

Audited Financial Statements

for the year ended 31 December 2019



World Health
Organization

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Director-General's report

INTRODUCTION

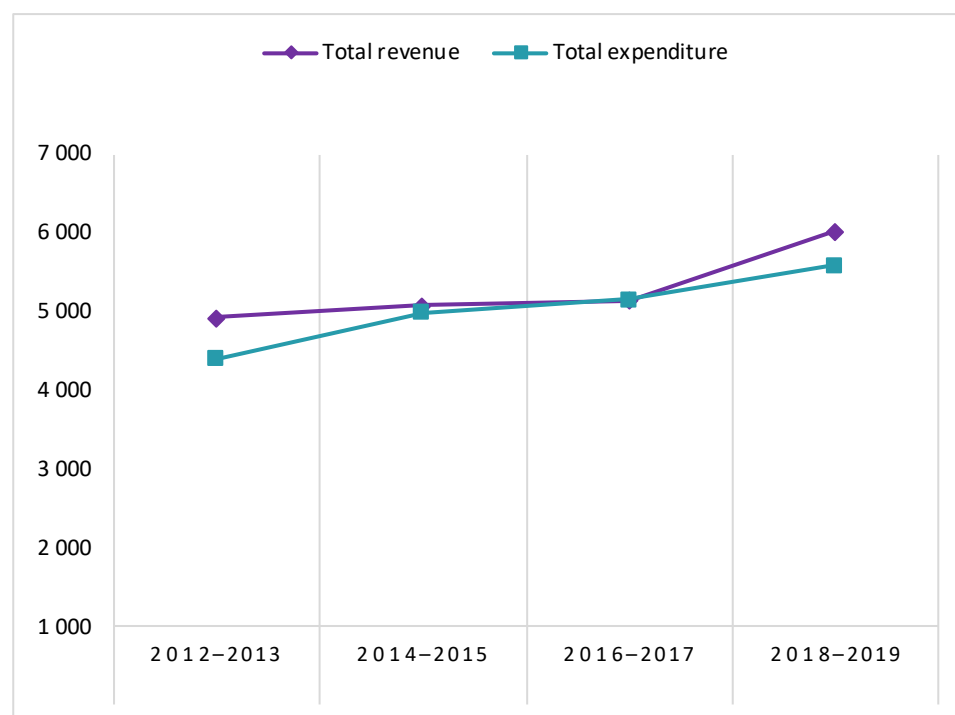
1. In accordance with Article 34 of the Constitution and Financial Regulation XIII of the World Health Organization and International Public Sector Accounting Standards (IPSAS), I have the honour to present the Financial Report for the year ended 31 December 2019. The statutory components of the Financial Report have been audited by the Organization's External Auditor, the Republic of the Philippines Commission on Audit, whose opinion is included in the Financial Report.

2. The Organization provides services to five other entities: the Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS), the International Drug Purchase Facility (UNITAID), the International Agency for Research on Cancer (IARC), the International Computing Centre (ICC) and the Staff Health Insurance (SHI). Separate financial statements are prepared for each entity, which are subject to separate external audits. The funds managed by WHO on behalf of these entities¹ are included in the Statement of Financial Position (Statement I).

3. The Thirteenth General Programme of Work, 2019–2023 marked a new strategic direction for WHO. It is data-driven, results-oriented, country-focused, firmly based on the Sustainable Development Goals and it sets the ambitious triple billion targets for the Organization. The WHO Results Report (document A73/24) is an integral part of the 2019 reporting package and presents the results of the Organization's work in 2018 and 2019.

4. For the biennium 2018–2019 and the year 2019, WHO reported the highest levels of revenue and expenditure in the history of the Organization. Fig. 1 summarizes the total revenue and expenditure over the past four bienniums, showing the trends in revenue and expenditure since WHO became IPSAS compliant in 2012.

Fig. 1. Revenue and expenditure for the past four bienniums



¹ Excluding IARC, whose funds are not managed by WHO.

5. Much of this growth has been due to WHO's increased role in emergency response operations. Total expenditure for Polio, Outbreak and Crisis Response and Special Programmes was US\$ 2281 million in 2018–2019 and has grown by 20% compared with 2016–2017. During 2019, WHO responded to 58 emergencies in 50 countries, including large-scale emergency response operations due to the Ebola outbreak in the Democratic Republic of the Congo and ongoing operations in Yemen.

FINANCIAL HIGHLIGHTS

6. WHO's total revenue in 2019 was US\$ 3116 million and total expenses were US\$ 3088 million, resulting in a surplus of US\$ 89 million, after finance revenue.

7. The financial statements report the entire revenue and expenses of the Organization. In addition to the General Fund (the Programme budget), two other fund groups are included in WHO's financial statements: Member States – other and the Fiduciary Fund. Details of the revenue and expenses for each of these three main fund groups can be found in Schedule I of this report and are summarized in Table 1.

Table 1. Financial highlights, all funds, 2018 and 2019 (US\$ million)

Description	Total 2019	Total 2018	Total 2018–2019
Assessed contributions	490	501	991
Voluntary contributions – programme budget	2 447	2 243	4 690
Total contributions – programme budget	2 937	2 744	5 681
Other revenue – programme budget	32	31	63
Non-programme budget revenue	147	126	273
Total revenue (all sources)	3 116	2 901	6 017
Expenses – programme budget	3 022	2 292	5 314 ¹
Expenses – non-programme budget and others	66	208	274
Total expenses (all sources)	3 088	2 500	5 588
Finance revenue	61	41	102
Total surplus	89	442	531

8. The WHO financial statements cover the total approved budget for 2018–2019 of US\$ 4422 million.² Although the Organization has adopted an annual financial reporting period as stipulated in Financial Regulation XIII,³ the budgetary period remains a biennium (Financial Regulation II). Therefore, for the purposes of making comparisons between the actual expenses and the approved budget, the biennium's budget is set against two years of annual expenses. The Statement of Comparison of Budget and Actual Amounts (Statement V) provides this comparison by category.

¹ For more details, see WHO Results Report (document A73/24).

² See resolution WHA70.5 (2017).

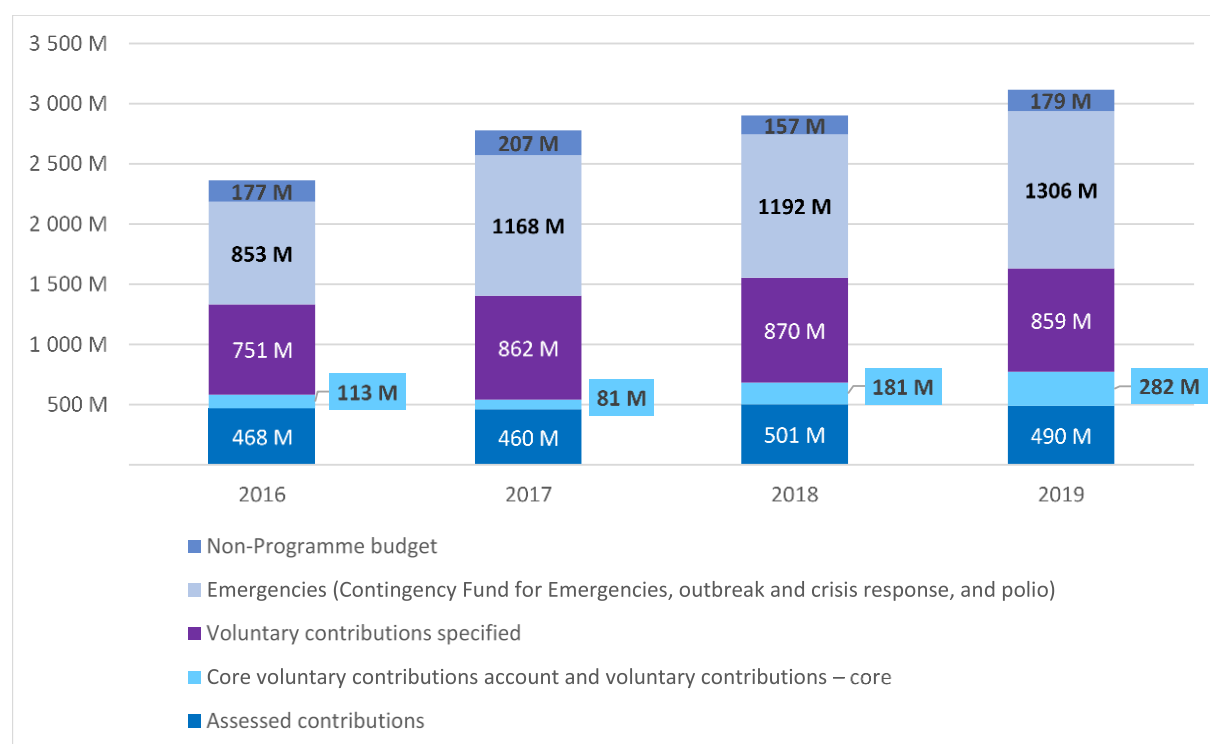
³ See resolution WHA62.6 (2009).

FINANCIAL PERFORMANCE

REVENUE

9. Total revenue for 2019 was US\$ 3116 million, an increase of 7% compared with 2018 (US\$ 2901 million). Revenue is recorded when amounts become due, based on signed agreements. Revenue provides an important measure of the agreements signed and funding currently available. When amounts are due in future periods, according to the payment terms included in donor agreements, the associated revenue is deferred. Deferred revenue is an important indicator of the total funding from signed agreements that is available for future financial periods. Full details of all voluntary contribution revenue and deferred revenue, by contributor and fund, are contained in the Annex to the Financial Report.¹ Revenue trends for the period 2016–2019, highlighting voluntary contributions and assessed contributions, are summarized in Fig. 2. This graph shows the increasing revenue for emergencies, resulting in assessed contributions that represent a lower percentage of total revenue (16% in 2019 against 20% in 2016), even after the 3% increase in assessed contributions for 2018–2019.

Fig. 2. Revenue trends, 2016–2019 (US\$ million)

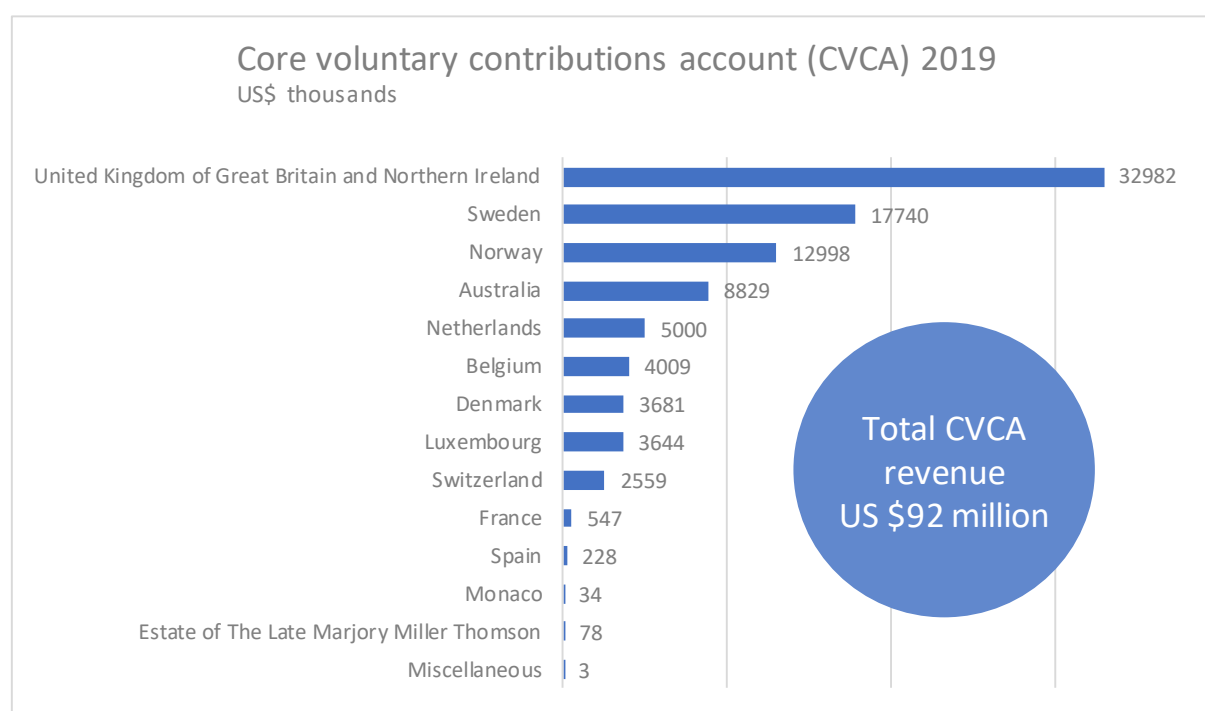


¹ Document A73/INF.3, the Annex to the Financial Report, is also available at <http://www.who.int/about/finances-accountability/funding/voluntary-contributions/en/> (accessed 28 April 2020).

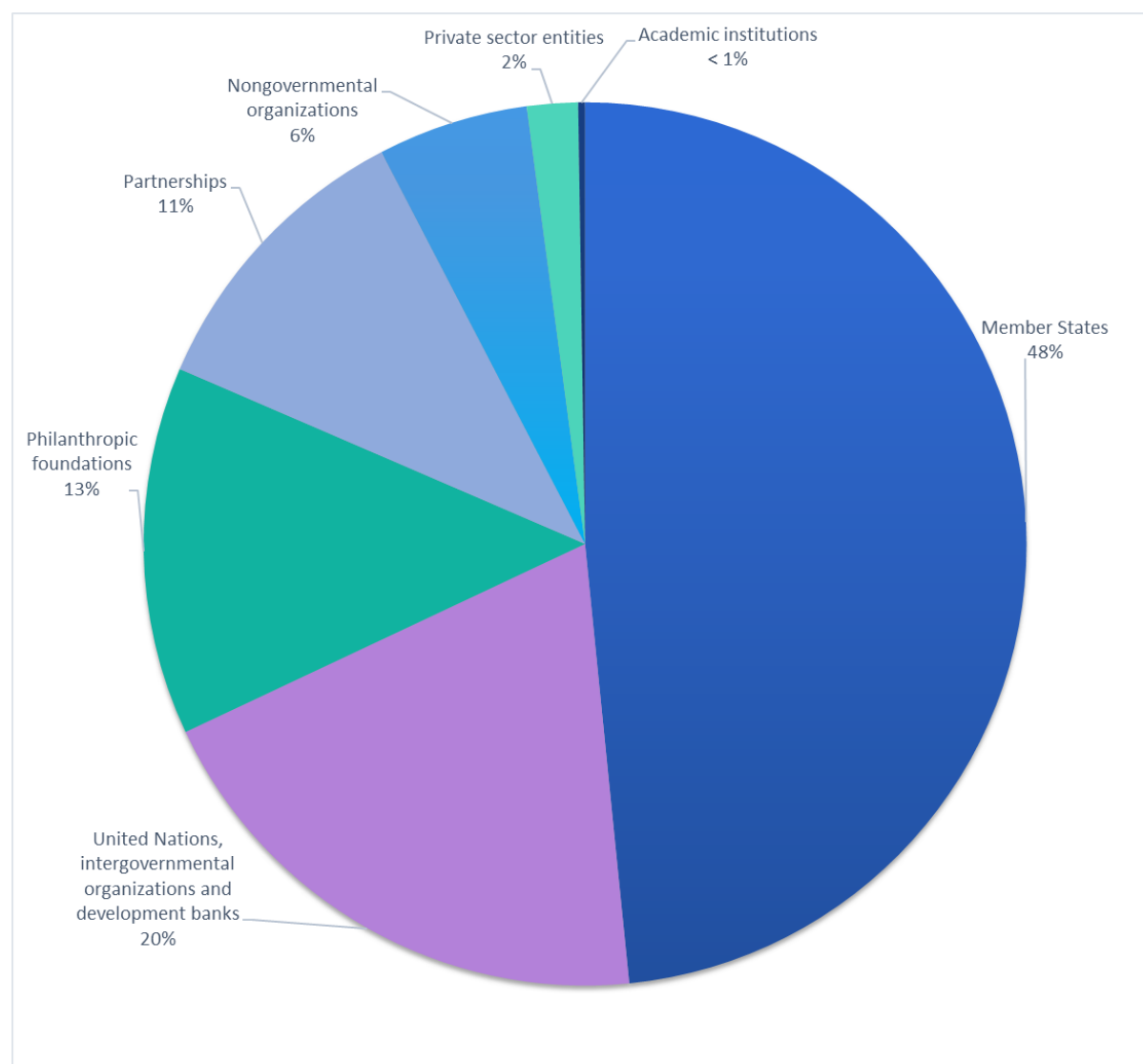
10. Of the total revenue for 2019 of US\$ 3116 million, assessed contributions and voluntary contributions – programme budget account for US\$ 2937 million or 94%, an increase of US\$ 193 million or 7% compared with 2018. Voluntary contributions – core includes both the core voluntary contributions account, whose funds are fully or highly flexible and are received to support the Programme budget as a whole, and voluntary contributions – core (also referred to as thematic funds), whose funds are earmarked for purposes within the Programme budget and designated at a medium level of flexibility. In total, core voluntary contributions have increased from US\$ 113 million or 6.6% of total voluntary contributions – programme budget in 2016 to US\$ 282 million or 11.5% in 2019.

11. The core voluntary contributions account has been in operation since 2007, with the purpose of recording unearmarked contributions from donors. These unearmarked contributions provide a high level of flexibility to strengthen the implementation of the Programme budget as they provide the Organization with the opportunity to partially address funding shortages across all categories and major offices. A number of key donors consistently support the core voluntary contributions account and its level of revenue has remained stable, at US\$ 92 million (US\$ 89 million in 2018). Contributions flexible at the category or subcategory levels increased by US\$ 98 million or 107% between 2018 and 2019. The key contributors to thematic areas were the German BMG Strategic Grant and the European Commission's contribution to universal health coverage. Most contributions continued to be specified and highly earmarked, with specified Voluntary contributions increasing by 5% from 2018 to 2019. Details on contributors to the core voluntary contributions account are summarized in Fig. 3.

Fig. 3. Core voluntary contributors account, by contributor

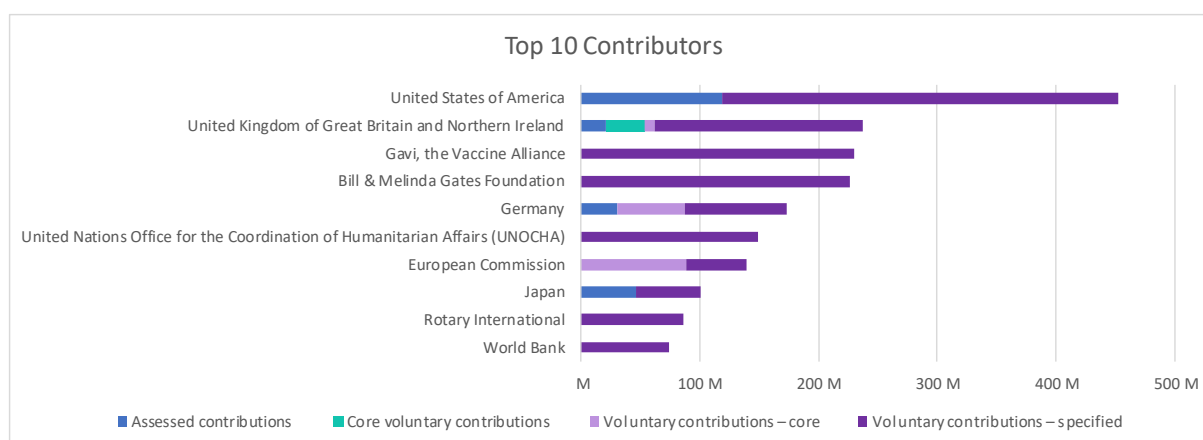


12. Fig. 4 illustrates the relative proportions of the various sources of voluntary contributions for 2019.

Fig. 4. Revenue from voluntary contributions for 2019, by source

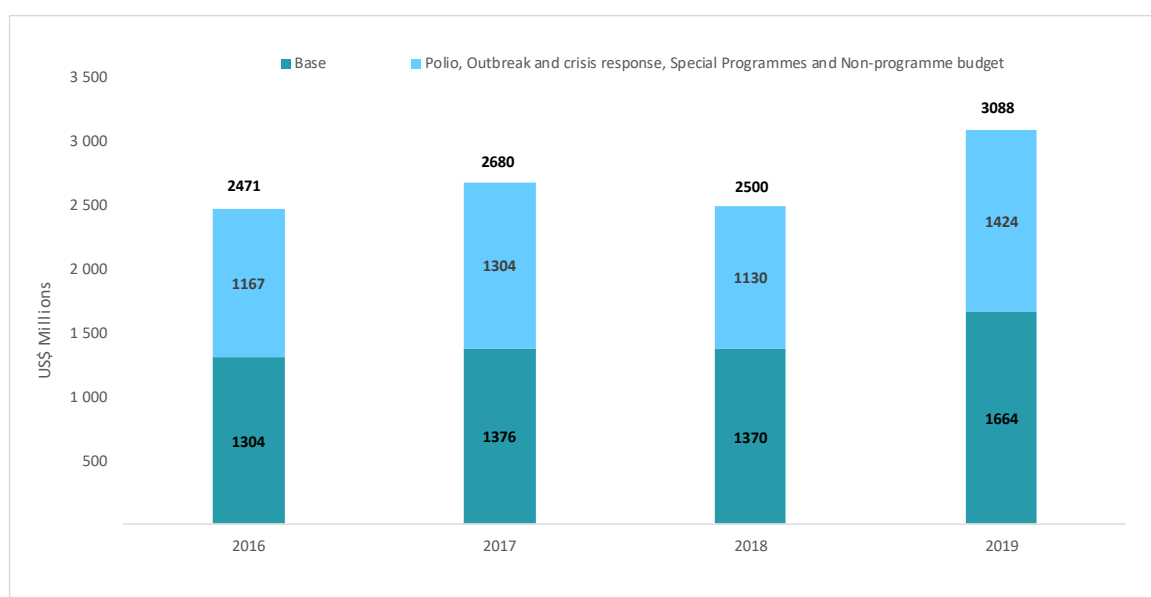
13. Member States continue to be the largest source of voluntary contributions, contributing 48% of total non-assessed (voluntary) contributions. The United Nations, intergovernmental organizations and development banks contributed a 20% share, philanthropic foundations 13%, partnerships 11%, nongovernmental organizations and other institutions 6% and the private sector 2%. The relative shares are similar to the previous year, with a slight increase in the share of the United Nations, intergovernmental organizations and development banks (16% in 2018) and a decrease in the share of nongovernmental organizations (9% in 2018).

14. The total amount of voluntary and assessed contributions for 2019 was US\$ 2937 million (Table 1), of which 64% or US\$ 1871 million was provided by the 10 largest contributors.

