

Strategic resource allocation

Report by the Secretariat

1. In decision WHA66(9) on strategic resource allocation methodology, Member States requested the Director-General to propose for consideration by the Sixty-seventh World Health Assembly and in consultation with Member States a new strategic resource allocation methodology in WHO, starting with the development of the programme budget for 2016–2017, utilizing a robust, bottom-up planning process and realistic costing of outputs, based on clear roles and responsibilities across the three levels of WHO.

2. The new strategic resource allocation methodology would therefore be based on three pillars: (1) a robust, bottom-up planning; (2) realistic costing of outputs; and (3) clarity of roles and responsibilities across the three levels of the Organization (i.e. division of labour). This paper outlines the work done and progress made in developing the three pillars and also presents some of the emerging principles for a more strategic allocation of WHO's programme budget starting with the programme budget for 2016–2017.

BACKGROUND

3. Efforts to ensure that resource allocation in WHO is fair, transparent and evidence-based are not new. Previous endeavours to make resource allocation in WHO more strategic have been based on principles of fairness and need, which have ultimately been translated into fixed, formula-based entitlements.

4. The latest exercise was undertaken in 2006, when the Executive Board agreed a set of principles for the strategic allocation of resources,¹ and based on these principles, developed a validation mechanism with indicative resource ranges for headquarters and each region. The outcome of the planning and budgeting process was to be appraised and justified against this validation mechanism.

5. Implementing the proposed framework has been challenging for all offices. Priorities have been largely driven by available resources, outputs have not always reflected a clearly defined division of labour across the three levels of the Organization, and performance has not been an explicit criterion in resource allocation. Consequently, the allocations in the last three programme budgets have not always followed the validation ranges. These issues, coupled with the significant changes in the economic situation of many countries, the changes in capacities and health needs in many low- and middle-income countries, and the new developments in WHO financing (especially the approval of the budget

¹ See document EB118/7.

in its totality, the introduction of a financing dialogue and coordinated resource mobilization) have led to the request by Member States for a new approach for strategic resource allocation.

THE THREE PILLARS OF THE NEW STRATEGIC RESOURCE ALLOCATION METHODOLOGY

6. A **robust bottom-up planning** process aims to address the concern that planning was largely top-down and that consequently the linkages between country needs (as expressed in the national health plans and strategies), the country cooperation strategies and the strategic allocation of WHO resources, were weak.

7. An internal taskforce on planning for the programme budget for 2016–2017 was established to advise the Director-General and the Global Policy Group,¹ and has provided valuable guidance to improve bottom-up planning as one of the pillars of strategic resource allocation. Key taskforce recommendations² include the following:

(1) Strategic resource allocation should be first and foremost driven by a bottom-up planning and results-based budgeting process, based on the Twelfth General Programme of Work, where expected results are determined after an Organization-wide planning process, and budgets prepared in a bottom-up manner from estimated resource requirements in order to deliver those expected results within realistic income projections.

(2) Strategic resource allocation should also be firmly rooted in principles of equity; in support of countries in greatest need; and targeted to where WHO can make the most impact, in particular the least developed countries.

(3) Planning should be based on country needs and include consultation with countries to identify priority areas; it should take place at the beginning of the process, and well in advance of the sessions of the regional committees in 2014.

(4) Resources at country level should be allocated in a more strategic manner, by focusing on a smaller and realistic set of programmatic priorities, and taking into consideration the Twelfth General Programme of Work, country priorities, and international commitments.

8. **Realistic costing of outputs** addresses the concern that outputs are not accurately costed, even though some significant inputs have standardized costs, such as salaries. More precise costing of outputs is critical to achieving a realistic budget that accurately identifies the level of resources that each office and budget centre needs in order to undertake the actual work delivered, and in order to inform the resource allocation methodology adequately.

9. In addition, the recent work undertaken to better define administration and management costs across the three levels of the Organization will contribute to improved costing of outputs, especially in Category 6: Corporate services/enabling functions.

¹ The Global Policy Group comprises the Director-General, the Deputy Director-General and the regional directors.

² The principles and methods for strategic resource allocation set out in 2006 (in document EB118/7) and adapted for use in the Region of the Americas in 2012 (document CSP 28/7 on PAHO budget policy) were reviewed, together with the study on administration and management (document EBPBAC18/3) and informed the deliberations of the taskforce.

10. Further work still needs to be done to improve the costing of other components of outputs and specific deliverables for the programme budget for 2016–2017. Outputs and deliverables would be costed based on an approach that make allowances for different unit costs in different duty stations.

11. **Clarity of roles and responsibilities** (division of labour) across the three levels of the Organization is important in order to define the functions of those different levels, and is critical in guiding resource allocation. Resources need to be allocated to where a particular task is being carried out.

12. As part of the preparation for the development of the Programme budget 2014–2015, the Director-General established an internal taskforce on division of labour to advise the Global Policy Group. This taskforce contributed substantially to the development of specific deliverables for each level of the Organization for each of the outputs identified in the Programme budget 2014–2015. This has been further reviewed and refined during the recent operational planning exercise.

