



WORLD HEALTH ORGANIZATION

REGIONAL COMMITTEES

RC/2005/1
1 JUNE 2005

Guiding principles for strategic resource allocations

INTRODUCTION

1. Based on the Secretariat's report on resolution WHA51.31, the Fifty-seventh World Health Assembly requested the Director-General to develop guiding principles and criteria for the strategic allocation of resources across the Organization, to be submitted to the Executive Board at its 115th session. The decision states:

The Fifty-seventh World Health Assembly, after considering the report on regular budget allocations to regions, noting the recommendations contained in paragraph 21, decided to request the Director-General to draw up, in consultation with Member States and regions, guiding principles, based on objective criteria, to be applied in the allocation of funds from all sources, taking into account equity, efficiency and performance, and support to countries in greatest need, in particular least developed countries, which would be considered by the Executive Board at its 115th session. (Decision WHA57(10) 22 May 2004)

2. At its 115th session, the Executive Board reviewed progress made on developing guiding principles for the strategic allocation of resources. The Secretariat was requested to continue the consultative process, and to submit a new draft to the Executive Board at its 116th session.¹ The draft was further discussed at the 116th session, where it was agreed to continue consultations with Member States through the Regional Committees. A new version would be then prepared for the 117th Executive Board, in January 2006. It was also suggested that a Resolution be adopted by the World Health Assembly on guiding principles for strategic resource allocations.

3. This document elaborates on the methodology and process of strategic resource allocation within the context of WHO's results based management framework. It also details a validation mechanism that would serve to ensure equity and that resources are geared towards countries in greatest need, in particular least developed countries, as has been explicitly requested by the Health Assembly.

RENEWING WHO'S RESULTS BASED MANAGEMENT FRAMEWORK

4. Based on experience gained over the last bienniums, a renewed results-based management framework has been developed, with the aim of achieving a more strategic approach to planning, and at simplifying key processes. It includes an organization-wide Medium Term Strategic Plan that will build on the Eleventh General Programme of Work, the Country Cooperation Strategies, and governing body resolutions.

¹ See document EB115/2005/REC/2, Summary record of the tenth meeting, section 1.

5. The Medium Term Strategic Plan will provide direction to the Organization over six years. It will serve to support, strengthen and provide continuity to three biennial programme budgets. Strategic objectives will form the core of the Medium Term Strategic Plan, representing commitments for Member States and the WHO Secretariat. A resource outlook across strategic objectives and over the three bienniums will also be included. Strategic objectives would be further broken down into organization-wide expected results for the six year period. The biennial programme budget, flowing from this, will contain two-year targets and associated budgets for the expected results described in the Medium Term Strategic Plan.

6. A key component of any results-based management framework is the ability to monitor performance over time and evaluate the impact of programmes. WHO's monitoring capability and accountability will be strengthened by the proposed renewed framework, as planning processes will be better articulated, leading to a more efficient preparation of the programme budget. It should be emphasised that performance relates here to WHO programmes and offices, not countries *per se*. In any case, the utmost must be done to ensure a strong performance in countries in greatest need, in particular least developed countries.

7. The following diagram outlines the renewed framework,



STRATEGIC RESOURCE ALLOCATION: GUIDING PRINCIPLES

8. Guiding principles for strategic resource allocation represent an opportunity to further strengthen the Organization's results-based management approach. We are moving from a *resource-based* approach, where resources were allocated and then planned for, to a *results-based* approach, where we first decide what it is we should be doing and then derive cost implications and resource requirements to achieve the agreed objectives. This is entirely consistent with a needs-based approach, since objectives and associated resources logically aim to address areas of greatest need.

9. The seven draft guiding principles are enunciated below.¹

Principle 1

Strategic coordination and allocation of resources should be first and foremost driven by strategic planning and results-based budgeting, with expected results determined after an Organization-wide planning process, and budgets prepared in a bottom-up manner from estimated requirements of resources to deliver those expected results.

Principle 2

Strategic resource allocations should be firmly rooted in principles of equity and in support of countries in greatest need, in particular least developed countries.

Principle 3

The budget should include all WHO's financial resources. Resource requirements should be considered in an integrated manner, including income from all sources of funding as part of one Organization-wide budget.

Principle 4

Strategic resource allocations should cover the full strategic planning period of six years. The resource indications should, however, be sufficiently broad, and favour flexibility over rigidity.

