
Financial report and audited financial statements for the period 1 January 2010–31 December 2011

Second report of the Programme, Budget and Administration Committee of the Executive Board to the Sixty-fifth World Health Assembly

1. The sixteenth meeting of the Programme, Budget and Administration Committee was held in Geneva from 16 to 18 May 2012 under the chairmanship of Dr M.A.O Saíde (Mozambique).¹
2. The Secretariat presented the financial report which summarized income, expenditure, assets and liabilities for all WHO-managed activities, including those under the Programme budget, as well as the Special Purpose, Enterprise and other Fiduciary funds.
3. The Committee noted that WHO had received a clean audit opinion, that the financial statements for the period 2010–2011 were partially compliant with the International Public Sector Accounting Standards (IPSAS) and that WHO is now fully IPSAS-compliant.
4. The Secretariat presented the total income figures for the financial period 2010–2011, which amounted to US\$ 4847 million, together with those for expenditure in the same period, which amounted to US\$ 4593 million. Included in both income and expenditure were contributions in kind of US\$ 485 million. For the Programme budget alone, income for 2010–2011 was US\$ 3844 million and budget utilization was US\$ 3866 million, which had resulted in a small deficit.
5. The sources of voluntary contributions remained stable with 54% of all voluntary contributions coming from Member States. The Annex to the Financial Report provided detailed information on voluntary contributions.²
6. The Committee requested an explanation for the increase in the level of voluntary contributions in the financial period 2010–2011 compared with the period 2008–2009, and the high level of fund balances. The Secretariat explained that voluntary contributions continued to be highly specified; only 10% of voluntary contributions were core or fully flexible. In 2010–2011, increased specified contributions had been received from certain donors for specific activities such as the eradication of poliomyelitis and emergency operations. The Committee encouraged donors to direct their voluntary contributions to the Programme budget activities. The closing fund balance for voluntary contributions

¹ For the list of participants, see document A65/44, Annex.

² Document A65/29 Add.1.

at the end of 2011 of US\$ 1483 million was broken down into US\$ 1000 million, intended for activities in the financial period 2012–2013, and the balance carried forward. The carry forward represented unimplemented funds that had originally been intended for implementation in 2010–2011.

7. The Committee expressed concern over the specified nature of contributions coming from non-Member State sources. It also noted the importance of financial predictability and the modality of earmarking to be matched with priorities, and it encouraged Member States to contribute flexible funding.

8. The Committee noted that a provision for doubtful accounts receivable had been raised each year for assessed contributions. In addition, in the financial period 2010–2011, a provision for voluntary contributions of US\$ 10 million had also been raised to cover voluntary contributions receivable for which there was a risk of non-payment.

9. Regarding the level of Direct Financial Cooperation, the Committee noted that although it only accounted for 12% of total expenditure, WHO's commitment to countries was actually much greater as there were additional mechanisms to allocate funds to countries, beyond transfers and grants. Such mechanisms included contractual services and travel.

10. The Committee raised concerns about the unfunded liability of US\$ 792 million for staff health insurance. This was a long-term liability and included many assumptions, including the rate of return on the Staff Health Insurance Fund. Although that was a significant exposure to risk, it was being closely tracked and represented a future liability rather than an immediate liability.

11. The Committee expressed some concern that travel costs for programme budget activities had risen in 2010–2011 compared with the previous financial period, increasing from US\$ 251 million in 2008–2009 to stand at US\$ 295 million. The Secretariat explained that very strict measures to reduce travel costs had been implemented in 2011, but that the impact of those measures had only partially been seen during the biennium. It should be noted that just less than 50% of travel costs were for staff and the remainder were for participants in WHO events and temporary advisors. For headquarters, travel costs had been reduced from US\$ 135 million in 2008–2009 to US\$ 130 million in 2010–2011.

12. The Committee raised concerns regarding the use of assessed contributions to cover the administrative costs of activities funded by voluntary contributions and requested further details on the extent of that practice. It was noted that approximately 60% of strategic objective 13 was funded from assessed contributions and 40% from voluntary contributions, whereas WHO's overall funding was 25% from assessed contributions and 75% from voluntary contributions. The Committee underlined the need for voluntary contributions to cover all costs associated with the relevant activities.

13. The Committee raised concerns regarding some liabilities shown in the financial report. The Secretariat took note of the concerns and explained that longer-term financing arrangements were in place to deal with such liabilities (for example, future staff health insurance costs) and that those arrangements were subject to regular review. The longer-term staff liabilities had also been reduced after a strategic review of the staffing needs at headquarters.

14. The Committee noted that the increase in expenditure for supplies, commodities and materials between the financial periods 2008–2009 and 2010–2011 was due to the inclusion of significant in-kind contributions of US\$ 458 million largely related to vaccines against the pandemic (H1N1) 2009 virus. Excluding the in-kind contributions, there had been an overall decrease in expenditure against the period 2008–2009.

15. It was also noted by the Committee that although salaries accounted for 46% of total expenditures, they represented 49% of the total at headquarters. Some delegates felt that the Secretariat should find ways to reduce the salary burden at headquarters by transferring programmes to lower-cost locations and outsourcing certain functions. The Secretariat noted that with the advent of the Global Service Centre, a sizeable set of administrative functions had been transferred to Kuala Lumpur.

RECOMMENDATION TO THE HEALTH ASSEMBLY

16. The Committee, on behalf of the Executive Board, recommends to the Sixty-fifth World Health Assembly adoption of the following draft resolution:

The Sixty-fifth World Health Assembly,

Having examined the Financial report and audited financial statements for the period 1 January 2010 – 31 December 2011;¹

Having noted the report of the Programme, Budget and Administration Committee of the Executive Board to the Sixty-fifth World Health Assembly;²

ACCEPTS the Director-General's Financial report and audited financial statements for the period 1 January 2010 – 31 December 2011.

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¹ Document A65/29.

² Document A65/45.