631	105 631					
Equatorial Guinea	8 421	8 421					
Eritrea	8 181	8 181					
Estonia	80 464	80 464					
Ethiopia	32 115	32 115					
Fiji	32 625	32 625					
Finland	4 203 271	4 203 271					
France	53 608 676	53 608 676					
Gabon	117 809	64 654	53 155	149 985	149 985		53 155
Gambia	8 421	8 421					
Georgia	42 106		42 106	4 386 580		4 386 580	4 428 686
Germany	80 621 606	80 621 606					
Ghana	41 926	41 926		28 885	28 885		
Greece	3 016 977	3 016 977					
Grenada	8 421	8 421		2 413	2 413		
Guatemala	156 005	156 005					
Guinea	25 264		25 264	56 246	56 246		25 264
Guinea-Bissau	8 421		8 421	205 589		205 589	214 010
Guyana	8 371	8 371		201	201		
Haiti	16 424	16 424					
Honduras	26 167	26 167					
Hungary	961 448	961 448					
Iceland	253 493	253 493					
India	2 471 593	2 471 593					
Indonesia	1 560 128	1 560 128		1 196 780	1 196 780		
Iran (Islamic Republic of)	1 408 465	640 000	768 465	829 720	829 720		768 465
Iraq	333 694		333 694	5 422 107		5 422 107	5 755 801
Ireland	1 868 041	1 868 041					
Israel	2 887 831	2 824 866	62 965	108 860	108 860		62 965
Italy	41 602 478	41 165 099	437 379				437 379
Jamaica	32 245	32 245					
Japan	159 935 057	159 935 057					
Jordan	51 843	51 843					
Kazakhstan	235 798		235 798	5 160 159	780 704	4 379 455	4 615 253
Kenya	59 932	59 932					
Kiribati	8 281	330	7 951				7 951
Kuwait	1 045 769	1 045 769					

Schedule 3 (continued)

Members , including Associate Members	2002-2003 assessments			Assessments of prior financial periods			Total outstanding
	Net assessments	Collected during 2002-2003	Balance outstanding 31 December 2003	Balance outstanding 1 January 2002	Collected or adjusted during 2002-2003	Balance outstanding 31 December 2003	
Kyrgyzstan	8 421		8 421	1 220 637		1 220 637	1 229 058
Lao People's Democratic Republic	11 041	11 041					
Latvia	81 944	81 944		593 895	247 295	346 600	346 600
Lebanon	100 405	98 239	2 166				2 166
Lesotho	7 941	7 941					
Liberia	8 421		8 421	331 682		331 682	340 103
Libyan Arab Jamahiriya	555 807	485 259	70 548	865 410	865 410		70 548
Lithuania	128 305	128 167	138				138
Luxembourg	559 110	559 110					
Madagascar	24 854	24 854					
Malawi	16 354	16 354					
Malaysia	1 527 178	1 527 178					
Maldives	8 211	8 211					
Mali	16 694	16 694		912	912		
Malta	114 931	114 931					
Marshall Islands	8 371	8 371					
Mauritania	8 421	8 421					
Mauritius	75 317	75 317					
Mexico	8 291 399	8 291 399					
Micronesia (Federated States of)	8 201	8 201					
Monaco	32 605	32 605					
Mongolia	7 951	7 951					
Morocco	330 243	330 243					
Mozambique	8 201	8 201					
Myanmar	65 200	65 200					
Namibia	57 389	57 389					
Nauru	8 421		8 421	86 820		86 820	95 241
Nepal	33 205	33 205					
Netherlands	13 198 866	13 198 866					
New Zealand	1 789 875	1 789 875					
Nicaragua	8 421	8 421					
Niger	8 421		8 421	226 253	10 644	215 609	224 030
Nigeria	286 324	262 444	23 880	1 129 995	1 129 995		23 880
Niue	8 341	8 341					
Norway	4 929 489	4 929 489					
Oman	418 876	418 876					
Pakistan	488 042	247 963	240 079	246 442	246 442		240 079
Palau	8 291	8 291					
Panama	114 541	66 375	48 166	8 200	8 200		48 166
Papua New Guinea	50 049	27 880	22 169				22 169
Paraguay	119 784		119 784	136 309	77 695	58 614	178 398
Peru	837 921		837 921	1 053 084	649 860	403 224	1 241 145
Philippines	693 217	452 862	240 355	85 810	85 810		240 355
Poland	1 726 687	1 571 594	155 093				155 093
Portugal	3 547 648	3 547 648		1 740 100	1 740 100		
Puerto Rico	8 421		8 421				8 421

Schedule 3 (continued)

Members , including Associate Members	2002-2003 assessments			Assessments of prior financial periods			Total outstanding
	Net assessments	Collected during 2002-2003	Balance outstanding 31 December 2003	Balance outstanding 1 January 2002	Collected or adjusted during 2002-2003	Balance outstanding 31 December 2003	
Qatar	264 605	264 605					
Republic of Korea	8 973 567	8 973 567					
Republic of Moldova	16 844		16 844	2 924 589		2 924 589	2 941 433
Romania	451 661	451 661					
Russian Federation	9 052 357	9 052 357					
Rwanda	8 271	8 271					
Saint Kitts and Nevis	8 271	8 271					
Saint Lucia	9 364		9 364	7 480		7 480	16 844
Saint Vincent and the Grenadines	8 411	8 411					
Samoa	8 181	8 181					
San Marino	16 404	16 404					
Sao Tome and Principe	8 261	8 261					
Saudi Arabia	4 540 245	4 540 245					
Senegal	42 106	42 106		7 095	7 095		
Serbia and Montenegro	168 426	84 213	84 213	102 310	102 310		84 213
Seychelles	16 804	16 804					
Sierra Leone	8 421	8 421					
Singapore	1 657 232	1 657 232					
Slovakia	284 636	284 636					
Slovenia	524 942	524 942					
Solomon Islands	8 421		8 421	12 500	9 350	3 150	11 571
Somalia	8 421		8 421	383 223		383 223	391 644
South Africa	2 999 181	2 999 181					
Spain	20 380 266	20 380 266					
Sri Lanka	102 247	102 247					
Sudan	49 789	26 059	23 730	925	925		23 730
Suriname	16 844		16 844	90 990		90 990	107 834
Swaziland	16 574	16 574					
Sweden	8 266 790	8 266 790					
Switzerland	9 804 776	9 804 776					
Syrian Arab Republic	545 198	545 198		258 890	258 890		
Tajikistan	8 421		8 421	738 543	131 940	606 603	615 024
Thailand	1 446 930	1 446 930		654	654		
The Former Yugoslav Republic of Macedonia	35 771	17 886	17 885	16 250	16 250		17 885
Togo	8 421		8 421	15 078	5 514	9 564	17 985
Tokelau	8 421	8 421		39 700	39 700		
Tonga	8 211	8 211					
Trinidad and Tobago	133 270	133 270					
Tunisia	223 913	223 913					
Turkey	3 592 980	3 592 980					
Turkmenistan	25 264		25 264	1 199 410		1 199 410	1 224 674
Tuvalu	8 291	8 291		700	700		
Uganda	30 825	30 825					
Ukraine	437 908		437 908	35 771 530	3 900 000	31 871 530	32 309 438
United Arab Emirates	1 470 960	1 470 960					

Schedule 3 (continued)

	2002-2003 assessments			Assessments of prior financial periods			Total
	Net	Collected	Balance	Balance	Collected or	Balance	
Members , including Associate Members	assessments	during 2002-2003	outstanding 31 December 2003	outstanding 1 January 2002	adjusted during 2002-2003	outstanding 31 December 2003	outstanding
United Kingdom of Great Britain and Northern Ireland	41 338 018	41 338 018					
United Republic of Tanzania	22 324	22 324					
United States of America	187 229 391	165 588 105	21 641 286	33 415 839	33 415 839		21 641 286
Uruguay	429 920		429 920	412 580	249 610	162 970	592 890
Uzbekistan	92 295	51 899	40 396	41 605	41 605		40 396
Vanuatu	8 381	8 381					
Venezuela	1 359 279		1 359 279	718 608	718 608		1 359 279
Viet Nam	63 566	63 566					
Yemen	26 249	26 249		3 677	3 677		
Zambia	16 354	16 354					
Zimbabwe	64 410	64 410					
Total - Assessed Members	795 192 916	745 284 666	49 908 250	135 428 478	58 833 795	76 594 683	126 502 933
New and formerly inactive Members							
Belarus ^{b/}				817 524	210 985	606 539	606 539
Democratic Republic of Timor-Leste	5 266	4 290	976				976
Ukraine ^{b/}				4 882 650		4 882 650	4 882 650
Total - new and formerly inactive Members	5 266	4 290	976	5 700 174	210 985	5 489 189	5 490 165
Former Members							
Yugoslavia (up to 2001)				5 532 592		5 532 592	5 532 592
Total - all Members	795 198 182	745 288 956	49 909 226	146 661 244	59 044 780	87 616 464	137 525 690

^{a/} The negative assessment of \$381 629 for 2002-2003 shown for Congo arises from tax equalization fund credits due to that Member.

^{b/} In addition to the unbudgeted amounts due from Belarus and Ukraine shown under the heading "New and formerly inactive Members", these members also owe budgeted contributions, as indicated in this schedule under "Assessed Members".

Schedule 4

**Working Capital Fund and internal borrowing
as at 31 December 2003**

(US dollars)

In accordance with Financial Regulation VII, pending the receipt of assessed contributions, implementation of the Regular Budget may be financed from the Working Capital Fund and thereafter by internal borrowing against available cash reserves of the Organization, excluding Trust Funds.

Amounts borrowed are repaid from the collection of arrears of assessed contributions and are credited first against any internal borrowing outstanding and second against any borrowing outstanding from the Working Capital Fund.

Resolution WHA48.21 established the level of the Working Capital Fund at USD 31 000 000.

	2002-2003		2000-2001	
	Working Capital Fund	Internal borrowing	Working Capital Fund	Internal borrowing
Opening balance as at:				
1 January 2002/1 January 2000	0	(24 628 307)	0	(63 110 688)
Repayments				
Transfer from casual income: (resolutions WHA53.5 and WHA54.8)			17 901 551	
Collection of arrears of assessed contributions	31 000 000	24 628 307	11 657 135	63 110 688
<i>Total - Repayments</i>	31 000 000	24 628 307	29 558 686	63 110 688
<i>Sub-total</i>	31 000 000	0	29 558 686	0
Withdrawals				
Financing of Regular Budget pending receipt of assessed contributions	31 000 000	1 743 968	29 558 686	24 628 307
Closing balance as at:				
31 December 2003/31 December 2001 (Statement I)	0	(1 743 968)	0	(24 628 307)
Total borrowing as at:				
31 December 2003/31 December 2001				
Working Capital Fund	31 000 000		31 000 000	
Internal Borrowing	1 743 968		24 628 307	
Total	32 743 968		55 628 307	

Schedule 5

Voluntary Fund for Health Promotion (VFHP)
Summary of 2002-2003 income and expenditure by Headquarters' clusters,
WHO regional offices and Onchocerciasis Control Programme
as at 31 December 2003

(US dollars)

The operation of this Fund is governed by World Health Assembly resolution WHA29.31.

Cluster/Office	Balance 1 January 2002	Contributions 2002-2003	Interest, adjustments and refunds 2002-2003	Expenditure 2002-2003	Balance 31 December 2003
Special Account for Miscellaneous Designated Contributions (Other)					
Communicable Diseases	75 965 959	210 916 780	6 043 353	216 959 797	75 966 295
Family and Community Health	34 336 295	61 255 014	243 457	65 948 869	29 885 897
Sustainable Development and Healthy Environments	41 615 446	111 921 198	971 293	100 520 732	53 987 205
Health Technology and Pharmaceuticals	136 837 299	229 498 419	6 688 146	282 516 025	90 507 839
Evidence and Information for Policy	23 474 868	26 799 564	1 474 113	24 874 923	26 873 622
External Relations and Governing Bodies	5 585 238	24 039 699	(2 122 675)	9 032 258	18 470 004
General Management	802 333	2 434 607	1 216 101	2 219 445	2 233 596
Director-General's Office	2 027 158	28 881 647	1 152 701	4 758 270	27 303 236
Noncommunicable Diseases and Mental Health ^{a/}	53 291 155	44 524 714	3 678 895	56 590 916	44 903 848
Onchocerciasis Control Programme		2 577 102	41 030	2 260 407	357 725
Regional Office for Africa	16 072 528	120 816 653	4 159 267	115 352 926	25 695 522
Regional Office for the Americas	89 705	2 118 900	114 935	1 167 374	1 156 166
Regional Office for South East Asia	19 229 031	55 112 369	1 901 153	52 313 552	23 929 001
Regional Office for Europe	13 576 018	33 440 519	1 260 428	34 359 840	13 917 125
Regional Office for the Eastern Mediterranean	7 626 567	13 882 933	302 940	15 938 537	5 873 903
Regional Office for the Western Pacific	13 236 460	32 075 974	1 256 865	31 745 032	14 824 267
Total - Voluntary Fund for Health Promotion	443 766 060	1 000 296 092	28 382 002	1 016 558 903	455 885 251

^{a/} See Note 32

Schedule 6

**Miscellaneous Income Account
as at 31 December 2003**

(US dollars)

1. The Miscellaneous Income Account is credited with income arising from a number of sources in accordance with Financial Regulation VIII.
2. On 1 January 2002, the Miscellaneous Income Account replaced the Casual Income Account and the balance of the Casual Income Account was carried forward to the Miscellaneous Income Account on that date.

