



FORTY-FIRST WORLD HEALTH ASSEMBLY

COMMITTEE B

PROVISIONAL SUMMARY RECORD OF THE SECOND MEETING

Palais des Nations, Geneva  
Friday, 6 May 1988, at 9h00

CHAIRMAN: Dr T. MORK (Norway)

CONTENTS

	<u>Page</u>
Review of the financial position of the Organization .....	2
Financial report on the accounts of WHO for the financial period 1986-1987, report of the External Auditor, and comments thereon of the Committee of the Executive Board to Consider Certain Financial Matters prior to the Health Assembly .....	5
Status of collection of assessed contributions and status of advances to the Working Capital Fund .....	16
Members in arrears in the payment of their contributions to an extent that would justify invoking Article 7 of the Constitution .....	18

Note

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The final text will appear subsequently in Forty-first World Health Assembly: Summary records of committees (document WHA41/1988/REC/3).

SECOND MEETING

Friday, 6 May 1988, at 9h00

Chairman: Dr T. MORK (Norway)

REVIEW OF THE FINANCIAL POSITION OF THE ORGANIZATION: Item 27 of the Agenda

Mr FURTH (Assistant Director-General), introducing the item, drew the attention of delegates to the financial report and audited financial statements for the financial period 1 January 1986 - 31 December 1987, contained, together with the report of the External Auditor to the Health Assembly, in document A41/6. The Committee would recall that when the Health Assembly had decided to change from annual to biennial programme budgeting, it had also decided that at the end of each two-year budget period the Director-General would submit a financial report covering the entire biennial budget period; similarly, the External Auditor would submit a report on the accounts of the two-year financial period. In 1987 the Director-General had submitted an interim financial report covering only the first year, 1986, of the two-year financial period 1986-1987, and no report had been submitted by the External Auditor, who had not been required to do so under the Financial Regulations. In the current year, however, the financial report covered both years, 1986-1987, and was accompanied, as required by the Financial Regulations, by a report of the External Auditor.

Unfortunately, the financial situation of the Organization was no longer as sound as it had been. Indeed, 1986-1987 had been a period of exceptional financial difficulty. Delays in the payment, or even the non-payment, of assessed contributions and the continuing decline of the exchange value of the US dollar throughout the biennium had had serious adverse effects on WHO's financial situation, resulting in large shortfalls in the resources available for the financing of the regular budget activities. There had been, however, a continuing expansion of activities financed by extrabudgetary resources. That did not mean that increased extrabudgetary resources could ever make up for an income deficit in the regular budget, since there were basic organizational functions financed by the regular budget which would never be paid for from extrabudgetary sources.

The overall situation in 1986-1987 as compared with 1984-1985 was reflected in the summary table on the Highlights of 1986-1987 Financial Operations on page v of the report. Total obligations incurred for the integrated international health programme had risen by some US\$ 157.2 million, representing an increase of 16.7% in 1986-1987 over 1984-1985. The increase was certainly due, to a large extent, to the declining exchange value of the US dollar throughout the biennium. Nevertheless, it could reasonably be assumed that, although the regular budget had recorded an estimated real decrease, there had been some real increase in WHO's programme delivery financed from extrabudgetary sources over the past biennium.

Under the regular budget, obligations incurred had increased by some US\$ 16.8 million from 1984-1985 to 1986-1987. That was a nominal increase of 3.45%, mainly for country activities, although there had certainly been an overall decrease in real terms. It had not been possible to determine the amount of the real decrease from an analysis of the financial data. The rather approximate method of estimating real increases in regular budgetary expenditures, which had been used with a reasonable degree of reliability in the past, did not appear to work reliably for measuring real decreases in programmes, such as had taken place in 1986-1987. The last sentence in paragraph 15 of the Introduction should therefore be ignored.

The problem was that expenditure comparisons were not comparable to budget estimate comparisons from one biennium to the next. Furthermore, although WHO used real item analysis for budget preparation purposes, the expenditure accounting system did not have a means of recording such real units for all expenditures. There were real units such as man/years for salaries and staff allowances and man/months for consultants and fellowships which could be analysed, but there were no real units for the reliable measurement of contractual services, grants, local costs and other expenditures. A whole separate unit accounting system would be needed to capture all that information. No government appeared to be able to do that, and it would be unreasonable to expect WHO to do so.

Consequently, it was necessary to approach the problem through some simpler analytical methodology. A number of different means of approximation for estimating the real decrease in 1986-1987 had been tried, and they had yielded results ranging from approximately 3.5% to 6% or more. One approach was to analyse the financial outcome of the budget in 1986-1987 compared with 1984-1985, as presented in table II on page 36 of the report. That involved analysing the real decrease within the budget surplus of the two bienniums. In 1984-1985 most of the budget surplus had resulted from exchange savings, which had not, of course, reduced the real delivery of the approved budget, while in 1986-1987 the surplus had been due mainly to a real reduction of US\$ 35 million in programme implementation to meet the shortfall from the collection of assessed contributions. There had also been a further programme implementation reduction of US\$ 9.5 million due to exchange rate deficiencies. Thus there had been a dramatic reduction in regular budget programme delivery in 1986-1987 which might not be immediately apparent from a mere comparison of the financial obligations incurred between the two biennia. The methodology for measuring real increases and decreases in regular budget expenditures would be reviewed in order to determine whether it produced results that were creditable enough to be reported in future biennial financial reports.

During a period of financial difficulty, it was all the more important to make savings and contain overhead costs. As stated in paragraph 14 of the Introduction, in 1986-1987 administrative support costs had represented 12.48% of all obligations incurred under all sources of funds. That compared with 11.07% for the biennium 1984-1985, 12.32% for the biennium 1982-1983, and 12.48% for the biennium 1980-1981. The constant and close control of administrative expenditures, partly facilitated by the development of electronic data processing, had increased the efficiency of the administrative services. They supported more technical activities without a proportionate increase in staff resources. However, the decline in the value of the US dollar against the Swiss franc and certain major regional office currencies had had the effect of increasing administrative support costs in terms of US dollars comparatively more than it had affected technical services, since virtually all of the administrative support costs were incurred at headquarters and in the regional offices.

One of the important issues highlighted by the Director-General in the Introduction to document A41/6 was the collection of assessed contributions. The overall rate of collection of contributions at the end of the biennium 1986-1987, 88.4%, had been dramatically less than at the end of the preceding biennium, when it had been 94.4%. As at the end of the 1984-1985 biennium, there had been no fewer than 76 Member States which in 31 December 1987 had not paid their 1986-1987 assessments in full. Of them, 22, as compared to 19 at the end of 1985, had not made any payment for the biennium. Those shortfalls and delays in payment of contributions had prompted the Director-General to reduce the implementation of the approved programme budget of US\$ 35 million. In spite of those measures, income had fallen far short of total obligations. At the end of the 1986-1987 biennium, the income deficit had reached the amount of US\$ 21 248 550, which had been met by full withdrawal of the balance of US\$ 11 048 950 available in the Working Capital Fund and an exceptional borrowing of US\$ 10 199 600 from the Casual Income Account pending receipt of outstanding contributions.

A second issue of major concern was the continued adverse impact of currency instability on WHO's programmes. Currency fluctuations, and in particular the decline of the value of the US dollar against several of the major currencies used by WHO, had caused substantial losses in the resources available for programme implementation, which could only be partially offset by the Exchange Rate Facilities. The amount of US\$ 41 million authorized by resolution WHA40.3 to be financed from casual income for that facility had been fully utilized and had been insufficient to meet completely the net effect of currency fluctuations between the WHO budgetary rate of exchange and the WHO/UN accounting rates of exchange during the financial period. A further exchange rate deficiency of approximately US\$ 9.5 million had had to be met through additional programme implementation reduction effected by freezing vacant posts, curtailing temporary staff and consultant services, and limiting duty travel and common services costs.

