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# **Efficiency savings and cost reductions in WHO: cost containment measures taken in recent years**

## **Report by the Secretariat**

1. The present report provides an analysis of the cost containment measures undertaken by the Secretariat, and reflects the discussion of this subject at recent meetings of the Programme, Budget and Administration Committee of the Executive Board.

2. The Secretariat has undertaken several measures to control and reduce costs in order to ensure that expenditures are sustainable within the available resources and that Member States and partners receive the best possible value for their contributions. Details of these measures are described in this report under the following categories:

- Reductions in staff numbers
- Other measures relevant to human resources
- Offshoring functions to the WHO service centre in Kuala Lumpur
- Travel
- Information technology/telecommunications
- Meeting management
- Printing, photocopying
- United Nations-wide efficiency measures.

### **REDUCTIONS IN STAFF NUMBERS**

3. Starting in 2010, WHO has systematically been reviewing its staffing levels, with the aim of maintaining its strategic and programmatic objectives in line with reduced financial resources.

4. In 2011, a strategic review was carried out at WHO, with particular emphasis on potential staffing implications. The analysis undertaken was Organization-wide, including headquarters, all regional offices and all country offices. The offices predominantly affected were headquarters and the African Region. Through a careful evaluation of the work and the manner in which it is best performed, potentially negative impacts on programme delivery have been mitigated. In some instances work has been outsourced to external contractors.

5. The table below shows the changes in the numbers of staff in the Secretariat between 31 December 2010 and 31 July 2012, according to major office and contract type (long term or temporary). Overall, the Organization's staffing level was reduced by 937 people holding either long-term or temporary contracts during this period, i.e. a reduction of 11.3% across major offices. For headquarters the number of staff declined by 491 (-19.3%); for the African Region, the staffing level was reduced by 304 (-11.5%); with the remaining reductions having been implemented in the other regions.

6. In headquarters close to 200 occupied positions were abolished. Further reductions were achieved through other means such as non-renewal of temporary contracts, non-replacement of departing staff as well as a freeze on external recruitment.

**Table. A comparison of WHO staff numbers between 31 December 2010 and 31 July 2012\***

Contract type/office	31 Dec. 2010	31 Jul. 2012	Difference of staff numbers between 31 Dec. 2010 and 31 Jul. 2012	Difference (%)
<b>Long-term staff</b>	7 154	6 559	-595	-8.3
<b>By office</b>				
Headquarters**	2 168	1 827	-341	-15.7
African Region	2 498	2 241	-257	-10.3
Region of the Americas	155	160	5	3.2
South-East Asia Region	548	541	-7	-1.3
European Region	540	514	-26	-4.8
Eastern Mediterranean Region	684	733	49	7.2
Western Pacific Region	561	543	-18	-3.2
<b>Temporary staff</b>	1 119	777	-342	-30.6
<b>By office</b>				
Headquarters	381	231	-150	-39.4
African Region	135	88	-47	-34.8
Region of the Americas	21	11	-10	-47.6
South-East Asia Region	214	189	-25	-11.7
European Region	55	39	-16	-29.1
Eastern Mediterranean Region	220	122	-98	-44.5
Western Pacific Region	93	97	4	4.3
<b>Total</b>	<b>8 273</b>	<b>7 336</b>	<b>-937</b>	<b>-11.3</b>

\* Based on data in the human resources annual report for 2012, see document EB132/38.

\*\* Including Special programmes and collaborative arrangements.

7. Additional savings due to the staff reductions mentioned previously and indicated in the table have been undercut by the increased expenditure on salaries for the remaining staff. The rise in costs is mainly a result of the recent volatility in the exchange rate between the United States dollar and the Swiss franc (hedged for 12 months forward, and therefore now fixed through 2012 and into 2013). In eliminating this effect, the actual savings as a result of the staff reductions are in excess of US\$ 200 million per biennium.

8. Increases in staff costs have been particularly sharp in Geneva, with a rise of 17% in the cost of salaries for staff in the professional category and 20% in those in the general category, from December 2010 to July 2012. For other duty stations, the fluctuation in staff costs is not as significant as indicated for Geneva, but clear increases have been recorded in each major office.

### **OTHER MEASURES RELEVANT TO HUMAN RESOURCES**

9. From 2010 each position that has become vacant in WHO has been examined in order to determine whether it is “mission critical”. Where feasible, the position has been retained; however, the grading of the position has been revisited, and the result has often been to lower it.

10. All policies related to contract types (such as granting of continuing appointments, conditions for temporary appointments and non-staff contracts) are currently under review. Changes that result from this process are expected to be part of the implementation of WHO reform.