	2002-2003
Balance of Casual Income Account at 31 December 2001 carried forward to Miscellaneous Income Account on 1 January 2002	44 014 601
<i>Appropriation of miscellaneous income to finance the Regular Budget under Health Assembly resolutions passed in May 2001 and in May 2003:</i>	
Resolution WHA54.17 - assessment relief 2002-2003	36 153 017
Resolution WHA54.20 - financing the programme budget for the period 2002-2003:	
Exchange rate hedging	1 911 600
Real Estate Fund	3 000 000
Financial incentive scheme	718 882
Resolution WHA56.12 - financing the reduction of the assessment for 2003 for Afghanistan and Argentina	579 309
<i>Sub total</i>	42 362 808
Balance	1 651 793
 Income 2002-2003 (see next page)	30 124 397
<i>Sub total</i>	31 776 190
 <i>Appropriated under Health Assembly resolutions passed in May 2002:</i>	
Resolution WHA55.7 - financial incentive scheme	21 976 333
Balance as at 31 December 2003 (Statement I.1)	9 799 857

Schedule 6 (continued)

Statement of Miscellaneous Income Received in 2002-2003

(US dollars)

	Miscellaneous income	<i>Casual income</i>
	2002-2003	<i>2000-2001</i>
Income received		
Exchange rate facility:		
2000-2001 Regular Budget (resolution WHA52.20)		12 101 700
Assessment relief forgone by Member States	5 477 239 a/	
Collection of arrears of contributions	3 416 473	7 602 828
Assessments on new Members	4 290	
Assessments on formerly inactive Members		107 927
Interest earned: -interest	10 037 660	21 453 915
-shared exchange differential	(858 861)	7 405 568
Refunds and rebates	850 387	870 136
Other exchange differential	1 214 372	(2 030 381)
Sale of equipment and material	254 519	268 077
Savings on prior periods' unliquidated obligations	8 705 040	12 811 621
Renewal Fund balance	62 993	
Balance of Programmes financed		
by appropriations from Casual Income	178 325	
Revenue from Swiss postal authorities and sundry	23	3 913
Revolving Sales Fund - income from sale of WHO publications (net after deduction of costs of production, sales promotion and distribution)		120 361
Underground parking operations:		
Rentals collected	781 937	562 730
Garage security costs		(88 104)
Total - Income received	30 124 397	61 190 291

a/ Ireland	519 496
Luxembourg	87 224
Malta	6 531
Netherlands	808 315
Norway	279 530
Romania	5 899
Switzerland	422 380
United kingdom of Great Britain and Northern Ireland	3 347 864
Total	5 477 239

Schedule 7

**Special account for servicing costs
as at 31 December 2003**

(US dollars)

This account was established in order to facilitate the budgeting and accounting of funds made available to the Organization to cover in part the costs of servicing activities financed from sources other than the Regular Budget, UNDP and UNFPA (i.e., from all other extrabudgetary resources).

The account is credited with income from the following sources:

- (i) Under resolution WHA25.3, amounts received from UNDP in reimbursement for programme support costs are credited to the account and are used towards financing the Regular Budget;
- (ii) Similarly, credits received from the United Nations Population Fund and other organizations and bodies of the United Nations system to cover programme support costs are passed to the account;
- (iii) Under Resolution WHA 34.17, funds received for programme support costs from other extrabudgetary sources, including funds-in-trust arrangements with governments and other entities, and the Voluntary Fund for Health Promotion;
- (iv) Interest earned on the balances of funds in the Special Account for Servicing Costs;
- (v) Foreign exchange gains/losses arising in respect of hedging operations on this account.

Schedule 7 (continued)

	2002-2003	2000-2001
Balance as at 1 January 2002/1 January 2000 - allocated for expenditure in 2002-2003 and in 2000-2001 respectively	140 796 882	104 757 266
Expenditure		
Africa	25 552 312	11 516 916
The Americas	1 398 533	1 252 924
South-East Asia	5 859 642	3 618 638
Europe	3 975 946	2 832 031
Eastern Mediterranean	4 038 321	2 626 858
Western Pacific	1 952 864	1 373 272
Global and interregional activities	79 199 435	39 982 096
Cost and promotion of sales of WHO publications ^{a/}		4 583 004
Total Expenditure	121 977 053	67 785 739
<i>Balance</i>	18 819 829	36 971 527
Transfers		
To Regular Budget income in accordance with resolution WHA54.20		(500 000) ^{b/}
To Revolving Sales Fund in accordance with resolution WHA55.9	(7 926 996)	
<i>Balance</i>	10 892 833	36 471 527
Income		
Net amount received from United Nations Development Programme	41 300	209 950
Received from United Nations Population Fund	389 440	311 498
Support costs of subcontracting agencies	334 778	45 792
<i>Received for programme support costs from:</i>		
Trust funds and other arrangements	18 306 965	12 784 671
Voluntary Fund for Health Promotion	91 914 586	72 792 694
<i>Received for rental of office accommodation at headquarters from:</i>		
Trust funds and other arrangements	1 179 221	2 683 920
Transfer from Revolving Sales Fund ^{a/}		4 100 000
Interest	10 071 960	11 396 830
Gains (losses) on hedging operations	2 972 329	
Total Income	125 210 579	104 325 355
Balance as at 31 December 2003/31 December 2001 which has been allocated for support activities in 2004-2005 and in 2002-2003 respectively	136 103 412	140 796 882

^{a/} As from the biennium 2002-2003, the financing of printing and re-printing costs for WHO publications and promotional items is recorded in the Revolving Sales Fund, as per resolution WHA55.9.

^{b/} Transfer of \$ 500 000 for the 2002-2003 regular budget through the Holding Account

Schedule 8

Real estate fund as at 31 December 2003

(US dollars)

This fund was established by the Twenty-third World Health Assembly in resolution WHA23.14.

As from the present biennium 2002-2003, the Real Estate activities are, under the Financial Regulations and Financial Rules, funded by appropriation from the Regular Budget. The Real Estate Fund is also credited with receipts of rentals relating to real estate operations (other than rental for office accommodation, garage rentals and income from the operation of concessions at Headquarters), and interest earned on balances in the Fund.

The Fund is used to meet the costs of the construction of buildings or extensions to existing buildings; the acquisition of land which may be required; major repairs of and alterations to the Organization's existing buildings and maintenance and repairs of and alterations to houses leased to staff by the Organization. Specific Health Assembly authorization is required for acquisition of land and construction of buildings or building extensions. ^{a/}

	2002-2003
Balance as at 1 January 2002	557 442
Income	
Appropriation from Regular Budget	3 000 000
Rents collected	481 915
Interest	106 030
<i>Total income</i>	3 587 945
Expenditure	
<i>Regional Office for Africa:</i>	
Renovation of emergency lighting	401 489
Replacement of the telephone exchange	135 937
Maintenance, repairs of and alterations to houses for staff	417 349
Water supply at premises	463 031
Renovation and improvement of electric installations	421 744
Installation of security lights	125 949
Replacement of two lifts	71 832
<i>Regional Office for the Americas:</i>	
Renovation of the WHO/PAHO building	180 000
<i>Regional Office for the Eastern Mediterranean:</i>	
Control and security management system	162 619
<i>Regional Office for Europe:</i>	
Renovation, maintenance and repairs to premises	352 000
<i>Regional Office for South-East Asia:</i>	
Replacement of the telephone exchange	3 024
Renovation, maintenance and repairs to premises	146 000
<i>Regional Office for the Western Pacific:</i>	
Extension of building and construction of new building ^{b/}	239 578
Replacement of the telephone exchange	(13 582)
<i>Total expenditure</i>	3 106 970
Balance as at 31 December 2003	1 038 417

^{a/} See Note 27 regarding the construction of a new building at Headquarters

^{b/} See Note 22

Schedule 9**Terminal payments account
as at 31 December 2003***(US dollars)*

This account was established to provide for financing the terminal emoluments of staff members, including repatriation grant, accrued annual leave, repatriation travel, removal on repatriation, and other separation payments. It is funded by a budgetary provision set for the biennium 2002-2003 at 5% of staff net salaries and professional staff post adjustment. It applies to all staff, including those assigned to the Joint United Nations Programme on HIV/AIDS (UNAIDS); the International Agency for Research on Cancer (IARC); the International Computing Centre (ICC); the African Programme for Onchocerciasis Control (APOC); and the Global Fund to fight AIDS, Tuberculosis and Malaria (TGF). It excludes however, those staff funded from UNDP and staff appointed under the Associate Professional Officers programme. In this way, it is ensured that each source of funds which participates under the scheme bears its appropriate share of the terminal emoluments paid to separating staff members. Interest earned on investments is also credited to the account. The account does not reflect the Organization's and other entities full long-term liability for the terminal emoluments of staff members, of which on an ongoing basis the present value at 31 December 2003 is estimated at \$ 90.2 million.

	2002-2003
Balance as at 1 January 2002	38 578 909
Income	
Provision for terminal payments	21 865 686
Interest	6 430 702
<i>Total income</i>	28 296 388
Expenditure	
Repatriation grant	5 013 291
Accrued annual leave	4 285 319
Repatriation travel	1 273 842
Removal on repatriation	580 874
End-of-service grant	498 750
Abolition of posts	1 602 351
Separation by mutual agreement	622 897
Termination for reason of health	87 101
<i>Total expenditure</i>	13 964 425
Balance as at 31 December 2003	52 910 872

Schedule 10

**Supply services funds (Trust funds)
as at 31 December 2003**

(US dollars)

These include funds deposited with the Organization, usually in local currencies, by governments and institutions for the purchase of medical supplies, equipment and literature on their behalf. Local currencies are accepted to the extent that they can be utilized by the Organization in its day-to-day operations and activities within a reasonable time. Funds are also received from, and supplies made available to, other organizations of the United Nations system for use in the health aspects of emergency operations and activities.

	Balance 1 January 2002	Receipts 2002-2003	Expenditure 2002-2003	Balance 31 December 2003
Countries	3 027 089	15 618 409	15 938 548	2 706 950
Other sources	10 966		10 966	
Other United Nations sources				
Iraq (SCR 1472 and 1476)	1 139 175	21 113 849	18 524 222	3 728 802
Other	216 543	2 779 448	2 178 312	817 679
<i>Total - Other United Nations sources</i>	1 355 718	23 893 297	20 702 534	4 546 481
Total	4 393 773	39 511 706	36 652 048	7 253 431

Financial implementation of WHO's programme budget for 2002-2003

This part of the Financial Report shows the financial implementation of the International Health Programme compared with the approved Programme Budget for 2002-2003. Information is provided both for the Regular Budget and for other sources of funds by Area of Work and by Office.

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Table 1

Budget and expenditure summary
Regular budget by organizational level and total other sources
for 2002 - 2003

(in thousands of US dollars)

	Programme budget	Transfers effected and unallocated balance	Operational budget	Expenditure	Implementation rate as % of operational budget
Regular Budget					
Headquarters	279 055	(7 009)	272 046	271 785	99.9
Regional offices	227 594	7 803	235 397	235 396	100.0
Countries	336 005	(17 658)	318 347	318 347	100.0
<i>Sub total</i>	842 654	(16 864)	825 790	825 528	100.0
From Miscellaneous income ^{a/}	13 000		13 000	4 874	37.5
<i>Total Regular Budget</i> ^{b/}	855 654	(16 864)	838 790	830 402	99.0
Other sources ^{c/ d/}	1 380 500		1 380 500	1 486 959	107.7
Total	2 236 154	(16 864)	2 219 290	2 317 361	104.4

Reconciliation to total expenditure:

Plus:

UNDP and UNFPA programme support costs	398
	2 317 759

Less:

Eliminations - Statement I	267 125
Regular Budget expenditure on Other purposes - Statement I	3 000

Total - International Health Programme - Statement I

2 047 634

^{a/} As per Appropriation Resolution WHA54.20.

^{b/} Statement IV.

^{c/} "Other sources" figure, as noted in the Appropriation Resolution for the financial period 2002-2003 (WHA54.20).

^{d/} The Programme Budget 2002-2003 excluded funds allocated to WHO for Iraq under the Oil-for-Food Programme as defined by United Nations Security Council Resolution 986. During 2002-2003, WHO expenditure on the Oil-for-Food Programme amounted to \$108.4 million and is included in the total Other Sources expenditure. Adjusting for this expenditure, the implementation rate (expressed as a percentage of Operational Budget for other sources) stands at 99.8%.

Table 2

**Budget and expenditure summary by area of work
for 2002-2003 – All offices**

(in thousands of US dollars)

Area of work	Regular budget			Other sources			Total		
	Programme budget	Expenditure	%	Programme budget	Expenditure	%	Programme budget	Expenditure	%
Communicable diseases									
Communicable disease surveillance	13 743	18 204		57 000	53 808		70 743	72 012	
Communicable disease prevention, eradication and control	19 911	16 715		122 000	127 812		141 911	144 526	
Research and product development for communicable diseases	4 376	3 638		84 500	63 058		88 876	66 696	
Malaria	8 212	9 302		110 000	79 704		118 212	89 006	
Tuberculosis	4 650	5 522		100 000	73 023		104 650	78 546	
<i>Sub total</i>	50 892	53 381		473 500	397 405		524 392	450 786	
Transfers effected and unallocated balance	2 540						2 540		
<i>Operational budget</i>	53 432	53 381	99.9	473 500	397 405	83.9	526 932	450 786	85.5
Noncommunicable diseases and mental health									
Surveillance, prevention and management of noncommunicable diseases	13 029	10 778		7 000	11 253		20 029	22 031	
Tobacco	5 708	7 405		19 500	15 522		25 208	22 927	
Health promotion	6 739	8 913		28 000	22 534		34 739	31 447	
Disability/injury prevention and rehabilitation	3 547	4 370		8 500	12 357		12 047	16 726	
Mental health and substance abuse	11 147	8 218		17 000	8 398		28 147	16 616	
<i>Sub total</i>	40 170	39 683		80 000	70 064		120 170	109 747	
Transfers effected and unallocated balance	(487)						(487)		
<i>Operational budget</i>	39 683	39 683	100.0	80 000	70 064	87.6	119 683	109 747	91.7
Family and community health									
Child and adolescent health	8 127	8 417		64 000	35 665		72 127	44 082	
Research and programme development in reproductive health	6 252	6 929		61 000	46 973		67 252	53 903	
Making pregnancy safer	5 657	4 844		31 500	8 695		37 157	13 539	
Women's health	3 524	2 834		12 000	3 638		15 524	6 472	
HIV/AIDS	9 812	12 467		120 000	43 387		129 812	55 854	
<i>Sub total</i>	33 372	35 491		288 500	138 359		321 872	173 850	
Transfers effected and unallocated balance	2 129						2 129		
<i>Operational budget</i>	35 501	35 491	100.0	288 500	138 359	48.0	324 001	173 850	53.7
Sustainable development and healthy environments									
Sustainable development	8 919	8 241		9 500	13 144		18 419	21 385	
Nutrition	6 975	6 964		7 500	7 081		14 475	14 044	
Health and environment	22 076	23 974		28 000	32 586		50 076	56 560	
Food safety	5 399	5 051		5 000	2 889		10 399	7 940	
Emergency preparedness and response	3 999	5 708		43 000	205 275 ^{a/}		46 999	210 983 ^{a/}	
<i>Sub total</i>	47 368	49 938		93 000	260 974		140 368	310 912	
Transfers effected and unallocated balance	2 574						2 574		
<i>Operational budget</i>	49 942	49 938	100.0	93 000	260 974	280.6	142 942	310 912	217.5
Health technology and pharmaceuticals									
Essential medicines: access, quality and rational use	11 063	10 146		31 000	26 959		42 063	37 105	
Immunization and vaccine development	13 692	12 850		171 000	388 436		184 692	401 286	
Blood safety and clinical technology	10 227	9 256		15 500	6 492		25 727	15 748	
<i>Sub total</i>	34 982	32 252		217 500	421 887		252 482	454 139	
Transfers effected and unallocated balance	(2 710)						(2 710)		
<i>Operational budget</i>	32 272	32 252	99.9	217 500	421 887	194.0	249 772	454 139	181.8

