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### **STRATEGIC BUDGET SPACE ALLOCATION**

#### **Executive summary**

At the Sixty-sixth World Health Assembly in May 2013, Member States requested the Director-General to propose, for consideration by the Sixty-seventh World Health Assembly, in consultation with Member States, a new strategic resource allocation methodology in WHO, starting with the development of the programme budget for 2016–2017.

In January 2014, the Executive Board at its 134th session endorsed the proposal by the Director-General to establish a working group on strategic resource allocation to provide guidance to the Secretariat in further developing the proposal for a new strategic resource allocation methodology.

Since then, a working group has been established comprising six Member States (representing each of the six WHO regions) in order to provide guidance to the Secretariat in developing a proposal for a new strategic resource allocation methodology.

The Sixty-seventh World Health Assembly considered the report of the twentieth meeting of the Programme, Budget and Administration Committee of the Executive Board, contained in document A67/6. During the discussions, support was expressed for the Committee's recommendations, which included endorsing the roadmap that set out the proposed way forward and changing the name of the relevant working group, which thus became the Working Group on Strategic Budget Space Allocation. At its 135th session, the Executive Board in decision EB135(1), endorsing a recommendation of the Programme Budget and Administration Committee, decided to maintain the current membership of the Working Group.

The Regional Committee is invited to consider the attached working paper and to provide further guidance for the development of a proposal on a new strategic budget space allocation methodology.

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## STRATEGIC BUDGET SPACE ALLOCATION<sup>1</sup>

1. At the Sixty-sixth World Health Assembly in May 2013, Member States requested the Director-General to propose, for consideration by the Sixty-seventh World Health Assembly, in consultation with Member States, a new strategic budget space allocation methodology in WHO, starting with the development of the programme budget for 2016–2017.<sup>2</sup>
2. At its 134th session, the Executive Board endorsed the proposal by the Director-General to establish a working group on strategic budget space allocation to provide guidance to the Secretariat in further developing the proposal for a new strategic budget space allocation methodology.<sup>3</sup>
3. The Working Group was established in line with the Executive Board's decision. It is made up of six members of the Programme, Budget and Administration Committee (from Belgium, Cameroon, Egypt, Malaysia, Maldives and Mexico). On 17 February 2014, the Working Group had its first meeting through a teleconference and agreed on its terms of reference. The key objectives of the Working Group are to provide guidance to the Secretariat in developing the proposal for a new strategic budget space allocation and to facilitate discussion of the final proposal for a new strategic budget space allocation methodology at the extended meeting of the Programme, Budget and Administration Committee.
4. The Working Group also agreed on its modalities of working, which included the development of a questionnaire that would be used to assist Working Group members in seeking input and guidance from other Member States and, based on responses to the questionnaire and follow-up discussions in the Working Group, the provision of guidance to the Secretariat to develop a draft proposal. All Working Group members completed the questionnaire by mid-April 2014.
5. On 23 and 24 April 2014, the Working Group had a face-to-face meeting to discuss the responses to the questionnaire and to provide initial guidance to the Secretariat on the scope, principles and criteria for a new strategic budget space allocation methodology. It was clear from the responses to the questionnaire that not all Working Group members have a similar outlook or understanding of what could be the scope, key principles and elements of a strategic budget space allocation. This face-to-face meeting therefore provided the opportunity to develop a common understanding of some of the key principles and criteria, and the planning and budgeting processes, as well as some key terminology.
6. During the meeting, it was also recognized that the development of a new resource allocation in WHO is quite complex and interdependent with many other WHO reform initiatives that are currently under way, such as the work on bottom-up planning, identification and costing of outputs and deliverables, the roles and functions of the three levels of the Organization, and the review of the financing of administrative and management costs. Members emphasized the importance of ensuring that the new strategic budget space allocation methodology is viable and applicable at all three levels of the

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<sup>1</sup> In line with the recommendation of the Programme, Budget and Administration Committee of the Executive Board at its twentieth meeting, references to “strategic resource allocation” have been changed to “strategic budget space allocation”.

<sup>2</sup> See decision WHA66(9).

<sup>3</sup> See decision EB134(4).

Organization. They also highlighted the importance of ensuring that development of the strategic budget space allocation methodology is informed by the work of these initiatives, and vice versa. They therefore agreed that a new strategic budget space allocation methodology may not be fully developed in time for finalization of the programme budget for 2016–2017. The Working Group also emphasized that the Secretariat needs to continue the application of some of the key principles such as bottom-up planning, the use of realistic costing and the roles and functions of the three levels of the Organization in the preparation of the proposed programme budget 2016–2017.

7. Based on the outcome of the discussion at the face-to-face meeting, the Working Group requested the Secretariat to develop a paper for further discussion by members of the Programme, Budget and Administration Committee in May 2014. This paper accordingly highlights the scope, the guiding principles and the criteria that were discussed by the members of the Working Group with regard to the distribution of resources within each operational segment.

## SCOPE

8. The strategic budget space allocation methodology should be applied to allocate both assessed and voluntary contributions in an integrated manner and in support of the Organization's one work plan and one budget (programme budget).

## GUIDING PRINCIPLES

9. The following overarching principles could guide the development and implementation of the new strategic budget space allocation methodology:

- ***based on needs and evidence:*** strategic budget space allocation should support those countries in greatest need and should be based on epidemiological data, including research findings and scientifically validated data, as well as objectively measurable benchmarks;
- ***results-based management:*** strategic budget space allocation should include robust bottom-up planning and realistic costing of outputs and deliverables, in alignment with priorities identified in the General Programme of Work and taking into consideration how and where best to allocate resources in order to achieve significant impact and value for investment;
- ***fairness and equity:*** strategic budget space allocation among geographical or functional segments should be conducted in accordance with objective and generally accepted and consistently applied criteria;
- ***accountability and transparency:*** these should be central to planning and allocation of strategic budget space and to reporting on the use of resources;
- ***clear roles and functions:*** at all three levels of the Organization, these should support decisions on allocation of tasks and budget space and strengthen accountability;
- ***performance improvement:*** this should be considered as an incentive in budget space allocation to encourage delivery of results and achievement of outcomes.

