NOTES ON REVISIONS TO THE PROPOSED PROGRAMME BUDGET 2006-2007 SINCE THE 115TH SESSION OF THE EXECUTIVE BOARD

The Proposed programme budget 2006-2007 has been revised on the basis of comments made by Member States. The goals have been reviewed, collaboration with other organizations and partners has been highlighted, and some of the proposed Organization-wide expected results, targets and indicators have been revised. Based on these revisions certain reallocations have been made.

The suggested increased costs for **Essential health technologies; Health system policies and service delivery; WHO's core presence in countries; Planning, resource coordination and oversight; Budget and financial management; Infrastructure and logistics; Governing bodies; External relations;** and **Direction** have been reduced by US$ 31.3 million; the costs for **Health promotion; Violence, injuries and disabilities; Reproductive health; Human resources for health; Health information, evidence and research policy;** and **Emergency preparedness and response** have been increased by US$ 30.9 million.

The planned activities and expected results relating to the eradication of **Poliomyelitis** have also been revised, implying an additional cost of US$ 120 million.

All expected results have been reviewed to ensure continued alignment between resources and results.

For **Emergency preparedness and response**, the budget increase will ensure that capacity is sufficient effectively to manage additional projected activities; the cost amounts to US$ 100 million. The distribution of these costs across the Organization is not possible at this stage. Although not included in the Proposed programme budget, the additional cost should be seen as an indication of the role of WHO in specific emergencies, and is based on actual expenditures incurred during the bienniums 2004-2005 and 2002-2003.

The budget for **security** has been increased by US$ 9.8 million so that the Organization may meet the substantial rise in security costs. The total cost for staff and infrastructure security is estimated at approximately US$ 30 million, of which US$ 20 million is required to pay WHO's cost-share of the United Nations unified security management system under the terms of United Nations General Assembly resolution 59/276 (XI) of 23 December 2004. The balance will cover enhanced security measures for WHO staff working in areas where assessment of threat and risk indicates that such measures should be taken.

Despite the provision of funds for exchange rate hedging, the value of the regular budget, that is, buying power, has declined in real terms between the bienniums 2002-2003 and 2006-2007; the overall loss is estimated at some US$ 100 million. It has been a major challenge to absorb this amount, which has been possible only by using voluntary contributions to finance work that was previously financed from the regular budget and by initiating certain cost-saving measures.

The total amount of the Proposed programme budget 2006-2007 is now US$ 3313 million, which represents an overall increase of 17.3% compared with the previous biennium. On the basis of comments made by Member States regarding financing of the budget, an increase is proposed of 4.0% in the regular budget (which takes into account a 4.0% increase in the assessed contributions and a 2.6% increase in Miscellaneous Income) and of 23.4% in voluntary contributions.

I. INTRODUCTION

1. WHO's Proposed programme budget 2006-2007 is the fourth successive biennial budget that follows an Organization-wide results-based approach. The programme formulation is based on a set of objectives, strategies, and Organization-wide expected results. The objectives outlined in this Proposed programme budget incorporate the combined commitments of Member States and the Secretariat. The specific contribution of the Secretariat (country offices, regional offices, and headquarters) to these objectives is described in terms of expected results, which form the basis for costing and estimating resource requirements over the two-year period. Actual achievements in implementing the programme budget are measured through performance indicators, baselines and targets.

2. The Proposed programme budget was drawn up through a participatory and iterative process, involving dialogue between countries, regional offices and headquarters. The plans for each of the 36 areas of work drawn up by regional offices and headquarters formed the framework in which the budget was processed. An internal peer review of a preliminary draft, involving all levels of the Organization, took place in March 2004. Lessons learnt in implementing the previous biennial programme, as captured in the performance assessment report for the biennium 2002-2003, constituted an important input in the process.[1] Further revisions were made to expected results and budgets based on comments made by Member States at regional committee meetings during 2004 and by members of the Executive Board at its 115th session in January 2005.

Preparation of the proposed programme budget

2003	
November	Guidelines communicated; work started in country and regional offices and in headquarters
2004	
End January	Submission of area of work statements from regional offices
Early March	Preparation of global area of work statements
Mid-March	Organization-wide peer review at headquarters
End June	Final draft budget figures consolidated
August to October	Discussion in regional committees
December	Submission to Executive Board
2005	
January	Discussion at Executive Board
May	Health Assembly

3. Preparation of the Proposed programme budget was guided by the principles of:

- **managing on the basis of results:** the basis for the budget is costing of the results to which WHO is committed to achieving over the biennium
- **learning from experience:** lessons learnt from assessment of performance in the biennium 2002-2003 are incorporated
- **priority-setting by Member States:** priority areas are identified on the basis of recent Health Assembly resolutions and such global and regional commitments as the Millennium Development Goals
- **promoting decentralization:** resources are moved to the regions and countries.

[1] See document PBPA/2002-2003.

The Proposed programme budget was further informed by the need to ensure an equitable distribution of resources, including prioritization of countries in greatest need.

