PART I

OVERVIEW OF EXPENDITURE PLANS

Overview of expenditure plans

.1 The tables and figures which follow summarize the expenditure plans for the period 2000-2001. In all cases the estimates are at 1998-1999 price levels and rates of exchange.

.2 Current estimates of the impact of inflation in 2000-2001 and of exchange rate variations are shown in paragraphs 14 to 22 below.

.3 Table 1 indicates that the regular budget (that which is assessed on the membership) is presented on the basis of zero real growth. The budget from voluntary sources is presented on the basis of a target representing a 19% increase.

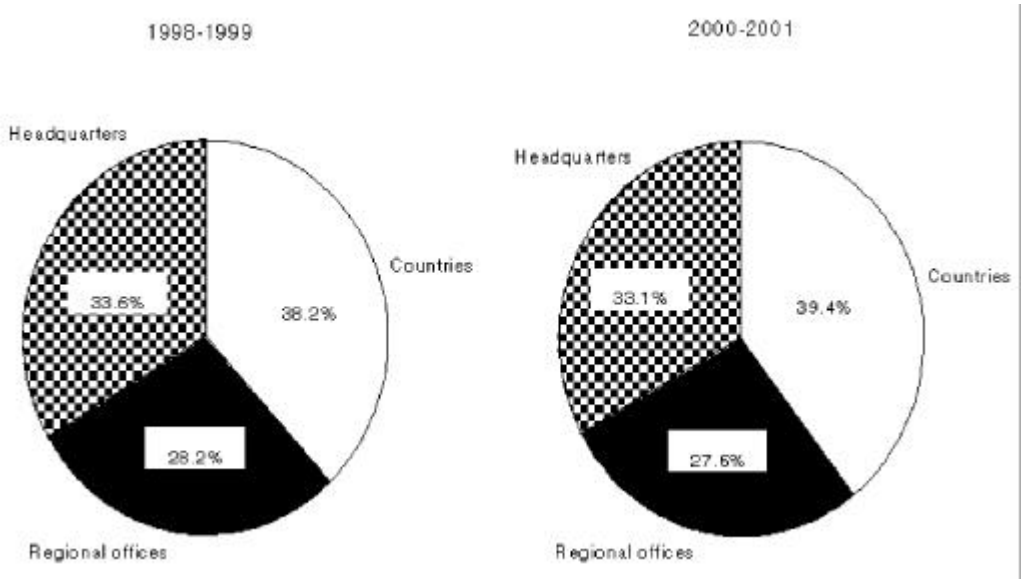
TABLE 1. SUMMARY BY ORGANIZATIONAL LEVEL
(US$ thousand)

	Total			Regular budget			Other sources		
	1998-1999	2000-2001	% change	1998-1999	2000-2001	% change	1998-1999	2000-2001	% change
Headquarters*	810 361	942 255	16.28	282 953	279 055	(1.38)	527 408	663 200	25.75
Regional offices*	417 176	422 350	1.24	237 871	231 816	(2.55)	179 305	190 534	6.26
Countries	419 620	436 249	3.96	321 830	331 783	3.09	97 790	104 466	6.83
Total	1 647 157	1 800 854	9.33	842 654	842 654	0.00	804 503	958 200	19.10

* Some of this funding is spent at country level.

.4 The relative share of the three levels under the regular budget is indicated in Figure 1 below.

FIGURE 1. SHARE OF THE REGULAR BUDGET BY ORGANIZATIONAL LEVEL



HEADQUARTERS

.5 The budget for headquarters (Table 2 and Figure 2) has been restructured, reflecting the new organizational structure introduced by the Director-General. Financial highlights are:

- Communicable diseases and Health systems and community health to be the largest areas of expenditure;
- Noncommunicable diseases and Evidence and information for policy to be the highest growth areas;
- many administrative functions devolved to clusters; in addition, a substantive reduction in administrative costs;
- a transfer of approximately US$ 4 million to country programmes;
- a breakdown of each cluster (see following chapters) continues to reflect the organizational structure below cluster level.

