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World Health Organization

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IARC, Lyon

Thursday, 18 May 2017, at 14:10

Chairperson: Dr Mark Palmer (United Kingdom of Great Britain and Northern Ireland)

Secretary: Dr Christopher P. Wild, Director, IARC

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Participating State Representatives

Dr Mark PALMER, ***Chairperson***	United Kingdom of Great Britain and Northern Ireland
Dr Adam BABBS	
Professor Mads MELBYE, ***Vice-Chairperson***	Denmark
Mr Keith COMISKEY, ***Rapporteur***	Ireland
Professor Brendan MURPHY	Australia
Dr Britta KUNERT	Austria
Mr Lieven DE RAEDT	Belgium
No representative	Brazil
Dr Stephen M. ROBBINS	Canada
Ms Lucero HERNANDEZ	
Dr Jaakko YRJÖ-KOSKINEN	Finland
Dr Janne PITKÄNIEMI	
Professor Norbert IFRAH	France
Ms Jocelyne BERILLE	
Mr Thomas IFLAND *(unable to attend)*	Germany
Mr Rajeev KUMAR	India
Professor Walter RICCIARDI	Italy
Mr Hiroyuki YAMAYA	Japan
Dr Hitoshi NAKAGAMA	
Dr Seiichiro YAMAMOTO	
Dr Rachid BEKKALI *(unable to attend)*	Morocco
Dr Latifa BELAKHEL	
Mr Henk E. SOORSMA	Netherlands
Mr Jack HUTTEN	
Dr Edgar RIVEDAL	Norway
Dr Al-Hareth M. AL-KHATER	Qatar
Dr Minkyu KANG	Republic of Korea
Dr Sungwoo LEE	
Dr Hyungkook YANG	
Dr Jeong Soo IM	
Dr Zoya SEREDA	Russian Federation
Dr Rafael DE ANDRÉS MEDINA	Spain
Professor Jan-Ingvar JÖNSSON *(unable to attend)*	Sweden
Dr Diane STEBER-BÜCHLI *(unable to attend)*	Switzerland
Dr Ezgi HACIKAMILOGLU	Turkey
Dr Peter MAMACOS	United States of America
Dr Therese TRACY	

World Health Organization

Dr Oleg CHESTNOV, Assistant Director-General, Noncommunicable Diseases and Mental Health

Ms Sigrid KRANAWETTER, Principal Legal Officer, Office of the WHO Legal Counsel

Dr Andreas ULLRICH, Advisor to ADG/NMH, Liaison WHO-IARC

Observers

Professor Béatrice FERVERS, Chairperson, IARC Ethics Committee

Dr Sonali JOHNSON, Senior Advocacy Manager, Union for International Cancer Control (UICC)

Professor Ellen KAMPMAN, Outgoing Chairperson, Scientific Council

Professor Giske URSIN, Incoming Chairperson, Scientific Council

External Audit

Mr Lito Q. MARTIN, Commission on Audit, Philippines (*unable to attend*)

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Dr I. SOERJOMATARAM
Dr K. STRAIF
Dr M. TOMMASINO
Dr J. ZAVADIL

1. REPORT OF THE FIFTY-THIRD SESSION OF THE SCIENTIFIC COUNCIL: Item 6 of the Agenda (Document GC/59/3) (continued)

DIRECTOR'S RESPONSE TO RECOMMENDATIONS FROM THE FIFTY-THIRD SESSION OF THE SCIENTIFIC COUNCIL: Item 7 of the Agenda (Document GC/59/4) (continued)

In response to a question from Dr YRJÖ-KOSKINEN (Finland), Professor KAMPMAN (Outgoing Chairperson, Scientific Council) said that the Scientific Council considered the investment in the resource-intensive equipment required for biobanking and next-generation sequencing to be necessary in order to create and maintain capacity and expertise in-house.

The SECRETARY said that, where possible, the Agency did not duplicate technology and expertise which were already available in Lyon, such as large-scale sequencing.

Dr ROBBINS (Canada) suggested that the Agency's bioinformatics facilities might be used in future to develop artificial intelligence, for instance in the area of prevention. The Monograph process could be improved by ensuring greater communication at a high level between the Agency and WHO, the involvement of regulatory agencies, for instance through real-time interactive webinars, greater consideration of the likely impact of Monograph findings in the real world and a greater awareness of similar work being done by other research groups worldwide.

Professor MURPHY (Australia) commended the Scientific Council on its work and supported the report.

Dr MAMACOS (United States of America) said that the Agency should give Participating States more warning of Monograph meetings and potentially controversial findings. He supported the Open Access policy, the indicators for evaluation of the Medium-Term Strategy and commends the high rankings received by the Sections in their reviews.

The SECRETARY said that the Agency collaborated closely with the WHO Department of Communications. He planned to employ a multimedia communication specialist in addition to the recently appointed Press Officer.