13. Further work on this will continue during the development of the programme budget for 2016–2017, supported by strengthened category and programme area networks.

INITIAL CONSIDERATIONS FOR A STRATEGIC RESOURCE ALLOCATION METHODOLOGY

14. For the purposes of strategic resource allocation, WHO's work can be divided into four broad operational segments:

(1) **Individual country technical cooperation** based on an assessment of country priorities (bottom-up approach); national investment plans; alignment with country cooperation strategies and the priorities of the Twelfth General Programme of Work; and the comparative advantage of WHO.

(2) Provision of **global and regional public goods**, including global/regional norms and standards; negotiated instruments; prequalification; guidelines; information on global health trends; and global/regional statutory strategies, plans and programmes, etc.

(3) **Administration and management** functions required to run the Organization (including stewardship, governance, common services and infrastructure). These functions are performed across all three levels of the Organization.

(4) **Response to emergency events** such as outbreak and crisis response. It should be noted that due to the nature of such events the resource requirements cannot be fully known during the planning process.

15. The Organization should be strategic in how it allocates its resources for these operational segments. Given the event-driven and location-specific nature of the emergency response segment, there cannot be any *a priori* allocation to this segment. The basis for allocation of budgets and resources will vary for each of the segments identified above, with a different approach for each, according to differing criteria.

16. Given the considerations above, a single formula for allocation of the totality of WHO's resources is neither desirable nor strategic. Strategic resource allocation must take into consideration

the allocation between the seven major offices, as well as the allocation between the three levels of the Organization, given the clear division of labour.

17. Furthermore, any new approach to strategic resource allocation needs to be considered within the current environment. Firstly, Member States have indicated the need for a stable budget over the next bienniums. Secondly, like any large organization, WHO has considerable budgetary inertia, with stable cost components such as staff and fixed infrastructure that limit flexibility in the short term.

18. Within the context of the above considerations and constraints, the following initial principles can be considered in developing a new strategic resource allocation methodology:

(1) For **technical cooperation at country level**, WHO's work and resource allocation should be informed by country needs, national development plans; and leadership priorities as articulated in the general programme of work and by WHO's comparative and competitive advantages in the specific country context. In this regard, building on earlier work and policies on strategic resource allocation,¹ individual country allocations for technical cooperation could be based on the health needs and development level of the country concerned. The parameters used for resource allocation within this segment must therefore reflect the country's health and socioeconomic status, as well as a population factor.

(2) For the **development of global and regional public goods** resource allocation must be based on an assessment of global and regional health priorities and commitments identified by all Member States, such as the priorities established by the World Health Assembly and regional committees. This will cover many functions and programmes delivered by headquarters and regional offices. For headquarters, the allocation for this would include; developing global policies, norms, standards and guidelines; analysing, managing and disseminating global health information; the cost of servicing global consultations; and engaging with key partners at the global level. For regional offices, this will include adaptation of global policies, norms, standards and guidelines to the specificities of the region; analysis and management of regional health information for regional policy implications; engaging with partners at the regional level; and the cost of servicing regional consultations with Member States.

(3) For **administration and management**, resource allocation would be based on clearly defined roles and functions across the Organization, and informed by the actual cost of products and services in this area. A detailed study of administration and management costs and requirements has been conducted, and a model that could be the basis for resource allocation in this area has been further developed.² The work under this function is performed by all levels of the Organization.

- Resource allocation to this segment would cover two components (a) infrastructure and administrative support and (b) stewardship and governance functions.

¹ See documents EB118/7 and CSP 28/7.

² See document EB134/11.

- The first component would include the following cost elements:
 - (i) *Infrastructure costs*: upkeep of premises, running costs (heating, lighting and other basic services) and maintenance costs.
 - (ii) *Administrative support services*: required to run WHO's programmes, including services at country, regional and headquarters level in support of programme implementation.
- The second component would include the following cost elements:
 - (i) *Strategic management*: staff and activity costs supporting the Organization's leadership role for all three levels and including the Director-General, the Deputy Director-General, regional directors, assistant directors-general and heads of WHO country offices, as well as the associated activity costs.
 - (ii) *General management*: Organization-wide planning; financial, procurement and human resources management. Such services are based primarily at headquarters, for example, preparation of Organization-wide financial statements and setting global human resources policies, and at the Global Service Centre.
 - (iii) *Governing bodies*: organization of regional committees, Executive Board sessions, and Health Assemblies, including language and other support requirements (both staff and activities), as well as other intergovernmental meetings. Such services are based in headquarters and regional offices.
 - (iv) *Legal, oversight and compliance*: services are based in headquarters and regional offices.

ACTION BY THE EXECUTIVE BOARD

19. The Board is invited to review the proposed approach and the principles outlined, and provide further guidance, including suggestions for engaging Member States in developing this further.

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