The global health context

4. The global health context within which WHO operates continues to change. Although significant progress has been made in some areas in recent years, it has been uneven; in 16 countries current levels of under-five mortality are higher than in 1990. The world is facing emerging and re-emerging diseases, while known risk factors drive the growing epidemic of noncommunicable diseases. Countries are reforming their health systems, struggling effectively and equitably to address the needs of poor people. These trends are occurring in a context marked by insecurity, extension of local conflicts, increasing social inequities, migration, development of new technologies, and expansion of global markets.

5. Most recently, global health has been threatened by outbreaks of severe acute respiratory syndrome (SARS) and avian influenza, raising the spectre of global pandemics on a scale not witnessed for nearly a century. The tsunami in south Asia in December 2004 also demonstrated the vital role of a health-related response in mitigating the impact of humanitarian crises. In a globalized, interconnected world, such emergencies and disease outbreaks can have a profound impact on the health of populations and on the security and economies of countries. The recent spread of poliomyelitis to countries that had previously interrupted transmission further illustrates the need for sustained vigilance in eradicating disease.

6. This interrelationship between health and development is clearly recognized and is well reflected in the centrality of health within the Millennium Development Declaration and Goals. However, health is not merely a prerequisite for economic and social development. It is an important goal in its own right, which is being pursued within a broad development context, recognizing synergistic relationships and cross-sectoral linkages, which include poverty reduction, equity, sustainable development, good governance, stewardship of the environment, human rights, and global security.

7. Significant changes in international cooperation have taken place, with the emergence of global public-private partnerships, innovative arrangements for health governance and financing, and increased investments in health. New mechanisms for health financing, such as poverty-reduction strategy papers, the Global Fund to Fight AIDS, Tuberculosis and Malaria, and the Global Alliance for Vaccines and Immunization, are changing the way health is financed in many countries.

8. WHO's role in providing technical support to countries is crucial to meet those health challenges and for the effective use of these new mechanisms. A major requirement for achieving progress is development of effective and equitable health systems, which rely on trained and reliable human resources. Here, as in other areas, the challenge is to move from analysis to action.

Strategic directions and priorities

9. WHO's broad strategic directions are set out in the General Programme of Work, which guides the elaboration of the two-year programme budget. The Tenth General Programme of Work, which is still in force, laid out a corporate strategy for WHO from 2002 to 2005. The Eleventh General Programme of Work, covering the period 2006-2015, is in preparation.

10. The Proposed programme budget builds on WHO's work over recent bienniums, and sets out new and emerging areas of global concern where greater emphasis is required. The priorities indicated below are based on country needs and country cooperation strategies, resolutions of the Health Assembly and regional committees, other global commitments such as the Millennium Development Goals, and lessons learnt from past experience. The consultations with Member States during regional committees and with members of the Executive Board at its 115th session have provided strong support for the proposed directions.

- **Enhancing global health security:** maintaining a comprehensive outbreak alert and response mechanism (resolutions WHA56.29 and WHA54.14), supported by the International Health Regulations (resolution WHA56.28); responding rapidly and effectively in crisis situations (resolutions WHA57.3 and WHA55.13);

- **Accelerating progress towards achieving the Millennium Development Goals:** reducing maternal mortality (resolution WHA57.12), improving child survival (resolutions WHA56.20 and WHA56.21); tackling the global pandemics of HIV/AIDS, tuberculosis and malaria (resolutions WHA57.14 and WHA53.1); promoting healthy environments (resolutions WHA57.9 and WHA57.10); increasing access to essential medicines (resolutions WHA56.27 and WHA55.14);

- **Responding to the increasing burden of noncommunicable disease:** reducing tobacco use (resolution WHA56.1), promoting healthy diets and physical activity (resolution WHA57.17), enhancing health-promotion activities (resolution WHA57.16);

- **Promoting equity in health:** strengthening health systems to reach poor and disadvantaged people (resolutions WHA57.19 and WHA56.25);

- **Ensuring accountability:** improving organizational effectiveness, transparency and accountability (resolution WHA54.20).

11. On the basis of the strategic directions and identified priorities, six specific areas of work will require greater emphasis and additional resources in order to achieve significantly improved expected results: Epidemic alert and response; Making pregnancy safer; Child and adolescent health; Surveillance, prevention and management of chronic, noncommunicable diseases; Tobacco; and Planning, resource coordination and oversight.

Epidemic alert and response. The outbreaks of SARS and avian influenza clearly show the importance of global surveillance and the crucial role of WHO in collecting information, coordinating international response, setting international standards and providing support to countries for surveillance and response to epidemic disease.

WHO will expand its role and its capacity to respond by strengthening the Global Outbreak Alert and Response Network and setting up appropriate mechanisms to implement the revised International Health Regulations.

WHO will focus on updating strategies for detecting and responding to epidemics; developing effective partnerships at regional and global levels to support epidemic alert and response; providing support to Member States for strengthening national communicable-disease surveillance and response systems; and investigating and verifying reported outbreaks through collaboration between Member States and with WHO collaborating centres.