Participating States and all other WHO Member States were informed of forthcoming evaluations one year in advance via the Monographs mailing list. Ten days before the working group meeting, a briefing note was sent to Governing and Scientific Council members and regulatory agencies describing the substance to be evaluated, routes of exposure and previous risk assessments. As soon as the evaluation results were available, they were communicated to *The Lancet Oncology*, with a 24-hour embargo on publication.

Mr YAMAYA (Japan) noted that the issue reflected a fundamental misunderstanding among the public and policy-makers: research should inform and influence policy-making, but must not be dictated by it. Policy-making depended not only on purely scientific findings, but also on scientists' interpretation of the public health implications of those findings. He supported the Director's efforts to ensure better collaboration with WHO Headquarters and other stakeholders in improving communication with the public.

Mr DE RAEDT (Belgium) supported the creation of a joint IARC/WHO advisory group on communications. The Agency conducted the research and presented its findings to WHO: it was up to WHO to decide on the use it wished to make of the information. The Monographs programme was a core activity of the Agency, and should accordingly be financed primarily from the regular budget.

The Governing Council should act in some way to indicate that the pressure exerted on working group members, such as lawsuits launched against individual experts, was not acceptable. He asked whether the participation of industry representatives from companies like the agrochemical giant Monsanto was fully compliant with the WHO Framework of Engagement with Non-State Actors (FENSA), adopted in 2016.

The SECRETARY said that the Agency's expertise was not limited exclusively to pure research: it had a great deal of experience in the assessment of the public health implications of its findings and was willing to contribute its expertise to the policy recommendations which WHO prepared for Member States. The proposed IARC/WHO advisory group would consider, for instance, the limits to be placed on the interpretation of the scientific evidence from a Monograph evaluation or the advice to be issued to Member States. Further action on communications policy would depend on the outcome of the current Governing Council session and any decisions taken by WHO and its Member States. The Agency's publications priorities included not only the Monographs but also other major publications series such as the Handbooks of Cancer Prevention. Both were partially funded from extrabudgetary sources, since the resources available for the regular budget were very limited.

A representative of Monsanto had attended the glyphosate Monograph meeting in 2015 in the interests of transparency. Such observers were not entitled to vote or to participate in the drafting of recommendations. The Monographs were not, strictly speaking, health standards and thus were not subject to FENSA.

Ms KRANAWETTER (Principal Legal Officer, Office of the WHO Legal Counsel), confirmed that Monograph meetings were not normative meetings or governing body meetings and were therefore not subject to FENSA. She clarified further that no working group members had personally been the subject of a lawsuit: they had been called as expert witnesses to explain Monograph findings or asked to disclose documents, including some which were, in fact, the intellectual property of the Agency and/or WHO.

Dr BABBS (United Kingdom of Great Britain and Northern Ireland) welcomed the proposed expansion of bioinformatics capacity, and called for an annual report on the bioinformatics strategy to be submitted to the Governing Council.

He expressed concern that Open Access had been provided for approximately 38% of Agency publications only, and that only half the budget agreed by the Governing Council had been utilized. The Secretariat should consider further ways of improving Open Access, such as preprints, access after a specified embargo period or publication in open-access journals or in the PubMed Central Open Access Subset, managed by the United States National Library of Medicine. Although he was aware that the WHO/IARC Classification of Tumours series ("Blue Books") provided a valuable source of income for the Agency, those publications were beyond the means of many LMICs: he asked for details of sales to those countries and for any ideas for making the Blue Books more affordable for them.

Professor IFRAH (France) noted that, in the first instance, the Agency's research was presented to scientists and funding agencies and that it might, therefore, need to be "translated" into layman's language if the public and non-specialist government agencies were to understand it properly.

The SECRETARY said that he will seek the advice of the Scientific Council on bioinformatics on a regular basis.

It had taken longer than expected to raise awareness of the Open Access Fund. Requests for open access publications were now increasing. Full "gold" open access was very expensive, at approximately US$ 3000 per publication, and was thus not a realistic option for all IARC publications.

The Agency relied on the income from the Blue Books series, and most sales were made to institutions in developed countries, but he was looking at further ways of making the books affordable for developing countries, including electronic publication or the supply of free copies. The Agency was also a member of the WHO Hinari Access to Research for Health programme, which gave LMICs access to a major collection of biomedical and health literature.

Ms LEE (Knowledge Manager, Communications Group) clarified the difference between "gold" Open Access and "green" access, where publications are made available after an embargo period of 6–12 months.

Professor KAMPMAN (Outgoing Chairperson, Scientific Council) expressed her conviction that take-up of the open access programme, which was a very valuable asset for LMICs, would soon increase.

Professor URSIN (Incoming Chairperson, Scientific Council) welcomed the Director's reiteration of his commitment to the independence of the Monographs programme.