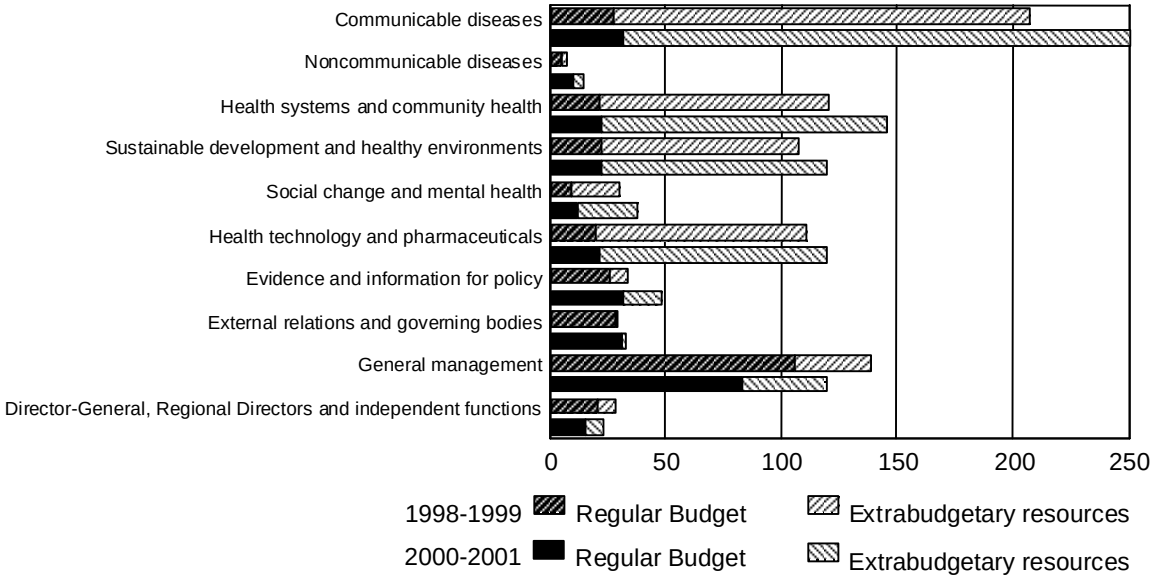
TABLE 2. PLANNED EXPENDITURE AT HEADQUARTERS
(US$ thousand)

	Total			Regular budget			Other sources		
	1998-1999	2000-2001	% change	1998-1999	2000-2001	% change	1998-1999	2000-2001	% change
Communicable diseases	206 872	283 823	37.20	27 346	31 923	16.74	179 526	251 900	40.31
Noncommunicable diseases	7 207	14 305	98.49	5 005	10 305	105.89	2 202	4 000	81.65
Health systems and community health	120 116	145 022	20.73	21 274	21 622	1.64	98 842	123 400	24.85
Sustainable development and healthy environments	106 899	119 539	11.82	22 082	22 139	0.26	84 817	97 400	14.84
Social change and mental health	30 255	37 719	24.67	8 996	11 219	24.71	21 259	26 500	24.65
Health technology and pharmaceuticals	110 423	118 840	7.62	19 552	21 040	7.61	90 871	97 800	7.63
Evidence and information for policy	33 171	47 744	43.93	25 804	31 744	23.02	7 367	16 000	117.18
External relations and governing bodies	28 972	32 821	13.29	27 676	30 421	9.92	1 296	2 400	85.19
General management	138 122	119 610	(13.40)	105 344*	83 210	(21.01)	32 778	36 400	11.05
Director-General, Regional Directors and independent functions	28 324	22 832	(19.39)	19 874	15 432	(22.35)	8 450	7 400	(12.43)
Total	810 361	942 255	16.28	282 953	279 055	(1.38)	527 408	663 200	25.75

* Includes US$ 6.2 million for country activities.

.6 Planned expenditure is represented graphically in Figure 2 below.

FIGURE 2. PLANNED EXPENDITURE AT HEADQUARTERS
(US$ million)



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REGIONS AND COUNTRIES

.7 Budgets of the regional offices are also presented under the new organizational structure.

.8 The conclusions to be drawn from this aggregation of the expenditure plans for the six regional offices (Table 4) should be treated with caution. One region's emphasis can be offset by another's lowering of priority, and shifts of funding between locations can give rise to new programme priorities. Details of individual regional office budgets are given in chapters 11 to 16.

.9 Allocations at country level are still provisional, in particular from voluntary funding. A substantial portion of the target for voluntary funds at country level has not yet been allocated. In order to create the flexibility required for planned reforms in the operations at country level, the budget is not divided into specific programmes. Details of the breakdown into individual countries, by region, may be found in chapters 17 to 22.

