

# **FIN.SOP.IV.038**

## **Assessed Contributions**

### **(FNM/ACT)**

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***FNM Standard Operating Procedure***  
**Target Audience: All Staff**

**DISCLAIMER**

Standard Operating Procedures (SOPs) provide a step-by-step guide for staff directly involved in the processing of administrative actions to support and facilitate the implementation of WHO policies and procedures. The SOPs are for guidance only; they are neither authoritative nor binding. The SOPs reflect the policies and procedures of WHO at the time of writing; however, policies and procedures change from time-to-time. In the case of a conflict between the SOPs and the WHO eManual provisions, the WHO eManual provisions take precedence.



## 1) INTRODUCTION

### 1.1. Overview/Description

The activities of the WHO are supported by contributions received from the Member States and other contributors. The overall budget of the Organization for the biennium is reviewed and approved by the Member States in the World Health Assembly (WHA) held in the year before the new biennium.

The contributions from the Member States are generally classified into two categories: Assessed Contributions (AC) and Voluntary Contributions (VC). The AC is recorded, reported and monitored separately from the VC. This SOP provides guidance on tasks related to the recording, reporting, follow up and monitoring of AC contributions. The WHO Financial Regulations and particularly, Financial Regulation VI – Assessed Contributions outlines the policies regarding AC.

### 1.2. AC Calculation

The individual Member State's assessment is calculated based on total approved AC budget, the scale of assessments and available Tax Equalization Fund credits approved by the WHA.

During the 66<sup>th</sup> WHA in May 2013, the Member States decided to change partly the currency by which the assessments are denominated. Starting from 2014, where a Member State's annual assessment amounts to USD200,000 or greater, the currency of the AC will be invoiced half in USD and half in CHF calculated at the time of the approval of the programme budget. Those Member States whose total annual AC are less than USD200,000 continue to be assessed solely in USD. (Please refer to WHA66.16 - Foreign exchange risk management.)

### 1.3. Scale of Assessment

The scale of assessment used by the Organization normally follows that which was approved and adopted by the UN General Assembly. According to the UN Committee on Contributions website, the 2013-2015 scale of assessment is based on the following elements and criteria:

- (a) Estimates of gross national income;
- (b) Average statistical base periods of three and six years;
- (c) Conversion rates based on market exchange rates, except where that would cause excessive fluctuations and distortions in the income of some Member States, when price-adjusted rates of exchange or other appropriate conversion rates should be employed, taking due account of its resolution 46/221 B;
- (d) The debt-burden approach employed in the scale of assessments for the period 2010–2012;
- (e) A low per capita income adjustment of 80 per cent, with a threshold per capita income limit of the average per capita gross national income of all Member States for the statistical base periods;
- (f) A minimum assessment rate of 0.001 per cent;
- (g) A maximum assessment rate for the least developed countries of 0.01 per cent;
- (h) A maximum assessment rate of 22 per cent.

#### 1.4. Tax Equalization Fund

The Tax Equalization Fund (TEF) was established by the World Health Assembly resolution WHA21.10. The TEF is used to refund staff members for income taxes levied by Member States in respect of their WHO remuneration.

Refer to Annex 1 for further information on the TEF including procedure to calculate the TEF credits.

#### 1.5. General Guidance / Business Rules

##### 1.2.1 Revenue recognition

Member States review and approve the biennial programme budget in the WHA held during the year before the new biennium. Section 6.1 of Financial Regulation VI, states that assessed contributions should be divided into two equal annual instalments. Once the budget is approved, the assessment by Member States is calculated and communicated to the Member States through an email from the Chief Finance with a link to the pro-forma invoices that are uploaded in the WHO internet (refer to section 1.2.7 below). The AC are recognized in the WHO accounts in the year they are due. The AC invoices are uploaded in GSM on 01 January of the year concerned. For example, the 2013 assessments are uploaded on 01 January 2013 and the 2014 assessments are uploaded on 01 January 2014. The conversion of the CHF amount to USD will use the January rate at the date of entering the invoices (i.e. January 2013 and 2014).

