



WORLD HEALTH ORGANIZATION

FIFTY-FOURTH WORLD HEALTH ASSEMBLY
Provisional agenda item 12.2

A54/5
24 April 2001

Proposed programme budget for 2002-2003

Cost increases and exchange rates

Report by the Secretariat

1. The Executive Board considered and noted the approach that the Director-General proposed to take regarding cost increases and exchange rates for the regular budget proposals for the biennium 2002-2003.¹
2. In accordance with this approach, cost increases have been calculated for each region and for headquarters using inflation forecasts obtained from an independent, external organization² with access to 250 experts.³
3. The established practice of using the latest available United Nations rate of exchange will be applied to calculation of exchange rate adjustments for those offices subject to the Exchange Rate Facility.
4. The inflation forecasts provided for Switzerland and Denmark have been applied to the proposed regular budget for headquarters and the Regional Office for Europe; the exchange rate adjustment has been made on those elements of the proposed budget that will be subject to the Exchange Rate Facility.
5. The currencies of the regional offices for Africa, South-East Asia, Eastern Mediterranean and Western Pacific will not be subject to the Exchange Rate Facility for 2002-2003 since it is expected that any devaluation of local currencies will have the effect of compensating for the negative impact of corresponding inflation. However, for that portion of the proposed regular budget for these regions that is considered to be based on the United States dollar (70% of the total budget), a cost increase has been calculated using the rate of inflation forecast for the United States of America.
6. No currency adjustment is considered appropriate for the Regional Office for the Americas. A proportion of expenditure will be in local currency (non-US dollar) that will be subject both to inflation and currency devaluation. The same rationale has been followed as for the regional offices referred to above for this portion of the proposed regular budget. The rate of inflation forecast for the United States has been used to calculate a cost increase for the regional office.

¹ See document EB107/2001/REC/2, Summary record of the seventh meeting.

² Consensus Economics Inc.

³ See also document EB107/INF.DOC./1.

7. The Annex shows the basis of calculation and resultant figures for cost increases and currency adjustment. The currency adjustments for headquarters and the Regional Office for Europe will be recalculated immediately before the Fifty-fourth world Health Assembly using the United Nations rate of exchange as of 1 May 2001.

ANNEX

PROPOSED REGULAR BUDGET 2002-2003: SUMMARY OF COST INCREASES AND CURRENCY ADJUSTMENT

	Proposed budget	Inflation rate forecasted	United Nations rate of exchange 1.4.2001	Cost increase	Decrease resulting from currency adjustment	Net increase	Proposed budget
	US\$ thousand	%		US\$ thousand	US\$ thousand	US\$ thousand	US\$ thousand
Headquarters	279 055	3.0	1.72	8 372	(7 674)	698	279 753
Europe	52 771	4.2	8.44	2 216	(2 203)	13	52 784
Africa	186 472	4.5	N/A	5 874	-	5 874	192 346
South-East Asia	93 022	4.5	N/A	2 930	-	2 930	95 952
Eastern Mediterranean	83 390	4.5	N/A	2 627	-	2 627	86 017
Western Pacific	73 262	4.5	N/A	2 308	-	2 308	75 570
The Americas	74 682	4.5	N/A	2 352	-	2 352	77 034
Total	842 654			26 679	(9 877)	16 802	859 456

N/A = not available