The CHAIRPERSON, summing up, said that the Director was ultimately responsible for the choice of substances for evaluation by the Monographs programme, and would enjoy the full support of the Governing Council in his discussions with WHO about public communications related to Monograph findings. He suggested that consideration of the draft resolution associated with the agenda item should be postponed until the following meeting, to allow for the inclusion of further wording reflecting the Governing Council's discussion.

It was so agreed.

2. FINANCIAL REPORT, REPORT OF THE EXTERNAL AUDITOR AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016: Item 8 of the Agenda (Document GC/59/5 and Corrigendum)

Ms SANTHIPRECHACHIT (Administration and Finance Officer), illustrating her remarks with slides, said that IARC Financial Statements and accompanying Notes were prepared in full compliance with the International Public Sector Accounting Standards (IPSAS) and that the annual Financial Report was presented in accordance with Article VI, Paragraph 6.1 of the IARC Financial Regulations.

Dr LANDESZ (Director of Administration and Finance) said that the External Auditor had confirmed an unqualified opinion, indicating that there had been a clean audit and that the financial statements were fully compliant with IPSAS. The report of the External Auditor had also reviewed accounting and management practices and had made six recommendations for improvement, including on work planning in the administration support section and on the performance management system, on which work was progressing. The External Auditor had also complimented the Agency on having successfully closed the 13 pending audit recommendations within the past year: it had been a major accomplishment that reflected a commitment to effective and efficient management.

Ms SANTHIPRECHACHIT (Administration and Finance Officer), highlighting the financial health of the Agency according to the different types of funding, recalled that the regular budget, which was the main source of operational funding, had been approved by the Governing Council for 2016 in the sum of €21.36 million, €250 000 of which had been funded from the Governing Council Special Fund. The collection rate from Participating States stood at 91% at the end of 2016 and had increased to 96% at the beginning of 2017. Over half of Participating States had made a contribution for the year 2017. The budget utilization rate for 2016 was almost 95% and a small balance had been carried over into 2017. The Agency had been authorized to use up to €500 000 from the Governing Council Special Fund in the biennium to cover any exchange rate loss and a loss of €126 000, incurred in 2016, had been charged to the Fund.

The Working Capital Fund had been established to temporarily finance any arrears in assessed contributions; at the end of 2016, €338 000 had been returned to the account and an allowance of €854 000 made for arrears, leaving a balance of €1.2 million. A further request to the Governing Council for borrowing to replenish the account might be made in the future.

The Governing Council Special Fund had a balance of €12 million as at December 2016; it had been replenished with repayments made by the Russian Federation, a source of funding that was no longer available since the repayments were now complete. The Fund also relied on payments from new Participating States. Revenue was also received from the sale of publications, including accelerated publishing of the Blue Books, which had helped to double publications revenue to €1.6 million in 2016. The Agency was working hard to ensure a stable flow of income from publications. It should be noted that half of the €12 million balance in the Fund had been committed through various Governing Council resolutions. Projections for the Fund to 2019 had been provided in Document GC/59/Inf.Doc. No.2.

The Voluntary Contributions Account contained designated and undesignated contributions, including individual donations from private individuals. A good flow of revenue had been achieved from grants and donors in 2016, leading to a balance of some €11.6 million. The Special Account for Programme Support Costs contained the overheads charged on voluntary designated contributions; according to WHO Financial Regulations and Rules, IARC was allowed to charge 13% of indirect costs which could then be reinvested in the Agency.

The Participating States "Others" account comprised the net value of property, plant and equipment inventories and presented the unfunded liabilities relating to employee benefits, which were stated in accordance with IPSAS39. The total of unfunded liabilities stood at €47.5 million at December 2016, largely as a result of the unfunded portion of the After-Service Health Insurance (ASHI). The liabilities were calculated in United States dollars and had increased further in 2016 due to the devaluation of the euro (an unrealized exchange rate loss), the implementation of IPSAS39 and cost increases. IARC had been working closely with WHO on how to address the gap which had grown from €34.4 million in 2015 (before restated). To progressively close the gap, staff health insurance contributions would continue to grow by 4% annually and three scenarios were being considered by WHO with high (current), moderate and low contribution increases. Other considerations were regular review of assumptions and measures to decrease costs.

The SECRETARY said that the Agency had received a letter from the Ministry of Health of Brazil in which it had committed to pay pending contributions as soon as possible. As the only Latin American member of IARC, Brazil intended to continue promoting and supporting the development of joint research projects and to contribute technically and financially to IARC as a Participating State.

Dr TRACY (United States of America) congratulated the financial unit for having closed so many External Auditor recommendations, which was rare among United Nations system organizations. The Agency was to be complimented for its efficiency, transparency and accountability. She wished to know how many of staff at IARC were eligible for ASHI and how an increase in staff numbers affected the liabilities. She asked what steps were being taken to mitigate the foreign exchange rate loss. She asked whether any figures were available with respect to the predictability of the budget over the previous three biennia. With respect to programme support costs, how many donors were paying the standard 13% recovery rate on voluntary contributions?

