PROGRAMME BUDGET 2008–2009

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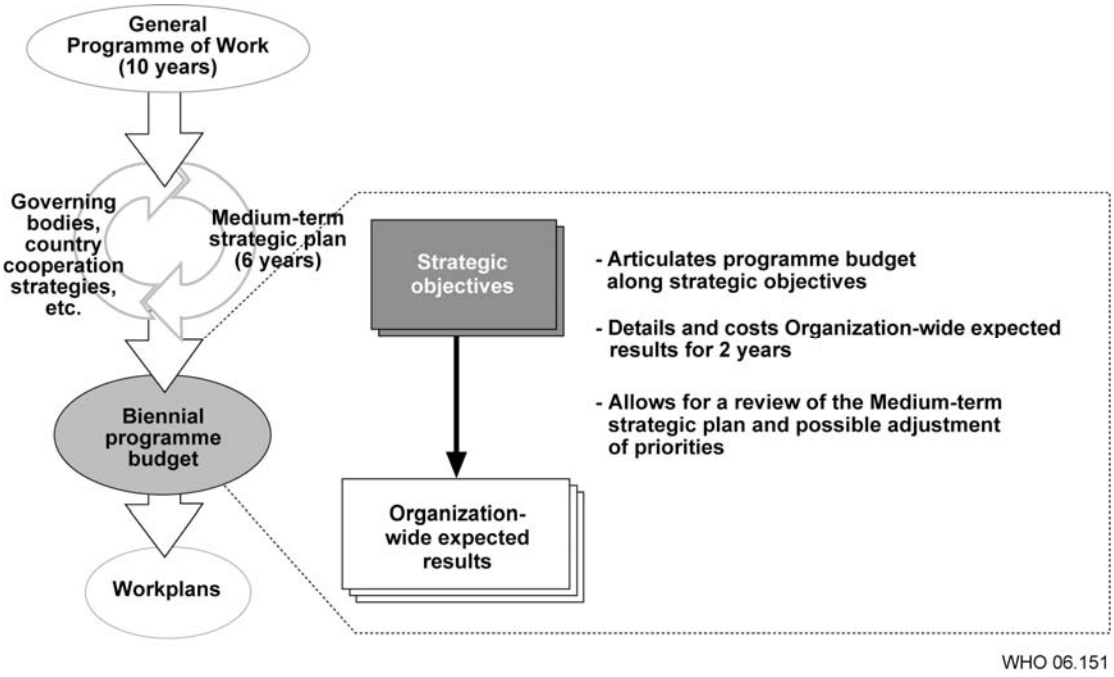
INTRODUCTION

88. The programme budget for 2008-2009 makes the Medium-term strategic plan operational for the first two years. It indicates the scope of the work that will be undertaken under each strategic objective, identifying for each of the Organization-wide results the targets to be achieved during the biennium, the resources required for their achievement, and specific links to other strategic objectives.

89. When determining the results to be achieved, care was taken to ensure that the strategic objectives would not be implemented in isolation from one another. The programme budget emphasizes synergies between programmes and the specific links among strategic objectives with a view to fostering greater collaboration.

90. The figure below indicates the intrinsic position of the Programme budget within the results-based management framework.

Figure 1. Biennial programme budget



91. In order to meet the greater demands being placed on the Organization, the Director-General is proposing an increase in the overall level of the budget of US$ 4227 million for the biennium 2008-2009,[1] an increase of 15.2% or approximately US$ 557 million, compared with the expected expenditure in the biennium 2006–2007. This increase, based on strategic planning involving the three levels of the Organization and set within the results-based management framework, will back up the programmatic efforts in support of the Director-General's agenda for action.