Fig. 5. Top 10 contributors for 2019, combining assessed and voluntary contributions (US\$ million)

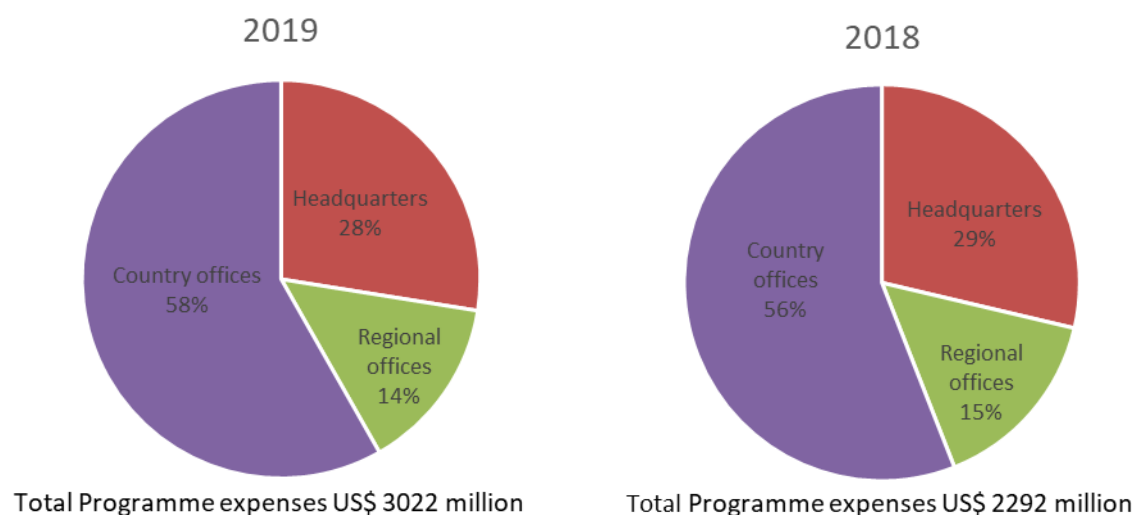
EXPENSES

15. Total expenses for 2019 were US\$ 3088 million (US\$ 2500 million in 2018), an increase of 24% compared to 2018. Expenses are recognized in the financial statements according to IPSAS – that is, when goods are received or services rendered. An overview of expenses from 2016 to 2019 is provided in Fig. 6.

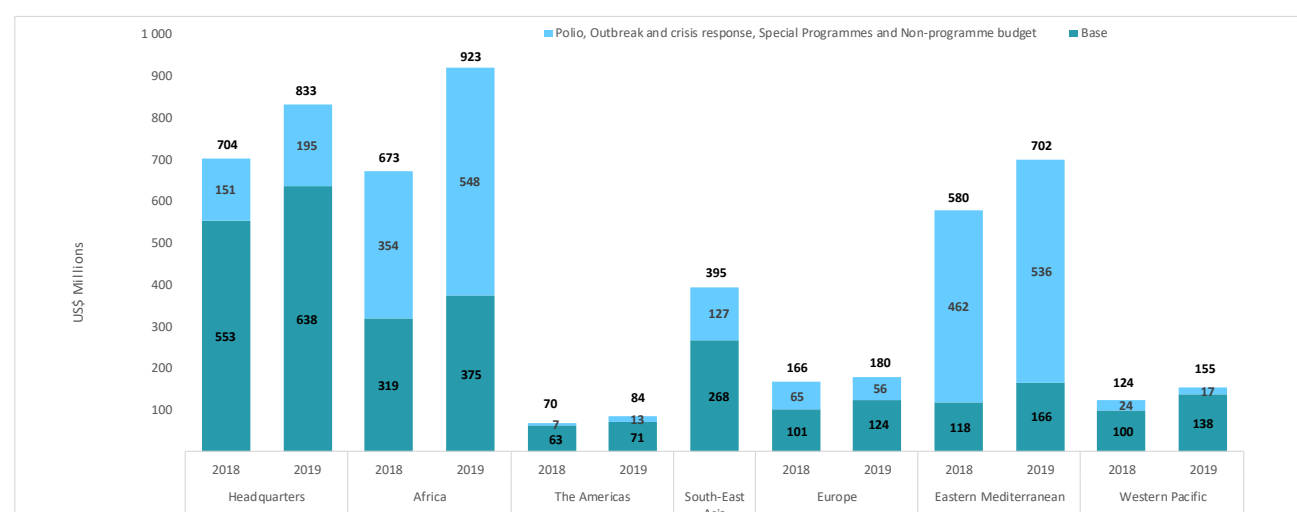
Fig. 6. Expense overview, 2016–2019 (US\$ million)

16. Total expenditure increased from 2018 to 2019 (see Fig. 6 and Statement V of the financial statements). The largest increase was under the Outbreak and crisis response programme, for which expenditure increased by 76%, from US \$ 419 million in 2018 to US\$ 739 million in 2019.

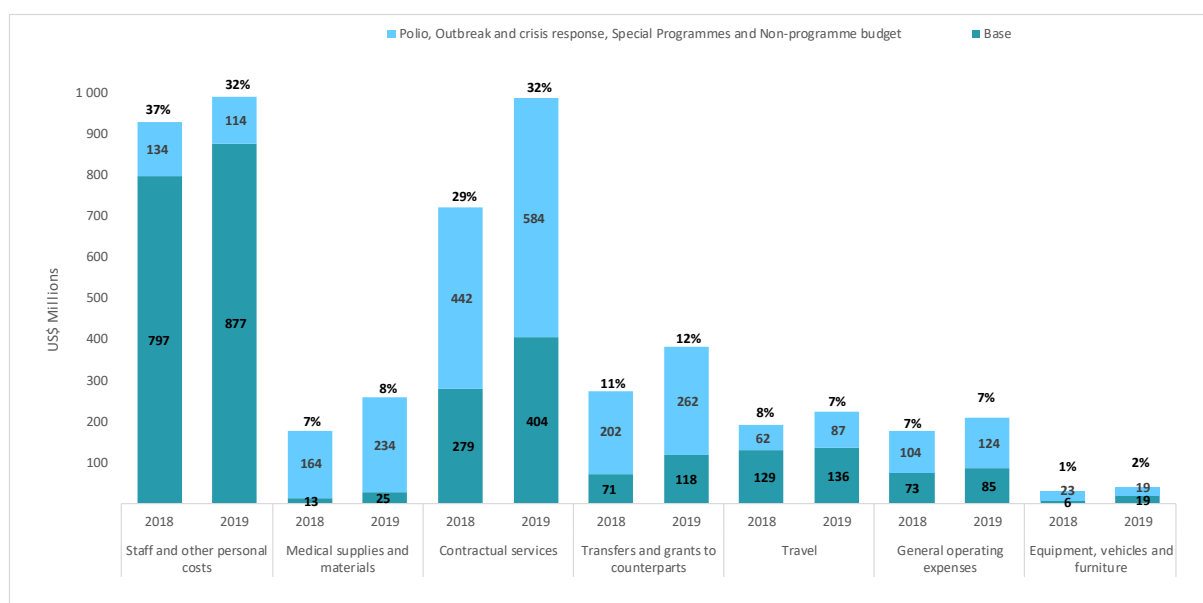
17. The proportion of Programme budget expenses incurred by organizational level are shown in Fig. 7. In 2019, 58% of programme budget expenditures were incurred in country offices, 14% in regional offices and 28% at headquarters, compared with 56%, 15% and 29%, respectively, in 2018.

Fig. 7. Programme budget expenses by organization level, 2018 and 2019 (%)

18. The total expenses incurred by each major office are shown in Fig. 8. Expenses increased in 2019 compared with 2018 in all major offices, with the African Region showing the largest increase. The main drivers behind this large increase (24%) were the support provided to tackle emergencies in both the African and Eastern Mediterranean regions. In particular, the 37% increase in the African Region was mainly due to the Ebola emergency response in the Democratic Republic of the Congo, while the 21% increase in the Eastern Mediterranean Region was mainly due to the emergencies in the Syrian Arab Republic and Yemen. Fig. 8 summarizes expenditure by major office, including a split of expenses between base programme and all other activities.

Fig. 8. Total expenses by major office, 2018 and 2019 (US\$ million)

19. Fig. 9 indicates expenses, by expense type, for 2019 and 2018, including a split of expenses between base programme and all other activities.

Fig. 9. Total expenses by expense type, 2018 and 2019 (US\$ million)

20. Staff and other personnel costs were the largest category of expenses and represented the total cost of employing staff, including charges for base salary, post adjustment and any other types of entitlements paid by the Organization (e.g. pensions and insurance).

21. During 2019, total staff and other personnel costs increased by US\$ 60 million; however, staff costs as a proportion of total expenses decreased, at 32% of total expenses in 2019 compared with 37% in 2018. The increase in staff costs was mainly due to the increased number of staff at both headquarters and the regional and country offices, largely linked to the strengthening of the Organization's capacity under the WHO Health Emergencies Programme and the scaling-up of sustainable universal health coverage efforts. The increase in the post adjustment multiplier for Geneva staff, retrospectively, in accordance with the ILO Administrative Tribunal judgement, also contributed to increased staff costs at headquarters in 2019.

22. Contractual services were the second-largest category of expenses, accounting for 32% of total expenses in 2019 (29% in 2018), representing the cost of contracts entered into with experts and service providers who support the Organization in achieving its planned objectives. The main components are contractual services with individuals and institutions (agreements for performance of work, consultants and research contracts) and direct implementation (where WHO itself manages the implementation of country-level public health activities, such as vaccination campaigns, in collaboration with Member State governments). Table 2 provides a breakdown of the expenses included in contractual services.

Table 2. Contractual services, by type, 2018 and 2019 (US\$ million)

Description	31 December 2019	31 December 2018
	US\$ millions	
Direct implementation	301	265
Contractual services	583	378
Special service agreements	77	57
Security, training and other costs	28	22
Total contractual services	988	721

23. The increased expenses in 2019 in contractual services compared with 2018 were mainly due to the increase in activities to support emergency responses in the African and Eastern Mediterranean regions and for

polio eradication activities, primarily under agreements for performance of work. Regarding direct implementation, 98% of those expenses were incurred in the African and Eastern Mediterranean regions and 41% were incurred for polio eradication campaigns.

24. Transfers and grants to counterparts represented 12% of total expenses in 2019 (11% in 2018) and were highest in the African and the Eastern Mediterranean regions. Most of the expenses recorded for transfers and grants to counterparts were related to direct financial cooperation (DFC) arrangements, which are signed with national counterparts (health ministries and other governmental institutions) to perform activities, such as large country-level vaccination campaigns, in line with the Programme budget. Expenses are recognized at the time of transfer of funds to the contractual partner. In 2019, about 49% of DFC expenses were related to base programmes, while 33% were related to Global Polio Eradication Initiative activities. In addition to DFC expenses and representing a close second in terms of expenditure in this category, are WHO grants to implementing partners such as nongovernmental organizations. Many of these grants pertain to collaborative arrangements with nongovernmental organizations in countries under emergencies, where country-level implementation is carried out by partners due to challenges in obtaining access for WHO in security-compromised areas. The third important segment of this expenditure category concerns equipment purchased for third parties, whereby WHO procures equipment directly for Member States.

25. The risk of the misuse of funds granted to third parties (DFC, grants) that could lead to financial loss or reputational damage has been included in the WHO principal risks register in order to enable the mitigation of this identified risk to be regularly monitored. The number of overdue DFC reports remained at the very low level of 1% of issued DFCs throughout 2019. Assurance activities during and after implementation were enhanced and increased during 2019 so that funds awarded to WHO partners through DFC and grants can be implemented as planned and reported on promptly and adequately.

26. General operating expenses represent the operational running and maintenance costs of WHO offices and programmes, including office rental, utilities and other office running costs. These are incurred mainly at the local level and represented 7% of total expenses in 2019 (7% in 2018). General operating expenses are highest in the African Region owing to the number of large country offices and important programmes in that region.

27. Travel expenses made up 7% of the Organization's total expenses in 2019 (8% in 2018). Travel expenses include airfare, per diem and other travel-related costs for staff and non-staff. Staff travel made up 41% of travel costs in 2019 (44% in 2018), while travel by non-staff such as consultants, participants in meetings and advisers (delegates of Member States and other non-Secretariat personnel) made up 59%.

28. The absolute cost of travel increased by 16% compared with 2018, primarily due to a 20% increase in the number of trips undertaken during the year, mainly by non-staff such as consultants and non-staff meeting participants. The increase in travel undertaken by consultants primarily involved emergency settings, such as travel to service the Ebola response in the Democratic Republic of Congo. These expenses were incurred at both headquarters and in the African Region, which made up 42% and 32%, respectively, of all travel expenses in 2019.

29. As a result of various cost reduction initiatives (restrictions on usage of business class, advance purchase of tickets, etc.), the average trip cost decreased by 4% compared with 2018. Similarly, the average ticket price decreased by 5% in 2019 compared with 2018, mainly because more economy class tickets were purchased.

30. Expenses for medical supplies and materials relate primarily to the medical supplies purchased and distributed by the Organization for programme implementation. They accounted for 8% of total expenses in 2019 (7% in 2018). The relatively large increase in medical supplies reflected the need for emergency medical supplies for the Syrian Arab Republic and Yemen in the Eastern Mediterranean Region, as well as, to a lesser degree, the response to the Ebola outbreak in the Democratic Republic of the Congo in the African Region.

31. Equipment, vehicles and furniture represented 1% of WHO's total expenses in 2019 (1% in 2018). Although the proportion of expenses in this category is low, there was an absolute increase in expenses mainly due to increased activities related to emergencies in the African and Eastern Mediterranean regions.

FINANCIAL POSITION

ASSETS

Liquidity and investment management

32. The total amounts of cash, cash equivalents and investments at the end of 2019 and 2018 are summarized in Table 3.

Table 3. Cash, cash equivalents and investments, 2018 and 2019 (US\$ million)

Description	Total 2019	Total 2018
Cash and cash equivalents	329	243
Short-term investments	3266	3303
Long-term investments	131	121
Total cash, cash equivalents, and investments	3726	3667
Less: cash, cash equivalents and investments held on behalf of other entities ¹	889	924
WHO cash, cash equivalents and investments	2837	2743

33. Investments are placed with a wide range of financial counterparties, whose credit risk is minimized by applying minimum credit quality requirements and maximum investment exposure limits, both by the counterparty and by groups of related counterparties. These terms are set out in agreed investment mandates.

34. Investments are primarily made on a short-term basis in order to ensure that cash is available for programmatic needs. Funds are invested in conservative investment mandates with the primary goal of capital preservation. The return on the funds invested slightly outperformed the benchmark return. Some funds for longer-term liabilities have been invested in securities, in accordance with the recommendations of the Advisory Investment Committee. The figures provided in note 4.2 of the financial statements exclude long-term investment portfolios managed for the Staff Health Insurance Fund, which are reported separately. Finance revenue in the Statement of Financial Performance (Statement II) includes savings of US\$ 5.8 million from centralized foreign exchange purchasing of US\$ 460 million in 44 currencies.

35. The Organization receives contributions and makes payments in currencies other than the United States dollar and is exposed to foreign exchange currency risk arising from fluctuations in currency exchange rates. Translation into United States dollars of transactions expressed in other currencies is done at prevailing United Nations operational rates of exchange on the date of transaction. Assets and liabilities that are denominated in foreign currencies are translated at prevailing United Nations operational rates of exchange at the end of each month. Forward foreign exchange contracts are transacted in order to hedge non-United States dollar currency exposures and to manage short-term cash flows. These currency risk management measures have been effective in protecting the Organization's current budget from short-term volatility in exchange rates. Realized and unrealized gains and losses resulting from the settlement and revaluation of foreign currency transactions are recognized in the Statement of Financial Performance.

Accounts receivable

36. The balance of accounts receivable includes amounts due from Member States for assessed contributions, amounts due from Member States and other contributors for voluntary contributions and other receivables. For assessed contributions, the total amount due at 31 December 2019 amounted to US\$ 237 million and included US\$ 29 million of rescheduled arrears (US\$ 153 million at 31 December 2018, including US\$ 20 million of rescheduled arrears). Further information on the assessed contributions due is provided in document A73/26.

¹ Cash held on behalf of hosted entities (UNAIDS, UNITAID, ICC and SHI).

37. For voluntary contributions, the total amount of accounts receivable was US\$ 1340 million (US\$ 1200 million at the end of 2018). The slight increase in total accounts receivable is commensurate with the increase in revenue, with accounts receivable representing approximately 50% of the value of revenue for both 2019 and 2018.

38. The non-current accounts receivable amount and deferred revenue represents funds due more than one year in the future (i.e. in 2021 and beyond). Overall, the non-current accounts receivable amount increased from US\$ 206 million at the end of 2018 to US\$ 385 million at the end of 2019. This amount is supported by signed agreements from 64 contributors, with payment terms that specify when the amounts will be paid to WHO. As these future receivables and deferred revenue amounts become due for payment, the amounts are transferred to current period revenue. Full details of all voluntary contributions, including accounts receivable, by contributors are provided in the Annex to the Financial Report.¹

Inventory

39. The WHO inventory consists of medicines, vaccines, humanitarian supplies and publications. These are recorded as current assets until sold or distributed or until the expiration of their useful life. During 2019, the Organization held inventory in over 90 warehouse locations in 34 countries.

40. As at 31 December 2019, the Organization held inventory valued at US\$ 59.2 million (US\$ 37.5 million at 31 December 2018), an increase of US\$ 21.7 million or 37% compared to 2018. In addition, shipments in 2019 grew by 81% compared to 2018, mainly to support emergency response efforts. In order to provide support to all regions, the emergency stockpile held in the Dubai hub increased from US\$ 6.8 million to US\$ 21.9 million.

Property, plant and equipment

41. Property, plant and equipment includes land, buildings, furniture, fixtures and fittings, information technology equipment and vehicles owned by the Organization.

42. As at 31 December 2019, the total value of property, plant and equipment (net of accumulated depreciation) was US\$ 180 million (US\$ 124.7 million as at 31 December 2018). The composition of property, plant and equipment is provided in Table 4.

Table 4. Summary of property, plant and equipment, 2018 and 2019

Description	2019	2018
	US\$ thousands	
Land and building	161 763	108 143
Vehicle and transport system	14 173	12 848
Computer and communications system	2 690	2 741
Machinery and specialized equipment	1 373	903
Furniture	76	66
Total	180 075	124 701

43. The owned land and building represents 90% of total property, plant and equipment. The increase between 2018 and 2019 is due to the ongoing construction of the new headquarters building. In addition to owned land and buildings, the Organization also rents office space and benefits from office space provided at no cost by host countries. Table 5 summarizes all premises occupied by the Organization.

¹ Document A73/INF/3, the Annex to the Financial Report is also available at: <http://www.who.int/about/finances-accountability/funding/voluntary-contributions/en/>.

Table 5. Summary of premises occupied by the Organization

Region	Owned	Rented	Rent-free office space
Africa	3	49	58
South-East Asia		68	309
Europe		23	24
Eastern Mediterranean	6	32	21
Western Pacific	2	5	11
Headquarters	1	1	4
Total	12	178	427

44. Vehicles represent 8% of total owned assets. The Organization commenced a major fleet renewal and safety programme, involving the replacement of less efficient vehicles with safer, more economic alternatives. It is expected that this will lead to a reduction in operating costs and a reduced impact on the environment. The introduction of tracking devices and driver training is expected to increase safety and reduce road traffic accidents involving WHO vehicles.

LIABILITIES

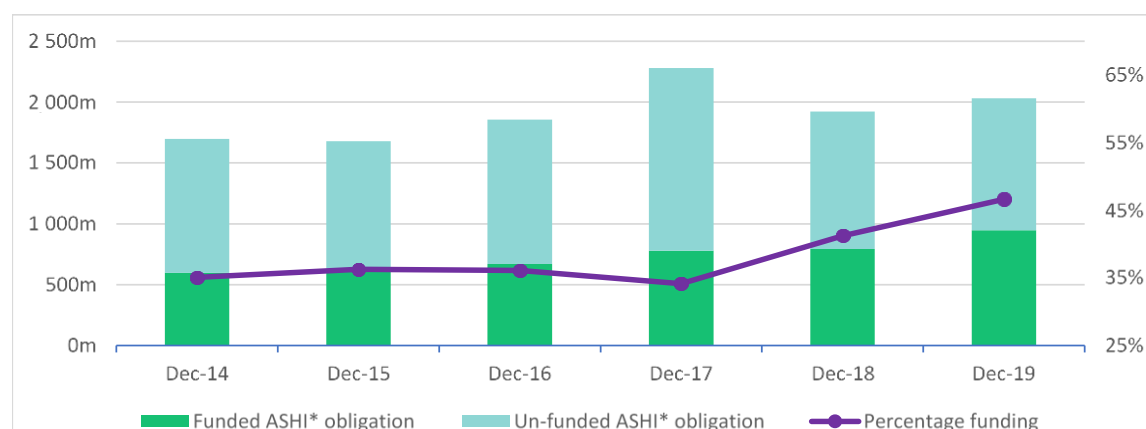
Staff liabilities

45. Based on the latest actuarial projections, the total amount required to settle current liabilities for staff entitlements was US\$ 55 million. A further US\$ 1194 million has been estimated for future non-current staff liabilities (giving a total of US\$ 1249 million). These liabilities cover the expected costs for accrued annual leave, accrued repatriation grant, travel, removal and current and future health care scheme costs.

46. The Staff Health Insurance liability is the largest component of the staff liabilities. The Staff Health Insurance scheme provides medical reimbursements for serving and retired staff members and their dependants and covers more than 40 000 participants, as well as other entities, namely the Pan-American Health Organization (PAHO), UNAIDS, UNITAID, IARC and ICC. It is subject to strict rules and limits. The Staff Health Insurance fund prepares a separate financial report and is subject to an external audit.¹

47. The 31 December 2019 actuarial valuation of the future liability of Staff Health Insurance was estimated at US\$ 2031 million, of which US\$ 947 million (or 47%) is funded. The funded percentage improved by 6% from the 2018 valuation, of which US\$ 792 million (or 41%) was funded. Fig. 10 shows the funded liability from 2014 to 2019, with an improvement from 35% in 2014 to 47% in 2019.

¹ The Staff Health Insurance Fund report is available at https://www.who.int/about/finances-accountability/reports/SHI_Annual_Report_2019.pdf?ua=1.

