

Amendments to the Financial Regulations and Financial Rules

Report of the Programme, Budget and Administration Committee of the Executive Board to the Sixty-sixth World Health Assembly

1. The eighteenth meeting of the Programme, Budget and Administration Committee was held in Geneva on 16 and 17 May 2013 under the chairmanship of Dr Jamal Thabet Nasher (Yemen).¹ The Committee adopted its agenda.²
2. The Secretariat introduced the proposed amendments to the Financial Regulations and Financial Rules of the World Health Organization.³ These were required as a result of the move towards the approval of WHO's entire programme budget by the World Health Assembly in the context of the WHO reform process, consistent with the recommendation of the Executive Board at its 132nd session in January 2013. That recommendation had implications both for the Director-General's authority for incurring expenditures and for the mode of financing the overall budget.
3. It was explained that the Board's request for various changes to the draft report had resulted in the Secretariat initiating a consultation process; a "white paper" had been issued to all Member States containing proposed changes in line with guidance from the Executive Board during its 132nd session in January 2013, and which invited comments. The version of the proposed draft resolution under review incorporated the suggestions received.
4. The Committee suggested additional amendments to the draft changes to the Financial Regulations and Financial Rules. These were to clarify (a) the Director-General's authority to make financial commitments once the budget had been approved; (b) the limitation of Member States' financial obligations to the assessed portion of the budget; (c) the authority of the Director-General to adjust implementation plans; and (d) the compatibility of the provisions of the draft resolution with the outcome of the ongoing WHO financing dialogue.
5. Specifically, in (i) Regulation 5.1: to amend the wording in relation to Member States financial commitments for assessed contributions to reference Article 56 of the WHO Constitution; (ii) re-ordering 5.2 and 5.2.1 to make even clearer that the assessed contribution amounts to be paid by

¹ The list of participants is available in document EBPBAC18/DIV./1.

² Document EBPBAC18/1.

³ See document A66/33.

Member States are approved by the World Health Assembly, as distinct from the approval by the World Health Assembly of the overall budget.

6. The Secretariat emphasized that, in view of the ongoing WHO reform, its main objective for the time being was to ensure a smooth transition to the concept of full budget approval, making the minimum amount of changes required in order to achieve this. It was likely, however, that further revisions would be required once the full implications of the WHO financing dialogue had become apparent.

RECOMMENDATION TO THE HEALTH ASSEMBLY

7. The Committee, on behalf of the Executive Board, recommended that the Sixty-sixth World Health Assembly adopt the draft resolution contained in document A66/33 with the proposed amendments.

ANNEX
FINANCIAL REGULATIONS

EXISTING TEXT AS OF 1 JANUARY 2013	PROPOSED REVISED TEXT	COMMENTS
<i>Regulation IV – Regular Budget Appropriations</i>	<i>Regulation IV – Regular Budget Appropriations <u>Budget Approval</u></i>	
4.1 The appropriations approved by the Health Assembly shall constitute an authorization to the Director-General to incur contractual obligations and make payments for the purposes for which the appropriations were approved and up to the amounts so approved.	4.1 The appropriations budget approved by the Health Assembly shall constitute an authorization to the Director-General to incur contractual obligations and make payments for the purposes for which the appropriations were budget was approved and up to the amounts so approved, subject to available funding .	The authority to incur expenditure comes from the budget approval itself. Amended to revise “appropriations” to “budget”. Adding “subject to available funding”.
4.2 Appropriations shall be available for making commitments in the financial period to which they relate for delivery in that financial period or the subsequent calendar year.	4.2 Appropriations shall be available for making Once the budget has been approved, commitments can be made by the Director-General in the financial period to which they relate for delivery in that financial period or the subsequent calendar year, subject to available funding .	Authority is derived from the approved budget. Adding “subject to available funding”.
4.3 The Director-General is authorized, with the prior concurrence of the Executive Board or of any committee to which it may delegate appropriate authority, to transfer credits between sections. When the Executive Board or any committee to which it may have delegated appropriate authority is not in session, the Director-General is authorized, with the prior written concurrence of the majority of the members of the Board or such committee, to transfer credits between sections. The Director-General shall report such transfers to the Executive Board at its next session.	No change	
4.4 At the same time as budget proposals are approved an exchange rate facility shall be established by the Health Assembly, which shall set the maximum level that may be available to protect against losses on foreign exchange. The purpose of the facility shall be to make it possible to maintain the level of the budget so that the activities that are represented by the budget approved by the Health Assembly may be carried out irrespective of the effect of any fluctuation of currencies against the United States dollar at the official United Nations exchange rate.	No change	