92. The level of increase proposed in the overall budget recognizes the savings that can be derived from implementing efficient and cost-effective modes of operations. With the progressive implementation of the Global Management System beginning in 2008, many of the managerial and administrative processes and procedures will be streamlined, and the skills and competencies of existing administrative staff will be applied in new ways that add greater value and support to technical programmes. Clerical work will be reduced significantly through automation, with fewer personnel required to do the same amount of work. The opportunity to consolidate in locations with

[1] The proposed budget 2008–2009 includes major partnerships and special programmes such as the UNICEF/UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases; the UNDP/UNFPA/WHO/World Bank Special Programme of Research, Development and Research Training in Human Reproduction; and others, as was the case of the Programme budget 2006–2007.

lower labour costs those administrative and financial transaction processes that do not need to be located close to programmes could produce recurring annual savings of approximately US$ 5 million per year.

93. Ensuring that resources are used effectively means that some activities will be scaled down, shifted or phased out because of completion or new priorities. For example, as poliovirus transmission is interrupted WHO's costs will decline, though activities will continue because of global certification. The poliomyelitis immunization and surveillance infrastructure will be further integrated into broader technical support provided by WHO to build national capacity for vaccine-preventable and epidemic-prone diseases, including those within the context of application of the International Health Regulations (2005). Previous and current initiatives on HIV/AIDS, tuberculosis and malaria have been effective catalysts in a longer term global effort to achieve the Millennium Development Goals; the challenge now being addressed is the move towards universal access to prevention, treatment and care in order to combat the three diseases. After successes in tackling occupational and environmental health hazards, WHO will be extending its support to developing and implementing primary prevention interventions in specific settings such as the workplace, schools, municipalities, health-care environments. In knowledge management and Health, the work of WHO, which initially was largely normative, is gradually shifting to provision of support to Member States for implementation. Similarly, after the successful launch of the world reports on violence and on road traffic injuries,[1] and issuance of related documents which summarized the state of knowledge and raised awareness, the programme is shifting focus to the development of model country programmes.

94. Efforts will continue to identify programmes that can be phased out. For example, the Health Leadership Programme will be discontinued as it has not proven to be cost efficient. Other mechanisms to support the training of future global health leaders will be identified. The Organization will continue to exercise budgetary discipline, to prioritize, and to seek cost savings and cost efficiencies in order to improve management of the budget, for example, through better handling of the large number of meetings it sponsors.

95. Budgeting for the Organization is subject to complex factors involving inflation and currency exchange rates. The total impact of such factors is estimated at US$ 248 million for the biennium 2008–2009 if expenditure categories remain in the same proportion as in the previous biennium. Compared to 2006–2007:

- "staff costs", which account for approximately 40% of WHO's expenditure, will be approximately US$ 165 million higher (with no significant increases in the number of staff); of this amount US$ 67 million stems from inflation,[2] and US$ 48 million from exchange-rate fluctuations;[3] US$ 50 million corresponds to additional staff entitlements for short-term staff;[4]

- "activity costs" (good and services) which account for approximately 60% of expenditures will be approximately US$ 83 million higher.[5]

[1] *World report on violence and health.* Geneva, World Health Organization, 2002. *World report on road traffic injury prevention.* Geneva, World Health Organization, 2004.

[2] The inflationary impact is calculated on the actual and projected inflation rates for headquarters and the regional office locations in 2006 and 2007, which was an average of 5.3% for the biennium; the calculations assume the same staff, employed at the same grades.

[3] Based on current, actual exchange rates in headquarters and the six regional offices, paying the same salaries in 2008–2009 to existing WHO staff, in their present locations, in accordance with current United Nations pay scales, and in the contractual currencies.

[4] WHO salary costs will increase in 2008–2009 on account of the decision to provide equal benefits to staff employed on both fixed and short-term contracts. The exact impact of this decision will depend on a number of factors, including average contract length, and staff personal circumstances. The cost for the full biennium 2008-2009 is a conservative estimate.

[5] Significant parts of these expenditures, such as travel costs, research contracts, or pharmaceutical supplies, are subject to price inflation, in a variety of geographies and currencies. The inflationary impact of these increases was calculated using a net dollar terms inflation assumption of 2% per annum.

96. The above figures relate to present staffing and activities and give a broad estimate of the impact of inflation and exchange-rate fluctuations. However, the nature of the Organization's work is changing, so they provide only an indication of the foreseen costs increases attributable to these two variables.