Fig. 10. Staff Health Insurance liability funding status, 2014–2019

*ASHI – After service health insurance

48. The actuarial valuation is based on a number of estimates, including the future health care cost projections of claims for staff and retired staff, the discount rate and several other socioeconomic assumptions. The latest actuarial assessment projected that the plan will reach full funding by 2035, an improvement of eight years over the last projection of full funding by 2043. This improvement in funding is mainly due to cost-containment measures put in place by the Secretariat that have performed better than market trends. In addition, contributions to the Staff Health Insurance fund exceeded claims and administrative expenses and there was a favourable increase in the market value of Staff Health Insurance assets, mainly due to favourable equity market performance.

NET ASSETS/EQUITY

49. The Statement of Changes in Net Assets/Equity (Statement III) and the related notes provide information on fund balances as at 31 December 2019, the movement of these balances during 2019 and the balance from 31 December 2018. The total net assets/equity (carry forward) as at 31 December 2019 was US\$ 2136 million (US\$ 2037 million as at 31 December 2018).

50. Net assets/equity under the General Fund was US\$ 2683 million, a slight decrease compared with the closing balance in 2018 of US\$ 2703 million. These funds represent contribution agreements recorded and not yet spent. Of the net assets/equity balance within voluntary funds, 90% of the funds are specified (see note 6.1.b of the financial statements).

51. The negative balance in the net assets/equity attributable to “Member States – other” of US\$ 606 million (as at 31 December 2018, US\$ 725 million) arises primarily from the unfunded liabilities for Staff Health Insurance (see paragraphs 45 to 48 above).

CONCLUSION

52. 2019 was a year of growth and consolidation, in which we witnessed the highest level of revenue and expenditure in the Organization’s history. On the operational side, the Organization was able to respond to an increase in the number and complexity of emergencies. There was greater focus on delivering at country level, with 58% of the programme budget spent directly in countries. This report precedes the pandemic of coronavirus disease (COVID-19) and at the time of signing, the pandemic is still spreading and has had a major impact on our lives and national health systems. The pandemic will undoubtedly have financial implications for the Organization in 2020. However, at this stage it is difficult to assess its full impact on our operations. WHO is actively working with national governments and partners in managing the pandemic, which is highlighting the importance of WHO’s leadership role in global health.

Dr Tedros Adhanom Ghebreyesus
Director-General

2019 Statement of Internal Control

Scope of responsibility

As Director-General of the World Health Organization, I am accountable to the World Health Assembly for the administration of the Organization and the implementation of its programmes. Under Financial Regulations I and XII, I am accountable for maintaining a sound system of internal control, including internal audit and investigation, to ensure the effective and efficient use of the Organization's resources and the safeguarding of its assets. Pursuant to Financial Regulation I, I have delegated authority and accountability to the Regional Directors, Deputy Directors-General, Assistant Directors-General, Directors, WHO Heads of Country Offices and other relevant staff. Every individual in the Organization has, to varying degrees of responsibility, a role to play in internal control.

Purpose of internal control

Internal control is designed to reduce and manage, rather than eliminate the risk of failure to achieve the Organization's aims, objectives and related policies. It therefore provides reasonable but not absolute assurance of effectiveness. It is an ongoing process designed to identify the principal risks, evaluate the nature and extent of those risks, and manage them efficiently, effectively and economically.

Internal control is a key role of management and an integral part of the overall process of managing operations. As such, WHO management at all levels has the responsibility to:

- establish an environment and culture that promotes effective internal control;
- identify and assess risks that may affect the achievement of objectives, including the risk of fraud and corruption;
- specify and implement policies, plans, operating standards, procedures, systems and other control activities to manage the risks associated with any exposure identified;
- ensure an effective flow of information and communication so that all WHO personnel have the information they need to fulfil their responsibilities; and
- monitor the effectiveness of internal control.

From an operational perspective, WHO's internal control system operates continually at all levels of the Organization through internal control processes to ensure the above objectives.

This is WHO's fourth statement of internal control and applies for the year ended 31 December 2019, up to the date of the approval of the Organization's 2019 financial statements.

WHO's operating environment

WHO operates in more than 150 countries, sometimes in very challenging environments, and is therefore exposed to situations with a high level of inherent risk, including for the security of employees and its ability to maintain high standards of internal control. The security situation in each country in which WHO (and the United Nations in general) operates is closely monitored, and strategic decisions are taken where necessary to adapt WHO's operations and to manage and mitigate the risk exposure of its personnel. All risks at budget centre level are captured in a formal risk register, which is subject to regular review by managers and advanced to more senior levels for attention, as required.

The Internal Control Framework and risk management

The WHO Accountability Framework, along with the corporate risk management policy and the WHO Internal Control Framework, are critical systems and structures to ensure that the Organization fulfils its mandate and achieves its objectives. Well-grounded risk management and internal control policies, systems and processes

help to better understand the risks that the Organization is exposed to, ensure that appropriate accountabilities and controls are in place to address those risks, and effectively pursue the Organization's operations.

For the fifth year, WHO has used internal control self-assessment checklists, completed by each of the Organization's budget centres, as a key tool to assess the status and effectiveness of its internal controls and raise awareness of the importance of internal control issues.

The WHO corporate risk management policy firmly embeds risk management in WHO's strategic and operational planning and budgeting cycles, as well as in the accountability and internal control frameworks. The key objective is to ensure that all of the risks inherent to the Organization's operations are fully understood, and the appropriate strategy chosen to manage them. The Organization continues to increase staff awareness in risk management and build related capacity, including in operations to respond to health emergencies.

During 2019, budget centres have continued to identify risks related to their objectives, evaluate those risks according to likely impact and probability, and develop response plans to deal with them. This bottom-up risk management process is complemented by a top-down phase of validation and escalation. At the global level, the biggest challenges that WHO encounters in achieving its mandate are reflected in a corporate level risk register ("WHO Principal Risks"), which is discussed and reviewed by the Global Policy Group. An annual risk report is subsequently presented to Member States through the Executive Board.

As the Director-General of the Organization, I have the ultimate responsibility for assessing the risks associated with the implementation of programmes and projects and the overall operations of the Organization. I am assisted in this task by the Regional Directors and the WHO Risk Committee, led by the Director-General's Chef de Cabinet and the Assistant Director-General for Business Operations. The Committee plays a key role in ensuring that the most critical risks are identified and addressed in an efficient manner. Furthermore, I am supported by the Office of Compliance, Risk Management and Ethics, which facilitates and guides the Organization-wide risk management process. At the same time, as highlighted in the WHO corporate risk management policy, every WHO staff member has the responsibility to identify risks at his or her own level of work.

Review of the effectiveness of internal controls

My review of the effectiveness of WHO's system of internal control is based on the following.

- (a) An annual "letter of representation". This is reviewed and approved by all Regional Directors, Deputy Directors-General and Assistant Directors-General, and confirms the importance of ensuring that adequate internal controls are in place, along with other assurances. All issues raised in the letter of representation feed into the annual audit and financial statements.
- (b) The internal control self-assessment checklist. This is completed and submitted by all budget centre managers, including all WHO Representatives. The checklist is used by each budget centre manager to review all key controls and rate compliance. The 2019 self-assessment exercise deemed internal controls to be strong overall, with some slight improvements over the past four years. Across the Organization, the most significant room for improvement has been identified in the areas of risk management and emergencies. Respondents identified for risk management a need to improve monitoring of risk responses and for emergencies a need to an increased awareness and training on emergency procedures, in particular on staff deployments and emergency standard operating procedures.
- (c) Reports issued by the Office of Internal Oversight. The internal audit reports, conducted under the 2019 audit workplan, provide objective information on compliance and control effectiveness, together with recommendations for improvement. Critical findings from these reports are summarized in the Annual Report of the Internal Auditor to the Health Assembly. Individual audit reports are available for review by Member States on request.

(d) Reports issued by the WHO External Auditor. The external audit provides independent oversight and reporting on WHO's compliance with financial rules and regulations. The Republic of the Philippines Commission on Audit presents an update of its work and key findings to the governing bodies. A review of three hosted partnerships and the emergency programme was a key aspect of the 2019 external audit. For further information, see the report of the External Auditor to the Seventy-third World Health Assembly (document A73/27).

(e) The work of the Independent Expert Oversight Advisory Committee. The Committee reviews all audit reports, risk reports, and financial reports, as well as other information relevant to the overall control framework. The Committee's reports are presented to the Programme Budget and Administration Committee and to the Executive Board, which identifies areas for potential improvement and advises how to address weaknesses with regard to risk management, and financial and internal control matters.

Significant risk issues noted

After each WHO budget centre completed the risk register in 2019, the consolidated findings were reviewed by the Office of Compliance, Risk Management and Ethics and presented to the WHO Risk Committee. Having reviewed the findings, I have concluded that the most critical risks¹ currently facing the Organization are as summarized in the table below.

Risk	Examples of ongoing and planned risk response actions
Financing, resource mobilization	<ol style="list-style-type: none"> 1. Implementation of a resource mobilization strategy targeting (i) established government partners; (ii) philanthropic partners; (iii) funds, international development banks and multilaterals; and (iv) innovative financing and revenue producing activities. 2. Transformation of the resource mobilization, communications and partnerships functions as part of an integrated external relations function. 3. Targeting effective and timely implementation of funds according to donor agreements.
Preparedness for, and response to, major health emergencies	<ol style="list-style-type: none"> 1. Targeted resource mobilization efforts for the emergency programme and strengthening of the Contingency Fund for Emergencies donor base with allocation of additional flexible resources to the programme. Development of agreements with new partners. 2. Implementation of the new surge policy, deployments from the emergency roster and continuous implementation of standard operating procedures for emergencies. 3. Development of an operational toolkit and training of WHO staff organization-wide to build a sufficient roster of qualified staff for deployment. 4. Strengthening of national and international capacities to deploy and deliver critical functions.
Polio eradication and transition	<ol style="list-style-type: none"> 1. Cost-share outbreak response with affected countries in line with Executive Board decision EB146(11) (2020). 2. Close oversight of the polio transition process through a high-level, agency-wide global steering committee and complementary regional committees. 3. Implementation of targeted approaches to manage the risk of vaccine-derived poliovirus outbreaks.

¹ A more detailed list can be found at: https://www.who.int/about/finances-accountability/accountability/WHO_Principal_Risks.pdf?ua=1 (accessed 18 March 2020).

Risk	Examples of ongoing and planned risk response actions
Misconduct in the Organization	<p>Ensure appropriately resourced mechanisms for:</p> <ol style="list-style-type: none"> 1. <u>Prevention</u>: enhanced initiatives to increase staff awareness, training in high-risk areas (such as ethics, fraud and financial risks in country offices); strict enforcement of relevant policies and the Code of Ethics and Professional Conduct; mandatory ethics training, including sexual abuse and exploitation and sexual harassment; rapid resolution of audit recommendations. 2. <u>Detection</u>: enhanced assurance mechanisms to monitor partners' activities; enhanced integrated system controls (Global Management System) and exception reporting; integrity hotline and other channels for seeking advice or reporting ethical concerns. 3. <u>Response</u>: enhanced investigation capacity; proactive and rapid action in case of fraud/corruption/misconduct.
Organizational change (transformation)	<ol style="list-style-type: none"> 1. Ensure continuous leadership engagement. 2. Embed/implement a robust change management strategy to support transformation implementation and ensure timely monitoring and evaluation of the change process. 3. Ensure continuous and meaningful stakeholder engagement (including with end-users) throughout.
Major security incident affecting staff or compromising operations	<ol style="list-style-type: none"> 1. Continuous development and update of business continuity plans with simulation exercises. 2. Development of a sustainable funding mechanism for security preparedness and response measures in programmes and development of a security risk management measures strategy, operational plan and monitoring framework. 3. Implementation of the data protection policy, with appropriate governance mechanisms and staff awareness and training programmes.
Insufficient funding for the estimated amount of after-service health insurance (ASHI) costs	<ol style="list-style-type: none"> 1. Continuous cost containment and efficiency measures (through Staff Health Insurance governance). 2. Review of contribution levels (through SHI governance). 3. Review necessary level of funding for the future liability.

Each of the above risks has been discussed by the WHO Risk Committee, as well as with the relevant risk owners, to ensure that appropriate action is taken to address these risks.

Statement

Internal control, while operating effectively and no matter how well designed, has inherent limitations, including the possibility of circumvention. It can therefore, provide only reasonable assurance. Furthermore, because of changes of conditions, the effectiveness of internal control may vary over time.

I am committed to addressing any weaknesses in internal controls that may be noted during the year and brought to my attention.

Based on the above, I conclude that, to the best of my knowledge and information, there are no material weaknesses that would prevent the external auditor from providing an unqualified opinion on the Organization's financial statements, nor are there other significant matters arising that would need to be raised in the present document for the year ended 31 December 2019 and up to the date of approval of the financial statements.



Dr Tedros Adhanom Ghebreyesus
Director-General
Geneva, 6 April 2020

Certification of financial statements for the year ended 31 December 2019

According to Financial Regulation XIII – Accounts and Financial Statements, the financial report for the World Health Organization for 31 December 2019 has been prepared in compliance with International Public Sector Accounting Standards (IPSAS) and the Financial Regulations of the World Health Organization and its Financial Rules. The financial statements for the year ended 31 December 2019, together with the notes to the statements and supporting schedules, have been reviewed and are approved.



Jane Margaret Stewart Pappas
Comptroller a.i.



Dr Tedros Adhanom Ghebreyesus
Director-General

Geneva, 6 April 2020

Letter of transmittal



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

LETTER OF TRANSMITTAL

6 April 2020

Dear Sir/Madam,

I have the honour to present to the Seventy-third World Health Assembly, the External Auditor's report and opinion on the financial statements of the World Health Organization for the financial year ended 31 December 2019.

I record my appreciation to the World Health Assembly for the honor and privilege to serve as External Auditor of WHO from 2012 to 2019.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Michael G. Aguinaldo", written over a horizontal line.

Michael G. Aguinaldo
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

The President of the Seventy-third World Health Assembly
World Health Organization
Geneva, Switzerland



Opinion of the External Auditor

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

6 April 2020

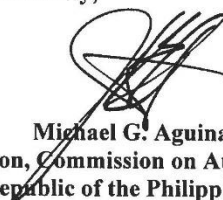
Dear Dr. Ghebreyesus,

**REPORT OF THE EXTERNAL AUDITOR
TO THE SEVENTY-THIRD WORLD HEALTH ASSEMBLY ON THE
FINANCIAL OPERATIONS OF THE WORLD HEALTH ORGANIZATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

I have the honour to present to you the above report which may kindly be transmitted to the Seventy-third World Health Assembly. All matters contained in the report have been communicated to the appropriate staff and management of the Organization.

I express my appreciation for the cooperation and assistance that I have received in the performance of my audit mandate from 2012 to 2019.

Yours sincerely,


Michael G. Aguinaldo
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

Dr. Tedros Adhanom Ghebreyesus
Director-General
World Health Organization
20, Avenue Appia
CH -1211
Geneva 27, Switzerland





Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

To the World Health Assembly

Opinion

We have audited the financial statements of the World Health Organization (WHO), which comprise the statement of financial position as at 31 December 2019, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flow, and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the WHO as at 31 December 2019, and its financial performance, changes in net assets/equity, cash flow, and comparison of budget and actual amounts for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the WHO in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the WHO **Audited Financial Statements for 2019**, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be

materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the WHO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the WHO or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the WHO's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the WHO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the WHO's

ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.


- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Further, in our opinion, the transactions of the WHO that have come to our notice or which we have tested as part of our audit have, in all significant respects, been in accordance with the WHO Financial Regulations.

In accordance with Regulation XIV of the WHO Financial Regulations, we have also issued a long-form report on our audit of the WHO.


Michael G. Aguinaldo
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

Quezon City, Philippines
6 April 2020



Financial statements

World Health Organization

Statement I. Statement of Financial Position

As at 31 December 2019

(In thousands of US dollars)

Description	Notes	31 December 2019	31 December 2018
Current assets			
Cash and cash equivalents	4.1	328 696	243 007
Short-term investments	4.2	3 259 451	3 303 322
Receivables – current	4.3	1 160 754	1 107 179
Staff receivables	4.4	12 834	13 056
Inventories	4.5	59 185	37 473
Prepayments and deposits	4.6	55 874	30 690
Total current assets		4 876 794	4 734 727
Non-current assets			
Receivables – non-current	4.3	385 107	206 258
Long-term investments	4.2	130 556	120 525
Property, plant and equipment	4.7	180 075	124 701
Intangibles	4.8	2 231	3 189
Total non-current assets		697 969	454 673
TOTAL ASSETS		5 574 763	5 189 400
LIABILITIES			
Current liabilities			
Contributions received in advance	4.9	71 274	86 654
Accounts payable	4.10	62 326	44 490
Staff payable	4.11	1 132	1 333
Accrued staff benefits – current	4.12	55 199	52 386
Deferred revenue – current	4.13	368 486	376 590
Financial liabilities	4.2	179 837	101 411
Other current liabilities	4.14	100 746	75 226
Inter-entity liabilities	4.15	889 192	923 945
Long-term borrowings – current	4.16	613	606
Total current liabilities		1 728 805	1 662 641
Non-current liabilities			
Long-term borrowings – non-current	4.16	125 131	73 335
Accrued staff benefits – non-current	4.12	1 194 424	1 207 151
Deferred revenue – non-current	4.13	385 107	206 258
Other liabilities – non-current	4.17	4 806	2 306
Total non-current liabilities		1 709 468	1 489 050
TOTAL LIABILITIES		3 438 273	3 151 691
NET ASSETS/EQUITY			
General Fund	6.1	2 683 439	2 703 421
Member States – other	6.2	(606 303)	(725 575)
Fiduciary funds	6.3	59 354	59 863
TOTAL NET ASSETS/EQUITY		2 136 490	2 037 709
TOTAL LIABILITIES AND NET ASSETS/EQUITY		5 574 763	5 189 400

The section on significant accounting policies and the accompanying notes form part of the financial statements.

World Health Organization

Statement II. Statement of Financial Performance

For the year ended 31 December 2019

(In thousands of US dollars)

Description	Notes	31 December 2019	31 December 2018
REVENUE	5.1		
Assessed contributions		490 294	500 752
Voluntary contributions		2 491 819	2 290 914
Voluntary contributions in-kind and in-service		89 969	62 496
Other revenue		44 041	47 221
Total revenue		3 116 123	2 901 383
EXPENSES	5.2		
Staff costs		990 606	931 218
Medical supplies and materials		259 385	176 686
Contractual services		988 322	721 305
Transfers and grants		380 665	272 396
Travel		222 369	191 690
General operating expenses		209 027	177 536
Equipment, vehicles and furniture		26 327	15 486
Depreciation and amortization		11 100	13 533
Total expenses		3 087 801	2 499 850
Finance revenue	5.3	61 616	40 486
TOTAL SURPLUS FOR THE YEAR		89 938	442 019

The section on significant accounting policies and the accompanying notes form part of the financial statements.

World Health Organization

Statement III. Statement of Changes in Net Assets/Equity

For the year ended 31 December 2019

(In thousands of US dollars)

Description	Notes	31 December 2019	Other adjustments (refer to note 4.12)	Surplus/(deficit)	31 December 2018
General Fund	6.1	2 683 439		(19 982)	2 703 421
Member States – other	6.2	(606 303)	8 843	110 429	(725 575)
Fiduciary Fund	6.3	59 354		(509)	59 863
TOTAL NET ASSETS/EQUITY		2 136 490	8 843	89 938	2 037 709

The section on significant accounting policies and the accompanying notes form part of the financial statements.

World Health Organization

Statement IV. Statement of Cash Flow

For the year ended 31 December 2019

(In thousands of US dollars)

Description	31 December 2019	31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
TOTAL DEFICIT/SURPLUS FOR THE YEAR	89 938	442 019
Depreciation and amortization	11 100	13 533
Unrealized (gains)/losses on investments	(28 613)	10 768
Unrealized (gains)/losses on revaluation of long-term borrowings	1 778	(157)
(Increase)/decrease in receivables – current	(53 575)	107 231
(Increase)/decrease in staff receivables	222	(2 952)
(Increase)/decrease in inventories	(21 712)	6 168
(Increase)/decrease in prepayments and deposits	(25 184)	(10 378)
(Increase)/decrease in receivables – non-current	(178 849)	30 345
Increase/(decrease) in contributions received in advance	(15 380)	(20 666)
Increase/(decrease) in accounts payable	17 836	(21 172)
Increase/(decrease) in staff payable	(201)	(1 006)
Increase/(decrease) in accrued staff benefits – current	2 813	2 328
Increase/(decrease) in deferred revenue – current	(8 104)	(54 730)
Increase/(decrease) in other current liabilities	25 520	(25 916)
Increase/(decrease) in inter-entity liabilities	(34 753)	(24 346)
Increase/(decrease) in accrued staff benefits – non-current	(3 884)	(7 005)
Increase/(decrease) in deferred revenue – non-current	178 849	(30 345)
Increase/(decrease) in other liabilities – non-current	2 500	1 502
Net cash flows from operating activities	(39 699)	415 221
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/decrease in short-term investments	71 955	(730 336)
(Increase)/decrease in long-term investments	(115)	(107)
Increase/(decrease) in financial liabilities	69 039	21 165
(Increase)/decrease in property, plant and equipment	(65 515)	(33 780)
(Increase)/decrease in intangibles	(1)	(291)
Net cash flows from investing activities	75 363	(743 349)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in long-term borrowings – current	7	(5)
Increase/(decrease) in long-term borrowings – non-current	50 018	30 488
Net cash flows from financing activities	50 025	30 483
Net increase/(decrease) in cash and cash equivalents	85 689	(297 645)
Cash and cash equivalents at beginning of the year	243 007	540 652
Cash and cash equivalents at end of the year	328 696	243 007

The section on significant accounting policies and the accompanying notes form part of the financial statements.

World Health Organization

Statement V. Statement of Comparison of Budget and Actual Amounts

For the year ended 31 December 2019

(In thousands of US dollars)

Description	Programme budget 2018–2019	Expenses 2018	Expenses 2019	Total expenses	Difference – Programme budget and expenses	Implementation (%)
Categories						
Communicable diseases	805 400	357 968	442 290	800 258	5 142	99%
Noncommunicable diseases	351 400	115 464	152 829	268 293	83 107	76%
Promoting health through the life course	384 300	133 341	158 709	292 050	92 250	76%
Health systems	589 500	247 642	310 259	557 901	31 599	95%
Emergencies	554 200	193 727	229 671	423 398	130 802	76%
Corporate services/enabling functions	715 500	321 443	369 829	691 272	24 228	97%
Polio, Outbreak and Crisis Response and Special Programmes	1 021 200	922 296	1 358 696	2 280 992	(1259 792) ^a	223%
Total	4 421 500	2 291 881	3 022 283	5 314 164	(892 664)	120%

^a The difference mainly relates to the Outbreak and Crisis Response Programme, which has NIL amount approved in the programme budget.