A number of Member States and other organizations in the United Nations system had expressed interest in, and even surprise at WHO's ability, at least to date, to manage its financial resources in the face of declines in the rate of collection of contributions and fluctuations in the value of currencies. One important component of the management of WHO's financial resources was casual income, which was derived from a number of sources including budget surpluses and eventual exchange rate savings. It would be seen from the comparative statement of casual income received and utilized over the past four years, given on page 24 of the Financial Report, that casual income earnings had been less in 1987 than they had been in 1986 - only US\$ 22.2 million as compared with US\$ 40.9 million.

The principal source of casual income was interest earned on deposits made by WHO with banks pending disbursement of the funds. Two factors determined the size of such earnings: the rate of interest payable on such deposits, which was largely beyond the Organization's control, and the promptness or lateness of payment of assessed contributions, which was within the control of Member States but was unpredictable. Clearly, casual income would be increased if Member States paid their contributions on time. The proposed incentive scheme to promote the timely payment of assessed contributions, to be considered by the Committee under agenda item 27.4, would be financed from the interest earnings component of casual income. It rewarded early payers and penalized late payers. There was obviously no need to stress the importance for Member States of making early remittance of their assessed contributions if they wished to take advantage of the proposed scheme.

Part III of the financial report contained three financial statements of interest, with explanatory notes and supporting schedules. Part IV presented the financial implementation of WHO's programme for 1986-1987 in eight tables. There was also a substantial appendix on extrabudgetary resources containing brief summaries of contributions made by governments and others to the Voluntary Fund for Health Promotion and other funds available to WHO for programme purposes. It excluded contributions to funds such as the United Nations Development Programme and the United Nations Fund for Population Activities, since such contributions were not earmarked for WHO. The presentation went into a certain amount of detail, but it continued to be required in order to satisfy the need of a number of donor governments and other donors for certified figures of expenditures incurred against contributions made by them to the Voluntary Fund for Health Promotion. Pages 144-165 contained summaries of contributions made to, and expenses incurred for, the Trust Fund for the Global Programme on AIDS, the Onchocerciasis Control Programme, the Primary Health Care Initiative Fund, the Sasakawa Health Trust Fund, the Special Programme for Research and Training in Tropical Diseases, the United Nations Development Programme and the United Nations Fund for Population Activities.

Part II of the report contained the report of the External Auditor, who had maintained an open and extremely useful dialogue with the Secretariat in examining, and helping to strengthen, the management of WHO's resources, including such aspects as direct financial cooperation at country level and unliquidated obligations at the end of the financial period.

Financial report on the accounts of WHO for the financial period 1986-1987, report of the External Auditor, and comments thereon of the Committee of the Executive Board to Consider Certain Financial Matters prior to the Health Assembly (Article 18(f); Financial Regulations 11.3 and 12.9): Item 27.1 of the Agenda (Documents EB81/1988/REC/1, Resolution EB81.R19; A41/6; and A41/21)

Mr PRESS (Office of the External Auditor), after drawing attention to an error in the final sentence of paragraph 129(iv) of the External Auditor's report, where the figure of US\$ 1.9 million should read US\$ 9.1 million, expressed appreciation of the assistance received from the Secretariat in the preparation of the report, in which three subjects - control of manpower, unliquidated obligations and direct financial cooperation - were discussed; the relevant conclusions and recommendations would be found in paragraphs 124-130.

The control of manpower had already been discussed in the External Auditor's report on the WHO accounts for 1984-1985, in which various procedures at headquarters and in the European and Western Pacific Regions had been commented upon. The current report recorded the results of further reviews of certain matters at headquarters and of reviews in the South-East Asia and Eastern Mediterranean Regions.

As far as headquarters was concerned, the question as to whether WHO should introduce a "planned cycle of staffing surveys" had been taken up again. Under such an arrangement, senior management, possibly with the help of the Administrative Management Unit, would draw up a list of areas where surveys could be carried out and establish priorities and frequencies of inspection. The unit would then carry out the surveys, agree the content of the reports with line management and leave it to senior management to decide on the implementation of any recommendations that might be made. The objectives of the surveys would be closely allied to those of the unit as expressed in paragraph 11 of the External Auditor's report; they would examine existing organizational structures, functions and staffing levels to see if savings could be achieved without detriment to the achievement of approved programme objectives.

The External Auditor fully recognized that, under the existing arrangements for programme reviews and programme budgeting, programme directors and programme managers might be called upon to review functions and staffing levels. He also fully recognized that, under the existing arrangements, the Administrative Management Unit examined organizational structures and staffing levels in many of the surveys that it carried out. The only significant difference between the External Auditor's views and those of the Secretariat was that the former felt that there ought to be a way of ensuring that, over a period, all appropriate areas were subject to staffing surveys. It was acknowledged that WHO could not adopt such a policy without adding to the existing posts in the Administrative Management Unit, but the cost of such additional posts might well be outweighed by the savings arising from such reviews.

The Secretariat had told the External Auditor that the outlay on the additional posts - at least two - that would be required was not deemed practicable during WHO's present financial crisis. It questioned whether the expanded unit would obtain much cooperation from technical programmes if staffing surveys were imposed on them, and believed that although the Administrative Management Unit was qualified to comment on staffing needs in relation to secretarial and most other general service staff and to professional staff in programme support units, it could not adequately review professional staff posts concerned mainly with scientific work. However, it was the Secretariat's intention to consider whether the unit might undertake surveys in areas where the short-term assistance of scientific staff was involved. It had also agreed that the Chief of the Administrative Management Unit could advise line management and senior management on work areas where management surveys could usefully be undertaken.

Paragraphs 19-27 of the report dealt with the operation of procedures for reviewing the continuing need for posts in connection with the formulation of the proposed programme and budget for 1988-1989. The External Auditor's study disclosed that only

25 of the 47 submissions to the Headquarters Programme Committee had provided all the information requested by the Committee and that the most common omission was information on the planned allocation of long-term staff to specific activities. In that connection the External Auditor recommended that the Secretariat should examine the information needs of the Headquarters Programme Committee and ensure that any resultant guidelines on budget submissions were strictly followed by programme managers.

A further aspect of manpower control examined by the External Auditor had been the work done by the Administrative Management Unit in 1986-1987 in assisting divisions and programmes to review the ratio of secretaries to professional staff. It had been gratifying to note that the overall secretarial ratio had been reduced from 2.22 secretaries to three professional posts in October 1984 to 2.01 secretaries to three professional posts in December 1986, resulting in a relative cost saving of approximately US\$ 1 million per year. By February 1988 the overall ratio had been further reduced to 1.99 secretaries to three professional posts, just below the figure considered to be the norm for headquarters.

As a follow-up to his 1984-1985 report, the External Auditor had reviewed the introduction, in July 1986, of improved procedures to ensure that consultants and temporary staff were employed in headquarters programmes only when their services were essential and when existing resources were not available. Again, the External Auditor had noted that the new forms implementing those procedures had been properly completed and that they provided the Division of Personnel with the required information.

