

FORTIETH REGIONAL COMMITTEE

SEA/RC40/PB/WP3

Sub-Committee on Programme Budget

Item #3 of the Terms of Reference

Funding Situation - Financial Period 1988-1989

The World Health Organization, along with other United Nations Organizations, continues to face a financial crisis which is related both to shortfalls in the receipt of assessed contributions and to unfavourable exchange rates. Due to these factors, the 1986-1987 biennial programme has experienced substantial and repeated cuts.

In order to address the problem associated with shortfalls in receipt of assessed contributions, the Director-General has submitted to the Executive Board and the World Health Assembly a contingent plan for the reduction of programme implementation during 1988-1989 in a global amount of \$50 million. A pro rata distribution of this amount among the regions results in a currently estimated contingency plan share for SEAR of \$6 050 000 or 7.89% of the total regional allocation of \$76 703 900.

This amount will be shared between the regional/intercountry activities and country activities with a larger proportionate share being absorbed by the regional/intercountry programme.

The share of the contingent plan for reduced implementation of the regional/intercountry programme is \$1 998 000 or 10.5% of the \$19 065 000 budgeted for this level of activities. The share for reduced implementation of the country programme is \$4 052 000 or 7.03% of the \$57 638 000 budgeted for this level of activities.

This contingent plan for reduced programme implementation for 1988-1989 has been known in its order of magnitude for some time and was communicated to the Regional Committee in September 1986. Subsequent events, however, have resulted in the elaboration by the Director-General of further possible actions for 1988-1989; thus, the above described contingent plan for reduced implementation has become only one of several currently envisaged possible scenarios.

The 40th World Health Assembly voiced strong concern for the substantial increase in assessed contributions occasioned by the 1988-1989 budget, thus adding a further dimension to the financial situation for that biennium; that of the magnitude of assessed contributions.

The Director-General feels he could address this concern by reducing the budget, but only if he were no longer obliged to effect programme implementation reductions in the extent envisaged above. He has agreed, therefore, that if there were to be no need to implement in full the contingent plan for programme reduction, he would be able to effect a budgetary reduction as a step in satisfying the desire for lower assessed contributions for 1988-1989. The maximum global order of magnitude of such a budgetary reduction is presently estimated at \$25 000 000.

It is envisaged that the situation will become sufficiently clear by the end of 1987 to permit the Director-General to present his proposals to the January 1988 session of the Executive Board and the World Health Assembly in May 1988.

As matters currently stand, there are three possible scenarios for which the Organization has to prepare concerning implementation of the 1988-1989 programme and from which the Director-General will choose his proposals :

(i) If, by the end of this year, the major contributor would have paid all or virtually all of its outstanding contributions for 1986 and 1987 and could give reasonable assurances that it would pay in full its assessed contributions for 1988-1989, there would be no need to impose any contingent programme budget implementation reductions, as was done for 1986-1987. However, in these circumstances the Director-General would be committed to recommend to the Executive Board and the World Health Assembly in 1988 that the approved 1988-1989 programme budget be reduced by \$25 million globally. Approval of such a recommendation by the World Health Assembly would be in the form of an amendment to the Appropriation Resolution for 1988-1989.

Distributed on a pro rata basis among Headquarters and the regions, SEAR's share would be \$3 025 000, or 3.9% of the present budget of \$76 703 900.

(ii) If, by the end of this year, the financial crisis should still plague the Organization to the same extent as at present, the Organization would have no alternative but to carry out the contingent programme budget implementation reductions in the amount of \$50 million globally as earlier foreseen for 1988-1989 and referred to above. The Director-General would, in these circumstances, not be prepared to propose a reduction in the approved programme budget for 1988-1989 to the Executive Board and the World Health Assembly in 1988.

(iii) If, by the end of this year, the major contributor would have paid a significant part, but by no means all, of its outstanding contributions for 1986 and 1987 and give reasonable assurances that it would pay its assessed contributions for 1988-1989, thereby considerably alleviating but not ending the current financial crisis, the Director-General would most probably recommend to the Executive Board and the World Health Assembly a reduction in the approved 1988-1989 global budget of \$25 million and, at the same

time, maintain a programme budget implementation reduction for 1988-1989 of \$25 million. The combined effect of these two measures would result in programme reductions of \$50 million to the approved programme budget for 1988-1989, to be shared between the regions and Headquarters on a proportionate basis. The total combined effect for SEAR would be \$6 050 000; \$3 025 000 in budget reduction, and \$3 025 000 in programme implementation reduction.

The amounts referred to in the above options may be summarized as follows in relation to SEAR :

	<u>Budgetary reduction for 1988-1989</u>	<u>Contingent programme budget implementation reduction for 1988-1989</u>	<u>Total reduction</u>
	(a)	(b)	(c)
(i)	\$3 025 000	-	\$3 025 000*
(ii)	-	\$6 050 000	\$6 050 000
(iii)	\$3 025 000	\$3 025 000	\$6 050 000*

In order to permit the Director-General to prepare these proposals in time, the Regional Director has been asked to indicate the breakdown by type of allocation and by appropriation section the amounts proposed in the three options.

In July, the Regional Office wrote to the WHO Representatives to undertake a dialogue with the Member States in order to provide the required information.

* The amounts for options (i) and (iii) would be shared by the regional/intercountry and country levels of programme activity on the same basis as for option (ii) described earlier.