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## Director-General's report

### I. Introduction

I am pleased to present the Financial Report of WHO for the period 2004-2005. The Report is submitted in accordance with article 34 of the Constitution and with WHO's Financial Regulations. The Financial Report for the biennium 2004-2005 has been prepared in accordance with United Nations System Accounting Standards and WHO's Financial Regulations and Financial Rules. It covers the regular budget as adopted by the Health Assembly<sup>1/</sup> and expenditure financed from other sources, as noted by the Executive Board<sup>2/</sup>. Implementation of the programme budget is presented in the same format as the proposed programme budget 2004-2005 submitted to the Health Assembly<sup>3/</sup> which includes the budget for other sources, thus showing the total financial position in respect of each area of work.

Preparation of this Financial Report continues the process of improving the transparency and accessibility of financial information presented by the Organization. The Financial Report of WHO is an important element in the overall framework of accountability and financial integrity of the Organization. It enables Member States and other partners and collaborators to see how their funds have been used. The assets and liabilities of the Organization are also detailed, and the cash-flow analysed, to enable readers to understand the financial status of the Organization. The statutory components of the Financial Report have been audited by the Organization's External Auditor, whose opinion is included. The long-form report of the External Auditor is also included as part of this Report.

### II. Financial highlights

<b>Financial highlights</b>		
<i>(US\$ millions)</i>		
	<b>2004-2005</b>	<i>2002-2003</i>
<b>Budget</b>		
Regular budget: 2004-2005 effective working budget was appropriated by Resolution WHA56.32	880	856
2004-2005 Other Sources, as noted by the Executive Board <sup>a/</sup>	1 944	1 380
<b>Total budget</b>	<b>2 824</b>	<b>2 236</b>
<b>Income</b>		
Regular budget	<b>860</b>	853
Other sources		
<i>Voluntary Fund for Health Promotion</i>	<b>1 723</b>	1 030
<i>WHO trust funds and United Nations programmes</i>	<b>401</b>	290
Total income WHO programme activities	<b>2 984</b>	2 173
<i>Non-WHO programme activities</i> <sup>b/</sup>	<b>540</b>	434
<b>Total income</b>	<b>3 524</b>	<b>2 607</b>
<b>Expenditure</b>		
Regular budget	<b>871</b>	830
Other sources		
<i>Voluntary Fund for Health Promotion</i>	<b>1 623</b>	1 017
<i>WHO trust funds and United Nations programmes</i>	<b>235</b>	201
Total expenditure WHO programme activities	<b>2 729</b>	2 048
<i>Non-WHO programme activities</i> <sup>b/</sup>	<b>628</b>	425
<b>Total expenditure</b>	<b>3 357</b>	<b>2 473</b>

<sup>a/</sup> See document EB113/2004/REC/2, Section 2.

<sup>b/</sup> Non-WHO programme activities include trust funds of various programmes and entities, such as the Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS); International Agency for Research on Cancer (IARC); the Global Fund to Fight AIDS, Tuberculosis and Malaria; the International Computing Centre; and Staff Health Insurance.

<sup>1/</sup> Resolution WHA56.32.

<sup>2/</sup> See document EB113/2004/REC/2, Section 2.

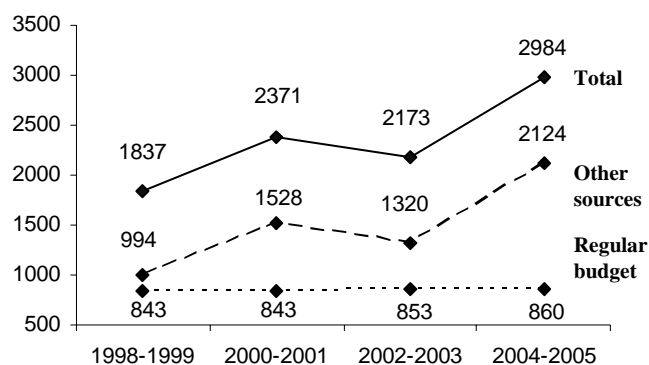
<sup>3/</sup> Document PB/2004-2005.

The increase in income from other sources reflects the continually changing pattern of funding the Organization. In 2004-2005 the regular budget represents 31% of the total budget, compared with 38% in 2002-2003, and only 29% of the actual total income in 2004-2005, compared to 39% in 2002-2003.

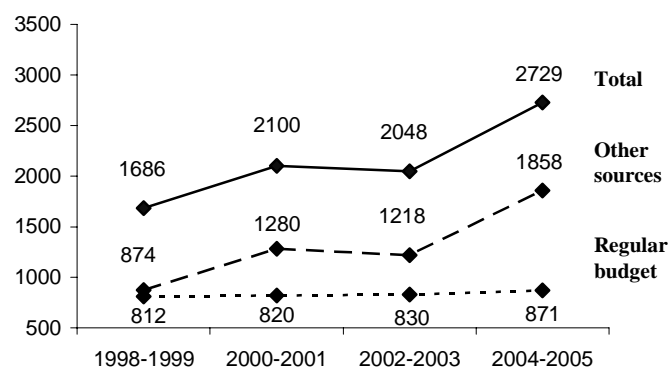
Total income in 2004-2005 for WHO programme activities was US\$ 2,984 million, which represents a 37% increase on US\$ 2,173 million income for 2002-2003. The higher level of income has enabled WHO to meet the significantly increased programmatic activity that was planned for the 2004-2005 biennium. The rise in the United States dollar value of other sources by 61% has contributed to this growth. The trend of rising income and expenditure/implementation highlighted in Figure 1 below are welcome in view of the increasing demands being made on the Organization.

**Figure 1. WHO programme activities**

**Income**  
(US\$ million)



**Expenditure**  
(US\$ million)

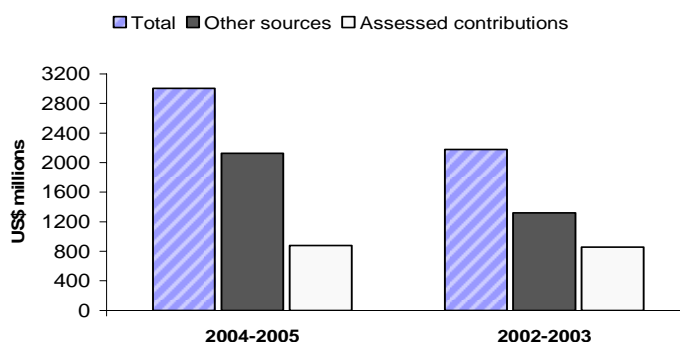


Expenditure of US\$ 2,729 million was incurred in achieving the expected results for the biennium 2004-2005 against a total budget for WHO programme activities of US\$ 2,824 million resulting in an overall financial implementation rate of 97%. Within this figure, the implementation rate for the regular budget was 99%. 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, and in respect of which it was not prudent to increase borrowing. For other sources the rate achieved was 96%. The continuing growth in funding for the Organization is most encouraging and the budget implementation rate achieved is excellent.

**III. Financing the budget**

Total programme income has increased by 37%. Other sources increased by 61%, which has helped to offset the almost static regular budget. This has fundamentally shifted the overall funding structure of the Organization (see Figure 2 below).

**Figure 2. Assessments and other sources 2002-2005**

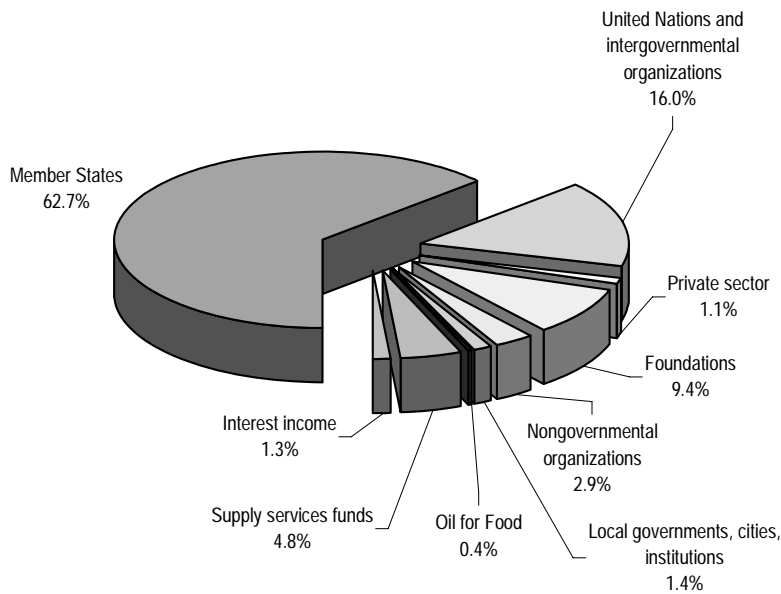


During the biennium, the evolution of other sources income has not always been consistent. Timing of receipt of large contributions and significant shifts in income from certain United Nations trust funds can cause availability of resources to be uneven in terms of both timing and alignment with the approved programme budget.

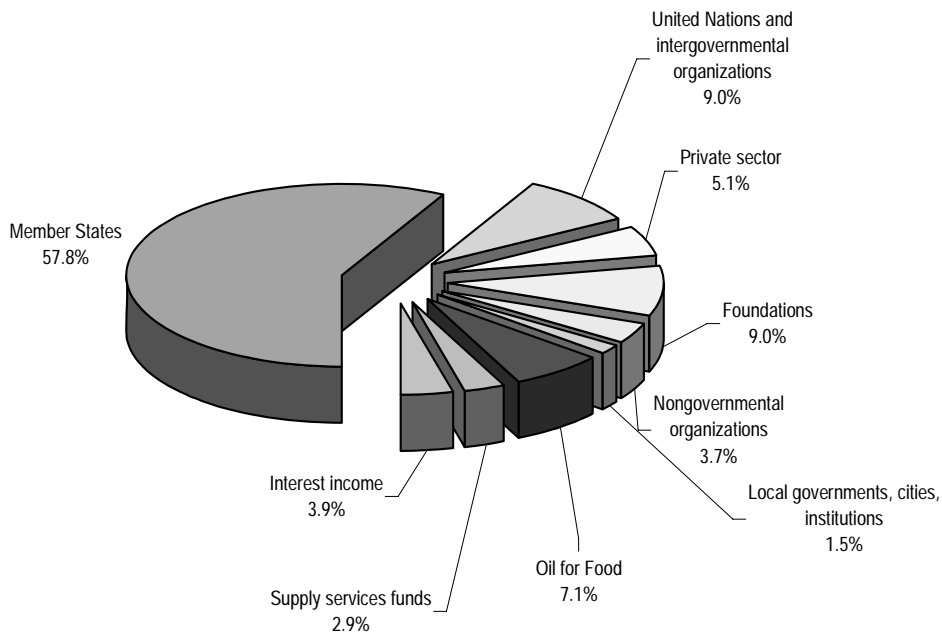
A full analysis of other sources for 2004-2005 is contained in the Annex to the Audited Financial Report for the biennium 2004-2005.<sup>1/</sup>

Member States are the most important source of other sources funds, representing approximately 63% or US\$ 1,268 million of all other sources income during the biennium 2004-2005, compared to approximately 58% or US\$ 789 million during 2002-2003, as illustrated in Figures 3 and 4 below.

**Figure 3. Other sources for WHO programme activities  
2004-2005**



**Figure 4. Other sources for WHO programme activities  
2002-2003**

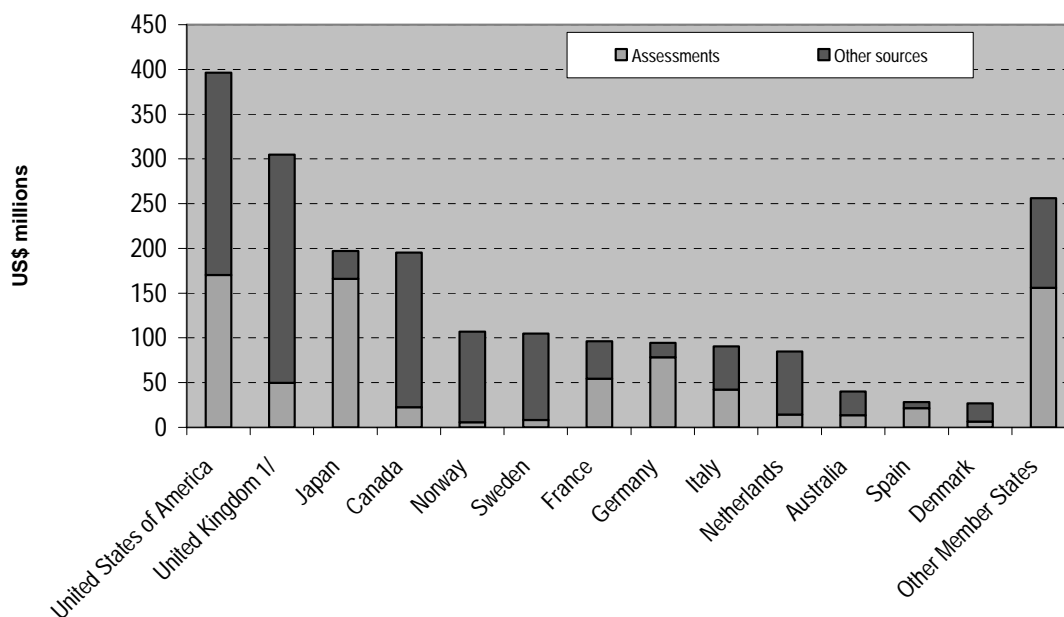


<sup>1/</sup> Document A59/28 Add.1.

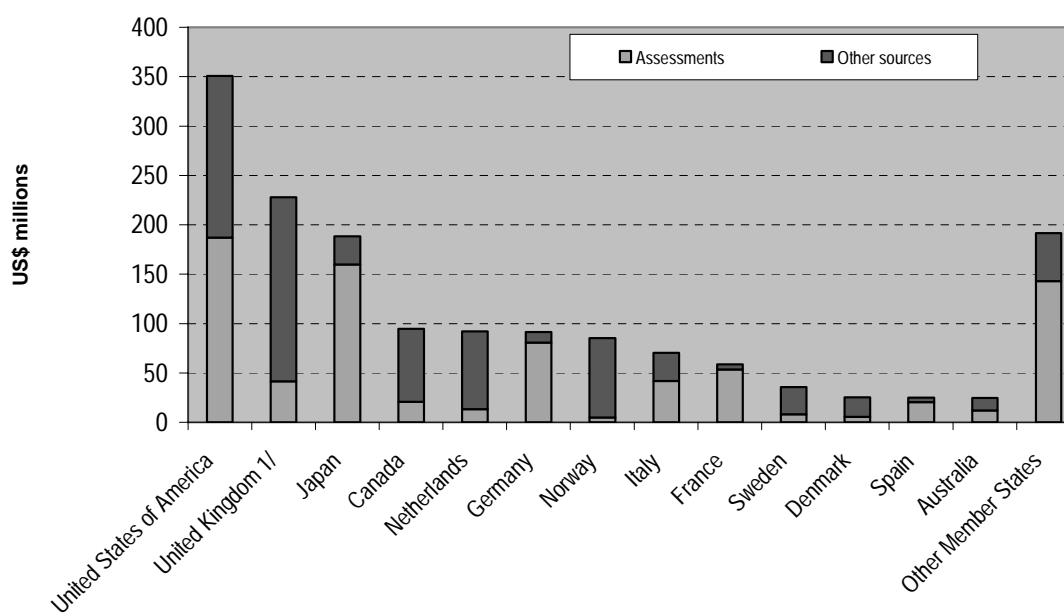
Combining regular budget and other sources, Member States provided 71% of the total income in 2004-2005, compared to 76% in 2002-2003.

Total contributions from Member States, including both regular budget assessments and other sources for the biennium 2004-2005 and for the biennium 2002-2003 are shown in Figures 5 and 6 below. These charts indicate that the Organization continues to rely heavily on a relatively small number of Member States as a major source of financing of the budget.

**Figure 5. Assessments and other sources from Member States 2004-2005**



**Figure 6. Assessments and other sources from Member States 2002-2003**



<sup>1/</sup> United Kingdom of Great Britain and Northern Ireland.

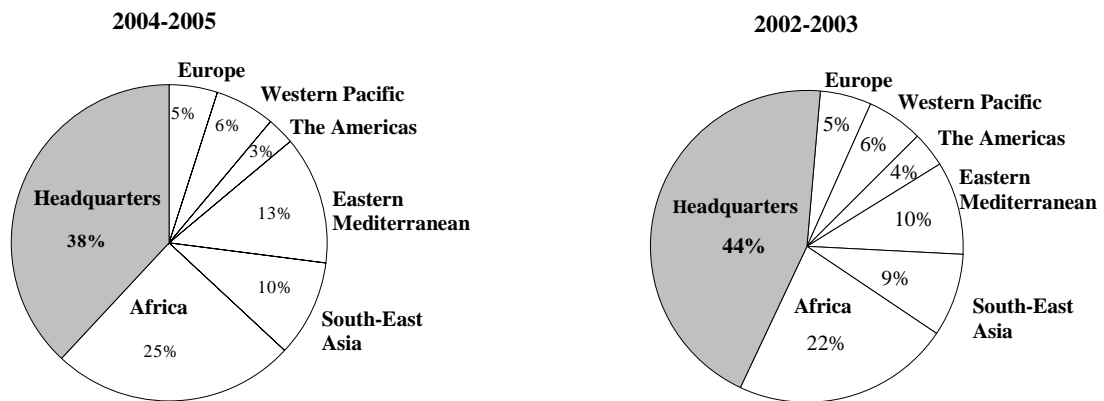
The regular budget is financed by assessed contributions and Miscellaneous Income. Net assessments in 2004-2005 were US\$ 863 million, of which US\$ 810 million was collected during the biennium, a collection rate of 94%, which is consistent with recent bienniums. In order to achieve the regular budget implementation rate of 99%, the Working Capital Fund of US\$ 31 million was fully drawn down and was supplemented by US\$ 13 million of internal borrowing. Although the overall implementation rate of 97% is an excellent achievement, it was reached only by resorting to borrowing, and it is a concern that in 2004-2005 US\$ 53 million, or 6% of assessed contributions, were not paid. Total unpaid assessed contributions, including amounts due for previous financial periods, are US\$ 146 million. Within this figure, long-term arrears stand at US\$ 93 million, having increased from US\$ 88 million at the end of the biennium 2002-2003. Discussions are under way with a number of the concerned Member States to resolve these longstanding arrears through repayment plans that are submitted to the Health Assembly for approval. I am pleased to note that a number of such repayment plans were approved during the biennium, and that as a result some Member States with longstanding arrears have recently resumed payments. I take this opportunity to encourage those Members 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.

Miscellaneous Income is used to finance the regular budget by reducing the amount payable on assessed contributions. For 2004-2005, US\$ 36 million was budgeted to finance in part the regular budget and to meet the requirements of the adjustment mechanism and the financial incentive scheme.

**IV. Expenditure**

During 2004-2005, country and regional offices accounted for 62% of expenditure, and headquarters for 38%. This compares with 56% for country and regional offices and 44% for headquarters in 2002-2003. Figure 7 below shows, as a percentage, expenditure from all sources of funds by office, i.e. headquarters and each regional office (including country offices) for 2004-2005 and for 2002-2003. The biennium 2004-2005 shows a welcome reversal of the rising trend of expenditure by headquarters evidenced in 2002-2003.

**Figure 7. Expenditure all sources of funds, regional offices and global (headquarters) 2004-2005 and 2002-2003 (percentage)**



Detailed information by area of work and by office is shown in the section Financial Implementation of WHO's Programme Budget 2004-2005, Tables 1 to 4 of this Report. Table 2 summarizes expenditure by area of work for all offices by regular budget and by other sources. The areas of work with the biggest expenditures are immunization and vaccine development (which includes eradication of poliomyelitis); emergency preparedness and response, and information technology and infrastructure services. Implementation rates for areas of work for 2004-2005 vary from 208% for emergency preparedness and response to 57% for women's health. Such variations stem largely from the uneven patterns of income noted above.

Financial implementation by category of expenditure for 2004-2005 and 2002-2003 is shown in Figure 8 below.

**Figure 8. Financial implementation by major category of expenditure  
2004-2005 and 2002-2003**  
(US dollars thousands)

Category of expenditure	2004-2005		2002-2003	
	US\$	%	US\$	%
Staff costs	1 222	40	934	40
Supplies, materials, communications, contributions in kind	532	17	382	16
Local cost-subsidies	427	14	317	14
Contracts, translations, printing, data processing	332	11	251	11
Consultants/temporary advisers	113	4	117	5
Furniture and equipment, including information technology	105	4	140	6
Travel on official business	92	3	73	3
Fellowships and other educational activities	69	2	66	2
Research contracts	55	2	55	2

The most significant category is staff costs, reflecting the fact that WHO is a technical organization. The recent creation of the knowledge management programme, and considerable investments in staff development, staff security and other initiatives related to human resources help to ensure that the personnel receive appropriate support. Expenditure on local cost-subsidies, supplies, materials, telecommunications and fellowships helps to support much of WHO's work in countries.

More detailed information on financial implementation by category of expenditure and by type of fund for 2004-2005 is contained in the section on Financial Implementation, Table 6 of this Report.

## V. Liquidity management

The financial stability of the Organization depends not only upon timely receipt of income but also on effective management of liquidity and foreign-exchange risk, and on appropriate investment and foreign-exchange policies. In this regard, I receive advice from an expert advisory committee that regularly reviews performance and makes recommendations on the strategy to adopt in the light of market conditions, and given the paramount importance of preserving capital.

### *Investment management operations*

Total cash and investments for the Organization at 31 December 2005 were US\$ 1,797 million, the investment of which is summarized in Schedule 1 of this Report. These investments represent cash and investment assets for fund balances which total US\$ 1,442 million, as shown in Statement I. The balance of US\$ 355 million represents mainly funds for unliquidated obligations, and Member States advance payment of assessed contributions for 2006. The investments are primarily short term, being held in respect of programmes financed under the regular budget, and other resources, for which cash has yet to be expended. A total of US\$ 370 million are held for longer term funds, primarily the Staff Health Insurance Fund and the Terminal Payments Account, and a total of US\$ 325 million is invested on behalf of non-WHO entities.



### ***Foreign currency hedging operations***

The value of certain non-dollar regular budget expenditures has been protected from the impact of the declining value of the United States dollar during the biennium. Protection is effected by entering forward currency and option contracts. A total of US\$ 30 million was credited against regular budget expenditures in 2004-2005, resulting from the cash flow of these operations.

Hedging operations, however, can only protect the Organization from the exchange-rate fluctuations during the current biennium. For the biennium 2006-2007, it is expected that the weaker dollar will have a significant impact on the purchasing power of that budget, particularly in relation to disbursements in Swiss francs, euros and Danish kroner. Compared with 2004-2005, it is estimated that the dollar cost of non-dollar expenditures may be approximately US\$ 50 million higher in 2006-2007. Comparing 2002-2003 with 2004-2005, the difference due to the weaker dollar is approximately US\$ 100 million.

## **VI. Conclusion**

I have noted the comments made by the External Auditor in his long-form report to the Health Assembly included in this Report. All the matters raised will be considered promptly by the Secretariat and appropriate action will be taken.

The growth in financial resources and increasing complexity of the demands being made upon the Organization pose challenges for future financial management. Many of the policies and procedures that underpin accountability and financial integrity were developed for a centralized Organization and are supported by information technology systems that reflect this centralized approach. With the creation of the global management system, modern financial-management policies and practices are being established on the basis of the best practice followed in the public and private sectors. These new policies will be implemented in 2006-2007 and will lead to greater simplification and clarity in WHO's financial reporting.



LEE Jong-Wook  
Director-General

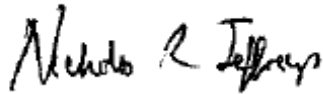
Geneva, 04 April 2006

***Audited financial statements,  
notes to the accounts and schedules  
2004-2005***

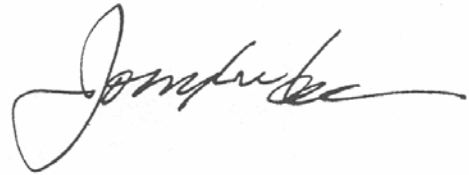
This part of the Financial Report presents the overall financial position of the Organization as at 31 December 2005. The audited statements, notes and supporting schedules have been prepared in compliance with the Organization's Financial Regulations, Financial Rules and the United Nations System Accounting Standards. The notes to the accounts are an integral part of the financial statements; the schedules provide further details and explanations in support of individual funds and special accounts administered by the Organization. Where appropriate, comparative figures have been provided in respect of the previous biennium.

## Certification of financial statements

The attached statements, numbered I to IV, notes to the accounts and schedules 1 to 11, are approved.