97. A further set of costs included in the overall Programme budget are those related to ensuring the safety of staff at all locations and for the capital investment necessary to maintain the Organization's physical infrastructure.

Targeting the budget increase

98. In addition to supporting the Director-General's agenda for action, the increase in the overall level of the budget addresses several specific areas in the strategic objectives which are reflected as priorities within the programme budget. They reflect emerging health problems and the concerns of Member States as expressed in recent resolutions adopted by the Health Assembly. These priorities are:

- reducing maternal and child mortality by aiming at universal access to, and coverage with, effective interventions, and strengthening health services
- addressing the epidemic of chronic noncommunicable diseases, with an emphasis on measures to reduce risk factors such as tobacco consumption, poor diet, and physical inactivity
- implementing the International Health Regulations (2005) so as to respond rapidly to outbreaks of known and new diseases and emergencies, building on eradication of poliomyelitis to develop an effective surveillance and response infrastructure
- improving health systems, focusing on human resources, financing and health information
- improving the performance of WHO through more efficient ways of working, and building and managing partnerships in order to achieve the best results in countries

99. Differences between the programme budget 2008–2009 and the previous budget organized around areas of work are detailed in Table 5, Links between strategic objectives 2008-2009 and areas of work 2006–2007.

Table 1. Budgeting priority areas: Programme budget 2008–2009 compared to Programme budget 2006–2007

Priority	Expected expenditure 2006–2007 (US$ million)	Programme budget 2008–2009 (US$ million)	Increase over expected expenditure 2006–2007 (US$ million)	(%)
Reducing maternal and child mortality by aiming at universal access to, and coverage with, effective interventions and strengthening of health services	138.9	224.4	85.5	61.6
Addressing the epidemic of chronic noncommunicable diseases, with an emphasis on measures to reduce risk factors such as tobacco consumption, poor diet, and physical inactivity	209.0	320.2	111.2	53.2
Implementing the International Health Regulations (2005) so as to respond rapidly to outbreaks of known and new diseases and emergencies, building on eradication of poliomyelitis to develop an effective surveillance and response infrastructure	256.8	355.7	98.9	38.5
Improving health systems, focusing on human resources, financing and health information	465.9	514.1	48.2	10.3
Improving performance of WHO through more efficient ways of working, and building and managing partnerships in order to achieve the best results in countries	737.2	756.7	19.5	2.6
		Total	**363.3**	

Effective financing of the programme budget 2008–2009

Assessed contribution and miscellaneous income

100. An assessed contribution amounting to US$ 929 million is proposed for the biennium 2008-2009 in order to maintain a reasonable balance between the assessed contributions from Member States and voluntary contributions. This represents an increase of 4% compared with the biennium 2006–2007. Even at this level, assessed contributions would account for only 22% of the overall budget in 2008–2009.

101. The overall level of miscellaneous income, which is derived mainly from interest earnings on assessed contributions, collection of arrears of assessed contributions, and unspent assessed contributions at the end of a biennium, is expected to rise to approximately US$ 30 million for the 2008–2009 biennium.

102. Thus the total of assessed contributions and miscellaneous income proposed for the Programme budget 2008–2009 is US$ 959 million.

Negotiated core voluntary contributions

103. The number of donors contributing core voluntary contributions without earmarking or earmarked at a high level according to the Organization's priorities has increased considerably since 2005 and are likely to continue to grow. In 2005 WHO established a corporate account mechanism designed to channel strategically earmarked funding to areas of work. This mechanism is being developed further to create a dedicated core voluntary contribution fund in order to facilitate and handle all such core voluntary contributions within a systematic framework designed to provide greater financial flexibility and security for the purposes of planning strategic objectives and Organization-wide expected results. The process is overseen globally by the Advisory Group on Financial Resources which provides high-level recommendations to the Director-General on corporate financing.

104. With increasing support for this mode of financing evident in discussions with donors, the aim is to double the level of core voluntary contributions from current expectations of approximately US$ 300 million, to roughly US$ 600 million for the biennium 2008–2009, representing about 14% of total resources.

105. Thus the increase in assessed contributions and in negotiated core voluntary contributions would amount to a total of US$ 644 million, or about 15% of the overall budget in 2008–2009.