.10 Highlights of the regional and country budgets are:

- Communicable diseases to be the largest area of expenditure at regional office level;
- a 5% reduction in general management;
- approximately US$ 6 million under the regular budget for regional offices transferred to country level;

C the African Region and countries within it to receive an increase from the regular budget of US$ 19 million in accordance with the recommendations of resolution WHA51.31 (May 1998) on regional allocations.

TABLE 3. PLANNED EXPENDITURE AT REGIONAL AND COUNTRY LEVELS[1]

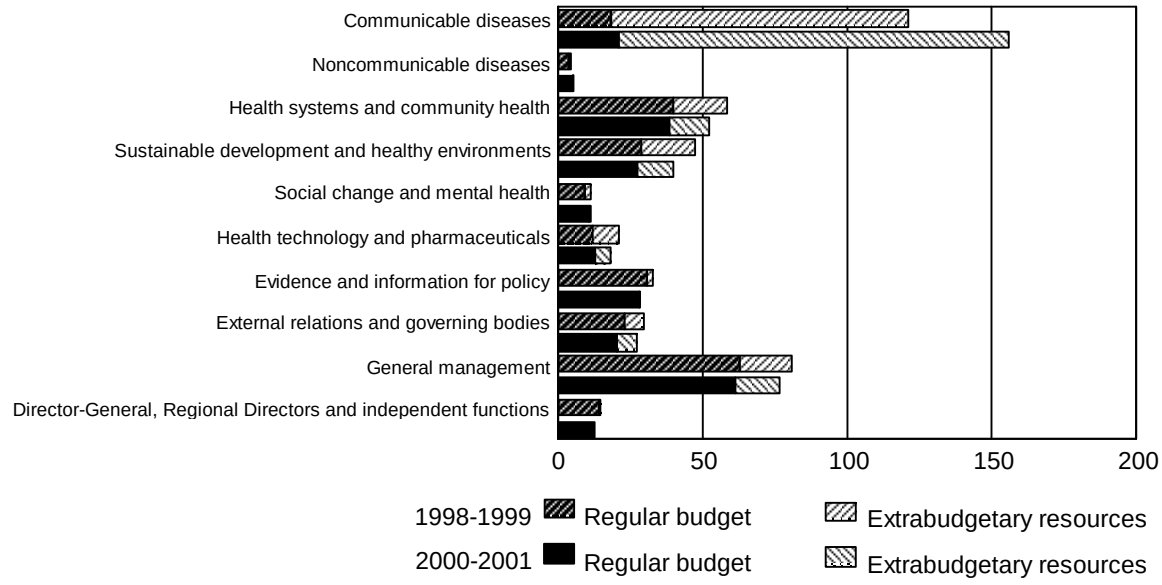
(US$ thousand)

	Total			Regular budget			Other sources		
	1998-1999	2000-2001	% change	1998-1999	2000-2001	% change	1998-1999	2000-2001	% change
Regional offices									
Communicable diseases	120 591	155 168	28.67	17 967	20 304	13.01	102 624	134 864	31.42
Noncommunicable diseases	4 074	4 783	17.40	3 470	4 533	30.63	604	250	(58.61)
Health systems and community health	57 952	51 824	(10.57)	39 086	38 012	(2.75)	18 866	13 812	(26.79)
Sustainable development and healthy environments	46 777	39 258	(16.07)	28 286	26 617	(5.90)	18 491	12 641	(31.64)
Social change and mental health	10 546	10 973	4.05	8 672	9 962	14.88	1 874	1 011	(46.05)
Health technology and pharma-ceuticals	20 817	17 471	(16.07)	11 311	12 042	6.46	9 506	5 429	(42.89)
Evidence and information for policy	32 570	27 793	(14.67)	30 310	27 333	(9.82)	2 260	460	(79.65)
External relations and governing bodies	28 916	26 836	(7.19)	22 962	19 788	(13.82)	5 954	7 048	18.37
General management	80 304	75 918	(5.46)	62 330	61 071	(2.02)	17 974	14 847	(17.40)
Director-General, Regional Directors and independent functions	14 629	12 326	(15.74)	13 477	12 154	(9.82)	1 152	172	(85.07)
Subtotal	417 176	422 350	1.24	237 871	231 816	(2.55)	179 305	190 534	6.26
Countries									
Country programmes	419 620	436 249	3.96	321 830	331 783	3.09	97 790	104 466	6.83
Total	836 796	858 599	2.61	559 701	563 599	0.70	277 095	295 000	6.46

[1] Excluding the PAHO budget.