Drawing on experience with SARS, avian influenza and the tsunami in south Asia, WHO will place greater emphasis on preparedness and further develop capacity to respond to outbreaks of new epidemics, health emergencies and crises in a concerted and coherent manner.

Making pregnancy safer. Reducing maternal deaths is one of the key Millennium Development Goals, but little progress has been achieved in this area. Half a million women die each year from pregnancy-related complications; they die not from disease, but from lack of skilled attendants and insufficient emergency obstetric care.

Specifically, WHO will focus on providing support for developing standards and guidelines for maternal and neonatal health care for implementation at local level; strengthening monitoring, surveillance and evaluation systems for maternal and neonatal health programmes and reporting on progress towards

Millennium Development Goals; and strengthening capacity to conduct operational research in countries that contribute to the improvement of maternal and neonatal health outcomes.

Child and adolescent health. Every year about 11 million children still die from the effects of disease and inadequate nutrition. Seven out of 10 child deaths in developing countries are attributable to five preventable communicable diseases, compounded by malnutrition. The interventions needed to save millions of children's lives are recognized and effective.

WHO will focus on providing technical and policy support to countries for implementing health-related articles of the Convention on the Rights of Children, and improving policies, strategies, norms and standards for protecting adolescents from disease and from behaviours and conditions that pose a risk to health. It will also provide support for research, and technical support and guidance for undertaking intensified action to improve neonatal and child survival, growth and development.

Surveillance, prevention and management of chronic, noncommunicable diseases. Noncommunicable diseases represent a growing challenge to health systems and, coupled with communicable diseases, constitute a double burden of disease in many developing countries. According to current estimates, chronic, noncommunicable diseases constitute about 40% of deaths in developing countries and almost 75% in developed countries. WHO will lay more emphasis on building systems that can cope with this challenge.

Specifically, WHO will focus on providing support to countries for framing policies and strategies for prevention and management of chronic, noncommunicable diseases at national level, including integration of primary and secondary prevention into health systems, developing multisectoral strategies and plans to promote action on diet and physical activity, and strengthening country capacity to eliminate avoidable visual and hearing impairment as a public-health problem. Further, support will be provided for implementation of WHO's surveillance framework for chronic, noncommunicable diseases and their risk factors, and improving the quality, availability, comparability and dissemination of relevant data.

Tobacco. The use of tobacco continues to be the second major cause of death in the world; it also contributes to the continuing poverty of low-income households and countries because money is spent on tobacco rather than on food, education and health care. WHO will encourage Member States to become parties to and implement its Framework Convention on Tobacco Control, and will provide support for countries to develop and implement strong, gender-sensitive, tobacco-control measures, recognizing the special needs of young people and indigenous communities.

More specifically, WHO will provide support for activities advocating that countries ratify, accept, approve, formally confirm or accede to the Framework Convention. It will also provide support for ensuring that provisions of the Framework Convention are reflected in national tobacco control policies and plans of action; reinforcing capacity for surveillance and research to back up tobacco control in areas of health, economics, legislation, environment and behavior; raising awareness both of the dangers of tobacco and the value of improving knowledge of tobacco-product regulation in order to guide policy developments.

Planning, resource coordination and oversight. The effective delivery of programmes requires a robust and supportive managerial environment. A major effort will focus on further improving planning, resource coordination, performance monitoring, assessment, evaluation and oversight in order to improve transparency and programmatic, as well as financial, accountability. As WHO further develops results-based management, programmatic audits will be increasingly required. This is the key to ensuring the effective use of resources and delivery of programmes.

Specifically, WHO will apply in a coordinated and consistent manner the revised managerial framework and its related processes and systems for strategic planning, biennial programming and budgeting, operational planning, and performance monitoring and reporting, including support for the country focus.

It will also implement an Organization-wide system for planning, mobilization, coordination and administration of voluntary resources in support of results-based management and the country focus. WHO's capacity for quality-assurance services will be strengthened, and advice and support provided to make programme delivery across the three levels of the Organization more relevant and cost effective.

12. Further, in pursuing the work of previous bienniums, the Proposed programme budget 2006-2007 recognizes that **health-for-all** commitments and the principles and practices of **primary health care** remain valid goals for the Organization.

13. Efforts to tackle **HIV/AIDS**, particularly through access to prevention, care and treatment, remain a high priority for the Organization. Work currently under way in the areas of **malaria** and **tuberculosis** will continue to be strengthened. Emphasis is also laid on maintaining WHO's work and role in strengthening national **health systems**, recognizing that a well-functioning, effective health system is essential for the delivery of health care. Particular attention will be given to the issue of human resources for health, which will also be the theme of World Health Day and *The world health report* in 2006.

14. Clear progress towards stopping **poliovirus** transmission has been made in Asia and north Africa. However, the suspension of poliomyelitis immunization campaigns in part of one African country from mid-2003 to mid-2004 resulted in a resurgence of the disease in sub-Saharan Africa. Subsequently, this outbreak resulted in importations of the poliovirus to 13 countries previously free of poliomyelitis with re-established transmission in five of them. In response, it is necessary to expand markedly the scope and number of planned supplementary poliomyelitis immunization activities through 2007.

