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## **Financing of administrative and management costs**

### **Actual and planned cost-efficiency measures**

#### **Report by the Secretariat**

1. This report outlines cost-efficiency measures undertaken to date and the savings achieved, and provides information on additional planned initiatives.

#### **STAFF AND OTHER PERSONNEL COSTS**

2. Staff and other personnel costs incurred for the programme budget were reduced from US\$ 1933 million in the biennium 2010–2011 to US\$ 1768 million in the biennium 2012–2013 – a reduction of US\$ 165 million, or 9%. The largest reductions concerned headquarters and the Regional Office for Africa. There are two reasons for the reduction: fewer staff were employed by the Organization during 2012–2013, and some administrative functions were redeployed to duty stations with lower United Nations salary scales and post adjustments (for example, Kuala Lumpur). The extent to which this reduction has been accompanied by cost-efficiency gains is best illustrated in the context of strategic objective 13 of the Programme budget 2012–2013.

3. For the biennium 2012–2013, the total expenses incurred for strategic objective 13 were US\$ 481 million, compared with US\$ 540 million in 2010–2011,<sup>1</sup> a reduction of US\$ 59 million. Much of the reduction came from salary cost reductions, due to the decreased average number of full-time equivalent staff working in administrative functions, notably in the Regional Office for Africa and at headquarters. Some of the reduction was due to the outsourcing of routine facilities management services, mainly in Geneva. The outsourcing cost is included within the total expenses of strategic objective 13. Salary costs at headquarters were also reduced by the further transfer of administrative functions from Geneva to the Global Service Centre in Kuala Lumpur. Some of the overall cost reduction was, however, the result of exceptional factors, together with the redeployment of staff work in support of other strategic objectives. Thus, the estimated value of the real, underlying, efficiency gains for the biennium 2012–2013 is US\$ 40 million.

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<sup>1</sup> See document A67/42.

## TRAVEL EXPENSES

4. The Organization spent US\$ 310 million on travel costs in the biennium 2012–2013 (US\$ 295 million in 2010–2011), including transport and accommodation costs both of WHO staff on mission (45%) and of participants in meetings and delegates invited by WHO (55%). In 2011, the Organization changed its travel entitlement policy to extend the minimum flight time for business class travel from six hours to nine (in common with most other organizations of the United Nations system), and the benefits are reflected in the 2012–2013 financial results.

5. Travel costs for attending meetings may be reduced by holding meetings in cheaper venues and in locations that incur lower costs associated with travel time and hotel accommodation. The Organization has established a dedicated training and conference centre in Tunis for internal meetings, with the generous support of the Government of Tunisia. It is hoped to increase use of the centre in 2014–2015, and therefore further reduce total staff travel costs. The measures already introduced have produced savings: the total staff travel cost has been reduced – notably at headquarters, where expenditure was reduced by US\$ 8 million in 2012–2013 compared with 2010–2011.

6. Another initiative that has been introduced during 2014 involves a new central invoicing arrangement for all travel expenditure incurred by headquarters, which will lead to efficiency savings in travel expense processing and will produce travel rebates for WHO.

## CENTRALIZED FOREIGN CURRENCY PURCHASING FOR FIELD OFFICES

7. Since 2012, WHO has been operating a system of centralized currency purchasing on behalf of its country offices in order to meet their local currency cash flow needs. The system, which involves close collaboration with WHO regional and country offices, leverages relationships with the Organization's main banking partners in order to obtain more competitive foreign exchange rates for the purchase of the local currencies that the country offices require. The system now covers all significant currency purchases that can be centralized under existing international banking constraints. In 2013 WHO centrally purchased 36 currencies in a series of transactions totalling US\$ 330 million. When compared with the exchange rates quoted to the country offices by their local banks, the advantageous rates obtained through the system permitted savings of US\$ 2.1 million to be made in foreign exchange transactions. The savings are recorded within the overall exchange gains for the year, and are apportioned to WHO funds in accordance with the Organization's Financial Rules.

## OPPORTUNITIES FOR FURTHER COST REDUCTIONS

8. **Staff and other personnel costs.** Salaries constitute the most significant expense for WHO, accounting for approximately half the expenses incurred in the Programme budget 2012–2013. The salary cost for a biennium is influenced by the following factors: number of staff deployed; location of deployment (duty station); grade and applicable salary scale; staff entitlements and benefits; and other costs attributable to staff salary (for example, post occupancy charge). These factors, some of which are external to the Organization, also determine WHO's ability to reduce salary costs further. The number of WHO staff and their location of deployment are determined with reference to programme needs and are subject to detailed review during operational planning and budgeting exercises. Grading is determined by WHO, but follows well-defined parameters used throughout the United Nations system. Salary scales and entitlements are mostly United Nations system-wide and determined by the United Nations General Assembly on the recommendation of the International Civil Service Commission (whose annual reports are routinely made available to WHO's governing bodies by the

Secretariat).<sup>1</sup> The Commission is carrying out a comprehensive review of the common system compensation package and reporting its findings to the United Nations General Assembly. The results of the review may lead to salary cost savings for WHO.

9. **Contractual services.** After staff and other personnel costs, contractual services is the next highest category of expenses, totalling US\$ 719 million in the biennium 2012–2013 (compared with US\$ 591 million in 2010–2011). Contracts with institutes for technical work accounted for approximately two thirds of this amount; the remainder concerned individuals contracted to the Organization, and payments to vaccinators in the field. The very high number of contractual partners and the often highly specific nature of the work make it difficult to establish savings targets. About half the overall total of US\$ 719 million incurred in 2012–2013 related to poliomyelitis vaccination and surveillance activities, and emergencies. When contractual costs incurred for poliomyelitis vaccination and surveillance activities, and emergencies are excluded, the underlying change is a reduction in expenditure in 2012–2013 compared with the previous biennium.

10. Improvements have been made to the Programme budget 2014–2015 to harmonize recording of expenditure across the Organization; this will facilitate analysis and provide a platform for further reducing WHO's expenditure on contractual services. In addition, as part of the planning and development of the proposed programme budget for 2016–2017, expected costs, and transfers and grants to counterparts, will be budgeted in more detail in order to establish cost targets against which costs can be measured.

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<sup>1</sup> See for example, document A67/48.