Basis differences				
Tax Equalization Fund expenses		8 811	6 551	15 362
Special arrangements		19 282	19 634	38 916
Other non-programme budget utilization		4 111	6 723	10 834
Total basis differences		32 204	32 908	65 112
Timing differences				
Programme budget expenses for other periods		85 610	949	86 559
Total timing differences		85 610	949	86 559
Total expenses – General Fund		2 409 695	3 056 140	5 465 835
Entity differences				
Expenses under Common Fund, Enterprise Fund, Special Purpose Fund, and Fiduciary Fund		27 910	(57 117)	(29 207)
In-kind/in-service expenses		62 245	88 778	151 023
Total entity differences		90 155	31 661	121 816
Total expenses as per the Statement of Financial Performance (Statement II)		2 499 850	3 087 801	5 587 651

The section on significant accounting policies and the accompanying notes form part of the financial statements.

1. Notes to the financial statements

Reporting Entity

The World Health Organization is an intergovernmental organization and a specialized agency of the United Nations. In accordance with its Constitution (which came into force on 7 April 1948), WHO acts as the directing and coordinating authority on international health work. The Organization's headquarters are located in Geneva, Switzerland. WHO also has six regional offices and more than 150 country offices.

Non-consolidated entities

WHO provides administrative services to the following non-consolidated entities:

- Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS)
- International Drug Purchase Facility (UNITAID)
- International Agency for Research on Cancer (IARC)
- International Computing Centre (ICC)
- Staff Health Insurance (SHI)

These entities are governed by their own constitutions, bylaws and governance structures. They prepare their own financial statements and undergo separate external audit and certification. WHO has the same voting rights (except in Unitaids) as any other member or partner and transactions with these organizations are at arm's length. Assets and liabilities are owned by the respective organization; in the event of dissolution, the division of all assets and liabilities amongst members and partner organizations shall be agreed by constitution, bylaws and governance structure on the basis of a formula to be defined at that time.

Basis of preparation and presentation

The financial statements of the World Health Organization have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). They have been prepared using the historical cost convention. Investments and loans, however, are recorded at fair value or amortized cost. Where a specific matter is not covered by IPSAS, the appropriate International Financial Reporting Standards (IFRS) have been applied.

These financial statements have been prepared under the assumption that WHO is a going concern, and will meet its mandate for the foreseeable future (IPSAS 1 – Presentation of Financial Statements).

These financial statements and notes are presented in United States dollars and all values are rounded to the nearest thousand, also denoted as US\$ thousands (US\$ 000s).

Functional currency and translation of foreign currencies

Foreign currency transactions are translated into United States dollars at the prevailing United Nations Operational Rates of Exchange, which approximates to the exchange rates at the date of the transactions. The Operational Rates of Exchange are set once a month, and revised mid-month if there are significant exchange rate fluctuations relating to individual currencies.

Assets and liabilities in currencies other than United States dollars are translated into United States dollars at the prevailing United Nations Operational Rates of Exchange year-end closing rate. The resulting gains or losses are accounted for in the Statement of Financial Performance.

The non-United States dollar denominated assets and liabilities in the investment portfolios are translated into United States dollars at the month-end closing rate used by the custodian.

Materiality and the use of judgments and estimates

Materiality¹ is central to WHO's financial statements. The Organization's process for reviewing accounting materiality provides a systematic approach to the identification, analysis, evaluation, endorsement and periodic review of decisions taken involving the materiality of information, spanning a number of accounting areas. The financial statements include amounts based on judgments, estimates and assumptions by management. Changes in estimates are reflected in the period in which they become known.

Financial statements

In accordance with IPSAS 1, a complete set of financial statements has been prepared as follows:

- Statement of Financial Position;
- Statement of Financial Performance;
- Statement of Changes in Net Assets/Equity;
- Statement of Cash Flow;
- Statement of Comparison of Budget and Actual Amounts; and
- Notes to the financial statements, comprising a description of the basis of preparation and presentation of the statements, a summary of significant accounting policies, and other relevant information.

2. Significant accounting policies

2.1 Cash and cash equivalents

Cash and cash equivalents are held at nominal value and comprise cash on hand, cash at banks, collateral deposits, commercial paper, money market funds and short-term bills and notes. All investments that have a maturity of three months or less from the date of acquisition are included as cash and cash equivalents. This includes cash and cash equivalents held in the portfolios managed by external investment managers.

2.2 Investments and financial instruments

Financial instruments are recognized from the date when WHO becomes a party to the contractual provisions of the instrument until the rights to receive cash flows from those assets have expired or have been transferred and the Organization has transferred substantially all the risks and rewards of ownership. Investments are classified as being: (i) financial assets or financial liabilities at fair value through surplus or deficit; (ii) held-to-maturity; or (iii) bank deposits and other receivables. All purchases and sales of investments are recognized on the basis of their trade date.

Financial assets or financial liabilities at fair value through surplus or deficit are financial instruments that meet either of the following conditions: (i) they are held-for-trading; or (ii) they are designated by the entity upon initial recognition at fair value through surplus or deficit.

Financial instruments in this category are measured at fair value and any gains or losses arising from changes in the fair value are accounted for through surplus or deficit and included within the Statement of Financial Performance in the period in which they arise. All derivative instruments, such as swaps, currency forward

¹ Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

contracts or options are classified as held-for-trading except for designated and effective hedging instruments as defined under IPSAS 29 (Financial Instruments: Recognition and Measurement). Financial assets in the externally managed portfolios designated upon initial recognition as at fair value through surplus or deficit are classified as current assets or non-current assets according to the time horizon of the investment objectives of each portfolio. If the time horizon is less than or equal to one year, they are classified as current assets, and if it is more than one year, they are classified as non-current assets. Due to the large number of individual securities within each portfolio, at any given time there may be a minority of securities with a maturity profile that is different from the time horizon of the objectives of that portfolio.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates which WHO has both the intention and the ability to hold to maturity. Held-to-maturity investments are stated at amortized cost using the effective interest rate method, with interest revenue being recognized on an effective yield basis in the Statement of Financial Performance. As at 31 December 2019, no held-to maturity investments were held by the Organization.

Bank deposits and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accrued revenue related to interest, dividends and pending cash to be received from investments are included herein. Bank deposits and other receivables are stated at amortized cost calculated using the effective interest rate method, less any impairments. Interest revenue is recognized on the effective interest rate basis, with the exception of short-term receivables for which the recognition of interest would be immaterial.

Other financial liabilities include payables and accruals relating to investments and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, with the exception of short-term liabilities for which the recognition of interest would be immaterial.

2.3 Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Current receivables are for amounts due within 12 months of the reporting date, while non-current receivables are those that are due more than 12 months from the reporting date of the financial statements.

Voluntary contributions receivables are recognized based on the payment terms specified in a binding agreement between WHO and the contributor. Where no payment terms are specified, the full amount receivable is recognized as currently due. Assessed contributions receivable are recognized annually, at the beginning of the year as per the assessments approved by the Health Assembly. Receivables are recorded at their estimated net realizable value and not discounted as the effect of discounting is considered immaterial.

An allowance for doubtful accounts is recognized when there is a risk that the receivables may be impaired. Changes in the allowance for doubtful accounts are recognized in the Statement of Financial Performance (Statement II).

2.4 Inventories

WHO recognizes medicines, vaccines, humanitarian supplies, and publications as part of its inventory. Inventories are valued taking the lower amount of (i) cost or (ii) net realizable value, using a weighted average basis. A physical stock count is conducted once every year. Packaging, freight and insurance charges are allocated based on the total value of inventory purchases and added to the inventory value.

Where inventories have been acquired through a non-exchange transaction (i.e. inventories were donated as an in-kind contribution), the value of inventory is determined by reference to the donated goods' fair value at the date of acquisition.

When inventories are sold, exchanged or distributed, their carrying amount is recognized as an expense.

2.5 Prepayments and deposits

Prepayments relate to amounts paid to suppliers for goods or services not yet received. Deposits relate to amounts paid as security for the leasing of office space. Deposits and prepayments are recorded at cost.

2.6 Property, plant and equipment

Property, plant and equipment with a value greater than US\$ 5000 are recognized as non-current assets in the Statement of Financial Position. Property, plant and equipment are stated at historical cost, less accumulated depreciation and any impairment losses. Property, plant and equipment acquired through a non-exchange transaction are recognized at fair value at the date of acquisition. WHO considers all assets of this type to be non-cash generating.

Depreciation is calculated on a straight-line basis over the asset's useful life except for land, which is not subject to depreciation. Property, plant and equipment are reviewed annually for impairment to ensure that the carrying amount is still considered to be recoverable. The estimated useful lives of the asset classes that make up property, plant and equipment are provided in the table below.

Asset class	Estimated useful life (in years)
Land	N/A
Buildings – permanent	60
Buildings – mobile	5
Furniture, fixtures and fittings	5
Vehicles and transport	5
Office equipment	3
Communications equipment	3
Audio visual equipment	3
Computer equipment	3
Network equipment	3
Security equipment	3
Other equipment	3

Improvements are capitalized over the remaining life of the asset when the improvement results in an increase in the useful life of the asset or adds usable space. The residual value of the asset and the cost of the improvement will be amortized over the adjusted useful life (remaining life). Normal repair and maintenance costs are expensed in the year when the costs are incurred.

2.7 Intangibles

Intangible assets that are above the pre-established threshold of US\$ 100 000 are stated at historical cost less accumulated amortization and any impairment losses. Amortization is determined over the estimated useful life of the assets using the straight-line method of amortization. The estimated useful life of "software acquired externally" is between two and six years.

WHO's intangible assets are assumed to have a residual value of zero as intangible assets are not sold or transferred at the end of their useful life. Intangible assets are reviewed annually for impairment. Some intangible assets may have a shorter useful life.

2.8 Leases

A lease is an agreement whereby the lessor conveys to the lessee (the Organization), in return for a payment or series of payments, the right to use an asset for an agreed period of time. Every lease is reviewed to determine whether it constitutes a financial or operating lease. Necessary accounting entries and disclosures are made accordingly.

Where WHO is the lessor, lease revenue from operating leases is recognized as revenue on a straight-line basis over the lease term. All costs associated with the asset incurred in earning the lease revenue, including depreciation, are recognized as an expense.

2.9 Contributions received in advance

Contributions received in advance arise from legally binding agreements between WHO and its contributors – including governments, international organizations and private and public institutions – whereby contributions are received in advance of the amounts concerned falling due to the Organization.

2.10 Accounts payable and accrued liabilities

Accounts payable are financial liabilities for goods or services that have been received by WHO and invoiced but not yet paid for.

Accrued liabilities are financial liabilities for goods or services that have been received by WHO and which have neither been paid for nor invoiced to WHO.

Accounts payable and accrued liabilities are recognized at cost, as the effect of discounting is considered immaterial.

2.11 Employee benefits

WHO recognizes the following categories of employee benefits:

- short-term employee benefits that fall due wholly within 12 months following the end of the accounting period in which employees render the related service;
- post-employment benefits;
- other long-term employee benefits;
- termination benefits.

WHO is a member organization participating in the United Nations Joint Staff Pension Fund (the Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with participation of current and former employees of other organizations in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. WHO and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify WHO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. WHO has therefore treated it as a defined contribution plan in line

with the requirements of IPSAS 39 (Employee Benefits). WHO's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance (Statement II).

2.12 Inter-entity liabilities

Inter-entity liabilities are cash balance held by WHO on behalf of hosted entities (refer to Note 4.2 and 4.15).

2.13 Provisions and contingent liabilities

Provisions are recognized for future liabilities and charges where WHO has a present legal or constructive obligation as a result of past events and it is probable that the Organization will be required to settle the obligation.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of WHO.

2.14 Contingent assets

Contingent assets will be disclosed when an event gives rise to a probable inflow of economic benefits or service potential and there is sufficient information to assess the probability of the inflow of economic benefits or service potential.

2.15 Deferred revenue

Deferred revenue derives from legally binding agreements between WHO and its contributors, including governments, international organizations and private and public institutions. Deferred revenue is recognized when:

- a contractual agreement is confirmed in writing by both the Organization and the contributor; and
- the funds are earmarked and due in a future period.
- Deferred revenue also includes advances from exchange transactions.

Deferred revenue is presented as "current" if the revenue is due within one year and "non-current" if the revenue is due one year or more after the reporting date.

2.16 Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by WHO during the year and represents an increase in net assets/equity. The Organization recognizes revenue following the established criteria of IPSAS 9 (Revenue from Exchange Transactions) and IPSAS 23 (Revenue from Non-Exchange Transactions).

The main sources of revenue for WHO include but are not limited to:

Non-exchange revenue

- **Assessed contributions.** Revenue from contributions from Member States and Associate Members is recorded annually at the beginning of the year as per the assessments approved by the Health Assembly.
- **Voluntary contributions.** Revenue from voluntary contributions is recorded when a binding agreement is signed by WHO and the contributor. Where there are "subject to" clauses in an agreement, WHO does not

control the resource and does not record the revenue and amount receivable until the cash is received. Where there are no payment terms specified by the contributor or payment terms are in the current accounting year, revenue is recognized in the current period. Where payment terms specify payment after the year end, the amount is reported as deferred revenue. Where start date of the contract is after 31 December, revenue is recognized in the future accounting year.

- **Contributions in-kind and in-service.** Contributions in-kind and in-service are recorded at an amount equal to their fair market value as determined at the time of acquisition, based on an agreement between WHO and the contributor and upon confirmation from the receiving budget centre of the receipt of the goods or services. An entry corresponding to the expense is recorded in the same period that the contributions in-kind and in-service are recorded as revenue.

Exchange revenue

- **Reimbursable procurement, concessions, revolving sales and other exchange revenue.** Revenue from reimbursable procurement on behalf of Member States, revenue from the sale of goods or services and fees charged to manufacturer for pre-qualification services is recorded on an accrual basis at the fair value of the consideration received or receivable when it is probable that the future economic benefits and/or service potential will flow to WHO and those benefits can be measured reliably. The corresponding expense is recognized in the same year as the revenue.

2.17 Expenses

Expenses are defined as decreases in economic benefits or service potential during the reporting period in the form of outflows, consumption of assets, or incurrences of liabilities that result in decreases in net assets/equity. WHO recognizes expenses at the point where goods have been received or services rendered (delivery principle) and not when cash or its equivalent is paid.

2.18 Fund accounting

Fund accounting is a method of segregating resources into categories (i.e. funds) to identify both the source and the use of the funds. Establishing such funds helps to ensure better reporting of revenue and expenses. The General Fund, the Special Purpose Fund, the Enterprise Fund and the Fiduciary Fund serve to ensure the proper segregation of revenue and expenses. Any transfers between funds that would result in duplication of revenue and/or expenses are eliminated during consolidation. Intra-fund transfers such as programme support costs within the General Fund are also eliminated.

General Fund

The accounts contained under this fund support the implementation of the programme budget. The General Fund contains the following:

- **Assessed Contributions Fund.** This fund consolidates revenues and expenses arising from assessed contributions from Member States and other miscellaneous income.
- **Tax Equalization Fund.** In accordance with resolution WHA21.10 (1968), in which the Health Assembly decided to establish the Tax Equalization Fund, the assessed contributions of all Member States are reduced by the revenue generated by the staff assessment plan. In determining the reduction of assessed contributions to be applied to the Member States concerned, the Tax Equalization Fund is credited with the revenue from the staff assessment plan, the credits being recorded in the name of individual Member States, in proportion to their assessments for the biennium. For those Member States 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, as per resolution WHA21.10.

- **Working Capital Fund.** The Fund was established to implement the programme budget pending receipt of assessed contributions in arrears. In accordance with Financial Regulation VII, implementation of that part of the budget financed from assessed contributions may be financed from the Working Capital Fund and thereafter by internal borrowing against available cash reserves of WHO, excluding trust funds. Amounts borrowed are repaid from the collection of arrears of assessed contributions and are credited first against any internal borrowing and then against any borrowing from the Working Capital Fund.
- **Voluntary funds.** This fund consolidates revenue and expenses arising from the following funds:
 - Core Voluntary Fund (CVCA)
 - Voluntary Contributions Core Fund
 - Voluntary Contributions Specified Fund
 - Contingency Fund for Emergencies – This fund was established by the Health Assembly through decision WHA68(10) (2015). The purpose of the fund is to provide temporary financing for emergency field operations.
 - Special Programme for Research and Training in Tropical Diseases (TDR Trust Fund)
 - Special Programme of Research, Development and Research Training in Human Reproduction (HRP Trust Fund)
 - Special Programmes and Collaborative Arrangements Fund
 - Special Account for Servicing Costs Fund
 - Outbreak and Crisis Response Fund and Contingency Fund for Emergencies.
 - Fee for Services Fund – This fund was established to record, and report fees charged to manufacturers for pre-qualification services to assess the quality, safety and efficacy of medical produces (vaccines, medicines or diagnostics).

Member States – other

The following accounts are contained in Member States – other:

- **Common Fund.** This fund reflects the movement in the asset and liability accounts of the Organization resulting from changes in items such as inventory, fixed assets adjustment, construction-in-progress adjustment, depreciation, investment gain and losses and exchange gains and losses.
- **Enterprise Fund.** This fund contains accounts that generate self-sustaining revenue. The revenue and expenses under this fund are not included in the reporting of the programme budget. The Enterprise Fund contains the following:
 - **Accident and Illness Insurance Fund.** This fund was established as a self-insurance mechanism to provide coverage for staff members in case of accident and illness.
 - **Concessions Fund.** This fund was established to manage activities for concessionaries. It is financed from amounts paid by the concessionaires for space, equipment utilities and use of facilities made available by the Organization.
 - **Garage Rental Fund.** This fund was established mainly to record and report activities for the maintenance of a garage facility in Geneva. It is financed by way of a charge towards usage of the garage facility by applicable staff members.

- **Global Conference and Training Centre – Tunis Fund.** This fund was established in 2018 to manage the operations of the Global Conference and Training Centre in Tunis. The Fund receives revenue and incurs expenses for hosting meetings and conferences.
- **Insurance Policies Fund.** This fund was established to manage activities for commercial insurance policies. It is financed from benefits received from the applicable commercial insurance policies.
- **In-kind Contributions Fund.**¹ This fund was established to record and report in-kind contributions.
- **Revolving Sales Fund.**² This fund was established to record and report activities for publications.
- **Reimbursable Procurement Fund.**³ This fund was established to record, and report procurement activities undertaken on behalf of Member States or other United Nations organizations.
- **Shared Services Fund.** This fund was established in 2018 to record and report revenue and expenses for services shared facilities with other United Nations agencies which are managed by WHO.
- **Special Purpose Fund.** The accounts contained under this fund represent transfers from the General Fund or appropriations by the Health Assembly. The revenue and expenses under this fund are not included in the reporting of the programme budget. The Special Purpose Fund contains the following:
 - **Building Loan Fund.** This fund was established to record and report on a loan from the Swiss Government in support of expenses towards the construction of new building in Geneva. It is funded by the Swiss Government loan.
 - **Internal Service Cost Recovery Fund.** This fund was established to record, and report services provided between departments within the Organization.
 - **Infrastructure Fund.** This fund was established by the Seventieth World Health Assembly through decision WHA70(16) (2017) to consolidate reporting for Real Estate Fund and Information Technology Fund.
 - **Information Technology Fund.** This fund was established to meet current and future information technology requirements of the Organization. It may be financed by way of appropriation from the regular budget and from voluntary contributions including the Special Account for Servicing Costs.
 - **Real Estate Fund.** This fund was established by the Twenty-third World Health Assembly through resolution WHA23.14 (1970). It is funded mainly by appropriation from the regular budget. The Real Estate Fund is also credited with receipts from rentals relating to real estate operations (other than garage rentals and income from the operation of concessions at headquarters), by way of a charge on salary cost of staff members and interest earned.

The fund was established to meet the costs of the construction of new buildings or extensions to existing buildings, the acquisition of land that may be required and major maintenance and repairs of real estate assets owned by the Organization. Specific Health Assembly authorization is required for acquisition of land and construction of buildings or building extensions.
 - **Maternity Fund.** This fund was established in 2018 as a new facility to support temporary backfilling of staff members on maternity leave. It is financed by way of a charge on salary cost of staff members.

¹ Transactions under the In-kind Contributions Fund are from non-exchange transactions. Total revenue equals total expenses; hence there is no fund balance at year-end (refer to note 2.16).

² In accordance with Health Assembly resolution WHA22.8 (1969) and resolution WHA55.9 (2002), the Revolving Sales Fund is credited with proceeds from the sale of publications, international certificates of vaccination, films, videos, DVDs and other information material. The related costs of production and printing are charged to the Fund.

³ Transactions under the Reimbursable Procurement Fund are from exchange transactions. Total revenue equals total expenses; hence there is no fund balance at year-end (refer to note 2.16).

- **Mobility Fund.** This fund was established to provide financing towards staff mobility entitlements such as assignment grant and reassignment grant. It is financed by way of a charge on salary cost of staff members.
- **Non-Payroll Staff Entitlements Fund.** This fund was established to provide financing towards staff entitlements such as home leave, education grant etc. It is financed by way of a charge on salary cost of staff members.
- **Post Occupancy Charge Fund.** This fund was established to finance corporate and administrative expenses of the Organization. It is financed by way of a charge on salary cost of staff members.
- **Polio Staff Fund.** This fund was established to manage staff liabilities due to the closure of the polio programme.
- **Staff Health Insurance Fund.** This fund was established to record and report net liability of the Organization. It is financed by way of a charge on salary cost of staff members and contributions from retirees.
- **Security Fund.** This fund was established to record and report security expenses. It may be financed by way of appropriation from the regular budget and from voluntary contributions including the Special Account for Servicing Costs.
- **Special Fund for Compensation.** This fund was established by the Director-General for the payment of periodic benefits awarded to staff members under WHO compensation rules for service-incurred accidents and illnesses. It may be financed by funds allocated to cover the cost of employing the staff member, and by way of any interest earned.
- **Stockpiles Replenishment Fund.** This fund was established to support emergency procurement needs, mainly for the Eastern Mediterranean Region.
- **Terminal Payments Fund.** This fund was established to finance the terminal emoluments of staff members, including repatriation grant, accrued annual leave, repatriation travel and removal on repatriation. It is financed by way of a charge on salary cost of staff members and any interest earned.

Fiduciary Fund

This fund accounts for assets that are held by WHO in a trustee or agent capacity for others and that cannot be used to support the Organization's own programmes. The Fund includes the assets of the partnerships that are administered by the Organization and whose budgets are not approved by the Health Assembly. The Fund did not contribute to the Programme budget 2018–2019, and at 31 December 2019 contained the following:

- Alliance for Health Policy and System Research Fund
- European Observatory on Health Systems and Policies
- Expanded Special Project for Elimination of Neglected Tropical Diseases (ESPEN) Fund
- Partnership for Maternal, Newborn and Child Health Fund
- Staff Association Fund
- WHO Framework Convention on Tobacco Control (FCTC)

2.19 Segment reporting

As required under IPSAS, WHO reports on segments based on its regional structure. Revenue, expenses, assets and liabilities are reported for each major office (region). The use of major offices is in line with the decision-making practices of the Member States and the Secretariat, with respect to the allocation of resources.