15. **Decentralization** to strengthen WHO's capacity in countries will continue throughout the biennium. The Organization is committed to working more intensively with national health partners in order to meet their goals and to shift appropriate human and financial resources to country level, where they are most needed. This policy not only enables WHO to provide better support to countries; it is also a key element in strengthening skills and capacities in country offices, with a heightened focus on accountability.

16. Greater emphasis on providing support in countries requires maintaining the highest possible standards of normative work. **Normative work** will continue to be the core work of WHO in order to fulfil its role as the specialized technical agency within the United Nations system responsible for matters relating to health. These normative functions will be of great importance for work at headquarters, but will involve the three levels of the Organization. It will include promoting research, generating new knowledge, and formulating of policies, strategies, guidelines and standards.

Improving effectiveness and efficiency to enhance programme delivery

17. Progress made in achieving results expected in the biennium 2002-2003 has been reported to Member States in terms of not only financial, but also programmatic, results.[1] Actual achievements for each area of work during the past biennium provided a sound basis for determining the effective use of resources – "doing the right things" – identifying efficient ways of working, and assessing future requirements. This exercise helped to determine results expected in the biennium 2006-2007, which respond to increased requirements and thus need a higher level of financial resources in order to meet the expectations of Member States and partners.

18. In most areas, having achieved the results to which it was committed, the Organization turns its attention to new requirements and demands, constantly ensuring that resources are used effectively. This implies that some activities will be scaled down or phased out within each area of work because of completion or new priorities. For example, after adoption of the WHO Framework Convention on Tobacco Control, focus has shifted to increasing multisectoral collaboration on tobacco control, regulation, and raising public awareness of tobacco-industry activities. Similarly, after preparation of technical guidelines for rolling back malaria, dissemination to

[1] See document PBPA/2002-2003.

countries, and establishment of partnerships, emphasis has moved to development of human resources in order to provide support for malaria control and to strengthen relevant national institutions.

Continuing review of strategic directions

19. **Periodic review of the strategic directions and required competencies** is essential in order to ensure that "the right things are done in the right way, by the right people, at the right place". This activity began during the biennium 2004-2005, at the three levels of the Organization. At headquarters, for example, some departments have already undergone a thorough review, resulting in revised organizational structures and staff profiles and competencies that are more in line with the Organization's needs. Regional and country offices are undertaking similar exercises.

20. Another key to the effective use of resources is clarity on the strategic directions of the Organization and indications as to the strategic allocation of resources across programmes and functions, as well as organizational levels. A more systematic and objective approach, taking into account equity, efficiency and performance, and support to countries in greatest need, is currently being developed and will further strengthen programme management. The outcome will be the establishment of **guiding principles and criteria for strategic allocation of resources** in order to strengthen the results-based managerial framework.

Building on achievements in 2002-2003

- Successful global cooperation coordinated by WHO, in response to the **SARS** outbreak.
- DOTS strategy expanded in 180 out of 210 countries or territories to continue the fight against **tuberculosis**.
- Initiative launched to provide antiretroviral therapy to 3 million people living with **HIV/AIDS** by the end of 2005.
- **Integrated Management of Childhood Illness** implemented in 100 countries.
- **Global strategy for infant and young-child feeding** endorsed at the Fifty-fifth World Health Assembly.
- **Global Polio Eradication Initiative** focused on the countries where transmission of poliomyelitis continued and eradication is nearing completion.
- **WHO Framework Convention on Tobacco Control** unanimously adopted at the Fifty-sixth World Health Assembly.
- **Mental health global action programme** – a WHO-wide strategy – developed.
- Number of **emergency response operations** for which WHO provided support increased from 46 to 122, indicating growing organizational readiness.

21. Constantly and systematically focusing on optimal use of resources will ensure improved and more timely programme delivery, which will translate into a higher rate of achievement of expected results, and over time, of greater impact on health status. Achievements in implementing a results-based management approach are considerable, but the management system, tools and practices need still to be improved.

More efficient ways of working

22. In order to achieve the results expected from efficiency gains in the biennium 2004-2005, further steps will be taken to manage more effectively human, physical and financial resources. Many of the administrative policies and procedures are outdated in the context of a results-based management framework that emphasizes decentralization to countries. The systems that support programme management and administration are to be replaced by the Global Management System. Accordingly, all **WHO core managerial and administrative policies and processes** are being systematically reviewed with the aim of simplifying and changing the way WHO works in order to achieve greater impact while maintaining operations at lower costs. Some examples are given below.

- In the area of programme management, the results-based management framework is being improved and strengthened; peer reviews have been implemented to strengthen planning; greater emphasis is being placed on resource coordination and simplifying and harmonizing the management of voluntary contributions.

- With respect to financial management, reforms have been implemented to streamline expenditure processes. Financial management reports have been improved in order more effectively to manage the way resources are allocated. Policies for income and expenditure recording are being revised in order to align better the use and reporting of financial resources with expected results.

