

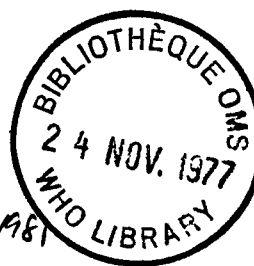


EXECUTIVE BOARD

Sixty-first Session

Provisional agenda item 15

*WHO-Budget, 1980-1981*



INDEXED

TENTATIVE BUDGETARY PROJECTIONS FOR THE BIENNIUM 1980-1981

Report by the Programme Committee of the Executive Board

1. The Programme Committee of the Executive Board reviewed in detail the report of the Director-General on "Tentative Budgetary Projections for the Biennium 1980-1981", contained in document EB61/PC/WP/5, which provided pertinent information on (1) recent trends in the level of the WHO regular budget; (2) the nature of the "tentative projections" for 1980-1981 appearing in WHO Official Records, Nos. 236 and 238; and (3) current trends in the growth of the economies of Member States. The Committee sought through these discussions to advise the Director-General on (1) the appropriate level of the WHO regular programme budget for 1980-1981, and (2) the factors to be taken into account in planning for the future growth of the WHO regular programme budget. The Director-General's report is attached as an Annex to this report.
2. The review of tentative budgetary projections for 1980-1981 by the Programme Committee in November 1977, and by the forthcoming Sixty-first Session of the Executive Board in January 1978, as urged by the Director-General, was an historic occasion, in that it was the first time that WHO policy-making organs were being so fully involved at so early a stage in the programme budgeting process in WHO.
3. The appropriate level and growth rate of the WHO regular programme budget were intimately related to fundamental issues of programme budgeting in WHO. An appropriate balance or complementarity had to be achieved between two basic approaches: (1) starting with the full range of programme objectives, determining priorities, and finally implementing those activities for which resources became available; and (2) starting with limited budgetary planning figures, and then developing specific programmes and activities within those budget levels. It was evident that WHO practised both of these methods. The concept of programme budgeting involved "programming by objectives and budgeting by programmes"; this implied beginning with the full range of objectives in health, setting priorities, and then committing resources to those priority programmes. At the same time, it was necessary to plan regular budget activities within budget levels acceptable to the contributing Member States while taking into consideration funds which could realistically be expected to become additionally available from extrabudgetary sources.
4. With regard to the regular programme budget financed mainly by assessments on Member States, WHO had for many years published in the proposed programme budget documents "tentative projections". These had to be carefully distinguished from actual regular programme budget estimates appearing in the same documents. The "tentative projections" were purely statistical projections for the future, not resulting from any true programming process. Since the programmes were not yet determined, the "tentative projections" could not be analysed by "real" or "cost" increases, or by "object of expenditure". These purely statistical projections of trends in budget levels were not intended in any way either to commit or to limit the level of the WHO regular budget eventually to be recommended by the Executive Board and approved by the World Health Assembly. The programme budgets later

proposed by the Director-General were the result of a true programming process and were based on detailed cost estimates for specific categories of expenditure; hence the underlying cost factors could be analysed in detail in such proposed programme budgets.

5. The "tentative projections" appearing in WHO Official Records provided an indicative trend of regular budget levels which might be acceptable to contributing Member States. At the same time, the Director-General made tentative budgetary allocations to the regions, and, under the new procedures for programme budgeting at country level, "provisional country planning figures" were tentatively set by Regional Directors for each country, within which programmes were to be planned in collaboration with national authorities. The Regional Directors and the Director-General developed the proposed programme budget, taking into account (a) the requests of countries; (b) the programme directions of the Organization; (c) such policy guidance as had been received from the Executive Board and World Health Assembly; and (d) the expected acceptability of regular budget levels to the Member States. Thus the concept of planning within budgetary limits had always been part of the WHO programme budgeting process, particularly under the regular budget.

6. The regular programme budget financed from assessments of Member States was part of the total WHO programme budget, referred to as the "Integrated International Health Programme", financed from all sources of funds including the Voluntary Fund for Health Promotion, other organizations in the United Nations system, special accounts, funds-in-trust and the International Agency for Research on Cancer. Viewed in this fuller context, programming in WHO was not limited to pre-defined budgetary levels. An important role of WHO regular programmes was to mobilize additional extrabudgetary resources. Programme budgeting in this sense permitted WHO to plan the full range of programme objectives, priorities, alternative approaches and programmes, and then determine what could appropriately be accommodated under the WHO regular budget, what could attract extrabudgetary resources, and what could be done in new and different ways without requiring additional resources.

7. In considering the appropriate growth rate of the regular programme budget of WHO, the Programme Committee emphasized the desirability of being able to know the potential impact on programmes of alternative decisions regarding future budget growth rates. What might be the programmatic consequences of a decision to increase the regular budget by 1%, or 3% per annum? Ideally, budget growth decisions should be related more to future programme implications than to historical budgetary trends. It was hoped that medium-term programming, such as had recently been undertaken in Mental Health and Health Manpower Development, would (1) lead to more advanced awareness of the programmatic implications of decisions on regular budget growth rates; and (2) help to attract extrabudgetary resources to meet health objectives defined by WHO in collaboration with Member States.

8. Reviewing recent trends in the level of the WHO regular budget, the Programme Committee noted that between 1972 and 1977 WHO had experienced by far the lowest percentage growth in its regular budget of all organizations in the United Nations system. In comparing growth rates between agencies, due consideration had to be given to the size of the budget on which the percentage was based; the same percentage of a larger budget produced a larger increase in absolute terms. The comparative data presented in Annex I and Annex II of the Director-General's report demonstrated clearly that WHO had pursued a policy of moderate programme and budgetary growth in recent years.

9. The growth of the overall regular budget level did not reflect the full story. Within existing budget levels, the Director-General had accomplished substantial change and reprogramming of resources, as projects were phased out and new activities were undertaken. Most significantly the Director-General in response to the new programme budget policy set by resolutions WHA29.48 and WHA30.30, was making resources totalling almost \$ 42 000 000, measured at 1977 costs and within the 1977 budget level, available for new or expanded technical cooperation activities in 1978-1981. This was a real shift of resources to be accomplished without taking into account "real" increases in the regular programme budget or "cost" increases, including the effects of currency fluctuations, which might occur in future years. A request was made that future programme budgets attempt to show more clearly the proportion of new programmes and activities contained within the total regular budget level.