Principle 5

Performance of specific programmes or offices should be taken into account in the process. Well-performing programmes or offices must be recognized and their experience shared as best-practice. Programmes or offices that have not been able to deliver expected results will be given attention in order to understand better the shortcomings and adequate support should be provided to enable them to achieve rapid progress.

Principle 6

Three complementary perspectives should be used when defining resource needs:

- (a) The **programmatic perspective** reflects the Organization's priorities in terms of substantive programme delivery. It is a response to the question "what are the goals and objectives WHO wants to achieve?". These goals and objectives stem from the General Programme of Work, Executive Board and Health Assembly resolutions, findings from Country Cooperation Strategies analysis, and other global commitments such as the Millennium Development Goals.

¹ See document EB115/CD/1.

(b) The **functional perspective** responds to the question “how can WHO best meet its goals and objectives?”. It refers to the core functions of the Organization, and how WHO should balance these functions to deliver most efficiently its strategic objectives.

(c) The **organizational perspective** relates to WHO offices in countries, regions and headquarters. It provides an answer to the question “where in the Organization is the work best and most effectively performed?”. Resources should be directed to where the work is being done, ensuring equity and a focus on countries in greatest need.

Principle 7

The outcome of the strategic planning process and results-based budgeting should be appraised and justified against a validation mechanism, which would provide indicative resource ranges for headquarters and each region.

The actual allocation of resources against the target ranges will be periodically monitored. Although actual allocations may vary or deviate from the targets within parts of a strategic planning cycle, they should balance out over the full period. In case of substantial variation, target ranges may be revised to reflect exceptional changes in circumstance.

STRATEGIC RESOURCE ALLOCATION ALONG THE THREE PERSPECTIVES

10. Translating these principles into practice requires a dual but complementary approach. The first approach relates to the strategic planning process and the three perspectives outlined in Principle 6. The second relates to a validation mechanism based on criteria to ensure equity and focus on countries in greatest need, which will be elaborated in the next section.

11. From a *programmatic* perspective, strategic objectives, outlined in the Medium Term Strategic Plan, will serve as the starting point. When identifying strategic objectives, the following will be taken into account.¹:

- the strategic direction of WHO as articulated in the General Programme of Work;
- needs of Member States identified through Country Cooperation Strategies, epidemiological surveys and burden of disease;
- major health challenges of global and regional importance and relevance, as identified through discussions, decisions and resolutions of Member States at the World Health Assembly and Regional Committees;
- equity, efficiency and performance, and support to countries in greatest need, in particular least developed countries;

¹ This builds on the General Programme of Work 2002-2005, p. 6, paragraph 13; EBPDC3/7, Priority-setting in WHO, 20 November 1996, pp. 2-3, paragraphs 4-6; EUR/RC43/4, Programme Budget Priorities 1996-1997, pp. 3-4, paragraph 13.

- the comparative advantage of WHO, building on the objectives and core functions of the Organization;
- potential for measurable impact within medium term strategic planning period.

12. Strategic objectives could be reviewed during subsequent biennial programme budgeting cycles to take into account changing circumstances and emerging needs, and to ensure the Organization remains responsive to country needs. Furthermore, a key to efficient and effective use of resources will be to find the right balance to ensure *all* of WHO's strategic objectives can be appropriately resourced. A high level of resources in one programme should not be seen as compensation for other programmes with insufficient resources.

13. Determining resource requirements to meet the strategic objectives is an iterative process. A *first* step is to provide clear indications, from a strategic and organization-wide perspective, which would place the different strategic objectives into perspective. This would serve both to better guide the development of expected results and the more detailed costing of strategic objectives, as well as to cross-check the outcome of results-based budgeting. It would include:

(a) For each strategic objective, an indication as to where the emphasis should lie in terms of core *functions*, as expressed in the General Programme of Work. The functional perspective is key to ensuring things are done "in the right way". The assumption is that the different nature of strategic objectives, approaches and related functions may have different cost implications.

(b) An indication as to where the work would best be performed, from an *organizational perspective*: headquarters, regional office, or country office. The organizational perspective serves to ensure we do the right thing "in the right place", drawing on the complementary strengths of the three levels of the Organization. While all core functions may be carried out by all levels of the Organization, the emphasis for a particular function may be greater at one level than another. This emphasis will vary from strategic objective to strategic objective.