.11 The breakdown of the regional office expenditures may be represented graphically as follows:

FIGURE 3. PLANNED EXPENDITURE AT REGIONAL OFFICES
(US$ million)



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.12 The breakdown by geographical area of the regional and country budgets is shown in Table 4 below.

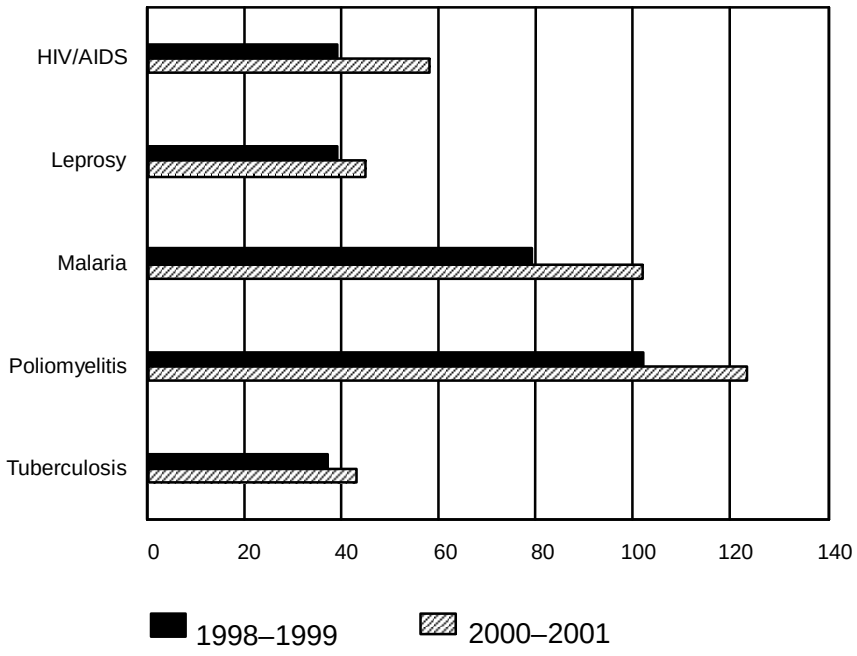
TABLE 4. PLANNED EXPENDITURE BY REGION
(US$ thousand)

	Total				Regular budget				Other sources			
	1998-1999	%	2000-2001	%	1998-1999	%	2000-2001	%	1998-1999	%	2000-2001	%
Regional offices and country programmes												
Africa	273 897	32.73	320 386	37.32	157 413	28.12	176 822	31.37	116 484	42.04	143 564	48.67
The Americas	93 806	11.21	78 040	9.09	82 686	14.77	77 725	13.79	11 120	4.01	315	0.11
South-East Asia	166 317	19.88	102 672	11.96	99 251	17.73	95 595	16.96	67 066	24.20	7 077	2.40
Europe	90 646	10.83	84 610	9.85	49 823	8.90	51 699	9.17	40 823	14.73	32 911	11.16
Eastern Mediterranean	100 393	12.00	97 111	11.31	90 249	16.12	85 869	15.24	10 144	3.66	11 242	3.81
Western Pacific	111 737	13.35	93 615	10.90	80 279	14.34	75 889	13.47	31 458	11.35	17 726	6.01
Country activities not yet allocated			82 165	9.57							82 165	27.85
Total	836 796	100.00	858 599	100.00	559 701	100.00	563 599	100.00	277 095	100.00	295 000	100.00

INDICATIVE BREAKDOWN BY DISEASE

.13 The new structure of the budget cuts across specific diseases, with a view to ensuring an integrated approach. Nonetheless, it will still be possible in subsequent planning and implementation to identify activities by various categories, one of which will be disease related. Figure 4 below shows a breakdown of indicative estimates from all sources of funds at all levels at this stage of planning for five diseases on which WHO is undertaking major work.