##### 1.2.2 Amounts receivable

Article 7 of the Constitution states that “If a Member fails to meet its financial obligations to the Organization, the Health Assembly may suspend the voting privileges to which a Member is entitled.” If at the time of the opening of the Health Assembly, a Member is in arrears in an amount that equals or exceeds the amount of contributions due from it for the preceding two full years, the Health Assembly takes a decision on suspension of the Member’s voting privileges in accordance with the resolution WHA41.7. For example,

for the 2013 WHA, any Member that had not paid 2011 and 2012, in full or in part, would be included in the proposed resolution to the WHA to suspend voting. Payment made until the opening of the WHA would remove the Member from the resolution. The loss of voting right would take effect from the next WHA (after the resolution had been approved).

The status of amounts receivable is presented to the WHA each May – ‘Status of collections of assessed contribution, including Member States in arrears in the payment of their contributions to an extent that would justify invoking Article 7 of the Constitution’ (for 2012 – A66/30 – 5 April 2013).

### **1.2.3 Rescheduled Assessments**

In certain circumstances, where a Member States is unable to pay assessments for a number of years and where the Member State is concerned by Article 7 of the Constitution, they are encouraged to submit proposals to the Health Assembly for repaying such arrears over an extended period. Once a Member’s proposal for special arrangements for settlement of arrears is approved by the Health Assembly, if the Member’s voting rights had been lost, the Member’s voting right is automatically restored. ACT updates the concerned Member’s statement of account (SOA). However, if the Member is unable to pay the rescheduled assessment as laid down in approved resolution, the Member’s voting privileges are also automatically suspended.

### **1.2.4 Allowance for doubtful accounts (ADA)**

The allowance for doubtful accounts is provided for amounts receivable where the collection is considered uncertain. For AC, the ADA is classified into:

- Current – allowance provided for all AC receivables outstanding for more than one year and rescheduled AC due in the next twelve months
- Non-current – allowance provided for all rescheduled AC receivable less the current portion

### **1.2.5 Application of AC receipts**

Assessed contributions receipts are always applied against the oldest debt first notwithstanding what the Member State indicates in the receipt. Receipts related to AC are applied in the following order:

- First towards prior period (year or biennium);
- Second towards current period (year or biennium);
- Third towards rescheduled assessments - also starting with the prior (oldest) period.

Refer to Annex 2 for examples showing order of application of receipts.

### 1.2.6 Reconciliations

At the end of the month, the AC Status Report is reconciled to the following GL accounts:

- 141001- Assessed Contributions Receivable
- 171001- Rescheduled Assessments Receivable
- 411001- Assessed Contributions Revenue

Once the GL is reconciled to the Status Report, new SOAs are generated from GSM for Member States where there are movements in the balances in the current month compared to previous month.

### 1.2.7 AC information available on the WHO internet

The following is the link to the WHO internet which contains important documents related to AC:  
[http://www.who.int/about/resources\\_planning/en/index.html](http://www.who.int/about/resources_planning/en/index.html)

The AC website contains important documents related to Assessed Contributions that are of interest to the Member States. These documents include but are not limited to the following:

- General Programme Budget
- Financial Report and Audited Financial Statements
- Voluntary contributions by Fund and by Contributor
- Individual Statement of Account by Member State
- Assessed Contribution Invoices
- Assessed Contribution Payable Summary
- Assessed Contributions Overview for all Member States
- Status of Collection of Assessed Contributions
- Scale of Assessments
- Appropriation Resolution

On a monthly basis, the Status of Collection of AC and SOAs (where there is movement in balances) are updated in the website to include the current period's financial transactions.