Nicholas R. Jeffreys  
Comptroller



LEE Jong-Wook  
Director-General

04 April 2006



**VIJAYENDRA N. KAUL**

भारत के नियंत्रक - महालेखापरीक्षक  
COMPTROLLER & AUDITOR GENERAL OF INDIA

5<sup>th</sup> April, 2006

**LETTER OF TRANSMITTAL**

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

**Dear Sir/Madam**

I have the honour to present to the Fifty-ninth World Health Assembly my Report and Opinion on the Financial Statements of the World Health Organization for the financial period 1 January 2004 to 31 December 2005.

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**

**Vijayendra N. Kaul  
Comptroller and Auditor-General of India  
External Auditor**

## **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 11 and the supporting Notes of the World Health Organization for the financial period ended 31 December 2005. 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 and conforming with International Standards on Auditing. 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, and as considered by the auditor to be necessary in the circumstances, 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 2005 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.



**Vijayendra N. Kaul**  
**Comptroller and Auditor-General of India**  
**External Auditor**  
**New Delhi, India**  
**5<sup>th</sup> April 2006**

**Statement I**

**Consolidated statement of income and expenditure and changes in fund balances:  
all sources of funds  
Financial period 2004-2005**

(in thousands of US dollars)

	Reference	Regular Budget <sup>a/</sup> (Schedules 4,5,6)	Voluntary Fund for Health Promotion (A59/28 Add.1)	Other WHO funds (Statement I.1)	Trust funds (Statement I.2, I.3, I.4)
<b>Income:</b>					
<i>Assessed contributions:</i>					
For the effective working budget (2004-2005)		858 475		4 626	
Adjustment mechanism		(12 364)			
Financial incentive scheme		(1 574)			
New and formerly inactive Members					
<i>Total assessed contributions</i>		844 537		4 626	
<i>Voluntary contributions:</i>					
WHO programme activities	Note 4		1 698 786		269 228
Non-WHO programme activities					535 951
<i>Other income:</i>					
Assessment relief forgone by Member States					
Revenue-producing activities	Note 5			8 160	49
Funds under inter-organization arrangements	Note 13				29 306
Income from services rendered	Note 6			164 818	
Interest income: - interest			24 646	15 972	27 435
-shared exchange differential				320	
Gains (losses) on hedging operations	Note 7				
Other				56 790	174 624
<i>Total income</i>		844 537	1 723 432	250 686	1 036 593
<b>Expenditure:</b>					
WHO programme activities	Note 9	871 163	1 623 160	237 100	300 612
Non-WHO programme activities				32 385	622 796
<i>Total expenditure</i>		871 163	1 623 160	269 485	923 408
<b>Excess (shortfall) of income over expenditure</b>		(26 626)	100 272	(18 799)	113 185
Provision for delays in the collection of assessed contributions		(52 981)			
Payment of assessed contributions of prior periods'	Note 10	32 744		12 204	
Savings on prior periods' unliquidated obligations				5 992	20 854
Increase in Capital Assets					
Transfers between funds	Annex 1	35 574	(2 310)	(35 574)	2 310
Adjustment to fund balances					6 031
<b>Total changes in fund balances</b>	Statement III	(11 289)	97 962	(36 177)	142 380
<b>Fund balances - 1 January 2004</b>	Statement II	(1 744)	455 885	215 903	506 633
<b>Fund balances - 31 December 2005</b>	Statement II	(13 033)	553 847	179 726	649 013

The accompanying notes and schedules are an integral part of the financial statements.

<sup>a/</sup> Includes Working Capital Fund.

*Statement I (continued)*

Members' Equity in capital assets	Sub-totals	Eliminations (Statement I, Annex 2)	Totals		
			2004-2005	2002-2003	
					<b>Income:</b>
					<i>Assessed contributions:</i>
	863 101		863 101	795 193	For the effective working budget (2004-2005)
	(12 364)		(12 364)		Adjustment mechanism
	(1 574)		(1 574)	(22 695)	Financial incentive scheme
				4	New and formerly inactive Members
	849 163		849 163	772 502	<i>Total assessed contributions</i>
					<i>Voluntary contributions:</i>
	1 968 014	(32 150)	1 935 864	1 143 130	WHO programme activities
	535 951		535 951	388 861	Non-WHO programme activities
					<i>Other income:</i>
				5 477	Assessment relief forgone by Member States
	8 209		8 209	7 302	Revenue-producing activities
	29 306		29 306	134 300	Funds under inter-organization arrangements
	164 818	(164 818)			Income from services rendered
	68 053		68 053	83 974	Interest income: - interest
	320		320	(859)	- shared exchange differential
				2 972	Gains (losses) on hedging operations
	231 414	(133 736)	97 678	69 845	Other
	3 855 248	(330 704)	3 524 544	2 607 504	<i>Total income</i>
					<b>Expenditure:</b>
	3 032 035	(303 365)	2 728 670	2 047 634	WHO programme activities
	655 181	(27 339)	627 842	424 925	Non-WHO programme activities
	3 687 216	(330 704)	3 356 512	2 472 559	<i>Total expenditure</i>
					<b>Excess (shortfall) of income over expenditure</b>
			168 032	134 945	
					Provision for delays in the collection of assessed contributions
	(52 981)		(52 981)	(49 908)	
	44 948		44 948	59 045	Payment of assessed contributions of prior periods'
	26 846		26 846	26 245	Savings on prior periods' unliquidated obligations
4 987	4 987		4 987	239	Increase in Capital Assets
					Transfers between funds
	6 031		6 031		Adjustment to fund balances
4 987	197 863		197 863	170 566	<b>Total changes in fund balances</b>
67 127	1 243 804		1 243 804	1 073 238	<b>Fund balances - 1 January 2004</b>
72 114	1 441 667		1 441 667	1 243 804	<b>Fund balances - 31 December 2005</b>

**Statement I.1**

**Other WHO funds  
Financial period 2004-2005**

(in thousands of US dollars)

	Reference	Mis- cellaneous income (Schedule 6; Note 8)	Casual income - appropriated for priority programmes	Real Estate Fund (Schedule 9)	Security Fund (Note 34)	Other Funds (Note 28)
<b>Income:</b>						
<i>Assessed contributions:</i>						
For the effective working budget (2004-2005)						
New and formerly inactive Members						
<hr/>						
<i>Total assessed contributions</i>						
<i>Other income:</i>						
Assessment relief forgone by Member States						
Revenue-producing activities	Note 5			698		1 443
Income from services rendered	Note 6					
Interest income: - interest		7 645		159	156	138
- shared exchange differential		320				
Gains (losses) on hedging operations						
Other		2 045	44	5 820	8 910	10 271
<i>Total income</i>		10 010	44	6 677	9 066	11 852
<hr/>						
<b>Expenditure:</b>	Note 9					
WHO programme activities			(14)		10 303	7 536
Non-WHO programme activities				6 573		2 801
<i>Total expenditure</i>			(14)	6 573	10 303	10 337
<hr/>						
<b>Excess (shortfall) of income over expenditure</b>		10 010	58	104	(1 237)	1 515
<hr/>						
Payment of assessed contributions of prior periods'	Note 10	12 204				
Savings on prior periods' unliquidated obligations		5 992				
Transfers between funds	Annex 1	(35 574)				
<b>Total changes in fund balances</b>	Statement I	(7 368)	58	104	(1 237)	1 515
<b>Fund balances - 1 January 2004</b>	Statement II	9 800	(58)	1 038	1 466	4 441
<b>Fund balances - 31 December 2005</b>	Statement II	2 432		1 142	229	5 956

The accompanying notes and schedules are an integral part of the financial statements.



*Statement I.1 (continued)*

Revolving Sales Fund (Note 11)	Information Technology Fund (Note 35)	Special Account for Servicing Costs (Schedule 8)	Tax Equalization Fund (Note 3)	Terminal Payments Account (Schedule 10)	Totals		
					2004-2005	2002-2003	
							<b>Income:</b>
			4 626		4 626	2 667	<i>Assessed contributions:</i>
						4	For the effective working budget (2004-2005)
							New and formerly inactive Members
			4 626		4 626	2 671	<i>Total assessed contributions</i>
							<i>Other income:</i>
						5 478	Assessment relief forgone by Member States
6 019				15 120	8 160	6 621	Revenue-producing activities
		149 698			164 818	134 032	Income from services rendered
	919	4 675		2 280	15 972	27 162	Interest income: - interest
					320	(859)	- shared exchange differential
						2 972	Gains (losses) on hedging operations
	29 700				56 790	15 730	Other
6 019	30 619	154 373	4 626	17 400	250 686	193 807	<i>Total income</i>
							<b>Expenditure:</b>
7 843	13 223	198 209			237 100	139 535	WHO programme activities
			9 109	13 902	32 385	25 079	Non-WHO programme activities
7 843	13 223	198 209	9 109	13 902	269 485	164 614	<i>Total expenditure</i>
(1 824)	17 396	(43 836)	(4 483)	3 498	(18 799)	29 193	<b>Excess (shortfall) of income over expenditure</b>
					12 204	3 416	Payment of assessed contributions of prior periods'
					5 992	8 705	Savings on prior periods' unliquidated obligations
					(35 574)	(77 736)	Transfers between funds
(1 824)	17 396	(43 836)	(4 483)	3 498	(36 177)	(36 422)	<b>Total changes in fund balances</b>
6 475	1 950	136 103	1 777	52 911	215 903	252 325	<b>Fund balances - 1 January 2004</b>
4 651	19 346	92 267	(2 706)	56 409	179 726	215 903	<b>Fund balances - 31 December 2005</b>

**Statement I.2**

**Trust funds – inter-organization arrangements  
Financial period 2004-2005**

(in thousands of US dollars)

	Reference	Technical cooperation			
		UN Development Programme	UN Population Fund	UN Environment Programme	UN Drug Control Programme
<b>Income:</b>					
<i>Other income:</i>					
Funds under inter-organization arrangements	Note 13	632	8 532	771	207
Interest income					
Other		8	8		
<i>Total income</i>		640	8 540	771	207
<b>Expenditure:</b>					
WHO Programme activities	Note 9	1 441	9 893	771	37
<i>Total expenditure</i>		1 441	9 893	771	37
<b>Excess (shortfall) of income over expenditure</b>					
		(801)	(1 353)		170
Savings on prior periods' unliquidated obligations		25	67		20
Transfers between funds					
Adjustment to fund balances	Note 33	5 500			
<b>Total changes in fund balances</b>	Statement I	4 724	(1 286)		190
<b>Fund balances - 1 January 2004</b>	Statement II	(2 704)	(1 703)	20	(170)
<b>Fund balances - 31 December 2005</b>	Statement II	2 020	(2 989)	20	20

The accompanying notes and schedules are an integral part of the financial statements.

*Statement I.2 (continued)*

<u>Technical cooperation</u>		<u>Supply services</u>			
UN Iraq Programme SCR 986	Other UN funds	Other UN organizations	Totals		
			2004-2005	2002-2003	
					<b>Income:</b>
					<i>Other income:</i>
8 796	2 130	8 238	29 306	134 300	Funds under inter-organization arrangements
32			32	1 606	Interest income
(224)			(208)	(1 329)	Other
8 604	2 130	8 238	29 130	134 577	<i>Total income</i>
					<b>Expenditure:</b>
1 444	2 270	11 067	26 923	150 544	WHO programme activities
1 444	2 270	11 067	26 923	150 544	<i>Total expenditure</i>
7 160	(140)	(2 829)	2 207	(15 967)	<b>Excess (shortfall) of income over expenditure</b>
6 145	78		6 335	506	Savings on prior periods' unliquidated obligations
	(1 444)		(1 444)	552	Transfers between funds
			5 500		Adjustment to fund balances
13 305	(1 506)	(2 829)	12 598	(14 909)	<b>Total changes in fund balances</b>
(13 305)	2 340	4 546	(10 976)	3 933	<b>Fund balances - 1 January 2004</b>
	834	1 717	1 622	(10 976)	<b>Fund balances - 31 December 2005</b>

**Statement I.3**

**Trust funds – WHO programme activities  
Financial period 2004-2005**

(in thousands of US dollars)

	Reference	Technical cooperation				TDR <sup>a/b/</sup>
		Global Programme on AIDS	Onchocerciasis Control Programme <sup>a/</sup>	African Programme for Onchocerciasis Control <sup>a/</sup>	Sasakawa Health Trust Fund <sup>a/</sup>	
<b>Income:</b>						
<i>Voluntary contributions:</i>						
WHO programme activities				22 470	5 304	63 009
<i>Other income:</i>						
Revenue-producing activities	Note 5		5			
Interest income		6	83	398	404	982
Other			18	144		(679)
<b>Total income</b>		<b>6</b>	<b>106</b>	<b>23 012</b>	<b>5 708</b>	<b>63 312</b>
<b>Expenditure:</b>						
WHO programme activities	Note 9			26 159	9 311	65 699
<b>Total expenditure</b>				<b>26 159</b>	<b>9 311</b>	<b>65 699</b>
<b>Excess (shortfall) of income over expenditure</b>		<b>6</b>	<b>106</b>	<b>(3 147)</b>	<b>(3 603)</b>	<b>(2 387)</b>
Savings on prior periods' unliquidated obligations			311	4 692	482	1 594
Transfers between funds	Annex 1	(291)				2 280
<b>Total changes in fund balances</b>	Statement I	<b>(285)</b>	<b>417</b>	<b>1 545</b>	<b>(3 121)</b>	<b>1 487</b>
<b>Fund balances - 1 January 2004</b>	Statement II	<b>285</b>	<b>1 851</b>	<b>2 278</b>	<b>10 131</b>	<b>17 309</b>
<b>Fund balances - 31 December 2005</b>	Statement II		<b>2 268</b>	<b>3 823</b>	<b>7 010</b>	<b>18 796</b>

The accompanying notes and schedules are an integral part of the financial statements.

<sup>a/</sup> See Annex (doc A59/28 Add.1) for detailed financial statements.

<sup>b/</sup> TDR: Trust Fund for the UNICEF/UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases.

<sup>c/</sup> 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)*

HRP <sup>a/c/</sup>	Technical cooperation		Supply services		Totals		
	Associate Professional Officers	Other technical cooperation funds	National health services and institutions		2004-2005	2002-2003	
							<b>Income:</b>
							<i>Voluntary contributions:</i>
20 696	6 468	61 540	89 741	269 228	183 791		WHO programme activities
							<i>Other income:</i>
44				49	681		Revenue-producing activities
279	45	6		2 203	4 108		Interest income
(9)				(526)	(39)		Other
21 010	6 513	61 546	89 741	270 954	188 541		<i>Total income</i>
							<b>Expenditure:</b>
26 113	6 584	55 295	84 528	273 689	180 720		WHO programme activities
26 113	6 584	55 295	84 528	273 689	180 720		<i>Total expenditure</i>
(5 103)	(71)	6 251	5 213	(2 735)	7 821		<b>Excess (shortfall) of income over expenditure</b>
761				7 840	11 356		Savings on prior periods' unliquidated obligations
852				2 841	1 104		Transfers between funds
(3 490)	(71)	6 251	5 213	7 946	20 281		<b>Total changes in fund balances</b>
8 122	3 295	23 848	2 879	69 998	49 717		<b>Fund balances - 1 January 2004</b>
4 632	3 224	30 099	8 092	77 944	69 998		<b>Fund balances - 31 December 2005</b>

**Statement I.4**

**Other trust funds and associated entities  
Financial period 2004-2005**

(in thousands of US dollars)

<b>Reference</b>	<b>Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS) (Note 14)</b>	<b>International Agency for Research on Cancer (Note 14)</b>	<b>International Computing Centre (Note 14)</b>	<b>Staff Health Insurance (Notes 14, 15)</b>
<b>Income:</b>				
<i>Voluntary contributions:</i>				
Non-WHO programme activities	369 564	60 635		
<i>Other income:</i>				
Interest income	5 812			19 124
Other	1 339		62 950	111 069
<b>Total income</b>	<b>376 715</b>	<b>60 635</b>	<b>62 950</b>	<b>130 193</b>
<b>Expenditure:</b>				
Non-WHO programme activities	315 853	60 102	55 849	87 109
<b>Total expenditure</b>	<b>315 853</b>	<b>60 102</b>	<b>55 849</b>	<b>87 109</b>
<b>Excess (shortfall) of income over expenditure</b>	<b>60 862</b>	<b>533</b>	<b>7 101</b>	<b>43 084</b>
Savings on prior periods' unliquidated obligations	3 274	286	343	
Transfers between funds	914			
Adjustment to fund balances		531		
<b>Total changes in fund balances</b>	<b>65 050</b>	<b>1 350</b>	<b>7 444</b>	<b>43 084</b>
<b>Fund balances - 1 January 2004</b>	<b>134 102</b>	<b>22 596</b>	<b>3 073</b>	<b>267 616</b>
<b>Fund balances - 31 December 2005</b>	<b>199 152</b>	<b>23 946</b>	<b>10 517</b>	<b>310 700</b>

The accompanying notes and schedules are an integral part of the financial statements.

*Statement I.4 (continued)*

The Global Fund to fight AIDS, Tuberculosis and Malaria (Note 14)	Other funds (Note 16)	Foundations (Note 17)	Totals		
			2004-2005	2002-2003	
					<b>Income:</b>
100 000	4 454	1 298	535 951	388 861	<i>Voluntary contributions:</i>
					Non-WHO programme activities
	151	113	25 200	31 006	<i>Other income:</i>
			175 358	126 260	Interest income
					Other
100 000	4 605	1 411	736 509	546 127	<i>Total income</i>
					<b>Expenditure:</b>
100 117	3 625	141	622 796	415 615	Non-WHO programme activities
100 117	3 625	141	622 796	415 615	<i>Total expenditure</i>
(117)	980	1 270	113 713	130 512	<b>Excess (shortfall) of income over expenditure</b>
2 776			6 679	5 677	Savings on prior periods' unliquidated obligations
			914		Transfers between funds
			531		Adjustment to fund balances
2 659	980	1 270	121 837	136 189	<b>Total changes in fund balances</b>
12 798	5 253	2 172	447 610	311 421	<b>Fund balances - 1 January 2004</b>
15 457	6 233	3 442	569 447	447 610	<b>Fund balances - 31 December 2005</b>

**Statement I, Annex 1**

**Transfers between funds <sup>a/</sup>**

(in thousands of US dollars)

Funds	Appropriated for the effective working budget, 2004-2005 (Financial Regulation 6.5 and Resolution WHA56.32)	Other Programme Transfers				Total
Regular Budget and Working Capital Fund	(35 574)					(35 574)
Miscellaneous Income	35 574					35 574
Voluntary Fund for Health Promotion		852	(1 444)	623	2 280	2 310
TDR <sup>b/</sup>					(2 280)	(2 280)
HRP <sup>c/</sup>		(852)				(852)
Global Programme on AIDS		291				291
UNAIDS		(291)		(623)		(914)
UNICEF Trust Fund			1 444			1 444
<b>Net transfers</b>	-	-	-	-	-	-

<sup>a/</sup> These transfers between funds were made to implement decisions by the Health Assembly, and other programme transfers are in accordance with established accounting practices.

<sup>b/</sup> Trust Fund for the UNICEF/UNDP/World Bank/WHO Special Programme of Research and Training in Tropical Diseases.

<sup>c/</sup> 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***(in thousands of US dollars)*

Originating Fund	Expenditure	Receiving Fund	Income
Regular Budget	2 009	TDR <sup>a/</sup>	2 009
	50	African Programme for Onchocerciasis Control	50
	5 820	Real Estate Fund	5 820
	2 910	Security Fund	2 910
	9 700	Information Technology Fund	9 700
United Nations Population Fund	3 180	HRP <sup>b/</sup>	3 180
TDR <sup>a/</sup>	2 393	Special Account for Servicing Costs	2 393
African Programme for Onchocerciasis Control	1 190	TDR <sup>a/</sup>	1 190
	300	Special Account for Servicing Costs	300
Supply Services - Iraq Trust Fund	3 740	Special Account for Servicing Costs	3 740
The Global Fund to fight AIDS, Tuberculosis and Malaria	2 069	Special Account for Servicing Costs	2 069
Voluntary Fund for Health Promotion	222	TDR <sup>a/</sup>	222
UNAIDS	505	HRP <sup>b/</sup>	505
	24 993	Voluntary Fund for Health Promotion	24 993
	3 501	Special Account for Servicing Costs	3 501
International Computing Centre	863	Special Account for Servicing Costs	863
All funds	15 120	Terminal Payments Account	15 120
	79 083	Staff Health Insurance	79 083
	10 224	Staff Development	10 224
Special Account for Servicing Costs	6 000	Security Fund	6 000
	20 000	Information Technology Fund	20 000
Voluntary Fund for Health Promotion and other funds - Programme Support Costs	136 832	Special Account for Servicing Costs	136 832
<b>Total elimination of expenditure</b>	<b>330 704</b>	<b>Total elimination of income</b>	<b>330 704</b>

<sup>a/</sup> Trust Fund for the UNICEF/UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases.<sup>b/</sup> Trust Fund for the UNDP/UNFPA/WHO/World Bank Special Programme of Research, Development and Research Training in Human Reproduction.

**Statement II**

**Statement of assets, liabilities, and fund balances  
as at 31 December 2005**

(in thousands of US dollars)

	Reference	2005	2003
<b>Assets</b>			
Cash at banks, in transit and on hand	Schedule 1, Note 18	96 186	119 128
Deposits and securities	Schedule 1	1 701 251	1 342 530
Accounts receivable			
Assessed contributions receivable from Member States	Schedule 4	145 559	137 526
<i>Less</i> : Provision for delays in the collection of assessed contributions		(145 559)	(137 526)
Net assessed contributions		-	-
Sundry debtors	Note 20	63 955	56 266
<i>Total accounts receivable</i>		63 955	56 266
Prepaid expenses	Note 21	16 623	1 365
Interest receivable	Note 18	17 718	4 929
Construction in progress	Note 27	26 510	2 890
Capital assets	Note 22	76 307	67 127
<b>Total assets</b>		<b>1 998 550</b>	<b>1 594 235</b>
<b>Liabilities and fund balances</b>			
<i>Liabilities</i>			
Members' contributions received in advance	Note 24	50 328	46 686
Unliquidated obligations	Note 25	434 209	247 250
Accounts payable	Note 26	42 517	53 663
Loan repayable	Notes 27, 32	29 829	2 832
<i>Total liabilities</i>		556 883	350 431
<i>Fund Balances</i>			
Trust funds	Statements I.2,I.3,I.4	649 013	506 633
Voluntary Fund for Health Promotion	Statement I	553 847	455 885
Regular Budget and Working Capital Fund	Statement I	(13 033)	(1 744)
Other WHO funds	Statement I.1	179 726	215 903
Members' equity in capital assets	Statement I	72 114	67 127
<i>Total fund balances</i>		1 441 667	1 243 804
<b>Total liabilities and fund balances</b>		<b>1 998 550</b>	<b>1 594 235</b>

The accompanying notes and schedules are an integral part of the financial statements.

