WORLD HEALTH ORGANIZATION

EXECUTIVE BOARD
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Agenda item 5

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Proposed budget 2000-2001

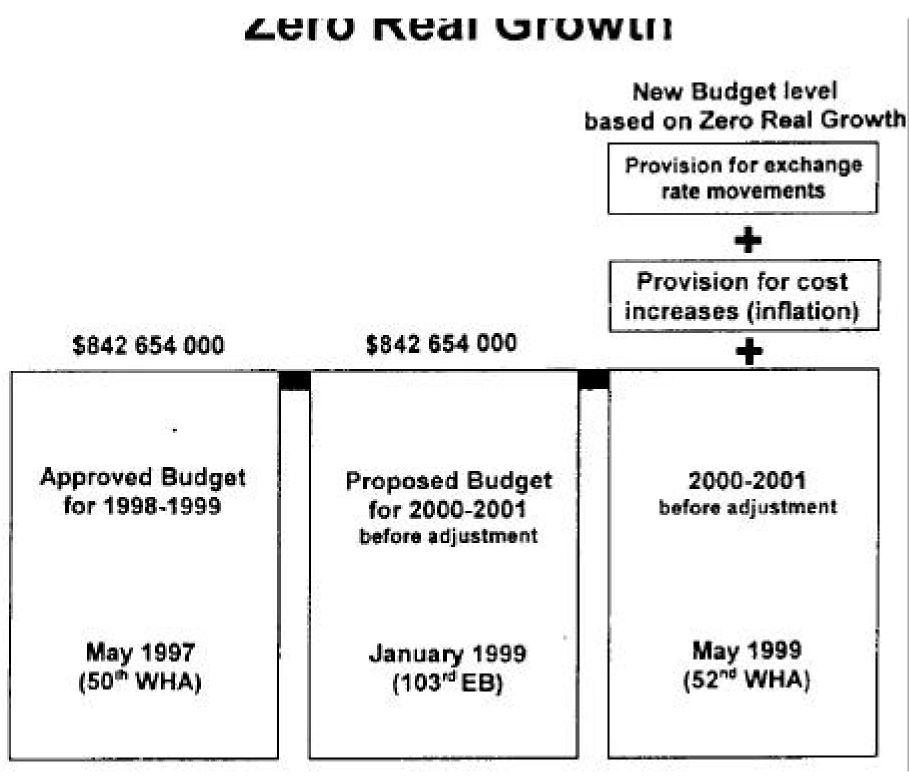
Impact of zero real growth

1. During the review of the Proposed budget 2000-2001 by the Programme Development Committee and the Administration, Budget and Finance Committee of the Executive Board, a question arose as to the impact of zero real, versus zero, nominal growth in the regular budget. The following paragraphs explain the concept of zero real growth and its impact on successive programme budgets over the past decade.

THE CONCEPT OF ZERO REAL GROWTH

2. The concept of zero real growth, as related to programme budgeting in WHO is illustrated by Figure 1.

FIGURE 1



3. The budget for 1998-1999 (US$ 842 654 000), as approved by the Fiftieth World Health Assembly in May 1997, provides the baseline for the discussion on the budget for 2000-2001 at the present session of the Board. At this stage, the Board is therefore discussing an unadjusted budget, also at US$ 842 654 000.

4. In April 1999, before the Fifty-second World Health Assembly, the Secretariat will make two adjustments:

(a) an adjustment for cost increases based on estimates of likely inflation rates at headquarters and in the six regions;

