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REPORT NO. 2 OF THE STANDING COMMITTEE ON ADMINISTRATION
AND FINANCE ON SUPPLEMENTARY BUDGET ESTIMATES FOR 1972

1. At its meetings on 10, 11 and 17 January 1972 the Standing Committee on Administration and Finance reviewed the supplementary budget estimates for 1972 which the Director-General had found it necessary to submit in order to:

- (a) take account of the merger of the Technical Assistance and Special Fund components of the United Nations Development Programme into a single programme from 1 January 1972¹ and
- (b) meet the additional requirements resulting from the international monetary developments.²

2. In introducing this subject the Director-General referred to document EB49/36 which specifically dealt with the situation which had arisen as a result of the merger of the Technical Assistance and Special Fund components of the United Nations Development Programme into a single programme as from 1972. It followed that the source of the reimbursement from the United Nations Development Programme to meet administrative and operational services costs of the participating organizations, usually referred to as agency overhead costs, would no longer be identified by component. In WHO, the reimbursements previously received relating to the Technical Assistance component had been used as an item of budgetary income annually, and the administrative and operational services costs had been amalgamated into the regular budget, thereby losing their identity. That practice had been in effect since 1959.

3. On the other hand, reimbursements received in respect of overhead costs relating to Special Fund projects had been credited to the Special Account for Servicing Costs, which account had met the costs of the additional personnel and other activities which were necessary in order to implement such projects.

4. Since the reimbursement for overhead costs from UNDP as from 1972 would be made in one annual lump sum based on a percentage factor applied to the programme delivered, the Director-General had found it necessary to propose the incorporation into the regular budget of the activities previously included in the Special Account for Servicing Costs and financed from amounts received from the then Special Fund component of the United Nations Development Programme. A correspondingly increased amount of reimbursement expected to be received from the United Nations Development Programme had therefore been included as offsetting budgetary income in 1972.

¹ Document EB49/36.

² Document EB49/37.

5. As regards the financing of the activities previously included under the Special Account for Servicing Costs and which it was proposed be consolidated in the regular budget, the Director-General proposed to treat the annual lump sum to be received from the UNDP as from 1972 as overhead cost reimbursement in the same way as had been the practice up to now with regard to the annual lump sum allocation received from the then Technical Assistance component of the UNDP, i.e., as an income item to be credited to the regular budget. While the level of the effective working budget for 1972 would therefore have to be increased from \$ 82 023 000 to \$ 83 001 400 by means of supplementary estimates, the amount of the increase, i.e. \$ 978 400, would be offset by an identical amount of income expected to be reimbursed by the UNDP. Consequently, the financing of this part of the supplementary estimates for 1972 would not involve an increase in the assessments on Member States. Appendix I to document EB49/36 gave a breakdown of the increase of \$ 978 400 by Appropriation Section.

6. In answer to several questions concerning the amount of \$ 2 247 000 shown in Official Records No. 196 as the amount of overhead costs expected to be reimbursed to the Organization by UNDP in 1972 and concerning the likelihood that this amount would, in fact, be received, the Director-General stated that this was based on a conservative estimate. Although it could not be stated with absolute certainty that this was the exact figure that would ultimately be reimbursed to WHO, he felt that unless there were significant reductions in the UNDP financed activities or in the Organization's rate of programme delivery the estimated amount shown in Official Records No. 196 as income available from UNDP to help finance the regular budget was a reasonable one. The Director-General also explained that there was a certain balance of funds available in the Special Account for Servicing Costs which could be used initially to help make up any shortfall in the UNDP reimbursement of overhead costs should this occur. If it should develop that the annual amount to be received for this purpose in future years from UNDP fell short of the estimates made he was fully prepared to restrict or reduce the relevant expenditures within the Organization.