10. The Programme Committee noted that in recent years "cost" increases rather than "real" increases (defined in Annex II of the Director-General's report) had made up by far the greatest share of budgetary growth in WHO. These data were based on past budgetary estimates; the actual expenditures in those same years in fact reflected even higher "costs", with "real" programme increases approaching zero, or even negative figures due to continuing high costs and currency fluctuations in those years. It was noted that if the effect of costs of the Primary Health Care Conference in Alma Ata were removed from the regular budget calculations in both 1978 and 1979, the percentage real programme increase foreseen for 1978 would be approximately 1.61%, while for 1979 it would be approximately 2.39%, which represents an average of approximately 2% annually for the 1978-1979 biennium.

11. The Programme Committee emphasized the desirability in future of having more detailed information on the various "cost" factors and assumptions on which WHO programme budgets were based, including inflationary price increases, and staff salary increases. It would be interesting to know what portion of total "cost" increases was attributable to currency fluctuations as distinguished from other "cost" increases. It was noted by way of example, that currency cost increases amounted to 3.3% out of a total "cost" increase of 8.41% in the regular budget in 1973; 6.29% out of 9.58% in 1974; and 7.12% out of 16.31% in 1975, with the difference in each case being made up of what might be called "true" cost increases.

12. WHO estimated cost increases in a manner which might differ from some other organizations: detailed cost estimates were prepared on individual categories of expenditure, such as fuel, electricity and mailing charges, if data were available; if no detailed data were available, broader cost indexes were used. The "Consumer Price Index" (CPI) in Switzerland and other countries was relevant in so far as it affected estimates of the post adjustment component of professional staff salaries in those duty stations. For estimating other WHO costs, however, the CPI tended to have little relevance to WHO, because the CPI "basket of goods" (or costs incurred by the consumer) was not representative of the categories of expenditure incurred by WHO. Thus the general rate of inflation measured by the CPI in individual countries could be entirely different from the "cost" increases experienced by WHO. In response to the wishes of the Programme Committee, it was explained that future programme budgets of WHO would contain more detailed information on the "cost" factors and assumptions on which WHO budgets were based.

13. The appropriate budgetary rate of exchange between the Swiss franc and the currency of contribution, the US dollar, was a recurring problem. It was noted that if the recent sharp rise in the value of the Swiss franc in relation to the currency of contribution should continue, it would have serious implications for future WHO budgets. If the WHO budgetary rate of exchange remained at levels which were unrealistic in relation to exchange rates in the market-place, the situation would eventually "catch up" with WHO. The Director-General, faced with the virtual impossibility of anticipating future currency fluctuations in 1980-1981, which were outside the control of the Organization, had used in his "tentative projections" the same budgetary rate of exchange of 2.65 Swiss francs to the US dollar as used in the budgetary estimates for 1977, 1978 and 1979, for purposes of comparability. The use of such a rate in 1977-1979 had the effect of deferring additional charges to contributing Member States prior to additional costs actually being incurred, and, despite the decline in the value of the US dollar in 1977, the Director-General had managed to avoid requesting a supplementary budget in that year. Nevertheless, the continuing sharp decline in the US dollar could make it necessary to adjust future budgetary rates to more realistic levels.

14. The budgetary rate of exchange for 1980-1981 could not be definitively set until autumn 1978, when the programme budget was finally prepared, but it was the Director-General's intention to set such a budgetary rate of exchange in consultation with the other Geneva-based agencies in the United Nations system. It was likely that the budgetary rate of exchange for 1980-1981 would be most influenced by the market rates of exchange prevailing in the autumn of 1978.

15. With regard to allocations between regions, it was noted that the "tentative projections" for 1980-1981, being purely statistical projections, not based on any true programme budgeting process, could not be analysed in terms of "real" and "cost" increases in the different regions. The projected percentages were indicative of the shares which the Director-General would allocate between regions. Regional Directors would then be expected to formulate regular budget programmes for 1980-1981, and accommodate any "cost" increases within those tentative allocations. The Director-General's allocation of regular budget resources between regions took into consideration a number of factors, including the needs of the least developed among developing countries and newly emerging States, as well as the possibility of mobilizing extrabudgetary resources within each region.

16. In his report to the fifty-fifth session of the Executive Board in January 1975 on "Allocation of Resources between Regions" (document EB55/WP/11), the Director-General had outlined the qualitative and quantitative considerations underlying regional allocations. He had found it useful to include among other considerations quantitative indicators of health levels, resources and needs, to determine at least the direction which future proportional allocations should take, and to apply such considerations to allocation of increases in total available resources, without cutting back on the current allocation level of any region. In view of the number and complexity of qualitative and quantitative factors involved it had been a matter of "feeling one's way" over the years in arriving at allocations of WHO regular budget resources between regions, and the same complexity applied to the setting of preliminary country planning figures within regions. In the absence of other instruction from the Executive Board or from the World Health Assembly, the Director-General had paid special attention to the needs of the "least developed among developing countries", and those populations most deficient in terms of health. The criteria for allocation of resources between regions, as expressed in document EB55/WP/11, remained essentially valid today.

17. The Programme Committee considered the comparative trends in the growth of the economies of Member States, as they might relate to regular programme budget growth in WHO. It was noted on the basis of past world gross domestic product figures, drawn from official United Nations statistical sources, and on the basis of individual country per capita gross national product data published by the World Bank, and reproduced in Annex IV of the Director-General's report, that the "real" growth of the WHO regular budget in those years had kept well within the rates of real growth of the economies of Member States. It was recalled that some members of the Executive Board and delegates at recent World Health Assemblies had expressed the view that the "real" growth of the WHO budget should keep pace with, but not exceed, the real growth of the national economies of Member States, or at least of the main contributors to the WHO regular budget.

