

**Summary of Q&A Sessions with Governing Council Representatives  
on the Proposed Programme and Budget 2022–2023  
and the Financial Report for the year ended 31 December 2020**

Date and Time	Attendance
Tuesday, 27 April 2021 15:00-16:00	<b>7 Participating States:</b> Brazil, Germany, Hungary, Italy, Japan, Switzerland, USA
Wednesday, 28 April 2021 08:30-09:30	<b>6 Participating States:</b> Australia, Hungary, Iran, Japan, Netherlands, Sweden

IARC (all sessions)

Dr Tamás Landesz, Director of Administration and Finance  
Ms Angkana Santhiprechachit, Administration and Finance Officer  
Ms Agnès Meneghel, Documents Assistant

**Purposes of the Q&A Sessions**

- The upcoming virtual Governing Council (GC) session will not allow time for detailed discussion. Q&A aims to provide the opportunity for GC to ask questions in a less formal setting.
- The proposed Programme and Budget 2022–2023 was revised following the feedback received during the Financing Dialogues with 22 Participating States in February. The Secretariat would like to ensure that the Participating States understand the changes from the initial proposed Programme and Budget, and have all information and details needed for approving the revised proposal.
- These Q&A sessions covered both the revised proposed Programme and Budget 2022–2023 and the Financial Report for the year ended 31 December 2020.

**Proposed Programme and Budget 2022–2023**

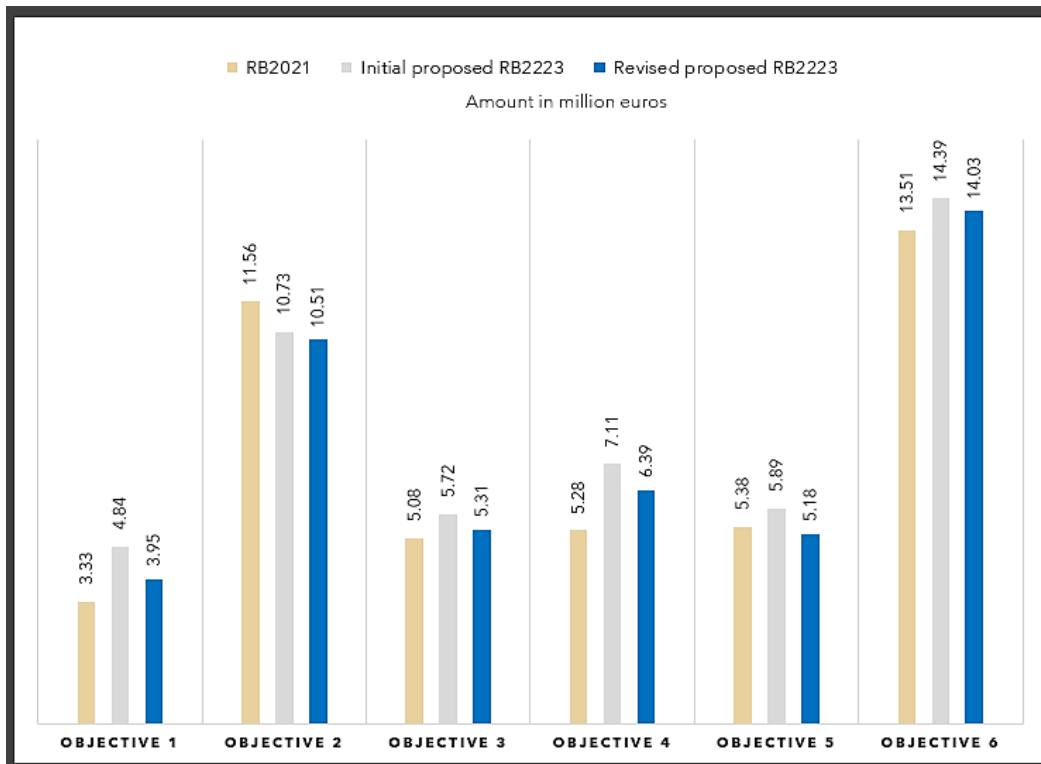
**Q: The initial proposed budget included additional staff positions. How many positions will be increased in the revised proposal?**

A: Initially the Secretariat proposed to increase 10 Regular Budget funded positions from the current biennium to strengthen the capacity that has been compromised following the flat budget approved for 2020–2021. In order to decrease the proposed budget by €3.3 million, 11 positions had to be removed from the initial proposal. In summary, the revised proposed budget 2022–2023 has one position less than the current biennium. When comparing with 2018–2019, the number of regular budget funded position decreases by 5 posts as shown in the below table.