### **OFFSHORING FUNCTIONS TO THE WHO SERVICE CENTRE IN KUALA LUMPUR**

11. Offshoring has made a significant contribution to the achievement of cost efficiencies in Secretariat administrative functions. One approach to quantifying the financial impact of offshoring activities since 2008 is to determine what the staff costs would have been in the event that the centre operated from Geneva. The costs for all WHO administrative staff in the service centre in Kuala Lumpur as of 1 October 2012 amount to US\$ 22.3 million per biennium<sup>1</sup> whereas if the centre were to continue to operate from Geneva, the equivalent costs would be US\$ 81 million. It would cost the Organization US\$ 58.7 million more for the centre to operate from Geneva than from Kuala Lumpur.

12. Transactions have been consolidated in Kuala Lumpur not only from Geneva but from all regional and country offices.<sup>2</sup> Taking this into consideration, in a scenario where current salary costs of staff located in Kuala Lumpur were to be distributed among the regional offices according to the workload, the cost reductions would be calculated at US\$ 30.8 million per biennium.

13. Finally, it should be noted that the process of moving functions to Kuala Lumpur has not been finalized. Further potential moves to the service centre have been identified and are being analysed.

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<sup>1</sup> As per standard average costs for the current biennium.

<sup>2</sup> Except from the Region of the Americas.

## TRAVEL

14. Since 2009, three changes to travel policies have been implemented, each introducing measures to increase efficiency and effectiveness. The measures introduced include: business class travel for flights of more than nine hours' duration (the qualifying factor for business travel was the duration of the flight, which was previously set at six hours); choosing more strategic and low-cost venues for meetings (e.g. Tunis); changes in the lump sum travel entitlements; and replacing travel by video conferencing.

15. As a result of these policy changes, the monthly average expenditure for flight tickets has been reduced by 1.3 million Swiss francs from 2010 to September 2012. A total reduction of 561 tickets on average per month over the same period has been achieved. The corresponding reductions in costs do not show a reduced figure for travel expenditure in the annual financial report mainly because of the deterioration in the value of the United States dollar and increased per diem costs during the same period.

16. Changes in the use of temporary advisors<sup>1</sup> have contributed particularly to the reduction in costs for travel associated with attendance at meetings over the last two years. As a result, 80% to 85% of travel from abroad<sup>2</sup> is now in economy class, resulting in a reduction of more than 40% of the average ticket price from abroad for non-staff.

## INFORMATION TECHNOLOGY/TELECOMMUNICATIONS

17. In the area of information technology, several important global improvement projects have been initiated, including a headquarters telephony upgrade, a global managed desktop and a move to a single global e-mail solution. The technical upgrade of the Global Management System is planned for completion in mid-2013. It is also foreseen that a robust information and communications technology governance process will be established in the current biennium (2012–2013) with the aim of better aligning information and communications technology projects with business needs. The Organization's information technology department has a mandate to reduce or avoid duplication in information and communications technology solutions Organization-wide, while investigating the potential for further efficiency gains and cost reductions. This improvement work has been supported in part through savings achieved in implementing new, more cost effective technologies and through taking a more global, cost saving approach to staffing in this area.<sup>3</sup>

18. While many of the projects significantly increase the quality and volume of services to internal clients, cost reductions of about 42% (US\$ 1 million per biennium) have been realized already by changing the network service provider. The telephony costs are expected to decrease by approximately US\$ 1 million per annum due to a system upgrade.

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<sup>1</sup> Travel of temporary advisors in business class now requires approval at the Assistant Director-General level.

<sup>2</sup> For tickets purchased from headquarters.

<sup>3</sup> See document EBPBAC17/2 for more details on this aspect of increasing efficiencies.

## **MEETING MANAGEMENT**

19. In line with the decision of the Global Policy Group, work continues on establishing the new WHO meeting centre in Tunis. Workshops and training courses can be conducted in Tunis for less than 60% of the cost of holding the same events in Geneva. Savings are expected to be realized when the centre becomes fully operational in 2013.

## **PRINTING, PHOTOCOPYING**

20. The introduction of managed print and copy services in 2007 at headquarters has resulted in a saving of 4.32 million Swiss francs over a five-year period. Further cost reductions have been achieved at headquarters by reducing the number of devices from 2500 to 270 and by halving the paper consumption.

## **UNITED NATIONS-WIDE EFFICIENCY MEASURES**

21. WHO has actively participated in the United Nations-wide efforts to improve efficiency and reduce costs. Initiatives that have been pursued by WHO alongside other United Nations entities include, inter alia, the common treasury system as well as collaborative procurement efforts. WHO is also participating, in the system-wide “delivering as one” initiatives.

## **ACTION BY THE PROGRAMME, BUDGET AND ADMINISTRATION COMMITTEE**

22. The Programme, Budget and Administration Committee is invited to note this report.

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