7. Following consideration by the Committee of document EB49/36 it decided to recommend for adoption by the Board the following draft resolution:

"The Executive Board,

Having noted the actions taken by the Governing Council of the United Nations Development Programme regarding the merger of the Technical Assistance and Special Fund components into one single programme and the action taken at its June 1971 session concerning reimbursement to participating and executing organizations towards meeting the administrative and operational services costs (agency overhead costs); and

Having considered the report of the Director-General concerning the incorporation into the regular budget of activities previously financed from the Special Account for Servicing Costs, to be offset by income received in that account from the United Nations Development Programme,

1. CONCURS with the proposals of the Director-General; and
2. RECOMMENDS to the Twenty-fifth World Health Assembly that it adopt the following resolution:

'The Twenty-fifth World Health Assembly,

Having considered the proposals of the Director-General and the recommendations of the Executive Board,

DECIDES that as from 1972 the activities previously financed from income received in the Special Account for Servicing Costs from the United Nations Development Programme be incorporated into the regular budget and that income received or expected to be received in that account be used as required towards financing the regular budget.'

8. The budgetary consequences of incorporating income previously received in the Special Account for Servicing Costs from the UNDP in the regular budget were dealt with in document EB49/37.
9. The latter document also dealt with the additional requirements resulting from the international monetary situation. The Director-General recalled that in May 1971 when the Twenty-fourth World Health Assembly had been considering his proposed programme and budget estimates for 1972, he had indicated that the uncertain international monetary situation and the revaluation announced at that time by the Swiss Government would have serious consequences for the budget of the Organization for 1971 and a consequential impact on the budget for 1972. Nevertheless, not being able to assess the magnitude at that time, he had told the Health Assembly that he was prepared to try, to the maximum extent, to meet increased budgetary needs for 1971 within the level approved, but reserved the right to use the Working Capital Fund should it be found necessary, whilst for 1972 he was going to report to the Executive Board at its forty-ninth session. As regards 1971, he had managed to meet the additional needs resulting from the Swiss franc revaluation in May 1971 from 4.32 to 4.08 to the US dollar by slowing down the implementation of the programme through delays in filling vacant posts, and by effecting the maximum economies throughout the budget.
10. In the preparation of the programme and budget estimates for 1973 and the revised estimates for 1972, the exchange rates applicable at that time had been applied, meaning that with particular regard to the Swiss franc, the rate of 4.08 to the US dollar had been used. He had managed to contain the revised estimates for 1972, as shown in Official Records No. 196, within the budget level approved by the Twenty-fourth World Health Assembly only by slowing the growth of the Terminal Payments Account as indicated in the explanatory notes, paragraphs 20 to 23, and by effecting a cut of approximately \$ 300 000 mainly in the research programme.
11. The international monetary developments which had occurred in December 1971 had resulted in the devaluation of the US dollar in relation to gold, which had been followed by adjustments to the parities of a number of other currencies in relation to the US dollar. This obviously had had a further serious impact on the budget of the Organization, and the recalculation made, based on the best information then available, had shown that to implement the 1972 programme as set forth in Official Records No. 196, a supplementary sum in 1972 of \$ 2 445 000 was required. The Director-General further explained that this estimate was on the conservative side as there might still be a number of other currencies to be fixed at new parities, which could involve yet further additional costs for the Organization. However, it was his hope that such further adjustments would be minimal and not involve substantial amounts.
12. Having reviewed his 1972 proposals on two different occasions, in the light of developments, and having agreed at the Twenty-fourth World Health Assembly to a reduction of approximately \$ 780 000, he did not see any possibility of further reducing the programme.
13. The Director-General stated that the normal way of financing the supplementary budget estimates for 1972 would be to increase the assessment on Members to cover the amount involved. However, realizing that this would cause serious difficulties for governments, and following the traditional way in which supplementary budget estimates for a current year had been dealt with by the Executive Board and by the Health Assembly, he was proposing, in document EB49/37, possible ways of meeting the costs involved.
14. As regards the additional requirements for 1972 resulting from the international monetary developments and their method of financing, he considered it important to distinguish between two separate monetary developments that took place in 1971: in the first place, the revaluation of the Swiss franc in May 1971 from a rate of 4.32 Swiss francs to 4.08 Swiss francs to the dollar, and the devaluation of the US dollar in relation to gold of December 1971 and the consequent adjustment of the parities of a great number of currencies in relation to the dollar, including the further adjustment of the Swiss franc parity to the rate of 3.84 Swiss francs to the dollar. While both of these monetary developments had had important budgetary impacts, they had been dealt with quite differently.