^{a/} See Table 1. note d/

Table 2 (continued)

Area of work	Regular budget			Other sources			Total		
	Programme budget	Expenditure	%	Programme budget	Expenditure	%	Programme budget	Expenditure	%
Evidence and information for policy									
Evidence for health policy	22 225	22 537		21 000	18 910		43 225	41 447	
Health information management and dissemination	30 370	28 352		16 000	11 154		46 370	39 506	
Research policy and promotion	6 114	6 923		5 000	5 628		11 114	12 551	
Organization of health services	35 423	32 915		22 500	22 810		57 923	55 725	
<i>Sub total</i>	94 132	90 727		64 500	58 502		158 632	149 229	
Transfers effected and unallocated balance	(3 339)						(3 339)		
<i>Operational budget</i>	90 793	90 727	99.9	64 500	58 502	90.7	155 293	149 229	96.1
External relations and governing bodies									
Governing bodies	21 439	21 717		1 000	1 789		22 439	23 505	
Resource mobilization, and external cooperation and partnerships	23 307	23 422		12 000	28 893		35 307	52 316	
<i>Sub total</i>	44 746	45 139		13 000	30 682		57 746	75 821	
Transfers effected and unallocated balance	417						417		
<i>Operational budget</i>	45 163	45 139	99.9	13 000	30 682	236.0	58 163	75 821	130.4
General management									
Budget and management reform	6 932	7 034		1 000	2 314		7 932	9 348	
Human resources development	15 678	19 805		6 000	20 819		21 678	40 624	
Financial management	23 318	19 206		15 000	19 146		38 318	38 352	
Informatics and infrastructure services	93 531	91 766		40 000	58 611		133 531	150 378	
<i>Sub total</i>	139 459	137 812		62 000	100 890		201 459	238 702	
Transfers effected and unallocated balance	(1 605)						(1 605)		
<i>Operational budget</i>	137 854	137 812	100.0	62 000	100 890	162.7	199 854	238 702	119.4
Director-General, Regional Directors and independent functions									
Director-General's and Regional Directors' offices (including Audit, Oversight and Legal)	14 226	16 396		3 500	8 142		17 726	24 538	
Director-General's and Regional Directors' Development Programmes and initiatives	7 302	6 362			54		7 302	6 416	
<i>Sub total</i>	21 528	22 758		3 500	8 196		25 028	30 954	
Transfers effected and unallocated balance	1 275						1 275		
<i>Operational budget</i>	22 803	22 758	99.8	3 500	8 196	234.2	26 303	30 954	117.7
Areas of work – total	506 649	507 181		1 295 500	1 486 959		1 802 149	1 994 140	
Transfers effected and unallocated balance	794						794		
<i>Sub total - operational budget</i>	507 443	507 181	99.9	1 295 500	1 486 959	114.8	1 802 943	1 994 140	110.6
Country-level activities									
Country programmes	336 005	318 347		85 000 ^{b/}	0 ^{b/}		421 005	318 347	
Transfers effected and unallocated balance	(17 658)						(17 658)		
<i>Operational budget</i>	318 347	318 347	100.0	85 000	0		403 347	318 347	78.9
From Miscellaneous Income	13 000	4 874	37.5				13 000	4 874	37.5
Total budget	855 654	830 402	97.0	1 380 500	1 486 959	107.7	2 236 154	2 317 361	103.6
Total transfers effected and unallocated balance	(16 864)						(16 864)		
Total - operational budget	838 790	830 402	99.0	1 380 500	1 486 959	107.7	2 219 290	2 317 361	104.4

^{b/} The budget of \$ 85 million refers to some interagency financing and provision for funds-in-trust. Direct expenditure under country programmes other sources totalling \$ 368 963 000 is recorded under the areas of work where it occurred.

Table 3

**Budget and expenditure summary by area of work
for 2002-2003 – by office**

(in thousands of US dollars)

Area of work	Regular budget			Other sources	Total
	Programme budget	Expenditure	%	Expenditure	Expenditure
Headquarters					
Communicable diseases					
Communicable disease surveillance	8 928	10 907		36 762	47 669
Communicable disease prevention, eradication and control	12 484	7 560		78 413	85 972
Research and product development for communicable diseases	3 772	3 285		61 903	65 188
Malaria	4 526	6 677		22 023	28 700
Tuberculosis	1 131	2 716		37 461	40 178
<i>Sub total</i>	30 841	31 145		236 562	267 707
Transfers effected and unallocated balance	355				
<i>Operational budget</i>	31 196	31 145	99.8	236 562	267 707
Noncommunicable diseases and mental health					
Surveillance, prevention and management of noncommunicable diseases	8 012	6 382		7 921	14 303
Tobacco	3 183	3 931		9 365	13 296
Health promotion	3 033	3 825		20 488	24 313
Disability/injury prevention and rehabilitation	2 478	2 618		10 988	13 605
Mental health and substance abuse	5 427	3 939		6 810	10 749
<i>Sub total</i>	22 133	20 694		55 572	76 266
Transfers effected and unallocated balance	(1 439)				
<i>Operational budget</i>	20 694	20 694	100.0	55 572	76 266
Family and community health					
Child and adolescent health	4 524	4 712		21 163	25 875
Research and programme development in reproductive health	3 836	3 207		39 673	42 881
Making pregnancy safer	1 467	1 684		7 088	8 772
Women's health	1 716	1 325		3 266	4 591
HIV/AIDS	4 010	6 434		15 021	21 455
<i>Sub total</i>	15 553	17 362		86 212	103 574
Transfers effected and unallocated balance	1 819				
<i>Operational budget</i>	17 372	17 362	99.9	86 212	103 574
Sustainable development and healthy environments					
Sustainable development	5 175	3 338		4 760	8 098
Nutrition	3 532	3 133		5 248	8 380
Health and environment	10 766	10 549		19 723	30 272
Food safety	3 506	3 406		2 431	5 837
Emergency preparedness and response	1 509	2 139		116 580 a/	118 719
<i>Sub total</i>	24 488	22 565		148 741	171 306
Transfers effected and unallocated balance	(1 919)				
<i>Operational budget</i>	22 569	22 565	100.0	148 741	171 306
Health technology and pharmaceuticals					
Essential medicines: access, quality and rational use	7 048	6 325		18 770	25 095
Immunization and vaccine development	9 241	7 935		74 148	82 083
Blood safety and clinical technology	5 682	5 231		5 263	10 494
<i>Sub total</i>	21 971	19 491		98 181	117 672
Transfers effected and unallocated balance	(2 460)				
<i>Operational budget</i>	19 511	19 491	99.9	98 181	117 672

a/ See Table 1 note d/

Table 3 (continued)

Area of work	Regular budget			Other sources	Total
	Programme budget	Expenditure	%	Expenditure	Expenditure
Evidence and information for policy					
Evidence for health policy	13 172	13 413		12 207	25 620
Health information management and dissemination	15 059	13 335		10 447	23 782
Research policy and promotion	2 570	3 309		2 585	5 894
Organization of health services	9 491	9 647		10 519	20 166
<i>Sub total</i>	40 292	39 704		35 758	75 462
Transfers effected and unallocated balance	(522)				
<i>Operational budget</i>	39 770	39 704	99.8	35 758	75 462
External relations and governing bodies					
Governing bodies	18 136	17 687		1 759	19 445
Resource mobilization, and external cooperation and partnerships	15 167	13 425		6 390	19 816
<i>Sub total</i>	33 303	31 112		8 149	39 261
Transfers effected and unallocated balance	(2 167)				
<i>Operational budget</i>	31 136	31 112	99.9	8 149	39 261
General management					
Budget and management reform	3 703	3 359		1 230	4 589
Human resources development	7 695	12 071		18 188	30 259
Financial management	12 852	10 365		14 119	24 484
Informatics and infrastructure services	55 258	51 624		32 917	84 542
<i>Sub total</i>	79 508	77 420		66 454	143 874
Transfers effected and unallocated balance	(2 046)				
<i>Operational budget</i>	77 462	77 420	99.9	66 454	143 874
Director-General, Regional Directors and independent functions					
Director-General's and Regional Directors' offices (including Audit, Oversight and Legal)	7 678	9 676		7 872	17 548
Director-General's and Regional Directors' Development Programmes and initiatives	3 288	2 616			2 616
<i>Sub total</i>	10 966	12 292		7 872	20 164
Transfers effected and unallocated balance	1 371				
<i>Operational budget</i>	12 337	12 292	99.6	7 872	20 164
Areas of work - total	279 055	271 785		743 501	1 015 286
Transfers effected and unallocated balance	(7 009)				
<i>Sub total - operational budget</i>	272 046	271 785	99.9	743 501	1 015 286
From Miscellaneous Income	13 000	4 874	37.5		4 874
Total operational budget - Headquarters	285 046	276 659	97.1	743 501	1 020 160

Table 3 (continued)

**Budget and expenditure summary by area of work
for 2002-2003 – by office**

(in thousands of US dollars)

Area of work	Regular budget			Other sources	Total
	Programme budget	Expenditure	%	Expenditure	Expenditure
Communicable diseases					
Communicable disease surveillance	1 795	2 145		9 281	11 426
Communicable disease prevention, eradication and control	1 141	2 418		39 466	41 884
Research and product development for communicable diseases	380	300			300
Malaria	1 131	685		38 843	39 528
Tuberculosis	981	814		4 318	5 132
<i>Sub total</i>	5 428	6 362		91 908	98 270
Transfers effected and unallocated balance	934				
<i>Operational budget</i>	6 362	6 362	100.0	91 908	98 270
Noncommunicable diseases and mental health					
Surveillance, prevention and management of noncommunicable diseases	2 457	2 100		694	2 794
Tobacco	701	859		1 129	1 988
Health promotion	442	769		302	1 071
Disability/injury prevention and rehabilitation	275	476		967	1 443
Mental health and substance abuse	1 351	922		197	1 119
<i>Sub total</i>	5 226	5 126		3 289	8 415
Transfers effected and unallocated balance	(100)				
<i>Operational budget</i>	5 126	5 126	100.0	3 289	8 415
Family and community health					
Child and adolescent health	1 221	1 119		9 332	10 451
Research and programme development in reproductive health	1 666	2 784		1 611	4 395
Making pregnancy safer	2 098	1 428		634	2 062
Women's health	862	840		187	1 027
HIV/AIDS	3 017	2 928		16 616	19 544
<i>Sub total</i>	8 864	9 099		28 380	37 479
Transfers effected and unallocated balance	235				
<i>Operational budget</i>	9 099	9 099	100.0	28 380	37 479
Sustainable development and healthy environments					
Sustainable development	1 132	1 672		4 427	6 099
Nutrition	682	878		85	963
Health and environment	2 254	2 473		26	2 499
Food safety	150	241			241
Emergency preparedness and response	1 225	1 926		14 696	16 622
<i>Sub total</i>	5 443	7 190		19 234	26 424
Transfers effected and unallocated balance	1 747				
<i>Operational budget</i>	7 190	7 190	100.0	19 234	26 424
Health technology and pharmaceuticals					
Essential medicines: access, quality and rational use	1 609	1 541		3 315	4 856
Immunization and vaccine development	415	608		171 531	172 139
Blood safety and clinical technology	1 874	1 524		100	1 624
<i>Sub total</i>	3 898	3 673		174 946	178 619
Transfers effected and unallocated balance	(225)				
<i>Operational budget</i>	3 673	3 673	100.0	174 946	178 619

Table 3 (continued)

Area of work	Regular budget			Other sources	Total
	Programme budget	Expenditure	%	Expenditure	Expenditure
Evidence and information for policy					
Evidence for health policy	1 505	1 048		17	1 065
Health information management and dissemination	3 677	4 172		23	4 195
Research policy and promotion	716	230		76	306
Organization of health services	7 512	6 997		3 566	10 563
<i>Sub total</i>	13 410	12 447		3 682	16 129
Transfers effected and unallocated balance	(963)				
<i>Operational budget</i>	12 447	12 447	100.0	3 682	16 129
External relations and governing bodies					
Governing bodies	1 374	2 125			2 125
Resource mobilization, and external cooperation and partnerships	2 605	3 101		5 314	8 415
<i>Sub total</i>	3 979	5 226		5 314	10 540
Transfers effected and unallocated balance	1 247				
<i>Operational budget</i>	5 226	5 226	100.0	5 314	10 540
General management					
Budget and management reform	557	647		717	1 364
Human resources development	2 442	2 310		1 903	4 213
Financial management	3 600	3 592		4 322	7 914
Informatics and infrastructure services	12 378	15 484		13 366	28 850
<i>Sub total</i>	18 977	22 033		20 308	42 341
Transfers effected and unallocated balance	3 056				
<i>Operational budget</i>	22 033	22 033	100.0	20 308	42 341
Director-General, Regional Directors and independent functions					
Director-General's and Regional Directors' offices (including Audit, Oversight and Legal)	1 084	1 331			1 331
Director-General's and Regional Directors' Development Programmes and initiatives	630	553			553
<i>Sub total</i>	1 714	1 884			1 884
Transfers effected and unallocated balance	170				
<i>Operational budget</i>	1 884	1 884	100.0		1 884
Areas of work - total	66 939	73 040		347 061	420 101
Transfers effected and unallocated balance	6 101				
<i>Sub total - operational budget</i>	73 040	73 040	100.0	347 061	420 101
Country-level activities					
Country programmes	119 533	109 935		0 a/	109 935
Transfers effected and unallocated balance	(9 598)				
<i>Operational budget</i>	109 935	109 935	100.0	0	109 935
Total - budget	186 472	182 975		347 061	530 036
Transfers effected and unallocated balance	(3 497)				
Total - operational budget - Africa	182 975	182 975	100.0	347 061	530 036

a/ Direct expenditure under country programmes Other Sources totalling \$140 342 000 is recorded under the areas of work where it occurred.