Turning to the External Auditor's regional review activity, he noted that in the South-East Asia Region, the Administrative Management Unit had not been asked to carry out a survey of any work area, although it had been invited to review the Regional Office Budget and Finance Unit in 1987, subsequent to the External Auditor's visit. However, the Regional Office did not agree that the unit should be asked to carry out periodic reviews of budgeted posts. Although the External Auditor had found no documentary evidence to suggest that the Regional Office had reviewed the continuing need for budgeted posts when preparing the budget for 1986-1987 or at any other time, the office had informed him that such reviews were indeed carried out and that it might consult the Administrative Management Unit on ways to improve the process. It had also indicated that it would welcome the assistance of the unit in reviewing the organization of secretarial support, adding that in general the work of regional staff called for more assistance from general service staff than was the case at headquarters. With regard to the authorization procedures for consultants and temporary staff, the Regional Office had introduced the procedures which had been applied at headquarters since July 1986.

In a similar review of the control of manpower in the Regional Office for the Eastern Mediterranean, the External Auditor had found that, although the Administrative Management Unit had been employed only to a limited extent, a committee established by the Regional Director had to make recommendations on staffing, had developed a programme of work that would include reviews of professional and general service posts at the Regional Office and in the field and would also seek advice on those matters from the unit.

The External Auditor had noted a rising trend between 1982 and 1987 in the number of consultants employed. The Regional Office had explained that the trend was primarily due to the growing availability of trained national manpower which, although it reduced the need for long-term WHO staff, led to an increased need for technical advice on a short-term basis.

Paragraphs 63-82 of the report recorded the results of a review of unliquidated obligations in the South-East Asia and Eastern Mediterranean Regions, carried out with the aim of establishing the reasons for the rising trend that had been noted between 1980 and 1985. Unliquidated obligations for supplies and equipment had been found to amount to US\$ 26.54 million, or 42.56% of total obligations for those two categories of expenditure, in 1984-1985. Unliquidated obligations for supplies and equipment for field

projects had amounted to US\$ 23.22 million. In essence, the External Auditor's conclusion was that the rising level of unliquidated obligations for supplies and equipment for field projects within country programmes was largely attributable to planning and implementation problems associated with the merging, in recent years, of WHO's technical support into national health programmes and budgets. Supplies and equipment were - of course - needed by Member States and it seemed clear that funds could be obligated more readily for them than for other items of expenditure.

The External Auditor had further found unliquidated obligations, both in total and for supplies and equipment, to be considerably lower at the end of the 1986-1987 financial period than they had been at the end of 1984-1985. Lack of time had prevented investigations into the reasons for that.

The third and final subject discussed in the report was direct financial cooperation (DFC), introduced for the first time in 1984-1985. The report described DFC and explained the financial procedures involved in operating DFC in the South-East Asia Region. The Regional Office had agreed to introduce a number of improvements, including the drawing up of agreements in accordance with the WHO Manual and the restriction of advances in a financial period to the cost of activities planned for that period.

Concerning expenditure on DFC in the Eastern Mediterranean Region, the main issue was the accounting treatment of the obligation of US\$ 1.1 million incurred during the final weeks of the 1984-1985 financial period to finance the restoration of hospital buildings and electricity and water supplies, in the absence of evidence that the government concerned had made any disbursements for the project and with the unlikelihood that expenditure would be made before 1986, i.e. before the next financial period.

The issue was complex but important, since it concerned the correct interpretation of the requirements of the Financial Regulations in respect of obligation accounting. The External Auditor noted that the Secretariat intended to issue an amendment to the WHO Manual to clarify the accounting treatment of obligations for DFC and to specify that they might be raised only when the services to be rendered had actually started in the financial period concerned; he suggested that consideration be given to whether an amendment to the Financial Regulations might not also be called for. The case illustrated the risks to satisfactory accountability and to obtaining good value for money inherent in arrangements hastily agreed in the final weeks of a financial period; the External Auditor recommended that DFC projects involving significant financial inputs by WHO should always be subject to properly drawn up agreements before payments were made. The agreements should be signed only after WHO had satisfied itself that adequate safeguards existed to ensure effective use of its resources.

Dr HAPSARA (representative of the Executive Board), introduced the report of the Committee of the Executive Board to Consider Certain Financial Matters prior to the Health Assembly, contained in document A41/21. In the course of its review, the Committee had concentrated on a number of matters relating to the Organization's financial difficulties in 1986-1987, namely the low rate of collection of assessed contributions and implementation of a contingency programme reduction of US\$ 35 million; the adverse effects of currency fluctuations; the level of obligations incurred under all sources of funds; the level of costs for administrative support, which amounted to 12.48% for 1986-1987; the details of the budget surplus of US\$ 39 121 858; the estimation of the real programme decrease; the External Auditor's report on manpower control procedures, on unliquidated obligations incurred in 1984-1985 and obligations incurred under direct financial cooperation; the Director-General's and Regional Directors' Development Programme; the tables, statements and schedules relating to the expenditure incurred by the Organization and the outcome of the regular budget; and, finally, the need for the exhaustive appendix on extrabudgetary resources.

After noting the opinion of the External Auditor that the financial transactions were in accordance with the Financial Regulations and legislative authority, the

Committee had recommended to the Health Assembly the adoption of the draft resolution contained in paragraph 15 of its report.

Mr BOYER (United States of America) welcoming the amount of detail in the financial report of the External Auditor, said that his own delegation was often asked to explain, for example, how the shortfall in contributions and the drop in the exchange rate were affecting WHO; the information in the report made a valuable contribution to such explanations.

From the two charts on page x of Part I of document A41/6, it would be seen, inter alia, that actual expenditure on health science and technology in 1986-1987 had amounted to 15 million less than the approved figure, while support services had received US\$ 1.4 million more than originally allocated. Why, in implementing a reduced budget, had WHO made large cuts in health programmes and increased expenditure on overheads, when surely the opposite approach should have been adopted?

The Organization was highly to be praised for mounting the Global Programme on AIDS so rapidly and with such good results, but paragraph 16 of Part I of document A41/6 showed that only US\$ 17 million of the US\$ 32.7 million received in contributions to the Trust Fund for 1986-1987 had been disbursed. How could such a low rate of expenditure on a programme where the need for resources was so great be explained? It was encouraging to note that voluntary contributions by national government for WHO's health programmes had increased by US\$ 36.2 million between 1986 and 1987; that seemed to suggest that contributions for AIDS-related activities were not being drawn away from resources previously allocated for other programmes, as had been feared.

Turning to the External Auditor's report, he commended the attention paid to the control of manpower and particularly to ensuring that staffing was always fully justified and never taken for granted. The report appeared to indicate several instances where the amount of secretarial staff was excessive or the engagement of professional staff, including consultants, not entirely warranted. Continuing review of such matters was obviously very beneficial: the report noted that at least one instance, a corrective mechanism had been set in place just before a visit from the External Auditor's staff.

His delegation trusted that the valuable recommendations of the External Auditor would be given serious consideration by the WHO staff, and that the reviews of regional and country offices would continue. As the entire Organization struggled to overcome its financial difficulties, the realities must be brought home to each programme and each unit. Only by concerted and unanimous effort could WHO achieve the maximum in efficient operation.

Dr SAVEL'EV (Union of Soviet Socialist Republics), referring to the comment in the introduction to the financial report that the biennium 1986-1987 had been a period of exceptional financial difficulty, said the reasons for those problems were well known. The situation had demanded exceptional commitment and inventiveness from the Secretariat, and its performance should be commended: a great deal had been done to alleviate the adverse impact of the financial difficulties.