(c) A relative resource outlook for each strategic objective, which will indicate in qualitative terms the expected evolution of resource requirements over the full strategic planning period, relative to what is currently being invested (e.g., significant increase, stability, initial increase then possible decrease, etc.)

(d) Once this has been developed for all strategic objectives, a relative resource indication will be provided across objectives. This would be based on the targets, the strategic approaches as well as the functional and organizational analysis. It is suggested that they be categorized as either requiring high, medium or low expected cost, relative to one another.

14. *Second*, based on this initial high-level analysis, a more detailed bottom-up costing of strategic objectives would be carried out at all levels of the Organization. This would be built up from organization-wide expected results required to reach the strategic objectives.

15. *Third*, the outcome of the bottom-up costing would be cross-checked against the up-front strategic indications, possibly requiring several iterations. The Medium Term Strategic Plan, which will be presented for decision to the governing bodies, would contain a six-year resource indication reconciling the up-front strategic indication described above (step 1 and 2) with the outcome of the results-based budgeting.

16. The outcome of the strategic planning process and the results-based budgeting will lead to WHO's specific resource requirements for a two-year period expressed in the Programme Budget, which will be broken down by headquarter and regions. Recognizing regional specificities, the breakdown within regions (i.e. regional office, intercountry programmes, country offices) will vary from region to region, in accordance with respective regional policies established by the regional committees and in line with the overall vision and policies of the Organization.

17. This iterative process is aimed at ensuring we are “doing the right thing, in the right way, and in the right place”, and is at the core of results-based management. It will be supplemented, however, by a validation mechanism to ensure that equity and focus on countries in greatest need, in particular least developed countries, are emphasized across all regions, based on objective criteria.

THE VALIDATION MECHANISM

18. The validation mechanism will be used to appraise and analyse the outcome of the development of the Medium Term Strategic Plan. As such, it will cover the entire Organization as well as apply to all sources of funds. It will present percentage ranges for headquarters and for each region, for the full strategic planning period, but will not show country-specific ranges. While the validation mechanism should be seen as an important and transparent point of reference, it will not determine actual resource allocation. Rather, it will inform and validate the results-based resource requirements as part of the development of the Medium Term Strategic Plan and associated Programme Budgets.

19. The following paragraphs describe the key parameters and the proposed approach but do not yet detail the specific indicators, indexes, threshold, etc., to be applied. Further work and consultation will be necessary, and a proposal will be submitted to the 117th session of the Executive Board in January 2006.

20. The mechanism will be based on the consideration of three components:

(a) a **core component** comprising those core functions that must be carried out at different levels of the Organization. The financing of the core component can be secured through both the regular budget and voluntary contributions.;

(b) an **engagement component** reflecting core regional functions whose cost varies in relation to the number of countries served, including the organizational cost of engaging with all Member States in a given region, regardless of their relative health and socioeconomic status; and,

(c) a **needs-based component** reflecting relative health and socioeconomic status along with a population factor, which will constitute the majority of the total resource envelope.

21. Headquarters will be made up entirely of the **core component**. There will be an informed estimate range, based on the decentralization policy, and an analysis of the functions critical to achieving the strategic objectives and where they can be carried out most efficiently and effectively. This would typically include developing global policies, norms, standards and guidelines; analysing, managing and disseminating global health information; engaging with key partners at the global level.

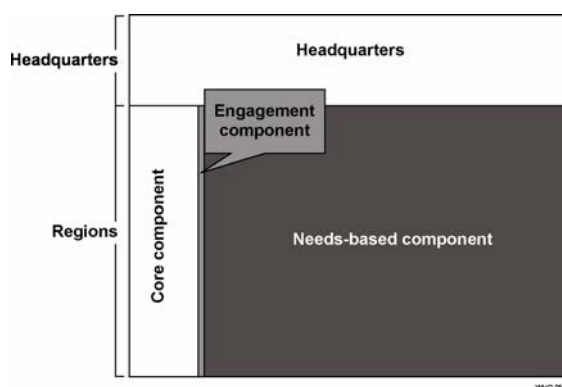
22. At regional level, the engagement component and the needs-based component will be considered in addition to the core component. The resource needs for each region would thus be made of the sum of these three considerations, with the needs-based factor being the most prominent.

