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Efficiency savings, 2000-2001, and management reviews

I. EFFICIENCY SAVINGS, 2000-2001

Background

1. When submitting the Proposed programme budget 2000-2001 to the Fifty-second World Health Assembly in May 1999, the Director-General requested a regular budget increase of 3% over the previous biennium in order to cover expected cost increases and adjustments for exchange-rate movements at all levels of the Organization.
2. Resolution WHA52.20, however, appropriated the budget for 2000-2001 at the same nominal level as the budget for the two previous bienniums, with no provision to compensate for cost increases and currency adjustments. Furthermore, in paragraph 5 of the same resolution, the Assembly requested the Director-General to identify 2% to 3% of *additional* efficiency savings within the approved budget, for reallocation to high-priority programmes.
3. In response to that request, a task force was established in mid-1999 to identify areas for potential efficiency savings in the regular budget from WHO headquarters and regions. The Director-General, after consultation, decided on a package that would generate US\$ 51.5 million in efficiency savings for the biennium 2000-2001, of which US\$ 24.6 million would cover cost increases and US\$ 26.9 million would be reallocated to high-priority programmes. The table below shows the amount of savings by region and headquarters

EFFICIENCY SAVINGS BY REGION
US\$ millions

	Total efficiency savings	Of which cost increases and currency adjustment	Remaining for shift to priority programmes
Africa	10.2	8.4	1.8
The Americas	7.3	3.5	3.8
South-East Asia	5.2	4.7	0.5
Europe	2.1	0.2	1.9
Eastern Mediterranean	4.3	4.3	-
Western Pacific	4.9	2.5	2.4
Headquarters	17.5	1.0	16.5
Total	51.5	24.6	26.9

Monitoring of efficiency savings

4. The US\$ 51.5 million in savings were to be achieved through efficiency measures mainly in the following areas: travel, procurement, fellowships and study tours, publications and documents, and reduction in staff.¹

5. The US\$ 24.6 million to cover cost increases and currency adjustments was expected to be absorbed across the Organization, whereas the remaining US\$ 26.9 million would be available for reallocation to high-priority programmes in the regions and at headquarters. The priority areas subsequently determined by the Director-General, after consultation with Regional Directors and reported to the Executive Board at its 105th session (January 2000), are as follows: blood safety, mental health, making pregnancy safer, strengthening health systems, food safety, noncommunicable diseases, and investment in change.²

6. Efficiency savings effected at headquarters and in the regions are being closely monitored throughout the biennium 2000-2001 to ensure that they do indeed accrue to the targeted priorities. A group of internal and external consultants defined a set of financial and nonmonetary indicators and benchmarks to measure progress in achieving the savings in each of the areas identified. Every six months, regional offices and headquarters report against a baseline of actual expenditure in the same areas during the biennium 1998-1999.

Travel

7. Travel expenditure financed by extrabudgetary resources is expected to rise in proportion to the marked increase in extrabudgetary resources at WHO. Increased emphasis on collaboration with

¹ See document EB105/17.

² See document EB105/2.

partners, working as one Organization, and new global initiatives, each require more travel. Travel in 2000 is, however, becoming more cost-effective. In September 2000, new fares were negotiated with airlines and a revised policy on per diem was implemented which is being monitored for its effectiveness. A global private telecommunications network was established to provide global video-conferencing facilities with regional offices. Use of these facilities will replace some travel. A new travel management system is also being operationalized to track and manage travel more effectively in the future.

Procurement

8. In the area of procurement for health programmes, the Organization is aiming to move away from administrative supplies towards health-related supplies and equipment. This is intended to change the nature of the procurement function in order to focus on crucial supplies that are directly related to health programme performance and objectives, while reducing the provision of supplies that most Member States should be able to obtain locally from their own budgets. In 1998-1999, WHO spent US\$ 152 million, or 71% of its procurement budget, on health-related supplies, and US\$ 62 million (29%) on administrative supplies and vehicles. During the first six months of the biennium 2000-2001, US\$ 38 million or 69% of procurement was spent on health-related supplies, and US\$ 17 million (31%) on administrative supplies and vehicles. Continued vigilance is therefore required and procurement is being monitored closely. In addition, the Organization is seeking to achieve efficiency savings in processing by using electronic procurement (e-procurement) and global umbrella contracts, and outsourcing its shipping function.