Under such straightened financial circumstances, all means of achieving savings should be pursued, and the optimal distribution of resources at all levels must be sought. It was to that very end that measures had been introduced during the biennium to improve the process of calculating staffing needs by, inter alia, instituting reviews for the recruitment of consultants and adjusting the number of secretariat staff. In that context, he endorsed the comments made by the United States delegation concerning expenditure on support services.

The disturbing information in paragraphs 99 and 100 of the External Auditor's report, concerning delays in the repayment of advances made to countries for DFC activities, pointed to the need for closer accounting in that field. Was there not a danger that the new DFC activities masked a retreat from cooperation and a return to the technical assistance activities which the Organization had rightly denounced as lacking in efficiency?



The Executive Board and its Programme Committee should assess the experience with DFC to date and determine whether or not it had been effective. It might then be possible, in accordance with the recommendations of the External Auditor, to consider amending the Financial Regulations to accommodate the practice of providing DFC.

The External Auditor was to be commended on his excellent debut in his post: he had chosen to concentrate on the right matters, and his recommendations deserved the most earnest consideration, as they were directed towards achieving a more effective allocation of both human and financial resources.

His delegation had no comments to make on the resolution proposed for the Health Assembly's adoption in document A41/21, paragraph 15.

Dr DE SOUZA (Australia) observed that the Assistant Director-General identified two major disruptive factors in the financial management of WHO in 1986-1987: the delay in and non-payment of contributions, and the restriction of available finances arising from the decline in the value of the United States dollar. Neither difficulty had been adequately overcome; both would have to be taken into account in 1988-1989.

Australia had grave concerns about the Organization's financial situation: WHO had received less than 90% of assessed contributions in 1986-1987, which meant that members which paid in full, like Australia, were subsidizing the non-payment of others. Australia's assessed level of contribution had been 1.65%, but it had paid 2.2% of WHO's budget for 1988-1989.

Everyone knew why such an unacceptable situation had arisen. His delegation urged all countries to pay their contributions in full, so that WHO might implement its programmes and carry out its worthwhile tasks. Until they did so, the budget must be tailored to meet the level of income, and WHO must therefore establish an effective mechanism for setting priorities. His delegation was willing to work with the new Director-General and other Member States on any effort to rationalize WHO's machinery. Although the Secretariat consistently reviewed the financial situation, the time had perhaps come for a comprehensive review of the Financial Regulations, so that budgetary operations could be improved and the Organization better equipped to meet the needs of its members.

Mr HAMMOND (Canada) said that the reports before the Committee gave rise to two particularly important observations. The first was that in 1986-1987, the exchange rate losses suffered by WHO as a result of currency depreciation had greatly exceeded the casual income facility set up at a level of US\$ 41 million as a shield against such fluctuations. The question therefore arose whether the casual income facility established by resolution WHA40.4 at US\$ 31 million would be sufficient for the biennium 1988-1989.

The second observation was that just as exchange rate losses had greatly exceeded the level of casual income, so the income deficit had greatly exceeded the programme implementation cuts made by the Director-General. That deficit had necessitated a depletion in the Working Capital Fund - an undesirable event, since good financial management dictated that a casual income facility should be used to finance cash-flow problems in a given financial period, not from one period to the next. To borrow from the casual income facility was in fact to make good payers subsidize late and non-payers.

The Director-General must maintain at its presently envisaged level his contingency plan for up to US\$ 50 million in programme implementation reductions in 1988-1989. The fact that there was a continuing shortfall in contributions, and that the rate of collection of assessed contributions at the end of the 1986-1987 biennium had been 10% below that for the previous biennium, suggested that WHO urgently needed to equip itself with an incentive mechanism such as existed in many other international organizations.

Mr LUPTON (United Kingdom of Great Britain and Northern Ireland) stressed his delegation's concern about the late payment of contributions. He commended the Director-General on maintaining the Organization's operations in the face of unanticipated difficulties caused by non-payment of contributions and adverse fluctuations in exchange rates.

He observed that an increasing proportion of programmes was being financed by extrabudgetary resources, and that, as the United States delegate had pointed out, contributions to the Global Programme on AIDS did not seem to have encroached on the funds available for other programmes.

He welcomed the trust placed in the Comptroller and Auditor General of the United Kingdom in his position as External Auditor of the Organization, and would suggest that a number of points raised in his report deserved direct responses from the Secretariat. He referred in particular to the recommendations on a cyclic review of all headquarters divisional structure functions and staffing levels, in-depth reviews of staffing of Regional Offices, especially when posts became vacant, and the use of the Administrative Management Unit to review regional office staffing levels. His delegation was concerned about the failure of programme managers to follow guidelines for submission to the Headquarters Programme Committee, and would welcome the tightening of agreements on DFC projects, as suggested by the delegate of the Soviet Union.

Dr ASVALL (Regional Director for Europe) said that the Regional Office for Europe had availed itself of the services of the Administrative Management Unit extensively: an average of two surveys a year had been carried out in the 1980s, and both technical and administrative units had been scrutinized in respect of their functions, organizational structure, management procedures and staffing.

The Regional Office's experience had shown that the Unit worked efficiently and gave sensible and measured advice, often proposing new ideas that led to increased efficiency and, indeed, to better human relations.

The Unit's working procedures accounted for its success: fruitful discussions were always held before any review was begun, and a committee was usually named from within the staff to work with the Unit, therefore ensuring that the affected staff was well informed before the review was carried out. But the Unit did not content itself with pointing out adjustments that needed to be made: it had also shown great willingness to help in carrying out the measures it proposed, which was obviously the hardest part of the process. Finally, the blend of being an objective outsider yet knowing the Organization well from the inside was an extremely valuable attribute.

He supported the suggestion that more surveys should be done by the Unit, in technical areas as well as administrative ones.

Mr BISKUP (Federal Republic of Germany) said that he had noted with concern that the contingency plan for the financial period 1986-1987 had not been sufficient to bring expected income into line with expenditure. It was to be hoped that adequate plans would be drawn up in the future.

Mr LADSOUS (France) expressed concern at the worsening financial situation of the Organization over the past two years. Exceptional measures had been taken by the Secretariat, with the agreement of the Health Assembly, but they had been both inadequate and unsatisfactory. Surely, a better mechanism for overcoming the problem could be found than the use of the Working Capital Fund and the Casual Income Account. It was also disquieting to note that some Member States were not paying or only partially paying their assessed contributions, while making voluntary contributions to specific programmes. If that practice of cutting expenditure on the general management of the Organization and allocating the money saved to programmes judged to have priority were to continue, the overall organizational system would be disrupted. While his delegation approved and supported the Secretariat's efforts to cope with the financial difficulties, it remained deeply concerned.

Mr FURTH (Assistant Director-General), replying to the question posed by the delegate of the United States of America concerning support services, recalled that the delegate of the United States had referred to the fact that expenditures for support services had gone up by US\$ 1.4 million, as shown by the pie charts on page x of the Financial Report, while he had hoped that the Organization, in implementing the reduced budget, would try to make the least cuts in health programmes and the greatest cuts in support services. That point certainly required an explanation. The brief yet complete answer was that very substantial reductions had indeed been made in the support services (i.e., programme 15) but that expenditures in US dollars had nevertheless been higher than the budgetary provision for support services because of the effect of the declining exchange value of the US dollar against the Swiss franc and the major regional office currencies.