Staff category	Approved budget 2018–2019	Approved budget 2020–2021	Initial proposed budget 2022–2023	Revised proposed budget 2022–2023
Professional (P)	73.00	71.00	79.00	68.00
General Service (GS)	85.20	83.20	85.20	85.20
<b>Total</b>	<b>158.20</b>	<b>154.20</b>	<b>164.20</b>	<b>153.20</b>

**Q: Will the proposed decrease in Objectives 2 and 5 potentially be increased later?**

A: The proposed budget, once approved by the GC, will be fixed for the biennium 2022–2023. Additional investment in these areas may be possible with funds from other sources such as voluntary contributions, contributions to Core Voluntary Contributions Account (CVCA)<sup>1</sup> and unbudgeted assessment from new Participating States.



- Objective 1 Describing the occurrence of cancer
- Objective 2 Understanding the causes of cancer
- Objective 3 Evaluating cancer prevention interventions
- Objective 4 Synthesizing and mobilizing knowledge and strengthening global capacities in cancer science
- Objective 5 Strengthening the Agency's leadership, governance, strategic engagement, and advocacy
- Objective 6 Strengthening the efficiency and effectiveness of the Agency's research and collaboration

**Q: What are the lessons learnt from COVID-19 pandemic that were factored in the budget proposal?**

A: Since the beginning of the pandemic, IARC has adapted its processes and invested in IT equipment to enable IARC personnel to continue working remotely.

Travel ban policy has been imposed and will continue at least until Q3-2021. Virtual meetings and courses have been adopted with investment on additional equipment to allow the Agency to advance its activities. Such investment was possible from the savings of travel costs. However, the effectiveness varied and some areas like field visits remain impossible without travels. During the next biennium, we foresee a hybrid approach for meeting/course organization as well as travels to catch up on some activities.

Additionally, a 5-year IT Roadmap (2021–2025) has been launched, comprising IT Governance, Digital Workplace, Cybersecurity, Scientific IT, and Information Systems. However, major IT related investments such as the replacement of IARC's Enterprise Resource Planning (ERP), joining WHO's ERP replacement project over the next 3 years, was not included in the proposed budget and its financing will need to be further identified.

<sup>1</sup> Core Voluntary Contributions Account (CVCA) was established in 2019 to allow Participating States to provide additional contribution to supplement regular budget to finance core activities of IARC (Resolution GC/61/R5, paragraph 9).

**Financial Report for the year ended 31 December 2020**

**Q: The Secretariat is struggling to receive Assessed Contributions from Participating States in a timely manner, with only 80% of the contributions collected in 2020.**

A: The collection rate of assessed contribution due in 2020 was similar to prior years, i.e. 84%, 82%, and 84% in 2019, 2018, and 2017, respectively. The slightly lower rate in 2020 was due to an out of pattern payment by one Participating State, i.e. instead of paying within the year, it was paid at the beginning of the following year.

Additional payments were received earlier this year and as of 6 May 2021, 88.36% of assessed contributions due in 2020 were paid.

**Q: How was the External Auditor selected?**

A: IARC is part of WHO and follows WHO's guideline on audit. The External Auditor is appointed by the World Health Assembly. The Comptroller and Auditor General of India was appointed in 2019 as per WHA Resolution WHA72.11 copied below. IARC had no role in the selection process.

Each year the External Auditor is invited to present its report to the Governing Council. However, the previous audit team from the Philippines was unable to attend any of the Governing Council sessions due to the conflicting schedule with the WHO's Governing Body meetings. A similar invitation was sent to the new audit team and the Secretariat has not yet received a response.

<p><b>WHA72.11      Appointment of the External Auditor</b></p> <p>The Seventy-second World Health Assembly,</p> <p>Having considered the report by the Director-General on the appointment of the External Auditor,<sup>1</sup></p> <p>1. RESOLVES that the Comptroller and Auditor General of India shall be appointed External Auditor of the accounts of the World Health Organization for the four-year period from 2020 to 2023 and that he/she shall audit in accordance with the principles incorporated in Regulation XIV of the Financial Regulations and the Appendix to the Financial Regulations, and that, should the necessity arise, he/she may designate a representative to act in his/her absence;</p> <p>2. EXPRESSES its thanks to the Commission on Audit of the Republic of the Philippines for the work it has performed for the Organization in auditing the accounts for the eight-year period from 2012 to 2019.</p> <p>(Seventh plenary meeting, 28 May 2019 – Committee B, second report)</p>
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**Q: What is the Service Cost that contributed to the increase of ASHI liabilities?**

A: ASHI liability is accrued gradually from hire date to retirement eligibility. The liability is projected to the future and discounted back to the present value. The Service Cost of a given year refers to the value of benefits that active staff members earned during the year. The Service Cost primarily increased due to the same factors that drove the actuarial loss such as increase of inflation rate, decrease of discount rate, etc.

