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## **Implementation of the Programme budget: management and alignment of resources**

### **Report by the Secretariat**

1. The Programme, Budget and Administration Committee at its eleventh meeting in January 2010 welcomed the Secretariat's report<sup>1</sup> on management and alignment of resources. It also acknowledged the continued disparities between the approved budgets and the available resources.
2. The report to the Committee also identified three main mechanisms to improve alignment, namely the budgeting process, the management of resources, and the adjustments to the staffing profile.<sup>2</sup> This present document provides further details on current and planned activities in relation to these three mechanisms.
3. Rates of implementation of available resources, in general, are high across all areas and in all major offices. However, for base programmes under all strategic objectives and in major offices, with the exception of headquarters, there is a significant shortfall in financing that causes misalignment between the Programme budget 2010–2011 and its implementation.
4. Although country-level priorities set in the country cooperation strategies and the global priorities set by the Health Assembly highlight the need to maintain the emphases in, and budgets for, strategic objectives 3, 4, 6, 7 and 9, the required resources are not forthcoming. Under these circumstances, it is difficult to improve alignment, especially in an environment of large financing shortfalls for these strategic objectives and a situation in which a large proportion of the total resources available is strictly earmarked for other activities.
5. Headquarters' expenditures in 2008–2009 amounted to almost 38% of the total expenditures for base programmes, a proportion largely unchanged from previous bienniums. The aim to achieve a 70:30 split of funding between the regions and headquarters remains, but it is deemed unrealistic to plan for achieving that distribution in 2012–2013. A change that is too swift and radical will either be disruptive to the entire functioning of the Organization or fail because of an insurmountable accumulation of practical problems of execution. The Secretariat will continue its efforts towards achieving the 70:30 distribution.

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<sup>1</sup> Document EB126/3.

<sup>2</sup> Document EBPBAC11/3.

6. It is easier to adjust when resources are expanding than when funding is contracting, as in the first case additional resources can be allocated to regions and countries. Unfortunately, the outlook for the next two bienniums indicates that future growth in income will be less than the rate seen in recent bienniums. Achieving a better alignment will therefore require a corporate and simultaneous use of the three main mechanisms identified: in other words focusing on the *budget, resources* and *staffing*. Furthermore, it will be necessary to strengthen integration throughout the Secretariat.

## CONCRETE STEPS TO IMPROVE THE ALIGNMENT

### Proposed programme budget 2012–2013

7. The Proposed programme budget 2012–2013 is being drafted for presentation to regional committees at their forthcoming sessions later this year. The drafting of the Proposed programme budget 2012–2013 has benefited from the performance assessment of the Programme budget 2008–2009 and takes as its starting point the current priorities and levels of operation. Moreover, country-level priorities and an Organization-wide exercise to identify priorities and emphasis for each strategic objective have further guided the development of the Proposed programme budget.

8. The discussions of the Proposed programme budget 2012–2013 across the Organization will also identify the measures required to redress the disparities between the Proposed programme budget and actual implementation, including the distribution of functions and staff members throughout the Secretariat. Furthermore, the discussions will contribute to the linking of resource mobilization to funding of the Proposed programme budget.

9. Furthermore, it is proposed that operational planning for the Proposed programme budget 2012–2013, with its detailed work of identifying the specific targets, results and resource requirements at the Organization-wide expected result level, will be deferred to the second half of 2011, allowing for lessons learnt from the previous biennium and the mid-term review of the performance of the Programme budget 2010–2011 to inform this exercise. The operational planning process will be more sequenced than before, beginning with the identification of targeted countries for results followed by planning and budgeting as well as setting performance indicators in accordance with the Organization-wide planning framework and the priorities in the country-cooperation strategies.