Table 3 (continued)

**Budget and expenditure summary by area of work
for 2002-2003 – by office**

(in thousands of US dollars)

Area of work	Regular budget			Other sources	Total
	Programme budget	Expenditure	%	Expenditure	Expenditure
Communicable diseases					
Communicable disease surveillance	1 150	1 274		39	1 313
Communicable disease prevention, eradication and control	4 599	4 510		1 576	6 086
Research and product development for communicable diseases	124	53		893	946
Malaria	545	403		1 226	1 629
Tuberculosis	135	162		836	998
<i>Sub total</i>	6 553	6 402		4 570	10 972
Transfers effected and unallocated balance	(151)				
<i>Operational budget</i>	6 402	6 402	100.0	4 570	10 972
Noncommunicable diseases and mental health					
Surveillance, prevention and management of noncommunicable diseases	340	550		239	789
Tobacco	400	697		576	1 273
Health promotion	492	1 150		327	1 477
Disability/injury prevention and rehabilitation		242		78	320
Mental health and substance abuse	2 136	907		35	942
<i>Sub total</i>	3 368	3 546		1 255	4 801
Transfers effected and unallocated balance	178				
<i>Operational budget</i>	3 546	3 546	100.0	1 255	4 801
Family and community health					
Child and adolescent health	560	457		825	1 282
Research and programme development in reproductive health		369		257	626
Making pregnancy safer	398	29		98	127
Women's health		38		84	122
HIV/AIDS		43		979	1 022
<i>Sub total</i>	958	936		2 243	3 179
Transfers effected and unallocated balance	(22)				
<i>Operational budget</i>	936	936	100.0	2 243	3 179
Sustainable development and healthy environments					
Sustainable development	793	700		90	790
Nutrition	1 186	1 043		191	1 234
Health and environment	1 634	1 735		67	1 802
Food safety	418	460			460
Emergency preparedness and response				573	573
<i>Sub total</i>	4 031	3 938		921	4 859
Transfers effected and unallocated balance	(93)				
<i>Operational budget</i>	3 938	3 938	100.0	921	4 859
Health technology and pharmaceuticals					
Essential medicines: access, quality and rational use	257	193		1 894	2 087
Immunization and vaccine development	1 378	1 344		1 804	3 148
Blood safety and clinical technology	405	456		46	502
<i>Sub total</i>	2 040	1 993		3 744	5 737
Transfers effected and unallocated balance	(47)				
<i>Operational budget</i>	1 993	1 993	100.0	3 744	5 737

Table 3 (continued)

Area of work	Regular budget			Other sources	Total
	Programme budget	Expenditure	%	Expenditure	Expenditure
Evidence and information for policy					
Evidence for health policy	1 315	1 313		23	1 336
Health information management and dissemination	2 227	2 068			2 068
Research policy and promotion	414	390		264	654
Organization of health services	4 300	4 295		221	4 516
<i>Sub total</i>	8 256	8 066		508	8 574
Transfers effected and unallocated balance	(190)				
<i>Operational budget</i>	8 066	8 066	100.0	508	8 574
External relations and governing bodies					
Governing bodies	286	62			62
Resource mobilization, and external cooperation and partnerships	1 150	1 341		375	1 716
<i>Sub total</i>	1 436	1 403		375	1 778
Transfers effected and unallocated balance	(33)				
<i>Operational budget</i>	1 403	1 403	100.0	375	1 778
General management					
Budget and management reform		24			24
Human resources development	802	940			940
Financial management	1 761	1 625			1 625
Informatics and infrastructure services	3 111	2 955		385	3 340
<i>Sub total</i>	5 674	5 544		385	5 929
Transfers effected and unallocated balance	(130)				
<i>Operational budget</i>	5 544	5 544	100.0	385	5 929
Director-General, Regional Directors and independent functions					
Director-General's and Regional Directors' offices (including Audit, Oversight and Legal)	783	827		30	857
Director-General's and Regional Directors' Development Programmes and initiatives	34				
<i>Sub total</i>	817	827		30	857
Transfers effected and unallocated balance	10				
<i>Operational budget</i>	827	827	100.0	30	857
Areas of work - total	33 133	32 655		14 031	46 686
Transfers effected and unallocated balance	(478)				
<i>Sub total - operational budget</i>	32 655	32 655	100.0	14 031	46 686
Country-level activities					
Country programmes	41 549	40 593		0 a/	40 593
Transfers effected and unallocated balance	(956)				
<i>Operational budget</i>	40 593	40 593	100.0	0	40 593
Total - budget	74 682	73 248		14 031	87 279
Transfers effected and unallocated balance	(1 434)				
Total - operational budget - the Americas	73 248	73 248	100.0	14 031	87 279

a/ Direct expenditure under country programmes Other Sources totalling \$3 973 000 is recorded under the areas of work where it occurred.

Table 3 (continued)

**Budget and expenditure summary by area of work
for 2002-2003 – by office**

(in thousands of US dollars)

Area of work	Regular budget			Other sources	Total
	Programme budget	Expenditure	%	Expenditure	Expenditure
Regional Office for South-East Asia					
Communicable diseases					
Communicable disease surveillance	737	1 420		1 606	3 026
Communicable disease prevention, eradication and control	727	787		4 944	5 731
Research and product development for communicable diseases	100				
Malaria	396	358		3 828	4 186
Tuberculosis	150	146		16 357	16 503
<i>Sub total</i>	2 110	2 711		26 735	29 446
Transfers effected and unallocated balance	601				
<i>Operational budget</i>	2 711	2 711	100.0	26 735	29 446
Noncommunicable diseases and mental health					
Surveillance, prevention and management of noncommunicable diseases	150	181		245	426
Tobacco	429	617		601	1 218
Health promotion	487	531		128	659
Disability/injury prevention and rehabilitation	346	640		198	838
Mental health and substance abuse	383	677		155	832
<i>Sub total</i>	1 795	2 646		1 327	3 973
Transfers effected and unallocated balance	851				
<i>Operational budget</i>	2 646	2 646	100.0	1 327	3 973
Family and community health					
Child and adolescent health	414	1 140		1 056	2 196
Research and programme development in reproductive health	100	50		1 219	1 269
Making pregnancy safer	514	564		142	706
Women's health	323	543		11	554
HIV/AIDS	441	637		2 434	3 071
<i>Sub total</i>	1 792	2 934		4 862	7 796
Transfers effected and unallocated balance	1 142				
<i>Operational budget</i>	2 934	2 934	100.0	4 862	7 796
Sustainable development and healthy environments					
Sustainable development	853	861		375	1 236
Nutrition	426	595			595
Health and environment	989	1 544		512	2 056
Food safety	106	151			151
Emergency preparedness and response	353	289		8 409	8 698
<i>Sub total</i>	2 727	3 440		9 296	12 736
Transfers effected and unallocated balance	713				
<i>Operational budget</i>	3 440	3 440	100.0	9 296	12 736
Health technology and pharmaceuticals					
Essential medicines: access, quality and rational use	431	376		650	1 026
Immunization and vaccine development	435	181		56 960	57 141
Blood safety and clinical technology	468	877		282	1 159
<i>Sub total</i>	1 334	1 434		57 892	59 326
Transfers effected and unallocated balance	100				
<i>Operational budget</i>	1 434	1 434	100.0	57 892	59 326

Table 3 (continued)

Area of work	Regular budget			Other sources	Total
	Programme budget	Expenditure	%	Expenditure	Expenditure
Evidence and information for policy					
Evidence for health policy	1 189	1 058		291	1 349
Health information management and dissemination	868	850		323	1 173
Research policy and promotion	1 069	1 055		393	1 448
Organization of health services	2 573	2 694		97	2 791
<i>Sub total</i>	5 699	5 657		1 104	6 761
Transfers effected and unallocated balance	(42)				
<i>Operational budget</i>	5 657	5 657	100.0	1 104	6 761
External relations and governing bodies					
Governing bodies	300	289			289
Resource mobilization, and external cooperation and partnerships	741	191		1 067	1 258
<i>Sub total</i>	1 041	480		1 067	1 547
Transfers effected and unallocated balance	(561)				
<i>Operational budget</i>	480	480	100.0	1 067	1 547
General management					
Budget and management reform	776	754		113	867
Human resources development	708	684		257	941
Financial management	849	849		313	1 162
Informatics and infrastructure services	3 041	3 421		3 355	6 776
<i>Sub total</i>	5 374	5 708		4 038	9 746
Transfers effected and unallocated balance	334				
<i>Operational budget</i>	5 708	5 708	100.0	4 038	9 746
Director-General, Regional Directors and independent functions					
Director-General's and Regional Directors' offices (including Audit, Oversight and Legal)	956	1 106		79	1 185
Director-General's and Regional Directors' Development Programmes and initiatives	428	390		54	444
<i>Sub total</i>	1 384	1 496		133	1 629
Transfers effected and unallocated balance	112				
<i>Operational budget</i>	1 496	1 496	100.0	133	1 629
Areas of work - total	23 256	26 506		106 454	132 960
Transfers effected and unallocated balance	3 250				
<i>Sub total - operational budget</i>	26 506	26 506	100.0	106 454	132 960
Country-level activities					
Country programmes	69 766	64 716		0 ^{a/}	64 716
Transfers effected and unallocated balance	(5 050)				
<i>Operational budget</i>	64 716	64 716	100.0	0	64 716
Total - budget	93 022	91 222		106 454	197 676
Transfers effected and unallocated balance	(1 800)				
Total - operational budget - South-East Asia	91 222	91 222	100.0	106 454	197 676

^{a/} Direct expenditure under country programmes Other Sources totalling \$83 933 000 is recorded under the areas of work where it occurred.

Table 3 (continued)

**Budget and expenditure summary by area of work
for 2002-2003 – by office**

(in thousands of US dollars)

Regional Office for Europe	Regular budget			Other sources	Total
	Programme budget	Expenditure	%	Expenditure	Expenditure
Area of work					
Communicable diseases					
Communicable disease surveillance		398		674	1 072
Communicable disease prevention, eradication and control				57	57
Research and product development for communicable diseases					
Malaria	30	8		1 489	1 497
Tuberculosis	827	577		6 217	6 794
<i>Sub total</i>	857	983		8 437	9 420
Transfers effected and unallocated balance	126				
<i>Operational budget</i>	983	983	100.0	8 437	9 420
Noncommunicable diseases and mental health					
Surveillance, prevention and management of noncommunicable diseases	328	360		676	1 036
Tobacco	328	523		1 745	2 268
Health promotion	550	686		830	1 516
Disability/injury prevention and rehabilitation		11			11
Mental health and substance abuse	1 086	855		961	1 816
<i>Sub total</i>	2 292	2 435		4 212	6 647
Transfers effected and unallocated balance	143				
<i>Operational budget</i>	2 435	2 435	100.0	4 212	6 647
Family and community health					
Child and adolescent health	458	415		1 358	1 773
Research and programme development in reproductive health		64		290	354
Making pregnancy safer	400	482		330	812
Women's health	328	48		95	143
HIV/AIDS	1 132	1 054		2 605	3 659
<i>Sub total</i>	2 318	2 063		4 678	6 741
Transfers effected and unallocated balance	(255)				
<i>Operational budget</i>	2 063	2 063	100.0	4 678	6 741
Sustainable development and healthy environments					
Sustainable development	458	648		2 911	3 559
Nutrition	458	410		234	644
Health and environment	2 720	2 502		10 441	12 943
Food safety	500	328		4	332
Emergency preparedness and response	550	459		15 491	15 950
<i>Sub total</i>	4 686	4 347		29 081	33 428
Transfers effected and unallocated balance	(339)				
<i>Operational budget</i>	4 347	4 347	100.0	29 081	33 428
Health technology and pharmaceuticals					
Essential medicines: access, quality and rational use	458	543		1 227	1 770
Immunization and vaccine development	723	1 129		7 980	9 109
Blood safety and clinical technology	871	404		39	443
<i>Sub total</i>	2 052	2 076		9 246	11 322
Transfers effected and unallocated balance	24				
<i>Operational budget</i>	2 076	2 076	100.0	9 246	11 322

Table 3 (continued)

Area of work	Regular budget			Other sources	Total
	Programme budget	Expenditure	%	Expenditure	Expenditure
Evidence and information for policy					
Evidence for health policy	3 532	4 084		5 585	9 669
Health information management and dissemination	4 804	4 668		136	4 804
Research policy and promotion	346	201		2 306	2 507
Organization of health services	2 893	1 634		3 271	4 905
<i>Sub total</i>	11 575	10 587		11 298	21 885
Transfers effected and unallocated balance	(988)				
<i>Operational budget</i>	10 587	10 587	100.0	11 298	21 885
External relations and governing bodies					
Governing bodies	648	676		30	706
Resource mobilization, and external cooperation and partnerships	968	1 108		1 166	2 274
<i>Sub total</i>	1 616	1 784		1 196	2 980
Transfers effected and unallocated balance	168				
<i>Operational budget</i>	1 784	1 784	100.0	1 196	2 980
General management					
Budget and management reform	1 206	1 340		89	1 429
Human resources development	2 253	2 240		89	2 329
Financial management	1 506	1 229		297	1 526
Informatics and infrastructure services	8 751	7 566		4 463	12 029
<i>Sub total</i>	13 716	12 375		4 938	17 313
Transfers effected and unallocated balance	(1 341)				
<i>Operational budget</i>	12 375	12 375	100.0	4 938	17 313
Director-General, Regional Directors and independent functions					
Director-General's and Regional Directors' offices (including Audit, Oversight and Legal)	1 094	1 093		87	1 180
Director-General's and Regional Directors' Development Programmes and initiatives	900	918			918
<i>Sub total</i>	1 994	2 011		87	2 098
Transfers effected and unallocated balance	17				
<i>Operational budget</i>	2 011	2 011	100.0	87	2 098
Areas of work - total	41 106	38 661		73 173	111 834
Transfers effected and unallocated balance	(2 445)				
<i>Sub total - operational budget</i>	38 661	38 661	100.0	73 173	111 834
Country-level activities					
Country programmes	11 665	13 198		0 ^{a/}	13 198
Transfers effected and unallocated balance	1 533				
<i>Operational budget</i>	13 198	13 198	100.0	0	13 198
Total - budget	52 771	51 859		73 173	125 032
Transfers effected and unallocated balance	(912)				
Total - operational budget - Europe	51 859	51 859	100.0	73 173	125 032

^{a/} Direct expenditure under country programmes Other Sources totalling \$23 779 000 is recorded under the areas of work where it occurred.