23. The **core component** would relate to core functions that do not vary greatly with the number of countries served or the relative need of those countries. This would include, for example: the adaptation of global policies, norms, standards and guidelines to specificities of the region and subregions, and analysis and feedback of regional experience to the global level for further refinement; analysis and management of regional health information for regional and subregional policy implications; identification, negotiation and maintenance of regional and subregional partnerships to further the common agenda in public health; and the fixed costs of servicing regional consultation mechanisms with Member States. The weighting would be an estimated percentage of resources, applied equally to all regions.

24. The **engagement component** assigns an equal dollar amount for each Member State. It will reflect the additional costs of carrying out core functions for regions serving more countries such as engaging politically with all Member States, regardless of their relative need, and stimulating technical cooperation among countries. The actual costs could be incurred at regional office or country level and eventually allocated in either, depending on the circumstances of the particular region. In addition, while this component is not mainly intended to relate to administrative functions, adding a resource weighting by number of countries also reflects the reality of higher administrative costs associated with having more countries in a given region. While it will have a much smaller weighting than either the core or the needs-based components, it is nonetheless useful to reflect at an aggregated regional level the reality of WHO's work.

25. The **needs-based component** will be based on objective proxies for relative health and socioeconomic need of countries. For the results to be objective and relevant, the underlying statistics used must be available for all countries, relatively robust, regularly updated, and relevant to WHO's strategic objectives. These simple criteria will significantly limit the choice of indicators.

26. Once the indicators for health and socioeconomic status have been selected, they would be weighted to create a needs-based index. Regardless of indicators selected, they will have varying degrees of confidence. Thus, resource assignments would not be based directly on the exact index calculation, instead, the index could be used to assign countries into groups based on relative need. Each group would receive different resource weightings in a progressive manner so that countries in greatest need would receive a progressively higher weighting. The needs-based claim on resources would be weighted by a population factor, so that regions with countries with larger populations should receive a greater share of resources than they would if the same countries had smaller populations. However, a statistical smoothing technique should be applied to the population figures given that the resources that WHO needs to effectively cooperate with countries is not directly proportionate to population size. Once the relative share of needs-based resources has been calculated, the data would be aggregated by region to arrive at the relative regional shares of needs-based funding.



27. A flexible approach will be needed, particularly in the application to voluntary contributions, given the complexities in aligning specified voluntary contributions to the unfunded, integrated programme. In exceptional circumstances, such as emergencies and countries in crisis, which cannot reasonably be addressed without compromising its simplicity, objectivity and replicability of the mechanism, flexibility will be necessary.

STRATEGIC RESOURCE ALLOCATION: THE PROCESS

28. As emphasized at the outset of this paper, strategic resource allocation is an integral part of WHO's managerial processes, for which the broad timelines are set out below.

29. **General Programme of Work (2006-2015).** The Eleventh General Programme of Work is the starting point. A first draft is due to be discussed by the regional committees in 2005 and the 117th session of the Executive Board in January 2006, after which it will be submitted to the Fifty-ninth World Health Assembly in May 2006 for endorsement.

30. **Medium Term Strategic Plan (2008-2013).** Building on the draft General Programme of Work, a draft Medium Term Strategic Plan will be developed over the latter part of 2005, including strategic resource indications along the lines articulated in this document. A progress report will be provided to the third meeting of the Programme, Budget and Administration Committee in January 2006. This would enable the Secretariat to better capture views from Member States and may result in adjustments to the strategic planning process. It will then be submitted to the regional committees in 2006, to the 119th session of the Executive Board in January 2007, and to the Sixtieth World Health Assembly in May 2007.

31. **Programme budget (2008-2009).** Based on the draft Medium Term Strategic Plan, the biennial programme budget will be developed. It will be submitted alongside the Medium Term Strategic Plan to the regional committees in September 2006, to the 119th session of the Executive Board in January 2007, and to the Sixtieth World Health Assembly in May 2007.

32. **Validation mechanism.** The mechanism will be used as part of the strategic planning and programme budgeting process. Resource indication ranges that would emerge from such a mechanism will be presented to the Programme, Budget and Administration Committee and the Executive Board at its 117th session in January 2006.

ACTION BY THE REGIONAL COMMITTEES

33. Regional Committees are invited to provide their comments and inputs on the proposed approach set out in this document, with a focus on the guiding principles, as well as the proposed parameters of the validation mechanism. This will provide further guidance to the Secretariat in preparation of discussions at the Programme, Budget and Administration Committee and the 117th session of the Executive Board, in January 2006.

= = =