WHO's programme budget is presented by major office, which supports using major offices as the segments. Furthermore, the accountability for results and management of assets and liabilities lies with the heads of each regional office.

2.20 Statement of Cash Flow

The Statement of Cash Flow (Statement IV) is prepared using the indirect method.

2.21 Budget comparison

WHO's budget and accounting basis differ. Budgets within the Organization are approved on a modified cash basis rather than the full accrual basis of IPSAS. In addition, budgets are prepared on a biennial basis.

Although WHO's financial statement covers all the activities of the Organization, budgets are approved only for the General Fund. There are no approved budgets for other funds. All funds are administered in accordance with the Financial Regulations and Financial Rules.

As required under IPSAS 24 (Presentation of Budget Information in Financial Statements), the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing, presentation and entity differences. There may also be differences in formats and classification schemes adopted for the presentation of financial statements and the budget.

Through the adoption of resolution WHA70.5 (2017), the Seventieth World Health Assembly approved the Programme budget for the biennium 2018–2019. The Statement of Comparison of Budget and Actual Amounts (Statement V) compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the basis used to prepare the budget and financial statements differ, Note 7 reconciles the actual amounts presented in Statement V to the actual amounts presented in the Statement of Cash Flow (Statement IV).

3. Note on the restatement/reclassification of balances

On this occasion, there is no information to provide under this note.

4. Supporting information to the Statement of Financial Position

4.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks, investments in money market funds, collateral deposits, bank deposits, and short-term highly liquid investments with original maturity dates of three months or less from the date of acquisition.

Cash and cash equivalents are held for the purpose of meeting the short-term cash requirements of the Organization, rather than for longer-term investment purposes. They are held on behalf of the Organization, including the General Fund, the Special Purpose Fund, the Enterprise Fund, the Fiduciary Fund and non-WHO entities administered by the Organization. The figures include cash and cash equivalents held in the portfolios managed by external investment managers. The table below shows cash and cash equivalents by major office.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Major office		
Headquarters	64 772	122 396
Regional Office for Africa	31 559	22 480
Regional Office for South-East Asia	9 338	3 204
Regional Office for Europe	1 557	2 237
Regional Office for the Eastern Mediterranean	11 779	24 423
Regional Office for the Western Pacific	3 209	3 475
Cash at banks, investment accounts, in transit and on hand	122 214	178 215
Headquarters	206 482	64 792
Cash and cash equivalents held by investment portfolios	206 482	64 792
Total cash and cash equivalents	328 696	243 007

4.2 Investments and financial instruments

Details of the accounting policies for investments and financial instruments are provided in Note 2.2.

WHO's principal investment objectives in descending order of priority are:

- the preservation of capital;
- the maintenance of sufficient liquidity to meet the payment of liabilities as they fall due; and
- the optimization of investment returns.

The Organization's investment policy reflects the nature of its funds, which may be held either for a short term to finance the implementation of pending health programmes, or for a longer term to meet its long-term liabilities.

WHO's investments include funds managed for other entities (refer to Note 4.15).

An analysis of the Organization's investments is provided in the following table.

Investments and financial instruments (in US\$ thousands)

Description	Internally managed funds			Externally managed funds					Foreign Exchange Hedging contracts	Grand total as of 31 December 2019	Grand total as of 31 December 2018
	Time deposits and cash	Long-term portfolio	Total	Short-term portfolio A	Short-term portfolio B	Short-term portfolio C	Short-term portfolio D	Total			
Investments under current assets											
Cash and cash equivalent held by investment portfolio	160 018		160 018	13 147	5 742	20 565	7 010	46 464		206 482	64 792
Short-term investments											
Financial assets at fair value through surplus or deficit – held for trading	6 079		6 079	1 367	212		2	1 581	4 212	11 872	5 649
Financial assets at fair value through surplus or deficit – upon initial recognition				647 631	161 830	569 925	572 740	1 952 126		1 952 126	1 763 512
Bank deposits and other receivables	1 218 740	27	1 218 767	70 690	823	2 614	2 559	76 686		1 295 453	1 534 161
Total short-term investments	1 224 819	27	1 224 864	719 688	162 865	572 539	575 301	2 030 393	4 212	3 259 451	3 303 322
Total investments under current assets	1 384 837	27	1 384 864	732 835	168 607	593 104	582 311	2 076 857	4 212	3 465 933	3 368 114
Investments under non-current assets											
Long-term Investments											
Financial assets at fair value through surplus or deficit – upon initial recognition		130 556	130 556							130 556	120 525
Total long-term assets		130 556	130 556							130 556	120 525
Total investments under non-current assets		130 556	130 556							130 556	120 525
Financial Liabilities under current liabilities											
Financial liabilities at fair value through surplus or deficit for trading	(11 795)		(11 795)	(2 124)			(2 345)	(4 469)	(15 285)	(31 522)	(14 274)
Payables and accruals				(147 311)	(1 001)	(3)		(148 315)		(148 315)	(87 137)
Total financial liabilities	(11 795)		(11 795)	(149 435)	(1 001)	(3)	(2 345)	(152 784)	(15 285)	(179 837)	(101 411)
Total financial liabilities under current liabilities	(11 795)		(11 795)	(149 435)	(1 001)	(3)	(2 345)	(152 784)	(15 285)	(179 837)	(101 411)
Total investment – net	1 375 042	130 583	1 503 625	583 400	167 606	593 101	579 966	1 924 073	(11 046)	3 416 652	3 387 228

Short-term investments

Short-term investments relating to funds held to finance the implementation of pending health programmes are invested in cash and high-quality short-term government, agency and corporate bonds and time deposits as defined in the approved investment policy. Investments included within “financial assets at fair value through surplus or deficit” include fixed-income securities and derivative instruments held to cover projected liabilities and any unexpected cash requirements. Financial assets in the externally managed portfolios designated upon initial recognition as at fair value through surplus or deficit are classified as short-term investments where the investment time horizon objective of these portfolios is less than or equal to one year. For short-term tactical investment reasons, the external managers of these portfolios may from time to time decide to lengthen temporarily the average duration of these portfolios to slightly longer than one year. This will not change the short-term classification of these financial assets unless the investment time horizon objective of the portfolio and the duration of its benchmark have been changed to more than one year. At the end of 2019, there were no investments in the held-to-maturity portfolio. Other receivables include accrued revenue on investments and receivables from investments that were sold before 31 December 2019 and settled after that date.

Description	31 December 2019	31 December 2018
Financial assets at fair value through surplus or deficit – held-for-trading	11 872	5 649
Financial assets at fair value through surplus or deficit – upon initial recognition	1 952 126	1 763 512
Bank deposits and other receivables	1 295 453	1 534 161
Total short-term investments	3 259 451	3 303 322

Time deposits

Hedged time deposits in currencies other than United States dollars can yield greater interest earnings when forward currency exchange rates are favourable. This was the case during 2019 and consequently 57% of the time deposits placed at the end of 2019 were hedged currency time deposits. The currency exchange rate risk of these time deposits is fully hedged using forward foreign exchange contracts.

Description	31 December 2019	31 December 2018
Time deposits in US Dollars	625 000	1 550 000
Time deposits in non-US Dollars	748 664	
Total time deposits	1 373 664	1 550 000

Long-term investments

Long-term investments for the Terminal Payments Fund are placed in line with the approved investment policy and are invested in high-quality, medium-dated and long-dated, government, agency and corporate bonds. The financial assets at fair value through surplus or deficit upon initial recognition in the Terminal Payments Fund investment portfolio are classified as long-term investments in accordance with the investment time horizon objective of the portfolio and the duration of its benchmark, which are both greater than one year.

Description	31 December 2019	31 December 2018
Financial assets at fair value through surplus or deficit – upon initial recognition	130 556	120 525
Total long-term investments	130 556	120 525

Financial liabilities

Financial liabilities disclosed under “financial liabilities at fair value through surplus or deficit – held-for-trading” include derivative transactions such as foreign exchange forward contracts and interest rate swaps. Financial liabilities disclosed under “payables and accruals” relate to other financial liabilities from investments, including assets purchased before 31 December 2019 and settled after that date.

Description	31 December 2019	31 December 2018
Financial liabilities at fair value through surplus or deficit – held-for-trading	31 522	14 274
Payables and accruals	148 315	87 137
Total financial liabilities	179 837	101 411

The fair value hierarchy

The fair value hierarchy represents the categorization of market pricing to indicate the relative ease with which the value of investments held by WHO can be realized.

The majority of the financial instruments held by WHO have quoted prices in active markets which are classified as Level 1. Derivative instruments which are transacted “over the counter” are classified as Level 2 because their fair value is observable – either directly as a price, or indirectly after being derived from prices. The instruments shown under the Level 2 fair value measurement category consist of foreign currency hedging forward contracts and derivative contracts in the externally managed portfolios.

Description	Level 1	Level 2	Total
	US\$ thousands		
Cash and cash equivalents	22 500		22 500
Short-term investments			
Financial assets at fair value through surplus or deficit – held-for-trading		10 697	10 697
Financial assets at fair value through surplus or deficit – upon initial recognition	1 952 126		1 952 126
Total short-term investments	1 952 126	10 697	1 962 823
Long-term investments			
Financial assets at fair value through surplus or deficit – upon initial recognition	130 556		130 556
Financial liabilities			
Financial liabilities at fair value through surplus or deficit – held-for-trading		(31 522)	(31 522)
Total	2 105 182	(20 825)	2 084 357

Risk management

WHO is exposed to financial risks including credit risk, interest rate risk, foreign exchange risk and investment price risk. The Organization uses derivative financial instruments to hedge some of its risk exposures. In accordance with WHO’s Financial Regulations, funds not required for immediate use may be invested. All investments are carried out within the framework of the investment policy approved by the Director-General. Some portfolios are managed by external managers appointed by the Organization to manage funds in accordance with a defined mandate. The Advisory Investment Committee reviews regularly the investment policies, the investment performance and the investment risk for each investment portfolio. The Committee is composed of external investment specialists who can make investment recommendations to the Director-General.

Nature of financial instruments

Investments are categorized as follows.

Investments with short-term maturities. These investments are invested in cash and high-quality short-dated government, agency, and corporate bonds as defined in the approved investment policy.

Investments with long-term maturities. These investments comprise funds managed for the Terminal Payments Fund as defined in the approved investment policy. They are invested in high-quality medium-dated and long-dated, government, agency, corporate bonds and an externally managed global bond index fund.

Credit risk

WHO's investments are widely diversified in order to limit its credit risk exposure to any individual investment counterparty. Investments are placed with a wide range of counterparties using minimum credit quality limits and maximum exposure limits by counterparty established in investment mandates. These limits are applied both to the portfolios managed internally by the Organization's Treasury Unit, and to the portfolios managed by external investment managers. The Treasury Unit monitors the total exposure to counterparties across all internally and externally managed portfolios.

The credit risk and liquidity risk for cash and cash equivalents are minimized by investing only in major financial institutions which have been designated with strong investment grade credit ratings by primary credit rating agencies. The Treasury Unit regularly reviews the credit ratings of the approved financial counterparties and takes prompt action whenever a credit rating is downgraded. The investments with long-term credit ratings are summarized as follows.

Minimum rating category	Total asset value US\$ thousands
AAA	300 151
AA+	619 724
AA	153 893
AA-	318 497
A+	164 429
A	94 294
A-	139 197
BBB+	5 961
Not rated	251 393
Total	2 047 539

Where the investments and securities are not rated for credit worthiness by the major credit ratings agencies (for example, fixed income securities issued by sovereigns, collateralized mortgage obligations issued by sovereign backed agencies and investment funds), the Treasury Unit ensures that the deposits and securities and the constituent securities in the investment funds are issued by issuers whose credit ratings are equal to or better than the single A minimum credit rating requirement for WHO investments as set out in the investment guidelines for the external portfolio managers which are agreed with the Advisory Investment Committee, and the investment grade minimum credit rating requirement for investments for the Terminal Payments fund, which is also agreed with the Advisory Investment Committee.

At 31 December 2019, the holding of bonds from one issuer with a total market value of US\$ 6.0 million was rated A3 by rating agency Moody's and BBB+ by rating agency Standard & Poor's. Previously, on 19 December 2019, when liquidity in the bond market was thin due to the end-of-year holiday season, Standard & Poor's had downgraded the bonds issuer from A- to BBB+. Therefore, in order to maximize the sale price, the investment manager divested the bonds at the beginning of January 2020.

Interest rate risk

WHO is exposed to interest rate risk through its short-term and long-term fixed-income investments. The metric investment duration is a measure of sensitivity to changes in market interest rates, and the effective average duration of the Organization's investments as at 31 December 2019 was 1 year for short-term investments (excluding the bank deposits) and 7 years for long-term investments. An increase of 1 % in the interest rate would

cause a decrease of 1% in the value of the short-term investments (excluding bank deposits) and a decrease of 7% in the value of the long-term investments. The interest rates on short-term bank deposits are fixed at the time of investment; their values are not affected by any subsequent movement in interest rates.

Fixed-income derivative instruments may be used by external investment managers to manage interest rate risk under strict investment guidelines. Interest rate instruments of this type are used for portfolio duration management and for strategic interest rate curve positioning.

The interest rate swaps held in the WHO portfolios as at 31 December 2019 are summarized below.

Currency/ Notional amount (in thousands)		(US\$ equivalent in thousands)	Pay/Receive	Maturity
Australian dollars	60 900	42 810	Pay floating/Receive fixed	December 2024
Canadian dollars	31 600	24 369	Pay floating/Receive fixed	June 2024
US dollars	28 200	28 200	Pay fixed/Receive floating	June 2024
Subtotal		95 379		

Foreign exchange currency risk

WHO receives contributions and makes payments in currencies other than the United States dollar. Consequently, the Organization is thus exposed to foreign exchange currency risk arising from fluctuations in currency exchange rates. Exchange rate gains and losses on the purchase and sale of currencies, revaluation of cash and bank book balances, and all other exchange differences are adjusted against the funds and accounts eligible to receive interest under the interest apportionment programme. The translation of transactions expressed in other currencies into the United States dollar is performed at the United Nations Operational Rates of Exchange prevailing at the date of transaction. Assets and liabilities that are denominated in foreign currencies are translated at the United Nations Operational Rates of Exchange year-end closing rate. Forward foreign exchange contracts are transacted to hedge foreign currency exposures and to manage short-term cash flows. Realized and unrealized gains and losses resulting from the settlement and revaluation of foreign currency transactions are recognized in the Statement of Financial Performance (Statement II).

In addition, 50% of assessed contributions are calculated in Swiss francs to reduce the currency risk of headquarters expenses in that currency.¹

Hedging foreign exchange exposures on future payroll costs: The United States dollar value of non-dollar expenses in 2019 has been protected from the impact of movements in foreign exchange rates through the transaction of forward currency contracts during 2019. As at 31 December 2019 these forward foreign currency exchange hedging contracts by currency are summarized as follows.

Currency forward bought	(in thousands)	Net amount sold (US\$ thousands)	Net unrealized gain/(loss) (US\$ thousands)
Swiss franc	154 300	159 962	1 495
Euro	103 200	118 468	(1 322)
Egyptian pounds	199 300	10 803	1 157
Indian rupee	1 488 000	20 247	134
Malaysian ringgit	37 100	8 903	164
Philippine peso	828 000	15 687	510
Total		334 070	2 138

¹ See resolution WHA66.16 (2013).

There was a net unrealized loss on these contracts of US\$ 2.1 million as at 31 December 2019 (unrealized loss of US\$ 8.4 million as at 31 December 2018). Realized gains or losses on these contracts will be recorded on maturity of the contracts and applied during 2020.

Hedging foreign exchange exposures on receivables and payables: Currency exchange risk arises as a result of differences in the exchange rates at which foreign currency receivables or payables are recorded, and the exchange rates at which the cash receipt or payment is subsequently recorded. A monthly programme of currency hedging is in place to protect against this foreign currency risk. On a monthly basis, the exposures in respect of receivables and accounts payable are netted by currency and each significant net foreign currency exposure is bought or sold forward using a forward foreign exchange contract equal and opposite to the net currency exposure.

These exposures are re-balanced at each month-end to coincide with the setting of the monthly United Nations Operational Rates of Exchange. Through this process the exchange gains or losses realized on the forward foreign currency contracts match the corresponding unrealized exchange losses and gains on the movements in net receivables and accounts payable. As at 31 December 2019, the total forward foreign currency exchange hedging contracts by currency were as follows.

Currency forward sold	(in thousands)	Currency forward bought (US\$ thousands)	Net unrealized gain/(loss) (US\$ thousands)
Australian dollar	15 500	10 816	(86)
Canadian dollar	11 300	8 640	(40)
Swiss franc	31 000	31 850	(264)
Euro	163 600	182 908	(3 330)
Pound sterling	264 100	342 378	(8 360)
Norwegian kroner	5 500	623	(3)
Swedish kroner	8 000	857	2
Total		578 072	(12 081)

There was a net unrealized loss on these contracts of US\$ 1.2 million as at 31 December 2019 (unrealized net loss of US\$ 2.5 million as at 31 December 2018). Realized gains or losses on these contracts will be recorded on the maturity of the contracts and applied during 2020.

Forward foreign exchange contracts for hedged time deposits in currencies other than United States dollars: Forward foreign exchange contracts are used to hedge the foreign currency risk of deposits in currencies other than United States dollars, as shown in the table below.

Currency forward bought (in thousands)		Net amount sold (US\$ thousands)	Net unrealized gain/(loss) (US\$ thousands)
Euros	374 844	425 104	1 037
Japanese yen	18 798 211	177 219	3 713
Pounds sterling	121 139	151 290	(9 684)
Total		753 613	(5 716)

Forward foreign exchange contracts to manage operational cash flows: Forward foreign exchange contracts are also used to manage short-term cash flows of foreign currency balances to minimize foreign currency transaction risk. At 31 December 2019, a total net amount of 71.1 million Swiss francs and 210 million Danish kroner were forward sold against the United States dollar. The maturity dates of these forward foreign exchange contracts were in January 2020. Net unrealized losses on these contracts amounted to US\$ 1.1 million as at 31 December 2019 (unrealized losses of US\$ 11 000 as at 31 December 2018).

Sensitivity of forward foreign exchange contracts to movements in the relative value of the United States dollar: A 1% appreciation in the relative value of the United States dollar against the forward foreign exchange hedging contracts detailed above would result in an increase in the net unrealized gain of US\$ 13.8 million. A 1% depreciation in the relative value of the United States dollar would result in an increase in the net unrealized loss of US\$ 14.2 million.

Forward and spot foreign exchange contracts and other derivative financial instruments are held within the externally managed investment portfolios: In accordance with the investment guidelines set up for each externally managed portfolio, the external investment managers use forward and spot foreign exchange contracts, futures contracts and interest rate swap contracts to manage the currency and interest rate risk of groups of securities within each portfolio. The net values of these instruments as at 31 December 2019, as evaluated by the Organization's investment custodian, are recorded by portfolio under "financial assets/liabilities at fair value through surplus or deficit – held-for-trading". The outstanding forward and spot foreign exchange contracts are summarized hereafter.

Net sold amount	(in thousands)	US dollar equivalent (in thousands)
Australian dollar	466	328
Canadian dollar	20 449	15 774
Euro	33 265	37 483
Pounds sterling	53 133	70 543
Japanese yen	2 900 170	26 744
Total		150 872

A 1% appreciation in the relative value of the United States dollar against the above-mentioned forward foreign exchange hedging contracts would result in an increase in the unrealized loss of US\$ 0.2 million. A 1% depreciation in the relative value of the United States dollar would result in an increase in the unrealized gain of US\$ 0.2 million.

The net outstanding interest rate and bond futures contracts are summarized below.

Long positions

Products	Exchange ^a	No. of contracts
30-day interest rate JAN 2020	CME	8
30-day interest rate FEB 2020	CME	8
Eurodollar MAR 2020	CME	37
Eurodollar JUN 2020	CME	3
Eurodollar SEP 2020	CME	21
Eurodollar MAR 2021	CME	25
Eurodollar JUN 2021	CME	8
Eurodollar SEP 2021	CME	10
Eurodollar DEC 2021	CME	10
Eurodollar MAR 2022	CME	10
Eurodollar JUN 2022	CME	10
US 2-year T-Note MAR 2020	CME	173
Canadian Bankers' acceptance 3m DEC 2020	Montreal	215

Short positions

Products	Exchange ^a	No. of contracts
Eurodollar DEC 2020	CME	174
3-month GBP JUN 2022	ICE	557
US 5-year T-Note MAR 2020	CME	479

^a CBOT refers to Chicago Board of Trade. CBOT is part of the Chicago Mercantile Exchange Group (CME). ICE refers to Intercontinental Exchange.

4.3 Receivables

As at 31 December 2019, total receivables (current and non-current) amounted to US\$ 1546 million (US\$ 1313 million as at 31 December 2018). The receivables balance includes outstanding amounts for both assessed and voluntary contributions. Receivables are split between current and non-current based on the payment terms of when the amounts become due.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Accounts receivable – current		
Assessed contributions receivable ^a	218 039	141 987
Voluntary contributions receivable ^b	954 437	993 311
Other receivables	26 224	18 140
Allowance for doubtful accounts receivable	(37 946)	(46 259)
Total accounts receivable – current	1 160 754	1 107 179
Accounts receivable – non-current		
Outstanding rescheduled assessments receivable ^a	18 614	11 220
Voluntary contributions receivable ^b	385 107	206 258
Allowance for doubtful accounts receivable	(18 614)	(11 220)
Total accounts receivable – non-current	385 107	206 258
Total accounts receivable	1 545 861	1 313 437

^a See document A73/25 for details of the status of collection of assessed contributions.

^b See document A73/INF./3 for details of voluntary contributions receivable.

As at 31 December 2019, the total allowance for doubtful accounts was US\$ 56.6 million (US\$ 57.5 million at 31 December 2018). This figure comprises an allowance of US\$ 49.5 million for assessed contributions and an allowance of US\$ 7 million for voluntary contributions.

The allowance for assessed contributions receivable includes amounts receivable from prior years, all rescheduled amounts receivable and any current amounts receivable from Member States in arrears less any subsequent payments received before the preparation of the financial statements. The allowance for voluntary contributions receivable is based on a detailed review of all amounts receivable more than one year overdue and a review of amounts less than one year overdue where there is evidence that the amount is unlikely to be received.