**Statement III****Statement of cash flow**  
**Financial period 2004-2005***(in thousands of US dollars)*

	2004-2005	2002-2003 (re-stated, note 37)
<b>Cash flows from operating activities</b>		
Total changes in fund balances (Statement I)	197 863	123 994
(Increase)/decrease in accounts receivable - sundry debtors	(7 689)	(10 705)
(Increase)/decrease in prepaid expenses	(15 258)	250
Increase/(decrease) in contributions received in advance	3 642	11 517
Increase/(decrease) in unliquidated obligations	186 959	(103 298)
Increase/(decrease) in accounts payable	(11 146)	15 091
<i>Less</i> : Interest income included in fund balances	(68 373)	(83 115)
<i>Net cash flows from operating activities</i>	285 998	(46 266)
<b>Cash flows from investing and financing activities</b>		
(Increase)/decrease in deposits and securities	(358 721)	(59 066)
Increase/(decrease) in loan payable	26 997	2 832
<i>Plus</i> : Interest income included in fund balances	68 373	83 115
<i>Less</i> : Interest receivable	(12 789)	11 461
<i>Net cash flows from investing and financing activities</i>	(276 140)	38 342
<b>Cash flows from other sources</b>		
(Increase)/decrease in land and buildings	(9 180)	(240)
(Increase)/decrease in construction in progress	(23 620)	(2 890)
<i>Net cash flows from other sources</i>	(32 800)	(3 130)
<b>Net increase/(decrease) in cash</b>	(22 942)	(11 054)
<b>Cash as at 1 January 2004 and 2002</b>	119 128	130 182
<b>Cash as at 31 December 2005 and 2003</b>	96 186	119 128

**Statement IV**

**Statement of appropriations  
Financial period 2004-2005**

(in thousands of US dollars)

<b>Appropriation section</b>	<b>Amounts approved by resolution WHA56.32</b>	<b>Transfers between sections made by the Director-General (Note 38)</b>	<b>Transfers between sections as % of approved appropriations</b>	<b>Effective appropriations</b>	<b>Expenditure (Note 38)</b>	<b>Unobligated balance of appropriations (Note 38)</b>
1. Communicable diseases	93 025	957	1.03	93 982	92 734	1 248
2. Noncommunicable diseases and mental health	69 616	(4 010)	(5.76)	65 606	64 973	633
3. Family and community health	60 340	(6 034)	(10.00)	54 306	53 701	605
4. Sustainable development and healthy environments	81 802	(5 370)	(6.56)	76 432	75 553	879
5. Health technology and pharmaceuticals	49 728	(3 776)	(7.59)	45 952	45 627	325
6. Evidence and information for policy	175 451	(4 537)	(2.59)	170 914	169 258	1 656
7. External relations and governing bodies	44 055	(854)	(1.94)	43 201	42 811	390
8. General management	139 294	(2 616)	(1.88)	136 678	135 168	1 510
9. Director-General, Regional Directors and independent functions	21 670	2 670	12.32	24 340	24 092	248
10. WHO's presence in countries	111 130	24 250	21.82	135 380	134 266	1 114
11. Miscellaneous	34 000	(680)	(2.00)	33 320	32 980	340
<b>Effective working budget</b>	<b>880 111</b>			<b>880 111</b>	<b>871 163</b>	<b>8 948</b>
12. Transfer to Tax Equalization Fund	80 000			80 000	80 000	
<b>Total</b>	<b>960 111</b>			<b>960 111</b>	<b>951 163</b>	<b>8 948</b>

## *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 2004-2005.
- 1.4 The Fifty-sixth World Health Assembly in May 2003 (WHA56.32) resolved to appropriate an Effective Working Budget of \$ 880.1 million for the financial period 2004-2005. The Health Assembly also noted estimated expenditure of \$ 1 825 million to be financed from other sources. This figure was subsequently revised upwards to \$ 1 944 million as noted by the 113<sup>th</sup> Session of the Executive Board in January 2004.

### **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 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, notes, schedules and accompanying tables are presented in US dollars. All assets and liabilities, including accounts receivable and payable, are pooled 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 year 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 the year, 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 2005 and those in force on 1 January 2006.

#### **2.4 Accounting for exchange differential**

Exchange rate gains and losses on the purchase and sale of currencies, revaluation of cash book balances, and all other exchange differences are adjusted against the funds and accounts participating in the apportionment of interest under the WHO general investment plan.

## **2.5 Assessed contributions**

Income from contributions from Members and Associate Members for the effective working budget 2004-2005 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 2005. The total amount of the provision is shown in Schedule 4. When outstanding assessed contributions are paid, the amounts are credited first against any outstanding internal borrowing and then 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 emoluments received from the Organization by their nationals or others liable to such taxes, the credit from the staff assessment plan is charged with the estimated 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.

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 also recorded on a cash basis.

## **2.11 Revenue-producing activities**

Income is recorded on a cash 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 and revaluation 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.

### **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 is established in accordance with Financial Regulation IV and Financial Rule VI. Where expenditure against the aforementioned funds is provided under interagency arrangements, such expenditure is established 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 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 accounts of the Organization incorporate programme activities under the regular budget and those under extrabudgetary sources of financing, other WHO funds and associated entities. In order to preserve fund integrity and for transparency, income and expenditure are recorded separately for each individual fund. Income can be transferred from one fund to another fund in which case the amount is recorded as expenditure in the originating fund and as income in the receiving fund. However, income and expenditure are also consolidated in the Organization's accounts and financial statements to give an overall picture of the costs of WHO programme activities and of other entities administered by WHO. In such circumstances, consolidation produces a duplication of income and expenditure which must be eliminated in order to reflect the net costs of programme delivery.

Programme support costs (PSC) are recorded both as income and expenditure through the accounting for extrabudgetary funds and the Special Account for Servicing Costs giving rise to duplication on consolidation which must also be eliminated.

### **2.16 Cash at banks and in transit and on hand**

Imprest account balances only reflect disbursements recorded up to 30 November 2005 in order to ensure a consistent cut off throughout the Organization. Disbursements that have not been accounted for in December 2005 will be accounted for against the liquidation of the relevant expenditure (obligations) and bank balances in 2006.

### **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. 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. However, for the structured investment products of which the calculation of interest rate will not be made until the end of the interest period, the income is recognized on a cash basis and the accrued interest is not recorded.

## 2.18 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.

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.

## 2.19 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 these notes. For reporting purposes, only those items with a cost value of \$ 2 500 and above are included, whereas in previous biennia all items with a cost value of \$ 500 and above were included.

## 2.20 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 then against any borrowing outstanding from the Working Capital Fund.

## 2.21 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 recorded at the time of purchase and are expensed in the biennium to which they relate. Gains (losses) on forward contracts and any gains on option contracts are taken to income (or expenditure) when the contracts mature.

## 3. Tax Equalization Fund

In 2004-2005, income credited to the Tax Equalization Fund is derived as follows:

	2004-2005 <i>(US dollars)</i>	2002-2003 <i>(US dollars)</i>
Staff Assessment (Statement IV, Appropriation Section 12)	80 000 000	80 000 000
<i>Less:</i> Credits to Members	75 374 110	77 333 220
<b>Total</b>	<b>4 625 890</b>	<b>2 666 780</b>

## 4. Contribution in kind or in services

Voluntary contributions include contributions in kind or in services amounting to \$ 51.7 million for 2004-2005 (\$ 80.8 million in 2002-2003).



## 5. Revenue-producing activities

Revenues comprise the following:

- rental from staff accommodation credited to the Real Estate Fund;
- rentals from concessionaires at Headquarters credited to the Special Account for Operation of Concessions;
- sale of WHO publications and other promotional material; income from rights and royalties credited to the Revolving Sales Fund; and
- revenue derived from patent policy 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 is credited to the Special Account for Servicing Costs. Transfers to the Terminal Payments Account are also shown under this heading.

## 7. Foreign exchange hedging transactions arising in 2004-2005

Exchange gains on foreign exchange hedging contracts in 2004-2005 amounted to \$ 29.6 million (\$ 40.9 million in 2002-2003) all of which have been recorded in the regular budget.

Summary of outstanding options as at 31 December 2005 (in relation to 2006-2007 hedging contracts)

WHO has the option to sell:

USD	75 000 000	and buy CHF if the market rate is lower than	1.3000	at USD 1.00 =	CHF 1.30
USD	180 000 000	and buy CHF if the market rate is lower than	1.1750	at USD 1.00 =	CHF 1.175
USD	70 000 000	and buy EUR if the market rate is more than	1.3000	at USD 1.30 =	EUR 1.00
USD	15 000 000	and buy EUR if the market rate is more than	1.1850	at USD 1.185 =	EUR 1.00

WHO has the obligation to sell:

USD	60 000 000	and buy CHF if the market rate is more than	1.2750	at USD 1.00 =	CHF 1.275
USD	25 000 000	and buy CHF if the market rate is more than	1.3505	at USD 1.00 =	CHF 1.30
USD	60 000 000	and buy CHF if the market rate is more than	1.4050	at USD 1.00 =	CHF 1.275

Forward contracts as at 31 December 2005 (in relation to 2006-2007 hedging contracts)

In addition WHO has forward contracts to sell USD 120 million and buy CHF at the rate USD 1.00 = CHF 1.271 and to sell USD 30 million and buy EUR at the rate of USD 1.213= EUR 1.00

The above option contracts wherein WHO may be obliged to sell represents an either/or scenario with the contracts wherein WHO has the option to sell. That is, on the expiry date of the above contracts, either WHO will exercise its option or will be obliged to sell, depending on the market rate.

Net premiums paid on these contracts amounting to \$ 16.1 million have been recorded as prepaid expenses as at 31 December 2005 (\$ 1.0 million at 31 December 2003).

Unrealized net losses on these contracts amounted to USD 3 020 327 as at 31 December 2005 (unrealized net gains \$ 13.1 million at 31 December 2003).

Realized gains or losses on these contracts will be recorded on maturity of the contracts and applied during 2006-2007.

## 8. Miscellaneous income - other

This includes:

	2004-2005 (US dollars)	2002-2003 (US dollars)
Refunds and rebates	602 211	850 387
Exchange differential	988 231	1 214 372
Sale of equipment and material	167 120	254 519
Revenue from the Swiss postal authorities		23
Underground parking operations	307 637	781 937
Settlement of Casual Income appropriated for priority programmes	(20 151)	
<b>Total</b>	<b>2 045 048</b>	<b>3 101 238</b>

## 9. Expenditure

Expenditure for WHO programme activities includes technical cooperation and supply services.

Expenditure for non-WHO programme activities relates to funds or entities for which the Organization has administrative responsibility or some other interaction.

## 10. Payment of assessed contributions of prior years

Arrears of assessed contributions collected in 2004-2005 in respect of the prior financial periods have been applied as follows:

	2004-2005 (US dollars)	2002-2003 (US dollars)
Repayments on internal borrowing outstanding as at 1 January 2004 and 2002	1 743 968	24 628 307
Repayments of Working Capital Fund outstanding as at 1 January 2004 and 2002	31 000 000	31 000 000
<i>Total repayments of borrowings</i>	<b>32 743 968</b>	<b>55 628 307</b>
Credited to Miscellaneous Income	12 203 848	3 416 473
<b>Total arrears of assessed contributions collected</b>	<b>44 947 816</b>	<b>59 044 780</b>

## 11. Revolving Sales Fund

In accordance with Health Assembly resolutions WHA22.8 and 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 the executing or associated agency.

## 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 programme activities. The funds included are:

- Trust fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS)
- International Agency for Research on Cancer (IARC)
- International Computing Centre (ICC)

For each of these funds, detailed financial reports are issued and are subject to audit by the WHO External Auditor.

Trust funds not part of WHO's programme activities also include the WHO Staff Health Insurance (SHI) and the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFTAM).

## 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 2005, \$ 310.7 million, is held to satisfy statutory reserves as follows:

	31 December 2005 (US dollars)	31 December 2003 (US dollars)
Settlement of outstanding claims (SHI rule 470.1)	14 676 678	11 441 025
Future costs of retired staff (SHI rule 470.2) <sup>a/</sup>	272 031 000	218 020 000
Reserve for major claims and cost of reinsurance (SHI rule 470.3)	23 992 623	38 154 842
<b>Total</b>	<b>310 700 301</b>	<b>267 615 867</b>

## 16. Other trust 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; by the credit of benefits received from the commercial accident and illness insurance policy established for this purpose, and by any interest earned.

### *Due to Estates of Deceased Staff Members*

These funds reflect balances due on accounts of deceased staff members, 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 has responsibility as trustee.

<sup>a/</sup> The most recent actuarial valuation of the future cost of retired staff, dated July 2004, estimates an Accumulated Post-retirement Benefit Obligation (APBO) for retirees of \$ 370.0 million (\$ 224.5 million in June 2000).

## 17. Foundations

This comprises foundations for which WHO holds funds in trust and is responsible for financial and administrative management. At 31 December 2005, the foundations were as follows:

Darling Foundation

Down Syndrome Research Prize in the Eastern Mediterranean Region

Dr A.T. Shousha Foundation

Dr Comlan A.A. Quenum Prize

Ihsan Dogramaci Family Health Foundation

Jacques Parisot Foundation

Léon Bernard Foundation

Professor Francesco Pocchiari Fellowship Prize

State of Kuwait Prize for the Control of Cancer, Cardiovascular Diseases and Diabetes in the Eastern Mediterranean Region

State of Kuwait Prize for Research in Health Promotion

United Arab Emirates Health Foundation

## 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*

This represents the aggregation of all the Organization's liquid resources (including cash, bank accounts, and funds in transit) and amount to \$ 96.2 million at 31 December 2005 (\$ 119.1 million at 31 December 2003). Within this figure, imprest account disbursements which have not been accounted for in the financial period, amount to \$ 58.3 million (\$41.6 million at 31 December 2003). These disbursements will be accounted for against the liquidation of the appropriate unliquidated obligations and bank balances in 2006.

### *Short-term fixed income in US dollars*

These are invested in cash and high quality, short dated, government, agency, and corporate bonds as defined in the approved investment policy.

### *Long-term fixed income in US dollars*

These are invested in high quality, medium and long dated, government, agency, and corporate bonds. They represent funds managed for the Staff Health Insurance Fund and the Terminal Payments Account as defined in the approved investment policy.

### *Equity investments in US dollars*

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

### *Total cash, deposits and securities as at 31 December 2005*

This figure includes \$ 636.1 million (\$ 478.2 million at 31 December 2003) 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. Interest receivable shown in Statement II is the amount of accrued interest from the Organization's direct investments, mainly time deposits.

The total earnings from cash, deposits and securities for 2004-2005 was \$ 68.1 million (\$ 84.0 million in 2002-2003) after taking into account an exchange differential loss of \$ 8.1 million. \$ 8.0 million of total earnings (\$ 9.2 million in 2002-2003) related to the Regular Budget and was credited to Miscellaneous Income.

## 19. Letters of credit

At 31 December 2005, in addition to actual cash resources on hand, undrawn balances under letters of credit received from the United States of America, amounted to \$ 139.7 million (\$ 111.7 million at 31 December 2003). These relate to the following activities:

	<b>31 December 2005</b> <i>(US dollars)</i>	<i>31 December 2003</i> <i>(US dollars)</i>
The US Agency for International Development		
Voluntary Fund for Health Promotion	125 939 821	99 131 164
Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS)	12 150 000	9 840 000
The US Environment Protection Agency		
Voluntary Fund for Health Promotion	1 567 169	2 761 238
<b>Total</b>	<b>139 656 990</b>	<b>111 732 402</b>

## 20. Sundry debtors

Sundry debtors, 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 2006.

	<b>31 December 2005</b> <i>(US dollars)</i>	<i>31 December 2003</i> <i>(US dollars)</i>
Personal accounts of WHO staff - advances	24 264 672	17 976 211
Due from other United Nations organizations and agencies, institutions, governments and ministries, firms, corporations and other entities, for goods and services provided	15 164 082	25 119 689
Clearance accounts	5 512 012	
WHO/UNAIDS service clearance accounts with UNDP	17 124 102	12 526 707
Other debtors	1 635 088	507 596
Guarantee deposits	254 707	135 412
<b>Total</b>	<b>63 954 663</b>	<b>56 265 615</b>

## 21. Prepaid expenses

The amount of \$ 16.6 million (\$ 1.4 million at 31 December 2003) represents disbursements made in respect of obligations against the next financial period and will be charged as expenditure in that period.

## 22. Capital assets

These assets represent WHO and other trust fund properties at headquarters and in regional office locations. The properties have either been purchased, constructed or received as donations. The land upon which buildings have been erected is either owned by the Organization /trust fund 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:

	31 December 2003	2004-2005		31 December 2005
	(US dollars)	Additions	Disposals	(US dollars)
<b>WHO offices</b>				
Headquarters	41 597 370	761 168		42 358 538
Regional Office for Africa				
Regional Office	7 012 106	521 232		7 533 338
Africa Region - other	1 249 634			1 249 634
Total: Regional Office for Africa	8 261 740	521 232		8 782 972
Regional Office for South-East Asia	1 483 295			1 483 295
Regional Office for the Eastern Mediterranean	12 088 203			12 088 203
Regional Office for the Western Pacific	3 696 336	3 704 422		7 400 758
<i>Total WHO</i>	67 126 944	4 986 822		72 113 766
<b>IARC - Lyon (Note 36)</b>		4 193 504		4 193 504
<b>Total</b>	67 126 944	9 180 326		76 307 270

### 23. Non-expendable equipment

The total value at cost at 31 December 2005 amounted to \$ 80.1 million (\$ 125.7 million at 31 December 2003).

### 24. Members' contributions received in advance

At 31 December 2005 some Members had, either in full or in part, made advance payments against their regular budget contributions for 2006 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 received in advance at 31 December 2005 amounted to \$ 50.3 million (\$ 46.7 million at 31 December 2003).

### 25. Unliquidated obligations

	31 December 2005	31 December 2003
	(US dollars)	(re-stated, note 37) (US dollars)
<b>Programme activities</b>		
<b>WHO Programme Activities</b>		
Regular Budget	43 539 187	50 862 686
Other WHO funds	18 605 709	11 876 268
Voluntary Fund for Health Promotion	205 574 509	107 219 907
Inter-organization arrangements	7 659 237	11 626 302
Trust funds	87 933 150	35 026 978
<i>Total unliquidated obligations - WHO programme activities</i>	363 311 792	216 612 141
<b>Non-WHO Programme Activities</b>		
Trust Fund for the Joint United Nations Programme on HIV/AIDS	39 926 284	15 937 264
International Computing Centre	2 574 389	2 494 776
The Global Fund to fight AIDS, Tuberculosis and Malaria	23 463 929	11 846 657
Trust funds, Foundations and other funds	4 932 109	359 404
<i>Total unliquidated obligations - Non-WHO programme activities</i>	70 896 711	30 638 101
<b>Total</b>	434 208 503	247 250 242

## 26. Accounts payable

	<b>31 December 2005</b> <i>(US dollars)</i>	<i>31 December 2003</i> <i>(US dollars)</i>
<b>Accounts payable</b>		
Personal accounts of WHO staff – proceeds of claims and other amounts due	4 280 693	3 522 304
Due to other United Nations organizations and agencies, institutions, government ministries, firms, corporations and other entities, for goods and services received	10 138 489	5 479 403
Due to United Nations Joint Staff Pension Fund for contributions and other payments outstanding	17 354 328	1 063 607
UNAIDS/UNDP Operating Fund	5 652 834	12 514 964
Clearance accounts	5 090 885	31 082 541
<b>Total</b>	<b>42 517 229</b>	<b>53 662 819</b>

## 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 Health 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 2005 and the loan repayable at 31 December 2005 represents the amount of the loan received from the Swiss Confederation on that date.

## 28. Other WHO funds

	<b>31 December 2005</b> <i>(US dollars)</i>	<i>31 December 2003</i> <i>(US dollars)</i>
Revolving Fund for Teaching and Laboratory Equipment	400 000	400 000
Special Account for Concessions at Headquarters	2 817 591	4 036 186
Special Account for Income Derived from Patent Policy	4 060	3 910
Staff Development Fund	2 734 721	
<b>Total</b>	<b>5 956 372</b>	<b>4 440 096</b>

## 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 the United Nations General Assembly had not invoked this provision.

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

During 2004-2005, there was one administrative waiver for \$ 14 488; twenty-one cases of amounts written-off totalling \$ 3 203 886 which includes \$ 2 803 358 relating to war and civil disturbances in Afghanistan, Iraq and Liberia; four cases of proven fraud for \$ 358 400; three cases of presumptive fraud for \$ 16 336; and two ex-gratia payments for \$ 171 563. In addition, further cases have been reported and these are being investigated.

### **31. Contingent liabilities**

At 31 December 2005, there were pending legal proceedings against the Organization concerning: one accident involving a WHO vehicle; a rental issue at one WHO office; two alleged contractual obligations; one issue concerning alleged fraudulent fuel trafficking; and cases of alleged unlawful dismissal by 28 former staff members. In addition, there are several claims that are currently being processed; they involve four alleged contractual obligations, an alleged obligation due to one former staff member and one case relating to alleged ecological damage caused by the construction of the WHO/UNAIDS building. 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. Agreement with Compass Group (Suisse) SA**

In November 2000, the Organization entered into an agreement with Compass Group (Suisse) SA (Compass Group) to extend and modify restaurant accommodation at Headquarters in Geneva. Under the terms of this agreement, Compass Group financed the cost of the extension to the Organization by CHF 1.2 million (\$ 1.1 million) in the form of a loan to WHO.

Under the terms of the loan provided by Compass Group, interest was charged at 4%. The loan, originally scheduled to be repaid over a nine year period which started in 2001 has been fully repaid in 2005. The payments of interest and principal were charged to the Special Account for Concessions at Headquarters. At 31 December 2005, the balance of the loan was zero. The capital expenditure portion of the extension amounted to \$ 0.8 million and is included in the capital assets of the Organization.

### **33. United Nations Development Fund - adjustment to fund balance**

At country level, WHO and UNAIDS use the United Nations Development Programme (UNDP) to make payments and to provide services and administrative support. To finance these activities, WHO transfers money to UNDP on a monthly basis. In previous years, WHO and UNAIDS activities were included in the fund balances on Statement I.2. To provide more transparency, the balances on the WHO and UNAIDS service clearance accounts with UNDP are now shown under sundry debtors and accounts payable and the figures under UNDP on Statement I.2 relate solely to programme activities undertaken by WHO as executing agency.

### **34. Security Fund**

In view of the increased importance attached to the provision of security for WHO staff, the Director-General established a Security Fund, under Financial Regulation 9.3, 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. This fund may be financed by way of appropriation from the regular budget and from other sources including 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 including 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. International Agency for Research on Cancer - adjustment to fund balance**

IARC's financial statements were consolidated on a cash basis in previous biennia and are now consolidated on an accrual basis in conformity with the United Nations System Accounting Standards. The amount of \$ 530 670 represents a one time adjustment to reflect IARC's unliquidated obligations and capital assets as at 1 January 2004.

### **37. Re-statement of 2002-2003 comparative figures**

The presentation of some figures in 2004-2005 has made it necessary to re-state relevant 2002-2003 figures for comparative purposes.

### **38. Statement of appropriations for the financial period 2004-2005**

#### *Transfers from the regular budget*

Expenditure figures for this period include transfers from the regular budget of \$ 2.0 million to the UNICEF/UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases; of \$ 0.05 million to the African Programme for Onchocerciasis Control; of \$ 5.8 million to the Real Estate Fund; of \$ 2.9 million to the Security Fund; and of \$ 9.7 million to the Information Technology Fund.

#### *Unobligated balance of appropriations*

The unobligated balance of regular budget appropriations at the end of the financial period could either be funded in total, in part, 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 has not been implemented. The unfunded part is credited to miscellaneous income only when the underlying outstanding assessed contributions are collected. At 31 December 2005, the unobligated balance of regular budget appropriations of \$ 8.9 million was all unfunded.