FIGURE 4. INDICATIVE ESTIMATES OF EXPENDITURE FOR MAJOR WORK ON FIVE DISEASES
(US$ million)



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BUDGETARY ADJUSTMENTS TO MEET ZERO REAL GROWTH

.14 To achieve zero real growth means revising the regular budget estimates at 1998-1999 prices to take account of (a) the impact of exchange rate movements, and (b) the local inflation expected in 2000-2001.

.15 The Organization works in over 150 countries and has to make inflation forecasts over almost a three-year period in advance (from March 1999 until December 2001). There is a practical need to simplify the process. For the exchange rate, the focus is on local currency expenditures at headquarters and the five non-dollar-based regional offices. The impact of exchange movements on individual country programmes is not taken into account.

.16 The Organization does not try to predict the exchange rate, but uses for budget planning the rates at the time of the Health Assembly which adopts the budget. Subsequent gains or losses during implementation are then either paid into the Casual Income Account

or offset by casual income up to a maximum amount approved by each Assembly through the exchange rate facility.

.17 At the time this document was prepared (March 1999), the differences between the exchange rates adopted for the 1998-1999 budget and current rates resulted in a cost reduction of US$ 1.1 million for the 2000-2001 biennium, as shown in Table 5 below.

TABLE 5. EXCHANGE RATE IMPACT

Regular budget

	Budget at 1998-1999 prices and exchange rates			Cost variation	
	Total	Local currency base subject to adjustment	Exchange rate used 1998-1999 (local currency against US dollar)	March 1999 exchange rate (local currency against US dollar)	Increases/ decreases
	US$ million				US$ million
Regions					
Africa	176.8	12.8	568	575	-0.16
The Americas	77.7	N/A	N/A	N/A	N/A
South-East Asia	95.6	4.4	35.50	42.26	-0.71
Europe	51.7	13.2	6.44	6.52	-0.16
Eastern Mediterranean	85.9	5.4	3.37	3.40	-0.05
Western Pacific	75.9	6.8	26.20	38.40	-2.16
All regions	563.6	42.6			-3.24
Headquarters	279.1	75.6	1.48	1.44	2.11
Total	842.7	118.2			-1.13

N/A = not applicable

.18 As regards local inflation, estimates are made worldwide, primarily on the basis of information from the regional offices, which analyse local and international forecasts. In many cases, however, the forecast is subject to a wide margin of error, particularly for country programmes.

.19 For this reason, and also to simplify the process, a single figure is used to cover all country offices. As no exchange rate allowance is made in these cases, the figure is based on expected inflation in local currency, after allowing for any devaluation or revaluation against the dollar.

.20 For headquarters and the six regional offices, estimates are based on the best available local and international information.

.21 In all cases the figures proposed do not simply reflect official predictions, but are subject to further review to take account of possible efficiencies or other savings that could lower cost increases. Table 6 below shows that at present the impact of inflation is estimated at US$ 32.6 million for the biennium 2000-2001.

TABLE 6. INFLATION PROJECTIONS
Regular budget

	Budget at 1998-1999 prices	Cost increases (two years)	
	US$ million	%	US$ million
Regions			
Africa			
Regional	64.5	6.0	3.9
Countries	112.3	5.0	5.6
Subtotal	176.8	5.4	9.5
The Americas			
Regional	35.2	4.0	1.4
Countries	42.5	5.0	2.1
Subtotal	77.7	4.5	3.5
South-East Asia			
Regional	23.8	8.0	1.9
Countries	71.8	5.0	3.6
Subtotal	95.6	5.8	5.5
Europe			
Regional	44.2	2.0	0.9
Countries	7.5	5.0	0.4
Subtotal	51.7	2.5	1.3
Eastern Mediterranean			
Regional	30.6	8.0	2.4
Countries	55.3	5.0	2.8
Subtotal	85.9	6.1	5.2
Western Pacific			
Regional	33.6	8.0	2.7
Countries	42.3	5.0	2.1
Subtotal	75.9	6.4	4.8
All regions	563.6	5.3	29.8
Headquarters	279.1	1.0	2.8
Total	842.7	3.9	32.6

.22 Adding the exchange rate and inflation estimates together, the cost increase needed to maintain zero real growth for 2000-2001 is thus US$ 31.47 million. Using March 1999 figures, the total regular budget would therefore increase from US$ 842 654 000 to US$ 874 124 000, an overall increase of 3.7% over the two-year period.[1]

[1] An update will be issued if these estimates change substantially before the Health Assembly.