### Financial Sustainability of the Agency

**Q: The COVID-19 pandemic has had, and continues to have, devastating financial effects globally, including economically something that can affect Participating States' ability to pay their Assessed Contributions or motivate potential withdrawals.**

**In addition, the After Service Health Insurance (ASHI) is a significant liability for which the funding gap is growing exponentially. Furthermore, in the last six years, IARC has been running deficits most of the years, something that is not financially healthy and sound particularly if we want to attract new Participating States.**

**As a result, we would like to reemphasize the need to establish clear priorities that can bring back the Organization into a healthy financial track.**

**We also would like to know what is the buffer the Secretariat has considered in the proposed budget to ensure that the Agency does not continue to operate with deficits and to mitigate the potential impacts of all the risks we just highlighted.**

A: The Secretariat prepared the proposal with projected costs as realistic as possible and there is no buffer in the proposed budget 2022–2023 in order to minimize the burden to Participating States.

The Agency priorities are aligned with the proposed new Medium-Term Strategy 2021–2025 and was endorsed by the Scientific Council, including the areas for scaling down as a result of the request of Participating States to decrease the proposed budget.

The deficits shown on the financial statement (Statement II – Statement of Financial Performance) during the past few years can be explained. They are largely due to the unfunded ASHI liabilities; those deficits do not reflect the *performance* of the Agency's financial management.

- Staff costs shown on Statement II included also the portion of cost related to unfunded ASHI liabilities (€11.58 million in 2020). When excluding this the Agency would have had a surplus as at 31 December 2020.
- The deficit could also result from the timing difference between revenue recognition and actual expenditure. For example, revenue is recognized in Year 1 while expenditure may be incurred in Year 1 and Year 2. This will result to a surplus in Year 1 and a deficit in Year 2.
- For the normal operations, the Agency does not spend more than what we have and has never had any overdrawn on our bank account. Cash balance of the Agency remains intact at a similar level as in the prior year with the balance of €34.68 million.

One solution to bring back a surplus on our financial statement is to fill the unfunded ASHI gap now. No donor nor Participating States has been willing to provide voluntary contributions for this purpose. The Agency also does not have any revenue earning activities to be able to inject new fund to fill the gap. But more importantly, we believe that it is not necessary to fully fund this long-term liability immediately.

The Secretariat does have a major concern on the financial health of the Agency, not because of the deficits on the face of the Financial Statement but rather the effect of the zero nominal growth policy on IARC's budget and arrears in Assessed Contributions.

Participating States could help the Agency manage the financial risk through on-time payment of Assessed Contributions. Though the Agency has a mechanism in place to manage the delay in payment through the use of the Working Capital Fund, the current fund balance is sufficient to cover arrears of approximately only two additional Participating States.

### Financing the Nouveau Centre

**Q: When does the Secretariat need to use the €1 million to be borrowed from the Governing Council Special Fund (GCSF)?**

A: The borrowing from GCSF is a contingency in case of delay in raising funds from the various resource mobilization activities. The Procurement Plan has been prepared and procurement activities have already started. Some payments will be made this year and the Agency will use other available funds first before referring to the GCSF.

If the resource mobilization efforts would not yield enough funds by September this year, it is anticipated that the GCSF will be needed mostly during the first half of next year.

**Q: How can the Participating States help?**

A: Participating States can help by providing direct contributions to the Nouveau Centre project and/or by connecting us with potential donors for in cash or in kind contributions. To this end, the Secretariat would like to thank Norway for providing NOK 1.5 million to the project. We also thank Japan for identifying contacts at three companies for potential in kind contributions and will further explore these opportunities with us.

Kindly contact Mr Clement Chauvet ([ChauvetC@iarc.fr](mailto:ChauvetC@iarc.fr)) for communication materials and information that could help facilitating this joint effort.