

Medium-term strategic plan, including Proposed programme budget 2010–2011

Efficiency gains in 2010–2011

Note by the Secretariat

1. WHO continues to seek to be more efficient, achieving cost savings that can be used to lower expenditures, or be put to accomplishing additional programmatic goals. Several categories of expense have been targeted for savings in 2010–2011. The objectives in United States dollar terms of these savings are full absorption of inflation and currency impacts on overall administrative expenditures, and additional reduction targets on selected items.
2. The impact of currency changes on 2010–2011 expenditures remains highly uncertain. At the time of writing, the weighted average of the market rates in the main currencies used by WHO in its operations is roughly similar to that prevailing when the Programme budget 2008–2009 was adopted. Therefore, only a change in those rates, and especially a weakening of the value of the US dollar, would affect expenditures. On the other hand, some of the main currencies in which the Organization receives its voluntary contributions have recently depreciated against the US dollar and, unless that position is reversed, there will be an impact on the US dollar value of WHO's income.
3. As regards inflation, there will be an ongoing need to absorb higher costs more efficiently. The Organization has not provided for inflationary increases in its budgets for many bienniums. Salary costs in particular are affected by cumulative cost of living increases. For example, over the past four years United Nations system general service salaries in local currency have increased by 46% in Brazzaville and by 29% in Cairo without a commensurate offset in local exchange rates with the US dollar. It remains to be seen what the effect of the current financial crisis will be on inflation in 2010–2011.
4. Programme managers therefore have to find more efficient ways of doing business in order to cope with these and other inflationary pressures. As an example, the full cost benefits of basing the new Global Service Centre in Kuala Lumpur, with its lower salary costs, should become evident in 2010–2011.
5. In addition to these measures, the intention is to target reductions in key areas of operating expenses, some examples of which follow.

6. As noted in the unaudited interim financial report on the accounts of WHO for 2008, travel expenditures amounted to US\$ 115 million in 2008 Organization-wide.¹ Measures are already under way to reduce this figure in 2009, with the intention of realizing an annual reduction in 2010 of 15%. For the biennium 2010–2011 as a whole, a cost saving of US\$ 35 million might be expected. Measures taken include a reduction in the amount of travel, issuing tickets at lower cost through earlier booking, optimizing carrier and routing, and increasing the use of electronic meeting facilities.

7. Procurement is another major operating expense. The total of around US\$ 140 million per year includes medical supplies and literature (US\$ 31 million in 2008) and vehicles, other equipment and furniture (US\$ 86 million). Improved planning for bulk purchases and long-term orders, together with standardization of product-lines and much more extensive use of sea, rather than air, freight enables a target reduction of 10% per year to be envisaged, i.e. about US\$ 28 million in the biennium.

8. Reduction in internal printing costs has been achieved and will continue through a five-year master agreement with a supplier. A US\$ 8 million reduction in costs is expected over the life of the project.

9. New procedures for analysis of the Organization's proposed publications have also recently been introduced, allowing greater oversight and control at an early stage in the production cycle. Greater emphasis will also be placed on electronic distribution of publications. Given the importance of knowledge dissemination in the Organization's work, it has not been considered appropriate to set a target for reductions in the volume of publications, but an evaluation of the new publications policy will be presented to the Executive Board in 2011, and will include analysis of the impact of cost-saving and efficiency measures in this area.

10. WHO has also been active in the work of the United Nations system to harmonize business practices across programmes, funds and agencies. The intention is to achieve both efficiency in operations, especially at country level, and to make administrative cost savings.

ACTION BY THE HEALTH ASSEMBLY

11. The Health Assembly is invited to note the information contained in this document.

= = =

¹ Document A62/28.