18. The Programme Committee agreed that the real growth of the economies or productivity of all Member States (and not just the ten highest contributors) was one of the factors to take into account in determining the future real growth of the WHO regular programme budget. There should be no fixed mathematical rule; a fixed linkage between future WHO budget growth and past national economic or productivity growth would be unsound, due to the time-lag between the two. For example, when considering the WHO regular programme budget growth for 1980-1981, the latest available national economic or productivity data for all countries would be for 1974-1975. Economists and other experts were not in agreement on the future growth of national economies. Therefore, reliance could be placed only on the general order of national productivity trends, with due attention to the substantial time-lag between the available statistical reference periods and the WHO programme budget biennia at the time of preparation and approval of the WHO programme budgets.

19. The Programme Committee agreed that "real" programme increases were necessary if WHO was to be fully effective in meeting the main social target of Member States and WHO, set forth in World Health Assembly resolution WHA30.43, which is "the attainment by all the citizens of the world by the year 2000 of a level of health that will permit them to lead a socially and economically productive life". Now that WHO operated under a true programme budget, limitations on budget growth could not help but limit programmes as well. The

essential questions to be answered were whether the WHO programme budget resources and whether the programme reorientations towards "increased social relevance and response to the needs of countries", were sufficient to carry out the programme budget policy and strategy, required and approved by the World Health Assembly resolutions WHA29.48 and WHA30.30, for the development of technical cooperation with and among developing countries.

20. In conclusion, the Programme Committee recommended, for consideration by the Executive Board, and as guidance to the Director-General, that:

20.1 a "real" increase of up to 2% per annum, in addition to reasonably estimated "cost" increases, the underlying factors and assumptions for which should be made explicit, represents an appropriate rate of WHO regular programme budget growth in the biennium 1980-1981; and

20.2 the real growth of national economies or productivity of all Member States is one factor to be taken into consideration in determining the future growth of the WHO regular programme budgets in coming years, but the fundamental concern is the capability of WHO, with all the resources, competence and will at its disposal, through the collaboration of Member States, to fulfil its constitutional mandate and carry out the policy and strategy required by the World Health Assembly.



TENTATIVE BUDGETARY PROJECTIONS FOR THE BIENNIUM 1980-1981

Report by the Director-General

This paper provides background information relating to recent trends in the level of the WHO regular budget, tentative budgetary projections for 1980-1981, and trends in the growth of economies of Member States as they relate to programme budget growth in WHO. The Director-General asks for advice and guidance on the appropriate level of the WHO regular programme budget for 1980-1981 and also on factors to be considered in planning for the future growth of the WHO regular budget.

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## 1. INTRODUCTION

1.1 During its first meeting in Geneva from 1 to 5 November 1976, when the Programme Committee of the Executive Board considered its future work, the Director-General suggested that the Committee become fully involved in examining the budgetary projections for the 1980-1981 programme budget.<sup>1</sup> At its brief meeting on 24 May 1977, the Programme Committee decided that the budgetary projections for 1980-1981 required immediate attention, in view of their relationship to the policy and strategy for the development of technical cooperation as well as to the implementation of the Sixth General Programme of Work covering the specific period 1978-1983.

1.2 In order to facilitate discussion, this paper briefly outlines recent trends in the level of the WHO regular budget, explains the tentative budgetary projections for 1980-1981, which were of a purely statistical nature and published on that basis in the WHO Official Records,<sup>2</sup> and provides some comparative information on trends in the growth of economies of Member States as they relate to programme budget growth in WHO. In conclusion, the Director-General asks for advice and guidance on the appropriate level of the WHO regular programme budget for 1980-1981 and also on factors to be considered in planning for the future growth of the WHO regular budget.

## 2. RECENT TRENDS IN THE LEVEL OF THE WHO REGULAR BUDGET

2.1 In recent years the WHO regular budget has shown a moderate rate of growth. Based on officially published documents, as shown in Annex I, WHO has had since 1972 by far the lowest percentage growth rate in its regular budget of all the organizations of the United Nations system. If regular programme budget levels for 1977 are compared with actual expenditure levels in 1972, it is evident that the WHO growth rate has been significantly below that of the other specialized agencies and of the United Nations system as a whole:

<u>Organizations</u>	<u>Actual Expenses</u>	<u>Budget Level</u>	<u>Percentage</u>
	<u>1972</u>	<u>1977</u>	<u>Increase</u>
	\$	\$	%
World Health Organization	85 218 000	147 184 000	72.72
Specialized agencies and the International Atomic Energy Agency	160 586 000	379 989 000	136.63
Subtotal	245 804 000	527 173 000	114.47
United Nations	172 580 000	317 603 000	84.03
Total for the United Nations system	418 384 000	844 776 000	101.91

2.2 In recent years, the annual increase of WHO regular budget in dollar terms has ranged between a high of 16.43% and a low of 5.96%. As illustrated in Annex II, these increases can be divided between "real" increases and "cost" increases. For example, since 1972 the annual percentage increase of the WHO regular budget has been as follows:

<sup>1</sup> WHO Official Records, No. 238, Part II, Appendix I, p. 180, paragraph 68.

<sup>2</sup> WHO Official Records, No. 236, pp. 28-29, and No. 238, p. 243.

<u>Year</u>	<u>Real Increase</u> %	<u>Cost Increase</u> <sup>1</sup> %	<u>Total Increase</u> %
1972	3.47	10.91	14.38
1973	3.97	8.41	12.38
1974	2.95	9.58	12.53
1975	0.61	9.05	9.66
1976	0.12	16.31	16.43
1977	0.21	5.75	5.96 <sup>2</sup>

2.3 It will be noted from the above that starting with the 1975 programme budget, the real programme rate of increase of the WHO regular budget has been close to zero, with increases in prices and costs of exchange making up most of the difference between succeeding budget levels. Considering that approximately two-thirds of WHO expenditures are in currencies other than the currency of contribution, the US dollar, and that about one-third of expenditures are in Swiss francs, and considering further that the United Nations accounting rate of exchange for the Swiss franc against the US dollar has declined from 4.32 in April 1971 to 2.40 in mid 1977, which represents an increase of 80% in the cost of purchasing Swiss francs, it is evident that a large share of the total cost increases since 1972 has been due to currency fluctuations outside the control of WHO.