#### *Transfers between sections of the Appropriation Resolution*

Paragraph 3.1 of the Appropriation Resolution for the financial period 2004-2005 (resolution WHA56.32) states "notwithstanding the provisions of Financial Regulation 4.3, the Director-General is authorized to make transfers between appropriation sections 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 2004-2005; 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 2004-2005 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 2004-2005 programme budget are summarized as follows:

		<b>2004-2005</b> <i>(US dollars)</i>
<b>Appropriation Section 1 - Communicable diseases</b>		
<i>Increase:</i>		
African Region	Implementation variances and priority programmes	365 000
South-East Asia Region	Regional priorities and increased staff costs	829 000
Western Pacific Region	Avian flu and new activities in communicable disease prevention and control, malaria, and tuberculosis	586 000
<i>Decrease:</i>		
European Region	Reallocation based on regional review	(353 000)
Eastern Mediterranean Region	Reallocation due to organizational change and country-level programme changes	(354 000)
Global and interregional	Reductions to fund UN Common Services and statutory meetings partly offset by increases for avian flu activities	(116 000)
<i>Net increase</i>		<b>957 000</b>
<b>Appropriation Section 2 - Noncommunicable diseases and mental health</b>		
<i>Increase:</i>		
Eastern Mediterranean Region	Support to regional priorities and region-wide activities	461 000
Global and interregional	Minor adjustment	15 000
<i>Decrease:</i>		
African Region	Reallocation to priority programmes, including strengthening of WHO's presence in countries	(2 503 000)
South-East Asia Region	Transfer to strengthen country offices, to regional priorities and to cover implementation variances	(1 276 000)
European Region	Reallocation based on regional review	(557 000)
Western Pacific Region	Transfer to priority programmes	(150 000)
<i>Net decrease</i>		<b>(4 010 000)</b>

			<b>2004-2005</b> <i>(US dollars)</i>
<b>Appropriation Section 3 - Family and community health</b>			
<i>Increase:</i>			
Western Pacific Region	Increased requirements in priority, country level programmes		620 000
Global and interregional	Priority activities and additional support to HIV		418 000
<i>Decrease:</i>			
African Region	Transfer to priority programmes and to cover cost increases in country presence		(4 682 000)
South-East Asia Region	Reallocation to regional priorities and strengthening of country offices		(830 000)
European Region	Reallocation based on regional review		(527 000)
Eastern Mediterranean Region	Organizational changes, transfers to region-wide activities and implementation variances		(1 033 000)
<i>Net decrease</i>			<u>(6 034 000)</u>
<b>Appropriation Section 4 - Sustainable development and healthy environments</b>			
<i>Increase:</i>			
Global and interregional	Organizational changes and reinforcement of priority activities		1 623 000
<i>Decrease:</i>			
African Region	Reallocation to meet programme needs and to strengthen country presence		(6 009 000)
South-East Asia Region	Transfer to regional priorities		(406 000)
European Region	Reallocation based on mid-term review		(291 000)
Eastern Mediterranean Region	Organizational changes and support to priority areas		(287 000)
<i>Net decrease</i>			<u>(5 370 000)</u>
<b>Appropriation Section 5 - Health technology and pharmaceuticals</b>			
<i>Increase:</i>			
European Region	Reallocation based on regional review		654 000
Western Pacific Region	Increased programme requirements and supplementary immunization activities in China		572 000
Global and interregional	Organizational changes		209 000
<i>Decrease:</i>			
African Region	Reallocation based on programme needs to priority programmes and to strengthen country presence		(2 962 000)
South-East Asia Region	Transfers to regional priorities and to strengthen country offices		(820 000)
Eastern Mediterranean Region	Organizational changes and transfers to regional priorities		(1 429 000)
<i>Net decrease</i>			<u>(3 776 000)</u>

			<b>2004-2005</b> <i>(US dollars)</i>
<b>Appropriation Section 6 - Evidence and information for policy</b>			
<i>Increase:</i>			
European Region	Increase based on the regional review		200 000
Eastern Mediterranean Region	Increase due, in part, to organizational changes, regional emergencies and implementation variances		792 000
<i>Decrease:</i>			
African Region	Transfers to strengthen WHO's presence in countries and priority programmes		(2 382 000)
South-East Asia Region	Transfers to support country offices and regional priorities		(230 000)
Western Pacific Region	Reallocation at country level to priority programmes		(2 019 000)
Global and interregional	Organizational change and additional funds for statutory meetings		(898 000)
<i>Net decrease</i>			<u>(4 537 000)</u>
<b>Appropriation Section 7 - External relations and governing bodies</b>			
<i>Increase:</i>			
African Region	Transfers to priority programmes		370 000
Eastern Mediterranean Region	Organizational changes and transfers for region-wide activities and intercountry meetings		2 500 000
<i>Decrease:</i>			
South-East Asia Region	Reallocation to regional priorities and to cover cost variances		(1 069 000)
European Region	Organizational changes and transfers to regional priorities		(639 000)
Western Pacific Region	Cost savings reallocated to priority programmes		(1 195 000)
Global and interregional	Organizational changes, including country cooperation		(821 000)
<i>Net decrease</i>			<u>(854 000)</u>
<b>Appropriation Section 8 - General management</b>			
<i>Increase:</i>			
African Region	Increases to cover implementation variances		1 878 000
<i>Decrease:</i>			
South-East Asia Region	Transfer to regional priorities and to cover cost variances		(629 000)
European Region	Reallocation to regional priorities		(40 000)
Eastern Mediterranean Region	Organizational changes and reallocation of cost variances		(1 059 000)
Western Pacific Region	Currency gains reallocated to priority programmes		(388 000)
Global and interregional	Organizational changes and reinforcement of priority activities		(2 378 000)
<i>Net decrease</i>			<u>(2 616 000)</u>

		<b>2004-2005</b> <i>(US dollars)</i>
<b>Appropriation Section 9 - Director-General, Regional Directors and independent functions</b>		
<i>Increase:</i>		
South-East Asia Region	Transfer to regional priorities and to cover implementation variances	723 000
European Region	Reallocation based on regional review of resource situation	135 000
Eastern Mediterranean Region	Organizational changes and transfers for region-wide activities	1 339 000
Global and interregional	Organizational changes	595 000
<i>Decrease:</i>		
African Region	Minor adjustment	(10 000)
Western Pacific Region	Cost savings	(112 000)
<i>Net increase</i>		<b>2 670 000</b>
<b>Appropriation Section 10 - WHO's presence in countries</b>		
<i>Increase:</i>		
African Region	Strengthening of WHO's presence in countries and cost increases at country level	15 935 000
South-East Asia Region	Reallocation to strengthen country offices	3 708 000
European Region	Organizational changes associated with country presence	1 418 000
Western Pacific Region	Additional funding for country offices	2 126 000
Global and interregional	Organizational change	1 993 000
<i>Decrease:</i>		
Eastern Mediterranean Region	Organizational and country-level programme changes and transfers for region-wide activities	(930 000)
<i>Net increase</i>		<b>24 250 000</b>
<b>Appropriation Section 11 - Miscellaneous</b>		
<i>Decrease:</i>		
Global and interregional	Transfers to priority programmes	(680 000)
<i>Net decrease</i>		<b>(680 000)</b>
<i>Overall net transfer</i>		<b>-</b>

**Schedule 1**

**Cash, deposits and securities  
as at 31 December 2005**

(in thousands of US dollars)

	2004-2005	2002-2003
<b>Cash at banks, in transit and on hand</b>		
Headquarters	15 549	54 313
Regional and Country Offices	80 637	64 815
<i>Total cash at bank, in transit and on hand</i>	<u>96 186</u>	<u>119 128</u>
<b>Deposits</b>		
Bank deposits and call accounts in US dollars	934 856	639 902
<i>Total deposits</i>	<u>934 856</u>	<u>639 902</u>
<b>Securities</b>		
Short-term fixed income in US dollars	474 313	517 460
Long-term fixed income in US dollars	237 750	176 059
Equity investments in US dollars	54 332	9 109
<i>Total securities</i>	<u>766 395</u>	<u>702 628</u>
<i>Total deposits and securities</i>	<u>1 701 251</u>	<u>1 342 530</u>
<b>Total cash, deposits and securities as at 31 December 2005 and 31 December 2003 (Note 18)</b>	<u><u>1 797 437</u></u>	<u><u>1 461 658</u></u>

*Schedule 2***Cash, deposits and securities by sources of funds  
as at 31 December 2005***(in thousands of US dollars)*

	2005	2003 <i>(re-stated, note 37)</i>
<b>Unliquidated obligations</b>		
Inter-organization arrangements	7 659	11 626
WHO programme activities	355 653	204 986
Non-WHO programme activities - Trust funds, Foundations and other funds	70 897	30 638
<i>Total unliquidated obligations</i>	<b>434 209</b>	<b>247 250</b>
<b>Internal Borrowing - Regular Budget</b>	<b>(13 034)</b>	<b>(1 744)</b>
<b>Voluntary Fund for Health Promotion</b>	<b>553 847</b>	<b>455 885</b>
<b>Other WHO funds</b>		
Miscellaneous Income	2 432	9 800
Casual Income Account		(58)
Real Estate Fund	1 142	1 038
Security Fund	229	1 467
Revolving Fund for Teaching and Laboratory Equipment	400	400
Special Account for Operation of Concessions at Headquarters	2 818	4 036
Special Account for Income Derived from Patent Policy	4	4
Staff Development Fund	2 735	
Revolving Sales Fund	4 650	6 474
Information Technology Fund	19 346	1 950
Special Account for Servicing Costs	92 267	136 103
Tax Equalization Fund	(2 706)	1 778
Terminal Payments Account	56 409	52 911
<i>Total other WHO funds</i>	<b>179 726</b>	<b>215 903</b>
<b>Trust funds</b>		
Inter-organization arrangements	1 621	(10 976)
WHO programme activities	77 944	69 999
Non-WHO programme activities	569 448	447 610
<i>Total trust funds</i>	<b>649 013</b>	<b>506 633</b>
<b>Accounts payable and receivable</b>		
Accounts payable and deferred income	42 517	53 663
Accounts receivable and prepaid expenses	(98 295)	(62 560)
<i>Total accounts payable and receivable</i>	<b>(55 778)</b>	<b>(8 897)</b>
<b>Construction in progress</b>	<b>(26 510)</b>	<b>(2 890)</b>
<b>IARC capital assets</b>	<b>(4 193)</b>	
<b>Members' contributions received in advance</b>	<b>50 328</b>	<b>46 685</b>
<b>Borrowings payable after one year</b>	<b>29 829</b>	<b>2 832</b>
<b>Total cash, deposits and securities</b>	<b>1 797 437</b>	<b>1 461 657</b>

### Schedule 3

## Income and expenditure for the effective working regular budget for 2004-2005

(in thousands of US dollars)

	Actual 2004-2005	Budget
<b>Income:</b>		
Members' net assessments (Schedule 4)	863 101	863 101
<i>Less:</i> Provision for delays in collection of assessed contributions (Schedule 4) <sup>a/</sup>	52 981	
<b>Contributions collected</b>	<b>810 120</b>	<b>863 101</b>
<i>(Includes amounts credited under the new financial incentive scheme - Financial Regulation 6.5)</i>		
<i>Less:</i> Amounts transferred to Tax Equalization Fund <sup>b/</sup>	4 626	4 626
<b>Contributions collected for the effective working budget</b>	<b>805 494</b>	<b>858 475</b>
<i>Plus:</i> World Health Assembly Appropriations: Resolution WHA56.32 Miscellaneous income	21 636	21 636
<b>Total Income for the effective working budget</b> <sup>c/</sup>	<b>827 130</b>	<b>880 111</b>
<b>Expenditure:</b>		
Expenditure for the effective working budget (Statement IV, Appropriation sections 1 to 11) <sup>d/</sup>	871 163	880 111
<b>Excess of expenditure over income</b>	<b>44 033</b>	
<b>Financed from:</b>		
- the Working Capital Fund	31 000	
- Internal borrowing	13 033	
	<b>44 033</b>	
	<b>863 101</b>	<b>100.00%</b>
<sup>a/</sup> Assessed contributions for 2004-2005		
Contributions collected:		
in 2004	436 652	50.59%
in 2005	373 468	43.27%
<b>Total (Schedule 4)</b>	<b>810 120</b>	<b>93.86%</b>
Shortfall in collection of contributions for 2004-2005	52 981	6.14%
	<b>2004-2005</b>	<b>2002-2003</b>
<sup>b/</sup> Transfer to Tax Equalization Fund (Statement IV, Appropriation section 12)	80 000	80 000
<i>Less:</i> Credits to Members	75 374	77 333
Amounts transferred to Tax Equalization Fund to meet Income Tax reimbursements	4 626	2 667
<sup>c/</sup> Approved Budget and Planned Financing		
Total approved budget (Statement IV)	880 111	855 654
To be financed as follows:		
Assessed contributions from Members for the effective working budget	858 475	792 526
Reimbursement of programme support costs		500
Miscellaneous income appropriated	21 636	49 732
Casual income appropriated		12 896
<b>Total financing of budget</b>	<b>880 111</b>	<b>855 654</b>
<sup>d/</sup> Financial outcome of the budget		
Total approved budget	880 111	855 654
<i>Less:</i> Total expenditure incurred	871 163	830 401
<b>Unobligated balance of appropriations</b> - becoming cash for credit to Miscellaneous Income Account when the outstanding underlying contributions are received	<b>8 948</b>	<b>25 253</b>



**Schedule 4****Assessed contributions – 2004-2005  
and prior financial periods***(in US dollars)*

Members, including Associate Members	2004-2005 assessments			Assessments of prior financial periods			Total outstanding
	Net assessments	Collected or adjusted during 2004-2005	Balance outstanding 31 December 2005	Balance outstanding 1 January 2004	Collected or adjusted during 2004-2005	Balance outstanding 31 December 2005	
<b>Assessed Members</b>							
Afghanistan	46 790		46 790	259 875		259 875	306 665
Albania	34 340	34 340					
Algeria	621 960	621 960					
Andorra	38 200	38 200					
Angola	12 880	12 880					
Antigua and Barbuda	21 470		21 470	216 098	63 504	152 594	174 064
Argentina	8 956 040	117 180	8 838 860	21 961 624		21 961 624	30 800 484
Armenia	17 180		17 180	2 496 150	67 180	2 428 970	2 446 150
Australia	13 705 120	13 705 120					
Austria	7 686 790	7 686 790		2 046 439	2 046 439		
Azerbaijan	38 200	38 200		4 011 115	216 842	3 794 273	3 794 273
Bahamas	106 450	106 450					
Bahrain	204 750	204 750					
Bangladesh	84 990	84 990					
Barbados	81 120	81 120					
Belarus	157 530		157 530	395 475	315 475	80 000	237 530
Belgium	9 356 950	9 356 950					
Belize	8 580	8 199	381				381
Benin	17 180	17 180					
Bhutan	8 580	8 580					
Bolivia	72 540		72 540	28 498		28 498	101 038
Bosnia and Herzegovina	29 620	29 620					
Botswana	93 580	93 580					
Brazil	16 631 240	10 165 636	6 465 604	9 720 805	9 720 805		6 465 604
Brunei Darussalam	285 440	285 440					
Bulgaria	127 910	127 910					
Burkina Faso	17 180	17 180					
Burundi	8 580	8 580		9 146	9 146		
Cambodia	17 180	17 180					
Cameroon	72 540	37 360	35 180	10 048	10 048		35 180
Canada	22 877 250	22 877 250					
Cape Verde	8 580	47	8 533				8 533
Central African Republic	8 580		8 580	156 261		156 261	164 841
Chad	8 580	8 580		225 073	225 073		
Chile	1 852 590	667 841	1 184 749	249 039	249 039		1 184 749
China	15 282 580	15 282 580					
Colombia	1 514 350	1 022 577	491 773	839 253	839 253		491 773
Comoros	8 580		8 580	445 462	9 615	435 847	444 427
Congo	8 110	8 110					
Cook Islands	8 580	8 580					
Costa Rica	213 330	110 742	102 588	67 693	67 693		102 588
Côte d'Ivoire	81 120		81 120				81 120
Croatia	323 650	323 650					
Cuba	311 200	284 866	26 334				26 334
Cyprus	327 930	327 930					

*Schedule 4 (continued)*

Members, including Associate Members	2004 -2005 assessments		Assessments of prior financial periods			Total outstanding
	Net assessments	Collected or adjusted during 2004-2005	Balance outstanding 31 December 2005	Balance outstanding 1 January 2004	Collected or adjusted during 2004-2005	
Czech Republic	1 642 690	1 642 690				
Democratic People's Republic of Korea	81 120	81 005	115			115
Democratic Republic of the Congo	29 620		29 620	215		215
Democratic Republic of Timor-Leste	8 580	8 580				
Denmark	6 245 410	6 245 410				
Djibouti	8 580	4 290	4 290	37 610	37 610	4 290
Dominica	8 580		8 580	3 680		3 680
Dominican Republic	247 240	51 647	195 593	1 092 729	268 750	823 979
Ecuador	187 150	187 150				
Egypt	857 190	857 190				
El Salvador	170 410	170 410				
Equatorial Guinea	12 880	4 861	8 019			8 019
Eritrea	8 580	8 580				
Estonia	93 580	93 580				
Ethiopia	33 910	33 910				
Fiji	33 910	33 910				
Finland	4 492 400	4 492 400				
France	54 438 720	54 438 720				
Gabon	97 860	97 860		53 155	53 155	
Gambia	8 580		8 580		(2 083)	2 083
Georgia	33 910		33 910	4 428 686	23 433	4 405 253
Germany	78 440 150	78 440 150				
Ghana	38 200	38 200				
Greece	4 551 210	4 551 210				
Grenada	8 580	4 290	4 290			4 290
Guatemala	242 950	242 950				
Guinea	25 760		25 760	25 264	25 264	25 760
Guinea-Bissau	8 580		8 580	214 010		214 010
Guyana	8 580	8 580				
Haiti	21 470	21 470				
Honduras	42 490	42 490				
Hungary	1 047 770	1 047 770				
Iceland	285 440	285 440				
India	3 247 180	3 232 726	14 454			14 454
Indonesia	1 454 260	1 454 260				
Iran (Islamic Republic of)	1 822 540	960 258	862 282	768 465	768 465	862 282
Iraq	643 000		643 000	5 755 801		5 755 801
Ireland	2 744 110	2 744 110				
Israel	3 757 120	3 105 186	651 934	62 965	62 965	651 934
Italy	42 359 300	42 359 300		437 379	437 379	
Jamaica	51 080	51 080				
Japan	165 988 280	165 988 280				
Jordan	81 130	81 130				
Kazakhstan	225 350	225 350		4 615 253	724 765	3 890 488
Kenya	72 540	72 540				
Kiribati	8 580	4 290	4 290	7 951	7 951	4 290
Kuwait	1 316 050	1 316 050				

*Schedule 4 (continued)*

Members, including Associate Members	2004-2005 assessments			Assessments of prior financial periods			Total outstanding
	Net assessments	Collected or adjusted during 2004-2005	Balance outstanding 31 December 2005	Balance outstanding 1 January 2004	Collected or adjusted during 2004-2005	Balance outstanding 31 December 2005	
Kyrgyzstan	8 580		8 580	1 229 058	4 226	1 224 832	1 233 412
Lao People's Democratic Republic	14 880	14 880					
Latvia	106 460	106 460		346 600	346 600		
Lebanon	153 670	112 331	41 339	2 166	2 166		41 339
Lesotho	8 580	8 580					
Liberia	8 580		8 580	340 103	30 000	310 103	318 683
Libyan Arab Jamahiriya	849 460	236 669	612 791	70 548	70 548		612 791
Lithuania	174 700	71 680	103 020	138	138		103 020
Luxembourg	668 320	668 320					
Madagascar	25 760	25 760					
Malawi	12 880	8 590	4 290				4 290
Malaysia	1 863 750	1 863 750					
Maldives	8 580	8 580					
Mali	17 180	17 180					
Malta	123 620	123 620					
Marshall Islands	8 580	73	8 507				8 507
Mauritania	8 580	6 599	1 981				1 981
Mauritius	93 580	93 580					
Mexico	12 668 940	10 434 794	2 234 146				2 234 146
Micronesia (Federated States of)	8 580	8 580					
Monaco	29 620	29 620					
Mongolia	8 580	8 580					
Morocco	387 600	387 600					
Mozambique	8 580	8 580					
Myanmar	84 990	84 990					
Namibia	55 380	55 380					
Nauru	8 580		8 580	95 241		95 241	103 821
Nepal	33 910	33 910					
Netherlands	14 594 500	14 594 500					
New Zealand	1 966 340	1 966 340					
Nicaragua	8 580	8 580					
Niger	8 580		8 580	224 030	94 798	129 232	137 812
Nigeria	467 440	467 440		23 880	23 880		
Niue	8 580	4 304	4 276				4 276
Norway	5 642 750	5 642 750					
Oman	558 010	558 010					
Pakistan	493 620	243 589	250 031	240 079	240 079		250 031
Palau	8 580	344	8 236				8 236
Panama	157 540	108 000	49 540	48 166	48 166		49 540
Papua New Guinea	38 210		38 210	22 169		22 169	60 379
Paraguay	118 900	11 604	107 296	178 398	178 398		107 296
Peru	893 240	49 190	844 050	1 241 145	826 000	415 145	1 259 195
Philippines	830 150	461 591	368 559	240 355	240 355		368 559
Poland	3 575 120	3 575 120		155 093	155 093		
Portugal	3 968 730	3 968 730					
Puerto Rico	8 580		8 580	8 421	8 421		8 580

*Schedule 4 (continued)*

Members, including Associate Members	2004-2005 assessments			Assessments of prior financial periods			Total outstanding
	Net assessments	Collected or adjusted during 2004-2005	Balance outstanding 31 December 2005	Balance outstanding 1 January 2004	Collected or adjusted during 2004-2005	Balance outstanding 31 December 2005	
Qatar	418 080	418 080					
Republic of Korea	15 526 810	10 917 700	4 609 110				4 609 110
Republic of Moldova	12 880		12 880	2 941 433	4 290	2 937 143	2 950 023
Romania	502 630	502 630					
Russian Federation	9 789 620	9 789 620					
Rwanda	8 580	8 580					
Saint Kitts and Nevis	8 580	8 580					
Saint Lucia	17 180	4 960	12 220	16 844	16 844		12 220
Saint Vincent and the Grenadines	8 580	8 580					
Samoa	8 580	8 580					
San Marino	21 470	21 470					
Sao Tome and Principe	8 580	8 580					
Saudi Arabia	5 400 230	5 400 230					
Senegal	42 490	42 490					
Serbia and Montenegro	166 120	84 560	81 560	84 213	84 213		81 560
Seychelles	17 180	17 180					
Sierra Leone	8 580	8 580					
Singapore	3 325 300	3 325 300					
Slovakia	400 480	400 480					
Slovenia	694 080	694 080					
Solomon Islands	8 580	4 290	4 290	11 571	11 571		4 290
Somalia	8 580		8 580	391 644		391 644	400 224
South Africa	2 998 930	2 998 930					
Spain	21 454 580	21 454 580					
Sri Lanka	140 360	140 360					
Sudan	59 670	29 520	30 150	23 730	23 730		30 150
Suriname	12 880		12 880	107 834	8 422	99 412	112 292
Swaziland	17 180	17 180					
Sweden	8 620 380	8 620 380					
Switzerland	10 518 460	10 518 460					
Syrian Arab Republic	500 920	500 920					
Tajikistan	8 580		8 580	615 024	154 530	460 494	469 074
Thailand	2 138 890	2 138 890					
The Former Yugoslav Republic of Macedonia	51 090	25 330	25 760	17 885	17 885		25 760
Togo	8 580	7 551	1 029	17 985	17 985		1 029
Tokelau	8 580	4 190	4 390				4 390
Tonga	8 580	8 580					
Trinidad and Tobago	161 820	161 820					
Tunisia	263 990	263 990					
Turkey	3 452 150	3 452 150					
Turkmenistan	34 340		34 340	1 224 674		1 224 674	1 259 014
Tuvalu	8 580	8 580					
Uganda	46 300	46 300					
Ukraine	391 030	391 030		32 309 438		32 309 438	32 309 438
United Arab Emirates	1 861 610	1 861 610					

## Schedule 4 (continued)

Members, including Associate Members	2004-2005 assessments			Assessments of prior financial periods			Total outstanding
	Net assessments	Collected or adjusted during 2004-2005	Balance outstanding 31 December 2005	Balance outstanding 1 January 2004	Collected or adjusted during 2004-2005	Balance outstanding 31 December 2005	
United Kingdom of Great Britain and Northern Ireland	49 680 810	49 680 810					
United Republic of Tanzania	41 660	41 660					
United States of America	192 220 680	170 192 054	22 028 626	21 641 286	21 641 286		22 028 626
Uruguay	543 840	1 601	542 239	592 890	197 610	395 280	937 519
Uzbekistan	106 450	66 029	40 421	40 396	40 396		40 421
Vanuatu	8 580	8 580					
Venezuela	1 612 650	878 650	734 000	1 359 279	1 359 279		734 000
Viet Nam	157 530	157 530					
Yemen	50 730	50 730					
Zambia	17 180	17 180					
Zimbabwe	63 640	63 640					
<b>Total - Assessed Members</b>	<b>863 100 890</b>	<b>810 119 574</b>	<b>52 981 316</b>	<b>126 502 933</b>	<b>42 094 675</b>	<b>84 408 258</b>	<b>137 389 574</b>
<b>New and formerly inactive Members</b>							
Belarus <sup>a/</sup>				606 539	243 195	363 344	363 344
Democratic Republic of Timor-Leste				976	976		
Ukraine <sup>a/</sup>				4 882 650	2 608 970	2 273 680	2 273 680
<b>Total - new and formerly inactive Members</b>				<b>5 490 165</b>	<b>2 853 141</b>	<b>2 637 024</b>	<b>2 637 024</b>
<b>Former Members</b>							
Yugoslavia (up to 2001)				5 532 592		5 532 592	5 532 592
<b>Total - all Members</b>	<b>863 100 890</b>	<b>810 119 574</b>	<b>52 981 316</b>	<b>137 525 690</b>	<b>44 947 816</b>	<b>92 577 874</b>	<b>145 559 190</b>

<sup>a/</sup> 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 (continued)**

Certain Member States with outstanding unpaid contributions from prior years have agreed to repayment plans under which the Member States concerned commit to make annual payments towards the arrears, in addition to paying their current year assessment. These special arrangements are approved by Health Assembly resolutions, and specify the number of years over which the concerned Member State must pay the outstanding contributions.

In the event that minimum payments are not made according to the agreed plan, the Member State's voting privileges are suspended in accordance with Article 7 of the Constitution.