10. The discussion of distribution of functions and staff across the Organization will also take into consideration an assessment of headquarters' readiness for devolution. The concept is that, as programmes develop, their emphasis, capacity and resources may move from headquarters to regions and countries. For some strategic objectives, most tools and interventions are already available and the bulk of effort should be to support application and implementation. For these strategic objectives, norm setting, maintenance, evaluation and some further development work remain at headquarters and are carried out in collaboration with regional and country offices. For a second set of strategic objectives, although some tools and interventions are still being developed, others are ready and it may be expected that these strategic objectives will move towards the profile of the first group during the course of the biennium 2012–2013. Finally, in a third group, some strategic objectives are still evolving as a response to the epidemiological transition and the launch of new global strategies, and much of the work is norm setting and the development of tools.

## Managing resources

11. The Secretariat's report to the eleventh meeting of the Programme, Budget and Administration Committee highlighted work on an **action plan for managing resources** more effectively. The plan has three elements, of which the *first element* concerns the establishment and implementation of a corporate policy of ensuring that all specified voluntary contributions contribute appropriately to all direct and indirect costs associated with the results that they finance – in other words, full cost-recovery. A particular focus should be on covering all associated staff costs. It is expected that this will ease the pressure on the more flexible funds, freeing them to finance deliverables that are genuinely difficult to fund from specified voluntary contributions and to facilitate the correction of funding disparities across the strategic objectives. This work is under way and discussions have started with the key partners and funders of the Organization's work.

12. The *second element* relates to managing the assessed contributions as a resource at the level of the major offices rather than as a budget (as is currently the case). This will not only simplify daily operations but also significantly increase the power of the assessed contributions to adjust for any disparities caused by funding by highly-specified voluntary contributions. However, the release of the assessed contributions' full potential will only be possible if the appropriation sections are defined at a higher level than is currently the case. In this regard, it is proposed that, for the Proposed programme budget 2012–2013, assessed contributions are appropriated in only one (for the programme budget as a whole) or two (for strategic objectives 1–11 and for strategic objectives 12–13) sections.

13. The *third element*, the core voluntary contributions account, is likely to remain relatively small in the next biennium compared with both specified funds and assessed contributions. It nevertheless has great potential for the management of resources, in particular redressing some of the misalignments identified. In this regard, donors will be encouraged to support the Core voluntary contributions account with increased and fully flexible funds.

## Staffing

14. Adjusting the **staffing profile** is probably the most powerful of the three key mechanisms outlined here. As a technical agency, around half the costs in respect of the Organization's base programmes relate to staffing. Therefore, any shifts in staffing from one level of the Organization to another will have an immediate effect on the overall expenditure profile. However, mechanisms to adjust staffing are also the most complex to implement.

15. As a first step, position quotas were introduced for headquarters in July 2009, with effect from 1 January 2010, in order to control the number of staff in Geneva by halting the growth for that office – an acknowledgement that staff numbers are the main driver of WHO's expenditures. Moreover, as mentioned above, the discussions on the Proposed programme budget 2012–2013 are also considering possibilities of devolution of functions and resources from headquarters to regions and countries.

## TIME LINES

16. The Secretariat continues its efforts to correct the disparities in available funding and extent of technical implementation across different strategic objectives, major offices and budget segments.

17. The follow-up activities to be implemented have been outlined above and the following timing is foreseen:

- The financial period 2010–2011: donor support to the core voluntary contributions account increased and funds applied to correct misalignments.
- January 2010: position quota and control established and monitored in headquarters.
- January – November 2010: the discussions on the Proposed programme budget 2012–2013 identify the measures needed to redress the disparities between the Proposed programme budget and actual implementation, including consideration of the distribution of functions and staff members across the Organization.
- December 2010: establishment of a full cost-recovery policy and discussions with key partners completed.
- May 2011: assessed contributions appropriated in one or two sections for the Programme budget 2012–2013 (if approved by the Health Assembly in the appropriations resolution).
- May 2011: the mid-term review of the Programme budget 2010–2011 presented to the Programme, Budget and Administration Committee.
- May 2012: the performance assessment of the Programme budget 2010–2011 will present the outcomes of efforts being undertaken in relation to management and alignment of resources.

**ACTION BY THE PROGRAMME, BUDGET AND ADMINISTRATION COMMITTEE**

18. The Programme, Budget and Administration Committee is invited to note this report.

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