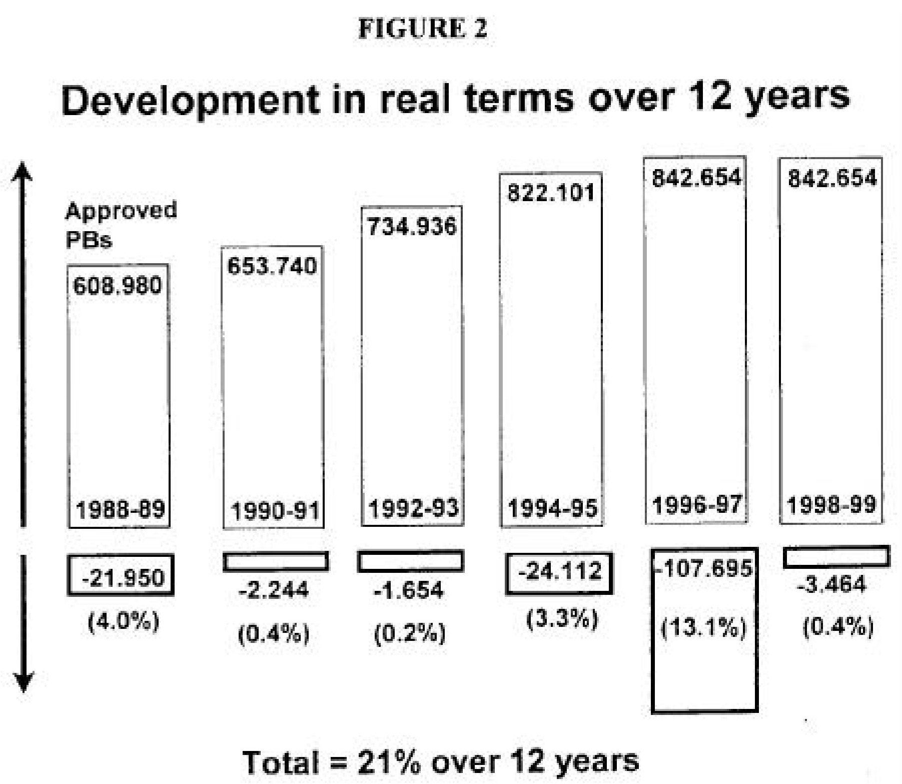
(b) an adjustment to compensate for exchange rate movements between the United States dollar, the Swiss franc and the five regional currencies.

5. The sum of the exchange rate adjustments (which may be positive or negative depending upon the movement of the United States dollar), with the inflation adjustments, when added to the unadjusted baseline, make up the new budget level for 2000-2001 at zero real growth. (In turn, that overall figure would become the baseline for 2002-2003.)

REGULAR BUDGET DEVELOPMENTS IN REAL TERMS

6. The actual evolution of WHO's regular budget in real terms over the past 12 years is shown in Figure 2.

FIGURE 2



7. The upper columns represent the budgets as actually approved by the Assembly over the 12 years from 1988 to 1999, moving from a budget level of US$ 608 980 000 in 1988-1989 to US$ 842 654 000 in 1998-1999.

8. The lower, framed columns represent the extent of **undercompensation** due to two cost factors: (a) adverse exchange rate movements and (b) inflation rates. As such, in 1988-1989 the approved budget level was US$ 21 950 000 (4%) lower than what would have been necessary to retain the same purchasing power as the preceding biennium.

9. It should be noted that the lower columns are the combined shortfalls of (a) and (b) compared to the Secretariat's projected estimates of the amounts that would have been required to remain at zero real growth.

10. The sum of the lower columns shows that the erosion of purchasing power compared to zero real growth amounts to 21% over the past 12 years.

A RETROSPECTIVE VIEW

11. A retrospective view of some developments over the past decade is provided in the table below.

Some indicative figures over the last decade

		90-91	98-99	increase/ (decrease)
Total RB		$ 653 740 000	$ 842 654 000	29%
Number of RB posts in established offices	HQ	1023	785	(23%)
	RO	1438	1322	(8%)
	WR	428	510	19%
	Total	2889	2617	(9%)
$/SF		0.61	0.68	11%
Actual staff costs (P4/P5 at all duty stations)		$110 695	$145 076	31%

12. The above table shows that whereas there has been a 29% increase in the total regular budget of the Organization over the past decade, the number of posts in established offices has had to be reduced in order to balance the budget. The total reduction in regular budget posts for all established offices has been 9%, i.e. from 2889 to 2617 over these 10 years.[1]

13. The table provides an indication of the type of erosion in purchasing power which the Organization has experienced over the past 10 years. For example, as far as exchange rate movements are concerned, there has been an 11% decline at headquarters in the value of the United States dollar to the Swiss franc. With regard to global inflation, actual staff costs at P4/P5 level at all duty stations has increased 31% over the past 10 years. This last indicator is actually a proxy for the weighted movement of the consumer price index (CPI) for all duty stations, as there has been no net increase in professional salaries, and adjustments have only been made in response to movements in the CPI.

[1] Although the reduction has been the largest at headquarters (23%), there has nevertheless been a conscious attempt to