Ms SANTHIPRECHACHIT (Administration and Finance Officer) said that it was exceptional that the Agency received below the 13% cost recovery rate and over 90% of donors had agreed to it. The predictability of funding was generally very high: timing was very important, especially for multiyear grants since the income might have been recognized in a prior year while expenditure occurred in subsequent years. The main problem that had caused the deficit had been the unrealized exchange rate loss due to the revaluation of the ASHI liability. The amount of exchange rate loss also fluctuated depending on the timing of revenue of cash received from grants and the timing of recognition in the accounts.

Dr LANDESZ (Director of Administration and Finance) said that the risk of the exchange rate loss was controlled because the majority of the Agency's expenses were in euros and its budget was also expressed in euros. Some grants were provided in other currencies, but there the risk was usually transferred to third parties. There was very little liability apart from the future virtual liability of the ASHI, which would only be realized if IARC were to close. There was therefore no need to look at hedging or any other mechanism to control the risk, at this point.

Ms SANTHIPRECHACHIT (Administration and Finance Officer) said that, in 2016, the number of eligible staff on ASHI was 239, which represented a 10% increase on the prior year.

Dr TRACY (United States of America) asked whether the figure of 239 represented 40% or 50% of total staff. She wished to gain an understanding of the liabilities involved and whether short-term hiring of staff through voluntary contributions could lead to long-term liabilities with respect to ASHI.

Ms SANTHIPRECHACHIT (Administration and Finance Officer) said that 100% of current staff were covered by ASHI.

Dr LANDESZ (Director of Administration and Finance) said that IARC had 239 staff and the contribution towards ASHI starts from the first day of joining.

Mr COMISKEY (Ireland) asked why the liabilities of the ASHI could not be calculated in euros, thus avoiding exchange rate liabilities. He wished to know whether there was a predicted time frame when future liabilities might arise.

Dr LANDESZ (Director of Administration and Finance) said that the Agency could not avoid the liability of the exchange rate since it was part of the WHO health insurance scheme, which was calculated in United States dollars. As a smaller organization, IARC also benefited from being part of a larger scheme and it participated in the Global Oversight Committee where it could make recommendations. The exchange rate loss was virtual and it would disappear in the future.

Ms HERNANDEZ (Canada) congratulated IARC for receiving an unqualified opinion from the External Auditor, which showed that the Agency was performing its work with quality and excellence in terms of its financial management. The budget implementation rate for the biennium was high and that indicated the Agency's capacity to implement the budget. She congratulated the Agency for its success in resource mobilization, especially in such challenging times. Nevertheless, she was concerned by the deficits over the previous three years and by the ASHI liability; she noted the measures the Agency was taking but was not convinced that they would be sufficient to bridge the funding gap. She wished to know which of the measures outlined would be implemented in future, what the timing would be, and whether any additional measures were envisaged. She further questioned whether programme activities should be adjusted in order to manage the deficit, which was increasing on an annual basis.

Dr LANDESZ (Director of Administration and Finance) said that 30% of the Agency's liabilities with respect to ASHI were already covered and it was moving in the right direction to cover 100%. The deficit has increased temporarily, as a result of the IPSAS measure. A 4% increase in contributions per year was put in place until 2020, and if it was decided to continue with that contribution, then 100% coverage would be reached by 2037. In the moderate and low increase scenarios, the liability would be paid off in approximately 2038 or 2050, respectively. For context, the United Nations General Assembly had recently decided that it would operate on a "pay-as-you-go" basis and not cover its ASHI liability at all.

Ms SANTHIPRECHACHIT (Administration and Finance Officer) said that the gap was closing with each year that the 4% increase was in place.

Dr LANDESZ (Director of Administration and Finance) said that the high contribution model was being followed until 2020 and the Global Oversight Committee would decide whether that would change.

Ms HERNANDEZ (Canada) said that it was her preference that a conservative approach should be continued in order to repay the liability as soon as possible.

Dr LANDESZ (Director of Administration and Finance), responding to a question from Mr KUMAR (India), said that that the remaining recommendations from the External Auditor would be closed within the next few months.

The RAPPORTEUR read out the following draft resolution, entitled “Financial Report, Report of the External Auditor and Financial Statements for the year ended 31 December 2016” (GC/59/R3):

> The Governing Council,
>
> Having examined Document GC/59/5 “Financial Report, Report of the External Auditor and Financial Statements for the year ended 31 December 2016” and its Corrigendum (GC/59/5 Corr.1),
>
> 1. THANKS the External Auditor for his Report and opinion; and
>
> 2. APPROVES the report of the Director on the financial operations of the Agency.

The resolution was **adopted**.

