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. The development of principles and criteria to guide the strategic allocation of resources is a task that requires the collaboration and participation of all levels of the Organization as well as of Member States, through ongoing consultations.

3. 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

4. This document further 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 greater equity and that resources are geared towards countries in greatest need, as has been explicitly requested by the Health Assembly.

5. This work is being carried out in conjunction with other key managerial processes. The Eleventh General Programme of Work will guide the work of the Organization for the period 2006-2015. New ways of working between and across different levels of the Organization, including development of “one country strategy, plan and budget” and decentralization, are also key inputs into this work. Organization-wide efforts to increase effectiveness and efficiency will all support and benefit from the more effective use of resources.

1 See document EB115/2005/REC/2, Summary record of the tenth meeting, section 1.
6. Developing guiding principles for strategic resource allocation is an opportunity to further strengthen the Organization’s results-based management approach. The correct balance must be struck between a results-based budgeting approach and the development of strategic resource allocation principles and criteria. While the two approaches are not necessarily mutually exclusive and may even be complementary, care must be taken not to revert to a resource-based approach, whereby resources are allocated in isolation from the strategic direction and objectives of the Organization.

7. 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 will include 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.

8. The Medium Term Strategic Plan developed through a thorough consultative process and endorsed by the governing bodies, will provide direction to the Organization over six years and three biennial programme budgets. It will thus serve to support, strengthen and provide continuity to the biennial programme budget. The first Medium Term Strategic Plan (2008-2013) will be presented to the Sixtieth World Health Assembly in May 2007, together with the Proposed programme budget for 2008-2009.

9. A limited number of high level goals, taken from the Eleventh General Programme of Work, and strategic objectives will form the core of the Medium Term Strategic Plan, representing commitments for Member States and the WHO Secretariat. It will also include Organization-wide expected results for the six year period. A resource outlook across strategic objectives and over the three bienniums will be presented. The biennial programme budget will contain two-year targets and associated budgets for the expected results described in the Strategic Plan.

10. The following diagram depicts these different processes and instruments, related to the strategic allocation of resources.
11. 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 is in this context that factors of performance and efficiency must be addressed, through WHO’s performance assessment reporting and other monitoring and evaluation mechanisms.

STRATEGIC RESOURCE ALLOCATION: GUIDING PRINCIPLES

12. Draft guiding principles have been developed to support the strategic allocation of resources across the Organization. Through an online based consultation process some Member States have expressed general support for the draft guiding principles. As they serve to guide the work going forward, the revised 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

The budget should encompass 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 3

The strategic planning process should be guided by WHO’s long-term strategic direction, including the General Programme of Work, regional and country specificities, and findings from Country Cooperation Strategies analysis. Strategic resource allocation perspectives (programmatic, functional and organizational) will serve to inform this process.

Principle 4

Relative resource indications should be defined for the full strategic planning period. The resource indication should be sufficiently broad, and favour flexibility over rigidity.

Principle 5

Past performance of specific programmes or offices should be taken into account in the process. To ensure that well-performing programmes or offices are rewarded, the performance assessment reports for the previous budgeting cycle or cycles will be considered.

¹ See document EB115/CD/1.
Programmes or offices that have not been able to deliver expected results will be scrutinized in order to understand better the shortcomings and provide adequate support.

**Principle 6**

**Three complementary perspectives should be considered when defining ranges for strategic allocation of resources.**

(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 are set out in the General Programme of Work, Executive Board and Health Assembly resolutions, and other global commitments such as the Millennium Development Goals.

(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, such as normative work and technical cooperation, and how WHO should balance these functions to deliver most efficiently its strategic objectives and global expected results.

(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 must be validated against the strategic resource allocation perspectives and criteria. Some adjustment may be needed, including the scaling up or down of expected results. An iterative, transparent and consultative process is crucial to ensure the integrity and credibility of the results-based budgeting approach.

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.

13. Strategic resource allocation is first and foremost a consultative process. These principles should lead to a more effective use of resources, validation of the outcome of results-based budgeting and priority in resource allocation to countries in greatest need. In short: doing the right things, in the right way, in the right place, and at the right time.

14. 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. These approaches are elaborated on in the next two sections.
STRATEGIC RESOURCE ALLOCATION ALONG THE THREE PERSPECTIVES

15. The programmatic perspective is about “doing the right thing”, ensuring that there is a clear strategic direction and that the Organization is giving itself the means to implement that direction through the most effective use of its resources.

16. Strategic objectives, to be outlined in the Medium Term Strategic Plan, would serve as the starting point, and would be determined through a transparent and consultative Organization-wide process. They 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.

