



Matters related to the programme budget

Efficiency plan for the financial period 1998-1999

Report by the Director-General

The Board is invited to note the plan to achieve a 3% “efficiency savings” target for 1998-1999 as requested by the Fiftieth World Health Assembly in May 1997.

1. In resolution WHA50.26, the Health Assembly requested the Director-General:

(1) to develop and present to the 101st session of the Executive Board an efficiency plan for the Organization, based on a review of the six appropriation sections, which specifies administrative savings and more effective means of programme delivery;

(2) to specify clearly, in the development of the efficiency plan, steps to achieve an “efficiency savings” target of 3% from the administrative costs and overheads in the six appropriation sections over the 1998-1999 biennium and to reallocate these amounts to activities of priority health programmes;

(3) to report in detail to the 101st session of the Executive Board on progress made in the implementation of resolution EB99.R13.

2. The plan has accordingly been made on the basis of a review by the senior management of the Organization. As background, it may be noted that the more efficient delivery of programmes has for many years been the subject of continuous study by organizations in the United Nations system, governments and the private sector. Most recently, the United Nations Advisory Committee on Administrative and Budgetary Questions (ACABQ)¹ referred to a range of issues relating to efficiency in its first report on the proposed programme budget of the United Nations for the biennium 1998-1999, the General Assembly’s consideration of which began in October 1997.

3. ACABQ noted that “efficiency savings” generally arise through delivery of the approved programme budget with all of its expected results, but using less resources than provided for in the budget. This is in contrast to

¹ General Assembly Official Records, fifty-second session (see United Nations document A/52/7).

programme and budget cuts, which result in delivery of a reduced programme with fewer resources. The Committee was particularly concerned that the United Nations had not been able to demonstrate for the current biennium that the savings made were indeed reflected in gains in efficiency ensuring that programmes were not affected.

4. ACABQ identified certain commonly recognized conditions to be fulfilled if efficiency measures are to be successful. It referred to eight of these:

- (1) a climate of confidence between the Secretariat and Member States;
- (2) the commitment and involvement at all levels of the staff of the Organization;
- (3) a willingness to receive innovative proposals;
- (4) proper planning and assessment of each proposal, including the potential impact on programme delivery;
- (5) the necessary resources required for implementation;
- (6) a realistic time-frame for implementation;
- (7) a means of measuring the expected short- and long-term benefits;
- (8) a credible means of reporting.

EFFICIENCY IN WHO

5. The Director-General is very conscious that the public sector in most Member States remains under extensive pressure to achieve “efficiency savings”. The staff of WHO have likewise, over the past decade or more, sought to achieve budget targets with fewer resources. Real reductions in budgets have occurred and efficiency drives have become the norm. Regrettably also, the United Nations system has had to cope with many Member States’ not paying their contributions on time. As a consequence, “efficiency savings” have often had to be used to help to cover arrears of contributions.

6. In addition, there has been considerable confusion in debates about administrative and overhead costs. Some Member States, misunderstanding how WHO works, have, for example, suggested that all staff costs are administrative costs; technical programmes use a mixture of resources including staff, fellowships, supplies and other operational elements. Efficiency is likely to be achieved by finding the right balance of these factors for each task through evaluation, interprogramme comparison and the use of best practices accordingly.

7. Support programmes, such as those for the management of the Organization’s human, financial and capital resources, are equally crucial to programme delivery. Efficiency will be achieved not by indiscriminate reductions but by regular scrutiny to ensure that support programmes too adopt best practices and are proportionate to the technical programmes.

PLAN FOR 1998-1999

8. The primary responsibility of the Organization in this period is to deliver the programme for 1998-1999, with all its expected results, as adopted by the Health Assembly. The new strategic budgetary concepts, with their emphasis on developing, monitoring and evaluating plans of action to ensure these results, also provide an effective tool for a renewed efficiency drive. However, if the experience of 1996-1997 is repeated, the Director-

General is of the view that any savings resulting from an efficiency drive in the forthcoming biennium are more likely to be needed to help cover arrears in contributions by Member States in 1998-1999 than to deliver additional results for the priority programmes.

9. The plan is as follows: by the end of 1997 the Director-General will have estimated the likely shortfall of contributions for 1998-1999. It will be recalled that the Organization's policy, as noted by the Executive Board in January 1997, has been to base its planned activities not only on amounts likely to be received in the biennium, but also on sums likely to be received late, but not later than the following biennium. It then borrows internally to cover these late payments and thus ensure maximum programme delivery in the biennium; for example, the considerable internal borrowing in the 1994-1995 biennium has now been completely paid off from the arrears for 1994-1995 collected in 1996-1997. However, part of the arrears for any biennium remain unpaid for over two years so that actual cuts have to be made. For 1998-1999, at the time of writing, it was still not possible to estimate what cuts would have to be made because two of the largest contributors had not made any payment for 1997 and were in arrears also for all or part of 1996. Neither had yet indicated their payment plans for 1998.

10. Against this background, the efficiency measures should be coordinated with the financial planning for 1998-1999. If cuts in funding levels of the order of 3% are necessary due to the expected shortfall of contributions, programme managers will be requested to achieve targets which maintain the expected results of the full 1998-1999 programme budget by implementing efficiency measures. If cuts in funding levels have to go beyond 3% then it will be necessary to reduce the expected results accordingly, as well as implement the efficiency measures.

11. To achieve greater efficiency, best practices in programme delivery will continue to be applied. For 1998, the focus will be on less costly meeting arrangements and less costly alternatives for staffing. Monitoring of the plans of action during implementation and eventual evaluation of the 1998-1999 programme budget will determine the success or failure of the efficiency drive. The eventual reallocation of 3% of resources to priority programmes according to the plan will of course only be possible if all contributions are paid on time and if any cuts are eventually able to be selectively restored.

12. The Director-General will report to the Board in January 1999 on progress with the above initiative.

ACTION BY THE EXECUTIVE BOARD

13. The Board may wish to note the plans outlined above and to request a report on progress to its 103rd session in January 1999.

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