## **1.6. Reference Material**

### **1.6.1. WHO eManual**

- IV.2.4 Assessed contributions
- XII.5.1 WHA appropriations

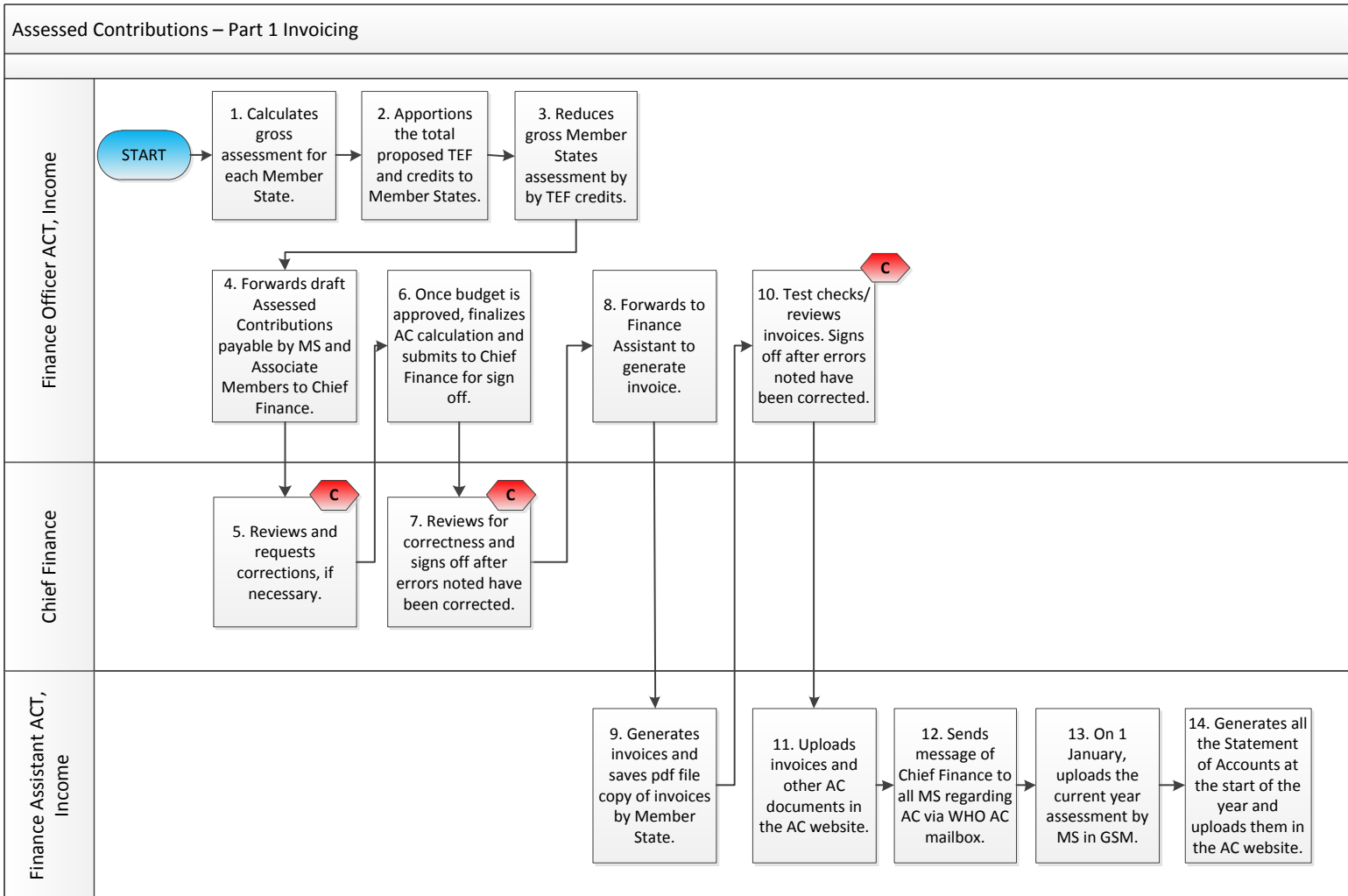
### **1.6.2. Financial Regulations and Rules**