17. In order to identify strategic objectives, a number of key dimensions need to be considered. These have been articulated in a number of different ways in the past. Building on this work, the following dimensions will be considered:

- goals contained in the General Programme of Work;
- major health challenges of global and regional importance and relevance;
- requests from Member States, reflected in discussions, decisions and resolutions;
- needs of Member States identified through Country Cooperation Strategies, epidemiological surveys and burden of disease;
- equity, efficiency and performance, and support to countries in greatest need, in particular least developed countries;
- the comparative advantage of WHO, building on the objectives and core functions of the Organization;
- relevance to all three levels of the Organization;
- potential for measurable impact within medium term strategic planning period.

18. The 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.

19. With clear strategic objectives at hand, relative resource indications will be developed to guide the results-based budgeting process. While strategic objectives represent commitments from both Member States and the WHO Secretariat, resource indications relate to the work to be carried out by the Secretariat.

20. Developing resource indications requires the identification of the role of the Secretariat in implementing the different strategic objectives. Based on this, a high-level analysis for each strategic

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objective will set out 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.

21. A further analysis of the strategic objectives and related functions will provide, in line with the Organization’s decentralization policy, an indication as to where the work would best be performed, from an organizational perspective: headquarters, regional office, or country office. It is not envisaged to indicate absolute resource requirements at this stage.

22. The organizational perspective serves to ensure we do the right thing “in the right place”. Resources must be made available at all levels of the Organization, reflecting where the work can most efficiently be done and drawing on the complementary strengths of the three levels of the Organization. All functions are carried out by all levels of the Organization, with the emphasis for a particular function being greater at one level than another. This emphasis will vary from objective to objective.

23. A relative resource outlook will also be provided for each strategic objective. This will indicate in qualitative terms the expected evolution of resource requirements over the full strategic planning period, relative to what is currently being invested, for example significant increase, stability, initial increase then possible decrease, etc.

24. 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.

25. The strategic objectives and relative resource indications will provide a clear Organization-wide sense of direction that is useful for subsequent programme budgeting, for example in developing and costing expected results, as well as to validate or cross-check the outcome of results-based budgeting. The Medium Term Strategic Plan, which will be presented for decision to the governing bodies, will contain a strategic resource indication reconciling the up-front indication described above with the outcome of the results-based budgeting.

26. The outcome of the strategic planning process and the results-based budgeting will lead to WHO’s resource requirements expressed in the programme budget, which will be broken down by strategic objective, and by headquarters and regions. The breakdown within regions, 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.

27. The process outlined above 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. This will be supplemented by a validation mechanism to ensure that equity and focus on countries in greatest need are emphasized across all regions, based on objective criteria.
THE VALIDATION MECHANISM

28. A validation mechanism will be used to appraise and analyse the outcome of the development of the Medium Term Strategic Plan and resource outlook. 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, if this approach is adopted.

29. The mechanism will apply to the entire Organization, all sources of funds, and indicate appropriate relative funding levels so that core functions are rationally funded throughout the Organization and allocations between regions are firmly rooted in the principles of equity and solidarity in support to countries in greatest need, particularly least developed countries.

30. The mechanism will not be applied in a rigid manner, but as an important and transparent point of reference. The results will be presented as a percentage range for headquarters and for each region, for the full strategic planning period. 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.

31. 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;

   (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.

32. 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, based on the strategic objectives. 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.

33. 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.

34. 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.
35. 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. It will have a much smaller weighting than either the core or the needs-based components.

36. The needs-based component will be based on objective proxies for relative health and socioeconomic need of countries below an objectively established income threshold. 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.

37. 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.
38. The mechanism, while applying to all sources of funds, will also take into account the different nature of voluntary contributions and the regular budget. In recognition of the need for predictability in the funding of core functions throughout the Organization, a special distribution of resources will be established for the regular budget, taking into account core functions and relative health and economic needs. This will allow the indicative distribution of voluntary contributions to be entirely based on relative need. The result will be a mechanism for guiding resource allocations so that the absolute majority of the entirety of funding is assigned based on relative need, while core functions throughout the Organization are rationally assigned to the most reliable funding source.

STRATEGIC RESOURCE ALLOCATION: THE PROCESS

39. Strategic resource allocation is as much about an outcome as it is about a robust, transparent and consultative process across the Organization. As emphasized at the outset of this paper, it is an integral part of WHO’s managerial processes, for which the broad timelines are set out below.


41. Medium Term Strategic Plan (2008-2013). Building on the draft goals of the general programme of work, a draft Medium Term Strategic Plan will be developed over the latter part of 2005, including strategic resource indications. 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.

42. 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.

43. Validation mechanism. The mechanism will be used as part of the strategic planning and programme budgeting process for the full strategic planning period. It is proposed to present to the Programme, Budget and Administration Committee and the Executive Board at its 117th session in January 2006 the resource indication ranges that would emerge from such a mechanism.

ACTION BY THE EXECUTIVE BOARD

44. The Executive Board is invited to note the above report.