

Implementation of Programme budget 2010–2011: update

Report by the Secretariat

1. In May 2009, the Sixty-second World Health Assembly adopted resolution WHA62.9, the appropriation resolution for the financial period 2010–2011, in which it noted the total effective budget of US\$ 4540 million, presented in three segments: Base programmes (US\$ 3368 million); Special programmes and collaborative arrangements (US\$ 822 million); and Outbreak and crisis response (US\$ 350 million).
2. The **income** to support the budget as at 31 October 2010 was US\$ 2100 million, including the full biennium's assessed contributions of US\$ 944 million. Voluntary contribution income as at 31 October 2010 was US\$ 1170 million, of which US\$ 122 million was contributions in kind (such as vaccines). By segment, income was US\$ 1500 million for Base programmes, US\$ 367 million for Special programmes and collaborative arrangements, and US\$ 300 million for Outbreak and crisis response.
3. Projections, based on assessments of commitments made and on further discussions with donors, point towards an overall reduction in voluntary contributions of between 10% and 15% for the present biennium. With these uncertainties, **projected income** for the biennium is between US\$ 3300 million and US\$ 3500 million.
4. **Expenditure** to 31 October 2010 was US\$ 1500 million, which, by segment, is US\$ 839 million for Base programmes; US\$ 407 million for Special programmes and collaborative arrangements, and US\$ 255 million for Outbreak and crisis response. The expenditure for Outbreak and crisis response for the biennium is likely to be larger than the original Outbreak and crisis response budget noted by the Health Assembly due to a number of factors, including activities in response to the pandemic (H1N1) 2009, the earthquake in Haiti and the floods in Pakistan.

Table: Approved Programme budget showing income and expenditure (US\$ million)

Segment	Approved Programme budget 2010–2011	Income 31 October 2010	Expenditure 31 October 2010
Base programmes	3368	1500	839
Special programmes and collaborative arrangements	822	367	407
Outbreak and crisis response	350	300	255
Total	4540	2167	1501

5. Analyses based on implementation to date, point towards a **projected expenditure** for the biennium that is likely to be between US\$ 3700 million and US\$ 3900 million. The expenditures fall into the following broad categories: staff salaries (50% of the estimated total); direct financial cooperation (in country support) (15%); research and consultancies (12%); medical supplies (10%); travel (8%); and other expenses (5%).

6. Two main conclusions can be drawn from the current situation:

(a) The first concerns the potential gap between projected income and expenditure. Considerable uncertainty of income over the course of the biennium makes precise forecasting difficult. While the best-case scenario presents a US\$ 200 million difference between projected income and expenditure, a worst-case scenario presents an equally possible shortfall of up to US\$ 600 million.

(b) Secondly, the analysis has shown that, irrespective of the size of the shortfall, there are serious distributional problems within the Programme budget. Some strategic objectives and some major offices are reasonably well funded, others face large deficits, and the opportunity to redress these imbalances is limited by high levels of earmarking and low levels of flexible funding.

7. In the light of the current financial insecurity, a number of measures have been implemented, designed to maintain the core functions and key deliverables of the Organization in the face of a potential decline in income.

8. However, despite strenuous attempts to improve efficiency, sustain functions and deliver programmes, some results in the Programme budget 2010–2011 may not be delivered. A task force convened by the Global Policy Group¹ has identified programme areas – across all levels of the Organization – where the financial shortfalls are the most significant and where activities may have to be scaled down, integrated across programmes, or dropped completely. However, to reduce the impact

¹ The Global Policy Group is composed of the Director-General, Deputy Director-General and the six Regional Directors.

of shortfalls, all available flexible resources are being used to redress imbalances in those programmes that are central to WHO's core business.

9. While part of the expected gap between projected income and expenditure for the biennium 2010–2011 can be filled from the carry-forward, there is a need to have a sizeable carry-forward to cover the opening balance necessary at the start of the biennium 2012–2013. Using carry-forward funds in this way, as has been the case in the past, could reduce the acute problem in 2010–2011 but will eventually raise questions about long-term sustainability. A careful analysis of the funds carried forward from 2008–2009 is being undertaken to enhance understanding of the specificity of the available funds and to identify flexible resources within these funds which may be deployed in a strategic manner to address priority needs this biennium.

10. Over the course of 2010, a series of immediate measures have also been implemented to reduce overall costs and increase efficiency. These measures are being carried out both at headquarters and in the regional offices. Given that staff salaries are the largest component of costs, the immediate actions have a strong focus on human resources.

11. For example, with regard to **human resources**, steps have been taken to limit further growth in staff numbers. **Structural changes** include the disestablishment of the headquarters cluster for Partnerships, country focus and United Nations reform, the closure of the WHO offices at the World Bank and in Washington D.C., merging of departments at headquarters and in regions, and the devolution of several regional centres back to the host government. In addition, measures for **efficiency savings and cost reduction** have primarily focused on the areas of travel to, and participation in conferences; on volumes of publications; and on energy usage. The full impact of the measures taken has yet to be realized, as savings will only become apparent in 2011 and beyond.

12. Mounting a rapid response to the immediate funding challenges in this biennium has helped to highlight a series of more fundamental issues that are inherent in WHO's business practices, in terms of budgeting, planning, organizational design, human-resource policy and financing. These will be addressed in the wider context of reshaping WHO's role in a rapidly changing environment. A longer-term six-point agenda for reform, which includes WHO's role in global health governance; priority setting; planning, budgeting and evaluation; organizational design; human-resource policy and practice; and financing, is set out in more detail in document EB128/21 on the future of financing for WHO.

13. A more detailed analysis of the implementation of the Programme budget 2010–2011, and an update on the actions being proposed and implemented as part of the managerial response to the financial crisis, will be submitted to the Programme, Budget and Administration Committee at its fourteenth meeting in May 2011. It is intended that this will include a review of the unaudited interim financial report on the accounts of WHO for the year 2010.

ACTION BY THE EXECUTIVE BOARD

14. The Board is invited to note the report.

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