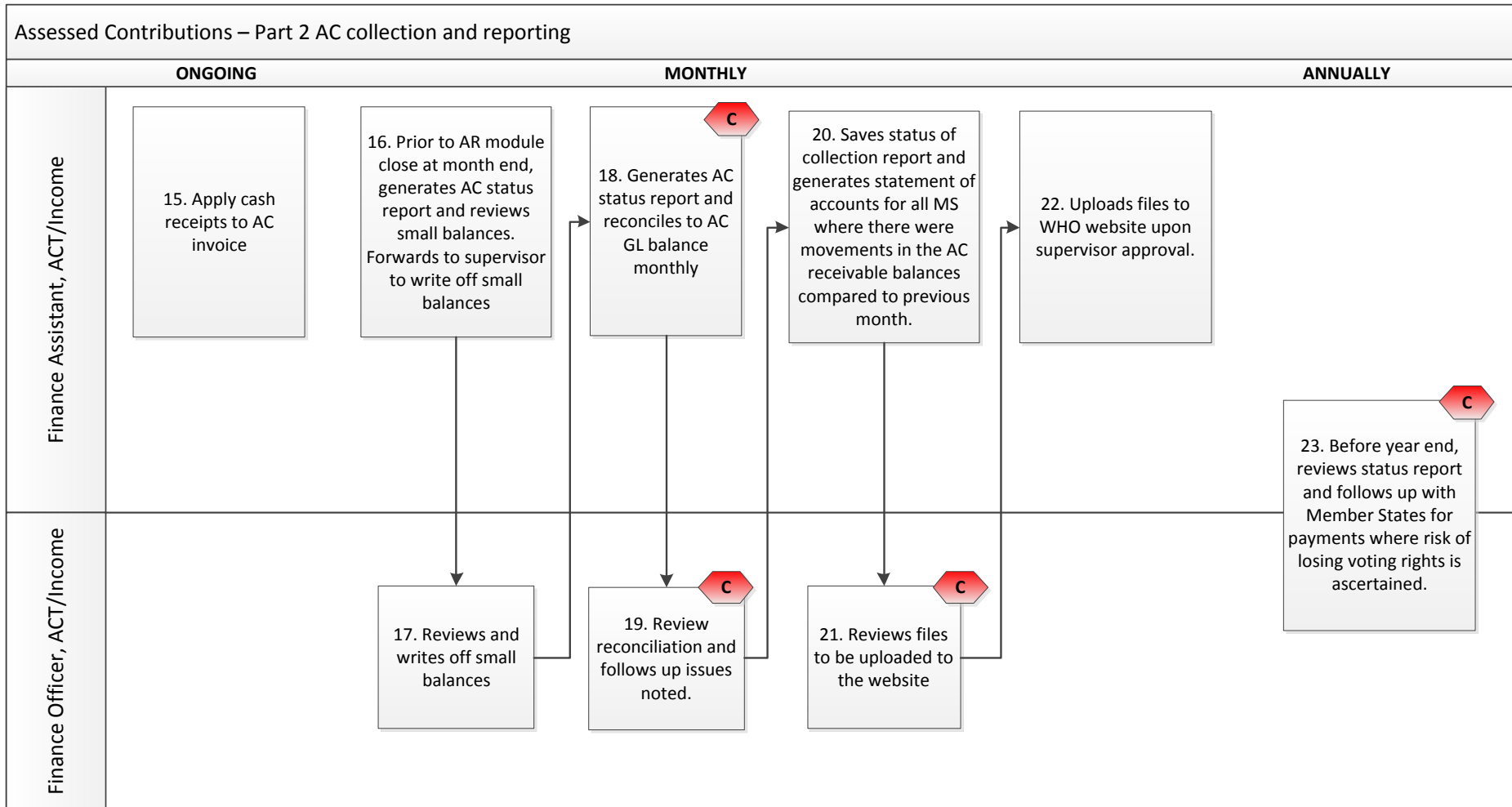
- Regulation VI

### **1.6.3. Related SOPs**

- Invoice Upload & Application of Receipts – FIN.SOP.IV.039

## 2. PROCESS FLOW





### 3. PROCESS STEPS

Step	Control (C)	Type	Process	Role / Responsibility
<b>Part 1 – AC Invoicing</b>				
1		Offline	In April of the year following a new biennium, calculates the gross assessment for each Member State by allocating the proposed total AC budget obtained from PRP using the UN approved scale of assessments.	Finance Officer
2		Offline	Apportions the total proposed TEF credits to the Member States based on their proposed gross assessments.	Finance Officer
3		Offline	Reduces the gross assessment by Member State by the TEF credits.	Finance Officer
4		Offline	Forwards the resulting draft 'Assessed Contributions payable by Member States and Associate Members' document (spread sheet) to Chief Finance for review.	Finance Officer
5	C	Offline	Reviews and requests corrections, if necessary.	Chief Finance
6		Offline	Once the budget is approved, finalizes the AC calculation and forwards to Chief Finance for final review and sign-off.	Finance Officer
7	C	Offline	Reviews and requests changes/corrections, if necessary. Signs off if no changes are required.	Chief Finance
8		Offline	After Chief Finance approval, forwards to Finance Assistant to generate pro-forma invoice.	Finance Officer
9		Offline	Generates invoice using excel, word and uses the function mail merge. Saves the PDF copy of invoices by Member States in the L drive (L:\Groups\GMG-IAM Management\GrpData\IAM MANAGEMENT\Assessed Contribution\).	Finance Assistant
10	C	Offline	Test checks/reviews PDF copy of invoices. Signs off once review is completed and errors noted have been corrected.	Finance Officer
11		Offline	Uploads PDF file copy of invoices and other AC documents in the AC website.	Finance Assistant
12		Offline	Sends message of Chief Finance to all Member States regarding the AC via the WHO	Finance Assistant