3. PROPOSED PROGRAMME AND BUDGET (2018–2019) (Document GC/59/6)

Dr LANDESZ (Director of Administration and Finance), presenting a summary of the composition of the budget, said that there were four main sources of programme funding: assessed contributions from Participating States, the formula for which had not been changed since its adoption by the Governing Council in 1976; the Governing Council Special Fund, which comprised interest income, revenue from sales of publications, unbudgeted income from new Participating States and miscellaneous income; programme support costs, which were calculated at a standard rate of 13%; and voluntary contributions. The regular budget was financed through assessed contributions although it had been complemented by income from the Governing Council Special Fund over the previous three biennia. Extrabudgetary resources comprised the Governing Council Special Fund, programme support costs and voluntary contributions.

The preparation process for the proposed programme and budget (2018–2019) had taken place in 2016 with a thorough review of the initial proposals of each Group and Section with the Director. Final proposals had been discussed with the Senior Leadership Team before being presented to, and endorsed by, the Scientific Council. In addition, for the first time, the Agency had conducted a financing dialogue in a series of teleconferences in order to assist communication with Participating States.

The main considerations in developing the programme were that it must be in line with the IARC Medium-Term Strategy (2016–2020) and that the vision must be translated into concrete programmes and evaluated over the corresponding four-year period. The Agency had sought practical ways in which to reorganize and reprioritize following several biennia in which there had been no real growth in the budget: the Section of Cancer Surveillance and IARC publications had been reorganized; the Section of Molecular Pathology would cease to exist with the retirement of the Section Head, and core funding was removed from the Gambia Hepatitis Intervention Study as it neared completion. If IARC were to implement meaningful scientific programmes it would be important to maintain staffing at current levels, bearing in mind that statutory staff costs were increasing.

With respect to funding, contributions from Morocco would become part of assessed contributions from 2018. Changes in the WHO scale of assessments meant that one country would pay a higher contribution and two countries would pay less. It was the intention of the Agency to become less reliant on using the Governing Council Special Fund to supplement the regular budget. The practice was unsustainable and must be discontinued. Brazil was committed to paying its arrears in assessed contributions but the sums would have to be covered until that could take place.

The project tree had been used to structure the projects; it contained four levels, the most important of which was level 2 which contained the six main objectives of the Agency. The objectives and the corresponding projects were set out in the tables on pages 37 and 38 of document GC/59/6. The total proposed regular budget 2018–2019 was €45 073 300, which represented an increase of 3.82% over the approved budget for 2016–2017 in order to cover statutory staff cost increases. The budget was spread over the six objectives, with a decrease in administration costs (objective 6) compared with the previous two biennia.

Ms SANTHIPRECHACHIT (Administration and Finance Officer), noting that the non-staff budget was some €2 million lower than it had been in the 2010–2011 biennium, said that there was a need to protect it at a minimum level in order to maintain programmatic activities. Excluding the rise in statutory costs, the number of staff funded from the regular budget had barely changed over the previous ten-year period. A total of 24.8 of staff posts had been funded from alternative sources: programme support costs; sale of publications; and unbudgeted assessments from new Participating States. The regular budget had been increased over the previous decade due to the addition of new Participating States with some support from the Governing Council Special Fund; however it would be unsustainable to continue to rely on the Governing Council Special Fund due to the projected decline in income.

It was proposed that the budget and financing of the forthcoming biennium would increase by €1 659 701 which would be funded in part by the contributions of Morocco, a new Participating State, and in part by an increase of just under €0.9 million from the other 24 Participating States (representing an increase of 2.09%). The proposed increase would be used to cover the absence of Governing Council Special Fund, the increase in statutory staff costs, the costs of restructuring, which had been carried over from the previous biennium, and staff health insurance costs.

The revision of the WHO scale of assessments would result in three Participating States moving groups, with Finland and Italy paying less and the Republic of Korea paying more. The amount of extrabudgetary resources available to fund the Agency's scientific priorities had virtually doubled from €8 236 686 in 2016–2017 to €16 391 044. The details of the funding allocated to the priorities were set out in the budget document (GC/59/6). The proposed seven scientific projects requiring additional voluntary contributions, which had been endorsed by the Scientific Council, would be presented to Governing Council members in an informal briefing on the following day.

The Governing Council was requested to support the proposed programme and budget (2018–2019), the possibility to use €500 000 from the Governing Council Special Fund to cover any exchange rate fluctuations and the provision for transferring budget between sections. She stood ready to answer any questions.

Mr KUMAR (India) said that the budget for cancer prevention, control and research appeared to be lower than for other segments; he asked whether it could be increased. He sought further information on the change in groupings as a result of the revision of the WHO scale of assessed contributions and on the amount set aside for currency fluctuations.

Dr YRJÖ-KOSKINEN (Finland) said that there appeared to have been a marked increase in the number of staff employed since 2014 and he sought clarification on the numbers.