Under the contingency plan for programme implementation reductions, the support services had been reduced considerably, as had been reported to the Executive Board and the World Health Assembly in 1987. For example, at headquarters alone, reductions in support services had amounted to some US\$ 1 240 000. It had, however, to be realized that, precisely because the support services contained some elements of what the delegate of the United States had called "overheads", it was impossible to reduce them to the same extent as, or more than, health programmes. That was so for two reasons. Firstly, many of the so-called overheads were fixed overheads which did not diminish if and when the substantive technical programmes were reduced. For example, repayment of the Swiss loan for the construction of the headquarters building, building maintenance and cleaning, heating fuel for the headquarters and the regional office buildings and, to a large extent, all common services remained the same whether or not the technical programmes were reduced. Secondly, the support services not only had to support all of the regular budget technical programmes but also in part all programmes and activities financed through extrabudgetary funds. As the delegate of the United States and others had pointed out, those had increased substantially in the past biennium; in fact, they had increased to such an extent that if the WHO regular budget obligations were added to the obligations incurred under extrabudgetary funds, the extrabudgetary obligations represented 46% of the total. It was true that part of the costs of those additionally required support services were met by the 13% programme support charge that was made against obligations incurred under extrabudgetary funds but, as had been pointed out many times in the past, that 13% charge was by no means sufficient to cover the entire support services costs of activities financed from extrabudgetary resources. Thus, for those two reasons - fixed overheads and extrabudgetary resources - the support services could not be reduced to the same extent as technical programmes, although the amount of reduction in the support services had been quite substantial.

Despite the reduction in the support services, why then had their actual cost in 1986/87 been US\$ 1.4 million higher than budgeted? The increase in expenditure had been due entirely to additional costs incurred because of the decline in the US dollar in relation to the Swiss franc and the major regional office currencies. Those additional costs could not be compensated within the amount approved for the exchange rate facility. As the delegate of Canada had remarked, the US\$ 41 million authorized for that facility had not been sufficient. If it had not been for the extremely unfavourable rates of exchange experienced during the biennium, the actual costs under that programme would have been below the budgeted amount, in view of the programme implementation reductions undertaken.

The impact of fluctuating exchange rates on the support services was always much greater than on the other programmes. That was so because virtually the entire support programme was located at headquarters and in the regional offices, which felt the whole impact of the exchange rate fluctuations, contrary to the technical programmes, which spent a large proportion of their funds at the country level. The support services included more general service staff salaries and allowances, always paid in local currencies, than any other programme; they also included the common services for headquarters and the regional offices, including the provisions for building maintenance and conference and office services, also to a very large extent paid in local currencies. Consequently, when the dollar went up during a financial period, the

greatest savings were realized in the support programmes. Conversely, when the dollar went down during a financial period, as in 1986/87, the additional costs were heaviest under support services. That impact was clearly demonstrated on pages 40 and 42 of the Financial Report, in the table which showed the operation of the exchange rate facility. For example, in the African region, the CFA franc had been budgeted at 430 francs to the dollar while the average accounting rate for the biennium had been only 326 francs per US dollar. (That could be seen at the top of page 40, in the second column.) It could be seen from page 42 of the Report that, while the additional cost of currency exchange fluctuations (indicated as a net charge against casual income) in Africa had been almost US\$ 4 million, nearly US\$ 3 million of that amount (about 75%) had been incurred by the support services. On the other hand, in the region of South-East Asia, where the major regional office currency was the Indian rupee and where the actual average accounting rate experienced during the biennium had been more favourable than the budgeted rate, US\$ 315 800 (i.e., more than 50%) out of a total of US\$ 618 000 of savings incurred because of the favourable exchange rates had come from the support services alone. Those examples showed that, whether the rate of exchange was unfavourable or favourable during the implementation of the programme budget, the impact of currency fluctuations was strongest in relation to the programme for support services.

In response to the question by the delegate of the United States on AIDS, he said that, in fact, the rate of implementation of that programme during 1986/87 had been exceptionally good. As indicated in paragraph 16 of the Introduction, while disbursements of US\$ 17 million and unliquidated obligations of US\$ 5.9 million had amounted to a total of US\$ 22.9 million, contributions had amounted to US\$ 32.7 million. Bearing in mind that US\$ 8.2 million had been received in December 1987, it was clear that the US\$ 22.9 million in obligations incurred during the biennium nearly corresponded to the total of US\$ 24.5 million in contributions received up to the end of November. It was evident that the US\$ 8.2 million in contributions received in December 1987 and even part of the US\$ 5.7 million received in November 1987 could not have been properly obligated and certainly not have been disbursed before the end of that year. The unobligated balance of US\$ 10.2 million at 31 December 1987 was being fully utilized in 1988 to implement activities during the present biennium. The need for resources for that programme remained very great and any voluntary funds collected were obligated very shortly after receipt.

Concerning the question raised by the delegate of the United States about a comment made by the External Auditor that some professional staff and consultants were not fully justified, he said that he had failed to find any such remark in the External Auditor's report.

The delegate of the Union of Soviet Socialist Republics had referred to direct financial cooperation and had suggested that the Programme Committee of the Executive Board should examine such cooperation. That was a worthwhile suggestion and could be considered by the Executive Board and the Programme Committee.

The delegate of Australia had proposed that priorities be set so that the budget could be tailored to income. That topic was to be reviewed at the forthcoming meeting of the Programme Committee. Regarding the suggestion for a comprehensive review of the financial regulations, he said that he felt that the regulations were flexible and did not present any problems. They were supplemented by the financial rules which had been reviewed by the Executive Board and the Health Assembly in 1987. The rules and regulations were amplified by the administrative provisions. It should be borne in mind that the financial regulations of WHO were based to a large extent on those of the United Nations. He recalled that the United Nations General Assembly had called for closer harmonization of financial regulations of the different organizations within the United Nations system. The Consultative Committee on Administrative Questions had made some progress towards such harmonization but happily some differences remained, reflecting important differences between the organizations.

The delegate of Canada had asked whether the US\$ 31 million exchange rate facility for 1988/89 would be enough. It was difficult to make a prediction but if the US dollar remained at its present level that sum would not be sufficient. The Director-General's contingency plan of US\$ 50 million for 1988/89 would have to remain in effect and was, in fact, being implemented. Only if contributions were more forthcoming than at present would it be possible to do away with the contingency plan.

The delegate of the United Kingdom had brought up the proposal of the External Auditor that the Administrative Management Unit should undertake a cyclical review of staffing in all programmes. The Secretariat fully agreed with the existing terms of reference of the Administrative Management Unit and its objectives of evaluating and making recommendations on organization structures, staffing patterns, work organization and managerial processes; it was intended to continue to make use of the Administrative Management Unit in that way. The Secretariat fully agreed that the Administrative Management Unit could be used by programme directors to supplement line management reviews of their staffing requirements and that its expertise and experience could be employed to give an independent view of particular functions and staffing requirements. Numerous studies had already been undertaken by the Administrative Management Unit and many programmes had been affected by them. It thus appeared that just as many programmes would be reviewed by the Administrative Management Unit in any given period (say, five or ten years) as would be reviewed if the External Auditor's recommendations were adopted, but the order in which those reviews would be carried out under the current arrangements and terms of reference would conform better with the Organization's priorities and respond better to current problems, and their resulting recommendations would be more acceptable to management than those of the inspections recommended by the External Auditor.