15. As to the May 1971 revaluation of the Swiss franc from 4.32 to 4.08 Swiss francs to the dollar, it was important to realize that the budgetary losses resulting from this revaluation had been absorbed entirely for all three years - 1971, 1972 and 1973 - without the use of any additional casual income or requests for additional assessments on Member States.
16. In 1971, the entire budgetary loss, amounting to approximately \$ 800 000, was covered by savings and dealt with by transfers between Appropriation Sections with the prior concurrence of the members of the Executive Board, as reported in document EB49/12.
17. In 1972, the additional requirements resulting from the revaluation of the Swiss franc in May 1971 amounted to nearly \$ 1 million which had been covered by reducing the growth rate of the Terminal Payments Account. Thus he had been able to achieve this result notwithstanding the fact that the budget level for 1972 as originally proposed had already been reduced by the Twenty-fourth World Health Assembly in the amount of \$ 782 000.
18. As regards 1973, it could be said that the additional costs resulting from the Swiss franc revaluation in May 1971 had also been fully absorbed, since the proposed increase in the effective working budget for 1973 as reflected in Official Records No. 196 was still only 8.61 per cent. - thus close to the projection reported to the Twenty-fourth World Health Assembly - even though the 1973 programme and budget estimates had been based on the exchange rates existing at the time of preparation of these estimates, i.e., 4.08 Swiss francs to the US dollar.
19. It was thus evident that if it had not been for the international monetary developments which occurred during the latter part of December 1971, the Director-General would not have had to propose any supplementary estimates to finance additional budgetary requirements.
20. Regarding the consequence of the dollar devaluation of December 1971 and the adjustments in the parities of other currencies used by the Organization in its operations the Director-General stated that for 1971, because these developments occurred so late in the year, the resulting budgetary losses had been insignificant and been fully absorbed. However, for 1972, the situation was quite different and, as explained in document EB49/37, the additional requirements in 1972 resulting from these developments amounted to \$ 2 445 000. This was due to the fact that the revised estimates for 1972 had been based on the exchange rate existing at the time of preparation of those estimates in 1971 and it was now certain that, as a result of the adjustments to the parities of certain currencies, more dollars would be needed to purchase the same amount of other currencies required by the Organization to implement the already reduced programme for 1972.
21. The requirements for headquarters were mainly due to the increase in the post adjustment for professional staff and the reconversion of the Swiss franc-based salaries of general service staff in Geneva into US dollars at the revised rate of exchange. In the regions, account had also to be taken of post adjustment increases for professional staff, which were expected to occur in Africa, South-East Asia and Europe, as well as reconversion adjustments of the salaries of local staff and common services requirements in those regions. It had been assumed that no significant changes would occur with regard to the Regional Offices for the Americas, the Eastern Mediterranean and Western Pacific, although this was by no means certain. This was pointed out in order to indicate that the additional budgetary requirements had been conservatively estimated and it was possible that additional losses had to be faced in 1972 as a result of further adjustments in currency parities. Appendix I to document EB49/37 contained a breakdown by Appropriation Section and object of expenditure of the amounts which needed to be added to the effective working budget for 1972, totalling \$ 2 445 000.