With certain contributors, WHO signs agreements that may span many years of implementation. These agreements do not state the payment terms for the transfer of instalments; instead, they are reimbursed based on quarterly expenses incurred. WHO records the full amount of revenue in the financial year in which the agreement is signed and recognizes the full receivable as currently due. As at 31 December 2019, the total receivable shown as currently due under this arrangement was US\$ 400.6 million outstanding, of which US\$ 88.4 million outstanding was due on agreements ending in 2021 and beyond. (US\$ 391.1 million outstanding as currently due at 31 December 2018, of which US\$ 172 million outstanding was due on agreements ending in 2020 and beyond).

The movement in the allowance for doubtful debts is as follows:

Description	31 December 2019	31 December 2018
	US\$ thousands	
Opening balance – assessed contributions	47 598	49 477
Increase/(decrease) in allowance for doubtful accounts receivable	1 939	(1 879)
Ending balance – assessed contributions	49 537	47 598
Opening balance – voluntary contributions	9 881	3 278
Write-off of accounts receivable previously provided	(284)	
(Decrease)/increase in allowance for doubtful accounts receivable (refer to note 5.1)	(2 574)	6 603
Ending balance – voluntary contributions	7 023	9 881
Total allowance for doubtful accounts receivable	56 560	57 479
Allowance for doubtful accounts receivable		
Allowance – current	37 946	46 259
Allowance – non-current	18 614	11 220
Total allowance for doubtful accounts receivable	56 560	57 479

The total allowance for doubtful accounts on voluntary contributions was US\$ 7 million (US\$ 9.9 million at 31 December 2018). Of the total provision, US\$ 6.5 million relates to an agreement with the Government of Guinea on technical assistance to the Ebola emergency response in Guinea, which was initially provided for in December 2018 and remains outstanding.

4.4 Staff receivables

In accordance with WHO's Staff Regulations and Staff Rules, staff members are entitled to certain advances including those for salary, education, rent and travel.

The total balance of staff receivables amounted to US\$ 12.8 million as at 31 December 2019 (US\$ 13.1 million as at December 2018). The largest balance relates to education grant which represents advances made to staff for the 2019 portion of the 2019–2020 school year.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Salary advances	323	401
Education grant advances	11 121	10 682
Rental advances	1 193	1 134
Travel receivables	216	887
Other staff receivables	(19)	(48)
Total staff receivables	12 834	13 056

4.5 Inventories

The total value of inventory as at 31 December 2019 was US\$ 59.2 million (US\$ 37.5 million as at 31 December 2018). The movement of inventory items during the year is shown in the table below:

Description	31 December 2018	Net additions	Net shipments	Net disposals and expired items	Net inventory in-transit	31 December 2019
	US\$ thousands					
Medicines, vaccines and humanitarian supplies	32 481	111 240	90 421	2 199	3 042	54 143
Publications	4 992	2 108	1 544	514		5 042
Total inventory	37 473	113 348	91 965	2 713	3 042	59 185

Total expenses relating to inventories during the period (net shipments, net disposals and expired items) amounted to US\$ 94.7 million (US\$ 58.2 million as at 31 December 2018). In 2019, shipments grew 81% compared to 2018, due to an increase in emergency response operations. The expenses relating to inventories are reported in the Statement of Financial Performance (Statement II) under “Medical Supplies and materials”. The year-end inventory balance includes shipping cost of 12%.

4.6 Prepayments and deposits

The total value of prepayments as at 31 December 2019 was US\$ 55.9 million (US\$ 30.7 million in 2018). These represent payments to suppliers in advance of the receipt of goods or services. The largest component of prepayment (US\$ 42.3 million) relates to procurement of polio vaccine through the United Nations Children’s Fund. It is common practice for technical service contractors to request payments in advance to support project work. When goods or services are delivered, prepayments are applied to the appropriate expense account.

Prepayments include US\$ 3.8 million of deposits (US\$ 3.9 million as at 31 December 2018). Deposits represent amounts given to landlords as a security to rent office space.

4.7 Property, plant and equipment

As at 31 December 2019, the total value of recognized property, plant and equipment (net of accumulated depreciation) was US\$ 180 million (US\$ 124.7 million as at 31 December 2018).

Details of the total property, plant and equipment are as follows:

Property

The total value of property (net of accumulated depreciation) was US\$ 161.7 million (US\$ 108.1 million as at 31 December 2018). The addition of US\$ 55.4 million was mainly for the headquarters construction project. The details of property are as follows:

Major office	31 December 2018	Additions	Disposals Transfers	Impairments	Depreciation	31 December 2019
US\$ thousands						
Headquarters						
Land	1 000					1 000
Buildings	33 073				(1 082)	31 991
CIP	49 881	55 441				105 322
Total property – Headquarters	83 954	55 441			(1 082)	138 313
Regional Office for Africa						
Land	103					103
Buildings	4 097	47			(302)	3 842
CIP	689					689
Total property – Regional Office for Africa	4 889	47			(302)	4 634
Regional Office for the Eastern Mediterranean						
Buildings	18 694				(403)	18 291
CIP						
Total property – Regional Office for the Eastern Mediterranean	18 694				(403)	18 291
Regional Office for the Western Pacific						
Buildings	606				(81)	525
CIP						
Total property – Regional Office for the Western Pacific	606				(81)	525
Total WHO						

Major office	31 December 2018	Additions	Disposals Transfers	Impairments	Depreciation	31 December 2019
Land	1 103					1 103
Buildings	56 470	47			(1 868)	54 649
CIP	50 570	55 441				106 011
Total property – WHO	108 143	55 488			(1 868)	161 763

Equipment

The total value of equipment (net of accumulated depreciation) was US\$ 18.3 million (US\$ 16.6 million as at 31 December 2018). The details of equipment are as follows:

Asset category	31 December 2018	Additions	Disposals Transfers	Impairments	Depreciation	31 December 2019
	US\$ thousands					
Vehicles and transport equipment	12 848	7 220	(31)		(5 864)	14 173
Computer and communications equipment	2 741	1 630			(1 681)	2 690
Machinery and specialized equipment	903	1 170	(1)		(699)	1 373
Furniture	66	42	(3)		(29)	76
Total equipment – WHO	16 558	10 062	(35)		(8 273)	18 312

The total depreciation for 2019 was US\$ 10.1 million (refer to note 5.2) - US\$ 1.8 million for property and US\$ 8.3 million for equipment.

In locations where WHO does not own the land, surface rights were granted at no cost. No value for land has been recognized as the Organization does not have the ability to dispose of these rights in a commercial transaction.

The Organization also continues to use the fully depreciated assets, the total purchase cost was US\$ 63.7 million. The fully depreciated assets were reduced by 15% (or 497 items). Most reductions were under the categories of “Vehicle and transport equipment” (210) and “Computer and communications equipment” (250).

Details of fully depreciated assets in use are as follows.

Asset category	Fully depreciated equipment in service as at 31 December 2019
	units
Vehicles and transport equipment	1 131
Computer and communications equipment	1 579
Machinery and specialized equipment	411
Furniture	40
Total equipment – WHO	3 161

4.8 Intangibles

Intangible assets held as at 31 December 2019 amounted to US\$ 2.2 million (US\$ 3.2 million as at 31 December 2018).

Asset category	31 December 2018	Additions	Disposals/ Transfers	Impairments	Amortization	31 December 2019
	US\$ thousands					
Software acquired	3 189				(958)	2 231
Total intangible assets	3 189				(958)	2 231

4.9 Contributions received in advance

The amount for contributions received in advance mainly concerns payments received from Member States in 2019 for their 2020 assessed contributions. The balance for advance payments for voluntary contributions reflects funds received for agreements starting in 2020. Unapplied and unidentified receipts are amounts received in 2019 but not yet matched as at 31 December 2019.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Assessed contribution advances	40 226	47 485
Advances for voluntary contributions	27 500	37 115
Unapplied and unidentified receipts	2 889	1 844
Other advances	659	210
Total contributions received in advance	71 274	86 654

4.10 Accounts payable

Accounts payable represents the total amount due to suppliers by major office as at 31 December 2019.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Headquarters	19 594	13 894
Regional Office for Africa	9 794	10 303
Regional Office for the Eastern Mediterranean	20 849	14 232
Regional Office for Europe	3 181	2 432
Regional Office for South-East Asia	5 120	2 005
Regional Office for the Western Pacific	3 788	1 624
Total accounts payable	62 326	44 490

4.11 Staff payable

The balance of staff payable represents the total amount outstanding to staff as at 31 December 2019. Salaries payable consist of balances due to staff pending the finalization of clearance certificates. Bank returns are balances due to staff for which the payment is pending the receipt of updated bank account information.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Salaries payable	1 043	1 247
Bank returns	89	86
Total staff payable	1 132	1 333

4.12 Accrued staff benefits

Accrued staff benefits include terminal payments, staff health insurance, group accident and illness insurance and liabilities due to service-incurred death or disability (Special Fund for Compensation).

Terminal Payments

The Terminal Payments Fund was established to finance the terminal emoluments of staff members, including repatriation grants, accrued annual leave, repatriation travel and removal on repatriation. It is funded by a charge made to salary.

Liabilities arising from repatriation benefits and annual leave are determined by independent consulting actuaries. However, the accrued leave is calculated on a walk-away basis – that is, as if all staff separated immediately – and, therefore, is not discounted.

The latest actuarial study (as at 31 December 2019) estimated the full terminal payment liability to be US\$ 114 million (short-term liability, US\$ 50 million; long-term liability, US\$ 64 million) compared to US\$ 106.6 million as at 31 December 2018, a net increase of US\$ 7.4 million, which is recognized by nature of expense, in the Statement of Financial Performance (Statement II). This calculation does not include costs for the end-of-service grant, separation by agreement or abolishment of posts. The defined benefit obligation amounted to US\$ 72 million (US\$ 67.3 million as at 31 December 2018) for terminal entitlements, and US\$ 42million (US\$ 39.3 million as at 31 December 2018) for annual leave which is included in the terminal payments current balance.

Special Fund for Compensation

In the event of a death or disablement attributable to the performance of official duties of an eligible staff member, the Special Fund for Compensation covers all reasonable medical, hospital, and other directly related costs, as well as funeral expenses. In addition, the Fund provides compensation to disabled staff members (for the duration of the disability) or to the surviving family members.

WHO accounts for the Special Fund for Compensation as a post-employment benefit. Actuarial gains and losses are recognized in the net assets/equity (Statement III), in accordance with IPSAS 39 (Employee Benefits).

As per the actuarial study, the total liability was US\$ 45.4 million at 31 December 2019 (US\$ 18.1 million as at 31 December 2018). The increase in liability is mainly due to a lower discount rate and a change in actuarial assumptions relating to allowances for administrative expenses. In accordance with IPSAS 39, the actuarial loss of US\$ 26.6 million (gain of US\$ 1.1 million in 2018) was charged directly to net assets/equity (Statement III) in 2019, while US\$ 0.7 million (US\$ 1.6 million in 2018) was charged by nature of expense in the Statement of Financial Performance (Statement II).

Accident and Illness Insurance

The Accident and Illness Insurance Fund was established to cover benefit payments in the event of death, permanent disability, loss of function and sick leave (SLIC) to staff members of WHO, PAHO, IARC, ICC, Unitaids and UNAIDS. It is funded by contributions from staff and their organizations.

Liabilities for these benefits are determined by professional consulting actuaries and recorded as other long-term benefits. In accordance with IPSAS 39, a net increase of US\$ 1.2 million was recognized by nature of expense, in the Statement of Financial Performance (Statement II).

As per the actuarial study, the total liability was US\$ 6.2 million at 31 December 2019 (US\$ 5 million at 31 December 2018).

Staff Health Insurance

The Secretariat manages its own health insurance scheme as a separate entity. The Staff Health Insurance has its own governance structure and provides for the reimbursement of a major portion of expenses for medically recognized health care incurred by staff members, retired staff members and their eligible family members. The Staff Health Insurance is financed by the contributions made by the participants (one third) and the Organization (two thirds) and from investment income.

The Organization accounts for after-service staff health insurance as a post-employment benefit. Actuarial gains and losses are recognized in the net assets/equity in accordance with IPSAS 39 (Employee Benefits).

Professional actuaries determined the 2019 defined benefit obligation for the Staff Health Insurance based on personnel data and payment experience provided by WHO. As at 31 December 2019, the unfunded defined benefit obligation amounted to US\$ 1084 million (US\$ 1130 million in 2018). In accordance with IPSAS 39, the actuarial gain of US\$ 35.4 million (US\$ 363 million gain in 2018) was charged directly to net assets/equity (Statement III) in 2019, US\$ 10.3 million (US\$ 7.9 million charges in 2018) was credited to staff cost – refer to Note 5.2.

Further details on Staff Health Insurance liability can be found in the annual report of the Staff Health Insurance scheme.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Accrued staff benefits – current		
Terminal payments	49 941	48 136
Special Fund for Compensation	1 100	660
Accident and Illness Insurance	4 158	3 590
Total accrued staff benefits – current	55 199	52 386
Accrued staff benefits – non-current		
Terminal payments	64 048	58 524
Special Fund for Compensation	44 273	17 463
Accident and Illness Insurance	2 078	1 409
Staff health insurance	1 084 025	1 129 755
Total accrued staff benefits – non-current	1 194 424	1 207 151
Accrued staff benefits		
Terminal payments	113 989	106 660
Special Fund for Compensation	45 373	18 123
Accident and Illness Insurance	6 236	4 999
Staff health insurance	1 084 025	1 129 755
Total accrued staff benefits	1 249 623	1 259 537

Actuarial summary of terminal payments, the Staff Health Insurance and the Special Fund for Compensation (US\$ thousands)

Description	Terminal Payments (other than accrued leave)	Special Fund for Compensation	Accident and Illness Insurance	Staff Health Insurance
Reconciliation of Defined Benefit Obligation				
Defined Benefit Obligation as at 31 December 2018	67 279	18 123	4 999	1 921 792
Service Cost	6 625	740	5 264	65 626
Interest on Defined Benefit Obligation	2 577	640	29	50 412
Actual Gross Benefit Payments	(7 283)	(713)	(2 385)	(36 122)
Actual Administrative Expenses			(963)	(2 328)
Actual Contributions by Participants				12 153
Plan Amendments				(18 972)
(Gain)/Loss on DBO Due to Financial Assumption Changes	5 575	13 236	37	262 120
(Gain)/Loss on DBO Due to Other Assumption Changes	(2 784)	13 347	(745)	(223 280)
Defined Benefit Obligation as at 31 December 2019	71 989	45 373	6 236	2 031 401
Reconciliation of Assets				
Assets as at 31 December 2018				792 037
Actual Gross Benefit Payments for 2019	(7 283)	(713)	(2 385)	(60 723)
Actual Administrative Expenses			(963)	(3 976)
Organization Contributions during 2019	7 283	713	3 348	80 680
Participant Contributions during 2019				40 745
Net Transfer to/from WHO-PAHO/PAHO for 2019				
Interest On Incurred-but-Not-Paid Reserve for 2019				(586)
Gain/(Loss) on Incurred-But-Not-Paid Reserve				2 506
Interest on SHI Assets for 2019				24 934
Gain/(Loss) on Plan Assets				71 759
Assets as at 31 December 2019				947 376
Reconciliation of Unfunded Status				
Defined Benefit Obligation				
Active	71 989	15 842		1 131 718
Inactive		29 531	6 236	899 683
Total Defined Benefit Obligation	71 989	45 373	6 236	2 031 401
Plan Assets				
Gross Plan Assets				968 943
Offset for Incurred-but-Not-Paid Reserve for 2019				(21 567)
Total Plan Assets				947 376
Net Liability (Asset) Recognized in Statement of Financial Position	71 989	45 373	6 236	1 084 025
(Gain)/Loss on Defined Benefit Obligation	2 791	26 583	(708)	(35 425)
Current	7 941	1 100	4 158	
Noncurrent	64 048	44 273	2 078	1 084 025
Net Liability (Asset) Recognized in Statement of Financial Position	71 989	45 373	6 236	1 084 025
Annual Expense for 2019				
Service Cost	6 625	740	5 264	65 626
Interest on (Surplus)/Deficit	2 577	640	29	26 064
Past Service (Credit)/Cost		959		(18 972)
Remeasurements	2 791	Not Applicable	(708)	Not Applicable
Total Expense Recognized in Statement of Financial Performance	11 993	2 339	4 585	72 718
Actuarial (Gain)/Loss Recognized in Net Assets/Equity	Not Applicable	26 583	Not Applicable	(35 425)
Expected Contributions during 2020				
Contributions by WHO	8 058	1 110	5 732	27 689
Contributions by Participants				63 860
Total Expected Contributions for 2020	8 058	1 110	5 732	91 549

Staff health insurance sensitivity analysis

2019 Discount Rate	US\$ (thousands)
Current Discount Rate Assumption Minus 1%	1 623 759
Current Discount Rate Assumption	2 031 401
Current Discount Rate Assumption Plus 1%	2 587 488
31 December 2019 Defined Benefit Obligation	US\$ (thousands)
Current Medical Inflation Assumption Minus 1%	2 598 960
Current Medical Inflation Assumption	2 031 401
Current Medical Inflation Assumption Plus 1%	1 621 885
Approximate Duration of Defined Benefit Obligation	27 years

Actuarial methods and assumptions

Each year the Organization identifies and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the Organization's employee benefits. Actuarial assumptions are required to be disclosed in the financial statements, in accordance with IPSAS 39 (Employee Benefits). In addition, each actuarial assumption is required to be disclosed in absolute terms.

In 2019, the Organization performed a full valuation to estimate the liabilities. Normally, a full valuation is done every three years.

Measurement date

All plans: 31 December 2019

Discount rate

Terminal payments (other than accrued leave):	The weighted-average discount rate used is 3% (decrease from 4.1% in the prior valuation). Based on the projected benefit payments with weights of 100% on the Aon AA Above Median Curve outside of Switzerland. The resulting discount rate is rounded to the nearest 0.1%.
Staff health insurance:	<p>Europe, 0.6% (decrease from 1.3% in prior valuation); the Americas, 3.5% (decrease from 4.5% in prior valuation); Other Countries, 3.7% (decrease from 4.7% in prior valuation).</p> <p>Discount rates are based on the yields of high-grade corporate bonds. WHO uses a yield curve approach, which reflects the expected cash flows and assumed currency exposure—specific to the ASHI—for each grouping of offices. The liability is assumed to be incurred in Swiss francs, euros, and US dollars, based on the approximate liability mix for each grouping of offices and the following yield curves. These curves were prescribed by the United Nations for use in its retiree medical valuations, based on consultations with Aon: Switzerland—SIX Swiss Exchange curve, Euro Zone—iBoxx Euro Zone curve, and the United States—Aon Hewitt AA Above Median curve.</p> <p>The discount rates for the 31 December 2019 valuation are based on the geographic locations of the offices, as described in the "Regional groupings for all purposes except claims costs" below. The resulting rate is rounded to the nearest 0.1%.</p>
Special Fund for Compensation:	The weighted-average discount rate used is 1.6% (decrease from 3.6% in the prior valuation). Based on the combined projected benefit payments with weights of 25% on the Aon AA Above Median Curve outside of Switzerland and 15% on the SIX Swiss Exchange yield curve for Switzerland and 60% on the iBoxx Euro Zone curve. The resulting discount rate is rounded to the nearest 0.1%.

Accident and Illness Insurance:	The weighted-average discount rate used is 0.4% (decrease from 0.9% in the prior valuation). Based on the combined projected benefit payments with weights of 30% on the Aon AA Above Median Curve outside of Switzerland and 70% on the SIX Swiss Exchange yield curve for Switzerland. The resulting discount rate is rounded to the nearest 0.1%.
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Annual general inflation

Terminal payments (other than accrued leave):	The weighted-average inflation rate used is 2.2%. The regional weightings used are 100% on United States rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.
Staff health insurance:	Europe 1.3%, the Americas and Other Countries 2.2%. The rates are based on the United Nations common assumptions (for long-duration plans) as directed by the United Nations System Task Force on Accounting Standards. Specifically, the rate for Europe is a weighted average of the rates for Switzerland (1.1%) and the rest of Europe (1.8%), with the result rounded to the nearest 0.1%. For Europe claims region, a weighting of 67% Switzerland and 33% Euro Zone is used, with results rounded to the nearest 0.1%. For the Americas and other Countries claims regions, a 100% weighting of the United States inflation rate is used.
Special Fund for Compensation:	The weighted-average inflation rate used is 1.8%. The regional weightings used are 15% on Swiss, 60% Euro Zone and 25% on United States rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.
Accident and Illness Insurance:	The weighted-average inflation rate used is 1.3%. The regional weightings used are 70% on Swiss and 30% on United States rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.

Annual salary scale

All plans:	Includes merit/promotional increases, plus 3.0 % static increases for general inflation, plus productivity growth.
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Regional groupings for all purposes except claims costs

Terminal payments (other than accrued leave):	Not applicable
Staff health insurance:	Based on: the Regional Office for Europe, headquarters, which are grouped as Europe; the Regional Office for the Americas constitutes the Americas; and the African Region, the Eastern Mediterranean Region, the South-East Asia Region, and the Western Pacific Region, which are grouped as Other Countries.
Special Fund for Compensation:	Not applicable
Accident and Illness Insurance:	Not applicable

Repatriation travel and removal on repatriation

Terminal payments (other than accrued leave):	Calculated using the projected unit credit method with service prorated, and an attribution period from the "entry on duty date" to separation. A 2% increase is applied for incurred but not paid benefits (IBNP).
Staff health insurance:	Not applicable
Special Fund for Compensation:	Not applicable
Accident and Illness Insurance:	Not applicable

Repatriation grant, termination indemnity, and grant in case of death

Terminal payments (other than accrued leave):	Using the projected unit credit method with accrual rate proration. A 2% increase is applied for incurred but not paid benefits (IBNP).
Staff health insurance:	Not applicable
Special Fund for Compensation:	Not applicable
Accident and Illness Insurance:	Not applicable

Accrued leave

Terminal payments (other than accrued leave):	The liability is set equal to the walk-away liability – that is, as if all staff separated immediately. Plus 2% increase is applied for incurred but not paid benefits (IBNP).
Staff health insurance:	Not applicable
Special Fund for Compensation:	Not applicable
Accident and Illness Insurance:	Not applicable

Abolition of post, end-of-service grant, and separation by mutual agreement

Terminal payments (other than accrued leave):	These benefits are considered termination benefits under IPSAS 39 and, therefore, are excluded from the valuation.
Staff health insurance:	Not applicable
Special Fund for Compensation:	Not applicable
Accident and Illness Insurance:	Not applicable

United Nations Joint Staff Pension Fund

WHO is a member organization participating in the United Nations Joint Staff Pension Fund (the “Fund”), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. WHO and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify WHO’s proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, WHO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee Benefits. WHO’s contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

The Fund’s Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

WHO’s financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension 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. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The latest actuarial valuation for the Fund was completed as of 31 December 2017, and the valuation as of 31 December 2019 is currently being performed. A roll forward of the participation data as of 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements.