2.4 During the Twenty-ninth World Health Assembly, at the end of the discussion in Committee A on the proposed effective working budget level for 1977, the Director-General made the following statement as reported in the Summary Records:

"The increase proposed in the budget was - in real terms - somewhere between 1% and 2%. Even though the increase would not go to headquarters, it would represent a very small amount when divided among the developing countries. It was therefore important that the Health Assembly should indicate whether or not it considered that he had been too conservative in his approach to the regular budget. His purpose was simple: that in the health field the Organization should remain an example to the rest of the world, and should move forward, united, to make health for all a reality by the end of the century. For that reason he had not wished to see too strong a confrontation on the issue of the regular budget. However, most of the developing countries that had spoken in the discussion did not seem to favour too great an increase in the regular budget but rather a better utilization of a modestly increasing budget, with more productivity in the direction of their health problems. Unless he was instructed otherwise, he would still observe a certain prudence in regard to the overall level of the regular budget, to the extent that such prudence did not conflict with resolution WHA28.76 and the resolution on programme budget policy recently approved by the Committee."<sup>3</sup>

2.5 In presenting his proposed programme budget for the financial years 1978 and 1979, the Director-General included in his Introduction to Official Records, No. 236 a very detailed explanation of how the proposed effective working budget levels for 1978 and 1979 were arrived at, taking into account exceptionally high cost increases for 1978. Not counting non-recurring costs for the International Conference on Primary Health Care, the percentage real programme increase foreseen was 1.61% in 1978 and 2.39% in 1979, which represented an average of approximately 2% annually for the 1978-1979 biennium. This was close to the 2% limit referred to by the Director-General (see paragraph 2.4 above).

<sup>1</sup> Includes cost increases due to (a) inflation and (b) depreciation of the US dollar in relation to currencies in which expenditures are incurred by WHO.

<sup>2</sup> Lowest budgetary increase since 1958.

<sup>3</sup> WHO Official Records, No. 234, Part II, pp. 364-365.



2.6 The WHO cost estimate increases for 1978 and 1979 were based in part on assumptions made by the United Nations organizations in Geneva anticipating a rate of inflation in Switzerland between 4% and 5%. At the same time, the Director-General proposed that for the time being the 1977 budgetary rate of exchange of 2.65 Swiss francs to the US dollar be retained for 1978 and 1979, in order to provide comparability of programme budgets in succeeding years and to avoid increasing budget levels and assessed contributions of Member States unless and until this should become unavoidable as a result of a continuing rise in the value of the Swiss franc in relation to the US dollar.

### 3. TENTATIVE BUDGETARY PROJECTIONS FOR 1980-1981

3.1 In presenting the proposed programme budget for the financial years 1978 and 1979, the Director-General included in WHO Official Records, No. 236, pages 28-29, a summary table showing the regular budget for the years 1976-1979 by Appropriation Section, with a tentative projection for 1980 and 1981. The Director-General also provided the Executive Board with a table showing the regular budget breakdown by region for the years 1977, 1978 and 1979, with tentative projections for 1980 and 1981, which was published in WHO Official Records, No. 238, page 243, and which is reproduced in Annex III of the present working paper.

3.2 As programming had not yet begun for the years 1980 and 1981, these figures in WHO Official Records, Nos. 236 and 238, were merely statistical projections, not intended in any way to commit or limit the level of the WHO regular budget for 1980-1981. The annual tentative budgetary projections and increases between the years are summarized below:

	<u>Regular Budget</u>			<u>Tentative Projections</u>	
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Level	147 184 000	165 000 000	175 700 000	189 000 000	203 000 000
Increase over prior year	-	17 816 000	10 700 000	13 300 000	14 000 000
Percentage increase	-	12.10%	6.48%	7.57%	7.41%

3.3 In view of World Health Assembly resolution WHA30.20 which decided that the programme budget of WHO shall cover a two-year period beginning with the biennium 1980-1981, it would be appropriate to compare the tentative budgetary projections for the biennium 1980-1981 with merged budgetary estimates for 1978 and 1979:

<u>Regular Budget</u>	<u>Tentative Projections</u>	<u>Increase</u>	
<u>1978-1979</u>	<u>1980-1981</u>	<u>Amount</u>	<u>Percentage</u>
340 700 000	392 000 000	51 300 000	15.06%

3.4 The above purely statistical projections for 1980-1981 were based on the same budgetary rate of exchange of 2.65 Swiss francs to the US dollar as used in the budgetary estimates for 1977, 1978 and 1979 for purposes of comparability. If the recent sharp rise in the value of the Swiss franc in relation to the currency of contribution, the US dollar, should make it necessary to adjust the budgetary rates of exchange for 1978 and 1979 in order to bring them more in line with prevailing market conditions, or at least with the budgetary rate of exchange used by the United Nations and other agencies having significant expenditures in Swiss francs, it would also become necessary to adjust the projections for 1980-1981 to more realistic exchange rate assumptions, thus retaining essential comparability between budgetary estimates for 1978-1979 and 1980-1981. If the 1980-1981 projections were to be adjusted on this basis, the percentage increase in 1980-1981 over 1978-1979 should not be substantially affected. However, it should be realized that quite apart from any adjustments to the projections for 1980-1981 that may or may not be made by the Programme Committee or the Executive Board on the basis of forecasts or guesses as to what currency exchange rates might

be in those years, the actual level of the regular budget for that biennium proposed by the Director-General will be affected by the budgetary rates of exchange actually used in the preparation of the proposed programme budget, which in turn will be based on such assumptions regarding market rates of exchange in 1980-1981 as it is possible to make at the last stages of the preparation of the proposed programme budget (i.e. autumn 1978).

3.5 The projections for global, interregional and headquarters activities and for regional activities were calculated as follows. For 1980, the global interregional and headquarters budget estimates for 1979 were reduced by US\$ 1 856 000, the amount to be transferred to the regions for technical cooperation activities in accordance with the report of the Programme Committee, and, to the remaining balance, an increase of about 6% for the headquarters component and 4% for global and interregional activities was added. For 1981 a further reduction of US\$ 2 132 000 was made from the global, interregional and headquarters figures, which were transferred to the regions for technical cooperation activities, and again increases of about 6% for headquarters and 4% for global and interregional activities were added to the balance.