- In the area of human resource management, a global competency model for WHO staff has been implemented, and processes for post management (planning, establishment, classification and recruitment) are being enhanced and streamlined. A staff development and leadership programme has been launched.

The new Global Management System, to be implemented progressively from the start of 2006, will thus provide support for major changes in WHO's business processes and over the longer term lead to greater efficiency.

23. These efforts are captured in an Organization-wide plan for making management more effective and efficient. The plan specifies the overall direction, objectives and expected outputs.

24. As a result of these changes, the Organization will be more responsive to evolving demands and needs. Quantifying the impact on costs of these and other efforts is a difficult exercise, since greater efficiency has been achieved without an increase in staffing in some areas; savings will be made in terms of staff and operating costs.

- The Global Management System will streamline processes, avoid duplications and automate many functions being performed manually today. This will lead to a reduction in the total number of staff. During the biennium 2006-2007 there will be an extra cost for running the legacy systems and the new system in parallel for a certain period. The savings will partly cover these costs.

- Streamlining of **recruitment** processes will reduce recruitment time from an average of nine to six months. The efficiency gains will increase the Organization's flexibility and responsiveness.

- **Outsourcing** is being explored to obtain cost-effective services. In the area of **information technology**, savings of US$ 1-1.5 million per biennium could be gained by outsourcing hardware and user support. Outsourcing **printing** to less expensive locations is also being pursued and could lead to savings of US$ 1.5-2 million per biennium.

- Improvement of **connectivity at country level,** although needing significant advance costs, is expected to provide significant returns on investment through reduced costs of communication. Using the Global Private Network could save US$ 0.8-1.3 million per biennium, not including savings in travel costs and more efficient flows of information across the Organization.

- The target set of reducing **expenditure on travel** by 10% in the biennium could save US$ 7 million.

- Simplification of administrative and managerial processes will allow resources to be used for substantive activities.

- More time will be spent on upstream analytical work, as opposed to processing, thus responding to increasing demands on the Organization in a more cost-effective way.

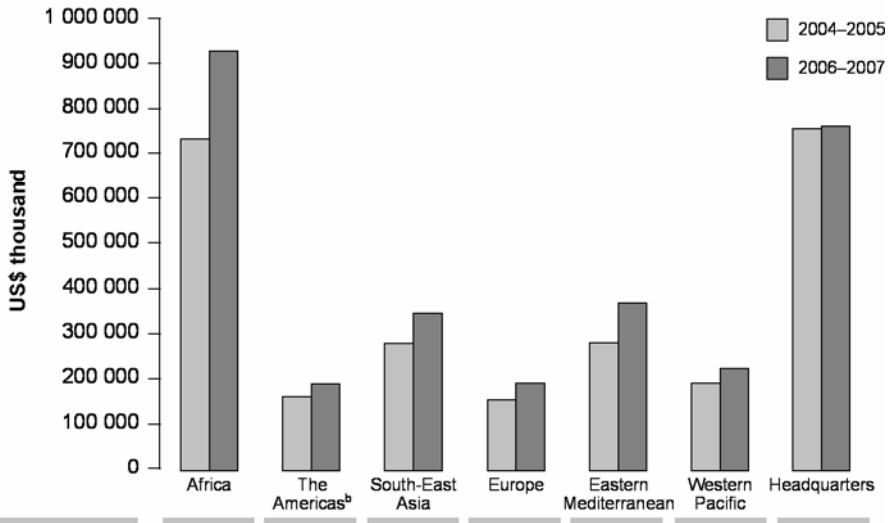
Resource requirements

25. The Director-General is proposing an increase in the overall level of the budget of US$ 3313 million for the biennium 2006-2007, i.e. a rise of 17.3% compared with the previous biennium. This increase is based on conservative and careful strategic planning throughout the Organization, set within the established results-based framework, and stems from growing demands made on the Organization.

26. The proposed increase will enable the Organization significantly to improve results expected in regions and countries, specifically in the six areas of work identified for intensified action (increases of 41% to 68% compared with the biennium 2004-2005). Most importantly, it will allow the Organization to meet higher expectations in countries with respect to responding to epidemic alerts, achieving the Millennium Development Goals, working with countries on Poverty Reduction Strategy Papers, and building up partnerships with the Global Fund to Fight AIDS, Tuberculosis and Malaria, and others.

27. Figure 1 provides a breakdown between the regions and headquarters by all sources of financing for the periods 2004-2005 and 2006-2007. The figures for the regional level combine the proposed amounts for the country and regional budget of the respective region. These figures do not include individual funds and special programmes. The allocations suggested are based on Organization-wide results-based budgeting. The allocation of resources between levels of the Organization is 75% in regional and country offices and 25% in headquarters. Across the regions allocation is designed to achieve a more equitable distribution of resources and to reach countries in most need.

