

Medium-term strategic plan 2008–2013 and Proposed programme budget 2012–2013

Fourth report of the Programme, Budget and Administration Committee of the Executive Board to the Sixty-fourth World Health Assembly

1. The fourteenth meeting of the Programme, Budget and Administration Committee of the Executive Board was held in Geneva on 12 and 13 May 2011 under the chairmanship of Dr Ali Jaffer Mohamed (Oman).¹
2. The Committee considered the revised Medium-term strategic plan 2008–2013 and Proposed programme budget 2012–2013, which had been added to the agenda at the request of some Member States. The Committee emphasized that budget issues were its core functions and it should be able to review the revised Proposed programme budget prior to its submission to the Health Assembly. It was noted that unusual events in the past year had led the Executive Board in January 2011 to request the Secretariat to readjust the budget presented at that time to a realistic level, in line with the income and expenditure projections of the Organization in the context of the prevailing global economic situation.
3. The Committee expressed appreciation for the Secretariat's efforts to revise the Proposed programme budget after the Executive Board meeting in January 2011 and to consult widely with Member States on that revision within the very short time available, and for its timely delivery of the document. The Committee recognized that the revised Proposed programme budget addressed many of the concerns and requests raised by the Executive Board during its January meeting.
4. The Committee welcomed the fact that the overall level of the revised budget is more in line with projected revenue for 2012–2013. In particular, this is a solid step towards improved accountability, both for WHO and for Member States. Several members described the budget as a transitional budget, recognizing that further budgetary process reforms are expected to be proposed in the context of the wider WHO reform agenda. It was felt that there was a need to revisit and improve the results-based management framework of the Organization. It was also noted that the Programme budget needed to function primarily as an accountability tool for the implementation of agreed priorities and activities and not an aspirational instrument just for raising funds.

¹ For list of participants, see document A64/45, Annex.

5. Several members expressed concern over the budget cycle that is presented to the Regional Committees, the Programme, Budget and Administration Committee, the Executive Board and ultimately the Health Assembly. Although this cycle is recognized as supporting a full round of Member State consultations, the point was also made that it would be useful to consider reforming the cycle to improve the effectiveness of participation by the governing bodies.

6. The Committee pointed out that while moving towards a realistic budget, the Organization needs to be ready to scale up interventions that have proved to be effective in priority areas. In this context, several members of the Committee welcomed the increased emphasis on strategic objectives related to Millennium Development Goals 4 and 5 and on health systems and noncommunicable diseases. The need to fully finance strategic objective 4 was expressed, along with the need to continue to work towards better aligning voluntary contributions to the budget and to reinforce the usefulness of the Programme budget as a control document. Further, the Committee noted that there was a need for further clarity and benchmarking used to ensure that regional and country offices receive sufficient resources.

7. It was noted that almost half of voluntary contributions come from non-State entities, which are almost always highly earmarked. It was further acknowledged that the discussions on the WHO reform agenda and the future of financing will need to address how to better align voluntary contributions with programme priorities.

8. The Committee supported further efforts towards efficiency savings and management reform.

9. The Secretariat made a presentation on currency exchange rate risks. It was noted that foreign exchange rate management is a complex activity and that the long-term decline in the value of the US dollar has proved to be a challenge for WHO. This was a result of WHO's high level of expenditure in currencies other than the US dollar, particularly Swiss francs. The Secretariat further noted that headquarters accounts for approximately 40% of the Organization's costs.

10. In the short term, WHO needs to ensure that the US dollar value of its income is sufficient to fund expenditures in currencies other than the US dollar. In the long term, the goal is to address the structural imbalance between the currencies of income and expenditure.

11. Between 2002 and 2009, a hedging mechanism generated protection amounting to a cumulative total of US\$ 97 million at a cumulative cost of US\$ 33 million. For 2010–2011, no amount was budgeted for currency hedging, and no currency hedging was undertaken due to the high cost. Currency movements for much of 2010 were favourable in comparison to the exchange rates at which the budget had been calculated. However, there has been a recent steep decline in the value of the US dollar against the Swiss franc: 13% since December 2010, which is having a negative impact on costs in 2011.

12. The Secretariat, having also consulted the Independent Expert Oversight Advisory Committee on this matter, suggests the following possible approaches to exchange rate risk management for 2012–2013:

- (i) redirect up to US\$ 10 million from Miscellaneous Income to allow the purchase of some flexible currency hedging, taking into account Financial Regulation 4.4;
- (ii) quantify the impact on the 2012–2013 budget of movements in exchange rates and report back to the Executive Board in 2012; and

- (iii) incorporate recommendations in the Director-General Reform Programme for long-term measures to address structural currency imbalances.

RECOMMENDATION TO THE HEALTH ASSEMBLY

13. The Committee recommended that in its consideration of the Medium-term strategic plan 2008–2013 and the Proposed programme budget 2012–2013, the Assembly take into account the comments recorded above.

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