



OVERSIGHT

REPORT AND RECOMMENDATIONS OF THE THIRTY-SIXTH MEETING OF THE FINANCIAL ADVISORY COMMITTEE TO THE SIXTY-NINTH SESSION OF THE EXECUTIVE COUNCIL

Introduction

1. The Financial Advisory Committee (FINAC) held its thirty-sixth meeting at the WMO headquarters on 8 and 9 May 2017. The approved agenda of the meeting and the list of participants appear in Annexes 1 and 2 of this information paper.

Substantive items (*agenda item 4*)

Plan and budget matters – as per agenda in Annex 1 (agenda item 4.1)

(a) Budget for Biennium 2018-2019 (agenda item 4.1.2)

2. The Committee considered the Secretary-General's proposed regular budget of CHF 129,662,600 for the 2018-2019 biennium.

3. The Committee recalled that by Resolution 70 (Cg-17) the Seventeenth Congress approved the maximum expenditure of CHF 266,220,000 for the seventeenth financial period (2016-2019). It also recalled that the Executive Council approved the budget of CHF 136,557,400 for the 2016-2017 biennium at its sixty-seventh session (2015).

4. The Committee noted that the proposed budget for 2018-2019 is within the maximum expenditure for the seventeenth financial period 2016-2019.

5. The Committee welcomed the revised budget presentation format based on the WMO Scientific and Technical Programmes and the classification of objects of expenditure, considering that it is more transparent and facilitates informed decision-making by the Executive Council.

Recommendation 1:

That the Council adopt the budget proposals for the biennium 2018-2019 as reflected in EC 69/Doc. 16.2(4), taking into account the discussion held at FINAC.

(b) Status report and way forward on budget-related matters (agenda item 4.1.3)

6. The Committee recalled that, in approving the WMO budget for the seventeenth financial period, Congress requested the Executive Council, in close cooperation with the Secretariat, to establish required mechanisms in order to review WMO activities and Programmes and to consider additional efficiencies and savings, re-scoping of activities and the use of programme support costs associated with voluntary contributions, as well as the associated risks and opportunities. The Committee reviewed the status of progress on this matter, contained in EC-69/INF. 16.2(5). The Committee noted that considerable work has been done in the definition of an improved budget structure that meets the information

requirements of Members and is sufficiently flexible and simple to be used for the budget process.

7. Several Members welcome the savings and efficiency measures taken by the Secretariat, as reported in the document. The Committee was of the view that, based on the experience gained from the implementation of savings and efficiency measures, efforts should continuously be made to establish a clear link between the budget proposals for 2020-2023 and the quantified savings resulting from efficiency measures to be achieved.

Recommendation 2:

That the Executive Council note the progress made by the Secretary-General in identifying additional efficiencies and savings, as well as budget reduction measures requested by Congress.

Recommendation 3:

The Executive Council consider the prioritization of the Secretary-General in relation to the unfunded 2018-2019 activities which currently would require extrabudgetary funding and provide direction as appropriate.

(c) Outline of the Operating Plan and Budget for 2020-2023 (agenda item 4.1.1)

8. The Committee considered the Secretary-General's proposed outlines of the process for preparation and format of the operating plan and budget for 2020-2023, as well as a possible level of the maximum expenditure for that period. The Committee noted that the EC Working Group on Strategic and Operational Planning considered the outlines of the Operating Plan and Budget for 2020-2023 (OPB) and recommended them to EC for approval.

9. The Committee appreciated the opportunity to consider a budget outline well in advance of budget preparation for the eighteenth financial period 2020-2023.

10. The Committee recommended two scenarios for the maximum expenditure for the eighteenth financial period (2020-2023), namely, the zero nominal growth and a moderate budget increase, taking into account Members' needs for budgetary resources to meet their requirements, in particular Least Developing Countries on one hand, and on the other hand the affordability of the WMO Members to finance the budget.

11. FINAC is of the view that the budget format based on the structure of WMO Scientific and Technical Programme should continue for 2020-2023. After discussion on possibilities for improvements of the budget format, FINAC members recommended that the 2020-2023 budget be presented in accordance with the following format:

- (a) The budget should be presented in accordance by Expected Result, by Programme, and by object of expenditure, and their correlations;
- (b) The clear and logical link should be established among the Strategic Plan, the Operating Plan and the budget.
- (c) Extrabudgetary resource expected to be made available (existing trust funds and possible new extra-budgetary resources) should be presented in parallel to the regular budget resources in accordance with the programme structure (integrated budget presentation);
- (d) Savings and efficiency measures, activities discontinued by 2019, and unfunded activities should be specified, along with programmatic and budgetary implications (e.g. savings deriving therefrom, programmatic impact, and re-allocation of the savings for new priority activities);
- (e) In-kind contributions should be recognized and specified with quantified budgetary implications where possible;
- (f) Resource allocation for activities with regional aspects, across the WMO Scientific and Technical Programmes;

- (g) The Budget document should contain information on the non-cash expenditure, and its subsequent impact on the future surplus or deficit that are expected to be incurred during the financial period 2020-2023.