The only real argument with the External Auditor's proposal hinged on the word "cyclic", implying that the Administrative Management Unit should inspect the staffing requirements of all programmes at headquarters to determine that all staff were employed on work essential to the achievement of programme objectives. That might well be counterproductive. Although it might appear to be good administrative practice, particularly from the point of view of auditors, who had a natural inclination to see the art of management in terms of regular, routine procedures, periodic written reports and the completion of forms, it was not good management. The Administrative Management Unit was a problem-oriented unit, not an audit or monitoring unit. It was the Organization's in-house management consultant team. Its three professionally trained and experienced staff members were used by the Director-General, the Assistant Directors-General, the Regional Directors, the divisional directors and the programme managers at headquarters to tackle organizational, structural and management problems which had been identified by them. WHO was a constantly changing organization in which almost every year new programmes were established, new office technology (such as microcomputers, word processors and a local area network) were introduced and resources were often redistributed among different organizational levels (such as in implementation of resolution WHA29.48). It was clear that, in such a dynamic organization, management had no difficulty at all in identifying problem areas which had to be dealt with urgently on a priority basis. Over the past four years, surveys undertaken by the Unit at headquarters had included such subjects as: analysis of travel claims procedure at headquarters, management survey of WHO's inventory control system, rationalization of secretarial services at headquarters, document production at headquarters, interface between the Division of Information Systems Support and the Division of Personnel and General Services at headquarters, configuration of support staff in the Programme for External Coordination, treasury unit at headquarters, managing the workload of the Special Programme for Research and Training in Tropical Diseases. Surveys undertaken in the regional offices and larger projects had included such subjects as: transport management operations of the Onchocerciasis Control Programme, staffing of budget and finance in the Regional Office for Europe, management of budget and finance in the African Regional Office, Western Pacific Regional Office's building maintenance and documents reproduction units, the Environmental Health Programme in the Eastern Mediterranean Regional Office, and management of the Global Programmes for Health of the

Elderly and Accident Prevention in the Regional Office for Europe. From that sample of surveys, it should be clear that the Administrative Management Unit had been at the forefront of managerial innovation at WHO.

The proposal of the External Auditor would give the Administrative Management Unit an audit function. In his previous report, the External Auditor had described the proposed functions as "inspections"; "audits" and "inspections" appeared virtually identical. Whatever the correct characterization of the proposed function, the real point was that the unit would have to undertake cyclic or periodic staffing surveys of every unit and programme at headquarters, even if a programme manager, his director, his Assistant Director-General and the Director-General himself were convinced that the staffing of the unit in question was adequate but not excessive, in other words, that there was no apparent problem. Of course, the External Auditor had recognized that the role of the Administrative Management Unit could not be significantly extended without adding to the unit's existing staff resources; under the current constraints it would be very difficult indeed to increase those resources. Even if the unit were to obtain such additional resources, it would be preferable for it to maintain its present terms of reference and carry out its present mandate. It was doubtful whether cyclic routine staffing surveys, imposed on staff from above, would be very effective, or whether the Administrative Management Unit would obtain much cooperation from the programmes being surveyed. Moreover, such routine surveys, undertaken without anyone having requested them, would indeed become very routine, that is, standardized in form and content, with the result that nobody would be likely to pay much attention to them. In such circumstances, spontaneous requests from programmes and units for assistance from the Administrative Management Unit in solving their real management and staffing problems would be exceedingly rare, just as it was exceedingly rare that a programme asked for the assistance of the Internal Audit Unit.

It was doubtful whether the present Administrative Management Unit staff, who were highly trained mobile young middle-level managers recruited from the business world, would be able to endure the routine of such cyclic staffing surveys. The excitement and challenge of examining real problems, doing highly relevant and appreciated work requested by programme managers and advising innovative management solutions would disappear. It would probably be necessary to recruit a completely different type of staff for that task, one that was more suitable for routine, standardized inspections, audits or monitoring work.

In the final analysis, however, it seemed that in present circumstances the argument was somewhat irrelevant. As the External Auditor had pointed out in paragraph 22 of his report for 1984-85, nearly 25% of all regular budget posts at the global and interregional level had been abolished in the past 12 years, while the demands placed on headquarters by WHO governing bodies and Member States had nevertheless tended to increase during the past decade. The regular budgets for the bienniums 1984/85, 1986/87 and 1988/89 had again provided for a net decrease of 13 posts at global and interregional level. The problem had therefore been one of preventing increases in posts and staffing and of efficient deployment of existing posts and staff, and not one of seeking further reductions which would seriously jeopardize the effectiveness of WHO's work. In view of the current financial crisis, it had become necessary to make programme budget implementation reductions of more than US\$ 44.5 million in 1986/87, and it was expected that even larger programme budget implementation reductions would have to be made in the current biennium. It had already become necessary to freeze a number of vacant posts at headquarters, to redeploy existing posts and staff, and to change methods of work so as to make economies with the least possible impact on programme delivery. A major new programme, the Global Programme on AIDS, had been started from scratch on an emergency basis, largely by lending to it regular budget staff from other programmes. In addition, the proposed programme budget for 1990/91, currently under preparation, would provide for a reduction in real terms of US\$ 25 million, thus again entailing a reduction in posts. In such a situation, the Administrative Management Unit's task of responding quickly and effectively to calls for help would become more important than ever, and undertaking staffing reviews in units for which management did not request or need that assistance would become a luxury which the Organization could ill afford.

The delegate of the United Kingdom had also drawn attention to the External Auditor's recommendation in paragraph 126 of the Financial Report. The Secretariat agreed with the External Auditor's comments and would take steps to implement them. The present guidelines perhaps required too much of programme managers, but if such guidelines were issued, they should be fulfilled.

As regards direct financial cooperation, mistakes had been made in the implementation of the new process, perhaps understandably, since it was a new type of procedure being tried out on an experimental basis in a few regions. Staff in the regional offices had not been completely familiar with the way in which the new procedure should be implemented but steps had already been taken to amend the administrative manual in order to make it clear that obligations should not be incurred under direct financial cooperation when work had not been started in the current financial period. The Secretariat had no disagreement with the External Auditor in principle, although it felt that, before such a major step as amending the financial regulations was taken, the matter should be considered in greater depth. It might be sufficient to deal with the problem by amending the administrative manual provisions.

The delegate of France had expressed doubts that the exchange rate facility was the best mechanism to meet additional costs arising from exchange rate fluctuations. The subject had been discussed before and an exhaustive study had been produced. The matter was bound to crop up again. In contrast to the systems of other organizations to meet additional costs arising from currency fluctuations, the exchange rate facility allowed the governing bodies of WHO, i.e. the World Health Assembly and the Executive Board, to control the amount to be spent. In other systems, if the US dollar declined in relation to a second major currency, say the Swiss franc, governments were obliged to meet the full costs. In the WHO system, a limit was set on the costs to be met. For example, in the previous biennium, a limit of US\$ 41 million had been set; although that amount had been too low, not a penny more had been spent. If assessments were made in two or more currencies, all control over the additional costs was lost. A second advantage of the WHO system was that payments to be made by governments were deferred. In other systems, whether based on supplementary budgets, forward purchase of currencies, or assessment in several currencies, governments were obliged to pay immediately. In the WHO system the cost of the exchange rate facility in one biennium (e.g., US\$ 31 million of casual income in 1988-1989) would be reflected in increased assessments only in the following biennium (1990-1991). The WHO system was therefore advantageous both to the Organization and to Members, and was the envy of other organizations.