The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2%. The funded ratio was 102.7% when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2017, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2016, 2017 and 2018) amounted to US\$ 7131.56 million, of which 7.1% was contributed by WHO.

During 2019, contributions paid to the Fund amounted to US\$ 184.4 million (2018 US\$ 177 million). Expected contributions due in 2020 are approximately US\$ 198.6 million.

Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments and these can be viewed by visiting the Fund at www.unjspf.org.

4.13 Deferred revenue

Deferred revenue on voluntary contributions represents multi-year agreements signed in 2019 or prior years but for which the revenue recognition has been deferred to future financial periods. The balance on voluntary contributions is split into current and non-current deferred revenue, depending on when the funds are available to the Organization to spend. Further details of voluntary contributions by fund and by contributor are available on the WHO Programme Budget Web Portal and the WHO Internet.¹

Deferred revenue on reimbursable procurement relates to revenue recognized where supplies or services have not been delivered to requesting parties at year end. As reimbursable procurement is an exchange transaction, revenue is recorded on an accrual basis. The entire amount of deferred revenue for reimbursable procurement is current.

¹ WHO Programme Budget Web Portal – <http://extranet.who.int/programmebudget/> and details of voluntary contributions by fund and by contributor, 2019 (document A73/INF./3) available at – <http://www.who.int/about/finances-accountability/reports/en/> (accessed 30 April 2020).

Description	31 December 2019	31 December 2018
	US\$ thousands	
Voluntary contributions	364 091	372 552
Reimbursable procurement	4 395	4 038
Total deferred revenue – current	368 486	376 590
Voluntary contributions	385 107	206 258
Total deferred revenue – non-current	385 107	206 258
Total deferred revenue	753 593	582 848

4.14 Other current liabilities

The total balance for other current liabilities as at 31 December 2019 was US\$ 100.7 million (US\$ 75.2 million as at 31 December 2018). The largest component is various year-end accruals totalling to US\$ 83 million. The main element under other liabilities relates to balance collected to settle shipping and freight component for goods procurement (US\$ 9.5 million).

Description	31 December 2019	31 December 2018
	US\$ thousands	
Accrual for uninvoiced goods and services	59 735	35 152
Accrual for restructuring cost	1 309	248
Accrued staff liability	19 532	14 971
Accrual for refunds payable	2 592	5 572
Pension payable	915	807
Insurance payable	1 698	2 837
Foundations	3 277	3 274
Other liabilities	11 688	12 365
Total other current liabilities	100 746	75 226

The balance for foundations concerns funds that WHO holds in trust and for whose financial and administrative management the Organization is responsible. As at 31 December 2019, the foundations with funds in trust were as follows.

- Down Syndrome Research Prize Foundation in the Eastern Mediterranean Region
- Dr A.T. Shousha Foundation
- Dr Comlan A.A. Quenum Prize for Public Health
- Ihsan Doğramacı Family Health Foundation
- Léon Bernard Foundation
- Francesco Pocchiari Fellowship
- Foundation for the State of Kuwait Prize for the Control of Cancer, Cardiovascular Diseases and Diabetes in the Eastern Mediterranean Region
- State of Kuwait Health Promotion Foundation
- United Arab Emirates Health Foundation
- Dr Lee Jong-Wook Memorial Prize for Public Health

4.15 Inter-entity liabilities

WHO hosts a number of entities through administrative service agreements. As cash for all entities is managed by the Organization, liabilities exist with these entities for funds held on their behalf. The total amounts due per entity are as follows (refer to Note 4.2).

Description	31 December 2019	31 December 2018
	US\$ thousands	
Staff Health Insurance (SHI)	132 392	68 069
International Computing Centre (ICC)	28 899	27 559
International Drug Purchase Facility (UNITAID)	570 844	665 622
Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS)	157 057	162 695
Total inter-entity liabilities	889 192	923 945

4.16 Long-term borrowings

Resolution WHA55.8 (2002) and resolution WHA56.13 (2003), authorized construction of a new building at headquarters for WHO and UNAIDS at an estimated cost of 66 million Swiss francs, of which WHO's share was estimated at 33 million Swiss francs. The Swiss Confederation agreed to provide an interest-free loan to WHO and UNAIDS of 59.8 million Swiss francs, of which WHO's share is 29.9 million Swiss francs. In the resolutions mentioned above, the World Health Assembly also approved the use of the Real Estate Fund for the repayment over a 50-year period of the Organization'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 Swiss Confederation 30-year bonds rate was -0.16% at Dec 2019 (0.37% for 2018). Hence, in line with prudent accounting principles, the outstanding amount of US\$ 22.7 million for the UNAIDS building loan was not discounted. Of the total amount outstanding on the loan, US\$ 0.6 million will be due in the next 12 months and is shown as a current liability, which is separately disclosed.

In 2015, following decision WHA67(12) (2014), the Organization signed a new loan agreement of US\$ 140 million for the planning and construction of a new WHO building in Geneva. A total of US\$ 103 million had been received as of 31 December 2019 (US\$ 52.4 million as at 31 December 2018).

The outstanding balance of the loan at 31 December 2019 was US\$ 125.7 million (US\$ 73.3 million at 31 December 2018) and is made up as follows.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Current liabilities		
WHO/UNAIDS building	613	606
Total current liabilities	613	606
Non-current liabilities		
WHO/UNAIDS building	22 080	20 922
WHO HQ building	103 051	52 413
Total non-current liabilities	125 131	73 335
Total long-term borrowings	125 744	73 941

4.17 Other liabilities – non-current

The total balance for other liabilities non-current as at 31 December 2019 was US\$ 4.8 million (US\$ 2.3 as at 31 December 2018). The balance represents retention amounts from various suppliers for the new Geneva building project.

5. Supporting information to the Statement of Financial Performance

5.1 Revenue

Assessed contributions

Assessed contributions for 2019 were US\$ 490.3 million¹ (US\$ 500.7 million for 2018).

Description	31 December 2019	31 December 2018
	US\$ thousands	
Assessed contributions	493 869	498 872
(Increase)/Decrease in allowance for doubtful accounts	(1 939)	1 880
Assessed contributions net of allowance	491 930	500 752
Refund to France – Tax equalization fund	(1 636)	
Total Assessed contributions	490 294	500 752

In May 2017, the Seventieth World Health Assembly adopted the resolution for the financial period 2018–2019,² in which it approved a total effective budget of US\$ 4421.5 million. In resolution WHA70.5, the Health Assembly further resolved that the total assessment on Member States in respect of the financial period 2018–2019 would be US\$ 956.9 million.

Following resolution WHA66.16 (2013), where the total annual assessed contribution for a Member State is US\$ 200 000 or more, the contribution is assessed half in United States dollars and half in Swiss francs. Where the annual assessed contribution for a Member State is less than US\$ 200 000, the contribution is assessed in United States dollars only.

The annual assessment for 2019 amounted to US\$ 494 million or US\$ 249 million and Sw.fr 244 million per year using the May 2017 exchange rate. Contributions are due from 1 January, so the Swiss franc portion of the assessment was recorded at the January 2019 exchange rate, which resulted in an exchange gain on recording of US\$ 2.2 million.

In December 2018, through an exchange of letters between WHO and the Government of France, residents working in the IARC were granted tax exemption on the salaries and emoluments paid by IARC. Therefore, the tax equalization portion of the assessed contribution invoiced to the Government of France in 2019 amounting to US\$2.7 million (refer to note 6.1.a) was reversed. In addition, the excess tax equalization contribution from France of US\$ 1.6 million was refunded.

Voluntary contributions

Voluntary contributions for 2019 were US\$ 2492 million (US\$ 2291 million for 2018).

Description	31 December 2019	31 December 2018
	US\$ thousands	
Voluntary contributions	2 489 245	2 297 517
(Increase)/decrease in allowance for doubtful debts	2 574	(6 603)
Voluntary contributions net of allowance	2 491 819	2 290 914

These contributions represent revenue recognized from governments, intergovernmental organizations, institutions, other United Nations organizations as well as nongovernmental organizations. A portion of the

¹ See document A73/26 for details of the status of collection of assessed contributions.

² Resolution WHA70.5

revenue reported in 2019 relates to agreements that continue in future years. Further details of voluntary contributions by fund and by contributor are contained in the Annex to the Financial Report.¹

The figure for total voluntary contributions reported of US\$ 2 492 million is after the deduction of (i) refunds to contributors – these amounted to US\$ 12.7 million (US\$ 21.8 million for 2018); (ii) reductions in revenue recognized in prior years due to evidence arising in the current year that amounts will no longer be collected – these amounted to US\$ 15.5 million (US\$ 14.3 million for 2018); and (iii) the adjustment of payment terms with the effect of increasing deferred revenue and decreasing current revenue for revenue recognized in previous years – these amounted to US\$ 4.6 million (US\$ 1.7 million for 2018).

Voluntary contributions in-kind and in-service

WHO receives non-cash contributions from Member States and other contributors. In 2019, the Organization received in-kind and in-service contributions amounting to US\$ 90 million (US\$ 62.5 million as at 31 December 2018).²

Description	31 December 2019	31 December 2018
	US\$ thousands	
In-kind – Medical supplies and materials	63 514	38 004
In-kind – Office space and field supplies	11 513	12 110
In-service	14 942	12 382
Total voluntary contributions in-kind and in-service	89 969	62 496

In addition, WHO also benefits from land made available from the host governments either at no cost or at a token rent. As the title to the land remains with the government, the value of land is not recognized in the financial statements. The table below indicates the locations where land has been made available to WHO to construct or purchase premises.

Region	Country	City
Headquarters	Switzerland	Geneva
Africa	Equatorial Guinea	Malabo
Africa	Republic of South Sudan	Juba
Africa	Nigeria	Maiduguri, Borno State
Eastern Mediterranean	Egypt	Cairo
Eastern Mediterranean	Afghanistan	Kabul
Eastern Mediterranean	Pakistan	Islamabad
Eastern Mediterranean	Jordan	Amman
Eastern Mediterranean	Tunisia	Tunis
Eastern Mediterranean	Somalia	Garowe
South-east Asia	India	New Delhi
Western Pacific	Philippines	Manila
Western Pacific	Solomon Islands	Honiara

¹ Document A73/INF./3, the Annex to the Financial Report, is also available at: <http://www.who.int/about/finances-accountability/funding/voluntary-contributions/en/>.

² Further details of in-kind and in-service contributions are available on the WHO Programme Budget Web Portal available at: <http://open.who.int/2018-19/home> (accessed 18 March 2020) and on the WHO website: <http://www.who.int/about/finances-accountability/funding/voluntary-contributions/en/> (accessed 18 March 2020).

Other revenue

In 2019, other revenue totalled US\$ 44 million (US\$ 47.2 million as at 31 December 2018). This mainly represents earnings generated from: – fee for service (prequalification fees); hosting entities such as UNAIDS, Unitaids, and the International Computing Centre; reimbursable procurement; and staff contributions for accident and illness insurance. Other sources of earnings also included rental income, insurance refunds and sale of publications and royalties.

Reimbursable procurement pertains to medicines, vaccines, equipment and other supplies procured by WHO on behalf of Member States and other United Nations agencies. The revenue and expenses (refer to Note 5.2) related to reimbursable procurement form part of the Enterprise Fund and are not reported against the programme budget.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Fees for Service	30 722	24 348
Reimbursable Procurement	1 030	8 384
Royalties, sales and rental income	7 378	7 591
Other income	4 911	6 898
Total Other Revenue	44 041	47 221

5.2 Expenses

Staff costs

Staff and other personnel costs reflect the total cost of employing staff at all locations and include charges for base salary, post adjustment and all other entitlements (such as pensions and insurances) paid by the Organization. Staff costs also include the movement in the actuarial cost for staff health insurance, special fund for compensation, terminal payments and accident and illness insurance liability (refer to Note 4.12) that is recognized in the Statement of Financial Performance (Statement II).

Description	31 December 2019	31 December 2018
	US\$ thousands	
Salary cost	927 334	860 214
Actuarial cost	(10 305)	(7 866)
Other personnel costs	73 577	78 870
Total staff costs	990 606	931 218

Medical supplies and materials

Medical supplies and materials are mainly purchased and distributed by WHO to support programmatic activities in countries. These include vaccines, medicines, medical supplies, hospital running costs, including fuel, as well as related shipping costs. The medical supplies expense includes the cost of reimbursable procurement – refer to Note 5.1 (Other Revenue) and medical supplies received as in-kind contributions.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Medical supplies	195 871	138 682
Medical supplies – in-kind	63 514	38 004
Total medical supplies and materials	259 385	176 686

Contractual services

Contractual services represent expenses incurred for suppliers engaged by WHO to provide services in support of the Organization's programmatic activities. The main components within contractual services are direct implementation (implemented by WHO such as vaccination campaigns directly in collaboration with national governments), agreements for performance of work, consulting contracts including special service agreements given to individuals to perform activities on behalf of the Organization. Medical research activities and security expenses are also included in contractual services.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Direct implementation	300 768	264 670
Contractual services	582 898	377 673
Special service agreements	76 569	56 972
Security and other costs	28 087	21 990
Total contractual services	988 322	721 305

Transfers and grants

Transfers and grants to counterparts include non-exchange contracts signed with national counterparts (mainly health ministries), letters of agreement signed with other counterparts to perform activities that are in line with the Organization's objectives, fellowship expenses and equipment purchased for third parties. Transfers and grants to government ministries are referred to as "direct financial cooperation" (DFCs). Funds are normally expensed at the time of transfer to the contractual partner. Counterparts are required to report back on the use of funds to ensure that they are used according to the agreement, and WHO performs on-site monitoring and spot checks of ongoing activities on DFCs and post-facto review of selected DFCs based on risk assessments. WHO may withhold further funding to recipients of transfers and grants on the basis of performed assurance activities if the requirements of the agreement have not been met.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Direct financial cooperation	177 244	115 882
Grant letters of agreement	138 650	107 302
Equipment procured for third parties	62 397	46 029
Fellowships	2 374	3 183
Total transfers and grants	380 665	272 396

Travel

The cost of travel includes both WHO staff and non-staff participants in meetings, consultants, staff on development assignment and representatives of Member States paid by the Organization. Travel expenses include airfare, per diem and other travel-related costs.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Travel	222 369	191 690

General operating expenses

General operating expenses reflect the cost of general running costs incurred to maintain country offices, regional offices and headquarters, as well as WHO programmes. This includes utilities, telecommunication, office rent, maintenance and repair costs to keep assets operating at their present condition, software licences, courtesy expenses that are incurred during meetings and training, and other minor operating costs. Catastrophic

accident and illness insurance premiums are also included in this category. "Other in-kind" pertains to the office rent, supplies and other items that were received as in-kind contributions

Description	31 December 2019	31 December 2018
	US\$ thousands	
General operating costs	197 409	164 091
Hospitality	105	1 335
Other in-kind	11 513	12 110
Total general operating expenses	209 027	177 536

Equipment, vehicles and furniture

Total expenses for 2019 were US\$ 26.3 million (US\$ 15.5 million for 2018), which represents purchases of items below the capitalization threshold.

Depreciation and amortization

Depreciation is the expense resulting from the systematic allocation of the depreciable amounts of property, plant and equipment over their useful lives. All capitalized items above threshold were depreciated as per policy.

Amortization is the expense resulting from the systematic allocation of the amortizable amount of intangible assets over their useful lives. It relates to purchased software.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Depreciation	10 141	12 624
Amortization (refer to note 4.8)	959	909
Total depreciation and amortization	11 100	13 533

5.3 Finance revenue

Total finance revenue includes amounts related to funds administered by WHO on behalf of other entities (refer to Note 4.15). The investment income relating to other entities is allocated to those entities. In addition, interest is apportioned based on average fund balance and reported as finance revenue for the fund.

The details of finance revenue are as follows.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Investment revenue	94 273	64 320
Bank charges and investment management fees	(3 189)	(3 013)
Net realized foreign exchange gains or (losses) ^a	(1 125)	35 655
Net unrealized foreign exchange gains or (losses)	3 311	(37 111)
Actuarial revaluation gains or (losses) on Terminal Payments Fund and Accident and Illness Insurance Fund	(2 083)	2 695
Actuarial interest cost related to valuation of Terminal Payments Fund and Accident and Illness Insurance Fund	(3 246)	(2 781)
Net total finance revenue (WHO and other entities)	87 941	58 870
Investment revenue and foreign exchange gains and losses apportioned to other entities	(26 325)	(19 277)
Total net finance revenue for WHO	61 616	40 486

^a Includes differences due to rounding of the financial statements to the nearest thousand US dollars.

6. Supporting information to the Statement of Changes in Net Assets/Equity

6.1 General Fund

This note provides fund balance details for the General Fund.

Description	Notes	31 December 2019	31 December 2018
		US\$ thousands	
Regular budget	6.1.a	56 483	(1 866)
Voluntary funds	6.1.b	2 626 956	2 705 287
Total General Fund		2 683 439	2 703 421

6.1.a Regular budget

This note provides details of revenue and expenses of the regular budget.

Description	Member States AC Fund	Tax Equalization Fund	Working Capital Fund	Total
	US\$ thousands			
Balance as at 1 January 2019	(32 458)	(408)	31 000	(1 866)
Net Member States' assessed contributions (refer to Note 5.1)	491 930			491 930
Tax equalization appropriations	(13 200)	13 200		
Finance expenses	(1 419)			(1 419)
Miscellaneous revenue	874			874
Programmatic expenses	(407 349)			(407 349)
Transfer to Infrastructure fund as per decisions WHA69(18) and WHA70(16)	(17 500)			(17 500)
Tax reimbursements to staff members		(6 551)		(6 551)
Refunds/adjustments		(1 636)		(1 636)
Balance as at 31 December 2019	20 878	4 605	31 000	56 483

Under resolution WHA70.5, US\$ 15.9 million was approved to transfer to the Tax Equalization Fund. In December 2019, the tax equalization portion of the assessed contribution invoiced to the Government of France in 2019 amounting to US\$2.7 million was reversed (refer to note 5.1). As a result, the total Tax Equalization appropriation was reduced to US\$ 13.2 million.

Under resolution WHA70.5, the Health Assembly decided that the Working Capital Fund should be maintained at its existing level of US\$ 31 million. In addition, as per decisions WHA69(18) (2016) and WHA70(16) (2017), US\$ 17.5 million was transferred to the Infrastructure Fund (US\$ 10 million to the Information Technology Fund and US\$ 7.5 million to the Real Estate Fund).

6.1.b Voluntary Funds

This note provides fund balance details for the core, specified and partnerships of the Voluntary Fund.

Description	Notes	31 December 2019	31 December 2018
		US\$ thousands	
Core Voluntary Contributions (CVCA)		71 421	120 249
Voluntary Contributions Core Fund		184 010	67 712
Voluntary Contributions Specified Fund		1 183 264	1 256 878
Special Programme for Research and Training in Tropical Diseases (TDR Trust Fund)		24 122	30 559

Description	Notes	31 December 2019	31 December 2018
Special Programme of Research, Development and Research Training in Human Reproduction (HRP Trust Fund)		43 758	46 732
Special Programmes and Collaborative Arrangements Fund		153 023	225 999
Special Account for Servicing Costs Fund	6.1.b.i	421 924	449 721
Outbreak and Crisis Response Fund		475 834	441 285
Contingency Fund for Emergencies	6.1.b.ii	32 326	40 532
Fee for service fund – exchange transactions		37 274	25 620
Total Voluntary funds		2 626 956	2 705 287

6.1.b.i Special Account for Servicing Costs Fund

The Special Account for Servicing Costs Fund (AS Fund) was established in order to support the costs of servicing activities financed from sources other than the assessed contribution budget (i.e. from voluntary contributions).

The Fund is credited with revenue from the following sources:

- under resolution WHA34.17 (1981), funds are received for programme support costs from voluntary sources and are calculated by applying a fixed percentage rate to total expenses. The resolution set a standard rate of 13% of project expenditure. The Director-General has made various exceptions to that standard rate, most importantly for emergencies. For 2019, programme support costs income of US\$ 183 million was earned on project expenditure, resulting in a computed average programme support cost rate of 8%.
- administrative service agreements with other entities
- interest earned on voluntary funds is described in document EB122/3.

A summary of the Fund is provided below.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Balance as at 1 January	449 721	366 462
Revenue		
Programme support costs	182 950	156 267
Finance revenue	66 749	54 204
Administrative service agreements with other entities	4 158	2 435
Other revenue	173	895
Total revenue	254 030	213 801
Expenses		
Staff and other personnel costs	200 504	80 686
Medical supplies and materials	1 147	252
Contractual services	40 077	18 524
Transfers and grants to counterparts	993	31
Travel	7 303	3 050
General operating expenses	27 205	19 484
Equipment, vehicles and furniture	7 172	1 912
Total expenses	284 401	123 939
Less:		
(Decrease)/increase in allowance for doubtful accounts receivables – voluntary contributions ^a	(2 574)	6 603
Balance as at 31 December	421 924	449 721

^a In 2019, there was a decrease (increase in 2018) in the allowance for doubtful accounts under voluntary contributions; refer to Note 4.3.

Expenses under the Fund by major office are as follows.

Expenses by major office	31 December 2019	31 December 2018
	US\$ thousands	
Global and interregional activities	136 067	53 074
Regional Office for Africa	54 379	23 206
Regional Office for the Americas	7 514	5 538
Regional Office for the Eastern Mediterranean	18 939	10 514
Regional Office for Europe	25 506	7 829
Regional Office for South-East Asia	22 949	16 324
Regional Office for the Western Pacific	19 047	7 454
Total expenses by major office	284 401	123 939

6.1.b.ii Contingency Fund for Emergencies

This fund was established by the Sixty-eighth World Health Assembly in decision WHA68(10) (2015). The purpose of the fund is to provide temporary financing for the emergency field operations with a target capitalization of US\$ 100 million. A summary of the Fund is as follows.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Balance as at 1 January	40 532	18 294
Revenue		
Contributions	51 265	39 985
Total revenue	51 265	39 985
Expenses		
Staff costs	602	1 169
Medical supplies and materials	4 968	3 116
Contractual services	31 548	5 435
Transfers and grants	7 972	2 275
Travel	5 077	2 476
General operating expenses	8 488	2 865
Equipment, vehicles and furniture	816	411
Total expenses	59 471	17 747
Balance as at 31 December	32 326	40 532

6.2 Member States – other

This note provides fund balance details for the Member States – other.

Description	Notes	31 December 2019	31 December 2018
		US\$ thousands	
Common Fund		244 313	137 596
Enterprise Fund	6.2.a	34 291	27 612
Special Purpose Fund	6.2.b	(884 907)	(890 783)
Total Member States – other		(606 303)	(725 575)

6.2.a Enterprise Fund

This note provides fund balance details for the Enterprise Fund.