Recommendation 4:

That the Executive Council adopt Draft Decision 16.2(2) – *Outline of the Operating Plan and Budget 2020-2023*, that should contain two scenarios for the maximum expenditure for 2020-2023 (namely, ZNG and a moderate budget increase), as well as the above format improvements to be incorporated in the draft decision.

Recommendation 5:

The Executive Council consider as part of its strategic planning guidance the use of extra ordinary budget in delivering the mandate and programmes of WMO.

Review of documents having financial implications (agenda item 4.2)

(d) Proposed plan for funding long-term liabilities for employee benefits
(agenda item 4.2.1)

12. The Committee recalled that, in Decision 87 (EC-68) – Interim Plan for Funding Liability for After-Service Health Insurance, the Executive Council, inter alia, requested the Secretary-General “to proactively collaborate through 2016-2017 with Members and other Geneva-based UN organizations to identify specific measures that could be implemented for containing ASHI costs in the short-term, as requested in Resolution 73 (Cg-17), irrespective of the timing of the decision of the UN General Assembly on this matter with the aim of presenting options to EC-69”. The Committee further recalled that the Council also requested the Secretary-General to “analyse the long-term viability of the current ASHI scheme by showing the long-term trend of the ASHI expense for each year and of the remaining balance of the ASHI liability.”

13. The Committee reviewed the Secretary-General’s proposals, contained in EC-69/Doc. 17.2 and EC-69/INF. 17.2. The Committee noted that the long-term liabilities related to ASHI continue to increase. The Committee further noted that the cost saving measures being considered in the context of the work of the UN Advisory Committee on Administrative and Budgetary Questions (ACABQ) are not likely to deliver the expected benefits if applied by the WMO in isolation.

14. The Committee recognized the consequences of the growth of the financial liabilities for the long-term financing of ASHI, until the above cost saving measures are implemented at UN level and deliver the expected benefits.

15. The Committee appreciated the proposal made by the Secretariat to stabilize the growth of the ASHI liabilities by introducing additional contributions by Members and staff but recognized that this approach deserves a more thorough consideration before its approval can be considered. The Committee also noted that such proposal should be complemented by measures to reduce or contain the overall costs of the scheme.

16. The Committee acknowledged the importance of consultations with staff, in addressing this issue especially in view of the recently announced significant reductions in cost of living allowances for Geneva-based professional staff. The Committee also recognized the importance of harmonizing with UN common system organizations. Recalling Congress Resolution 73, the Committee requested that the proposal should show to the extent possible how the scheme would benefit from harmonization with the progress of the UN-wide scheme as well as other UN system organizations. The Committee further requested that the proposal should contain a timeline for implementation of the proposed plan. Some Members expressed a willingness to work with the Secretariat in this regard.

Recommendation 6:

That the Executive Council request the Secretary-General to submit a more comprehensive proposal to EC-70, taking into account the discussion held at FINAC.

(e) Report of the Audit Committee (*agenda item 4.2.2*)

17. The report of the Audit Committee to EC-69 is contained in EC-69/INF. 16.1(2). The recommendations of the Audit Committee to the Executive Council and Management were noted. FINAC expressed appreciation for the work of the Audit Committee, the substantiveness of their report, and the inclusion, for the first time, of a comprehensive self-assessment report.

18. The Committee applauded the long journey the Organization has travelled toward having an Ethics Officer on board and looked forward to receiving Annual Ethics Reports during future sessions of the Executive Council.

19. There was some support by the Committee for the AC's recommendation to the Secretary-General to continue with efforts to attract more extrabudgetary resources through resource mobilization. The Committee further encouraged a focus on delivering programmes of WMO priorities for Members in the most effective way possible, including through advising and supporting other relevant implementing organizations.

(f) Financial statements for 2016, including the report of the External Auditor (*agenda item 4.2.3*)

20. FINAC appreciated the work of the external auditor, the risk-based approach and resulting recommendations. FINAC has also noted that all recommendations were accepted by the Secretary-General. Regarding the future audit recommendations including internal audit recommendations, the Committee requested the Secretary-General to establish timeframes for implementation.