Dr CHOLLAT-TRAQUET (Managerial Process for WHO Programme Development), referring to the questions raised in connection with paragraphs 26 and 27 of document A41/6, recalled that (as a result of the reservations made by the External Auditor) during the preparation of the 1990-91 programme budget in July 1987, the programme directors had been given very specific guidelines on the time assignment of their professional staff and consultants to the various activities of the Eighth General Programme of Work selected for implementation in 1990-1991. All programmes had been covered, except those concerned with research on tropical diseases and human reproduction. Those guidelines together with the programme proposals for 1990-91 were available to the members of the Committee.

Dr U KO KO (Regional Director for South-East Asia), referring to the advance of US\$ 17 000 paid under the two-year research project in Thailand, explained that the Thai Government had already spent some US\$ 64 000 on it. Although the actual research was to be conducted in 1988-89, the project had started in October 1987, and it was therefore incorrect to call that payment an "advance" since it had been effected at the beginning of the project.

Regarding professional staff reviews and programme requirements, he was in favour of proceeding on the basis of the situation of countries and country programmes and in the context of global programme trends and budgetary limitations. In South-East Asia, extensive reviews had been conducted between 1982 and 1984, when many posts had been abolished and new ones created. Another round of reviews was currently under way to

provide for the 1990-91 programme, and the Consultative Committee of Programme Development and Management had just completed the examination of the intercountry programme, including new staffing trends for 1990-91.

With regard to future auditing, he noted that there was a tendency in WHO to equate technical inputs with staff. However, the situation in countries had been changing and other inputs such as local cost subsidies, technical contracts, the commissioning of national institutions and expertise, training courses, workshops and supplies used in training and research must also be regarded as technical inputs and not frowned upon.

Mr BOYER (United States of America) observed that the involvement of the Administrative Management Unit in the assessment of staffing requirements appeared to have given rise to much resentment. Despite Mr Furth's statement to the effect that the recommendations on that subject had no bearing on the situation with regard to staff reviews, the auditors and a number of Member States had expressed concern about the need for WHO staff to be fully justified, and for efforts to be made to increase efficiency. If that was not the Unit's task, a mechanism should be set up to ensure that the Organization operated as cost-effectively as possible.

Mr FURTH (Assistant Director-General) said that his earlier reply had been misunderstood. The Unit must, on the contrary, be deeply involved in the assessment of staff requirements. The only point at issue was whether such work should be conducted on a cyclical basis, or whether the Unit should intervene on request where priority problems had been identified.

The CHAIRMAN drew attention to the draft resolution in paragraph 15 of document A41/21.

The draft resolution in paragraph 15 of document A41/21 was approved.

Status of collection of assessed contributions and status of advances to the Working Capital Fund: Item 27.2 of the Agenda (Documents EB81/1988/REC/1, Resolution EB81.R7 and Annex 4; and A41/7).

Dr HAPSARA (representative of the Executive Board) reviewed the background of the agenda item under consideration, drawing attention to the Director-General's report in Annex 4 to document EB81/1988/REC/1 and the deep concern expressed by the Executive Board over the developments outlined therein and their increasingly serious impact on the financial situation of the Organization and the programme of work adopted by the Health Assembly. As at 31 December 1987, the rate of collection of contributions in respect of the effective working budget had been 78.47% - the second lowest since 1950. In order to cover the shortfall in contributions, the Director-General had been obliged to withdraw the full amount standing to the credit of the Working Capital Fund and to borrow internally from the Casual Income Account in accordance with financial regulation 5.1. Such borrowing had been necessary despite the steps already taken to reduce the implementation of activities under the approved programme of work for 1986-87 by US\$ 35 million. Only 88 of the 164 Members contributing to the effective working budget had paid their current-year contributions in full by the end of December 1987, while 50 Members had made no payment whatsoever. The Board accordingly urged all Member States to pay their contributions as early as possible in the year in which those contributions were due, and submitted the draft resolution (contained in resolution EB81.R7) for consideration by the Health Assembly (document EB81/1988/REC/1, pages 4 and 5).

Mr FURTH (Assistant Director-General) introduced document A41/7 which covered the situation with regard to the payment of assessed contributions as at 30 April 1988. Drawing attention to paragraph 2 of the report, he said that although the rate of collection of contributions by that date had been the highest ever in the history of the Organization, 96 Members had made no payment at all towards their 1988 contribution. With regard to arrears, 40 Members had made no payment at all in respect of the 1987 instalment and therefore owed the 1987 contribution in full.



During the period 1-6 May 1988, however, further payment for 1988, totalling US\$ 2 974 318, had been received from 13 Member States, namely Botswana, the Central African Republic, the Cook Islands, Gambia, the German Democratic Republic, Ghana, Ireland, the Lao Peoples' Democratic Republic, Lesotho, Rwanda, the United Republic of Tanzania, Yemen and Yugoslavia.

Furthermore, since 30 April, payments totalling US\$ 20 855 498 in respect of arrears of contributions had been received from Antigua and Barbuda, the Central African Republic, Chile, Ecuador, Liberia, Paraguay, Peru, Poland, Somalia, the United States of America and Yemen.

Lastly, he drew the attention of the Committee to resolution EB81.R7 of the Executive Board.

Mr LADSOUS (France) reiterated his delegation's deep concern about the financial crisis confronting the Organization, largely as a result of the non-payment or partial payment of contributions by many Member States. In that connection, he asked whether the main contributor had settled in full the arrears amounting to US\$ 38 138 055 indicated on page 7 of document A41/7.

Dr SAVEL'EV (Union of Soviet Socialist Republics) shared the Executive Board's concern about the non-payment of assessed contributions, but was aware at the same time that the developing countries were faced by genuine financial difficulties. However, such countries were not the only ones to be in arrears, and he therefore supported the draft resolution under consideration.

Mrs WOLF (German Democratic Republic) said that her country had always paid its contributions on time and in full, although the financial burden was not always easy to bear. It attached great importance to appropriate budgetary coverage of WHO activities and was therefore deeply concerned about the situation with regard to the payment of contributions. Although some countries were finding the financial burden of membership too heavy, as had been stated by the Latin American Group at the Fortieth World Health Assembly, one Member State was deliberately withholding a considerable proportion of its contributions. Financial commitments to the Organization must be binding, and all Member States must pay their assessed contributions. She supported the draft resolution contained in resolution EB81.R7.

Economy and the efficient use of resources must remain the principle underlying all WHO activities. Indeed her delegation felt that there was scope for improving efficiency, and appealed to the Director-General to arrange for further savings, e.g., by cancelling business trips that were not absolutely essential.

Mr LUPTON (United Kingdom of Great Britain and Northern Ireland) fully supported the previous speakers who had stressed the need for timely payment of contributions.

Mr GOMES PIRAS (Brazil) said that his country had managed to pay its 1986 contribution and part of its contribution for 1987. It would continue to make every effort to fulfil its obligations to the Organization, but was having great difficulty in meeting its financial commitments in hard currency. Moreover, Brazil's contribution was the largest for any developing country and exceeded by far those paid by many developed countries.

Mr ONISHI (Japan) expressed concern about the alarming deterioration of the situation with regard to the payment of assessed contributions, and pointed out that Japan, which fully supported the draft resolution under consideration, had already paid its contribution for 1988.

Mr BOYER (United States of America), replying to the question raised by the delegate of France, drew attention to document A41/25, which contained a report by the Director-General describing the position of the United States with regard to the payment

of its contributions. In the past nine months, the United States had paid contributions amounting to US\$ 100 600 000. Its contributions for 1987 had been paid in full and a partial payment had been made against arrears outstanding for 1986. The total amount owed by the United States had thus been reduced from some US\$ 38 million to US\$ 17.7 million. As WHO was aware, no payments of 1988 contributions could be made before October - the beginning of the United States' fiscal year.