Professor MURPHY (Australia) congratulated the team on the proposed budget and indicated his acceptance of the assessed contributions. He was nevertheless concerned by the heavy burden placed on the Agency as a result of the WHO salary scale with the average salary costing over €100 000. He questioned whether the statutory increases in salary costs and the generous health insurance scheme were sustainable when compared with those of other first-world research institutes.

The SECRETARY, responding to questions, said that projects were assigned to different scientific areas and some of the budget splits between the first four objectives were somewhat artificial. The fact that there was still a huge amount to do on understanding the causes of cancer before moving to preventive interventions was also reflected in the budget. In addition, laboratory science, which was relatively more expensive, was clustered within section 2, even though the applications were in other parts of the programme. The €500 000 provision for exchange rate fluctuation had been in place in previous biennia but there had been little need to use it since there had been almost no fluctuation since the Agency had moved its budget into euros and 80–90% of the Agency's budget was in euros.

The Agency employed a total of 240 staff, 160 of whom were on the regular budget with the remainder being paid from extrabudgetary funds. In addition, there were approximately 100 Early-Career Scientists, postdoctoral students and visiting scientists. The growth in staff numbers had been funded from extrabudgetary funds.

Ms SANTHIPRECHACHIT (Administration and Finance Officer) explained that IARC used the WHO salary scale, which was also used in the rest of the United Nations system. The salary scale had multiple components, only one of which was the take-home pay of staff; other components included staff health insurance, pension contributions of 7.9% for staff and 15.8% for the Organization and short-term and long-term employee benefits. The rate of reserve for employee benefits (TQ) had been decreased by the Director from 10% to 9% to help with pressure of cost increases. The take-home pay of staff accounted for about 67% of staff costs. The revised compensation package approved by the Executive Board of WHO in resolution EB140.R8 would mean that staff in the professional category would receive a step increase every two years instead of every year. The benefit to the Agency of the revision to compensation would become apparent in the longer term.

Mr YAMAYA (Japan) said that he highly appreciated the efforts made by the secretariat to obtain extrabudgetary resources and, in particular, the success of IARC scientists in achieving competitive research funding. Nevertheless, he shared the concerns of the representative of Australia with respect to staffing costs, which had increased by some 40% over the previous 20 years: in that context he was concerned about the budgetary sustainability of IARC. What was required at the present time was not a budget increase but an improvement in the budget structure and more efficiency, including ending any duplication of work and collaborating with relevant stakeholders, including WHO Headquarters. Governments could not convince taxpayers to increase contributions when efficiencies could still be made. Even with zero nominal growth, Japan was still faced with an increase of 3.7% as a result of the contribution formula. Taxpayers would wish to know the reason for the proposed budget increase compared with 2016. Japan was not in a position to agree to an increase in the regular budget: if the Agency faced additional costs they should be met through extrabudgetary resources.

Dr KANG (Republic of Korea) said that the almost €300 000 in additional contributions expected of the Republic of Korea would need to be discussed with the Ministry of Finance and approved by the National Assembly; he would communicate the outcome of that process as soon as possible.

Mr DE RAEDT (Belgium), referring to the priority projects which it was proposed to adopt for the first time within the programme budget, said that he felt there was some risk in adopting that path as it might lead to the position of WHO in recent decades, when it had started to accept voluntary contributions when the regular budget had not fulfilled the ambitions of Member States. With respect to the Monographs programme, it was strange that a key programme that was part of the mission of IARC was to be categorized as a priority project, thereby forcing Participating States to step in to fund it through voluntary contributions. With respect to the resolution on cancer currently being negotiated at WHO, there was a risk that the increasing number of elements being added to it would place excessive demands on IARC, whereas it was for Governing Council members to agree on IARC's role and responsibilities.

The SECRETARY said that it was the role of the Governing Council to set the IARC Medium-Term Strategy and for the Director to deliver the programme that had been set; peer reviews assessed progress made in individual Sections and the Scientific Council reported each year on different aspects of the programme. It was the Director's responsibility to deliver the Medium-Term

Strategy using both assessed contributions and extrabudgetary resources. There were differences between statutory increases and programmatic increases. There had been a shift in the budget structure away from support staff and towards scientists since it was them who generated extrabudgetary funds; the approach had thus far been successful. The question on the Monographs was a good example of how to balance the regular and extrabudgetary funds: the Monographs programme was a core programme that had received funding of approximately 50% for more than 30 years from the United States National Cancer Institute through five-year funding cycles. Presently, they were half-way through a five-year funding cycle and therefore he could be relatively confident that funding was assured for the Monographs in the short term: it was therefore logical to consider allocating the regular budget to other areas of the Strategy on which the Governing Council had asked the Agency to focus.