22. The Director-General further explained that as indicated in paragraph 3 of document EB49/37 there were two possible ways of financing the supplementary budgetary requirements for 1972. One way was the appropriation of available casual income by the World Health Assembly which had been the usual practice in the past. However, as sufficient casual income would not be available as explained in the document he was proposing that the balance of financing might be met by a withdrawal from the Working Capital Fund, the Fund to be reimbursed by provision in his proposed programme and budget estimates for 1974. The alternative manner of financing the 1972 supplementary estimates might become feasible if the 1972 assessment of China, amounting to \$ 3 032 890 would become part of the contributions in respect of the effective working budget rather than remain part of the Undistributed Reserve. This would, of course, necessitate an authorization by the Health Assembly to increase the effective working budget level by that amount through a transfer from Appropriation Section 14 - Undistributed Reserve to various other appropriation sections within the effective working budget. It would, of course, be for the Twenty-fifth World Health Assembly to decide which method of financing should be adopted in the light of the circumstances prevailing at that time.

23. The Standing Committee discussed in some detail the supplementary budgetary requirements for 1972 as contained in document EB49/37 and the possible methods of their financing and after an exchange of views of the feasibilities and appropriateness of the alternatives, decided to recommend for the adoption by the Board the following draft resolution:

"The Executive Board,

Having considered the supplementary estimates for 1972 submitted by the Director-General in accordance with Financial Regulation 3.10, to provide for:

(a) the incorporation into the regular budget of activities previously financed from the Special Account for Servicing Costs following the merger from 1 January 1972 of the Technical Assistance and Special Fund components of the United Nations Development Programme into a single programme and the consequent amalgamation of reimbursement of agency overhead costs;

(b) the increased costs required to implement the revised 1972 programme as set forth in Official Records No. 196 resulting from international monetary developments; and

Considering that it is desirable to avoid making additional assessments on Members for the year 1972,

1. CONCURS with the recommendations of the Director-General concerning the financing of these supplementary estimates; and

2. RECOMMENDS to the Twenty-fifth World Health Assembly that it adopt the following resolution:

'The Twenty-fifth World Health Assembly,

Having considered the proposals of the Director-General and the recommendations of the Executive Board concerning the supplementary estimates for 1972 resulting from the merger of the Technical Assistance and Special Fund components of the United Nations Development Programme into one single programme, and from the increased costs required to implement the revised 1972 programme as a consequence of international monetary developments; and

Considering that it is desirable to avoid making additional assessments on Members for the year 1972 to finance these supplementary estimates,

1. APPROVES the supplementary estimates for 1972;
2. DECIDES to amend the Appropriation Resolution for the financial year 1972 (resolution WHA24.42) as follows:

(i) Increase the relevant appropriation sections by the following amounts:

Appropriation Section	Purpose of Appropriation	Amount US\$
PART I: ORGANIZATIONAL MEETINGS		
1	World Health Assembly	30 800
2	Executive Board and its committees	15 700
	Total - Part I	<u>46 500</u>
PART II: OPERATING PROGRAMME		
4	Communicable diseases	405 807
5	Environmental health	655 451
6	Public health services	522 711
7	Health protection and promotion	158 670
8	Education and training	322 730
9	Other activities	644 678
10	Regional offices	263 578
	Total - Part II	<u>2 973 625</u>
PART III: ADMINISTRATIVE SERVICES		
11	Administrative services	388 775
	Total - Part III	<u>388 775</u>
PART IV: OTHER PURPOSES		
12	Headquarters building: Repayment of loans	14 500
	Total - Part IV	<u>14 500</u>
	Effective Working Budget (Parts I, II, III and IV)	<u>3 423 400</u>

Appropriation Section	Purpose of Appropriation	Amount US\$
PART V: STAFF ASSESSMENT		
13	Transfer to Tax Equalization Fund	275 500
	Total - Part V	275 500
	Total - All Parts	3 698 900

(ii) Delete paragraph D of resolution WHA24.42 and replace by the following revised paragraph D:

"D. The appropriations voted under paragraph A shall be financed by assessments on Members after deduction of the following:

(i)	Reimbursement from the United Nations Development Programme in the amount of	US\$ 2 247 000
(ii)	Miscellaneous income in the amount of	US\$ 3 800 000
(iii)	Withdrawal from the Working Capital Fund	US\$ 645 000
	Total US\$	6 692 000

thus resulting in assessments against Members of US\$ 94 189 820. In establishing the amounts of contributions to be paid by individual Members, their assessments shall be reduced further by the amounts standing to their credit in the Tax Equalization Fund, except that the credits of those Members whose nationals, staff members of WHO, are required to pay taxes on their WHO emoluments shall be reduced by the estimated amounts of such tax reimbursements to be made by the Organization."; and

3. REQUESTS the Director-General to reimburse the Working Capital Fund, notwithstanding Financial Regulation 6.4, by making appropriate provision in his proposed programme and budget estimates for 1974.'

3. RECOMMENDS, that in the event that the assessment on China at the time of the Assembly will no longer remain part of the Undistributed Reserve, the Twenty-fifth World Health Assembly adopt instead the following resolution:

'The Twenty-fifth World Health Assembly,

Having considered the proposals of the Director-General and the recommendations of the Executive Board concerning the supplementary estimates for 1972 resulting from the merger of the Technical Assistance and Special Fund components of the United Nations Development Programme into one single programme, and from the increased costs required to implement the revised 1972 programme as a consequence of international monetary developments; and

Considering that it is desirable to avoid making additional assessments on Members for the year 1972 to finance these supplementary estimates,

1. APPROVES the supplementary estimates for 1972;
2. AUTHORIZES a transfer of the amount of the 1972 contribution of China amounting to US\$ 3 032 890 from Part VI: Reserve - Appropriation Section 14 - Undistributed reserve - to various appropriation sections under Parts I, II and III of the Appropriation Resolution for 1972, as set forth in paragraph 3 below; and
3. DECIDES accordingly to amend the Appropriation Resolution for the financial year 1972 (resolution WHA24.42) as follows:

(i) increase and decrease the relevant appropriation sections by the following amounts:

Appropriation Section	Purpose of Appropriation	Amount US\$
PART I: ORGANIZATIONAL MEETINGS		
1	World Health Assembly	30 800
2	Executive Board and its committees	15 700
	Total - Part I	<u>46 500</u>
PART II: OPERATING PROGRAMME		
4	Communicable diseases	405 807
5	Environmental health	655 451
6	Public health services	522 711
7	Health protection and promotion	158 670
8	Education and training	322 730
9	Other activities	1 232 568
10	Regional offices	263 578
	Total - Part II	<u>3 561 515</u>
PART III: ADMINISTRATIVE SERVICES		
11	Administrative services	388 775
	Total - Part III	<u>388 775</u>
PART IV: OTHER PURPOSES		
12	Headquarters building: Repayment of loans	14 500
	Total - Part IV	<u>14 500</u>
	Effective Working Budget (Parts I, II, III and IV)	<u>4 011 290</u>

Appropriation Section	Purpose of Appropriation	Amount US\$
	PART V: STAFF ASSESSMENT	
13	Transfer to Tax Equalization Fund	275 500
	Total - Part V	<u>275 500</u>
	PART VI: RESERVE	
14	Undistributed reserve	(3 032 890)
	Total - Part VI	<u>(3 032 890)</u>
	Total - All Parts	<u>1 253 900</u>

(ii) delete from sub-paragraph (i) to paragraph D of resolution WHA24.42 the words 'the technical assistance component of' and increase the amount by US\$ 978 400, and increase the amount of assessments against Members by US\$ 275 500.

4. REQUESTS the Director-General to present to this session of the World Health Assembly details of activities amounting to \$ 587 890 included in Appropriation Section 9 above."