Other voluntary contributions

106. For the biennium 2008–2009, after taking into account the regular budget and negotiated core voluntary contributions, about US$ 2668 million in other voluntary contributions will need to be raised.

107. The expectation that the Organization should be able to mobilize the proposed level of negotiated and core voluntary contributions is justified on the basis of recent trends in income, from the biennium 2002–2003 to the biennium 2006–2007. WHO has therefore projected its ability to mobilize voluntary resources (negotiated core and other voluntary contributions) to be over US$ 3300 million by the end of biennium 2008–2009.

108. A portion of these contributions, known as programme support costs, is used to finance the administrative support services that underpin effective achievement of the expected results in all strategic objectives. In keeping with the authority given to the Director-General in both the Financial Regulations and Health Assembly resolutions, 13% of voluntary contributions will be used to meet the budgets of strategic objectives 12 and 13.

Financial plan for the biennium 2008–2009

109. Table 2 below summarizes WHO's financial plan for the biennium 2008–2009. It shows the Programme budget 2006–2007 and the currently higher expected expenditure. Since adoption of the Programme budget, overall expected expenditures have in effect risen because of increased activity in the areas of pandemic-influenza preparedness and WHO's participation in both existing and new partnerships such as the Global Drug Facility of the Stop TB Partnership, the World Alliance for Patient Safety, the Alliance for Health Policy and Systems Research, and several other partnerships. Such expenditures should be considered as the de facto baseline against which the programme budget should be compared.

Table 2. Programme budget 2008–2009: financing compared with Programme budget 2006–2007 (US$ million)

Source of income	Baseline 2006–2007		Programme budget	Increase over expected expenditure
	Programme budget	Expected expenditure		
	2006–2007	2006–2007	2008–2009	2006–2007 %
Assessed contributions 2008–2009	893	893	**929**	4.0
Miscellaneous income	22	22	**30**	36.4
Total assessed contribution	**915**	**915**	**959**	**4.8**
Negotiated core	---	300	**600**	100.0
Other voluntary	---	2 455	**2 668**	8.7
Total voluntary contributions	**2 398**	**2 755**	**3 268**	**18.6**
Total financing	**3 313**	**3 670**	**4 227**	**15.2**

Proposed budget breakdown

110. Calculated on the basis of the estimated cost of meeting the Organization-wide expected results, the programme budget, broken down by location and main source of funding, is indicated in Table 3 below.

Table 3. Programme budget 2008–2009 compared with Programme budget 2006–2007 by location and main source of funding (US$ million)

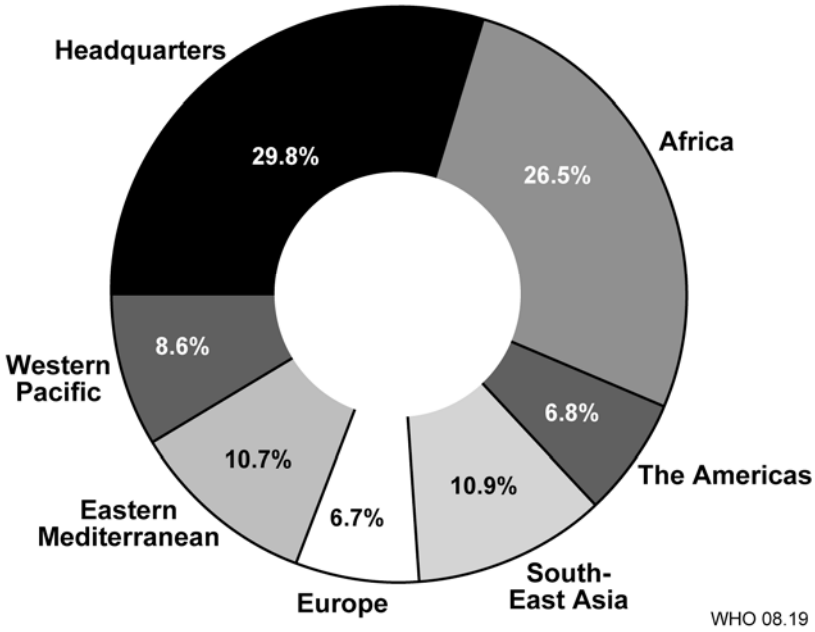
Location	Programme budget 2006–2007			Programme budget 2008–2009		
	Assessed contribution [a]	Voluntary contribution	Total	Assessed contribution [a]	Voluntary contribution	Total
Regional office:						
Africa	204	746	950	213	981	1 194
The Americas	78	121	199	82	197	279
South-East Asia	99	258	357	104	387	491
Europe	58	142	200	63	211	274
Eastern Mediterranean	87	294	381	92	373	465
Western Pacific	77	156	233	80	268	348
Headquarters	312	681	993	325	851	1 176
Total	**915**	**2 398**	**3 313**	**959**	**3 268**	**4 227**