3.6 As regards the regions, the projections were based on moderate programme increases and cost increases which together amounted to an increase in each of the years 1980 and 1981 of 8% for Europe, 9% for the Americas, the Eastern Mediterranean and the Western Pacific, and 10% for Africa and South-East Asia, to which were added the substantial funds released from global, interregional and headquarters activities pursuant to the policy and strategy for the development of technical cooperation. The resulting tentative projections are summarized below:

	<u>Regular Budget</u>	<u>Tentative Projections</u>	<u>Increase</u>	
	<u>1978-1979</u>	<u>1980-1981</u>	<u>Amount</u>	<u>Percentage</u>
Africa	53 245 900	65 797 000	12 551 100	23.57
The Americas	30 260 000	36 521 000	6 261 000	20.69
South-East Asia	36 203 200	44 991 000	8 787 800	24.27
Europe	20 196 000	23 827 000	3 631 000	17.98
Eastern Mediterranean	34 549 200	41 813 000	7 263 800	21.02
Western Pacific	26 633 000	32 495 000	5 862 000	22.01
Subtotal	<u>201 087 300</u>	<u>245 444 000</u>	<u>44 356 700</u>	<u>22.06</u>
Headquarters, global and interregional	<u>139 612 700</u>	<u>146 556 000</u>	<u>6 943 300</u>	<u>4.97</u>
Total	<u><u>340 700 000</u></u>	<u><u>392 000 000</u></u>	<u><u>51 300 000</u></u>	<u><u>15.06</u></u>

3.7 The tentative projections for the regions reflected above were made taking into consideration a number of factors, including the needs of the least developed among developing countries and newly emerging states and the possibility of mobilizing extrabudgetary resources within each region.<sup>1</sup> As already mentioned, these tentative allocations represent purely statistical projections for 1980-1981, not intended in any way to commit or limit the level of the WHO regular budget or the apportionment among the WHO regions.

<sup>1</sup> The qualitative and quantitative considerations involved in allocating WHO regular budget resources between regions were most recently considered by the Executive Board at its fifty-fifth session (January 1975) on the basis of document EB55/WP/11, entitled "Allocation of Resources Between Regions".

## 4. COMPARATIVE TRENDS IN GROWTH OF ECONOMIES OF MEMBER STATES

4.1 The determination of appropriate rates of growth of the WHO programme budget is a complex problem. At best, the WHO regular budget can represent only a small contribution towards the claim in the world today for more social justice, equality of opportunity and, as a matter of basic human rights, "the attainment by all citizens of the world by the year 2000 of a level of health that will permit them to lead a socially and economically productive life". A small budget growth rate entails the risk that there will be only small achievements towards social and economic development. Therefore, if limits are placed on the regular budget growth of WHO, they should be coupled with other national and international efforts for increased cooperation and solidarity in international health work, with all Member States making use of their World Health Organization to achieve these aims.

4.2 Some members of the Executive Board and delegates to the World Health Assemblies have occasionally expressed the view that the real growth of the WHO budget should keep pace with, but not exceed, the real growth of the national economies of the Member States or at least of the main contributors to the WHO regular budget. If this were to be agreed upon in principle, it would be possible to relate future budget level decisions to more objective, quantitative criteria.

4.3 Worldwide economic statistics are periodically published by the Department of Economic and Social Affairs of the United Nations in the UN Statistical Yearbook. The United Nations data are derived from official estimates of "gross domestic product" at constant prices for the market economies or from "gross output" or "net material product" at constant prices for the centrally planned economies. The most recent edition, the UN Statistical Yearbook 1975, Twenty-seventh issue, published in New York in 1976, contains at page 10 a World Summary of "index numbers of gross domestic product" (GDP), with 1970 = 100. On this scale, the growth in world gross domestic product has ranged between a high of 7.2% and a low of 3.4% per annum in recent years:

<u>Statistical Year</u>	<u>World GDP Index Number</u>	<u>Annual Percentage Increase</u>
1970	100	-
1971	105	5.0
1972	111	5.7
1973	119	7.2
1974	123	3.4

4.4 Individual country gross national product (GNP) figures, reflecting real national income growth, have been published by the World Bank, relying on United Nations and other data, for 1974 with average annual growth rates of the per capita GNP for the intervals 1960-1974 and 1965-1974, as reproduced in Annex IV. If the growth rates of the per capita GNP of the 10 largest contributors to the WHO regular budget are compared, it appears that the simple, average growth rates of the per capita GNP of these 10 countries have averaged 4.3% to 4.5% per annum.

4.5 Both the United Nations and World Bank statistics referred to above are based on an exchange rate approach to comparative income analysis, which gives somewhat undue weight to prices of internationally traded goods and services. These drawbacks are being overcome by a very ambitious International Comparison Project undertaken by the United Nations, the preliminary results of which will not be available until late in 1978.

4.6 Most authorities agree that the rate of growth of gross national products, gross domestic products or national incomes will be less rapid than in past years, but will continue a basically upward trend. It is difficult to obtain reliable and comparable forecasts of future economic growth rates in individual countries, much less reach uniform agreement on the different estimates. An overall real growth rate of the economies of industrialized countries over the next four years in the range of 2.5% to 3.5% per annum might be a reasonably conservative estimate. This would correspond to a real growth rate on a biennial basis of approximately 5% to 7%.

5. GUIDANCE REQUESTED

5.1 Recognizing the complexities and important implications of setting the level of future regular budgets in the World Health Organization, the Director-General would appreciate the advice and guidance of the Programme Committee of the Executive Board, and of the Board as a whole, on the appropriate level of the WHO regular programme budget for 1980-1981 within which to plan specific programmes, and also on the factors to be taken into consideration in planning for the future growth of the WHO regular budget in coming years.