Figure 1. Programme budget 2004–2005, 2006–2007, by office
All sources of financing[a]



	Africa	The Americas[b]	South-East Asia	Europe	Eastern Mediterranean	Western Pacific	Headquarters
% of total, 2004–2005	28.6	6.3	10.9	6.0	11.0	7.5	29.7
% of total, 2006–2007	30.7	6.3	11.6	6.5	12.3	7.5	25.0

[a] Excluding special programmes and other funds (UNICEF/UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases; Kobe Centre; UNDP/UNFPA/WHO/World Bank Special Programme of Research, Development and Research Training in Human Reproduction; exchange rate hedging; IT Fund; Real Estate Fund; Security Fund).

[b] Excludes PAHO portion of the combined PAHO/WHO programme budget estimates - see Annex 3.

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Financing the Proposed programme budget

28. During the process of strategic planning and budget preparation, a framework was drawn up in which to articulate WHO's different yet interdependent activities. These fall into four, intersecting groups:

- **essential health interventions** refer to the more disease-specific interventions leading directly to improved health outcomes, such as control of communicable and noncommunicable diseases, response to epidemic alerts, or reduction of maternal and child mortality

- **health systems, policies and products** covers efforts to tackle constraints in health systems and ensure, for example, the quality of medicines and technologies

- **determinants of health** are programmes that address underlying conditions and behaviours that have an impact on public health, such as Nutrition, Tobacco, Communicable disease research

- **effective support for Member States** relates to the internal functions of the Organization that enable the effective delivery of programmes, such as strengthening WHO's core presence in countries, increasing investment in knowledge management and information technology, heightening emphasis on oversight, strengthening results-based management, and ensuring staff security. The table below depicts the proportion of resources required for each group.

See Table 1.

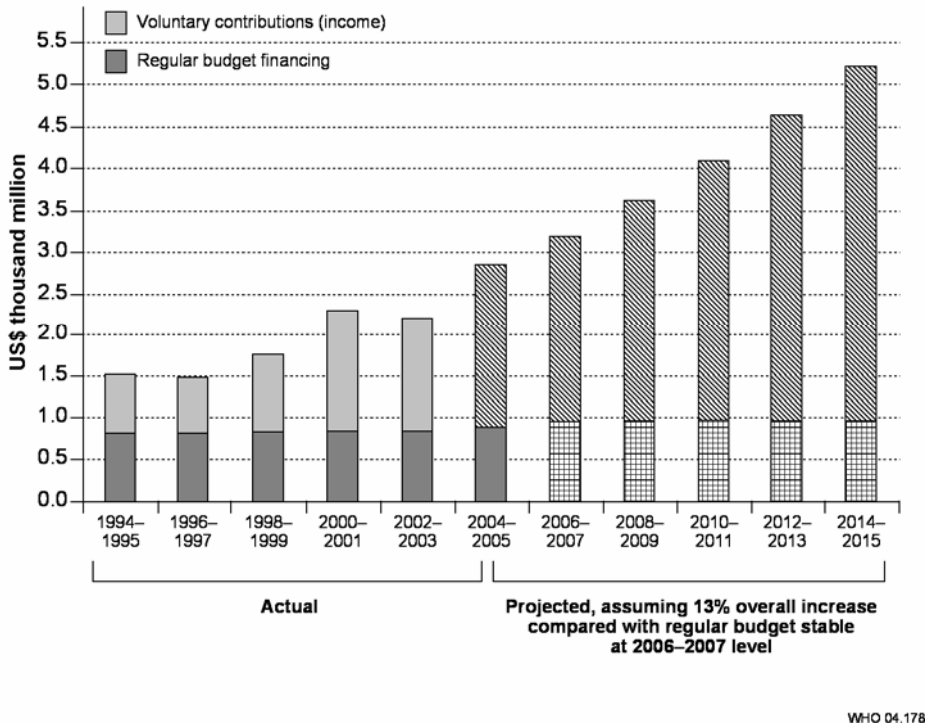
Table 1. Resource requirements by group of activities

Activities	Related areas of work	Total budget %[a]
Essential health interventions	• HIV/AIDS; Child and adolescent health; Communicable disease prevention and control; Surveillance, prevention and management of chronic, noncommunicable diseases; Making pregnancy safer; Malaria; Mental health and substance abuse; Reproductive health; Tuberculosis; Emergency preparedness and response; Epidemic alert and response; Immunization and vaccine development	53
Health policies, systems and products	• Health financing and social protection; Health information, evidence and research policy; Essential health technologies; Health systems policies and service delivery; Human resources for health; Policy-making for health in development; Essential medicines	13
Determinants of health	• Food safety; Gender, women and health; Health and environment; Health promotion; Nutrition; Tobacco; Violence, injuries and disabilities; Communicable disease research	11
Effective support for Member States	• WHO's core presence in countries; Direction; External relations; Governing bodies; Planning, resource coordination and oversight; Knowledge management and information technology; Budget and financial management; Human resources management in WHO; Infrastructure and logistics	21

[a] Does not total 100% because of 2% set aside for exchange rate hedging, IT Fund, Real Estate Fund and Security Fund.

