



WORLD HEALTH ORGANIZATION

FIFTY-SECOND WORLD HEALTH ASSEMBLY
Agenda item 12

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Exchange rate movements and inflation projections

Situation as of May 1999

1. The Proposed programme budget for the financial period 2000-2001 provides in paragraphs 14 to 22 information on the projected impact of exchange rate movement and of inflation on the regular budget. Table 5 (paragraph 17) computes impact on the basis of exchange rates at the time of preparation of the budget document, i.e. March 1999. Paragraph 22 states that these estimates would be updated prior to the opening of the Health Assembly if there had been further developments in the intervening period March to May 1999.
2. As there has been some discussion between the Secretariat and the Permanent Missions in Geneva as to the interpretation of Tables 5 and 6 in the proposed programme budget, the present document seeks both to update the information with the most recent exchange rates and to provide an overview of the **combined** effects of inflation factors and exchange rate movements (see Table 1 below).
3. As indicated, the adjustment requested for headquarters alone amounts to US\$ 0.8 million, or 0.3% of the total, for both years 2000 and 2001. Adjustment for the regional offices, including the regional intercountry programmes, amounts to an additional US\$ 7.9 million, or 3.4% of the total. As far as countries are concerned, the estimated 5% cost increase for the biennium, i.e. 2.5% per annum, remains unchanged, leading at that level to an overall adjustment of US\$ 16.6 million.
4. The total combined adjustment for both currency and inflation for the whole Organization is therefore projected at US\$ 25.3 million, or 3.0% of the budget baseline, which is US\$ 6.2 million less than the data provided in paragraph 22 of the proposed programme budget.
5. In order to confirm the validity of the above adjustments, KPMG, a leading firm of international auditors and consultants, was commissioned to assess independently projected inflation increases in six countries in the South-East Asia and Western Pacific regions. The countries selected are all countries in which WHO has major collaborative programmes, namely, China, India, Indonesia, Malaysia, Philippines and Thailand.

TABLE 1. COMBINED INFLATION PROJECTIONS AND EXCHANGE RATE MOVEMENTS

	Budget at 1998-1999 baseline	Inflation projections (Table 6 of PPB/2000-2001)	Exchange rate impact using rates as of May 1999	Total adjustment	
	US\$ million	US\$ million	US\$ million	US\$ million	%
Headquarters	279.1	2.8	-2.0	0.8	0.3
Regional offices					
Africa	64.5	3.9	-1.1	2.8	4.3
The Americas	35.2	1.4	not applicable ¹	1.4	4.0
South-East Asia	23.8	1.9	-0.8	1.1	5.0
Europe	44.2	0.9	-1.1	-0.2	-0.5
Eastern Mediterranean	30.6	2.4	0	2.4	7.8
Western Pacific	33.5	2.7	-2.3	0.4	1.2
Total regional offices	231.8	13.2	-5.3	7.9	3.4
Countries	331.8	16.6	not applicable ²	16.6	5.0
Grand total	842.7	32.6	-7.3	25.3	3.0

¹ No exchange rate adjustment applies, since the Regional Office is located In Washington DC.

² As explained in the proposed programme budget, no adjustment for exchange rate movements is made on individual country programmes.

6. In summary, dollar-adjusted inflation for 2000-2001 for these countries was forecast by KPMG to be the following:

Country	2000-2001 %
China	4.04
Indonesia	23.30
India	0.90
Malaysia	1.53
Philippines	18.44
Thailand	2.90

7. On the basis of the above, the adjustments proposed for 2000-2001, as reflected in Table 1 above, would seem reasonable and modest, and represent the minimum required to maintain the level of activities foreseen in the proposed programme budget.

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