Fellowships and study tours

9. During the first six months of the biennium 2000-2001, WHO spent US\$ 13 million on fellowships and study tours from all sources of funds. The stated aim linked to efficiency savings is to reduce by 50% the use of study tours, and to reduce by 15% expenditure on fellowships. Training remains an essential part of WHO's cooperation with, and capacity-building in, countries, but resources could be employed more cost-effectively by using regional training centres. Expenditure on fellowships and study tours is projected to decrease in 2000-2001 as compared with 1998-1999.

Publications and documents

10. The Organization is seeking to reduce by 15% the number of publications and documents produced in headquarters and the regional offices, and to increase efficiency in the publication process. Better screening of manuscripts for publications and documents is expected to increase the relevance and quality of those that are produced, and eventually saving considerable staff time within technical programmes. There will also be increased use of other media for information dissemination, such as CD ROMs and the Internet.

11. During 1998-1999, the Organization produced approximately 2000 publications and documents at headquarters (61%) and in the regions (39%). During the first six months of 2000, WHO produced 390 publications and documents. Projections based upon the first quarter of the biennium 2000-2001 indicate that WHO is on target for a 15% reduction in the number of publications and documents. More importantly, initiatives are under way to ensure that the costs associated with the production of publications are reduced through more efficient procedures and better planning and priority-setting.

Mutually agreed separation exercise

12. A major component of the efficiency savings resulted from the offer to staff of a mutually agreed separation exercise, in which selected departures were negotiated between management and staff. The exercise enabled the Organization to effect savings in staff costs of some US\$ 8.4 million at headquarters and US\$ 12.4 million globally from the regular budget in 2000-2001. For 2002-2003, it will enable WHO to shift US\$ 13.1 million of the regular budget to other activities in the budget proposals.

II. MANAGEMENT REVIEWS

13. Further to adoption of resolutions EB103.R6 and WHA52.20, requesting efficiency savings to be made in nonprogramme costs, a series of management reviews was initiated in administrative areas at headquarters. Several reviews began in 1999, as reported to the Executive Board at its 105th session.¹ The current status of the various reviews is described below.

14. **WHO's participation in the Joint Medical Service.** Conducted by an external consultant, the review examined WHO's needs for medical and occupational health services in headquarters and the regional offices over the coming decade. The main objective was to ensure that WHO receives maximum value for its contribution of 21% of the budget of the Joint Medical Service. The review concluded that the strategic position of the Service should be strengthened, its computerized information systems should be improved, and that it should play a stronger role in health promotion for WHO staff.

15. **Staff health insurance.** The review of WHO's staff health insurance plan, covering some 21 500 active and retired staff and their dependants around the world, was conducted by an external consulting firm. The objective of the review was to identify opportunities to make the plan consistent with the expectations and needs of its participants and the Organization, while promoting best practice and cost containment. The study concluded that WHO's health insurance plan is in a strong position regarding its current reserves, operating results, and satisfaction of participants. Its administrative costs were comparable or lower than those that would be charged by an external insurer. The consultants recommended that (a) the plan should be extended to cover eligible short-term staff, (b) steps should be taken to manage use of medical services and contain costs with minimal disruption for participants, (c) the decision-making structure be strengthened, and (d) the current revision of the plan's investment strategy should be pursued. The first of these recommendations is being taken into account in the reform of human resources management, referred to below.

16. **Reforming management of human resources.** An external management consultancy was engaged to make recommendations on opportunities to reform the management of human resources at WHO. The findings of this two-phase study, conducted between March and July 2000, were based on extensive interviews and consultations with management and other staff at headquarters and in regional offices; the best practices of other organizations of the United Nations system, and the public and private sectors; and relevant management reviews. Document EB107/15 reports on this subject.

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¹ See document EB105/17.