			AC mailbox.	
13		GSM	On 01 January, uploads the current year assessments by MS in GSM	Finance Assistant
14		GSM	Generates all the SOAs at the start of the year and upload in the AC website.	Finance Assistant
<b>Part 2 – AC collection and reporting</b>				
15		GSM	Applies cash receipts to AC invoice on a first in – first out basis	Finance Assistant
16		Offline	Before the AR module is closed at month-end, generates the AC status report and review small balances and forwards to supervisor to write off small amounts.	Finance Assistant
17		GSM	Reviews and writes off small amounts.	Finance Officer
18	C	Offline	On a monthly basis, after the AR module closure, generates AC Status Report and reconciles to AC GL balance.	Finance Assistant
19	C	Offline	Reviews reconciliations and follows up issues noted.	Finance Officer
20		Offline	Once reconciliation is completed and approved by Finance Officer, saves the Status of Collection Report in PDF file. Generates SOAs for all Members where there were movements in the AC receivable balances compared to previous month. Saves all files to be uploaded in the L drive under the AC folder. Informs supervisor of the documents for review.	Finance Assistant
21	C	Offline	Reviews files to be uploaded to the website.	Finance Officer
22		Intranet	Upon supervisor review and clearance, uploads the files in the WHO website.	Finance Assistant
23	C	Offline	Before the end of the year, reviews status report and follows up MS for payments where risk of losing voting rights is ascertained.	Finance Officer Finance Assistant

### 3. KEY RISKS & COMPENSATING CONTROLS

Risks	Compensating Controls	Process Step
Erroneous calculations of the AC	Chief Finance review	5, 7
Wrong information uploaded in the AC website	Finance Officer review before uploading documents	10, 21
Error in the AC figures	Reconciliation between Status Report and GL	18, 19
Non-payment by a Member State that results to lose of voting rights	Follow up by Comptroller, Chief Finance, Finance Officer, Finance Assistant and WHA	23

## Annex 1 – Tax Equalization Fund (TEF)

Most Member States have granted WHO staff exemption from national income taxation on their salaries and emoluments. However, some Member States like the US and France tax the salaries and emoluments of their nationals. When staff members are required to pay taxes on their WHO earnings, they are reimbursed by WHO through the TEF regardless of the total amount of staff assessment deducted from their salaries.

All Member States are given TEF credits which are offset against their individual biennial AC. The TEF credits of those Member States that impose income taxes on the WHO earnings of their nationals are adjusted to cover the tax reimbursed to the staff.

The following are the steps involved in the calculation of the TEF credits to Member States:

1. Before the World Health Assembly of the second year of the biennium, PRP requests ACT to provide an estimate for the Tax Equalization Fund.
2. An excel table is prepared providing details of the countries that charge tax on their citizens. Refer to Tax Equalization Fund 2014-2015 table below for an example. Indicate the closing balances by country in the earlier biennium, add the assessments for the current biennium and deduct the payments made during the first year of the current biennium including estimated payments up to the end of the second year of the current biennium to arrive at the balance, end of current biennium.
3. The scale of assessments agreed by the WHA is used to calculate the reserve necessary for the following biennium.
4. Appropriations are derived from estimated payments to be made in the following biennium and estimated balances available at the end of the current biennium. The difference between the appropriations and the assessments are credits available to the country.
5. The appropriations are the actual provisions for the respective country and the assessments which determine the total reserve estimated for the following biennium
6. This information is shared with PRP and resolutions are prepared on this basis.
7. The entries to record the tax equalization are as follows:

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**Assessed Contributions**

MO	Fund	Strategy	BudCentre	Account Code	Spare	Debit	Credit
HQs	TEF Fund			Appropriations In			Appropriations amount
HQs	Regular Budget			Appropriations In		Appropriations amount	
101	1152	000000	00000	423001	0000		10,289,150.00
101	1111	000000	00000	423001	0000	10,289,150.00	