Description	31 December 2019	31 December 2018
US\$ thousands		
Enterprise Fund		
Accident and Illness Insurance Fund	11 176	9 580
Concessions Fund	6 916	5 522
Garage Rental Fund	5 113	4 386
Global Conference and Training Centre - Tunis Fund	1 940	1 091
Insurance Policies Fund	3 543	1 997
Revolving Sales Fund	4 637	4 769
Shared Services Fund	966	267
Total Enterprise Fund	34 291	27 612

6.2.b Special Purpose Fund

This note provides fund balance details for the Special Purpose Fund.

Description	Notes	31 December 2019	31 December 2018
US\$ thousands			
Special Purpose Fund			
Building Loan Fund		(98 652)	(45 450)
Infrastructure Fund	6.2.b.i	164 475	138 662
Internal Service Cost Recovery Fund		3 584	2 776
Maternity Fund		3 760	2 311
Mobility Fund		32 754	24 423
Non-Payroll Staff Entitlements Fund		9 346	10 258
Polio Staff fund		46 508	47 746
Post Occupancy Charge Fund		17 924	22 614
Security Fund		4 844	2 794
Special Fund for Compensation		(37 499)	(9 457)
Staff Health Insurance Fund		(1081 023)	(1126 753)
Stockpiles Replenishment Fund		12 095	13 787
Terminal Payments Fund		36 977	25 506
SHI Operations			
Total Special Purpose Fund		(884 907)	(890 783)

6.2.b.i Infrastructure Fund

This fund was established by the Health Assembly in decision WHA70(16). The summary of the fund is as follows.

Description	Notes	31 December 2019	31 December 2018
		US\$ thousands	
Real Estate Funds	6.2.b.i.(a)	135 588	118 244
Information Technology Funds	6.2.b.i.(b)	28 887	20 418
Total Infrastructure Fund		164 475	138 662

6.2.b. i.(a) Real Estate Fund

This fund was established by the Health Assembly in resolution WHA23.14 (1970). The Fund is used to meet the costs of: the construction of buildings or extensions to existing buildings; the acquisition of land that may be required; and major repairs and alterations to WHO's existing office buildings and to residences leased to staff by the Organization. Specific Health Assembly authorization is required for the acquisition of land and the construction of buildings or extensions to existing buildings.

The summary of the fund is as follows.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Balance as at 1 January	118 244	111 458
Revenue		
Appropriation received in accordance with decision WHA70(16)	7 500	
Transfer for special projects (Note a)	3 557	
Contributions from payroll	8 929	8 613
Finance revenue	3 036	2 045
Rental income	3 354	3 324
Other revenue	185	
Total revenue	26 561	13 982
Expenses		
Staff and other personnel costs	161	230
Medical supplies and materials	8	5
Contractual services	5 054	2 879
Transfers and grants	30	
Travel	(503)	(331)
General operating expenses	3 314	3 599
Equipment, vehicles and furniture	1 153	814
Total expenses	9 217	7 196
Balance as at 31 December	135 588	118 244

(a) In 2019, US\$ 1.5 million by headquarters, US\$ 0.9 million by SEARO and US\$ 1.2 million by WPRO was transferred to the Real Estate Fund.

Expenses under the Real Estate Fund by major office are as follows.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Expenses by major office		
Headquarters	3 524	2 553
Regional Office for Africa	2 965	3 261
Regional Office for the Eastern Mediterranean	421	514
Regional Office for South-East Asia		641
Regional Office for the Western Pacific	2 307	227
Total expenses	9 217	7 196

6.2.b.i (b) Information Technology Fund

This Fund was established to meet the Organization's current and future administrative requirements. It may be financed by way of appropriation from the regular budget and from voluntary contributions including the Special Account for Servicing Costs. The summary of the Fund is as follows.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Balance as at 1 January	20 418	23 088
Revenue		
Appropriation received in accordance with decision WHA70(16) ^a	15 000	
Total revenue	15 000	
Expenses		
Staff and other personnel costs	977	871
Contractual services	3 708	1 179
Travel	157	81
General operating expenses	1 636	(15)
Equipment, vehicles and furniture	53	554
Total expenses	6 531	2 670
Balance as at 31 December	28 887	20 418

^a US\$ 10 million was transferred from Member States AC fund and US\$ 5 million was transferred from Post Occupancy Charge Fund.

6.3 Fiduciary Fund

This note provides fund balance details for the Fiduciary Fund.

Description	31 December 2019	31 December 2018
	US\$ thousands	
Fiduciary Fund		
Alliance for Health Policy and System Research Fund	15 743	18 286
European Observatory on health systems and policies	6 132	5 989
ESPEN Fund	15 907	11 124
Partnership for Maternal, Newborn and Child Health Fund	6 962	7 349
Staff Association Fund	6	208
WHO Framework Convention on Tobacco Control	14 604	16 907
Total Fiduciary Fund	59 354	59 863

7. Supporting information to the Statement of Comparison of Budget and Actual Amounts

In May 2017, the Health Assembly adopted resolution WHA70.5 on the Programme budget 2018–2019, in which it approved the budget for the financial period 2018–2019, under all sources of funds, namely, assessed and voluntary contributions of US\$ 4421.5 million. WHO's budget is adopted on a biennial basis by the Health Assembly.

WHO's budget and financial statements are prepared using a different accounting basis. The Statement of Financial Position (Statement I), Statement of Financial Performance (Statement II), Statement of Changes in Net Assets/Equity (Statement III), and Statement of Cash Flow (Statement IV) are prepared on a full accrual basis, whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is established on a modified cash basis (i.e. actual expenses are used to measure the budget utilization).

As per the requirements of IPSAS 24 (Presentation of Budget Information in Financial Statements), the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget

are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any differences in terms of basis, timing, entity and presentation. The General Fund, as per Note 2.18, represents the programme budget results, except for the Tax Equalization Fund expenses, other non-programme budget utilization and all in-kind/in-service expenses which are not included in the programme budget results.

As required by IPSAS 24 (Presentation of Budget Information in Financial Statements), reconciliation is provided on a comparable basis between the actual amounts as presented in Statement V and the actual amounts in the financial accounts identifying separately any basis, timing, entity and presentation differences.

Basis differences occur when the components of the approved programme budget are used for activities other than the implementation of technical programmes. Examples of this include Tax Equalization Fund expenses, other non-programme budget utilization and special arrangements.

Timing differences represent the inclusion in WHO's financial accounts of programme budget expenses in other financial periods.

Entity differences represent the inclusion in WHO's financial accounts of the amounts against two funds: Member States – other and the Fiduciary Fund. These funds do not form part of the Organization's programme budget.

Presentation differences concern differences in the format and classification schemes in the Statement of Cash Flow (Statement IV) and the Statement of Comparison of Budget and Actual Amounts (Statement V).

A reconciliation between the actual amounts on a comparable basis in Statement V and the actual amounts in Statement IV for December 2019 is presented below.

Description	2019			
	Operating	Investing	Financing	Total
	US\$ thousands			
Actual amount on a comparable basis (Statement V)	(3 022 283)			(3 022 283)
Basis differences	32 908	150 910	50 025	233 843
Timing differences	949			949
Entity differences	31 661	(10 031)		21 630
Presentation differences	2 917 066	(65 516)		2 851 550
Actual amount in the Statement of Cash Flow (Statement IV)	(39 699)	75 363	50 025	85 689

8. Segment reporting

8.1 Statement of Financial Position by segments

As at 31 December 2019 (In thousands of US dollars)

Description	Headquarters	Regional Office for Africa	Regional Office for the Americas	Regional Office for the Eastern Mediterranean	Regional Office for Europe	Regional Office for South-East Asia	Regional Office for the Western Pacific	Total
ASSETS								
Current assets								
Cash and cash equivalents	271 254	31 559	0	11 779	1 557	9 338	3 209	328 696
Short-term investments	3 259 451	0	0	0	0	0	0	3 259 451
Receivables – current	1 871 279	4 259	(724 471)	1 007	737	7 402	541	1 160 754
Staff receivables	6 364	2 939	0	730	605	678	1 518	12 834
Inventories	13 144	4 904	0	40 133	0	835	169	59 185
Prepayments and deposits	43 102	1 151	0	5 974	922	4 523	202	55 874
Total current assets	5 464 594	44 812	(724 471)	59 623	3 821	22 776	5 639	4 876 794
Non-current assets								
Receivables – non-current	385 107	0	0	0	0	0	0	385 107
Long-term investments	130 556	0	0	0	0	0	0	130 556
Property, plant and equipment	138 983	13 408	0	22 425	658	2 730	1 871	180 075
Intangibles	2 231	0	0	0	0	0	0	2 231
Total non-current assets	656 877	13 408	0	22 425	658	2 730	1 871	697 969
TOTAL ASSETS	6 121 471	58 220	(724 471)	82 048	4 479	25 506	7 510	5 574 763
LIABILITIES								
Current liabilities								
Contributions received in advance	71 239	35	0	0	0	0	0	71 274
Accounts payable	19 594	9 794	0	20 849	3 181	5 120	3 788	62 326
Staff payable	406	272	0	170	48	159	77	1 132
Accrued staff benefits – current	27 272	12 956	0	4 795	3 738	3 222	3 216	55 199
Deferred revenue – current	368 486	0	0	0	0	0	0	368 486
Financial liabilities	179 837	0	0	0	0	0	0	179 837
Other current liabilities	(17 851 094)	7 721 746	147 773	4 900 423	1 450 021	2 172 229	1 559 648	100 746
Inter-entity liabilities	889 192	0	0	0	0	0	0	889 192
Long-term borrowings – current	613	0	0	0	0	0	0	613
Total current liabilities	(16 294 455)	7 744 803	147 773	4 926 237	1 456 988	2 180 730	1 566 729	1 728 805
Non-current liabilities								
Long-term borrowings – non-current	125 131	0	0	0	0	0	0	125 131
Accrued staff benefits – non-current	1 006 965	10 697	0	9 399	144 873	12 247	10 243	1 194 424
Deferred revenue – non-current	385 107	0	0	0	0	0	0	385 107
Other liabilities – non-current	4 806	0	0	0	0	0	0	4 806
Total non-current liabilities	1 522 009	10 697	0	9 399	144 873	12 247	10 243	1 709 468
TOTAL LIABILITIES	(14 772 446)	7 755 500	147 773	4 935 636	1 601 861	2 192 977	1 576 972	3 438 273
NET ASSETS/EQUITY								
General Fund	20 755 429	(7 528 466)	(856 932)	(4 719 240)	(1 386 520)	(2 077 779)	(1 503 053)	2 683 439
Member States – other	19 294	(141 815)	(14 449)	(132 304)	(182 520)	(88 709)	(65 800)	(606 303)
Fiduciary funds	119 194	(26 999)	(863)	(2 044)	(28 342)	(983)	(609)	59 354
TOTAL NET ASSETS/EQUITY	20 893 917	(7 697 280)	(872 244)	(4 853 588)	(1 597 382)	(2 167 471)	(1 569 462)	2 136 490
TOTAL LIABILITIES AND NET ASSETS/EQUITY	6 121 471	58 220	(724 471)	82 048	4 479	25 506	7 510	5 574 763

8.2 Statement of Financial Performance by segments

For the year ended 31 December 2019 (In thousands of US dollars)

Description	Headquarters	Regional Office for Africa	Regional Office for the Americas	Regional Office for the Eastern Mediterranean	Regional Office for Europe	Regional Office for South-East Asia	Regional Office for the Western Pacific	Total
Revenue								
Assessed contributions	490 294							490 294
Voluntary contributions	2 491 816				3			2 491 819
Voluntary contributions in-kind and in-service	89 969							89 969
Other revenue	52 777	(4 008)		(1 050)	(1 572)	(1 245)	(861)	44 041
Total revenue	3 124 856	(4 008)		(1 050)	(1 569)	(1 245)	(861)	3 116 123
Expenses								
Staff costs	438 167	221 356	46 279	98 506	80 690	51 582	54 026	990 606
Medical supplies and materials	38 487	67 713	1 706	105 795	5 117	34 483	6 084	259 385
Contractual services	206 813	358 462	16 231	249 146	50 006	69 874	37 790	988 322
Transfers and grants	11 540	113 603	7 791	180 920	10 465	21 897	34 449	380 665
Travel	87 821	70 152	8 956	20 501	12 957	10 102	11 880	222 369
General operating expenses	43 745	77 466	2 084	38 746	18 877	20 196	7 913	209 027
Equipment, vehicles and furniture	4 220	9 008	1 335	5 318	1 303	3 445	1 698	26 327
Depreciation and amortization	2 378	4 637		2 500	424	711	450	11 100
Total expenses	833 171	922 397	84 382	701 432	179 839	212 290	154 290	3 087 801
Finance revenue	57 686	2 132	(13)	862	(331)	1 412	(132)	61 616
TOTAL SURPLUS/(DEFICIT) FOR THE YEAR^a	2 349 371	(924 273)	(84 395)	(701 620)	(181 739)	(212 123)	(155 283)	89 938

^a The revenue balance shows a high surplus for headquarters and deficits for other offices. This is a consequence of the policy of centralized accounting for revenue and decentralized accounting for expenses.

9. Amounts written-off and ex-gratia payments

During 2019, a total of US\$ 53 748 was approved as write-off (US\$ 413 678 in 2018). This amount is comprised of: US\$ 32 985 relating to payments made to former staff members due to delayed human resources actions and travel-related costs; US\$ 2310 relating to old cases of supplier advances and credit memos; US\$ 18 266 relating to rental security deposit and US\$ 187 relating to loss of cash from India country office. All amounts were deemed impossible to recover.

In 2019, three ex-gratia payments amounting to US\$ 275 953 were approved (US\$ 1422 in 2018).

10. Related party and other senior management disclosures

Staff members considered to be “key management personnel” are the Director-General, Regional Directors and all other ungraded staff.

The number of key management personnel who held these positions over the course of the year was 29. The table below details their aggregate remuneration.

Description	US\$ thousands
Compensation and post adjustment	6 634
Entitlements	605
Pension and health plans	1 840
Total remuneration	9 079
Outstanding advances against entitlements	209
Outstanding loans (in addition to normal entitlements, if any)	–

The aggregate remuneration of key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs, and employer pension and current health insurance contributions.

Key management personnel are also qualified for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified. Key management personnel are ordinary members of the United Nations Joint Staff Pension Fund.

The Regional Director for the Americas is included among the key management personnel. However, as the Regional Director is receiving all entitlements and benefits from PAHO, the entitlements and benefits concerned are disclosed in PAHO’s financial statements and not in WHO’s financial statements.

During the year, no loans were granted to key management personnel beyond those widely available to staff outside this grouping.

11. Events after the reporting date

WHO’s reporting date is 31 December 2019. The financial statements were authorized for issue on 6 April 2020, the date at which they were submitted to the External Auditor by the Director-General. The COVID-19 pandemic occurred after the 2019 accounts were closed and is a non-adjusting event for the 2019 financial statements. Given the global effects of this pandemic, there will be significant impacts on the Organization’s operations in 2020 with respect to its programme implementation, the collection of contributions and investment portfolios, the extent of which cannot be reliably estimated at this time.

12. Contingent liabilities, commitments and contingent assets

Contingent liabilities

As at 31 December 2019, WHO had a number of legal cases pending. Most involve disputes that are not recorded because the likelihood of repayment has been determined to be remote. However, there is one case involving contractual disputes that is to be considered contingent liabilities. The total potential cost to the Organization is estimated at US\$ 312 032 (US\$ 278 987 as at 31 December 2018).

Operating lease commitments

WHO enters into operating lease arrangements for renting office space in various country offices. Future minimum lease rental payments for the following periods are as follows.

Description	Total	
	US\$ thousands	
	Year 2019	Year 2018
Under 1 Year	12 794	11 195
1 to 5 years	21 586	12 107
5 years +	2 182	461
Total operating lease commitments	36 562	23 763

The Organization has no outstanding leases qualifying as finance leases at the reporting date.

WHO leased office space to six tenants. As at 31 December 2019, total revenue from the leasing activities was US\$ 0.9 million (US\$ 0.8 million as at 31 December 2018).

Contingent assets

In accordance with IPSAS 19 (Provisions, Contingent Liabilities and Contingent Assets), contingent assets will be disclosed for cases where an event will give rise to a probable inflow of economic benefits. As at 31 December 2019, there are no material contingent assets to disclose.

Schedule I. Statement of Financial Performance by major funds

For the year ended 31 December 2019

(In thousands of US dollars)

Description	General Fund				Member States – other			Fiduciary Fund	Subtotal	Eliminations ^a	Total	Percentage
	Regular budget	Voluntary funds	Eliminations	Subtotal	Common Fund	Enterprise Fund	Special Purpose Fund					
Revenue												
Assessed contributions	490 295			490 295	(1)				(1)		490 294	16%
Voluntary contributions		2 446 534		2 446 534			185	46 162	46 347	(1 062)	2 491 819	80%
Voluntary contributions in-kind and in-service						89 969			89 969		89 969	3%
Other revenue	873	208 225	(176 978)	32 120		16 030	223 323	10	239 363	(227 442)	44 041	1%
Total operating revenue	491 168	2 654 759	(176 978)	2 968 949	(1)	105 999	223 508	46 172	375 678	(228 504)	3 116 123	100%
Expenses												
Staff costs	277 369	757 078		1 034 447		21 726	99 984	17 066	138 776	(182 617)	990 606	32%
Medical supplies and materials	4 567	238 028		242 595	(49 512)	64 362	9 805	122	24 777	(7 987)	259 385	8%
Contractual services	60 158	892 371		952 529	(55 441)	259	86 579	14 730	46 127	(10 334)	988 322	32%
Transfers and grants	21 102	369 707		390 809	(14 251)	57	65	5 879	(8 250)	(1 894)	380 665	12%
Travel	24 370	193 310		217 680		26	598	4 253	4 877	(188)	222 369	7%
General operating expenses	39 437	321 780	(176 978)	184 239	(215)	13 939	30 988	4 537	49 249	(24 461)	209 027	7%
Equipment, vehicles and furniture	4 397	29 444		33 841	(10 727)	33	4 109	94	(6 491)	(1 023)	26 327	1%
Depreciation and amortization					11 100				11 100		11 100	0%
Total expenses	431 400	2 801 718	(176 978)	3 056 140	(119 046)	100 402	232 128	46 681	260 165	(228 504)	3 087 801	100%
Finance revenue	(1 419)	68 628		67 209	(12 328)	1 082	5 653		(5 593)		61 616	
TOTAL SURPLUS/(DEFICIT) FOR THE YEAR	58 349	(78 331)		(19 982)	106 717	6 679	(2 967)	(509)	109 920		89 938	
Fund balance – 1 January 2019	(1 866)	2 705 287		2 703 421	137 596	27 612	(890 783)	59 863	(665 712)		2 037 709	
Direct adjustments to net assets/equity							8 843		8 843		8 843	
Fund balance – 31 December 2019	56 483	2 626 956		2 683 439	244 313	34 291	(884 907)	59 354	(555 792)		2 136 490	

^a Eliminations as reported in the “Statement of financial performance by major fund (Schedule 1)” are accounting adjustments made to remove the effect of inter-fund transfers that would otherwise overstate revenue and expenses of the Organization. These accounting adjustments are done through a separate elimination fund established for this purpose.

Schedule II. Expenses by major office – General Fund only

For the year ended 31 December 2019

(In thousands of US dollars)

Description	Headquarters	Regional Office for Africa	Regional Office for the Americas	Regional Office for the Eastern Mediterranean	Regional Office for Europe	Regional Office for South-East Asia	Regional Office for the Western Pacific	Total
Expenses								
Staff costs	462 474	233 453	46 275	105 066	74 059	56 136	56 984	1 034 447
Medical supplies and materials	58 487	37 675	1 706	121 557	5 297	13 844	4 029	242 595
Contractual services	181 967	349 960	15 987	248 211	48 691	70 709	37 004	952 529
Transfers and grants	25 778	109 602	7 722	181 241	10 465	21 821	34 180	390 809
Travel	85 139	69 051	8 866	20 313	12 510	10 023	11 778	217 680
General operating expenses	35 546	71 816	2 083	37 241	10 990	20 062	6 501	184 239
Equipment, vehicles and furniture	4 821	12 867	1 335	6 606	1 387	5 454	1 371	33 841
Total expenses	854 212	884 424	83 974	720 235	163 399	198 049	151 847	3 056 140
Percentage of expenses by expense type across major office								
Staff and other personnel costs	45%	23%	4%	10%	7%	5%	6%	100%
Medical supplies and materials	24%	16%	1%	50%	2%	6%	2%	100%
Contractual services	19%	37%	2%	26%	5%	7%	4%	100%
Transfers and grants to counterparts	7%	28%	2%	46%	3%	6%	9%	100%
Travel	39%	32%	4%	9%	6%	5%	5%	100%
General operating expenses	19%	39%	1%	20%	6%	11%	4%	100%
Equipment, vehicles and furniture	14%	38%	4%	20%	4%	16%	4%	100%
Total percentage	28%	29%	3%	24%	5%	6%	5%	100%
Percentage of expenses by expense type within each major office								
Staff and other personnel costs	54%	26%	55%	15%	45%	28%	38%	34%
Medical supplies and materials	7%	4%	2%	17%	3%	7%	3%	8%
Contractual services	21%	40%	19%	34%	30%	36%	24%	31%
Transfers and grants to counterparts	3%	12%	9%	25%	6%	11%	23%	13%
Travel	10%	8%	11%	3%	8%	5%	8%	7%
General operating expenses	4%	8%	2%	5%	7%	10%	4%	6%
Equipment, vehicles and furniture	1%	1%	2%	1%	1%	3%	1%	1%
Total percentage	100%	100%	100%	100%	100%	100%	100%	100%

Schedule III. Financial overview – all funds, 2018–2019, 2016–2017 and 2014–2015*For the year ended 31 December 2019**(In millions of US dollars)*

Description	Total 2018–2019	Total 2016–2017	Total 2014–2015
Assessed contributions	991	927	955
Voluntary contributions – programme budget	4 690	3 828	3 839
Total contributions – programme budget	5 681	4 755	4 794
Other revenue – programme budget	63	37	(67)
Non-programme budget revenue	121	122	190
Voluntary contributions in-kind and in-service	152	225	180
Total revenue (all sources)	6 017	5 139	5 097
Expenses – programme budget	5 314	4 572	4 357
Expenses – non-programme budget and other	123	354	511
Expenses – in-kind and in-service	151	225	175
Total expenses (all sources)	5 588	5 151	5 043
Finance revenue	102	140	28
Total surplus/(deficit)	531	128	82

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