ANNEX I

EVOLUTION OF NET REGULAR BUDGETS OF THE ORGANIZATIONS  
IN THE UNITED NATIONS SYSTEM FROM 1972 TO 1977

<u>Organization</u>	<u>1972</u> <u>Actual Expenses</u> <sup>1</sup> (000)	<u>1977</u> <u>Appropriations</u> <sup>1</sup> (000)	<u>1972-1977</u> <u>Percentage Increase</u> %
ILO	27 454	73 041	166
FAO	37 817	90 718	140
UNESCO	44 775	101 081	126
ICAO	8 760	15 895	81
UPU	2 247	5 890	162
<u>WHO</u>	85 218	147 184	<u>73</u>
ITU	14 553	27 015	86
WMO	3 990	10 583	165
IMCO	1 876	5 990	219
WIPO	2 874	9 195	220
IAEA	16 240	40 581	150
Subtotal (specialized agencies and IAEA)	245 804	527 173	114
United Nations	172 580	317 603	84
Total	<u>418 384</u>	<u>844 776</u>	<u>102</u>

<sup>1</sup> Information on the actual expenses of organizations in the United Nations system in 1972 and appropriations or budget estimates for 1977 were extracted from United Nations General Assembly document A/31/233 dated 4 October 1976, entitled "Administrative and Budgetary Co-ordination of the U.N. with the Specialized Agencies and the International Atomic Energy Agency - Report of the Advisory Committee on Administrative and Budgetary Questions".

ANNEX II

WHO EFFECTIVE WORKING BUDGET SHOWING REAL AND COST INCREASES  
FROM 1965 TO 1978<sup>1</sup>

Year	Effective	Increase		Real Increase		Cost Increase <sup>2</sup>	
	Working Budget	US \$	%	US \$	%	US \$	%
1965	39 507 000	4 964 250	14.37	3 288 577	9.52	1 675 673	4.85
1966	44 481 800	4 974 800	12.59	1 952 668	4.94	3 022 132	7.65
1967	52 075 600	7 593 800	17.07	3 432 406	7.72	4 161 394	9.35
1968	56 123 000	4 047 400	7.77	1 562 734	3.00	2 484 666	4.77
1969	62 121 700	5 998 700	10.69	2 153 564	3.84	3 845 136	6.85
1970	67 650 000	5 528 300	8.89	1 947 323	3.13	3 580 977	5.76
1971	75 215 000	7 565 000	11.18	2 705 850	4.00	4 859 150	7.18
1972	86 034 290	10 819 290	14.38	2 614 356	3.47	8 204 934	10.91
1973	96 682 900	10 648 610	12.38	3 410 426	3.97	7 238 184	8.41
1974	108 799 800	12 116 900	12.53	2 853 699	2.95	9 263 201	9.58
1975	119 310 000	10 510 200	9.66	663 245	0.61	9 846 955	9.05
1976	138 910 000	19 600 000	16.43	142 883	0.12	19 457 117	16.31
1977	147 184 000	8 274 000	5.96	288 303	0.21	7 985 697	5.75
1978	165 000 000	17 816 000	12.10 <sup>3</sup>	4 584 890	3.11 <sup>3</sup>	13 231 110	8.99

<sup>1</sup> The distinction between real increases and cost increases is explained on the second page of this Annex.

<sup>2</sup> Includes cost increases due to (a) inflation and (b) depreciation of the US dollar in relation to currencies in which expenditures are incurred by WHO.

<sup>3</sup> Including a special, non-recurring provision for the International Conference on Primary Health Care representing an increase of 1.5%. If this provision were excluded, the increase in the WHO effective working budget in 1978 would be 10.60% and the real increase would be 1.61%.

Annex II

EXPLANATORY NOTE ON THE DISTINCTION BETWEEN REAL INCREASES  
AND COST INCREASES IN THE WHO BUDGET

The difference between the "real" increases and "cost" increases shown on the first page of this Annex can be explained in terms of the actual WHO budget preparation process at headquarters and in the regions.

At headquarters, all programme proposals for the forthcoming budgetary period (1980-1981, for example) are initially formulated on the basis of the same cost assumptions used for the preparation of the preceding budget estimates (e.g. 1978-1979). The difference between the figures so arrived at for the forthcoming budgetary period (1980-1981) and those for the preceding period (1978-1979) thus reflect only "real" programme increase (or decrease). After approval by the Director-General, the programme proposals for the forthcoming budgetary period are recosted on the basis of new cost assumptions developed by Budget unit. The difference between the cost of programme proposals for the forthcoming period (1980-1981) based on cost assumptions for the preceding period (1978-1979) and the cost of the same programme proposals based on the new cost assumptions (for 1980-1981), which also take account of projected statutory increases and estimated inflation rates, is considered to be "cost" increase.

In the regions, an analysis is made on a project by project basis to determine which of the increases or decreases relate to "cost" or "real" programme increase or decrease. As a general rule, all increases or decreases in respect of continuing posts are considered "cost" increases or decreases. All new posts are considered programme increase and discontinued posts programme decrease. For consultants a change in the average applied for the same number of man-months is considered a "cost" increase, whilst a difference in the number of man-months is considered a "real" programme increase or decrease. Increases or decreases in supplies and equipment, fellowships, meetings and local costs are considered "real" programme increases or decreases. For all other items of expenditure, increases or decreases in continued provisions are included as "cost" increases/decreases, whilst new or additional provisions and discontinued provisions are considered "real" programme increases or decreases.

It should be noted that WHO programme budgets have in past years been built up out of detailed programme and project cost estimates, starting anew each year (a form of "zero base budgeting"). As a consequence of this, WHO estimated cost increases from year to year have not concealed "hidden" real budget growth. In this respect the WHO budgeting process may have been somewhat different from that of some other organizations. For the future, the only change anticipated in this budgetary process relates to the new WHO procedures for programme budgeting at country level, whereby country technical cooperation programme proposals will be developed and presented in regional programme budget documents only at programme level, while detailed plans and cost estimates for individual country projects will be developed at a later stage, closer to and as part of programme implementation at country level.<sup>1</sup>

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<sup>1</sup> See resolution WHA30.23 and WHO Official Records, No. 238, Part I, Annex 7, pp. 79-87.