The Members concerned are listed below, together with summary information concerning the terms of approved payment plans:

<b>Member States</b>	<b>Resolution</b>	<b>Payment period</b>	<b>Payments received during 2004-2005</b>	<b>Balance outstanding <sup>a/</sup></b>
Azerbaijan	WHA55.5	2003-2011	100 000	3 794 273
Belarus	WHA45.23	1997-2006	90 836	363 344
Dominican Republic	WHA55.6	2002-2011	134 009	823 979 <sup>b/</sup>
Georgia	WHA58.8	2006-2020	23 433	4 439 163
Iraq	WHA58.9	2006-2020		6 398 801
Kazakhstan	WHA56.11	2003-2012	724 765	3 890 488
Liberia	WHA52.3	1999-2004	29 516	285 346 <sup>b/</sup>
Republic of Moldova	WHA58.10	2006-2020		2 950 023
Tajikistan	WHA58.11	2006-2015	154 530	469 074
Ukraine	WHA57.6	2004-2018	2 608 970	34 583 118
<b>Total</b>			<b>3 866 059</b>	<b>57 997 609</b>

<sup>a/</sup> In addition to the minimum annual payments in respect of arrears, the Member States concerned must also pay their current year assessed contributions.

<sup>b/</sup> The Dominican Republic and Liberia have been unable to respect the terms of their repayment plans and as a result their voting privileges have been suspended.

*Schedule 5*

**Working Capital Fund and internal borrowing  
as at 31 December 2005**

*(in thousands of 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 then against any borrowing outstanding from the Working Capital Fund.

Resolution WHA48.21 established the level of the Working Capital Fund at \$ 31 million.

	2004-2005		2002-2003	
	Working Capital Fund	Internal borrowing	Working Capital Fund	Internal borrowing
<b>Opening balance as at:</b>				
<b>1 January 2004</b> and 1 January 2002		(1 744)		(24 628)
<b>Repayments</b>				
Collection of arrears of assessed contributions	31 000	1 744	31 000	24 628
<i>Sub-total</i>	31 000		31 000	
<b>Withdrawals</b>				
Financing of regular budget pending receipt of assessed contributions	31 000	13 033	31 000	1 744
<b>Balance as at:</b>				
<b>31 December 2005</b> and 31 December 2003 (Statement I)	0	(13 033)	0	(1 744)
<b>Borrowing as at:</b>				
<b>31 December 2005</b> and 31 December 2003				
Working Capital Fund	31 000		31 000	
Internal borrowing	13 033		1 744	
<b>Total borrowing</b>	44 033		32 744	

**Schedule 6**

**Miscellaneous Income Account  
as at 31 December 2005**

*(in thousands of US dollars)*

The Miscellaneous Income Account is credited with income arising from a number of sources in accordance with Financial Regulation VIII.

	2004-2005
<b>Balance as at 1 January 2004</b>	9 800
Income 2004-2005	28 206
<i>Sub total</i>	<b>38 006</b>
<b>Less:</b>	
Resolution WHA56.32 - Appropriation resolution for the financial period 2004-2005	
Financing the regular budget	21 636
Adjustment mechanism	12 364
Financial incentive scheme	1 574
<i>Sub total</i>	<b>35 574</b>
<b>Balance as at 31 December 2005 (Statement I.1)</b>	<b>2 432</b>



*Schedule 7***All extrabudgetary funds  
Summary of 2004-2005 income and expenditure  
as at 31 December 2005***(in thousands of US dollars)*

	Balance 1 January 2004	Income <sup>a/</sup> 2004-2005	Adjustments <sup>b/</sup>	Expenditure 2004-2005	Balance 31 December 2005
<b>Voluntary Fund for Health Promotion</b> (Statement 1)	455 885	1 723 432	(2 310)	1 623 160	553 847
<b>Trust funds</b> (Statement 1.2 and Statement 1.3)					
<i>Technical cooperation funds</i>					
United Nations Development Programme	(2 704)	640	5 525	1 441	2 020
United Nations Population Fund	(1 703)	8 540	67	9 893	(2 989)
United Nations Environment Programme	20	771		771	20
United Nations International Drug Control Programme	(170)	207	20	37	20
United Nations Iraq Programme (UN SCR 986)	(13 305)	8 604	6 145	1 444	
United Nations Afghanistan Emergency Trust Fund	63	(63)			
United Nations Children's Fund	2 277	2 193	(1 366)	2 270	834
Global Programme on AIDS	285	6	(291)		
Onchocerciasis Control Programme	1 851	106	311		2 268
African Programme for Onchocerciasis Control	2 278	23 012	4 692	26 159	3 823
Sasakawa Health Trust Fund	10 131	5 708	482	9 311	7 010
TDR <sup>c/</sup>	17 309	63 312	3 874	65 699	18 796
HRP <sup>d/</sup>	8 122	21 010	1 613	26 113	4 632
Associate Professional Officers	3 295	6 513		6 584	3 224
Other trust funds					
Iraq Programme (UN SCR 1472 and 1476)	9 069	(5 412)		3 733	(76)
All others	14 779	66 957		51 562	30 174
<i>Supply services funds</i>					
Iraq Programme (UN SCR 1472 and 1476)	3 729	(617)		3 113	(1)
United Nations Development Programme	687	1 107		1 921	(127)
United Nations Population Fund	31	(31)			
Onchocerciasis Control Programme	(1)	1			
World Bank	101	7 777		6 034	1 844
Countries and Nongovernmental Organizations	2 707	89 110		83 921	7 896
Revolving Fund for Teaching and Laboratory Equipment for Medical Education and Training	172	632		606	198
<b>Total - Trust funds</b> (Statement 1.2 and Statement 1.3)	59 023	300 083	21 072	300 612	79 566
<b>Total - Extrabudgetary Funds</b>	514 908	2 023 515	18 762	1 923 772	633 413

<sup>a/</sup> Includes contributions, refunds, interest and other revenue.<sup>b/</sup> Includes transfers between funds and savings on prior periods' unliquidated obligations.<sup>c/</sup> Trust Fund for the UNICEF/UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases.<sup>d/</sup> Trust Fund for the UNDP/UNFPA/WHO/World Bank Special Programme of Research, Development and Research Training in Human Reproduction.

## Schedule 8

### Special Account for Servicing Costs as at 31 December 2005

(in thousands of 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, (i.e. from all other extrabudgetary resources).

The Account is credited with income from the following sources:

- (i) Credits received from the United Nations Development Fund, the United Nations Population Fund and other organizations and bodies of the United Nations system to cover support costs are passed to the Account;
- (ii) Under Resolution WHA 34.17, funds received for support costs from other extrabudgetary sources, including funds-in-trust arrangements with governments and other entities, and the Voluntary Fund for Health Promotion;
- (iii) Interest earned on the balances of funds in the Special Account for Servicing Costs; and
- (iv) Foreign exchange gains/losses arising in respect of hedging operations on this account.

### Income and expenditure

	2004-2005	2002-2003
<b>Balance as at 1 January 2004</b> and 1 January 2002	136 103	140 797
<b>Income</b>		
United Nations Programmes	345	431
Support costs of subcontracting agencies		335
Programme support costs	148 949	110 221
Rental of office accommodation at headquarters from trust funds and other arrangements	404	1 179
Interest	4 675	10 072
Gains (losses) on hedging operations		2 972
<i>Total income</i>	154 373	125 210
<b>Balance</b>	290 476	266 007
<b>Transfers</b>		
To Revolving Sales Fund in accordance with resolution WHA55.9		(7 927)
<b>Balance</b>	290 476	258 080
<b>Expenditure</b>		
Africa	26 805	25 552
The Americas	869	1 399
South-East Asia	6 910	5 860
Europe	14 101	3 976
Eastern Mediterranean	18 110	4 038
Western Pacific	10 219	1 953
Global and interregional activities	121 195	79 199
<i>Total expenditure</i>	198 209	121 977
<b>Balance as at 31 December 2005</b> and 31 December 2003	92 267	136 103

**Schedule 9****Real Estate Fund  
as at 31 December 2005***(in thousands of US dollars)*

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

The Real Estate Fund, under the Financial Regulations and Financial Rules, is 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 office 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.<sup>a/</sup>

	2004-2005
<b>Balance as at 1 January 2004</b>	<b>1 038</b>
<b>Income</b>	
Appropriation from Regular Budget	5 820
Rents collected	698
Interest	159
<i>Total income</i>	<b>6 677</b>
<b>Expenditure</b>	
<i>Headquarters:</i>	
Maintenance and repairs of existing premises	969
<i>Regional Office for Africa:</i>	
Maintenance of staff housing	273
Water supply at premises	2
Purchase and installation of security lights	53
Improvement of the external lighting system	28
Renovation and improvement of electric installations	4
Construction of new conference room and office space - WHA 56.14	121
Construction of new housing facilities - WHA 56.14	14
Fire hydrants and new boreholes	151
Purchase of a new lift	233
Drainage system	38
Renovation of the roofs	56
<i>Regional Office for the Americas:</i>	
Remodelling of three meeting rooms and repairs of existing premises	97
<i>Regional Office for the Eastern Mediterranean:</i>	
Maintenance of staff housing	50
Access control and security management system	23
<i>Regional Office for Europe:</i>	
Refurbishment of the Regional Office	291
<i>Regional Office for South-East Asia:</i>	
Renovation, maintenance and repairs of existing premises	466
<i>Regional Office for the Western Pacific:</i>	
Extension of existing building and construction of new building - WHA 55.8	3 704
<i>Total expenditure</i>	<b>6 573</b>
<b>Balance as at 31 December 2005<sup>b/</sup></b>	<b>1 142</b>

<sup>a/</sup> See note 27 regarding the construction of a new building at Headquarters.

<sup>b/</sup> This balance has been allocated to planned projects.

**Schedule 10**

**Terminal Payments Account  
as at 31 December 2005**

*(in thousands of 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 2004-2005 at 2.5% of fixed term staff net salaries and professional staff post adjustment. It applies to all fixed term 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); 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 the present value at 31 December 2005 is estimated at \$ 104 million.

	2004-2005	2002-2003
<b>Balance as at 1 January 2004</b> and 1 January 2002	52 911	38 579
<b>Income</b>		
Provision for terminal payments	15 120	21 865
Interest	2 280	6 431
<i>Total income</i>	<b>17 400</b>	<b>28 296</b>
<b>Expenditure</b>		
Repatriation grant	5 061	5 013
Accrued annual leave	4 849	4 285
Repatriation travel	1 332	1 274
Removal on repatriation	985	581
End-of-service grant	194	499
Abolition of posts	804	1 602
Separation by mutual agreement	582	623
Termination for reason of health	95	87
<i>Total expenditure</i>	<b>13 902</b>	<b>13 964</b>
<b>Balance as at 31 December 2005</b> and 31 December 2003	<b>56 409</b>	<b>52 911</b>

**Schedule 11****Supply services funds (trust funds)  
as at 31 December 2005***(in thousands of 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 2004	Receipts 2004-2005	Expenditure 2004-2005	Balance 31 December 2005
Countries	2 707	89 110	83 921	7 896
United Nations sources				
Iraq (SCR 986)	3 729	(617)	3 113	(1)
Other	817	8 855	7 954	1 718
<i>Sub-total - United Nations sources</i>	4 546	8 238	11 067	1 717
<b>Total</b>	7 253	97 348	94 988	9 613

***Financial implementation of WHO's Programme Budget  
for 2004-2005***

This part of the Financial Report shows financial implementation compared with the approved Programme Budget for 2004-2005. Information is provided both for the regular budget and for other sources by Area of Work at the Organizational level, and for Global (Headquarters) and for each Regional Office. Implementation by category of expenditure is also shown.

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**Table 1**

**Budget and expenditure summary**  
**Regular budget by organizational level and total other sources**  
**Financial period 2004-2005**

(in thousands of US dollars)

	Programme budget	Transfers effected and unallocated balances	Working <sup>a/</sup> budget	Expenditure	Implementation <sup>c/</sup> rate as % of working budget
<b>Regular budget</b>					
Country	336 991	(6 402)	330 589	330 584	100.0
Regional	230 592	3 004	233 596	233 587	100.0
Global (Headquarters)	278 528	(4 383)	274 145	274 012	100.0
<i>Sub-total-Substantive Areas of Work</i>	846 111	(7 781)	838 330	838 183	100.0
Miscellaneous	34 000	(1 020)	32 980	32 980	100.0
<i>Total regular budget</i>	880 111	(8 801)	871 310	871 163	100.0
<b>Other sources</b>	1 944 000 <sup>b/</sup>		1 944 000	2 160 793	111.2
<b>Total</b>	2 824 111	(8 801)	2 815 310	3 031 956	107.7
Reconciliation to total expenditure:					
<b>Plus:</b>					
UNFPA programme support costs				79	
				3 032 035	
<b>Less:</b>					
Eliminations - Statement I				303 365	
<b>Total - WHO programme activities</b>					
<b>Statement I</b>	2 824 111			2 728 670	96.6

<sup>a/</sup> The working budget represents that part of the programme budget that has been allocated and adjusted by transfers between appropriation sections and/or Offices.

<sup>b/</sup> Other sources figure as noted in EB113/42 Add.1.

<sup>c/</sup> The implementation rate is based on the working budget as shown in this Table, whereas Tables 2, 3 and 4 show the implementation rate based on the programme budget approved by WHA 56.32 and EB 113/42 Add. 1.



**Table 2****Budget and expenditure summary by area of work - all offices  
Financial period 2004-2005***(in thousands of US dollars)*

Area of work	Regular Budget			Other sources			Total		
	Programme budget	Expenditure	%	Programme budget	Expenditure	%	Programme budget	Expenditure	%
Communicable disease surveillance	36 600	36 311		58 000	64 650		94 600	100 961	106.7
Communicable disease prevention, eradication and control	23 786	20 573		110 500	80 196		134 286	100 769	75.0
Research and product development for communicable diseases	3 468	3 350		111 000	70 836		114 468	74 186	64.8
Malaria	17 140	19 469		109 000	137 200		126 140	156 669	124.2
Tuberculosis	12 031	13 027		112 500	139 465		124 531	152 492	122.5
Surveillance, prevention and management of noncommunicable diseases	23 480	22 802		14 000	18 553		37 480	41 355	110.3
Tobacco	9 983	8 812		10 500	8 903		20 483	17 715	86.5
Health promotion	16 664	17 110		31 500	22 823		48 164	39 933	82.9
Injuries and disabilities	5 133	4 354		12 500	8 874		17 633	13 227	75.0
Mental health and substance abuse	14 356	11 893		9 500	8 782		23 856	20 675	86.7
Child and adolescent health	15 849	15 355		51 500	38 676		67 349	54 032	80.2
Research and programme development in reproductive health	9 070	7 218		58 000	55 081		67 070	62 299	92.9
Making pregnancy safer	13 211	12 370		25 500	10 503		38 711	22 873	59.1
Women's health	4 094	3 301		11 000	5 283		15 094	8 583	56.9
HIV/AIDS	18 116	15 462		200 000	110 644		218 116	126 106	57.8
Sustainable development	14 840	15 144		14 000	15 864		28 840	31 008	107.5
Nutrition	9 526	8 134		11 000	9 272		20 526	17 407	84.8
Health and environment	39 946	35 133		47 000	42 492		86 946	77 625	89.3
Food safety	9 453	8 565		13 000	5 494		22 453	14 059	62.6
Emergency preparedness and response	8 037	8 574		111 000	238 800		119 037	247 375	207.8
Essential medicines: access, quality and rational use	18 947	16 217		32 500	33 739		51 447	49 956	97.1
Immunization and vaccine development	16 646	16 431		420 500	671 824		437 146	688 255	157.4
Blood safety and clinical technology	14 135	12 980		10 500	9 248		24 635	22 228	90.2
Evidence for health policy	30 106	29 252		50 500	29 915		80 606	59 167	73.4
Health information management and dissemination	28 662	30 544		17 500	18 758		46 162	49 302	106.8
Research policy and promotion	9 217	8 024		11 000	5 919		20 217	13 943	69.0
Organization of health services	107 466	101 440		52 500	44 494		159 966	145 935	91.2
Governing bodies	21 791	23 794		6 000	4 568		27 791	28 362	102.1
Resource mobilization, and external cooperation and partnerships	22 264	19 016		16 000	9 720		38 264	28 736	75.1
Programme planning, monitoring and evaluation	6 826	6 244		4 500	4 187		11 326	10 431	92.1
Human resources development	16 412	16 647		18 500	21 233		34 912	37 881	108.5
Budget and financial management	22 341	21 363		21 500	22 296		43 841	43 659	99.6
Infrastructure and informatics services	93 715	90 915		81 000	99 232		174 715	190 147	108.8
Director-General, Regional Directors and independent functions	21 670	24 092		7 000	11 521		28 670	35 613	124.2
WHO's presence in countries	111 130	134 267		37 500	27 167		148 630	161 434	108.6
<b>Substantive areas of work - total</b>	<b>846 111</b>	<b>838 183</b>		<b>1 908 000</b>	<b>2 106 214</b>		<b>2 754 111</b>	<b>2 944 397</b>	<b>106.9</b>
<b>Miscellaneous</b>									
Exchange rate hedging	15 000	14 550		5 000	0		20 000	14 550	
Real Estate Fund	6 000	5 820		0	6 031		6 000	11 851 <sup>av</sup>	
Information Technology Fund	10 000	9 700		25 000	32 243		35 000	41 943 <sup>av</sup>	
Security Fund	3 000	2 910		6 000	16 305		9 000	19 215 <sup>av</sup>	
<b>Miscellaneous - total</b>	<b>34 000</b>	<b>32 980</b>		<b>36 000</b>	<b>54 579</b>		<b>70 000</b>	<b>87 559</b>	
<b>Total - ALL OFFICES</b>	<b>880 111</b>	<b>871 163</b>	<b>99.0</b>	<b>1 944 000</b>	<b>2 160 793</b>	<b>111.2</b>	<b>2 824 111</b>	<b>3 031 956</b>	<b>107.4</b>

<sup>av</sup> Funds were transferred from the regular budget to the Information Technology Fund, the Security Fund and the Real Estate Fund and from the Special Account for Servicing Costs to the Information Technology Fund and the Security Fund. The amounts transferred are treated as expenditure under the regular budget and the Special Account for Servicing Costs. The amounts transferred are treated as income in the Information Technology Fund, the Security Fund and the Real Estate Fund, and eventually as expenditure in line with the activities undertaken within those areas. This accounting treatment is necessary to maintain the integrity of the individual funds while it does lead to duplication of expenditure under the total column.

**Table 3**

**Budget and expenditure summary - by office**  
**Financial period 2004-2005**

(in thousands of US dollars)

	Regular Budget						
	Country		Regional		Total regular budget		
	Programme budget	Expenditure	Programme budget	Expenditure	Programme budget	Expenditure	%
Regional Office for Africa	122 333	120 202	69 402	70 324	191 735	190 526	99.4
Regional Office for the Americas	40 818	40 419	32 409	32 118	73 227	72 537	99.1
Regional Office for South-East Asia	69 719	69 062	23 735	24 090	93 454	93 152	99.7
Regional Office for Europe	13 493	13 393	41 289	41 256	54 782	54 649	99.8
Regional Office for the Eastern Mediterranean	50 576	47 361	31 773	34 510	82 349	81 871	99.4
Regional Office for the Western Pacific	40 052	40 147	31 984	31 289	72 036	71 436	99.2
<i>Sub-total - Regional Offices</i>	336 991	330 584	230 592	233 587	567 583	564 171	99.4
Global (Headquarters)					312 528	306 992	98.2
<b>Total</b>	336 991	330 584	230 592	233 587	880 111	871 163	99.0

**Table 3 (continued)**

Country		Other sources			Total other sources			Total		
Programme		Regional		Programme			Programme			
budget	Expenditure	budget	Expenditure	budget	Expenditure	%	budget	Expenditure	%	
358 500	248 439	194 500	326 581	553 000	575 020	104.0	744 735	765 546	102.8	
64 000	8 444	30 000	17 066	94 000	25 510	27.1	167 227	98 047	58.6	
128 000	162 251	63 500	43 498	191 500	205 749	107.4	284 954	298 901	104.9	
60 000	25 910	43 500	74 836	103 500	100 746	97.3	158 282	155 395	98.2	
149 500	238 570	52 500	69 910	202 000	308 480	152.7	284 349	390 351	137.3	
70 000	47 199	51 500	53 511	121 500	100 710	82.9	193 536	172 146	88.9	
830 000	730 813	435 500	585 402	1 265 500	1 316 215		1 833 083	1 880 386		
				678 500	844 578	124.5	991 028	1 151 570	116.2	
830 000	730 813	435 500	585 402	1 944 000	2 160 793	111.2	2 824 111	3 031 956	107.4	

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Table 4

**Budget and expenditure summary by area of work - by office**  
**Financial period 2004-2005***(in thousands of US dollars)*

Global (Headquarters)	Regular budget			Other sources			Total		
	Programme			Programme			Programme		
	budget	Expenditure	%	budget	Expenditure	%	budget	Expenditure	%
Communicable disease surveillance	17 128	14 751		18 000	38 360		35 128	53 111	151.2
Communicable disease prevention, eradication and control	7 143	7 607		36 000	18 521		43 143	26 128	60.6
Research and product development for communicable diseases	2 752	2 984		100 000	69 818		102 752	72 802	70.9
Malaria	5 868	5 613		31 000	74 311		36 868	79 924	216.8
Tuberculosis	2 546	2 339		25 000	66 471		27 546	68 810	249.8
Surveillance, prevention and management of noncommunicable diseases	7 757	7 991		9 000	13 102		16 757	21 093	125.9
Tobacco	3 877	3 633		3 000	4 009		6 877	7 642	111.1
Health promotion	3 058	2 937		22 000	20 435		25 058	23 372	93.3
Injuries and disabilities	2 145	2 211		7 000	6 114		9 145	8 324	91.0
Mental health and substance abuse	4 608	4 540		2 500	3 822		7 108	8 362	117.6
Child and adolescent health	4 664	4 844		19 000	19 547		23 664	24 392	103.1
Research and programme development in reproductive health	3 433	3 263		46 000	47 851		49 433	51 114	103.4
Making pregnancy safer	1 593	1 307		11 000	7 509		12 593	8 816	70.0
Women's health	1 535	1 460		7 000	4 338		8 535	5 797	67.9
HIV/AIDS	5 073	4 923		23 000	40 053		28 073	44 976	160.2
Sustainable development	3 290	4 627		6 000	7 483		9 290	12 110	130.4
Nutrition	3 172	3 090		7 000	6 747		10 172	9 838	96.7
Health and environment	10 858	10 120		18 000	24 837		28 858	34 957	121.1
Food safety	3 470	3 670		3 500	4 660		6 970	8 330	119.5
Emergency preparedness and response	1 691	2 315		6 000	35 203		7 691	37 519	487.8
Essential medicines: access, quality and rational use	7 091	6 834		22 000	22 000		29 091	28 834	99.1
Immunization and vaccine development	7 323	7 707		63 000	84 535		70 323	92 242	131.2
Blood safety and clinical technology	5 166	5 227		7 500	5 472		12 666	10 699	84.5
Evidence for health policy	13 424	11 735		16 000	18 808		29 424	30 543	103.8
Health information management and dissemination	13 128	13 282		12 000	16 154		25 128	29 436	117.1
Research policy and promotion	4 221	3 476		4 000	3 357		8 221	6 833	83.1
Organization of health services	9 277	10 319		17 000	16 453		26 277	26 773	101.9
Governing bodies	18 512	19 787		6 000	4 084		24 512	23 871	97.4
Resource mobilization, and external cooperation and partnerships	12 798	10 439		5 000	4 073		17 798	14 512	81.5
Programme planning, monitoring and evaluation	2 562	2 360		3 000	2 797		5 562	5 157	92.7
Human resources development	8 570	8 965		12 000	13 301		20 570	22 267	108.2
Budget and financial management	12 330	11 666		14 000	14 506		26 330	26 172	99.4
Infrastructure and informatics services	55 318	52 508		51 000	63 846		106 318	116 354	109.4
Director-General, Regional Directors and independent functions	12 182	12 536		7 000	10 398		19 182	22 934	119.6
WHO's presence in countries	965	2 946		3 000	3 053		3 965	5 999	151.3
<b>Substantive areas of work - total</b>	<b>278 528</b>	<b>274 012</b>		<b>642 500</b>	<b>796 030</b>		<b>921 028</b>	<b>1 070 042</b>	<b>116.2</b>
<b>Miscellaneous</b>									
Exchange rate hedging	15 000	14 550		5 000			20 000	14 550	
Real Estate Fund	6 000	5 820					6 000	5 820	<sup>ai</sup>
Information Technology Fund	10 000	9 700		25 000	32 243		35 000	41 943	<sup>ai</sup>
Security Fund	3 000	2 910		6 000	16 305		9 000	19 215	<sup>ai</sup>
<b>Miscellaneous - total</b>	<b>34 000</b>	<b>32 980</b>		<b>36 000</b>	<b>48 548</b>		<b>70 000</b>	<b>81 528</b>	
<b>Total - Global (Headquarters)</b>	<b>312 528</b>	<b>306 992</b>	<b>98.2</b>	<b>678 500</b>	<b>844 578</b>	<b>124.5</b>	<b>991 028</b>	<b>1 151 570</b>	<b>116.2</b>