EXISTING TEXT AS OF 1 JANUARY 2013	PROPOSED REVISED TEXT	COMMENTS
<p><i>Regulation V – Provision of Regular Budget Funds</i></p> <p>5.1 Appropriations shall be financed by assessed contributions from Members, according to the scale of assessments determined by the Health Assembly, and by projected interest earned on regular budget, prior period collection of arrears and any other income attributable to the regular budget.</p>	<p><i>Regulation V – Provision of Regular Budget Funds</i></p> <p>5.1 Appropriations <u>The budget</u> shall be financed by assessed contributions from Members, according to the scale of assessments determined by the Health Assembly, and by <u>voluntary contributions</u>, by projected interest earned on regular budget, prior period collection of arrears and any other income attributable to the regular budget. <u>Members financial obligations under Article 56 of the WHO Constitution are limited to the assessed contributions.</u></p>	<p>Revisions to wording and inclusion of voluntary contributions.</p>
<p>5.2 The amount to be financed by contributions from Members shall be calculated after adjusting the total amount appropriated by the Health Assembly to reflect that proportion of the regular budget to be financed by the other sources noted in 5.1 above.</p>	<p><u>5.2 The Health Assembly shall approve the amount to be financed by assessed contributions from Member States, and shall approve the amount to be raised by the Director-General from voluntary sources</u></p>	<p>A new Regulation to reflect the discussion of the Programme, Budget and Administration Committee at its extraordinary session in December 2012.</p>
	<p>5.2.1 The amount to be financed by assessed contributions from Members shall be calculated after adjusting the total amount appropriated <u>approved</u> by the Health Assembly to reflect that proportion of the regular budget to be financed by the other sources noted in 5.1 above.</p>	<p>Amended to reflect the fact that it is now an integrated budget (assessed and voluntary contributions).</p>
<p>5.3 In the event that the total financing for appropriations is less than the amount approved by the Health Assembly under the regular budget proposals, the Director-General shall review implementation plans for the regular budget in order to make any adjustments that may be necessary.</p>	<p>5.3 In the event that the total financing for appropriations <u>the budget</u> is less than the amount approved by the Health Assembly under the regular budget proposals, the Director-General shall review implementation plans for the regular budget in order to make any adjustments that may be necessary.</p>	<p>Amended to reflect the fact that it is now an integrated budget (assessed and voluntary contributions).</p>

EXISTING TEXT AS OF 1 JANUARY 2013	PROPOSED REVISED TEXT	COMMENTS
	<p><u>5.4 Assessed contributions are made available for implementation on 1 January of each year of the financial period. Voluntary contributions are made available for implementation upon recording of agreements with the resource contributors.</u></p>	<p>A new Regulation to clarify availability of assessed and voluntary contributions. Voluntary contributions can only be made available to incur commitments to the extent that agreements have been recorded. Therefore the part of the budget funded by voluntary contributions will always require funds to have been carried forward for the start of the biennium.</p>
	<p><u>5.5 The Director-General shall submit to the Health Assembly annual reports on the collection of contributions (both voluntary and assessed), and other sources of cash.</u></p>	<p>A new Regulation to clarify that reporting is made on all contributions and collections (includes previous 6.10 below on assessed contributions).</p>
<p><i>Regulation VI – Assessed Contributions</i></p> <p>6.1 The assessed contributions of Members based on the scale of assessments shall be divided into two equal annual instalments. In the first year of the financial period, the Health Assembly may decide to amend the scale of assessments to be applied to the second year of the financial period</p>	<p>No change</p>	
<p>6.2 After the Health Assembly has adopted the budget, the Director-General shall inform Members of their commitments in respect of contributions for the financial period and request them to pay the first and second instalments of their contributions.</p>	<p>6.2 After the Health Assembly has adopted the budget, the Director-General shall inform Members of their commitments in respect of <u>assessed</u> contributions for the financial period and request them to pay the first and second instalments of their contributions.</p>	<p>Amended to clarify that this Regulation refers to “assessed” contributions</p>
<p>6.3 If the Health Assembly decides to amend the scale of assessments, or to adjust the amount of the appropriations to be financed by contributions from Members for the second year of a biennium, the Director-General shall inform Members of their revised commitments and shall request Members to pay the revised second instalment of their contributions</p>	<p>6.3 If the Health Assembly decides to amend the scale of assessments, or to adjust the amount of the <u>budget appropriations</u> to be financed by <u>assessed</u> contributions from Members for the second year of a biennium, the Director-General shall inform Members of their revised commitments and shall request Members to pay the revised second instalment of their contributions.</p>	<p>Amended to revise “appropriations” to “budget” and to clarify that this Regulation refers to “assessed” contributions</p>