WHO REGULAR BUDGET ESTIMATES FOR 1977, 1978 AND 1979 BY REGION WITH TENTATIVE PROJECTIONS FOR 1980 AND 1981<sup>1</sup>

	Revised 1977	1978			1979			1980			1981		
		Increase		Total	Increase		Total	Increase		Total	Increase		Total
		Amount	%		Amount	%		Amount	%		Amount	%	
	US \$	US \$		US \$	US \$		US \$	US \$		US \$	US \$		US \$
Africa	21 968 600	3 301 400	15.03	25 270 000	2 705 900	10.71	27 975 900	3 167 100	11.32	31 143 000	3 511 000	11.27	34 654 000
The Americas	12 815 700	1 593 300	12.43	14 409 000	1 442 000	10.01	15 851 000	1 556 000	9.82	17 407 000	1 707 000	9.81	19 114 000
South-East Asia	14 720 700	2 428 900	16.50	17 149 600	1 904 000	11.10	19 053 600	2 213 400	11.62	21 267 000	2 457 000	11.55	23 724 000
Europe	8 664 000	1 009 000	11.65	9 673 000	850 000	8.79	10 523 000	901 000	8.56	11 424 000	979 000	8.57	12 403 000
Eastern Mediterranean	14 236 400	2 195 500	15.42	16 431 900	1 685 400	10.26	18 117 300	1 799 700	9.93	19 917 000	1 979 000	9.94	21 896 000
Western Pacific	10 987 000	1 652 000	15.04	12 639 000	1 355 000	10.72	13 994 000	1 453 000	10.38	15 447 000	1 601 000	10.36	17 048 000
	83 392 400	12 180 100	14.61	95 572 500	9 942 300	10.40	105 514 800	11 090 200	10.51	116 605 000	12 234 000	10.49	128 839 000
Headquarters, global and interregional	63 791 600	5 635 900 <sup>2</sup>	8.83 <sup>3</sup>	69 427 500	757 700	1.09 <sup>3</sup>	70 185 200	2 209 800	3.15	72 395 000	1 766 000	2.44	74 161 000
Total	147 184 000	17 816 000	12.10 <sup>4</sup>	165 000 000	10 700 000	6.48 <sup>4</sup>	175 700 000	13 300 000	7.57	189 000 000	14 000 000	7.41	203 000 000

<sup>1</sup> The information provided in this table was extracted from WHO Official Records, No. 238, Appendix 4, page 243. The tentative projections for 1980-1981 were of a purely statistical nature and were not intended to commit or limit the WHO regular programme budget for those years.

<sup>2</sup> Includes \$ 2 206 000 for the International Conference on Primary Health Care.

<sup>3</sup> Excluding the above conference, the percentage increases are 5.38% and 4.41% respectively.

<sup>4</sup> Excluding the above conference, the percentage increases are 10.60% and 7.93% respectively.



ANNEX IV

GROSS NATIONAL PRODUCT GROWTH RATES OF INDIVIDUAL COUNTRIES

The World Bank has published individual country gross national product (GNP) figures at market prices, reflecting real national income growth, for 1974 with average annual percentage growth rates of the per capita GNP for the intervals 1960-1974 and 1965-1974, as reproduced on the following page.<sup>1</sup>

If the growth rates of the per capita GNP of the 10 largest contributors to the WHO regular budget according to the scale of assessment for 1978 adopted in resolution WHA30.14 are compared, it appears that the simple average GNP per capita growth rates of these 10 countries have averaged approximately 4.5% or 4.3% per annum depending on the interval considered:

	<u>Member</u>	<u>Scale of Assessment (%)</u>	<u>GNP per capita (%)</u>	
			<u>1960-1974</u>	<u>1965-1974</u>
1.	United States of America	25.00	2.9	2.4
2.	Union of Soviet Socialist Republics	11.33	3.8	3.4
3.	Japan	8.49	8.8	8.5
4.	Federal Republic of Germany	7.52	3.7	3.9
5.	France	5.53	4.4	4.8
6.	China	5.37	5.2	4.6
7.	United Kingdom of Great Britain and Northern Ireland	4.44	2.3	2.2
8.	Italy	3.21	4.2	4.0
9.	Canada	2.87	3.7	3.5
10.	Spain	1.52	5.8	5.4
	Simple average GNP <u>per capita</u>		<u>4.5</u>	<u>4.3</u>

Information on these and other countries are provided on the following page, which is an extract from the World Bank Atlas - Population, Per Capita Product, and Growth Rates, published by the World Bank in 1976. The Atlas is updated and republished periodically, using the latest available GNP data, uniformly converted into current dollars and adjusted for population growth.

<sup>1</sup> The World Bank GNP figures are based on "market prices", which means that the GNP of not only the most recent year but of all prior years are re-expressed in current dollars, thus providing a uniform, updated comparison of values reflecting real national income growth. The technical formula used by the World Bank is intended to the extent possible to remove inflationary effects within individual countries and to reduce the effects of exchange rate fluctuations on year-to-year comparisons.

# Per Capita Gross National Product at Market Prices – Amount (1974) and Average Annual Growth Rates (1960-74 and 1965-74)

Countries with populations of one million or more. GNP per capita rounded to nearest US\$10.