Table 3 (continued)

**Budget and expenditure summary by area of work
for 2002-2003 – by office**

(in thousands of US dollars)

Area of work	Regular budget			Other sources	Total
	Programme budget	Expenditure	%	Expenditure	Expenditure
Communicable diseases					
Communicable disease surveillance	447	363		885	1 248
Communicable disease prevention, eradication and control	650	653		1 166	1 819
Research and product development for communicable diseases				160	160
Malaria	640	223		6 985	7 208
Tuberculosis	433	364		3 608	3 972
<i>Sub total</i>	2 170	1 603		12 804	14 407
Transfers effected and unallocated balance	(567)				
<i>Operational budget</i>	1 603	1 603	100.0	12 804	14 407
Noncommunicable diseases and mental health					
Surveillance, prevention and management of noncommunicable diseases	480	418		985	1 403
Tobacco	417	426		509	935
Health promotion	700	1 055		98	1 153
Disability/injury prevention and rehabilitation	357	307		92	399
Mental health and substance abuse	472	434		44	478
<i>Sub total</i>	2 426	2 640		1 728	4 368
Transfers effected and unallocated balance	214				
<i>Operational budget</i>	2 640	2 640	100.0	1 728	4 368
Family and community health					
Child and adolescent health	387	93		1 011	1 104
Research and programme development in reproductive health	57	29		677	706
Making pregnancy safer	580	388		129	517
Women's health	295	30			30
HIV/AIDS	567	402		2 616	3 018
<i>Sub total</i>	1 886	942		4 433	5 375
Transfers effected and unallocated balance	(944)				
<i>Operational budget</i>	942	942	100.0	4 433	5 375
Sustainable development and healthy environments					
Sustainable development	508	1 022		372	1 394
Nutrition	261	367		940	1 307
Health and environment	1 521	2 926		1 510	4 436
Food safety	372	41		94	135
Emergency preparedness and response	265	802		48 494 ^{a/}	49 296
<i>Sub total</i>	2 927	5 158		51 410	56 568
Transfers effected and unallocated balance	2 231				
<i>Operational budget</i>	5 158	5 158	100.0	51 410	56 568
Health technology and pharmaceuticals					
Essential medicines: access, quality and rational use	517	337		426	763
Immunization and vaccine development	449	360		64 197	64 557
Blood safety and clinical technology	655	439		131	570
<i>Sub total</i>	1 621	1 136		64 754	65 890
Transfers effected and unallocated balance	(485)				
<i>Operational budget</i>	1 136	1 136	100.0	64 754	65 890

^{a/} See Table 1 note d/

Table 3 (continued)

Area of work	Regular budget			Other sources	Total
	Programme budget	Expenditure	%	Expenditure	Expenditure
Evidence and information for policy					
Evidence for health policy	959	699		246	945
Health information management and dissemination	1 348	1 743		225	1 968
Research policy and promotion	453	1 442		4	1 446
Organization of health services	4 771	3 793		3 424	7 217
<i>Sub total</i>	7 531	7 677		3 899	11 576
Transfers effected and unallocated balance	146				
<i>Operational budget</i>	7 677	7 677	100.0	3 899	11 576
External relations and governing bodies					
Governing bodies	230	393			393
Resource mobilization, and external cooperation and partnerships	745	2 690		1 312	4 002
<i>Sub total</i>	975	3 083		1 312	4 395
Transfers effected and unallocated balance	2 108				
<i>Operational budget</i>	3 083	3 083	100.0	1 312	4 395
General management					
Budget and management reform	690	511		7	518
Human resources development	1 051	853		108	961
Financial management	1 341	1 013		11	1 024
Informatics and infrastructure services	5 372	5 259		3 388	8 647
<i>Sub total</i>	8 454	7 636		3 514	11 150
Transfers effected and unallocated balance	(818)				
<i>Operational budget</i>	7 636	7 636	100.0	3 514	11 150
Director-General, Regional Directors and independent functions					
Director-General's and Regional Directors' offices (including Audit, Oversight and Legal)	1 546	1 523		74	1 597
Director-General's and Regional Directors' Development Programmes and initiatives	1 022	1 229			1 229
<i>Sub total</i>	2 568	2 752		74	2 826
Transfers effected and unallocated balance	184				
<i>Operational budget</i>	2 752	2 752	100.0	74	2 826
Areas of work - total	30 558	32 627		143 928	176 555
Transfers effected and unallocated balance	2 069				
<i>Sub total - operational budget</i>	32 627	32 627	100.0	143 928	176 555
Country-level activities					
Country programmes	52 832	49 837		0 b/	49 837
Transfers effected and unallocated balance	(2 995)				
<i>Operational budget</i>	49 837	49 837	100.0	0	49 837
Total - budget	83 390	82 464		143 928	226 392
Transfers effected and unallocated balance	(926)				
Total - operational budget - Eastern Mediterranean	82 464	82 464	100.0	143 928	226 392

b/ Direct expenditure under country programmes Other Sources totalling \$98 265 000 is recorded under the areas of work where it occurred.

Table 3 (continued)

**Budget and expenditure summary by area of work
for 2002-2003 – by office**

(in thousands of US dollars)

Regional Office for the Western Pacific		Regular budget			Other sources	Total
Area of work	Programme					
	budget	Expenditure	%	Expenditure	Expenditure	
Communicable diseases						
Communicable disease surveillance	686	1 697		4 561	6 258	
Communicable disease prevention, eradication and control	310	787		2 190	2 977	
Research and product development for communicable diseases				102	102	
Malaria	944	948		5 310	6 258	
Tuberculosis	993	743		4 226	4 969	
<i>Sub total</i>	2 933	4 175		16 389	20 564	
Transfers effected and unallocated balance	1 242					
<i>Operational budget</i>	4 175	4 175	100.0	16 389	20 564	
Noncommunicable diseases and mental health						
Surveillance, prevention and management of noncommunicable diseases	1 262	787		493	1 280	
Tobacco	250	352		1 597	1 949	
Health promotion	1 035	897		361	1 258	
Disability/injury prevention and rehabilitation	91	76		34	110	
Mental health and substance abuse	292	484		196	680	
<i>Sub total</i>	2 930	2 596		2 681	5 277	
Transfers effected and unallocated balance	(334)					
<i>Operational budget</i>	2 596	2 596	100.0	2 681	5 277	
Family and community health						
Child and adolescent health	563	481		920	1 401	
Research and programme development in reproductive health	593	426		3 246	3 672	
Making pregnancy safer	200	269		274	543	
Women's health		10		(5)	5	
HIV/AIDS	645	969		3 116	4 085	
<i>Sub total</i>	2 001	2 155		7 551	9 706	
Transfers effected and unallocated balance	154					
<i>Operational budget</i>	2 155	2 155	100.0	7 551	9 706	
Sustainable development and healthy environments						
Sustainable development				209	209	
Nutrition	430	538		383	921	
Health and environment	2 192	2 245		307	2 552	
Food safety	347	424		360	784	
Emergency preparedness and response	97	93		1 032	1 125	
<i>Sub total</i>	3 066	3 300		2 291	5 591	
Transfers effected and unallocated balance	234					
<i>Operational budget</i>	3 300	3 300	100.0	2 291	5 591	
Health technology and pharmaceuticals						
Essential medicines: access, quality and rational use	743	831		677	1 508	
Immunization and vaccine development	1 051	1 293		11 816	13 109	
Blood safety and clinical technology	272	325		631	956	
<i>Sub total</i>	2 066	2 449		13 124	15 573	
Transfers effected and unallocated balance	383					
<i>Operational budget</i>	2 449	2 449	100.0	13 124	15 573	

Table 3 (continued)

Area of work	Regular budget			Other sources	Total
	Programme budget	Expenditure	%	Expenditure	Expenditure
Evidence and information for policy					
Evidence for health policy	553	922		541	1 463
Health information management and dissemination	2 387	1 516			1 516
Research policy and promotion	546	296			296
Organization of health services	3 883	3 855		1 712	5 567
<i>Sub total</i>	7 369	6 589		2 253	8 842
Transfers effected and unallocated balance	(780)				
<i>Operational budget</i>	6 589	6 589	100.0	2 253	8 842
External relations and governing bodies					
Governing bodies	465	485			485
Resource mobilization, and external cooperation and partnerships	1 931	1 566		13 269	14 835
<i>Sub total</i>	2 396	2 051		13 269	15 320
Transfers effected and unallocated balance	(345)				
<i>Operational budget</i>	2 051	2 051	100.0	13 269	15 320
General management					
Budget and management reform		399		158	557
Human resources development	727	707		274	981
Financial management	1 409	533		84	617
Informatics and infrastructure services	5 620	5 457		737	6 194
<i>Sub total</i>	7 756	7 096		1 253	8 349
Transfers effected and unallocated balance	(660)				
<i>Operational budget</i>	7 096	7 096	100.0	1 253	8 349
Director-General, Regional Directors and independent functions					
Director-General's and Regional Directors' offices (including Audit, Oversight and Legal)	1 085	840			840
Director-General's and Regional Directors' Development Programmes and initiatives	1 000	656			656
<i>Sub total</i>	2 085	1 496			1 496
Transfers effected and unallocated balance	(589)				
<i>Operational budget</i>	1 496	1 496	100.0		1 496
Areas of work - total	32 602	31 907		58 811	90 718
Transfers effected and unallocated balance	(695)				
<i>Sub total - operational budget</i>	31 907	31 907	100.0	58 811	90 718
Country-level activities					
Country programmes	40 660	40 068		0 ^{a/}	40 068
Transfers effected and unallocated balance	(592)				
<i>Operational budget</i>	40 068	40 068	100.0	0	40 068
Total - budget	73 262	71 975		58 811	130 786
Transfers effected and unallocated balance	(1 287)				
Total - operational budget - Western Pacific	71 975	71 975	100.0	58 811	130 786

^{a/} Direct expenditure under country programmes Other Sources totalling \$18 671 000 is recorded under the areas of work where it occurred.

Table 4

International health programme: Expenditure by fund

(in thousands of US dollars)

	2002-2003	%	2000-2001	%
Expenditure by sources of funds				
Regular Budget	827 401	35.7	820 393	37.7
<i>Other sources:</i>				
Voluntary Fund for Health Promotion	1 016 559	43.9	945 089	43.4
Special Account for the WHO Renewal Fund	(51)		2 655	0.1
Trust Fund for the Global Programme on AIDS	(33)		(1 073)	
Onchocerciasis Control Programme	12 580	0.5	27 821	1.3
African Programme for Onchocerciasis Control	20 414	0.9	18 418	0.8
Sasakawa Health Trust Fund	10 268	0.4	10 703	0.5
TDR ^{a/}	61 418	2.7	59 195	2.7
HRP ^{b/}	27 410	1.2	28 011	1.3
United Nations sources:				
United Nations Afghanistan Emergency Trust Fund	8		275	
United Nations Children's Fund	5 326	0.2	1 772	0.1
United Nations Development Programme	4 733	0.2	4 320	0.2
United Nations Environment Programme	968		305	
United Nations International Drug Control Programme	780		1 016	
United Nations Population Fund	9 552	0.4	10 785	0.5
United Nations Trust Fund for Assistance to Lebanon			2	
United Nations Iraq Programm SCR 986	108 474	4.7		
Supply services trust funds:				
Iraq Programme	18 524	0.8	69 744	3.2
All others	2 179	0.1	1 279	0.1
Associate professional officers	6 231	0.3	6 571	0.3
Other trust funds:				
Iraq Programme	347		24 817	1.1
All others	42 085	1.8	60 297	2.8
Special Account for Income Derived from Patent Policy	100	0.0	150	0.0
Special Account for Servicing Costs	121 977	5.3	67 786	3.1
Security Fund	6 961	0.3		
Information Technology Fund	482			
Revolving Sales Fund	7 535	0.3	1 040	0.0
Programmes financed by appropriation from casual income	2 531	0.1	15 209	0.7
<i>Total - Other sources</i>	1 487 358	64.3	1 356 187	62.3
Total Expenditure	2 314 759	100.0	2 176 580	100.0
Less: Eliminations (see Statement I)	(267 125)		(66 512)	
Total International health programme	2 047 634		2 110 068	

^{a/} TDR: Trust Fund for the UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases

^{b/} HRP: Trust Fund for the UNDP/UNFPA/WHO/World Bank Special Programme of Research, Development and Research Training in Human Reproduction

Table 5**Effective working regular budget, sources of financing and financial outcome***(in thousands of US dollars)*

	2002-2003	2000-2001
Approved budget and planned financing		
Total approved budget	855 654	842 629
To be financed as follows:		
Assessed contributions from Members for the effective working budget	792 526	835 373
Reimbursement of programme support costs	500	1 700
Miscellaneous income appropriated	49 732	
Casual income appropriated	12 896	5 556
<i>Total financing of budget</i>	855 654	842 629
Financial outcome of the budget		
Total approved budget	855 654	842 629
Exchange rate facility - net transfers to Casual Income Account (resolution WHA52.20)		(12 102)
<i>Effective working budget</i>	855 654	830 527
Less: Total expenditure incurred	830 401	820 393
<i>Unobligated balance of appropriations</i>	25 253	10 134
Income deficit		
Assessed contributions collected for the effective working budget	742 618	771 052
Other income (reimbursement of programme support costs and miscellaneous/casual income appropriated)	55 039	7 256
Exchange rate facility - net transfers to Casual Income Account (resolution WHA52.20)		(12 102)
Total income for the effective working budget	797 657	766 206
Total expenditure incurred	(830 401)	(820 393)
<i>Income deficit</i>	(32 744) ^{a/}	(54 187)

^{a/} Income deficit covered by a withdrawal of the available balance in the Working Capital Fund \$31 000 000, the remainder of \$1 743 968 being secured by internal borrowing against other WHO funds pending receipt of outstanding assessed contributions.