EXISTING TEXT AS OF 1 JANUARY 2013	PROPOSED REVISED TEXT	COMMENTS
6.4 Instalments of contributions shall be due and payable as of 1 January of the year to which they relate.	6.4 Instalments of assessed contributions shall be due and payable as of 1 January of the year to which they relate.	Amended to clarify that this Regulation refers to “assessed” contributions
6.5 As of 1 January of the following year, the unpaid balance of such contributions shall be considered to be one year in arrears.	6.5 As of 1 January of the following year, the unpaid balance of such assessed contributions shall be considered to be one year in arrears.	Amended to clarify that this Regulation refers to “assessed” contributions
6.6 Contributions shall be assessed in United States dollars, and shall be paid in either United States dollars, euros or Swiss francs, or such other currency or currencies as the Director-General shall determine.	6.6 Assessed C contributions shall be assessed in United States dollars, and shall be paid in either United States dollars, euros or Swiss francs, or such other currency or currencies as the Director-General shall determine.	If the proposal to change to 50% assessed in Swiss francs is agreed, this Regulation will be amended. Payment of the assessed amount may continue to be possible in another currency, in which case Financial Regulation 6.9, below, applies.
6.7 The acceptance by the Director-General of any currency that is not fully convertible shall be subject to a specific, annual approval on a case-by-case basis by the Director-General. Such approvals will include any terms and conditions that the Director-General considers necessary to protect the World Health Organization.	No change	
6.8 Payments made by a Member shall be credited to the Member’s account and applied first against the oldest amount outstanding.	6.8 Payments made by a Member for assessed contributions shall be credited to the Member’s account and applied first against the oldest amount outstanding.	
6.9 Payments in currencies other than United States dollars shall be credited to Members’ accounts at the United Nations rate of exchange ruling on the date of receipt by the World Health Organization.	6.9 Payments of assessed contributions in currencies other than United States dollars shall be credited to Members’ accounts at the United Nations rate of exchange ruling on the date of receipt by the World Health Organization.	
6.10 The Director-General shall submit to the regular session of the Health Assembly a report on the collection of contributions.	6.10 The Director-General shall submit to the regular session of the Health Assembly a report on the collection of contributions.	Amended to delete the former clause and replace with a new clause within Regulation V (5.5 above), to explain that reports will be provided to the Health Assembly on the status of collection of <u>all</u> funds, both voluntary and assessed.

EXISTING TEXT AS OF 1 JANUARY 2013	PROPOSED REVISED TEXT	COMMENTS
6.11 New Members shall be required to make a contribution for the financial period in which they become Members at rates to be determined by the Health Assembly. Such contributions shall be recorded as income in the year in which they are due.	6.10 New Members shall be required to make an assessed contribution for the financial period in which they become Members at rates to be determined by the Health Assembly. Such contributions shall be recorded as income in the year in which they are due.	Updated to 6.10
<p><i>Regulation VII – Working Capital Fund and Internal Borrowing</i></p> <p>7.1 Pending the receipt of assessed contributions, implementation of the regular budget may be financed from the Working Capital Fund, which shall be established as part of the regular budget approved by the Health Assembly, and thereafter by internal borrowing against available cash reserves of the Organization, excluding Trust Funds.</p>	<p><i>Regulation VII – Working Capital Fund and Internal Borrowing</i></p> <p>7.1 Pending the receipt of assessed contributions, implementation of that part of the regular budget financed from these contributions may be financed from the Working Capital Fund, which shall be established as part of the regular budget approved by the Health Assembly and thereafter by internal borrowing.- The amount of the Working Capital Fund is approved by the Health Assembly. Internal borrowing may be made against available cash reserves of the Organization, excluding Trust Funds.</p>	Amended to reflect the fact that it is now an integrated budget (assessed and voluntary contributions).
7.2 The level of the Working Capital Fund shall be based on a projection of financing requirements taking into consideration projected income and expenditure. Any proposals that the Director-General may make to the Health Assembly for varying the level of the Working Capital Fund from that previously approved shall be accompanied by an explanation demonstrating the need for the change.	7.2 The level of the Working Capital Fund shall be based on a projection of financing requirements taking into consideration projected income and expenditure from assessed contributions . Any proposals that the Director-General may make to the Health Assembly for varying the level of the Working Capital Fund from that previously approved shall be accompanied by an explanation demonstrating the need for the change.	
7.3 Any repayments of borrowing under Regulation 7.1 shall be made from the collection of arrears of assessed contributions and shall be credited first against any internal borrowing outstanding and secondly against any borrowing outstanding from the Working Capital Fund.	No change	

FINANCIAL RULES		
<p><i>Rule III – Regular Budget Appropriations</i></p> <p>103.1 The appropriations approved by the Health Assembly constitute an authority to issue awards up to the amount approved to enable expenditures to be incurred for the purposes for which the appropriations were approved. The Director-General may determine the maximum amount of the appropriations that it would be prudent to issue as awards taking into account the prospects for payment of assessed contributions and the availability of both the Working Capital Fund and internal borrowing.</p>	<p><i>Rule III – Regular Budget Appropriations Approval</i></p> <p>103.1 The appropriations budget approved by the Health Assembly constitutes an authority to issue awards up to the amount approved to enable expenditures to be incurred for the purposes for which the appropriations were budget is approved. The Director-General may determine the maximum amount of the appropriations approved budget that it would be prudent to issue as awards taking into account the prospects for payment of assessed collection of contributions and the availability of both the Working Capital Fund and internal borrowing.</p>	<p>Amended to revise “appropriations” to “budget”</p> <p>Amended to reflect financing of the budget by both voluntary and assessed contributions</p>

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