Mr FURTH (Assistant Director-General) said the Committee would no doubt be pleased to learn that a United States payment had been received that morning to complete the payment of US\$ 20 525 000 announced in Annex 1 to document A41/25. That enabled him to give a precise reply to the delegate of France: it would be seen from Table 5 of document A41/7, entitled "Other outstanding contributions relating to the effective working budgets of years prior to 1988", that the amount due from the United States at 30 April 1988 in respect of 1987 had been US\$ 38 138 055, but the additional sum just received had reduced the amount still owed for 1987 to US\$ 17 613 055.

The CHAIRMAN invited the Committee to approve the draft resolution contained in resolution EB81.R7.

The draft resolution was approved.

Members in arrears in the payment of their contributions to an extent that would justify invoking Article 7 of the Constitution: Item 27.3 of the Agenda (Documents EB81/1988/REC/1, Resolution EB81.R8, Decision EB81(12) and Annex 5; and A41/8

The CHAIRMAN noted that the item related to two separate issues, the first concerned with past experience and future action in the matter and covered by the draft resolution contained in resolution EB81.R8.

Dr HAPSARA (representative of the Executive Board) reminded the Committee that the Executive Board had considered the matter in pursuance of a suggestion made during the last Health Assembly and that in 1955 the Health Assembly had decided in resolution WHA8.R13 that it would consider suspending voting rights, as one of the measures provided for in Article 7 of the Constitution, when a Member was in arrears in an amount equal to or exceeding that due for the preceding two full years. It had in fact actually suspended voting rights only in the case of one country, but on three occasions. Nevertheless, the number of cases of countries in arrears to the extent laid down in resolution WHA8.R13 was increasing, having risen from about three cases a year up to 1984 to seven in 1985, 12 in 1986 and 1987 and 11 at the beginning of the current year.

The Board had considered that firm measures should be taken, especially in the present precarious financial situation, but had stressed that a distinction must be made between two groups of countries in arrears. Some were unable to pay contributions because of genuine economic difficulties and for them the present flexible practice of special payment arrangements and non-suspension of voting rights must continue. For others, however, there was no apparent reason why they should be in arrears, and the Board had considered why their voting rights had not been suspended. One suggested reason was that delegations might be naturally reluctant to vote for the suspension of the rights of a fellow Member. The position was easier in the United Nations and other specialized agencies in that their governing bodies did not have to take any decision when a Member was two years in arrears. According to the Legal Counsel, however, that easier procedure was not open to WHO, since under Article 7 of the Constitution decisions as to the measures to be instituted in possible future cases could not be taken and the Health Assembly had to give the case of each Member in arrears individual consideration.

That was the background of the draft resolution contained in resolution EB81.R8. It should be noted that one Board member had opposed the resolution and that another had pointed out that the statement of principles contained therein had no binding force, but was really a declaration of intent as to how the Health Assembly should exercise already existing legal powers in the future.

To sum up, when a Member was two years in arrears, the Health Assembly would, as in the past, consider in the light of that Member's explanations whether there were justifying circumstances. If there were, no decision would be taken, but if there were not, the Health Assembly would, by a two-thirds majority, decide to suspend voting rights as from the following session, if by that time the arrears had not been eliminated or sufficiently reduced - in other words, it would no longer have to consider the immediate suspension of voting rights. At the following session, if the Member was no longer two years in arrears, that decision would simply lapse without any consequences, but if those arrears had still not been paid, voting rights would be suspended without any need to take a decision.

The CHAIRMAN invited the Committee to consider the draft resolution contained in resolution EB81.R8.

The draft resolution was approved.

The CHAIRMAN observed that the second issue related to the question of the arrears of certain Members and drew attention to the report on the subject of the Committee of the Executive Board to Consider Certain Financial Matters Prior to the Forty-first World Health Assembly (document A41/8).

Dr HAPSARA (representative of the Executive Board), introducing the report, pointed out that, whereas on 26 April 1988 there had been 16 Members owing contributions in an amount equal to or exceeding the sums due for the preceding two full years, that list had been reduced to 11 by 2 May 1988 as the result of payments by five of those Members. The Committee of the Board had noted the recommendation that the Health Assembly should adopt a statement of principle applicable to the Members concerned, and now that Committee B had approved the resolution in question, it might also approve the draft resolution in paragraph 5 of the report of the Committee of the Board concerning such application. It should be noted, however, that one member of the Committee of the Board had pointed out that there had been no consensus on the matter at the Board's last session and had reiterated the reservation on principles that he had made in the Board.

Mr FURTH (Assistant Director-General) announced that, in a letter dated 4 May 1988, the Permanent Mission of the Libyan Arab Jamahiriya had informed the Director-General that its Government intended to settle all its arrears, that it would regularize its situation as soon as possible and that measures had already been taken to settle the contributions, but that circumstances relating to transfer of funds had delayed the transfer of the contributions. He also drew attention to an error in the entry against Peru in the Spanish text of Table 5 of document A41/7, which should be aligned with the other language versions.

Dr RUESTA DE FURTER (Venezuela) said that the wording of operative paragraph 4(1) of the draft resolution contained in document A41/8 was too strong and proposed an editorial amendment which would tone it down somewhat.

Mrs LUETTGEN DE LECHUGA (Cuba) supported that amendment and reiterated her delegation's opposition to suspending the voting rights of any Member State. Many developing countries were affected by the economic crisis and were unable to pay their contributions on time.

Professor BORGONO (Chile) asked whether, in the light of Mr Furth's additional information, the name of the Libyan Arab Jamahiriya should be deleted from operative paragraph 4(1) of the draft resolution. He also stressed the need for that text to be fully in line with the resolution just approved, with which it was very closely linked.

Mr GETACHEW (Ethiopia) said that his Government fully respected the rules of WHO as laid down in its Constitution, particularly with regard to the payment of contributions. In spite of serious difficulties, Ethiopia had paid its contribution in full, not only for 1987 but also for 1988. It nevertheless sympathized with the situation of other developing countries, particularly the least developed. Because of their serious

economic difficulties, many of those countries had been unable to pay anything for the past three, four or even five years, and it was unrealistic to ask them to pay all their arrears in one year. Perhaps a special concession, enabling payments to be spread over two years, could be made to such countries.

Mr LORA REYES (Peru) said that it would not be inconsistent to vote against the draft resolution under discussion but to support the one previously approved, since that specified that the Health Assembly would decide to suspend voting rights by a two-thirds majority. Many countries, while willing to pay, were unable to do so - for example, Liberia had shown willingness to settle its arrears, but had only been able to make a payment of US\$ 10 000.

Mr FURTH (Assistant Director-General), replying to the question asked by the delegate of Chile, said that the fact that the Libyan Arab Jamahiriya was making efforts to settle its arrears did not change the actual situation. Indeed, the difficulties it was experiencing in making immediate payments served as a good argument in favour of not suspending voting rights immediately, but granting the countries concerned a year of grace in which to overcome their difficulties.

Dr RUESTA DE FURTER (Venezuela) said that her amendment was one of form rather than substance and would be submitted to the Committee in writing.

Mr STAUR (Denmark) said that any amendment to the draft resolution must be purely editorial, for the draft was merely a practical application of the resolution just approved and must not depart from it in any significant way.

The CHAIRMAN said that the proposed amendment to be submitted by the Venezuelan delegation would be considered at the next meeting.

The meeting rose at 13h05.

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