21. The Committee noted that the WMO consolidated entity ended the year 2016 with an overall IPSAS deficit of CHF 15.9 million and that this represents a decrease of CHF 6.0 million (27.5%) from the IPSAS deficit of CHF 21.9 million in 2015. The Committee noted that the decrease in the deficit resulted from: (a) an increase of CHF 5.1 million (6.4%) in revenue; and (b) a decrease of CHF 0.9 million in expenditure. The Committee expressed concerns about the long-term risks associated with the year on year deficits and requested the Secretary-General to develop options to modify the budget methodology to avoid future deficits deriving from unbudgeted non-cash expenditures.

22. The Committee noted that revenue amounted to CHF 84.7 million in 2016, and that this represents increases of: (a) CHF 3.0 million (4.6%) in assessed contributions; and (b) CHF 2.0 million (64.2%) in other sources of revenue.

23. The Committee noted the decrease of CHF 0.9 million in expenditure resulted from under-expenditure of CHF 2.7 million in travel, and CHF 0.5 million in salaries and benefits, net of increased expenditure of CHF 1.9 million in IT and CHF 1.0 million in project expenditure and organization of meetings.

24. The Committee noted that the net assets/worth of the Organization decreased by CHF 24.8 million (38.7%) and that the reduction mainly resulted from: (a) an overall deficit of CHF 15.9 million from operation in 2016; and (b) an actuarial loss of CHF 8.6 million arising from the professional valuation of WMO's liability related to staff benefits.

25. The Committee noted that Contributions Receivable decreased by CHF 9.2 million (31.3%) from CHF 29.4 million at 31 December 2015 to CHF 20.2 million at

31 December 2016. The decrease represents falls of: (a) CHF 7.0 million in net assessed contributions receivable; and (b) CHF 2.2 million in net voluntary contributions.

26. The Committee noted that liabilities for employee benefits totalled CHF 77.2 million at 31 December 2016, representing an increase of CHF 9.8 million (14.4%) from CHF 67.4 million at 31 December 2015. The Committee noted that the sources of the increase are: (a) an increase of 4.7% arising from one additional year of service and interest on liabilities; (b) a decrease of 3.0% following payment of benefits amounting to CHF 2.0 million; (c) an increase of 6.7% arising from a decrease of the discount rate (from 1.0% at 31 December 2015 to 0.6% at 31 December 2016); (d) an increase of 8.1% caused by an increase of the healthcare cost increase rate and the health insurance premium rate %; (e) a decrease of 0.7% due to a reduction of the salary increase rate; and (f) a decrease of 1.4% arising from a change in participants. The Committee recalled that the employee benefits liabilities on a pay-as-you-go basis.

27. The Committee noted that although the current assets decreased by 6.7% from 2015, primarily resulting from the decrease of CHF 9.5 million (36.8%) in contributions receivable, the Organization's total current assets of CHF 106.7 million were adequate to cover its total current liabilities of CHF 50.7 million at 31 December 2016 by more than two times.

Recommendation 7:

That the Executive Council adopt draft Resolution 17.1/1 (EC-69) – Financial Statements of the World Meteorological Organization for the year 2016.

(g) Status of Member contributions (*agenda item 4.2.4*)

28. The Committee recalled that, in accordance with Financial Regulation 8.9, the Secretary-General submits to the regular sessions of the Executive Council a report on the collection of contributions and advances to the Working Capital Fund. The Committee noted that 55% of the unpaid contributions at the beginning of 2017 remained outstanding at 2 May 2017. The Committee also noted that 87 Members had not made a payment by that date. The Committee noted that the outstanding balance of CHF 44.2 million is significant and that delayed payment may have a serious impact on the implementation of approved programmes.

Recommendation 8:

That the Executive Council urge Members with unpaid contributions to settle their dues as early as possible.

(h) Statement of expenditures during the sixteenth financial period (2012–2015) (*agenda item 4.2.5*)

29. The Committee recalled that, in accordance with Article 14.6 of the Financial Regulations of WMO, the Secretary-General is required to submit to the Executive Council, in addition to the financial statements of the first year of the financial period, the final statement of the total expenditures made in respect of the previous financial period. The Committee reviewed the Secretary-General's statement of the total expenditures made in respect of the sixteenth financial period (2012-2015). The Committee noted that, on the basis of the approved financial statements for 2012, 2013 and 2014 and 2015, the total expenditure incurred during the sixteenth financial period 2012-2015 amounted to CHF 273.8 million, representing 99 per cent of the maximum expenditure of CHF 276.0 million authorized by Sixteenth Congress (2011) for the financial period.

