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**PAN AMERICAN
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115th Meeting
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Provisional Agenda Item 7

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**BUDGETARY IMPLICATIONS ARISING FROM THE CLOSURE
OF THE PAN AMERICAN ZOOSES CENTER**

Background

In compliance with Resolution XXIII of the XXIII Pan American Sanitary Conference (1990), the Pan American Zoonoses Center (CEPANZO) ceased operations on 31 December 1990 and the Center closed on 30 April 1991. PAHO staff were terminated as of 30 April 1991. Indemnities and accrued annual leave costs were paid to the affected staff.

On 10 November 1992 a number of former staff members of CEPANZO filed a complaint against the Organization with the Administrative Tribunal of the International Labor Organization (ILO) in Geneva. In Judgment 1374 dated 13 July 1994, almost two years later, the Tribunal decided the case against the Organization. In summary, the Tribunal concluded that the procedures used by the Organization for the Reduction in Force (RIF) were invalid. The Tribunal decided that because the then Chief of Personnel had issued notices of termination to the staff before the Reduction in Force, they were not valid and all contracts were automatically renewed. The Organization was ordered to reinstate the former staff members, a total of 30, as of the date of their separation from service (30 April 1991). The complainants were to be paid salaries, allowances and any benefits due under the contracts, as well as 10% interest from the dates at which each amount fell due, minus any indemnities or occupational earnings received since their termination. PAHO was also to pay each complainant \$500 in costs and to carry out anew the Reduction in Force procedure.

In accordance with this decision, the former staff members have been reinstated and paid salaries. New Reduction in Force procedures have been instituted and new

termination notices have been given, effective 30 November 1994. Hence, the back pay, interest, salaries to 30 November 1994, contributions to health insurance and pension less occupational earnings will likely total over four million U.S. dollars. These costs do not include normal termination entitlements, which are charged to the Terminal Reserve.

The Issues

Clearly a legal judgment involving sums of this magnitude will have an impact on the Organization's 1994-1995 budget. For example, the Financial Regulations (Article 4.5) restrict the Director's authority to move funds in excess of 10% from an appropriations part. More broadly, it will be necessary during the course of this biennium to make some programmatic adjustments in the budget.

While the final total costs of this judgment are not known as of the writing of this document, and taking into account final CEPANZO payments being made this year by the Government of Argentina, it seems probable that it will be necessary to find between two and three million dollars in budgetary reprogramming.

Conclusion

While complete data are not yet available on the impact of this judgment, the Director wanted to share his assessment of the situation with the Executive Committee and request authorization to proceed with the necessary reprogramming of the Budget accordingly. A full report will be presented to the 116th Executive Committee, which meets in June 1995.