Table 6

Financial implementation by category of expenditure and sources of funds 2002-2003

(in thousands of US dollars and in percentage)

Category of expenditure	Sources of funds									
	Regular budget		Voluntary Fund for Health		United Nations		Other funds		Total	
			Promotion		sources					
		%		%		%		%		%
Salaries and common staff costs	411 124	49.7	95 289	9.4	6 615	5.1	80 880	23.8	593 908	25.6
Short-term staff	104 192	12.6	173 100	17.0	13 048	10.0	49 776	14.6	340 116	14.7
Consultants	9 292	1.1	37 198	3.7	7 049	5.4	3 508	1.0	57 047	2.5
Temporary advisers	11 770	1.4	38 089	3.7	603	0.5	9 973	2.9	60 435	2.6
Members of expert committees, study groups and scientific groups	755	0.1	161		16		11		943	
Governing body delegates and members	440	0.1	3				2		445	
Travel on official business	24 118	2.9	39 641	3.9	926	0.7	7 862	2.3	72 547	3.1
Research contracts	1 841	0.2	23 757	2.3	502	0.4	28 988	8.5	55 088	2.4
Contractual services for translation, printing, data processing, aerial operations and other purposes	72 078	8.7	132 302	13.0	8 763	6.7	38 338	11.2	251 481	10.9
Supplies and materials, rental and maintenance of premises and equipment, stationery, utilities and communications	84 273	10.2	112 544	11.1	26 864	20.7	77 290	22.7	300 971	13.0
Supplies - contributions in kind			80 818	8.0					80 818	3.5
Acquisition of furniture and equipment	25 327	3.1	33 477	3.3	66 828	51.6	14 054	4.1	139 686	6.0
Acquisition and improvement of premises	431	0.1	1 730	0.2	48		1 561	0.5	3 770	0.2
Fellowships and other educational activities	35 946	4.3	22 962	2.3	754	0.6	5 911	1.7	65 573	2.8
Local cost subsidies	41 427	5.0	233 518	23.0	21 914	16.9	19 881	5.8	316 740	13.7
Direct financial cooperation	599	0.1	42						641	
General project costs										
- The Americas	28 902	3.5	8 166	0.8	36		1 913	0.6	39 017	1.7
- Other			(99 972)	(9.9)	(32 678)	(25.2)	(16 540)	(4.8)	(149 190)	(6.4)
Hedging operations	(37 888)	(4.6)							(37 888)	(1.6)
Other expenditure, including programme support costs and joint activities with the United Nations	12 775	1.5	83 734	8.2	8 553	6.6	17 550	5.1	122 612	5.3
Total	827 402	100.0	1 016 559	100.0	129 841	100.0	340 958	100.0	2 314 760	100.0

Less: Eliminations (see Statement I)

Transfers between technical cooperation programmes (162 966)

Programme support costs	(104 158)
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Total - International Health Programme	2 047 634
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Glossary of budgetary and financial terms 2002-2003

This glossary of budgetary and financial terms provides an explanation of the main terms used in the two documents that present the WHO financial framework. The Programme Budget is approved by the Health Assembly and is a plan in programmatic and expenditure terms for the work of the Organization in the biennium. The Financial Report, which is audited on a biennial basis, provides information on the actual expenditure of the Organization and shows the assets and liabilities at the end of the biennium. The report of the External Auditor is presented together with the Financial Report and enables Member States and other readers of the Financial Report to know that an independent audit has taken place and whether there are any significant issues that require attention. The External Auditor also gives an opinion as to whether the Financial Report presents fairly, in all respects, the financial position of the Organization. The Financial Report of the Organization together with the report of the External Auditor is noted by the Health Assembly.

Term	Definition
<i>Accrual accounting</i>	A method of recording transactions: income is reflected in the accounts in the same period in which it is due; expenditure is reflected in the accounts in the same period in which it has been incurred.
<i>Appropriation</i>	An amount voted by the Health Assembly for a specified purpose and for a financial period. This represents a ceiling, a maximum figure against which obligations may be incurred.
<i>Assessments</i>	Assessments are made against Members on the basis of the Health Assembly appropriation resolution and in accordance with the scale of assessments approved by the Health Assembly.
<i>Budget</i>	A plan in financial terms for executing a programme of activities in a specified period.
<i>Effective working budget</i>	The effective working budget represents the approved Regular Budget against which the Director-General is authorized to incur obligations, taking into account any transfers between appropriation sections.
<i>Exchange rate hedging</i>	In adopting the Appropriation Resolution for 2002-2003, the Health Assembly also approved an exchange rate hedging mechanism in lieu of the former exchange rate facility. This mechanism seeks 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 US dollar.
<i>Expenditure</i>	Expenditure for a financial period is the total amount of obligations. This figure represents the sum of disbursements and unliquidated obligations made against an appropriation or contribution for the period in question.
<i>Fund accounting</i>	A method of accounting under which each fund is maintained as a distinct financial and accounting entity with a separate, self-balancing group of accounts.
<i>Imprest account</i>	A bank account that is periodically funded in order to maintain a pre-determined cash balance. Generally, imprest accounts are used for making payments in country office locations.

Term	Definition
<i>Internal borrowing</i>	A mechanism by which, once the Working Capital Fund has been fully utilized, other available funds are used in order to finance regular budget implementation, pending the receipt of assessed contributions. Internal borrowing is repaid when Members pay their arrears of assessed contributions.
<i>Obligation/unliquidated obligation</i>	An obligation is a commitment or undertaking that creates a liability against the resources of the Organization. An unliquidated obligation is that part of an obligation which has not been disbursed, i.e., an outstanding liability.
<i>Operational budget</i>	The amount of the Effective Working Budget that is allocated for programme implementation.
<i>Revolving fund</i>	A fund established so that income from specific activities may be used to cover the costs of those activities. Any surplus may be carried forward to a future period.
<i>Savings on unliquidated obligations</i>	The balance remaining within unliquidated obligations after payment of all liabilities under those obligations.
<i>Unobligated balance</i>	That part of an appropriation, contribution or allotment which has not been obligated.
<i>Unobligated balance of regular budget appropriations</i>	The unobligated balance of regular budget appropriations at the end of the financial period could either be funded in part, in total or not at all depending on the extent to which assessed contributions have been collected. Any funded part of the unobligated balance of regular budget appropriations is credited to miscellaneous income. The unfunded part of the unobligated balance of regular budget appropriations represents the amount of the Effective Working Budget that cannot be implemented. The unfunded part is credited to miscellaneous income only when the underlying outstanding assessed contributions are collected.
<i>Working Capital Fund</i>	A fund established by the Health Assembly for the purpose of financing regular budget implementation pending receipt of assessed contributions. Withdrawals from the fund are reimbursed when Members eventually pay their arrears of assessed contributions.

***REPORT OF THE EXTERNAL
AUDITOR TO THE WORLD
HEALTH ASSEMBLY***

**REPORT OF THE EXTERNAL AUDITOR TO THE WORLD HEALTH ASSEMBLY
ON THE FINANCIAL OPERATIONS OF THE WORLD HEALTH ORGANIZATION
FOR THE FINANCIAL PERIOD 1 JANUARY 2002 TO 31 DECEMBER 2003**

INTRODUCTION

1. The audit of the World Health Organization (WHO) was assigned to the Auditor-General of the Republic of South Africa for the 2000-2001 and 2002-2003 financial periods, in terms of resolution WHA52.8 of the fifty-second meeting of the World Health Assembly.
2. The results of the audit work performed during the first year of the financial period were transmitted to the Fifty-sixth World Health Assembly in document A56/29. In the second year of the financial period, the regional offices and several country offices were audited *in loco* and the final audit of the financial statements was completed. The purpose of this, my final long-form report, is to inform the World Health Assembly on significant matters arising from the external audit of the 2002-2003 financial period.
3. Over the past eight years, I have noted a number of changes in WHO, including the improvement of various aspects of corporate governance. This has been manifested through a more structured and focused interaction with external audit, an improvement in compliance with internal audit standards and on-going review of external reporting by the administration, by way of example. It has been an honour to have been associated with three Directors-General during my term of office and I would wish Dr Lee every success as he takes these matters forward.
4. I am able once again, through the external audit of the accounts, to provide assurance that the financial records of WHO are reliable and well maintained and that adequate internal controls have been implemented. Accordingly, I have expressed an unqualified opinion on the financial statements for the period ended 31 December 2003. As noted in the audit opinion, I wish to record my concern in one area, notably the maintenance of complete and reliable records in respect of non-expendable equipment. This matter is discussed in more detail in paragraphs 53 to 57 of this report.
5. The financial audit has been supplemented with various value-added and additional procedures, most recently in respect of matters such as network and security controls, knowledge management, human resources and others.
6. However, there are a number of important interventions which, although accepted by the Secretariat, have not progressed as far as had been expected. These matters, which are highlighted in this report, will need to receive urgent attention to ensure that the improvements recommended are brought to fruition.
7. This report is set out in several parts, which group my comments into the areas of terms of reference and audit approach; governance matters; financial overview; strategic budgeting and programme management; financial and compliance matters and several other management issues.
8. This is my second and final term in office. The Comptroller and Auditor-General of India has been appointed for the ensuing two financial periods in terms of WHA56.8. My successor and I have already commenced arrangements for a smooth hand-over of the audit and I wish him well in the future. During my term in office, there have been a number of complex and difficult audit issues that required debate and I wish to thank the members of the Secretariat for their constructive engagement throughout.
9. I am also grateful for the opportunity to have provided the independent external audit service to this renowned specialised agency of the United Nations system and for the strong support received from Member States throughout my term. It is with pleasure, therefore, that I submit my report on the financial operations to the Fifty-seventh World Health Assembly in terms of Financial Regulation XIV.

TERMS OF REFERENCE AND AUDIT APPROACH

10. The audit was performed in accordance with Regulation XIV of the Financial Regulations of WHO and the additional terms of reference governing external audit contained in the Appendix thereto. In accordance with these terms of reference, the auditor shall express an opinion on the financial statements for the financial period and report on the financial operations and various other matters set out therein. In addition, the mandate of the external auditor provides the opportunity to add value to the accountability process in order to assist WHO in achieving its objectives effectively, efficiently and economically.
11. The audit was conducted in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. A comprehensive audit approach, which incorporates financial, compliance and value-added components, was followed in the performance of the audit. Audit activities were carried out at headquarters, at the regional offices and at several country offices.
12. In addition to the audit of WHO, the separate accounts of the Onchocerciasis Control Programme, the African Programme for Onchocerciasis Control, the Trust Fund for the Special Programme for Research and Training in Tropical Diseases, the International Agency for Research on Cancer, the International Computing Centre and the Trust Fund for the Joint United Nations Programme on HIV/AIDS, are examined. The respective audit reports are transmitted separately to the governing bodies or management committees of these related entities.

GOVERNANCE MATTERS

13. In recent years, increasing emphasis has been placed on issues relating to governance and the extent to which organisations are directed and controlled in a manner which supports openness, integrity and accountability. Issues relating to organisational structures, reporting to stakeholders, the systems of internal controls and the values and standards of behaviour defined for the organisation are all important considerations. A sound governance structure is particularly relevant for WHO in the context of its growing extrabudgetary resources and this has been an area that has enjoyed attention since our initial appointment.
14. WHO's commitment to supporting effective governance is well recognised. A review of the status of various elements of WHO's governance framework was carried out and I have endeavoured to group my comments into the areas of governance structures, reporting by the Secretariat through the medium of the Financial Report and Audited Financial Statements, as well as the formulation and disclosure of appropriate policies relating to such matters as risk management, ethics and others.

Governance structures

15. The thrust of my approach in this area has been to improve the structures for, and the frequency of interaction between the organs of governance, the Secretariat and the external auditor. This has been manifested through the creation of a high-level audit steering committee by the Director-General to provide for the external audit arrangements, while the creation of an Audit Committee of the Executive Board in January 1999 (EB103.R8) has provided for more dialogue on matters pertaining to audit matters at the governance level.
16. These initiatives, in my view, have contributed to *inter alia* the achievement of consensus on audit findings, improved audit efficiency, more detailed interactions with and guidance from the governing body and more attention to and follow-up of audit findings. These improved accountability arrangements benefit the organisation through the timely implementation of corrective actions.
17. At a time when a re-look is taking place on the future of the Audit Committee and alternative structures which may be more appropriate in the particular circumstances of WHO, I would record the strong sentiment that any revision of the existing structures should retain and enhance the level of interaction of the external auditor and other role-players, with the governing organs of WHO.

18. The internal oversight function is an important element of the governance structure. An objective assessment of the internal audit function was performed in the 2000-2001 financial period and the progress made in improving compliance with internationally accepted standards was followed up in 2003. I am pleased to report that all of the recommendations made have been substantially addressed and welcome the Director-General's actions to further strengthen this function.

Reporting to stakeholders

19. During the course of the audit, the financial report and audited financial statements of WHO, as well as those of its related entities were reviewed in order to determine the extent to which they complied with the United Nations System Accounting Standards (UNSAS) and current best practice. Overall, it was noted that the financial statements of WHO complied, in all material respects, with the requirements of the UNSAS and it is noted that the presentation and disclosure have been further enhanced during this financial period.
20. It has become recognised as best practice for a statement on governance to be included in reports to stakeholders. In this regard, the Director-General may wish, in future financial reports, to include statements concerning his responsibility for preparing the financial statements, accepting the responsibility for maintaining a system of internal control, as well as a statement on the effectiveness of this system and on whether or not standards or codes of corporate governance have been adopted.

Policies and procedures

21. The development and communication of policies and procedures are an integral part of ensuring that the actions of staff members are directed toward the achievement of the corporate strategy and the minimisation of the exposure to risk. In this regard, a number of areas where improvements could fruitfully be implemented, are highlighted in the paragraphs below. The Secretariat has acknowledged that it takes these matters seriously and is committed to addressing them.
22. **Risk management.** In my interim report, I noted that while risk assessment and management processes do exist in various forms throughout WHO, a formalised risk management policy and strategy were not in place for WHO as a whole. WHO should review its risk assessment activity and implement an appropriate risk management process to ensure significant risks are identified and appropriately managed.
23. **Fraud prevention and contingency policy.** In my 2000-2001 audit report, it was noted that WHO did not have a structured fraud prevention and contingency policy. While the Secretariat introduced a number of measures in this area during the financial period, a formal policy in this regard has not been finalised.
24. **Code of ethics and conduct.** The Staff Regulations and Staff Rules currently set out the duties and obligations of employees and the required standards of conduct, while further guidance is provided in various parts of the WHO Manual and other policy guidelines. In my 2000-2001 audit report, it was noted that the development of a code of ethics and conduct is in line with current best practices, but has not been implemented to date.
25. **Declarations of conflicts in interest.** The Staff Rules require all staff members to report any potential conflicts of interest, while certain categories of staff are required to submit specific declarations on an annual basis. Whilst this is a positive measure, it was noted that the process for obtaining and reviewing the conflict of interest declarations followed in 2003 needed to be strengthened. Improved processes for 2004 have already been implemented.
26. **Delegations of authority.** In my 2000-2001 report, I highlighted the need for a consolidated and comprehensive framework setting out the delegations of authority to ensure that accountability arrangements are well understood throughout WHO. This matter still needs to be finalised and communicated.

27. **Financial and administrative policies and procedures.** In my 1998-1999 and 2000-2001 reports, it was noted that the WHO Manual has become increasingly outdated and that the supplementary guidance which has been issued can be confusing. The comprehensive approach being taken to review the dissemination of financial policies and procedures of the organisation in order to improve operational efficiency and serve current business needs is welcomed.
28. **Environmental policy.** In my 1998-1999 audit report, the increasing importance of environmental management and disclosure in sound corporate governance was noted for the first time. In recognition of this the Secretariat has addressed certain environmental issues and is currently developing an environmental policy on the basis of which an environmental management system may be implemented.