[a] Includes miscellaneous income.

111. In pursuance of the Organization's strategy to strengthen with adequate back-up at regional and global levels the first-line support provided to countries, most of the budget will be spent in regions and countries while maintaining headquarters functions, particularly in the normative areas.

112. Resource distribution between regions reflects programme needs that follow a results-based approach, and are in line with indications from the validation mechanism for strategic resource allocation reviewed by the Executive Board.[1] Subsequent biennial programme budgets will reflect programmatic changes between regions, but should remain relatively similar over the six-year period. Figure 2 below illustrates distribution of the budget between regional offices and headquarters. Table 4 below shows the shift in distribution from 2006–2007 to 2008–2009, excluding the poliomyelitis eradication initiative and WHO's response to emergencies, so as to be comparable with the validation mechanism.

Figure 2. Budget distribution between regional offices and headquarters[a]



[a] Excludes the Global Polio Eradication Initiative and WHO's response to emergencies, so as to facilitate comparison with the validation mechanism.

[1] See document EBSS-EB118/2006/REC/1, summary record of the fourth meeting, section 4.

Table 4. Budget distribution between regional offices and headquarters[a] (US$ million)

Location	Approved 2006–2007	Percentage of total	Proposed 2008–2009	Percentage of total	Validation mechanism Ranges as a percentage	
					Minimum	Maximum
Regional office:						
Africa	**768.9**	26.5	**992.4**	26.5	25.2	30.8
The Americas	**181.6**	6.3	**255.4**	6.8	6.3	7.7
South-East Asia	**290.7**	10.0	**407.5**	10.9	10.9	13.3
Europe	**188.2**	6.5	**250.8**	6.7	6.2	7.5
Eastern Mediterranean	**287.6**	9.9	**399.3**	10.7	9.1	11.2
Western Pacific	**222.7**	7.7	**323.8**	8.6	7.1	8.7
Headquarters	**962.7**	33.1	**1 115.9**	29.8	25.2	30.8
Total[a]	**2 902.3**	100.0	**3 745.1**	100.0		

[a] Excludes the Global Poliomyelitis Eradication Initiative and WHO's response to emergencies, so as to facilitate comparison with the validation mechanism.

Monitoring the Programme budget

113. Performance monitoring and assessment are essential for the proper implementation of the Programme budget and for informing the revision of policies and strategies. Monitoring and assessment of the Programme budget are Organization-wide processes conducted at the 12-month, mid-term period (Mid-term review) and upon completion of the biennium (Programme budget performance assessment) and are submitted to the governing bodies.

114. The Mid-term review serves to track and appraise progress towards achievement of the expected results. It facilitates corrective action, and reprogramming and reallocation of resources during implementation. For each strategic objective, colour ratings are assigned (red, yellow or green) to indicate progress in achieving the expected results at the mid-term, and a narrative describes impediments, problems, risks and actions required to ensure that the expected results are achieved.

115. The end-of-biennium Programme budget performance assessment is a comprehensive appraisal of the performance of each organizational level and of the Organization as a whole. It focuses on achievements as compared with planned results and on lessons learnt in order to inform planning for the next biennium. The assessment is a key input into subsequent programme budgets and possible revisions to the Medium-term strategic plan.