<sup>ai</sup> See Table 2, Footnote <sup>ai</sup>

**Table 4 (continued)**

**Budget and expenditure summary by area of work - by office**  
**Financial period 2004-2005**

(in thousands of US dollars)

**Regional Office for Africa**

Area of work	Regular budget					
	Country		Regional		Total regular budget	
	Programme budget	Expenditure	Programme budget	Expenditure	Programme budget	Expenditure
Communicable disease surveillance	5 324	5 919	2 277	3 710	7 601	9 629
Communicable disease prevention, eradication and control	3 184	2 532	1 132	1 661	4 316	4 193
Research and product development for communicable diseases	208	21	377	339	585	360
Malaria	2 018	1 787	1 122	994	3 140	2 781
Tuberculosis	1 538	1 029	973	644	2 511	1 673
Surveillance, prevention and management of noncommunicable diseases	2 467	1 269	2 438	2 348	4 905	3 617
Tobacco	253	120	696	863	949	983
Health promotion	4 825	4 618	687	581	5 512	5 199
Injuries and disabilities	201	130	273	662	474	792
Mental health and substance abuse	1 410	626	1 341	723	2 751	1 349
Child and adolescent health	3 028	1 278	1 212	1 086	4 240	2 364
Research and programme development in reproductive health	1 446	1 147	1 653	1 960	3 099	3 107
Making pregnancy safer	3 044	2 769	2 082	1 329	5 126	4 098
Women's health	542	381	855	579	1 397	960
HIV/AIDS	2 945	2 125	2 994	2 683	5 939	4 808
Sustainable development	1 997	976	1 619	1 468	3 616	2 444
Nutrition	1 866	454	925	573	2 791	1 027
Health and environment	4 341	2 772	2 237	1 764	6 578	4 536
Food safety	1 292	285	397	525	1 689	810
Emergency preparedness and response	2 080	1 652	1 216	1 310	3 296	2 962
Essential medicines: access, quality and rational use	2 170	964	1 597	1 440	3 767	2 404
Immunization and vaccine development	1 544	625	412	449	1 956	1 074
Blood safety and clinical technology	1 243	924	1 860	1 374	3 103	2 298
Evidence for health policy	694	256	1 493	1 698	2 187	1 954
Health information management and dissemination	295	369	3 649	4 234	3 944	4 603
Research policy and promotion	204	58	711	640	915	698
Organization of health services	20 581	18 087	7 454	7 006	28 035	25 093
Governing bodies			1 363	1 993	1 363	1 993
Resource mobilization, and external cooperation and partnerships	395	36	1 996	2 056	2 391	2 092
Programme planning, monitoring and evaluation			801	625	801	625
Human resources development			2 423	2 277	2 423	2 277
Budget and financial management			3 572	3 451	3 572	3 451
Infrastructure and informatics services			12 778	14 902	12 778	14 902
Director-General, Regional Directors and independent functions			1 701	1 674	1 701	1 674
WHO's presence in countries	51 198	66 993	1 086	703	52 284	67 696
<b>Total - Africa</b>	<b>122 333</b>	<b>120 202</b>	<b>69 402</b>	<b>70 324</b>	<b>191 735</b>	<b>190 526</b>

Table 4 (continued)

Country		Other sources				Total			
Regional		Total other sources				Programme			
Programme budget	Expenditure	Programme budget	Expenditure	Programme budget	Expenditure	Programme budget	Expenditure	%	
4 000	4 289	14 000	7 155	18 000	11 444	25 601	21 073	82.3	
18 000	3 682	24 000	38 606	42 000	42 288	46 316	46 481	100.4	
3 000	71	3 000	98	6 000	169	6 585	529	8.0	
7 000	12 338	33 000	23 017	40 000	35 355	43 140	38 136	88.4	
15 000	5 321	4 000	3 531	19 000	8 852	21 511	10 525	48.9	
	40	1 000	1 072	1 000	1 112	5 905	4 729	80.1	
500	138	1 000	661	1 500	799	2 449	1 782	72.8	
500	35	500	220	1 000	255	6 512	5 454	83.8	
500	861		195	500	1 056	974	1 848	189.7	
1 000	11	500	105	1 500	116	4 251	1 465	34.5	
3 000	2 096	9 000	10 459	12 000	12 555	16 240	14 919	91.9	
1 000	1 112	1 000	1 173	2 000	2 285	5 099	5 392	105.7	
7 000	95	500	668	7 500	763	12 626	4 861	38.5	
500	42	500	164	1 000	206	2 397	1 166	48.6	
92 000	22 061	23 000	9 715	115 000	31 776	120 939	36 584	30.2	
2 000	957	500	703	2 500	1 660	6 116	4 104	67.1	
			33		33	2 791	1 060	38.0	
	844	1 000	303	1 000	1 147	7 578	5 683	75.0	
1 000		500	94	1 500	94	3 189	904	28.3	
33 000	15 809	4 000	3 301	37 000	19 110	40 296	22 072	54.8	
	2 690	8 000	2 783	8 000	5 473	11 767	7 877	66.9	
137 000	165 878	44 000	192 281	181 000	358 159	182 956	359 233	196.3	
500	70	500	732	1 000	802	4 103	3 100	75.6	
7 000	476	3 000	691	10 000	1 167	12 187	3 121	25.6	
	49		361		410	3 944	5 013	127.1	
3 000		500	128	3 500	128	4 415	826	18.7	
8 000	7 090	3 000	1 866	11 000	8 956	39 035	34 049	87.2	
						1 363	1 993	146.2	
			1 936		1 936	2 391	4 028	168.5	
		500	1 021	500	1 021	1 301	1 646	126.5	
		3 000	3 599	3 000	3 599	5 423	5 876	108.4	
		5 000	5 891	5 000	5 891	8 572	9 342	109.0	
2 000		3 000	11 070	5 000	11 070	17 778	25 972	146.1	
						1 701	1 674	98.4	
12 000	2 384	3 000	2 949	15 000	5 333	67 284	73 029	108.5	
358 500	248 439	194 500	326 581	553 000	575 020	744 735	765 546	102.8	

**Table 4 (continued)**

**Budget and expenditure summary by area of work - by office**  
**Financial period 2004-2005**

(in thousands of US dollars)

**Regional Office for the Americas**

Area of work	Regular budget					
	Country		Regional		Total regular budget	
	Programme budget	Expenditure	Programme budget	Expenditure	Programme budget	Expenditure
Communicable disease surveillance	340		1 604	242	1 944	242
Communicable disease prevention, eradication and control	4 198	1 218	3 880	2 662	8 078	3 880
Research and product development for communicable diseases						
Malaria	43	1 164	493	2 079	536	3 243
Tuberculosis		2 153	439	1 368	439	3 521
Surveillance, prevention and management of noncommunicable diseases	1 415	1 110	524	643	1 939	1 753
Tobacco			397	546	397	546
Health promotion	1 652	1 696	474	318	2 126	2 014
Injuries and disabilities						
Mental health and substance abuse	104	334	1 524	1 382	1 628	1 716
Child and adolescent health	38	768	571	266	609	1 034
Research and programme development in reproductive health	1 593				1 593	
Making pregnancy safer		948	305	588	305	1 536
Women's health	36				36	
HIV/AIDS	104	47	498	546	602	593
Sustainable development	990	638	764	480	1 754	1 118
Nutrition	71	71	1 111	1 098	1 182	1 169
Health and environment	4 626	4 747	1 728	1 792	6 354	6 539
Food safety	450	539	459	649	909	1 188
Emergency preparedness and response		80				80
Essential medicines: access, quality and rational use	388	429	255	350	643	779
Immunization and vaccine development	322	304	1 328	1 174	1 650	1 478
Blood safety and clinical technology	48	17	612	646	660	663
Evidence for health policy	2 802	3 357	1 365	1 249	4 167	4 606
Health information management and dissemination			2 145	1 700	2 145	1 700
Research policy and promotion			399		399	
Organization of health services	11 951	11 248	4 434	5 311	16 385	16 559
Governing bodies			278	218	278	218
Resource mobilization, and external cooperation and partnerships			1 139	1 185	1 139	1 185
Programme planning, monitoring and evaluation						
Human resources development			634	594	634	594
Budget and financial management			1 604	1 419	1 604	1 419
Infrastructure and informatics services			2 680	2 856	2 680	2 856
Director-General, Regional Directors and independent functions			765	757	765	757
WHO's presence in countries	9 647	9 551			9 647	9 551
<b>Total - the Americas</b>	<b>40 818</b>	<b>40 419</b>	<b>32 409</b>	<b>32 118</b>	<b>73 227</b>	<b>72 537</b>



Table 4 (continued)

Country		Other sources				Total			
		Regional		Total other sources					
Programme budget	Expenditure	Programme budget	Expenditure	Programme budget	Expenditure	Programme budget	Expenditure	%	
3 000		2 000	73	5 000	73	6 944	315	4.5	
2 000	711	3 000	1 576	5 000	2 287	13 078	6 167	47.2	
		3 000	394	3 000	394	3 000	394	13.1	
5 000	20	2 000	658	7 000	678	7 536	3 921	52.0	
2 000	2 196	500	1 132	2 500	3 328	2 939	6 849	233.0	
		500	675	500	675	2 439	2 428	99.5	
	(3)	500	494	500	491	897	1 037	115.6	
1 000		500	36	1 500	36	3 626	2 050	56.5	
	136		142		278		278		
500		500	446	1 000	446	2 628	2 162	82.3	
4 000	708	500	1 707	4 500	2 415	5 109	3 449	67.5	
500	189	500		1 000	189	2 593	189	7.3	
2 000	50		216	2 000	266	2 305	1 802	78.2	
1 000	203		69	1 000	272	1 036	272	26.3	
8 000	2 373	4 000	1 727	12 000	4 100	12 602	4 693	37.2	
1 000	345	500	178	1 500	523	3 254	1 641	50.4	
500		500	496	1 000	496	2 182	1 665	76.3	
4 000	125	500	128	4 500	253	10 854	6 792	62.6	
1 000		1 000	255	2 000	255	2 909	1 443	49.6	
15 000		2 000	385	17 000	385	17 000	465	2.7	
	111	500	495	500	606	1 143	1 385	121.2	
2 000	137	500	2 157	2 500	2 294	4 150	3 772	90.9	
	35		449		484	660	1 147	173.8	
3 000	55	1 000	258	4 000	313	8 167	4 919	60.2	
			66		66	2 145	1 766	82.3	
	25	500	36	500	61	899	61	6.8	
3 000	15	1 500	717	4 500	732	20 885	17 291	82.8	
						278	218	78.4	
			153		153	1 139	1 338	117.5	
			50		50		50		
500		500	972	1 000	972	1 634	1 566	95.8	
			165		165	1 604	1 584	98.8	
2 000		3 000		5 000		7 680	2 856	37.2	
			1		1	765	758	99.1	
3 000	1 013	500	760	3 500	1 773	13 147	11 324	86.1	
64 000	8 444	30 000	17 066	94 000	25 510	167 227	98 047	58.6	

**Table 4 (continued)**

**Budget and expenditure summary by area of work - by office**  
**Financial period 2004-2005**

(in thousands of US dollars)

Area of work	Regional Office for South-East Asia					
	Regular budget					
	Country		Regional		Total regular budget	
Programme	Programme	Programme	Programme	Programme	Programme	
budget	Expenditure	budget	Expenditure	budget	Expenditure	
Communicable disease surveillance	2 064	2 372	1 287	1 852	3 351	4 224
Communicable disease prevention, eradication and control	1 305	1 640	330	299	1 635	1 939
Research and product development for communicable diseases	106	6	25		131	6
Malaria	2 017	1 870	702	905	2 719	2 775
Tuberculosis	1 570	2 014	380	14	1 950	2 028
Surveillance, prevention and management of noncommunicable diseases	3 124	3 634	380	395	3 504	4 029
Tobacco	1 916	1 158	431	480	2 347	1 638
Health promotion	1 533	815	333	783	1 866	1 598
Injuries and disabilities	969	487	353	220	1 322	707
Mental health and substance abuse	1 328	1 045	390	355	1 718	1 400
Child and adolescent health	2 113	2 494	791	689	2 904	3 183
Research and programme development in reproductive health	631	198	50		681	198
Making pregnancy safer	2 458	2 437	519	368	2 977	2 805
Women's health	357	386	330	319	687	705
HIV/AIDS	1 966	1 450	703	739	2 669	2 189
Sustainable development	1 156	1 606	751	895	1 907	2 501
Nutrition	565	608	330	343	895	951
Health and environment	4 049	3 197	1 016	1 275	5 065	4 472
Food safety	937	619	296	25	1 233	644
Emergency preparedness and response	1 058	1 031	330	378	1 388	1 409
Essential medicines: access, quality and rational use	2 744	2 061	430	373	3 174	2 434
Immunization and vaccine development	1 315	1 522	442	519	1 757	2 041
Blood safety and clinical technology	1 218	949	465	304	1 683	1 253
Evidence for health policy	1 599	1 746	1 180	1 097	2 779	2 843
Health information management and dissemination	93		881	1 059	974	1 059
Research policy and promotion	795	771	479	904	1 274	1 675
Organization of health services	12 743	12 579	2 839	2 016	15 582	14 595
Governing bodies			298	306	298	306
Resource mobilization, and external cooperation and partnerships	786		358	53	1 144	53
Programme planning, monitoring and evaluation	377		820	1 028	1 197	1 028
Human resources development			712	861	712	861
Budget and financial management			842	972	842	972
Infrastructure and informatics services			2 877	2 082	2 877	2 082
Director-General, Regional Directors and independent functions			1 385	2 182	1 385	2 182
WHO's presence in countries	16 827	20 367			16 827	20 367
<b>Miscellaneous</b>						
Real Estate Fund						
<b>Total - South-East Asia</b>	<b>69 719</b>	<b>69 062</b>	<b>23 735</b>	<b>24 090</b>	<b>93 454</b>	<b>93 152</b>

*Table 4 (continued)*

Country		Other sources				Total		
		Regional		Total other sources				
Programme budget	Expenditure	Programme budget	Expenditure	Programme budget	Expenditure	Programme budget	Expenditure	%
1 000	2 778	4 000	118	5 000	2 896	8 351	7 120	85.3
3 000	4 720	15 000	5 874	18 000	10 594	19 635	12 533	63.8
	23	500	100	500	123	631	129	20.4
2 000	1 374	6 000	1 040	8 000	2 414	10 719	5 189	48.4
31 000	26 452	1 000	3 491	32 000	29 943	33 950	31 971	94.2
		500	645	500	645	4 004	4 674	116.7
500	38	1 000	418	1 500	456	3 847	2 094	54.4
1 000			525	1 000	525	2 866	2 123	74.1
		500	35	500	35	1 822	742	40.7
500	20		104	500	124	2 218	1 524	68.7
1 000	48	2 000	636	3 000	684	5 904	3 867	65.5
3 000	1 854		475	3 000	2 329	3 681	2 527	68.6
1 000	98	500	588	1 500	686	4 477	3 491	78.0
		500	78	500	78	1 187	783	66.0
13 000	7 916	5 000	2 273	18 000	10 189	20 669	12 378	59.9
1 000	694	500	140	1 500	834	3 407	3 335	97.9
		500	39	500	39	1 395	990	71.0
1 000	643	500	166	1 500	809	6 565	5 281	80.4
1 000		500		1 500		2 733	644	23.6
5 000	38 209	1 000	10 089	6 000	48 298	7 388	49 707	672.8
	143		662		805	3 174	3 239	102.0
49 000	76 171	16 000	7 594	65 000	83 765	66 757	85 806	128.5
500	219		28	500	247	2 183	1 500	68.7
4 000	189	2 000	202	6 000	391	8 779	3 234	36.8
500	132	500	59	1 000	191	1 974	1 250	63.3
	18		114		132	1 274	1 807	141.8
4 000	289	1 000	130	5 000	419	20 582	15 014	72.9
						298	306	102.7
	102		709		811	1 144	864	75.5
			28		28	1 197	1 056	88.2
		500	780	500	780	1 212	1 641	135.4
		500	486	500	486	1 342	1 458	108.6
2 000		3 000	4 249	5 000	4 249	7 877	6 331	80.4
			152		152	1 385	2 334	168.5
3 000	121	500	1 443	3 500	1 564	20 327	21 931	107.9
			28		28		28	
128 000	162 251	63 500	43 498	191 500	205 749	284 954	298 901	104.9

**Table 4 (continued)**

**Budget and expenditure summary by area of work - by office**  
**Financial period 2004-2005**

(in thousands of US dollars)

**Regional Office for Europe**

Area of work	Regular budget					
	Country		Regional		Total regular budget	
	Programme budget	Expenditure	Programme budget	Expenditure	Programme budget	Expenditure
Communicable disease surveillance	277	275	841	1 146	1 118	1 421
Communicable disease prevention, eradication and control			50		50	
Research and product development for communicable diseases						
Malaria	101	212	50	20	151	232
Tuberculosis	340	286	822	464	1 162	750
Surveillance, prevention and management of noncommunicable diseases	519	277	840	976	1 359	1 253
Tobacco	250	163	474	357	724	520
Health promotion	282	142	466	521	748	663
Injuries and disabilities	41	65	50	59	91	124
Mental health and substance abuse	620	343	802	840	1 422	1 183
Child and adolescent health	212	307	524	478	736	785
Research and programme development in reproductive health	101	82		20	101	102
Making pregnancy safer	264	283	554	644	818	927
Women's health	21	19	50	49	71	68
HIV/AIDS	200	238	1 119	444	1 319	682
Sustainable development	138	50	611	506	749	556
Nutrition	73	99	474	475	547	574
Health and environment	283	297	2 685	2 454	2 968	2 751
Food safety	76	142	445	352	521	494
Emergency preparedness and response	80	177	486	454	566	631
Essential medicines: access, quality and rational use	239	428	474	648	713	1 076
Immunization and vaccine development	160	231	574	787	734	1 018
Blood safety and clinical technology	66	55	326	326	392	381
Evidence for health policy	557	833	3 752	4 149	4 309	4 982
Health information management and dissemination	71	9	4 762	5 078	4 833	5 087
Research policy and promotion			288	355	288	355
Organization of health services	1 514	898	2 904	2 627	4 418	3 525
Governing bodies			651	626	651	626
Resource mobilization, and external cooperation and partnerships	563		524	456	1 087	456
Programme planning, monitoring and evaluation			1 318	803	1 318	803
Human resources development			2 254	2 519	2 254	2 519
Budget and financial management			1 516	1 748	1 516	1 748
Infrastructure and informatics services			8 637	8 477	8 637	8 477
Director-General, Regional Directors and independent functions			1 186	1 309	1 186	1 309
WHO's presence in countries	6 445	7 482	780	1 089	7 225	8 571
<b>Total - Europe</b>	<b>13 493</b>	<b>13 393</b>	<b>41 289</b>	<b>41 256</b>	<b>54 782</b>	<b>54 649</b>

**Table 4 (continued)**

Country		Other sources				Total			
Programme		Regional		Total other sources		Programme		Programme	
budget	Expenditure	budget	Expenditure	budget	Expenditure	budget	Expenditure	%	
1 000	99	1 000	946	2 000	1 045	3 118	2 466	79.1	
500			96	500	96	550	96	17.5	
1 000	318	2 000	1 226	3 000	1 544	3 151	1 776	56.4	
6 000	6 998	2 000	2 100	8 000	9 098	9 162	9 848	107.5	
500		1 000	431	1 500	431	2 859	1 684	58.9	
500	225	500	1 124	1 000	1 349	1 724	1 869	108.4	
1 000	48	3 000	965	4 000	1 013	4 748	1 676	35.3	
500	38	500	329	1 000	367	1 091	491	45.0	
1 000	613	1 000	2 619	2 000	3 232	3 422	4 415	129.0	
1 000	269	2 000	803	3 000	1 072	3 736	1 857	49.7	
3 000	117	500	342	3 500	459	3 601	561	15.6	
1 000	13		511	1 000	524	1 818	1 451	79.8	
500		500	350	1 000	350	1 071	418	39.0	
7 000	1 957	3 000	4 452	10 000	6 409	11 319	7 091	62.6	
500	66		3 386	500	3 452	1 249	4 008	320.9	
1 500	85	500	271	2 000	356	2 547	930	36.5	
3 000	98	12 000	13 340	15 000	13 438	17 968	16 189	90.1	
1 000		500	52	1 500	52	2 021	546	27.0	
4 000	9 201	1 000	1 796	5 000	10 997	5 566	11 628	208.9	
	113	500	884	500	997	1 213	2 073	170.9	
12 000	791	4 000	9 434	16 000	10 225	16 734	11 243	67.2	
500	110		303	500	413	892	794	89.0	
3 000	63	2 000	7 386	5 000	7 449	9 309	12 431	133.5	
1 000		500	1 128	1 500	1 128	6 333	6 215	98.1	
			2 057		2 057	288	2 412	837.5	
3 000	4 187	1 000	4 334	4 000	8 521	8 418	12 046	143.1	
			81		81	651	707	108.6	
			150		150	1 087	606	55.7	
			236		236	1 318	1 039	78.8	
		500	1 216	500	1 216	2 754	3 735	135.6	
		500	682	500	682	2 016	2 430	120.5	
2 000		3 000	9 344	5 000	9 344	13 637	17 821	130.7	
			915		915	1 186	2 224	187.5	
4 000	501	500	1 547	4 500	2 048	11 725	10 619	90.6	
60 000	25 910	43 500	74 836	103 500	100 746	158 282	155 395	98.2	

**Table 4 (continued)**

**Budget and expenditure summary by area of work - by office**  
**Financial period 2004-2005**

(in thousands of US dollars)

Area of work	Regional Office for the Eastern Mediterranean					
	Country		Regular budget			
			Regional		Total regular budget	
	Programme budget	Expenditure	Programme budget	Expenditure	Programme budget	Expenditure
Communicable disease surveillance	1 836	2 069	940	1 033	2 776	3 102
Communicable disease prevention, eradication and control	783	677	645	1 254	1 428	1 931
Research and product development for communicable diseases						
Malaria	1 599	1 458	635	279	2 234	1 737
Tuberculosis	1 197	854	430	306	1 627	1 160
Surveillance, prevention and management of noncommunicable diseases	1 213	1 655	476	430	1 689	2 085
Tobacco	287	169	414	350	701	519
Health promotion	1 387	1 434	695	1 567	2 082	3 001
Injuries and disabilities	295	248	354	9	649	257
Mental health and substance abuse	541	561	468	107	1 009	668
Child and adolescent health	1 181	1 363	384	116	1 565	1 479
Research and programme development in reproductive health			57		57	
Making pregnancy safer	787	712	576	347	1 363	1 059
Women's health	35	36	293		328	36
HIV/AIDS	786	843	563	211	1 349	1 054
Sustainable development	3 020	3 263	504	635	3 524	3 898
Nutrition	173	312	259	330	432	642
Health and environment	2 715	892	1 509	2 490	4 224	3 382
Food safety	394	234	369	344	763	578
Emergency preparedness and response	699	753	263	265	962	1 018
Essential medicines: access, quality and rational use	1 204	757	513	196	1 717	953
Immunization and vaccine development	1 157	637	446	411	1 603	1 048
Blood safety and clinical technology	1 504	1 616	650	373	2 154	1 989
Evidence for health policy	965	714	952	658	1 917	1 372
Health information management and dissemination	663	1 040	1 338	2 223	2 001	3 263
Research policy and promotion	1 358	227	450	1 295	1 808	1 522
Organization of health services	12 577	13 861	5 688	4 526	18 265	18 387
Governing bodies			228	393	228	393
Resource mobilization, and external cooperation and partnerships	194		739	3 256	933	3 256
Programme planning, monitoring and evaluation			685	1 015	685	1 015
Human resources development			1 043	809	1 043	809
Budget and financial management			1 331	1 077	1 331	1 077
Infrastructure and informatics services			5 328	4 343	5 328	4 343
Director-General, Regional Directors and independent functions			2 548	3 862	2 548	3 862
WHO's presence in countries	12 026	10 976			12 026	10 976
<b>Total - Eastern Mediterranean</b>	<b>50 576</b>	<b>47 361</b>	<b>31 773</b>	<b>34 510</b>	<b>82 349</b>	<b>81 871</b>

Table 4 (continued)