(i) Date and place of the thirty-seventh meeting (*agenda item 6*)

30. The Committee decided that the next meeting should be held in conjunction with the seventieth session of the Executive Council.

Annexes: 2

ANNEX 1

**AGENDA OF THE THIRTY-SIXTH MEETING
OF THE FINANCIAL ADVISORY COMMITTEE**

1. Opening of the meeting by the President
2. Approval of the agenda
3. Introductory statement by the Secretary-General
4. Substantive items:

Agenda item	Item description	EC Doc/INF number(s)
4.1	<i>Budgetary matters</i>	
4.1.1	Outline of the Operating Plan and Budget 2020-2023	Doc.16.2(2)
4.1.2	Budget for Biennium 2018-2019	Doc. 16.2(4); INF.16.2(4)
4.1.3	Status report and way forward on budget-related actions	INF. 16.2(2)
4.2	<i>Financial matters</i>	
4.2.1	Proposal for funding liability for After-Service Health Insurance (ASHI)	Doc. 17.2; INF.17.2
4.2.2	Report of the Audit Committee	INF. 16.1(2)
4.2.3	Financial statements for 2016, including report of the External Auditor	Doc. 17.1; INF. 17.1(1); INF. 16.1(3)
4.2.4	Status of Member contributions	INF. 17.1(2)
4.2.5	Statement of expenditures during the sixteenth financial period (2012-2015)	INF. 17.1(3)

5. Adoption of the report of the Financial Advisory Committee to EC-69 [INF. 16.1(1)]
6. Date and place of the thirty-seventh meeting

ANNEX 2

LIST OF PARTICIPANTS TO THE THIRTY-SIXTH MEETING
OF THE FINANCIAL ADVISORY COMMITTEE

	<i>Title</i>	<i>Name</i>	<i>Assisted by:</i>
Core members	WMO President	Dr	D. Grimes
	President RA I	Dr	A. Makarau
	President RA III	Lic	J. Báez
	President RA IV	Mr	J.C. Fallas Sojo
	President RA V	Dr	A.E. Sakya
	President RA VI	Mr	I. Čačić
WMO Members			
Australia	S. Barrell		Jon Gill
Bahamas	A. Grant		
BCT	T. Sutherland		
Canada	D. Grimes		H. Aucoin
China	W. Cao		Y. Dong X. Xu
France	P. Ramet		
Germany	G. Adrian		A. Thomalla I. Dettbarn
Guinea	L. Bah		
Indonesia	A.E. Sakya		A.Sopaheluwakan A.A. Fitraiany H. Herawati
Italy	U. Dosselli		G. Giallatini L.M. Michaud
Japan	H. Koide		H. Minematsu Y. Tanaka N. Koide
Kazakhstan	M. Kynatov		
Kenya	P.G. Ambenje		N.W. Maingi
Republic of Korea	I. Seong		S. Park J. Lee
Mexico	R.V. Juarez		P.C. Zapata
Panama	E.B. Esquivel Marconi		
Russian Federation	A. Nurullaev		Ivan Novikov

Spain	G.S. Fernandez	S.G. Dominguez O.E. Nolla L.D. Mateo S. Rosenkranz
Switzerland	M. Keller	
United Kingdom	J. Wardle	Adam Rejzl
USA	C. Draggon	C. Corvington S. Smith A. Mayer

**Chairperson,
Audit
Committee**

Dr L. Makuleni

	<i>Title</i>	<i>Name</i>	<i>Assisted by:</i>
External Auditor	Mr	D. Monnot	A. Baumann

**WMO
Secretariat**

Secretary-General	Mr	P. Taalas	
Deputy Secretary-General			E. Manaenkova
Assistant Secretary-General			W. Zhang
Director, Resource Management Department			A. Rolli
Director, Cabinet and External Relations			R. Masters
Director, Language, Conference and Publishing Services Department			M. Carrieri
Director, Regional Office for the Americas			M. Rabiolo
Director, Internal Oversight Office			A. Ojha
Legal Counsel			B. Exterkate
Chief, Budget Office			T. Mizutani
Budget Analyst			A. Rofes
Chief, Finance Division			L. Ngwira
Accountant			B. Cruz
Treasurer			S. Baldwin
Finance Officer			K. Paratian