29. WHO's budget is financed from two principle sources: assessed contributions and Miscellaneous Income, which finance the regular budget, and voluntary contributions (formerly known as "other sources"). The relationship between these sources has changed significantly over the past few bienniums. The level of the regular budget has increased, minimally, whereas the amount of voluntary contributions has risen substantially. Voluntary contributions now represent some 70% of the total financial resources of the Organization, a figure that will rise to 83% by 2015 if the current trend continues (see Figure 2).

Figure 2. Trend of voluntary contributions and regular budget



30. During this period of growth of voluntary contributions, the overall approach to the budget did not fully reflect an integrated managerial and planning framework as is currently in use in the Organization. As the use of a significant proportion of voluntary contributions is specified, the priorities established by the Health Assembly in the Programme budget can be distorted if some areas of work receive additional finance during the biennium, and others receive less than estimated to meet the expected results. Presentation of a total, integrated proposed budget that includes targets for voluntary contributions strengthens the overall governance and priority-setting functions of the Health Assembly.

31. To finance the Proposed programme budget a 4.0% increase in assessed contributions and 23.4% in voluntary contributions is proposed, as shown in Table 2 below.

Table 2. Programme budget 2004-2005, 2006-2007, by source of financing
(US$ thousand)

Source of financing	2004-2005	2006-2007	% change
Regular budget: (a) assessed contributions	858 475	893 115	4.0
(b) Miscellaneous Income (excluding adjustment mechanism)	21 636	22 200	2.6
Total regular budget	880 111	915 315	4.0
Voluntary contributions	1 944 000	2 398 126	23.4
Total all sources of financing	2 824 111	3 313 441	17.3

32. The level of the budget 2006-2007 to be financed by assessed contributions and Miscellaneous Income is proposed at US$ 915 million. The net amount to be paid as assessed contributions by Member States is US$ 893 million. This level represents an increase of US$ 34.6 million or 4.0% compared with assessed contributions for 2004-2005.

33. The increase in the **assessed contributions** is not sufficient to achieve a better balance between the two sources of funding but an important step in that direction. For the credibility and integrity of an Organization comprising Member States, with a global responsibility for normative technical work, it is imperative that a significant portion of the budget should be financed through assessed contributions. Such financing also helps to maintain both greater predictability and lower administrative transaction costs, at all levels. A longer term financial strategy and plan will be developed in order to address the shortcomings of the present situation.

34. The exchange rate hedging mechanism has allowed the Organization to be protected from weakening of the United States dollar during the biennium. However, from one biennium to the next the Organization absorbs any increased cost arising from a weakening of the United States dollar between bienniums. Accordingly, it is estimated that in 2006-2007 the cost in United States dollar terms of expenditures financed by the regular budget will have increased by over US$ 100 million compared with the equivalent expenditure in 2002-2003.

35. The increase in assessed contributions is proposed also to support decentralization. It will be allocated to the regions and countries, to be used specifically in the six areas of work identified as requiring greater investment by the Member States. This allocation procedure acknowledges the normative role of WHO and recognizes that those functions are carried out at all levels of the Organization. It therefore combines decentralization with strengthening of normative and technical work in specific areas.

36. The amount of **miscellaneous income** estimated for the biennium 2006-2007 reflects a conservative approach that aims to reduce the risk of a shortfall in the amount actually realized. As provided for in the Financial Regulations, in the event of a shortfall in the level of Miscellaneous Income the Director-General is required to reduce implementation of the budget, an outcome that should be avoided.

37. In the biennium 2004-2005 the total amount of Miscellaneous Income forecast was US$ 34 million. It was decided in resolution WHA56.32 to use an amount of US$ 12 million to finance the adjustment mechanism which compensates Member States that would experience an increase in their rates of assessment for 2004-2005 compared with 2000-2001. The net amount of Miscellaneous Income in 2004-2005 applied in financing the regular budget was therefore US$ 22 million. In accordance with resolution WHA56.34, it is expected that the adjustment mechanism will be maintained in 2006-2007; an amount of US$ 8.6 million is envisaged for appropriation from Miscellaneous Income by the Fifty-eighth World Health Assembly. The Miscellaneous Income forecast for 2006-2007 of US$ 31 million has been adjusted accordingly, giving a total of US$ 22 million, to finance the regular budget.

38. In accordance with Financial Regulation VII, it is proposed that the **Working Capital Fund**, which is used to finance cash-flow deficits that arise from late payment of assessed contributions, should be maintained at US$ 31 million.

39. **Voluntary contributions** include funds provided by Member States and other partners that are used for that portion of the integrated budget which is not financed by the regular budget. The level of voluntary contributions required for the biennium 2006-2007 is US$ 2398 million. This represents an increase of US$ 454 million or 23.4% compared with 2004-2005. This represents a significant increase, but is realistic based on contributions received in the current and last bienniums.

40. The increase in voluntary contributions will be realized through strategic partnerships and a focused resource-mobilization strategy that reflects the priorities of the Organization. These efforts will be an integral part of a resource-allocation strategy that directly aligns the use of resources with achievement of expected results. WHO has been successful in raising voluntary contributions during past bienniums and the suggested continued increase is considered achievable.