Country		Other sources				Total			
		Regional		Total other sources					
Programme budget	Expenditure	Programme budget	Expenditure	Programme budget	Expenditure	Programme budget	Expenditure	%	
2 000	451	4 000	35	6 000	486	8 776	3 588	40.9	
3 000	634	1 000	828	4 000	1 462	5 428	3 393	62.5	
500		1 000	231	1 500	231	1 500	231	15.4	
7 000	8 214	5 000	1 702	12 000	9 916	14 234	11 653	81.9	
13 000	11 094	1 000	1 055	14 000	12 149	15 627	13 309	85.2	
500	302	500	976	1 000	1 278	2 689	3 363	125.1	
500	69	1 000	497	1 500	566	2 201	1 085	49.3	
500	32		128	500	160	2 582	3 161	122.4	
500	(8)	500	417	1 000	409	1 649	666	40.4	
1 000	73	500	360	1 500	433	2 509	1 101	43.9	
3 000	46	2 000	904	5 000	950	6 565	2 429	37.0	
500	607	500	285	1 000	892	1 057	892	84.4	
1 000			223	1 000	223	2 363	1 282	54.3	
500	4		17	500	21	828	57	6.9	
7 000	3 443	3 000	1 987	10 000	5 430	11 349	6 484	57.1	
500	415		538	500	953	4 024	4 851	120.6	
	291		563		854	432	1 496	346.3	
500	63	500	503	1 000	566	5 224	3 948	75.6	
1 000		500	21	1 500	21	2 263	599	26.5	
33 000	115 224	2 000	7 651	35 000	122 875	35 962	123 893	344.5	
	1 155	500	505	500	1 660	2 217	2 613	117.9	
59 000	83 672	19 000	36 194	78 000	119 866	79 603	120 914	151.9	
500	102		67	500	169	2 654	2 158	81.3	
2 500		2 000	907	4 500	907	6 417	2 279	35.5	
1 000	475	1 000	305	2 000	780	4 001	4 043	101.0	
1 000	20	500	17	1 500	37	3 308	1 559	47.1	
4 000	2 968	1 000	527	5 000	3 495	23 265	21 882	94.1	
						228	393	172.4	
			937		937	933	4 193	449.4	
		1 000	37	1 000	37	1 685	1 052	62.4	
		500	780	500	780	1 543	1 589	103.0	
		500	176	500	176	1 831	1 253	68.4	
2 000		3 000	9 529	5 000	9 529	10 328	13 872	134.3	
	(1)		56		55	2 548	3 917	153.7	
4 000	9 225	500	952	4 500	10 177	16 526	21 153	128.0	
149 500	238 570	52 500	69 910	202 000	308 480	284 349	390 351	137.3	

**Table 4 (continued)**

**Budget and expenditure summary by area of work - by office**  
**Financial period 2004-2005**

(in thousands of US dollars)

**Regional Office for the Western Pacific**

Area of work	Regular budget					
	Country		Regional		Total regular budget	
	Programme budget	Expenditure	Programme budget	Expenditure	Programme budget	Expenditure
Communicable disease surveillance	1 324	1 249	1 358	1 693	2 682	2 942
Communicable disease prevention, eradication and control	939	841	197	182	1 136	1 023
Research and product development for communicable diseases						
Malaria	1 330	1 075	1 162	2 013	2 492	3 088
Tuberculosis	807	391	989	1 165	1 796	1 556
Surveillance, prevention and management of noncommunicable diseases	1 397	1 293	930	781	2 327	2 074
Tobacco	464	290	524	683	988	973
Health promotion	843	1 335	429	363	1 272	1 698
Injuries and disabilities	323	181	129	82	452	263
Mental health and substance abuse	663	558	557	479	1 220	1 037
Child and adolescent health	591	1 248	540	418	1 131	1 666
Research and programme development in reproductive health	54	499	52	49	106	548
Making pregnancy safer	388	106	641	532	1 029	638
Women's health		43	40	29	40	72
HIV/AIDS	504	602	661	611	1 165	1 213
Sustainable development						
Nutrition	225	347	282	334	507	681
Health and environment	1 766	1 182	2 133	2 151	3 899	3 333
Food safety	504	697	364	484	868	1 181
Emergency preparedness and response	27	58	107	101	134	159
Essential medicines: access, quality and rational use	1 010	904	832	833	1 842	1 737
Immunization and vaccine development	684	1 135	939	930	1 623	2 065
Blood safety and clinical technology	744	947	233	222	977	1 169
Evidence for health policy	452	839	871	921	1 323	1 760
Health information management and dissemination	10		1 627	1 550	1 637	1 550
Research policy and promotion	59	102	253	196	312	298
Organization of health services	11 930	9 576	3 574	3 386	15 504	12 962
Governing bodies			461	471	461	471
Resource mobilization, and external cooperation and partnerships	1 006		1 766	1 535	2 772	1 535
Programme planning, monitoring and evaluation		130	263	283	263	413
Human resources development			776	622	776	622
Budget and financial management			1 146	1 030	1 146	1 030
Infrastructure and informatics services			6 097	5 747	6 097	5 747
Director-General, Regional Directors and independent functions		426	1 903	1 346	1 903	1 772
WHO's presence in countries	12 008	14 093	148	67	12 156	14 160
<b>Miscellaneous</b>						
Real Estate Fund						
<b>Total - Western Pacific</b>	<b>40 052</b>	<b>40 147</b>	<b>31 984</b>	<b>31 289</b>	<b>72 036</b>	<b>71 436</b>



Table 4 (continued)

Country		Other sources				Total			
		Regional		Total other sources					
Programme		Programme		Programme		Programme			
budget	Expenditure	budget	Expenditure	budget	Expenditure	budget	Expenditure	%	
2 000	6 391	2 000	3 955	4 000	10 346	6 682	13 288	198.9	
3 000	1 664	2 000	3 284	5 000	4 948	6 136	5 971	97.3	
			101		101		101		
4 000	10 095	4 000	2 887	8 000	12 982	10 492	16 070	153.2	
7 000	4 266	5 000	5 358	12 000	9 624	13 796	11 180	81.0	
	267	500	1 043	500	1 310	2 827	3 384	119.7	
500	240	1 000	993	1 500	1 233	2 488	2 206	88.7	
1 000	261	500	138	1 500	399	2 772	2 097	75.6	
2 000	104	500	511	2 500	615	2 952	878	29.7	
500	45		564	500	609	1 720	1 646	95.7	
2 000	503	3 000	950	5 000	1 453	6 131	3 119	50.9	
1 000	697	500	379	1 500	1 076	1 606	1 624	101.1	
1 000		500	532	1 500	532	2 529	1 170	46.3	
			18		18	40	90	225.0	
9 000	8 340	3 000	4 347	12 000	12 687	13 165	13 900	105.6	
1 000	767	500	192	1 500	959	1 500	959	63.9	
500	242		505	500	747	1 007	1 428	141.8	
4 000	281	2 000	1 161	6 000	1 442	9 899	4 775	48.2	
1 000	164	500	248	1 500	412	2 368	1 593	67.3	
4 000	766	1 000	1 166	5 000	1 932	5 134	2 091	40.7	
	248	1 000	1 950	1 000	2 198	2 842	3 935	138.5	
11 000	4 686	4 000	8 294	15 000	12 980	16 623	15 045	90.5	
500	1 331		330	500	1 661	1 477	2 830	191.6	
3 000	243	2 000	637	5 000	880	6 323	2 640	41.8	
500		500	29	1 000	29	2 637	1 579	59.9	
1 000		500	147	1 500	147	1 812	445	24.6	
5 000	2 592	1 000	3 326	6 000	5 918	21 504	18 880	87.8	
			403		403	461	874	189.6	
		11 000	1 660	11 000	1 660	13 772	3 195	23.2	
			18		18	263	431	163.9	
500		500	585	1 000	585	1 776	1 207	68.0	
		1 000	390	1 000	390	2 146	1 420	66.2	
2 000		3 000	1 194	5 000	1 194	11 097	6 941	62.5	
						1 903	1 772	93.1	
3 000	3 006	500	213	3 500	3 219	15 656	17 379	111.0	
			6 003		6 003		6 003		
70 000	47 199	51 500	53 511	121 500	100 710	193 536	172 146	88.9	

**Table 5**

**Expenditure by sources of funds  
Financial period 2004-2005**

(in thousands of US dollars)

	2004-2005	%	2002-2003	%
<b>Regular budget</b>	<b>871 163</b>	<b>28.7</b>	<b>827 401</b>	<b>35.7</b>
<b>Other sources:</b>				
Voluntary Fund for Health Promotion	1 623 160	53.6	1 016 559	43.9
Special Account for Servicing Costs	198 209	6.5	121 977	5.3
<b>Supply services trust funds</b>				
All others	91 875	3.0	2 179	0.1
Iraq Programme (UN SCR 1472 and 1476)	3 113	0.1	18 524	0.8
TDR <sup>a/</sup>	65 699	2.2	61 418	2.7
All other trust funds	51 563	1.7	42 085	1.8
African Programme for Onchocerciasis Control	26 159	0.9	20 414	0.9
HRP <sup>b/</sup>	26 113	0.9	27 410	1.2
Information Technology Fund	13 223	0.4	482	
Security Fund	10 303	0.3	6 961	0.3
Sasakawa Health Trust Fund	9 311	0.3	10 268	0.4
Revolving Sales Fund	7 843	0.3	7 535	0.3
Staff Development Fund	7 536	0.3		
Associate Professional Officers	6 584	0.2	6 231	0.3
Revolving Fund for Teaching and Laboratory Equipment	606			
Programmes financed by appropriation from casual income	(14)		2 531	0.1
Onchocerciasis Control Programme			12 580	0.5
Special Account for Income Derived from Patent Policy			100	
Special Account for the WHO Renewal Fund			(51)	
Trust Fund for the Global Programme on AIDS			(33)	
<b>United Nations sources</b>				
United Nations Population Fund	9 893	0.4	9 552	0.4
Iraq Programme (UN SCR 1472 and 1476)	3 733	0.1	347	
United Nations Children's Fund	2 270	0.1	5 326	0.2
United Nations Iraq Programme SCR 986	1 444		108 474	4.7
United Nations Development Programme	1 441		4 733	0.2
United Nations Environment Programme	771		968	
United Nations International Drug Control Programme	37		780	
United Nations Afghanistan Emergency Trust Fund			8	
<b>Total - Other sources</b>	<b>2 160 872</b>	<b>71.3</b>	<b>1 487 358</b>	<b>64.3</b>
<b>Sub-total</b>	<b>3 032 035</b>	<b>100.0</b>	<b>2 314 759</b>	<b>100.0</b>
<b>Less: Eliminations (see Statement I, Annex 2)</b>	<b>(303 365)</b>		<b>(267 125)</b>	
<b>Total -WHO programme activities</b>	<b>2 728 670</b>		<b>2 047 634</b>	

<sup>a/</sup> Trust Fund for the UNICEF/UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases.

<sup>b/</sup> Trust Fund for the UNDP/UNFPA/WHO/World Bank Special Programme of Research, Development and Research Training in Human Reproduction.

**Table 6**

**Financial implementation by category of expenditure  
and sources of funds  
Financial period 2004-2005**

*(in thousands of US dollars)*

Category of expenditure	Sources of funds									
	Regular Budget		Voluntary Fund for Health Promotion		Special Account for Servicing Costs		Other funds including United Nations sources		Total	
		%		%		%		%		%
Salaries and common staff costs	507 733	58.2	157 024	9.7	65 807	33.2	53 082	15.5	783 646	25.9
Short-term staff	91 534	10.5	279 508	17.2	38 929	19.6	28 142	8.3	438 113	14.4
Consultants	5 039	0.6	40 879	2.5	719	0.4	1 769	0.5	48 406	1.6
Temporary advisers	7 136	0.8	47 477	2.9	645	0.3	8 900	2.6	64 158	2.1
Members of expert committees, study groups and scientific groups	775	0.1	234		119	0.1	3		1 131	
Governing body delegates and members	339		5		100	0.1			444	
Travel on official business	21 789	2.5	58 208	3.6	4 740	2.4	7 016	2.1	91 753	3.0
Research contracts	727	0.1	25 420	1.6	86		28 676	8.4	54 909	1.8
Contractual services, translation, printing, data processing and other operations	65 920	7.6	218 662	13.5	17 424	8.8	30 291	8.9	332 297	11.0
Supplies and materials, rental and maintenance of premises and equipment, stationery, utilities and communications	67 777	7.8	262 615	16.2	33 018	16.7	116 611	34.2	480 021	15.8
Supplies in kind and in services			51 731	3.2					51 731	1.7
Acquisition of furniture and equipment	15 404	1.8	68 067	4.2	13 859	7.0	7 809	2.3	105 139	3.5
Acquisition and improvement of premises	255		8 317	0.5	2 876	1.5	533	0.2	11 981	0.4
Fellowships and other educational activities	31 225	3.6	28 804	1.8	511	0.3	8 790	2.6	69 330	2.3
Local cost subsidies	37 561	4.3	365 773	22.5	1 022	0.5	23 047	6.8	427 403	14.1
General project costs - The Americas	23 355	2.7	18 515	1.1	362	0.2	2 292	0.7	44 524	1.5
- Other			(88 925)	(5.5)					(88 925)	(2.9)
Hedging operations	(29 623)	(3.4)							(29 623)	(1.0)
Other expenditure, including programme support costs and joint activities with the United Nations	24 217	2.8	80 846	5.0	17 992	9.1	22 542	6.6	145 597	4.8
<i>Sub-total</i>	<u>871 163</u>	<u>100.0</u>	<u>1 623 160</u>	<u>100.0</u>	<u>198 209</u>	<u>100.0</u>	<u>339 503</u>	<u>100.0</u>	<u>3 032 035</u>	<u>100.0</u>
Eliminations (see Statement I)									(303 365)	
<b>Total - WHO programme activities</b>									<u><u>2 728 670</u></u>	

## *Glossary of budgetary and financial terms 2004-2005*

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 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 each year. 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 on whether the Financial Report for the biennium presents fairly, in all respects, the financial position of the Organization.

**Account:** a formal record of an asset, liability, revenue or expense in which the effects of transactions are indicated in terms of money or some other unit of measurement.

**Accounting, cash basis of:** the method of recording transactions by which income and expenditure and other costs are recorded on the basis of actual collection or disbursement of cash in a given period.

**Accrual:** the accrual basis of accounting for revenue in each financial period means that income is recognized when it is due and not when it is received. Accrual of expenditure in each financial period means that costs are recognized when obligations arise or liabilities are incurred and not when payments are made.

**Appropriation:** 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 regular budget obligations may be incurred. Effective appropriation: represents the amount of the appropriation after taking into account any transfers which the Director-General is authorized to make between appropriation sections.

**Appropriation resolution:** a resolution by the Health Assembly approving the regular budget appropriations for a financial period and their financing. The appropriation resolution also notes the amount of the expenditure in the Programme Budget to be financed from other sources.

**Assessment, scale of:** a scale established by the Health Assembly to apportion the amount required for the regular budget net assessments of the Organization for a given period among Member States.

**Budget:** a plan in financial terms for the carrying out of a programme of activities in a specific period. A programme budget focuses upon the work to be undertaken and the objectives sought through that work: it emphasizes the ends to be achieved and translates them into the costs required for their implementation. Decisions relate both to resource levels, financing and to results to be achieved.

**Budget, effective working:** represents that part of the approved regular budget against which the Director-General is authorized to incur obligations.

**Budget, working:** The working budget comprises allocations from the regular budget and other sources and represents that part of the programme budget that has been allocated as adjusted by transfers between appropriation sections and/or Offices.

**Disbursements:** payment in cash.

**Exchange rate hedging:** this mechanism seeks to maintain the level of the budget so that the activities 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.

**Expenditure:** 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 other sources.

**Fund accounting:** the method of accounting under which each fund is maintained as a distinct financial and accounting entity with a separate, self-balancing group of accounts.

**Imprest accounts:** a fund or an account established with a fixed amount and maintained at that level by periodic replenishments of the sums disbursed. Generally, imprest accounts are used for making payments in Country Office locations.

**Internal borrowing:** 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 Member States pay their arrears of assessed contributions.

**Liability:** a current obligation, the settlement of which is expected to result in an outflow of resources from the Organization.

These include:

- i. Contributions or payments received in advance;
- ii. Borrowings payable within one year;
- iii. Unliquidated obligations;
- iv. Accounts payable, including inter-fund balances payable and other accounts payable;
- v. Other funds and special accounts;
- vi. Other liabilities;
- vii. Borrowings payable after one year.

**Obligation:** a commitment or undertaking that creates a legal liability against the resources of the Organization.

**Obligation, unliquidated:** that part of an obligation which has not been disbursed, i.e. an outstanding liability.

**Revolving fund:** 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.

**Savings on unliquidated obligations:** the balance remaining within unliquidated obligations after payment of all liabilities under those obligations.

**Tax equalization fund:** a fund to which is credited the revenue from Staff Assessment and which is reduced by:

- i. Refunds to staff for income taxes levied on their emoluments;
- ii. Credits against the assessed contributions of Members, in proportion to their assessments but less any income taxes they have levied on the emoluments received from the Organization by their nationals or others liable to such taxes.

**Unobligated balance:** that part of an appropriation, contribution or allotment which has not been obligated. The unobligated balance of regular budget appropriations at the end of the financial period could either be funded in total, in part, 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 budget appropriations that cannot be implemented. The unfunded part is credited to miscellaneous income only when the underlying outstanding assessed contributions are collected.

**Working capital fund:** 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  
ON THE FINANCIAL OPERATIONS OF THE WORLD HEALTH ORGANIZATION  
FOR THE FINANCIAL PERIOD 1 JANUARY 2004 TO 31 DECEMBER 2005***

1. The audit of the World Health Organization (WHO) was assigned to the Comptroller and Auditor-General of India for the financial periods 2004-2005 and 2006-2007, in terms of resolution WHA 56.8 of the Fifty-sixth World Health Assembly.
2. During the financial period 2004-2005, audits were performed at all Regional offices of the Organization, in addition to selected country offices. My Interim Report, containing the results of the audits performed in the first year of the financial period, was transmitted to the Fifty-eighth World Health Assembly in document A58/28. In the second year of the financial period, we continued to perform audits at different levels of the Organization. Audits were conducted at the Regional Office for South-East Asia (SEARO) as well as the Regional Office for Europe (EURO). Three country offices were also audited.
3. Apart from the audits performed in the Regional and country offices, two in-depth reviews were also conducted at the Headquarters of the Organization. These reviews, the findings of which are discussed subsequently in this report, examined the functioning of the Contracting and Procurement Services unit at Headquarters and the establishment and management of Technical Services Agreements by different technical departments at WHO Headquarters. The findings arising from all the audits were conveyed to the relevant managements through management letters. The results of these audits, appropriately aggregated, have been taken into consideration while framing this report.
4. The scope of the audit was in accordance with Regulation XIV of the Financial Regulations and the Additional Terms of Reference governing the External Audit appended 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.
5. 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. The audit approach followed was comprehensive, encompassing financial, compliance and value-added aspects.
6. The audit of the financial statements for the financial period 2004-2005 was completed and I have expressed an unqualified opinion on the financial statements for the financial period ended 31 December 2005.
7. The working relationship with the Secretariat continues to be constructive and I have received the required cooperation in the discharge of my functions. Effective and regular coordination with the Office of Internal Oversight Services has assisted in the avoidance of duplication and overlapping of activities. Reliance was placed on the work performed by internal audit to the extent that it related to the audit objectives of the external audit process.
8. As had been recommended earlier by the Programme, Budget and Administration Committee, this report which covers the financial period 2004-2005, contains a schedule depicting the status of implementation of significant recommendations made by the External Auditor. The Secretariat has also developed a programme for the tracking of implementation of recommendations, made by both External Audit and the Office of Internal Oversight Services, which was presented to the Executive Board in its 117<sup>th</sup> session. Periodic monitoring of the implementation of these recommendations will serve to strengthen accountability within the Organization.
9. I also note that the Secretariat has developed and disseminated an accountability framework that seeks to bring together various aspects of responsibility, authority and accountability. Decentralization involves delegation of responsibility and authority and, therefore, accountability for actions also requires to be clearly defined. The accountability framework is intended to be a part of the overall corporate governance and oversight framework of the Organization.

10. In addition to the audit of WHO, the separate accounts of the African Programme on Onchocerciasis Control, the Trust Fund for the Special Programme for Research and Training in Tropical Diseases, the Trust Fund for the Joint United Nations Programme on HIV/AIDS, the International Computing Centre and the International Agency for Research in Cancer were also examined. The respective audit opinions are transmitted separately to the governing bodies or management committees of these entities.

## **FINANCIAL MATTERS**

11. The rate of collection in respect of assessed contributions during the financial period 2004-2005 was 94%, which was the same as in the previous financial period.
12. As at 31 December 2005, a sum of USD 82.03 million was owed by Member States and Associate Members, out of which USD 29.75 million related to the period 1987-2003. Further, a sum of USD 58 million was owed by Member States and Associate Members, as at 31 December 2005, under special arrangements authorized by the World Health Assembly. The total contributions outstanding as at 31 December 2005 amounted to USD 140.03 million, while at the end of the previous financial period, the corresponding balance stood at USD 137.25 million.
13. Pending the receipt of assessed contributions, implementation of the regular budget may be financed from the Working Capital Fund and, thereafter, by internal borrowings against the available cash reserves of the Organization, excluding Trust Funds. Total borrowings, as at 31 December 2005, stood at USD 44.03 million as compared to USD 32.74 million as at the end of the financial period 2002-2003.
14. The level of extrabudgetary funding being received by the Organization is significant. During the financial period 2004-2005, the total amount received for WHO programme activity was USD 1.94 billion, in comparison to USD1.14 billion in the financial period 2002-2003.
15. The increasing level of extrabudgetary funding evidently calls for increased administrative and support work, which is financed by the regular budget and through the medium of Programme Support Costs. Since extrabudgetary funding continues to grow at a rate faster than that of the regular budget, a larger proportion of the regular budget would need to be utilized to support extrabudgetary activities. A related issue is the utilization of Programme Support Costs, which are currently being allocated to Headquarters and the Regional offices. The Secretariat has indicated that the overall policy relating to Programme Support Costs was being reviewed, including issues related to the recovery of costs, the rates to be applied for Programme Support Costs and the subsequent allocation and use of the earnings arising from Programme Support Costs.
16. The Fifty-seventh World Health Assembly had requested the Director-General to develop guiding principles, based on objective criteria, to be applied in the allocation of funds from all sources, taking into account equity, efficiency and performance, and support to countries in greatest need, in particular least developed countries. It is noted that the Secretariat has developed guiding principles for the strategic allocation of resources, linked to the results-based management framework of the Organization, which have been discussed by the Executive Board and the Regional Committees. A validation mechanism, to provide an objective and transparent relative resource indication across Headquarters and Regions for all sources of funds, was also developed. The guiding principles and validation mechanism were discussed by the Executive Board in its 117<sup>th</sup> session in January 2006. It was decided that the item would be referred to the Programme, Budget and Administration Committee at its next meeting, for further consideration by the Executive Board at its 118<sup>th</sup> session.

## **POLICIES AND PROCEDURES**

17. Earlier reports of the External Auditor had indicated areas where specific and formalized policies and procedures should be attempted. These included, among others, a fraud prevention policy, a comprehensive framework for delegation of authority and an environmental policy.

18. I am pleased to note that the Secretariat has since issued the fraud prevention policy, which has been disseminated across the Organization. Additionally, fraud awareness guidelines have also been developed and issued, which are to be used in conjunction with the fraud prevention policy. The purpose of these guidelines is to inform and enhance the understanding of managers and staff about assessing risk, the conditions that encourage fraudulent activities, preventive measures and actions to be taken in the event of a fraud being detected. The fraud prevention policy and associated guidelines will contribute to raising awareness and minimizing the exposure of the Organization to the consequences associated with fraudulent activities.
19. I understand that the Secretariat is working on the development of a detailed framework of delegation of responsibility and authority. The framework aims to spell out managerial, as well as administrative and financial responsibilities of those to whom the Director-General has delegated authority, including the Assistant-Directors General and the Regional Directors. The WHO Accountability Framework also contemplates a system of annual Letters of Representation to be obtained from Regional Directors and Assistant-Directors General and downwards for all staff who have been delegated financial authority. It is expected that the framework of delegation of responsibility and authority will be formalized in the near future.
20. My Interim Report had mentioned that a draft environmental policy had been prepared and was undergoing technical review. After its approval for Organization-wide endorsement by the Director-General, environmental management systems were to be developed by each location, taking into account local conditions and legislation. I have been informed that work on the environmental policy is still ongoing and it is yet to be formalized and issued.