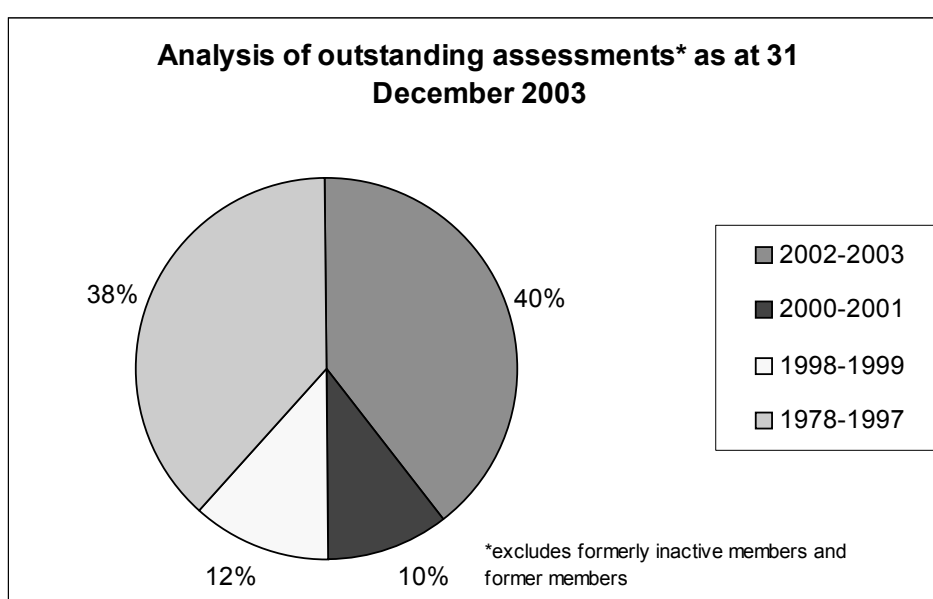
FINANCIAL OVERVIEW

Regular budget and assessed contributions

29. In 2002-2003 the collection rate in respect of assessed contributions reached 94% and displayed a continuing upward trend. This, in turn, led to a reduction of the deficit on the regular budget to USD 32,743,968 compared with USD 54,186,993 in the prior financial period, which was financed from advances from the Working Capital Fund amounting to USD 31,000,000 and internal borrowings of USD 1,743,968.
30. The amount made available for obligating is influenced by the level and timing of the payment of assessed contributions. While WHO was able to achieve an implementation rate of 98 per cent (2000-2001: 99 per cent) in the financial period, it was noted that an amount of USD 16,855,000 was not released for obligation. Member States are encouraged to pay their assessed contributions early in each year of the financial period so that management has the flexibility to achieve increased implementation rates.

Outstanding assessed contributions

31. The total contributions outstanding as at 31 December 2003 amounted to USD 137,525,690, while at the end of the previous financial period the corresponding balance was USD 146,661,244. The limited reduction of some 6 per cent indicates that while there is a high rate of collection of current contributions, little progress is being made in reducing the arrears. The following figure illustrates the aging of outstanding assessed contributions:.



32. The level of long-term outstanding assessed contributions continues to be an area of concern and Member States are strongly encouraged to pursue arrangements for reducing their arrears

Management of extrabudgetary funds

33. The level of extrabudgetary funding continues to increase, while growth in the regular budget remains relatively static. For this financial period, the ratio of extrabudgetary funds from all sources to the regular budget was approximately 60 to 40. In my 2000-2001 interim report, I highlighted the potential implications this is likely to exert on the overall level of administrative and support work funded by the regular budget. It was noted that unless an appropriate level of resources is made available for the administrative and support costs associated with the increased extrabudgetary funding, further imbalances may become difficult to sustain. The Secretariat agreed at the time that more details of the actual cost incurred in this regard be maintained and analysed in order to determine the impact and to serve as a basis for the development of appropriate policies. This process is continuing.
34. Programme support costs charged are credited to the Special Account for Servicing Costs. The funds earned in this account are allocated to the clusters and the regions for use in the ensuing financial period. In my interim report, it was noted that the criteria for the use of the programme support costs which had been elaborated and communicated were not sufficiently clear to support uniform implementation. The Secretariat has advised that further work has been done in respect of 2004-2005 and clearer allocation and implementation criteria have been defined and communicated.

STRATEGIC BUDGETING AND PROGRAMME MANAGEMENT

35. WHO has embarked on a revised strategic budgeting process and the implementation of results-based management. In this regard, the programme budget sets out WHO's strategic direction, its organisation-wide priorities and its areas of work through which the programme budget will be implemented. It is recognised that it is a challenge to operationalise the strategic budget through an integrated planning process for all sources of funds, with effective monitoring and performance reporting. The progress made by the Secretariat in this regard over the past two financial periods is commended.
36. The audit work which was carried out during the financial period covered aspects of programme planning, monitoring and evaluation at the respective levels of the organisation and, while a number of instances were noted where good use was being made of the results-based management framework, areas were noted where further refinements should be considered, as noted hereunder.

Integrated planning for all sources of funds

37. The programme budget for 2002-2003 was integrated in that it defined a common set of objectives and expected results, irrespective of the source of funding. It serves as the basis for the detailed operational planning, which is intended to follow a similar approach. Effective operational planning is influenced by the availability of the planning allocations, for both regular and other sources. As reported in my interim report, the provisional allocations for the 2002-2003 regular budget were communicated to clusters and regions late in 2001, while no formal communication was made in respect of other sources of funding.
38. Whilst the operational planning could be facilitated by providing details of the allocations at an earlier stage in the cycle, I also noted that a more structured and transparent framework for the allocation of extrabudgetary funds would be desirable and that this framework should provide for a clear link between the strategic budgetary process and the operational allocation of resources. The Secretariat has indicated that it has started developing a more structured and transparent process in this regard.

Resource mobilisation framework

39. Staff at the cluster level involved in interacting with potential donors to mobilise resources expressed the need for a common resource mobilisation framework, which would set out the relevant principles and guidelines. In my interim report, I expressed support for the development of such a framework which would clarify the roles and responsibilities and promote a common vision.

40. The Secretariat has indicated that the newly established Planning, Resource Coordination and Performance Monitoring Department has been tasked with the development of a more comprehensive framework for resource mobilisation in 2004-2005.

Programme planning and monitoring

41. During the 2002-2003 financial period, a steady improvement in programme planning and monitoring was noted. While the progress in introducing results-based management is commendable, instances were noted where the level of compliance with extant guidelines could and should be improved.
42. It was noted, by way of example, that while some of the organisation's work had not been captured in a workplan, in other instances activities that were not the responsibility of the Secretariat had been included. It was further noted that the performance indicators, baseline information, milestones and targets could be better defined. Instances were noted where adequate and relevant data had not been recorded to facilitate effective monitoring of technical progress and the production of meaningful six-monthly monitoring reports. Motivations for reprogramming requests were not always well documented and followed up.
43. While a number of improvements had been introduced to the Activity Management System (AMS), it was still not being used effectively across the organisation as the corporate tool for programme planning and monitoring. Furthermore, the integrity of management information in the AMS still needs further improvement.
44. In order to increase compliance with the established framework, consideration should be given to codifying mandatory provisions, while issuing supplementary guidelines, where necessary.
45. It is pleasing to note that the Planning, Resource Coordination and Performance Monitoring Department has included in its workplan for 2004-2005, the design and implementation of quality assurance mechanisms. It is also noted that an exercise is being undertaken to refine the indicators included in the 2004-2005 Programme Budget to ensure an appropriate basis for assessing and reporting on the achievement of expected results.

Programme budget performance evaluation

46. A programme budget performance evaluation on the 2002-2003 financial period is to be prepared and made available in draft to Member States during May 2004 and in final form to the Executive Board in January 2005. The Secretariat has indicated that while the programme budget performance evaluation report will likely be an improvement on the report issued for the prior period, it will still not be possible to provide financial performance information at the "expected result" level. Non-financial information, in turn, is taking time to assimilate and contributes to the length of the process.
47. Performance reporting forms an integral part of the accountability process and should ideally take place on the same time lines as financial reporting. It is recognised that it is difficult to aggregate and summarise the performance information from all regions and offices into a consolidated and timely performance report for WHO and the continuing efforts by the Secretariat in this regard are supported.

Programmatic, thematic and country evaluations

48. While the programme budget performance evaluations are self-assessments by all parts of the organisation, programmatic, thematic and country evaluations are in-depth evaluations aimed at determining WHO's contribution to its stated goals and objectives.

49. During the audit, a high-level review of the evaluation activities relating to the 2002-2003 financial period was performed and the following matters were noted.
50. **Programmatic and thematic evaluations.** For 2002-2003, it was envisaged that each regional office and headquarters would perform a programmatic evaluation, while two thematic evaluations would be performed organisation-wide. While all regional offices performed programmatic evaluations, it was noted that the final reports in respect of two evaluations were not yet complete. It was established that one of the main factors contributing to the delay is the difficulty in finding suitable persons to serve on the evaluation team. This is further impacted by a provision in the evaluation guidelines, which prohibits the remuneration of evaluators. The Secretariat has advised that changes to this provision are being considered. Due regard should be given to maintaining the independence of evaluators and the cost-effectiveness of evaluation activities.
51. **Country evaluations.** Country evaluations will seek to assess the work of WHO in and with the country. The Monitoring, Evaluation and Reporting Guidance for 2002-2003 envisages that country evaluations will become integrated into the Country Cooperation Strategy process so that they will become a fundamental part of its formulation and renewal. While consultation occurred during the 2002-2003 financial period on ways to implement evaluation processes at the country level, no country evaluations were completed during the financial period. However, detailed terms of reference for three pilot country evaluations were agreed in November 2003 and these are currently under way. Given the emphasis placed on improving WHO's work at the country level, an appropriate framework for the integration of evaluation into the Country Cooperation Strategy process should be given priority.
52. It is noted that the responsibility of coordinating the work on programmatic evaluations under the framework established by the Executive Board has recently been moved to the Office of Internal Oversight Services. The separation of this function from the department responsible for dealing with programme policy issues is encouraging from a governance point of view.

FINANCIAL AND COMPLIANCE MATTERS

Non-expendable equipment

53. In accordance with the UNSAS, non-expendable equipment is expensed in the period of acquisition and the total value at cost, is disclosed by way of a note in the financial statements. This requirement came into effect in the 1996-1997 financial period. In addition to the requirement for disclosure of the value of non-expendable equipment, the control over the assets of the organisation is an important requirement and the Financial Rules prescribe that an asset management system shall be maintained for inventory. As highlighted in my 1996-1997, 1998-1999 and 2000-2001 reports, accurate and reliable asset management systems had not been maintained by the organisation.
54. The Secretariat has provided various assurances that measures would be implemented to improve the systems in this area and it was noted that some actions had been taken, including the contracting of a consultant to review the systems in place at headquarters. However, despite these actions, the audit performed did not reveal any significant progress. In particular, it was noted that inventory records were not updated with all acquisitions and disposals in a timely manner, did not always contain sufficient information, such as model and serial numbers to allow for identification and did not always contain the value of the inventory item. The records were not systematically compared with, or reconciled to, the accounting system to ensure the completeness of the records. An inventory count was not performed at headquarters during the 2002-2003 financial period, while in other instances where inventory counts had been performed, weaknesses existed in the count procedures followed.
55. The current provisions of the WHO Manual do not provide adequate guidance in respect of the maintenance of inventory records that meet both the objectives of control in respect of the safeguarding and custody of assets and also of providing reliable information for the disclosure requirements of the UNSAS.

56. While some assurance has been obtained in respect of the value of non-expendable equipment, the lack of progress in addressing the weaknesses above is considered significant and accordingly I have drawn attention to this by way of an emphasis of matter paragraph in my audit opinion.
57. I trust that the implementation of reliable and complete asset management systems to ensure that WHO's assets are adequately safeguarded and completely and accurately recorded, will receive concerted attention.

Budgetary and financial control in the Regional Office for Africa

58. Pursuant to the decision of the 51st session of the Regional Committee for Africa held in August/September 2001, the Regional Office for Africa returned to Brazzaville, Congo from its temporary facilities in Zimbabwe. Staff members were moved back to Brazzaville in phases as the facilities were improved. However, as a result of the significant increase in the activities of the regional office, the Brazzaville office could not accommodate the larger workforce and certain operations continue to be housed in Harare.
59. The move from Harare to Brazzaville resulted in a significant increase in costs, both in respect of the direct costs involved in moving the regional office, as well as an increase in the costs associated with operating the regional office in two locations. These increased costs could not be foreseen in the programme budget, which had been prepared several years earlier.
60. The split in the operations of the regional office between Harare and Brazzaville also contributed to some weakening of the financial and accounting operations of the regional office. Difficulties were also experienced with operating the financial accounting system in two locations.
61. In this regard, it was noted that during the financial period there had been a number of significant over-expenditures on allotments. While these had been rectified before the end of the financial period, they were in contravention of the WHO Financial Rules at the time they were actually incurred. A number of instances were also noted where payments had been processed against obligations raised for another purpose, or where insufficient funds were available in the obligation.
62. It was also noted that transactions amounting to USD 4,857,644 had been inappropriately allocated to the year-end transactions account for processing against 2004-2005 allotments. It was established that this amount represented 2002-2003 expenditure that had been incurred by certain WHO Representatives in excess of their allocations or where amounts had been advanced to countries for local cost subsidies in excess of the limits allowed by the current WHO policy. Expenditure for the current financial period has therefore been understated by this amount, while accounts payable are correspondingly understated.
63. The above-mentioned lapse in budgetary and financial discipline which was experienced in the region, combined with the increased costs associated with the move, resulted in the regional office facing a budgetary crisis during the financial period, although this had been resolved by the end of the financial period.
64. The prompt actions taken by senior management, both at the regional office and at headquarters, to address the weaknesses noted are welcomed. These included an initial review of the delegations of authority as well as extensive consultations at a senior level. In addition, it is noted that an external consulting firm has already commenced a comprehensive review of the budget and financial functions of the regional office with a view to re-engineering existing processes. A detailed plan should be developed and monitored to ensure corrective actions are implemented within the desired time frames to rectify the remaining outstanding issues.

Allotment and expenditure control

65. The Financial Regulations and Financial Rules prescribe that obligations may be raised only for the purpose indicated and up to the amount available in the allotment. A number of instances were identified during the audit where allotments were exceeded by obligations, whilst in other instances, disbursements were processed in excess of the amount available in the obligation. It was noted that the person authorising the original obligation had not approved the increased amounts. It is submitted that the procedure for the revision of obligations as well as the review of variances on disbursements should be strengthened to improve the control over this aspect of expenditure.

Unliquidated obligations

66. Audit tests performed during the financial period continued to reveal obligations that were being maintained even though they no longer reflected a valid legal liability. Invalid obligations can lead to the misstatement of liabilities and prevent those funds from being utilised for other activities. Careful review of unliquidated obligations requires continued emphasis.