**TAX EQUALIZATION FUND 2014-2015**

Members	Closing balance 2008-2009	Assessments 2010-2011	Tax payments to staff 2010-11	Balance 2011	Net Assessment in 2012	Payments in 2012 to staff	Balance in 2012	Net Assessment in 2013	Estimated Payments in 2013 (1)	Estimated Balance in 2013	Gross Assessment in 2014-2015	Credits	Net assessments 2014 - 2015 (2)	Estimated Payments in 2014-2015 (3)	Estimated Balance in 2014-2015
	A	B	C	D = A + B - C	G	H	I = F + G - H	G	J	K = I - J	L	G-H	H	J	
France	(1,139,096)	1,780,650	(1,643,427)	(1,001,873)	2,481,970	(2,613,460)	(1,133,363)	2,481,970	(1,560,859)	(212,252)	6,712,200	3,066,060	3,646,140	(3,433,889)	(0)
USA	(6,079,429)	14,461,720	(15,486,051)	(7,103,760)	7,707,180	(11,920,131)	(11,316,711)	7,707,180	(12,000,000)	(15,609,531)	26,400,000	497,610	25,902,390	(22,000,000)	(11,707,141)
Portugal		32,030		32,030			32,030			32,030					32,030
All other	0	0	0	0	0	0	0	0			86,887,800				
<b>Total</b>	<b>(7,218,525)</b>	<b>16,274,400</b>	<b>(17,129,478)</b>	<b>(8,073,603)</b>	<b>10,189,150</b>	<b>(14,533,591)</b>	<b>(12,418,044)</b>	<b>10,189,150</b>	<b>(13,560,859)</b>	<b>(15,789,753)</b>	<b>120,000,000</b>	<b>3,563,670</b>	<b>29,548,530</b>	<b>(25,433,889)</b>	<b>(11,675,111)</b>

**Annex 2 – Examples showing order of application of receipts****The order of applying AC receipts, including receipts related to Rescheduled Assessments.**

An AC receipt is first applied towards prior period, then towards current period and finally towards rescheduled amount (per relevant WHA resolution). Following scenarios and examples show how to apply receipts towards Assessed Contribution (Regular Budget - RB) invoices.

**Example 1:**

In 2009 UZBEKISTAN makes a contribution of USD 35,000 - Receipt less than due amount.

Our records show that Uzbekistan has an outstanding balance of USD 40,446 with the following breakdown:

Amounts Due:	US\$
2008 Assessed Contribution for the financial period 2008 - 2009 Balance	3,286
2009 Assessed Contribution for the financial period 2008 - 2009	<u>37,160</u>
	<u><u>40,446</u></u>

The receipt of USD 35,000 will be applied first against the oldest invoice i.e. 2008 outstanding of USD 3,286. The remaining funds USD 31,714 will be applied against 2009 invoice of USD 37,160 leaving a current balance of USD 5,446.

**Example 2:**

In 2009 IRAQ makes a contribution of USD 853,158 - Receipt less than due amount (rescheduled).

For some Members States, there is an arrangement with WHO to reschedule their due assessed contributions for a later date. This arrangement is governed by a WHA resolution which allows these countries to repay their assessed contribution in equal instalments during a set repayment period e.g. IRAQ 2007 - 2020 resolution WHA58.9.

MEMBER	WHA	TOTAL	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
IRAQ	58.9	6,398,801	426,579	426,579	426,579	426,579	426,579	426,579	426,579	426,579	426,579	426,579	426,579	426,579	426,579	426,579	426,695

Amounts Due:	US\$
2008 Rescheduled Balance	5,972,222
Application of remittance in 2008 amounting to USD853,158:	
2008 instalment of the contribution for the financial period 2008 - 2009	(426,579)
2009 instalment of the contribution for the financial period 2008 - 2009	(426,579)
Balance Remaining	<u><u>5,119,064</u></u>

The order of applying receipts follows the same steps as in Example 2 i.e. the receipt of USD 853,158 is applied first towards the oldest rescheduled amount leaving a rescheduled balance USD 5,119,064.

**Example 3:**

In 2009 ALBANIA makes a contribution of USD 27,870 - Receipt equal to due amount.

Our records show that ALBANIA has no outstanding balance other than current year invoice for the assessed contribution for 2009 amounting to USD 27,870. This invoice matches exactly the current receipt and it is applied accordingly.

**Example 4:**

In 2009 BRUNEI DARUSALAM makes a contribution of USD 140,000 - Receipt greater than due amount.

Our records show that BRUNEI has no outstanding balance other than the invoice related to the assessed contribution for 2009 amounting to USD 120,750. After applying funds to clear the 2009 invoice we are left with USD 19,250 - this balance is applied as **On Account** i.e. as advance payment.