There was no possibility to make invisible savings across the Agency and the only way to achieve them would be to make programmatic cuts: in the current biennium, savings had been made by abolishing one of the scientific laboratory sections, on molecular pathology, and by discontinuing the field station in the Gambia. As many as possible of IARC’s essential activities had been shifted onto shared budgeting from assessed contributions and extrabudgetary sources, taking into account which areas were more likely to achieve extrabudgetary funds. With respect to the comparison with WHO, most of IARC’s extrabudgetary funds were achieved through hard-won competitive funding from research councils or charities whereas the majority of WHO’s extrabudgetary funds were in the form of voluntary contributions from Member States. The proposed additional seven projects had been submitted with a view to determining whether Participating States would like to fund them: they were scalable projects and some of them would not go ahead without support. With respect to the additional demands of the draft WHO resolution on cancer, it was the Agency’s understanding that it would be asked to bring the scientific evidence base into the global status report although the Agency would monitor the situation carefully to make sure that it was not burdened with additional tasks for which it did not have available resources.

Dr TRACY (United States of America) said that, while she welcomed the draft budget and the work accomplished to produce it, like the representative of Japan, her delegation could not support the proposed increase in assessed contributions. She supported no growth in the assessed contributions of Participating States because additional funds could be derived from revenue growth from new Participating States and from extrabudgetary sources. She did not understand the predicted shortfall of €13.72 million in the budget and shared the concerns of the representatives of Japan and Australia with respect to staff costs. The budget as presented appeared to be more aspirational than realistic since even the proposed €2.09 million increase in assessed contributions would not meet the projected shortfall. She would not block a budget proposal that was in line with the 2016–2017 budget and she would prefer consideration of other sources of funding, including a more strategic approach to increasing voluntary contributions. IARC had a standard cost recovery rate of 13% although some projects would cost more. In the past few years, a number of organizations within the United Nations system had reviewed and increased cost recovery so that they did not subsidize the shortfall through assessed contributions.

Dr BABBS (United Kingdom of Great Britain and Northern Ireland) congratulated the Director on his management of the IARC budget and recognized the considerable effort required to maintain the quality outputs of the Agency and deliver against the Medium-Term Strategy under the constraints of a real-term shrinking research budget. In real terms, the proposed budget was smaller than that of 10 years previously and therefore the United Kingdom supported the proposed increase. He congratulated the Director on the level of extrabudgetary funding that the Agency had been awarded in a climate of reducing opportunities. He asked whether, if new Participating States were approved before the next session of the Governing Council, their contributions would be added to the Governing Council Special Fund in the 2018–2019 budget cycle.

Professor MELBYE (Denmark) said that he shared the concerns expressed by previous speakers with respect to the budget and the pressure from the increase in salaries. Nevertheless, taking into account inflation, the proposed increase to be paid by Denmark was close to zero nominal growth and therefore Denmark would be happy to contribute on that basis.

Mr SOORSMA (Netherlands) said that he, too, was impressed by the achievements of IARC. He emphasized the much-needed innovative approach to funding which encompassed the Agency's unique selling point and the relevance of its work. He endorsed the further search for private funding and could also accept the proposed increase in contributions; he supported the draft resolution.

Ms SANTHIPRECHACHIT (Administration and Finance Officer) said that contributions from any new Participating States joining IARC in 2017 or 2018 would be categorized as "unbudgeted assessments". Those contributions would not go into the regular budget; the first €35 650 would go into the Working Capital Fund and the remainder would go into the Governing Council Special Fund. In the past, the Governing Council had given authority to the Director to use those funds to support the activities of the Agency.

Ms BERILLE (France) thanked the Agency for its contribution to scientific excellence. France had already committed to a contribution of some €48 million for the Nouveau Centre and therefore it would not be able to pay the proposed €4.47% increase in assessed contributions. She asked whether it would be possible to agree on a lower increase.

Dr RIVEDAL (Norway) said that there had been cuts in public health costs in Norway including up to 15% cuts in staffing budgets. Nevertheless, as voiced by the representative of Denmark, the relevant ministry in Norway had recognized the value for money of the some €30 000 requested and therefore the proposed budget increase had been accepted.

Ms HERNANDEZ (Canada) expressed support for the overall direction of the scientific programme and considered it appropriate for the mission and expertise of the Agency. She appreciated the efforts IARC had made that year to engage with Participating States at an early stage in discussing the budget. However, Canada had a zero nominal growth policy; it also had concerns about the practice of using the Governing Council Special Fund, which had been intended as a temporary measure and which should therefore be terminated. She also had concerns about the sustainability of the Agency in the long term, specifically with respect to the salary scale since Participating States were unwilling to support the salary package and benefits adopted through increased contributions. It was difficult to justify such increases to taxpayers when governments at home were restricting public spending.

Dr SEREDA (Russian Federation) said that the best way to cover the funding gap was not by requesting additional contributions from Participating States but by attracting donors for the different projects.

The SECRETARY agreed that use of the Governing Council Special Fund was not a sustainable solution; it had been intended as a stop-gap solution during a period of crisis in funding and the fact that it had become an integral part of the budget over the previous three biennia did not provide a transparent picture of the true running costs of the Agency. Use of the Governing Council Special Fund had therefore been removed from the current budget proposal.