Variances on prior-period unliquidated obligations

67. As at 31 December 2003, net savings on regular budget unliquidated obligations brought forward from the prior financial period amounted to USD 8,705,040. An analysis of this amount shows that it is made up of savings of USD 18,427,900 and over-spends of USD 9,722,860.
68. A review of a sample of prior-period obligations that had been overspent revealed instances where 2002-2003 expenditure had been incorrectly allocated against the prior-period reserve account. Existing controls over the reserve account require strengthening to ensure that only valid expenditure is allocated against prior-period obligations. Furthermore, the policies and procedures in respect of the variance on the reserve account need to be reviewed and clarified so that consistent application is achieved throughout the organisation.
69. While in the case of the regular budget, variances on prior-period unliquidated obligations are operated at the fund level, in the case of most other funds, the variances on unliquidated obligations are operated at the allotment level. As a result, the net saving or over-spend, while identifiable at the allotment sub-line level, is set off against the overall reported expenditure for the current financial period.
70. It is recognised that the treatment of unliquidated obligations brought forward, where the variances are to be operated at the allotment level, is a complex issue and that constraints are faced to ensure that the integrity of donor contributions is respected. A review of the current treatment of such variances, however, should be considered to ensure accurate and transparent financial reporting.

Local cost subsidies

71. Local cost subsidies are defined as payments made by the organisation to cover costs that would otherwise be borne by governments, in order to strengthen their health development capacity and ability to participate more effectively in, or to meet their commitments to, WHO technical cooperation at the country level. This comprises a significant proportion of WHO's expenditure in countries.
72. Funds for the implementation of local cost activities are normally provided for by way of an advance to the respective government, based on a formal agreement supported by a detailed costing of the envisaged activities. The recipient government is held accountable for the correct use of the funds and is expected to submit periodic financial returns. The submission of these financial returns and their subsequent review and certification by the responsible WHO official is an integral part of the accountability process to ensure that the desired outcomes have been achieved.

73. In my previous reports, I have expressed concern regarding the significant number of outstanding financial returns and there has been no noticeable improvement in meeting the required reporting time frames, although a concerted effort has been made by both regional and country staff members.
74. The Secretariat established a working group during 2001 to review the existing policy and provisions relating to local cost subsidies. It was then decided that a more wide-ranging review was necessary. Further work was performed during 2002-2003 and in December 2003, management reached consensus on certain fundamental issues, which included the framework for the planning and approval for activities in the country and reporting and accountability principles. The planned next steps include the development and approval of detailed procedures.
75. While I am concerned that this matter has not been addressed in a more timely manner, the wider review of the issue is supported.

Fellowships

76. The fellowship programme of WHO seeks to contribute to the development of human resources in areas corresponding to approved health and health-related plans, policies and priorities to ensure the maximum impact on capacity building in national health administrations.
77. The effective and ongoing evaluation of the programme is largely achieved through the timely receipt and review of various reports submitted by the fellow, the training institute and the national health administration, both during and after the fellowship period. In particular, the final report which is completed by the fellow and the national health administration at certain periods after the completion of the fellowship programme, confirms that fellows have honoured their commitment to place their services at the disposal of the respective administration, thereby increasing its capacity.
78. As has been reported in past audit reports, a significant number of the required final reports were not received within the prescribed time frames, despite a considerable effort by the Secretariat.
79. Instances were also noted where applicants had been selected and placed on fellowship programmes, even though they did not possess adequate skills in the language of tuition. Furthermore, some instances were noted where the WHO Representative did not serve on the selection committee as an observer.
80. It is noted that a thematic evaluation of the fellowship programme has commenced recently. It is expected to examine, *inter alia*, the processing of fellowships at country, regional and institutional levels and to determine the linkage to outcomes for the programme.

Treasury management

81. In my interim report, I reported on the findings arising from a follow-up review performed in 2003 in respect of the treasury and cash management functions at WHO, which had been performed in February 2000. As noted previously, the overall treasury operations have improved significantly. Greater emphasis has been placed on the investment function and a global custodian has been appointed to provide independent monitoring and reporting on the performance of fund managers.
82. The implementation of an integrated treasury information system together with changes to the segregation of duties between the front and back office finance officers are significant aspects that still need to be fully implemented. Furthermore, the authority levels and processes to be followed in respect of treasury transactions, as well as the documentation thereof, could also be improved.

Bank and imprest accounts

83. The balances of imprest accounts held by country offices are included in cash as disclosed in Statement II (Statement of Assets, Liabilities and Fund Balances). In order to achieve consistency in the recording of imprest accounts, the Secretariat introduced a policy during the previous financial period that payments made through the imprest accounts in December would be recorded in the next financial period. This policy has been consistently applied and while it has no effect on the reported expenditure, it leads to an overstatement of the cash balances and unliquidated obligation balances as disclosed in Note 18 to the financial statements.
84. WHO operates a number of bank, imprest and petty cash accounts world-wide. While a continued improvement in the timeliness of bank reconciliations and the processing of imprest journals was noted, the controls over bank and imprest accounts as well as the measures introduced to safeguard cash could still be improved in some instances.

Management information in respect of voluntary contributions

85. In order to improve management information in respect of voluntary contributions, I have previously reported the need for a more integrated system for the administration of voluntary contributions. The Secretariat noted that this need could only be fully met with the implementation of the new global management system, although improvements could be implemented in the interim through increased coordination and a consolidation of existing systems. A uniform system had been identified and is being implemented.

Personal accounts

86. A review of the personal accounts at headquarters and at the regions revealed that actions had been taken to clear the long-outstanding balances that had accumulated. Despite this effort, however, a number of long-outstanding balances remain to be cleared. A more thorough analysis and review of the processes in respect of transactions that are allocated to personal accounts have been initiated by the Secretariat.

Travel advances

87. A significant backlog in the submission and processing of travel claims was noted. This has contributed to an increased value of travel advances outstanding in the personal accounts as well as amounts remaining in unliquidated obligations for a long time after the travel occurred. A stricter follow-up on outstanding travel claims as well as the allocation of resources to address the backlog should be introduced.

Capital assets

88. Whilst details of capital assets are recorded in the general ledger, it was noted that the maintenance of a separate asset and title deed register would enhance the controls over the land and buildings owned by WHO.

HUMAN RESOURCES MANAGEMENT

Performance and development of staff

89. The Performance Management and Development System (PMDS), which was introduced from 1 January 2002, aims to assess staff in a transparent and fair manner in relation to agreed objectives, as well as to develop staff. Its key objectives are to achieve a high level of performance within the organisation; to link individual staff objectives with the corporate strategy and the strategic budgeting process and to increase work team dialogue and feedback.
90. Audit work performed during the financial period at headquarters and regions revealed varying levels of implementation of the new system. In some cases, the level of compliance seemed particularly low, although it was noted that effective systems for recording and monitoring information on compliance had not always been introduced.
91. It was also noted that while the performance management side of the tool has been accepted, emphasis has not been placed on the development aspect. In many cases, individual performance results had not been used to formally develop specific training and development plans for each staff member. Improved compliance with the requirements of the PMDS should be addressed and results used not only to manage staff performance, but also to develop integrated development plans for staff members.
92. The Director-General has emphasised the need for increased attention to staff development and a specific fund to address staff development throughout the organisation has recently been established.

Integrated management of performance

93. The results-based budgeting and management process seeks to align the activities of each organisational unit with certain strategic objectives and deliverables of the organisation as a whole. An integrated performance management approach recognises the interrelationship between individual performance and organisational performance. In this regard, it was noted that when evaluating performance, management does not systematically review the results from both systems in order to analyse the progress on projects and the potential impact of human resource needs.
94. An integrated approach to performance management should be implemented by ensuring that the individual goals per the PMDS are aligned with those of the AMS and that, in monitoring performance, the results of both systems are considered.

Geographical and gender distribution

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- 95. In past years, the World Health Assembly has expressed its wish that the organisation's workforce be representative in respect of both gender and geographical distribution. Resolution WHA56.17 reaffirmed the target of 50 per cent for appointments of women to professional and higher-category posts. In resolution WHA56.35 a target was set of 60 per cent of all vacancies arising and posts created over the next two years in the professional and higher-graded categories, irrespective of their source of funding, for the appointment of nationals of unrepresented and under-represented countries, in particular developing countries. Differing levels of achievement of these targets were noted at headquarters and at some regional offices.

96. It is noted that the Secretariat has developed a comprehensive recruitment strategy and plan for integrating gender and geographical balance, which was considered by the 113th session of the Executive Board (EB113/18). The strategy also outlines the intended monitoring, accountability and evaluation mechanism to ensure that it is successfully implemented. It will be important for the principles and actions in this strategy to be operationalised at all levels of the organisation.
97. While the overall targets are clear, specific targets have not been developed for headquarters and regions which take into account the local circumstances, so that WHO as a whole attains gender and geographical balance in its workforce.

Compliance with the Staff Regulations and Staff Rules

98. Tests performed on the personnel files of both fixed and short-term employees revealed instances where documentation required by the Staff Regulations and the Staff Rules had not been obtained from employees and placed on their files. Instances were also noted where employment contracts were only signed after the commencement of employment. Compliance with the Staff Regulations and Staff Rules needs to be improved in this regard.

INFORMATION AND COMMUNICATION TECHNOLOGY

99. In my 2000-2001 audit report, I highlighted key organisation-wide strategic issues in respect of information technology (IT) and communication that required the Secretariat's urgent attention. In this regard, it was noted that while these matters were receiving attention, an IT strategy that effectively sets the direction for the management of business information for the organisation had not been implemented. While consultations had been held on an appropriate IT governance structure, it has not yet been well defined. It was noted that the Director-level position responsible for IT had not been filled since its creation in March 2002; however, the selection process had recently been completed. The Director of IT will be tasked with the development of the global IT strategy.
100. In my interim report, I reported on the following information systems audits that were performed during the 2002-2003 financial period:
101. **Progress reviews of the information systems audits of the general control environment.** Information systems audits of the general controls surrounding the Administration and Finance Information System and related systems were carried out in the headquarters environment in 1998 and followed up in 1999. This was extended to include a regional office during the 2000-2001 financial period. These audits revealed a number of significant weaknesses in the general IT control environments, which I have reported on extensively. During the 2002-2003 financial period, reviews were performed at both headquarters and the region to review the progress that had been made in rectifying the weaknesses which had been identified, and to focus on the corrective actions necessary to address any remaining concerns.
102. **Information systems audit of network and security controls.** A specialist information systems audit of the network and security controls at WHO headquarters was performed in October 2002 in accordance with the standards of the Information Systems and Control Association, with a view to providing WHO with an evaluation of the current status of its network and security controls. The findings indicated that although certain measures were in place to minimise network security risks, significant security-related weaknesses were present in the network environment as a whole. The detailed findings and recommendations on how to reduce or eliminate the weaknesses and risks were set out in a comprehensive report to the Secretariat.

103. It is noted that the Secretariat has continued to address the weaknesses identified in these audits as part of the overall strategy to improve the general control environment and network security in a coherent and planned manner that will provide WHO with lasting benefits. Due to the significance of the work being undertaken, which includes migration to a new multi-environment configuration, this process will take time, although it is noted that considerable headway has already been made.

KNOWLEDGE MANAGEMENT

104. A comprehensive and coherent knowledge management strategy, aligned with the corporate vision and IT strategy, is essential for WHO to ensure that its knowledge resource is appropriately and effectively managed. A knowledge management strategy provides the framework for information to be captured easily, shared willingly and accessed readily by internal and authorised external users. In my 2000-2001 audit report, it was noted that while a number of initiatives had been taken to better manage information, a comprehensive knowledge management strategy document had not yet been developed and implemented by WHO.
105. It is therefore disappointing to report that throughout 2002 there had not been much movement institutionally in this area. However, it was noted that a number of informal working groups had begun to form to exchange ideas and promote the concept internally. An external report prepared in March 2003 identified specific problem areas, such as the fragmented information landscape and siloed internal communication within the organisation. The report also included several knowledge management solutions that could be applied and with the transition to new leadership in June 2003, knowledge management was identified as an institutional priority by the Director-General's office, with the primary responsibility for planning residing in the Evidence and Information for Policy (EIP) cluster.
106. The first concrete moves on the knowledge management front came with the hiring of a knowledge management adviser for WHO and the initiation of the EIP strategic planning process in late 2003. This process resulted in a broad mapping of the knowledge assets and challenges for the global WHO and the public health sector as whole. Subsequently, WHO announced the formation of the new Knowledge Management and Sharing department. While the post of Director of this new department has not yet been filled, the incumbent will be responsible for, *inter alia*, reframing the existing knowledge assets to form the foundation of an integrated knowledge management strategy.

COUNTRY FOCUS

107. The Country Focus Initiative was announced by the Director-General at the Fifty-fifth World Health Assembly in May 2002 (A55/3). The overall objective of the initiative was to introduce a group of changes across the organisation that would result in the optimisation of WHO's contribution to health and development in countries and to empower countries themselves to exercise more influence on global and regional public health.
108. While country focus was launched as an initiative in 2002, the future direction is to integrate the country focus into all aspects of the organisation's work. In this regard, it is noted that many of the matters discussed in this report such as, *inter alia*, results-based management, governance, financial management, human resources management, IT strategy and knowledge management, all have a significant impact on the effectiveness of WHO in countries.

109. The country cooperation strategy (CCS) has been accepted as the key instrument to determine and clarify WHO's role in each country. By the end of 2002-2003, 47 countries had finalised their CCS, while a further 38 countries were in process. The processes for allocating funds to countries and the link between the CCS and the operational planning need to be improved. It is noted that consensus has been reached in the Secretariat that the CCS should be linked to a single workplan and budget. The Secretariat also indicated that more rigorous quality control processes would be implemented in 2004-2005 in order to refine and improve the CCS process.
110. An important element in improving the impact of WHO's work in countries is through improving the core competencies and capacity of country teams. It was noted that an induction process had been successfully introduced for WHO Representatives. Terms of reference for WHO Representatives have been developed, although these have not yet been formally approved and implemented. During our visits to countries, we noted instances where well-defined staff training and development plans had not been compiled and implemented. Administrative and financial capacity also required strengthening.
111. The delegation of authority to WHO Representatives, in respect of both programmatic and financial matters, is also an area that still needs to be addressed. I would like to caution against increased delegation of authority to WHO Representatives until such time as appropriate accountability mechanisms, effective administrative and financial tools and appropriate staff resources are in place to support a comprehensive internal control structure.

ACKNOWLEDGEMENT

112. I wish to record my appreciation for the cooperation and assistance extended by the Director-General, the Regional Directors and the staff of the World Health Organization during my audit.



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