#### **BUDGET AND FINANCE UNIT IN THE REGIONAL OFFICE FOR AFRICA**

21. The operations of the Regional office for Africa are divided between two locations, Brazzaville and Harare. In order to address issues, arising out of the difficulties in operating the budget control and financial accounting system in two locations, an external consulting firm had been commissioned in 2004 to review the budget and finance functions. The consulting firm had issued its report in May 2004. Its recommendations were examined in the Regional office and a course of action had been suggested to senior management. However, no action on the recommendations could be taken in 2004.
22. Subsequently, in 2005, a new strategic vision has been developed for the Region, focussing on enhancing the Organization's performance at country level. This strategic vision includes consolidation of the Budget and Finance Unit, within the Division of Administration and Finance in Brazzaville. The intention is to strengthen country offices, *inter alia* through significant decentralization envisaging the redevelopment of four to five InterCountry Teams, that would provide technical and management support to clusters of eight to twelve countries. This approach would subsequently involve decentralization of the Division of Administration and Finance, in order to provide the required management support at levels of the country and the Inter Country Teams. However, the Regional office is of the view that the decentralization of the Budget and Finance unit will require changes in the current information technology system. Full implementation of the planned decentralization would have to wait for the implementation of the Global Management System, unless cost-effective modifications could be made to the existing Regional Office- Administration and Finance System.
23. Until the consolidation of the Budget and Finance Unit takes place the difficulties, associated with split operations across two locations and the related impact on direct supervision and internal controls mentioned by the external consultants in May 2004, would continue to persist.

#### **CONTRACTS FOR SERVICES**

24. Contracts for miscellaneous short-term or technical services with firms or individuals are formalized through Agreements for Performance of Work. Adjudication reports are required, for contracts of value of USD 15,000 and above, to demonstrate in a substantive and detailed manner the objectivity and fairness of the process undertaken to select the contractual partner. My Interim Report had focussed on instances where adjudication reports had not been prepared.



25. During our audits, we have continued to notice cases where adjudication reports had not been prepared though the contract values exceeded USD 15,000. In some cases, technical and financial reports had not been submitted though the contractual periods had ended. The absence of such reports renders it difficult to assess whether the contractual partners have delivered the required services to the satisfaction of the Organization. The Secretariat should continue its efforts to ensure compliance with the requirements underpinning such contracts for services.

## **LOCAL COST SUBSIDIES**

26. Local cost subsidies are payments made by the Organization to cover the costs of items that would otherwise be borne by national governments, in order to strengthen their health development capacity in, or to meet their commitments to, WHO technical cooperation at country level. Funds for local cost activities are provided by way of advances, after formalizing the agreements which include costing details and permissible categories of expenditure. Financial reports are to be submitted by the national governments to the responsible WHO official who has to certify that expenditures were admissible and in conformity with the objectives of the agreements.
27. There have been some difficulties associated with the receipt of the stipulated financial returns from national governments concerned and these have been mentioned in earlier reports of the External Auditor. These financial returns are integral to the accountability process and are required to assess whether activities and related expenditures were in conformity with programme objectives.
28. The Secretariat has been addressing, since 2001, the subject of the overall policy and procedures to be followed, in relation to the issue of local cost subsidies. Local cost subsidies will now be known as Direct Financial Cooperation and a revised policy, setting out the principles for funding support to countries, has been formalized and is effective from January 2006.
29. The revised policy is set against the framework of results-based management and lays emphasis on technical reports that would address programmatic outcomes. While the technical reports would include a summary expenditure statement certified by the responsible government official, the revised policy attempts to shift the emphasis from financial reporting to technical reporting. Since results-based management involves an integrated budget, the existing financial ceilings on local costs would no longer be required, since they applied to the regular budget. This is expected to facilitate the Regional Directors in assessing the level of direct financial support to governments required in order to achieve the desired outcomes. Requests for financial support from WHO would have to be related to approved work plans and would need to be formalized through an agreement.
30. The revised policy notes that, in some cases, statements of expenditure, for local costs advances given in the past, were still outstanding. Despite follow-up, some governments have been unable to produce records relating to these long-standing releases. It has now been decided that each Regional office would do a comprehensive analysis of the amounts involved and the periods for which statements of expenditure have not been submitted. They would write to the governments concerned and request them to either refund balances, or provide statements of expenditure and certify that the funds have been spent for the intended purposes. A condition of WHO's acceptance of the governments' certification is their agreement to abide by the principles and procedures applicable to further WHO financing of government activities. On the basis of this information, each Regional Director would write to the Comptroller, seeking a waiver from reporting on outstanding statements of expenditure. Waivers can also be granted to national authorities who are unable to certify prior activities due to a change in government or other similar circumstances.
31. Local cost subsidies accounted for a significant 14.1 per cent of expenditure, from all sources of funds, in the financial period 2004-2005. The accountability for the use of resources, therefore, needs to be ensured. Before any waiver is granted, it is important that the Secretariat satisfy itself that the analysis carried out at Regional offices of amounts advanced, statements of expenditure pending and details of unspent balances are thorough and complete. Waivers should be granted only after all possibilities of obtaining the statements of expenditure are ruled out. The revised procedures also require certification of expenditures and details of unspent balances and prescribe that advances be withheld from contractual partners who have overdue technical and financial reports. Compliance with these requirements should be monitored closely and corrective measures taken, where required. This would obviate the possibility of similar situations arising in future.

## TRAVEL ADVANCES

32. The issue of outstanding travel advances had been discussed in my Interim Report, wherein it had been mentioned that at WHO Headquarters complete information on travel advances granted prior to 15 October 2004, the date of introduction of the revised travel policy, was not readily available. It was planned to clear the backlog of travel advances by the end of 2005. As of 31 December 2005, 640 transactions were pending which were more than a year old. Of these, 466 cases involving an amount of USD 635,000 would involve recoveries from staff members. The Secretariat expects to clear the 466 cases by July 2006. The Secretariat is encouraged to continue focussing attention on this issue.
33. Similarly, in an audit performed at a country office in the African region, a review of outstanding travel advances revealed that there were 256 cases where advances were outstanding for more than two years and there were 414 cases where advances were outstanding for periods ranging between one and two years. The country office has since issued instructions to address the problem of outstanding travel advances and it will be necessary to closely monitor progress so as to ensure that all outstanding advances are appropriately adjusted.

## CONTRACTING AND PROCUREMENT SERVICES AT HEADQUARTERS

34. A detailed study of the Contracting and Procurement Services (CPS) unit at WHO Headquarters was performed in order to review the procedures and practices being followed in relation to the procurement of goods and to examine whether they were in consonance with the WHO Manual. Procurement of goods is an area of risk and the audit also aimed to ascertain whether the controls in place served to mitigate such risk. The audit was based on a risk analysis and included review of high value Purchase Orders approved by the Contract Review Committee and procurements related to emergencies. After the audit was concluded, a management letter containing specific recommendations was issued to the Secretariat. These recommendations and the Secretariat's responses are discussed in the subsequent paragraphs.
35. **Procurement process:** CPS is headed by the Coordinator, CPS and functions under the supervision of the Director, Infrastructure and Logistics Services (ILS). There are five procurement units dealing with different products and supplies. These are: Computer and Office Supplies; Drugs and Biologicals; Environment and Medical procurement; Hospital and Teaching equipment and Laboratory supplies. A separate unit is responsible for the e-procurement system called WebBuy.
36. The procurement process in WHO aims to obtain goods suited to the purpose for which they are to be used, for delivery by the time required and at the lowest cost. Regional offices are authorized to make purchases for their respective Regions and also to delegate authority within prescribed cost limits. Items which cannot be purchased at the Regional level are referred to Headquarters. CPS is responsible for handling Regional requisitions as well as procurements at Headquarters.
37. CPS processes all procurement requests, known as Purchase Authorizations, which are sent to them after the indenters ensure that funds are available to cover the proposed purchase and appropriate approvals are obtained. CPS calls for bids, prepares adjudication reports, makes submissions to the Contract Review Committee (CRC) in the case of high value purchases which exceed USD150, 000. Subsequently, Purchase Orders are issued to suppliers. The Purchase Order, along with the supplier's acknowledgement, constitutes a legal contract.
38. During the period 1 January 2004 to 30 September 2005, 9713 purchase orders were processed by CPS, amounting to USD 153.39 million.
39. **Contract file management:** It was noticed that the existing system of management of contract files requires to be streamlined and improved. While a master file was maintained for each purchase authorization, separate folders were maintained for each purchase order resulting from the purchase authorization. In cases referred to the CRC, the files were incomplete in that invitations to bid were not available in some files; bid documents received from suppliers were not available in the purchase authorization/ purchase order files; papers relating to the public opening of bids were not found in any of the folders. However, it was noticed that these documents were available in different folders and files maintained in CPS. Procurement actions involve considerable financial implications and it is essential that all documents, leading up to the procurement decision, are kept systematically together. This will establish the audit trail and enable subsequent independent review.

40. I **recommend** that appropriate changes be effected in order to ensure the orderly maintenance of contract files, which would enhance transparency and facilitate the completion of audit procedures. Institutional guidance, by way of a provision in the WHO Manual, should be provided on the manner in which a contract file is to be managed.
41. The Secretariat has accepted the recommendation and has stated that instructions and institutional guidance were being prepared for implementation as from 1 January 2006. They also stated that CPS was planning to launch a project, in the near future, to establish an e-filing system for all procurement related documentation.
42. **Low value purchase orders:** The WHO Manual provides that where significant economies are not expected to result from central purchasing, users should be authorized to purchase directly from the supplier. An analysis was conducted of the 9713 purchase orders issued by CPS, in the period 1 January 2004 to 30 September 2005. Out of these, 6591 purchase orders had been issued on behalf of Regional offices. It was also noticed that 69% of the orders were below USD 5000 and 33% of the orders were below USD 1000. The value of orders below USD 5000 amounted to only 6.5 % of the total value of procurement during the period of reference. The high proportion of low value orders indicates that scope exists to improve procurement planning, by consolidation of requirements as against fragmented and repeated requisitions.
43. It was noticed that Regional offices had accounted for 26% of the purchase authorizations below USD 5000. In case procurement of lower value items is planned appropriately at the Regional level, it would decrease transaction costs, reduce time taken in procurement actions and free resources at Headquarters to focus on more strategic aspects of procurement planning.
44. I **recommend** that CPS review this issue, in consultation with Regional offices, so as to ensure an appropriate balance in the value of purchase authorizations being placed by them on Headquarters.
45. The Secretariat, while agreeing with the recommendation, indicated that they would work with Regional offices to increase the volume of low value items to be procured directly by them. This would improve the efficiency and effectiveness of CPS.
46. **Suppliers' acknowledgements:** Since the purchase order, along with the supplier's acknowledgement or acceptance of the orders, constitutes a legal contract, against which the supplier may demand payment if the goods are delivered, the supplier's agreement should be obtained in writing should cancellation be necessary. CPS sends an acknowledgement copy along with the purchase order mentioning delivery dates, terms of payment and delivery and other general terms and conditions of the contract. However, it was noticed that in many cases, the acknowledgement forms had not been signed and returned by the suppliers.
47. I **recommend** that suppliers be advised to invariably acknowledge the purchase order. This requirement could also be included in any proposed IT module for procurement.
48. Accepting the recommendation, the Secretariat stated that a proper system check had been established in the Web Buy e-procurement system to ensure that all purchase orders are acknowledged by suppliers.
49. **Vendor data base:** Procurement in WHO is conducted by calling for bids from a selected list of suppliers. It is, therefore, essential that the list of potential vendors for various non-proprietary items be continually updated. This would facilitate invitation of bids from a larger vendor base and enhance competition.
50. CPS was presently conducting vendor identification through attendance in major medical exhibitions; participation in "contact days" with industry organized by Ministries of Health or Departments of Commerce and industry in different countries; issue of international expressions of interest for different products to identify and evaluate new suppliers and sources.
51. There is presently no system through which data and statistics regarding new vendors identified in the last two years could be extracted. Vendor performance evaluation was not being carried out. CPS stated that analysis of vendor performance was part of the requirements of the proposed Global Management System. It was also envisaged that there would be more Long Term Agreements for different items in future, leading to a possible contraction in the total vendor base.

52. I **recommend** that details of potential vendors be documented in a centralized database. A larger vendor database will provide greater choice and enhance competition even for finalizing Long Term Agreements. Vendor performance evaluation should also be considered in the interim period, which will facilitate transition to the Global Management System, as and when it is rolled out.
53. The Secretariat, in response, stated that they would be working on implementation of this recommendation. Specifically, they would start with the performance evaluation of Long Term Agreements entered into with vendors, focussing on criteria linked to delivery timing and quality aspects.
54. **Emergencies:** The WHO Manual provides that the Director-General or Regional Directors could declare emergencies and also the end of emergencies, after prescribed consultations. During emergencies, the Coordinator, CPS has the authority to approve purchases up to the amount of allotments issued.
55. In the financial period 2004-2005 and up to 30 September 2005, Coordinator CPS had issued 135 purchase orders amounting to USD 13,886,387 under these provisions of the WHO Manual. A review of the purchase authorization and purchase order files showed that the information note /orders of the Director- General or Regional Directors or any other delegated authority, declaring the emergency, were not recorded on the files.
56. I **recommend** that the purchase orders should cite the specific information note/order declaring the emergency as it involves delegation of financial authority. There should also be a formalized and periodic monitoring of the continuance/withdrawal of the declaration of emergency, in consultation with the appropriate authorities within the Organization.
57. The Secretariat has accepted this recommendation and stated that the written declaration of emergencies, when issued, would be kept on record in consonance with the provisions of the WHO Manual.
58. The WHO Manual provides that procurement should be done with full and free competition. For single purchases above USD 15,000, tenders from three suppliers are to be sought by formal written invitation to bid. Sealed bids are to be invited where purchases are estimated to exceed USD 150,000. While some exceptions to this are permitted, the Manual does not indicate any general waiver of the sealed bid procedure for cases of emergency purchase. In a review of emergency purchase cases, it was noticed that a consistent approach had not been followed. While the sealed bid procedure had been followed in some cases of emergency purchase and the cases submitted to the CRC, in yet other cases of emergency purchase, the sealed bid procedure was not followed nor were the cases submitted to the CRC. In some cases, three bids were not obtained.
59. I **recommend** that the existing procedures being followed in emergencies, with respect to the invitation of sealed bids and the number of quotes to be obtained, be reviewed in order to ensure both consistency in approach and consonance with the provisions of the WHO Manual.
60. The Secretariat, while noting the recommendation, stated that the WHO Manual was currently under review and that it would be ensured that the wording of the specific Manual provisions would properly reflect the procedures to be followed in emergencies.
61. **Purchases based on estimates:** The WHO Manual (Manual VI.1.370) provides that CPS may provide price and delivery estimates from central purchasing records in order to assist Regional offices in determining what could be considered a "reasonable cost" for any proposed purchase. The Manual does not provide for calling of quotes to make price estimates.
62. It was noticed that in a case involving the purchase of 298 laboratory refrigerators valuing USD 619,997, the purchase order was issued on the basis of quotes obtained from suppliers. Since the value of the purchase exceeded USD 150,000, the sealed bid procedure should have been followed. However, this had not been done. It was learnt that this was a "Request for Price Estimate" (RPE) case, where the requisitioning office had requested price information. In such cases, the practice is that CPS obtains quotes from different vendors and then sends these price estimates to the requisitioning office, which takes a decision on whether to procure the product, based on its requirements and availability of funds. Thereafter, it would issue a purchase authorization to CPS. Since current rates quoted by vendors are already available, CPS does not invite sealed bids but issues the purchase order, based on available prices.

63. However, there is no specific provision in the WHO Manual relating to Request for Price Estimates. Procurement based on price estimates cannot supplant the sealed bid procedure, which has certain inbuilt controls. In the instant case, there were neither sealed bids nor consequent public opening of bids; there was no last date for submission of quotes; there had been correspondence with vendors after submission of their original quotes, following which quotes were revised. It had also not been mentioned in the submission to the CRC that the sealed bid procedure had not been followed.
64. I **recommend** that the practice of finalizing procurement actions based on quotes received in response to "RPE" be reviewed, since it is effectively supplanting the prescribed procedure of inviting sealed bids. Controls built into the bidding process are consequently bypassed, leading to potential risks in procurement decisions. CPS should consider responding to requests for price information from requisitioning offices in the manner prescribed in the WHO Manual.
65. The Secretariat, in response, stated that these comments had been noted and that it would be ensured that the provisions relating to Request for Price Estimates would be reflected in the Procurement section of the Manual, which was currently under review. It would also ensure that the provisions of Manual VI.1.370 are followed while responding to requests for price information.
66. Since procurement is an area of potential risk, we accord these recommendations high priority and will monitor their implementation closely, including through a follow-up review at an appropriate time.

#### **TECHNICAL SERVICES AGREEMENTS AT WHO HEADQUARTERS**

67. An audit was performed at WHO Headquarters to review the procedures and controls governing the establishment and management of Technical Services Agreements (TSA). The term TSA refers to an agreement whereby collaborative research services are provided under contract by an institution to WHO.
68. The audit was undertaken across different clusters at Headquarters and covered the Special Programme for Research and Training in Tropical Diseases; HIV/AIDS, Tuberculosis and Malaria (HTM); Family and Community Health (FCH); Non-communicable Diseases and Mental Health (NMH) and Evidence and Information for Policy (EIP). The findings and recommendations, arising out of the audit, were communicated to the Secretariat through a management letter. The response of the Secretariat to the recommendations has also been discussed in the subsequent paragraphs.
69. **General conditions:** TSAs at Headquarters are concluded by the technically responsible officer and by the programme manager. At the institution, the TSA is required to be signed by the Principal Investigator responsible for the research project and by another official who is authorized to enter into contracting arrangements on behalf of the institution. For research agreements exceeding USD100,000, the institutions concerned should have administrative structures capable of administering and accounting for funds, in accordance with acceptable standards of internal control.
70. TSAs are not to be used for funding maintenance, repair of buildings and laboratories or equipment for institutions. Principal Investigators are required to be employees of the concerned institutions and TSA funds are not to be used for their salary support. The institutions are required to submit technical and financial reports to WHO in terms of the agreement or at least annually. These are among some of the significant conditions governing the funding of TSAs.
71. **Delays in formalizing contracts:** It was noticed that in many cases, TSAs were being signed by the institutions concerned after the commencement of the contracts.
72. I **recommend** that agreements be formalized before the commencement of the contract as TSAs represent legal and contractual obligations of the Organization,
73. The Secretariat, while agreeing with the recommendation, stated that various administrative and other processes, both at WHO and at the contracting institutions, sometimes led to delays. More effort would be made to redress this issue since it was agreed that this was not a normally accepted practice. In case there were exceptions in future, they would be accompanied by justification as appropriate.

74. **Advance payments:** The Financial Rules of WHO require that advance payments for performance of services be regulated. Advance payments are to be justified in writing. In case advance payments are necessary, the recommended practice is to allow a maximum initial payment of 50 %. Certain departments have specifically been allowed to make 100% advance payments. It was noticed that advance payments were made without written justification in some other departments.
75. **I recommend** that the requirement of providing justifying memos be invariably complied with in all cases. The Secretariat agreed with the recommendation.
76. **Technical and financial reporting:** Institutions are required to submit technical and financial reports on their work to WHO, as required or at least annually. In some cases, these reports were not available though they were overdue. In certain cases, there was no evidence of follow up.
77. **I recommend** that monitoring be appropriately strengthened to ensure the receipt of technical and financial reports.
78. The Secretariat stated that it agreed with and had implemented the recommendation. It was mentioned that, at times, institutions encounter unexpected administrative constraints rendering monitoring difficult.
79. Each TSA is a separate contract, supported by one or more budgetary obligations. Institutions are required to submit technical and financial reports for each TSA, to ensure proper account of funds disbursed earlier before signing subsequent contracts. In some multi-year research contracts, it was noticed that subsequent TSAs were signed though the financial reports for previous TSAs had not been received.
80. **I recommend** that previous financial reports be obtained and taken into account, before concluding subsequent contracts since each TSA covers a separate contract period. The Secretariat agreed with the recommendation.
81. **Deviations from conditions:** Funds made available to contracting institutions are not to be used to cover salary support of Principal Investigators or utilized for construction of new buildings or alterations and modifications of existing buildings or premises. There were cases where deviations from these conditions were noticed and funds made available for these purposes. Authority to permit such deviations had not been delegated to the departments concerned.
82. **I recommend that** such cases involving deviations from the general conditions underlying the contracts be examined by the Contract Review Committee. Appropriate instructions should be issued to ensure uniformity in practice across the Organization, while concluding such collaborative research contracts. The Secretariat agreed in principle and stated that these cases were exceptions and had been allowed by the department concerned in view of strong technical reasons.
83. Similarly, it was noticed that TSAs were used to fund activities that had no research component. Since TSAs are specifically meant for collaborative research, **I recommend** that the Organization review whether TSAs are appropriate instruments to fund such activities. The Secretariat agreed with the recommendation in principle.
84. Subsequent to these recommendations being made I am pleased to note that the Secretariat has, after review, issued specific instructions on advance payments. The existing delegations and authorizations, including those for making advance payments in respect of TSAs stand withdrawn with effect from 31 March 2006. In case certain departments require authorizations for making advance payments for TSAs, they would have to request one-time global approval for all their TSAs and such global approval would need to be renewed at the beginning of each biennium. Complete justification would need to be provided in case of contracts requiring full payment in advance and it would need to be demonstrated as to why such payment terms are necessary in the interest of the Organization. All such exceptions will require approval of the Comptroller. Departments have also been reminded of the need to respect the conditions governing the TSAs and that they should not be used for salary support of principal investigators or funding maintenance, repair of buildings/laboratories and equipment.
85. The above recommendations relating to the management of Technical Services Agreements are accorded medium priority and the Organization should strive to implement them in the financial period 2006-2007.

**ACKNOWLEDGEMENT**

86. 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 audits.

A handwritten signature in black ink, consisting of a large, stylized initial 'V' followed by a long, horizontal, slightly wavy line that ends in a small hook.

Vijayendra N. Kaul  
Comptroller and Auditor-General of India  
External Auditor  
5 April, 2006

**ANNEX**

The Programme, Budget and Administration Committee of the Executive Board, in its second meeting in May 2005, had recommended that the External Auditor's report for the biennium should include a schedule showing the status of implementation of significant recommendations. Accordingly, the statement below briefly outlines the current status of implementation of significant External Audit recommendations.

**STATUS OF IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS**

RECOMMENDATIONS	STATUS OF IMPLEMENTATION
<b>A. Formalization of policies and procedures:</b>	
Fraud prevention policy	<b>The fraud prevention policy and fraud awareness guidelines have been formalized and disseminated.</b>
Environmental policy	<b>The draft environmental policy is currently under technical review. Progress will be monitored.</b>
Framework of delegation of authority	<b>Accountability Framework issued in January 2006. The draft framework of delegation of authority has been developed and is to be formalized.</b>
Revision of the WHO Manual	<b>A Working Group has been established to guide the work related to the revision of the WHO Manual and to coordinate the preparation of the new e-Manual. Progress will be monitored.</b>
Development of a comprehensive ethics policy	<b>The policy is yet to be finalized.</b>
<b>B. Local Cost Subsidies:</b> It had been recommended that the proposed revised policy on local costs contain adequate safeguards to ensure accountability for use of resources.	<b>A new policy on Local Cost Subsidies, now called Direct Financial Cooperation, has been issued effective January 2006. Its implementation will be monitored.</b>
<b>C. Allotment and expenditure control</b>	
It was recommended that the Organization take measures to ensure that allotments are respected and that unliquidated obligations be monitored to ensure that the obligations are still required to be maintained.	<b>This is an ongoing process. The External Auditor will continue to review the progress made in this regard.</b>



<p><b>D. Staff advances</b></p>	
<p>It had been recommended that the Organization continue its efforts to review and settle travel and salary advances expeditiously, in compliance with stipulated procedures.</p>	<p><b>This is an ongoing process and will be regularly monitored by the External Auditor. Cases of outstanding advances were noticed and brought to the attention of the Organization for appropriate action.</b></p>
<p><b>E. Budget and Finance Unit in the Regional Office for Africa</b></p>	
<p>It was recommended that a time-bound plan of action be implemented in relation to the reengineering of business processes and the review of budget and finance functions.</p>	<p><b>It is now proposed to consolidate the Budget and Finance Unit at Brazzaville. Progress will be monitored.</b></p>
<p><b>F. Non-Expendable Equipment:</b></p>	
<p>It was recommended that measures be taken to establish a complete and consistent set of records of inventories.</p>	<p><b>The maintenance of inventory records will continue to be monitored during visits to Regional and country offices. Inventory count at Headquarters has since been completed in 2005.</b></p>
<p><b>G. Contracts for services:</b></p>	
<p>It was recommended that compliance with the stipulated procedures governing Agreements for Performance of Work be enforced.</p>	<p><b>Cases of non-compliance with the prescribed requirements relating to adjudication reports were noticed and brought to the attention of the Organization.</b></p>