Professor RICCIARDI (Italy) said that his Government recognized the importance of the value and mission of the Agency but it had begun a major internal spending review and therefore it could not support the proposed budget increase. As an alternative, his Government would consider additional voluntary funding, including funding of fellowships, secondment of personnel and encouraging the mobility of young researchers.

Dr DE ANDRÉS MEDINA (Spain) said that he was not able to endorse the budget given the current financial constraints in Spain. He could agree to the liabilities already included in the 2016–2017 budget but not the proposed new activities.

Dr KUNERT (Austria) said that although the programme was concise, she was not able to support the proposed budget, since there was a zero nominal growth policy in all research institutions in Austria. She understood that IARC was under an obligation to cover increases in staff costs due to indexation and could therefore agree to increase the budget by an amount that was equivalent to the contribution of Morocco, a new Participating State.

Mr DE RAEDT (Belgium) agreed that a position of zero nominal growth should be adopted with respect to the assessed contributions from Participating States.

The CHAIRPERSON said that he had written to Participating States in the week before the meeting of the Governing Council to gain their views and had received replies from 11 who could not support the budget in its present form. In that light, he asked the Director what budget proposal he would make.

The SECRETARY said that the budget had not been prepared in an adversarial spirit and he understood from the satisfaction expressed with the programme of the Agency that the Governing Council was seeking ways in which it could succeed. Participating States provided support in more ways than simply through assessed contributions and it was his responsibility to highlight the support required to maintain the programme. The first objective in drafting the budget proposal had been to remove reliance on the Governing Council Special Fund, since its dwindling resources were already used to fund IT infrastructure and other areas that, ideally, should be in the core budget. A number of posts were supported on overhead income and there was a limit to the amount that could be funded through programme support costs. Attempts had also been made to limit the burden on existing Participating States and much work had been expended to bring in new Participating States. However, attracting new Participating States would be challenging, particularly in demonstrating the benefits they would bring besides subsidizing existing Participating States. The presentation of the seven projects had been made to show what the Agency could continue to achieve outside the regular budget; Participating States could then decide if they wanted to support any of the projects through extrabudgetary funding. In the present situation, there were two possibilities to reduce the budget: the first would be to consider an increase of 1% which would cover statutory staff cost increases and the second would be to adopt a budget of zero nominal growth which would require a cut of some €900 000.

The CHAIRPERSON asked whether participants could agree to the first option, to consider an increase of 1% in assessed contributions, which would cover the statutory increases in staff costs but leave a 0% increase for programme costs.

Ms SANTHIPRECHACHIT (Administration and Finance Officer) said that an increase of 1% in assessed contributions of existing Participating States would equate to a decrease of €482 000 in the proposed budget.

The representatives of Australia, Denmark, Finland, France, India, Norway, Netherlands, Qatar and the United Kingdom of Great Britain and Northern Ireland said that they could accept the proposal to cover statutory increases and the representatives of Austria, Belgium, Canada, Italy, Japan, Russian Federation, Spain and the United States of America indicated that they could not. The representative of Morocco indicated her Government’s willingness to fulfil its commitments and the representative of the Republic of Korea hoped to provide acceptance after further consultation with the Ministry of Finance.

The CHAIRPERSON said that more countries did not accept the position proposed and therefore he asked the Director to present the option of a 0% increase.

The SECRETARY said that a budget of zero nominal growth would entail no increase in contributions from existing Participating States, excluding Morocco, leading to a revised budget of €44 149 793. The savings would be made by reducing planned investment in bioinformatics and delaying recruitment of some scientific staff. The IARC Fellowship programme would be temporarily suspended and run only one summer school in 2019 and none in 2018. The Director's development programme would be reduced and proposed support to biobanking in low- and middle-income countries would be suspended (it might be funded from extrabudgetary sources). Funds allocated to some pilot projects in genetic studies would be cut and funds would be removed from the administrative and staff training budgets. The cuts would still allow a strong scientific programme and maintain the core component while keeping open the possibility of attracting funds from other sources.

Responding to a question from Ms HERNANDEZ (Canada), the SECRETARY confirmed that it was the intention to cease reliance on the Governing Council Special Fund and to look to new Participating States for additional funding.

In the ensuing discussion, several representatives indicated that they would need to seek confirmation from their capitals before approving the proposed zero nominal growth budget.

Dr TRACY (United States of America) said that it would be easier to gain approval if there were a clear demonstration of what programmes would be cut or could be supported.

The SECRETARY, supported by the CHAIRPERSON, explained that, ordinarily, it was the role of the Director to manage allocation of the fine detail of the budget once the overall sums had been agreed.

The CHAIRPERSON said that figures relating to the zero nominal growth budget would be provided in order to facilitate representatives' consultations with their capitals before discussion of the item was resumed on the following day.

The meeting rose at 18:45.