Country	GNP per capita			Country	GNP per capita			Country	GNP per capita		
	Amount (US\$)	Growth rates (%)			Amount (US\$)	Growth rates (%)			Amount (US\$)	Growth rates (%)	
		1960-74	1965-74			1960-74	1965-74			1960-74	1965-74
Switzerland	7,870	2.9	2.9	Panama	1,000	4.1	3.7	Uganda	240	1.8	0.7
Sweden	7,240	3.2	2.8	Brazil	920	4.0	6.3	Sudan <sup>1</sup>	230	1.7	4.3
United States	6,670	2.9	2.4	Costa Rica	840	2.9	3.7	Yemen, People's Democratic Republic of <sup>1,4</sup>	220	n.a.	-4.3
Denmark	6,430	3.8	3.4	Chile	830	1.7	1.3	Central African Empire	210	0.4	0.8
Germany, Federal Republic of	6,260	3.7	3.9	Turkey	750	3.9	4.3	Kenya	200	3.2	3.5
Canada	6,190	3.7	3.5	Peru	740	2.0	1.8	Sierra Leone <sup>7</sup>	190	1.6	1.4
Norway	5,860	3.7	3.4	Algeria	730	1.3	4.5	Madagascar	180	0.1	0.3
Belgium	5,670	4.5	4.9	Angola	710	3.7	3.2	Yemen Arab Republic <sup>1</sup>	180	n.a.	n.a.
France	5,440	4.4	4.8	Cuba <sup>1,2</sup>	710	-0.9	-0.6	Indonesia	170	2.4	4.1
Australia	5,330	3.2	3.4	Malaysia	680	3.9	3.8	Haiti	170	-0.1	0.7
Netherlands, The	5,250	4.0	4.1	Nicaragua	670	3.0	1.5	Tanzania <sup>8</sup>	160	2.6	2.3
Finland	4,700	4.6	5.2	Dominican Republic	650	3.1	5.5	Zaire	150	2.6	2.9
Libyan Arab Republic	4,440	12.5	6.5	Tunisia <sup>5</sup>	650	3.9	5.4	Viet Nam, Socialist Republic of <sup>1,2</sup>	150	0.3	-0.8
Austria	4,410	4.4	5.0	Mongolia <sup>1,2</sup>	610	0.8	1.8	India	140	1.1	1.3
New Zealand	4,310	2.1	1.8	Guatemala	580	3.3	3.8	Lesotho <sup>1</sup>	140	4.2	3.7
Japan	4,070	8.8	8.5	Syrian Arab Republic	560	4.0	4.2	Sri Lanka	130	2.1	2.0
German Democratic Republic <sup>1,2</sup>	3,950	3.1	3.0	Albania <sup>1,2</sup>	530	4.4	5.0	Pakistan	130	3.4	2.5
United Kingdom	3,590	2.3	2.2	Zambia	520	2.3	1.0	Malawi	130	3.9	4.7
Israel	3,460	5.3	5.8	Rhodesia	520	1.9	3.5	Benin, People's Republic of <sup>1</sup>	120	0.7	0.8
Czechoslovakia <sup>1,2</sup>	3,330	2.4	2.5	Paraguay	510	2.0	2.5	Guinea	120	0.0	0.1
Saudi Arabia	2,830	8.4	9.2	Colombia	500	2.6	3.4	Niger	120	-1.8	-3.8
Italy	2,820	4.2	4.0	Ecuador	480	2.4	2.1	Afghanistan	110	0.5	1.1
Poland <sup>1,2</sup>	2,510	4.0	4.5	Korea, Republic of	480	7.3	8.7	Nepal	100	0.4	0.0
Spain	2,490	5.8	5.4	Papua New Guinea	470	4.2	4.1	Ethiopia	100	2.2	1.5
USSR <sup>1,2</sup>	2,380	3.8	3.4	Congo, People's Republic of the	470	2.8	4.0	Chad	100	-1.2	-1.5
Ireland	2,320	3.6	3.6	Ivory Coast	460	3.5	2.7	Bangladesh	100	-0.5	-1.9
Singapore	2,240	7.6	10.0	Jordan	430	0.9	-2.5	Burma	100	0.7	0.8
Puerto Rico	2,230	5.3	4.7	Morocco	430	1.8	2.8	Burundi <sup>1</sup>	90	1.3	1.3
Hungary <sup>1,2</sup>	2,180	3.2	2.9	Ghana	430	-0.2	0.3	Somalia <sup>1</sup>	90	-0.3	1.1
Greece	2,090	6.8	6.5	El Salvador	410	1.8	1.0	Upper Volta	90	-0.1	-0.5
Venezuela	1,960	2.4	2.2	Liberia	390	2.2	4.1	Rwanda <sup>1</sup>	80	-0.2	1.4
Bulgaria <sup>1,2</sup>	1,780	4.5	3.5	Korea, Democratic People's Republic of <sup>1,2</sup>	390	4.4	3.5	Mali	80	0.9	0.4
Trinidad and Tobago	1,700	2.1	2.2	Mozambique <sup>1</sup>	340	2.8	3.5	Cambodia <sup>1,4</sup>	70	-2.7	-6.2
Portugal	1,630	7.4	7.6	Honduras	340	1.6	2.2	Bhutan <sup>1</sup>	70	-0.3	-0.2
Hong Kong	1,610	6.6	5.4	Senegal	330	-1.1	-0.9	Lao People's Democratic Republic <sup>1,4</sup>	70	1.8	2.0
Argentina	1,520	2.8	2.9	Philippines	330	2.4	2.7				
Yugoslavia	1,310	4.9	5.4	Thailand	310	4.6	4.3				
Iran	1,250	6.7	7.7	China, People's Republic of <sup>1,2</sup>	300	5.2	4.6				
South Africa	1,210	2.9	2.5	Mauritania	290	3.8	1.3				
Jamaica	1,190	3.6	4.5	Nigeria	280	2.9	6.0				
Uruguay	1,190	0.5	0.8	Egypt, Arab Republic of	280	1.5	1.0				
Iraq	1,110	4.0	4.8	Bolivia	280	2.5	2.2				
Romania	1,100	n.a.	8.0	Cameroon	250	4.4	2.8				
Mexico <sup>3</sup>	1,090	3.3	2.8	Togo	250	4.4	2.8				
Lebanon <sup>4</sup>	1,070	3.1	3.7								

<sup>1</sup> Estimates of GNP per capita and its growth rate are tentative.

<sup>2</sup> For estimation of GNP per capita, see Technical Note, page 22.

<sup>3</sup> Estimate of GNP per capita does not reflect the significant devaluation of the peso in August 1976.

<sup>4</sup> GNP per capita estimated on the 1972-74 base period.

<sup>5</sup> GNP per capita growth rate relates to 1961-74.

<sup>6</sup> GNP per capita growth rate relates to 1969-74.

<sup>7</sup> GNP per capita growth rate relates to 1964-74.

<sup>8</sup> Mainland Tanzania.