41. A portion of these contributions, known as programme support costs, is used to finance the administrative support services that underpin effective achievement of the results expected in all areas of work. In keeping with the authority given to the Director-General in both the Financial Regulations and Health Assembly resolutions, 13% of voluntary contributions will be used to meet costs in the following areas of work: Knowledge

management and information technology, Planning, resource coordination and oversight, Human resources management in WHO, Budget and financial management, Infrastructure and logistics, Governing bodies, External relations, and Direction.

42. As in previous bienniums it is necessary to protect the budget so that the expected results may be achieved irrespective of the effect of fluctuations of currency **exchange rates** compared with the United States dollar, the base currency of the Organization. The resources required to meet the results expected for 2006-2007 have been determined on the basis of a historic exchange rate.[1] The budget will be protected through a strategy for managing foreign-exchange risk drawn up in the light of market conditions in mid-2005.

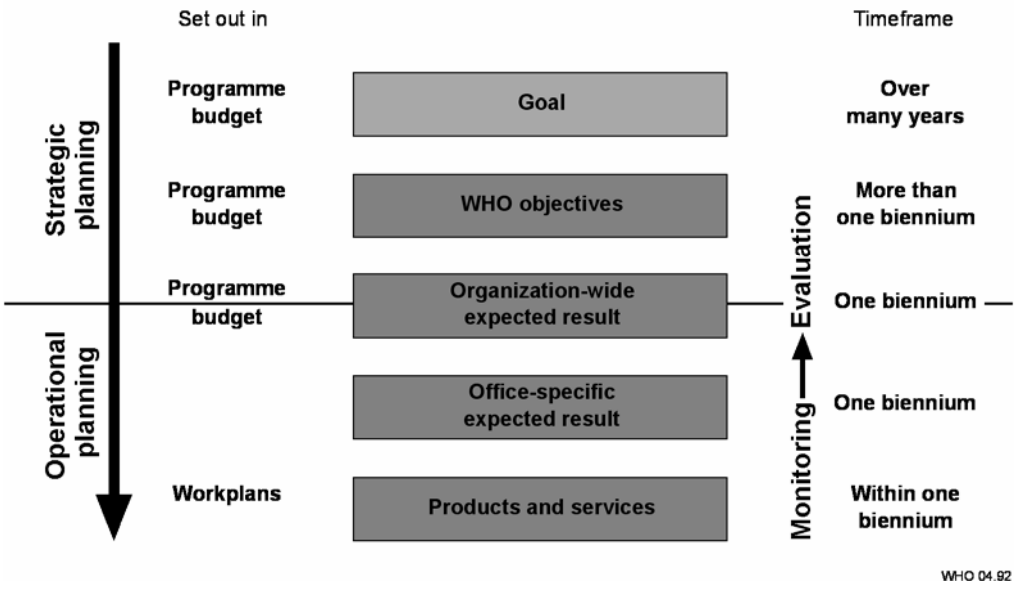
43. At the time of writing, it is envisaged that an amount of US$ 15 million will be made available to protect, to the extent possible, the assessed contribution portion of the budget from the impact of exchange rate fluctuations. It is expected that a further amount of US$ 5 million will be set aside in respect of the portion of the budget financed by programme support costs. The level of those parts of the budget that are thus protected will be adjusted during the biennium in order to reflect the effect of changing exchange rates.

Implementing the Proposed programme budget

44. Areas of work remain the organizing principle around which the Proposed programme budget has been drawn up. They represent the main strategic orientations of the entire Organization and constitute the common building blocks for programmes and budgets across the three levels of the organization. However, public health outcomes are rarely achieved in isolation from one another and the integrated Proposed programme budget reflects this reality. Within and across the strategic directions the areas of work produce results that support each other. In order to provide greater transparency and accountability, the areas of work contain additional information compared to previous bienniums. Baseline and targets are provided for each Organization-wide expected result.

45. The Proposed programme budget is WHO's strategic plan for the biennium 2006-2007, providing common objectives for WHO's work. It is implemented through operational plans prepared by country and regional offices and headquarters (see Figure 3).

Figure 3. Implementing the Proposed programme budget



[1] These requirements will be recosted at the exchange rate prevailing at the time of submission of the Proposed programme budget to the Fifty-eighth World Health Assembly.

46. Country and regional offices and headquarters define the results to be achieved at the end of the biennium (office-specific expected results), and draw up their work plan on the basis of products needed to achieve those results. The office-specific expected results are country focused. While meeting the specific needs of countries, the results are derived from, and support, achievement of the Organization-wide expected results set out in the Proposed programme budget. Through its integrated approach to financing of the budget, the Organization will use the resource requirements estimated for each expected area of work as the basis for mobilizing, prioritizing, and allocating funds across areas of work and by Organizational level. Gaps between resources required to execute the Proposed programme budget and availability of resources for implementation of areas of work by countries, regions and headquarters will be continuously monitored. To the extent possible, the actual allocation of resources across areas of work will be adjusted and the necessary shifting of resources undertaken throughout the biennium in an attempt to close the gaps, ensuring that the resources are available to achieve results in the right place and at the right time.