## **CRITERIA BY OPERATIONAL SEGMENT**

10. For the purpose of developing a strategic budget space allocation methodology, WHO's work has been divided into the four operational segments.<sup>1</sup> For each operational segment, provisional criteria and approaches for strategic budget space allocation are proposed for further discussion and consideration.

### **Segment 1: Technical cooperation at country level**

11. This segment relates to functions and activities at country level, where the benefits are experienced directly by individual countries. Activities could include building country capacity, providing technical support, conducting policy dialogue, adapting guidelines and strengthening systems to collect, analyse and disseminate data. In order to allocate resources strategically in support of this segment, it is proposed to determine the profile of each country taking into consideration the following criteria:

- human development index + immunization coverage (such as with the final dose of diphtheria, pertussis and tetanus vaccine + proxy indicators for technical categories in the General Programme of Work, (such as inequity, disability-adjusted life years lost to communicable diseases and noncommunicable diseases, proportion of births attended by skilled health personnel, capacity to implement the International Health Regulations (2005));
- weighted by a population factor;
- aggregated at regional level.

12. This will allow the allocation to be distributed across the six WHO regions, based on the total allocation to the countries in each region. The allocation of budget space to support technical cooperation at country level will then be based on bottom-up planning, taking into account:

- the needs and priorities of the individual country;
- alignment with the country cooperation strategy and national investment plan;
- the comparative advantages of WHO;
- alignment with the priorities identified in the General Programme of Work.

13. This constitutes an objective and transparent approach to determining budget space allocation. It also supports the principle of aligning resource allocation with the needs, priorities and results identified through the General Programme of Work, and bottom-up planning. This therefore means that the allocation to a country office may not always be consistent with the allocation determined based purely on health and development parameters.

### **Segment 2: Provision of global and regional goods**

14. This segment covers the functions and programmes performed by WHO headquarters and regional offices, as stated in Article 2 of the Constitution of the World Health

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<sup>1</sup> See document EB134/10.

Organization, for the benefit of all Member States and in support of the entire Organization. Examples of deliverables include WHO norms and standards, policies and guidelines, analysis, and the management and dissemination of health information.

15. There are two categories of programmes or functions in this segment: (i) mandatory functions and long-term commitments (such as the Codex Alimentarius Commission) and (ii) other functions and activities that are driven more by needs and emerging priorities. It will therefore be necessary to have two different approaches to allocating budget space within this segment.

16. For mandatory functions or long-term commitments, budget space allocation has to be based on current and historical patterns, taking into consideration continuous performance improvement and cost-efficiency. For other functions or priorities, budget space allocation would be based on assessment and identification of global and regional health needs and priorities, taking account of the following criteria:

- the priorities identified in the General Programme of Work;
- the needs and priorities of countries;
- resolutions adopted by WHO's governing bodies;
- the comparative advantages of WHO;
- the roles and functions of the three levels of the Organization (with consideration for efficiency and effectiveness);
- realistic costing of outputs and deliverables;
- a project management approach.

### **Segment 3: Administration and management**

17. This segment relates to the functions required to run the Organization. Administrative and management costs can be subsumed under two general categories:

- **stewardship and governance:** all the corporate services and enabling functions, comprising leadership, general management and governance;
- **infrastructure and administrative support:** comprising the running costs of the premises, maintenance, information technology, security and other administration support services. Most of these costs are within category 6 of the General Programme of Work, but some fall within the technical categories 1 to 5.

18. A review and discussion with Member States is ongoing on the budgeting and financing of administration and management costs. This review includes how best to align the costs of administration and management to programme delivery, how to finance them and how best to build in cost-efficiency measures. Recognizing that the current approach is based on historical patterns and that there is a high fixed-cost component, notably for stewardship and governance (for example, the costs of governing body meetings and governance structures, or senior management staffing across the Organization), the Working Group emphasized that it is essential to take the following criteria into consideration when allocating budget space for administration and management:

- minimum requirements for ensuring the effective functioning of the Organization under its Constitution and within its control framework;

- cost-efficiency and effectiveness in alignment with audit recommendations.

#### **Segment 4: Emergency response**

19. This operational segment covers outbreak and crisis response and poliomyelitis eradication. Owing to the nature of outbreak and crisis response, which is governed by acute events, the resource requirements are normally significant but difficult to predict during the budget planning process. Poliomyelitis eradication is currently considered to be a programmatic emergency for global public health, and as such there needs to be flexibility for budget increases at short notice in order to accommodate programmatic needs.

20. Given the event-driven and location-specific nature of this segment, any new methodology developed for segments 1 to 3 may not apply to this segment. It is proposed that this segment should be further discussed and considered by the Working Group.

#### **WAY FORWARD**

21. In order to complete the development of a proposal for a strategic budget space allocation methodology that is informed by other critical reform initiatives, the following steps and timelines are proposed:

- present the revised paper to Regional Committees for input and further guidance – September–October 2014;
- in parallel, the Secretariat develops different models by applying the principles and criteria – June 2014 onwards;
- hold a face-to-face meeting of the Working Group to review the models developed and provide guidance to the Secretariat – following the Regional Committee sessions;
- provide update on the draft proposal to Member States – mid-December;
- the Secretariat presents a draft proposal on the new strategic budget space allocation to the Programme, Budget and Administration Committee – January 2015.