



Overview of the Programme budget costing process

Contents

Summary	1
Introduction	1
Definition of main strategic focus and indicative Major office budget envelopes for the Programme budget	2
Launching the global processes of prioritization and costing of the Programme budget.....	3
Assigning budget envelopes within Major offices and launching prioritization.....	4
Costing of activities and human resources at the country level.....	5
Consolidation and finalization of the budget	6
Operationalization of the programme budget after WHA approval	7
Annex 1: Programme budget costing process at-a-glance	8

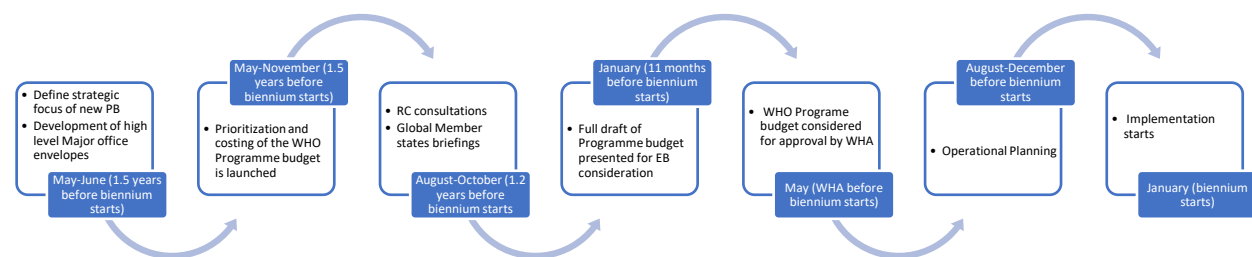
Summary

The objective of this explainer is to summarize how the WHO Programme budget is costed within the results-based management budgeting framework, touching upon the main steps involved in a “standard” process. The document contains an infographic (Annex 1) that summarizes at-a-glance the costing process, as well as the main linkage that occurs between the three levels of the organization for that purpose.

Introduction

The development of the WHO Programme budget (PB) is launched, on average, about one year before the PB is approved by Member States, and approximately 1.5 years before the start of the biennium for which it is approved (See figure 1). It involves two major streams of work that are interrelated: the “programmatic” side, and the “budget costing” side.

Figure 1: High-level process of the WHO Programme budget development



The programmatic side of the WHO Programme budget focuses on reviewing and updating, as needed, the Impact goals, outcomes and outputs with their respective technical scope, deliverables and indicators for the upcoming biennium. The review is coordinated by the technical or managerial leads that have been designated for that purpose. This part of the process goes beyond the scope of this document, but needs to be mentioned as the programmatic results drive the development of the budget costing.

The budget costing¹ side involves a mix of top-down decisions, decentralized costings at the budget centre level² and a high degree of coordination and interaction across the three levels of the Organization. All budget centres in Headquarters, Regional offices and all WHO Country offices, are solicited. Prioritization of WHO programmatic results plays a key role in linking the programmatic side with the budgetary side of the Programme budget.

¹ In WHO budget does not refer to actual funding. WHO's Programme budget translates General Programme of Work into the Organization's strategic deliverables and budget requirements for a biennium; it sets out the details of what will be achieved and indicates the resources required for their achievement. Programme budget is a plan collectively agreed by the Secretariat and the Member states

² At the country office level, a Budget Centre is the country office. At Regional or Headquarters level, Budget Centres can be departments or divisions.

Definition of main strategic focus and indicative Major office budget envelopes for the Programme budget

The earliest step in the development of any Programme budget is to define the main strategic focus the new Programme budget will have. This usually takes place right after the WHA of year one in any given biennium (or 1.5 years before the new biennium starts). The Global Policy Group (GPG)³ and Senior Management within the WHO Secretariat are consulted on the general orientation for the Programme budget, and on main lessons learned, including arising challenges and priorities that need to be incorporated in the new Programme budget. Key to these consultations are responses to the following questions:

- What is the strategic direction we need to take in the next biennium?
- Which are the main goals we want to achieve next biennium?
- Shall WHO consider to propose budget change and what is the justification?

The decisions resulting from responding to these questions allow - on the budget costing side - to define the first high level proposed overall budget envelope for the upcoming biennium and to propose an initial distribution across the seven Major offices of WHO. While not set in stone, this strategic budget setting establishes a guideline for the entire organization to work towards.

The distribution of the overall budget across WHO Major offices starts from a historical basis, but it is influenced by a series of other factors, among others:

- Technical topics or initiatives that need to be highlighted in the upcoming biennium, for which emphasis may vary from Major office to Major office. For example, digital health strategy, polio transition, prevention of sexual harassment, and the response to COVID-19 were areas of work that shaped the WHO Programme budget 2022-2023 (and its review), along with its distribution across Major offices.
- Strategic Budget Space Allocation: since 2015, this has been considered in the growth trend of the budget by Major offices for country work⁴.
- Country focus: in the last few biennia, and in the early stages of development of the Programme budget 2024-2025, the initial distribution of the overall budget across major offices has been driven by shifting budget from headquarters and Regional offices to the country level.

The initial budget levels by Major office are also discussed with GPG. Once agreed, this will form the basis that will be used for launching the prioritization and costing of the Programme budget, and generally, it constitutes the first draft to be presented for consideration of Member States during Regional Committees.

³ The Global Policy Group (GPG) is an internal advisory mechanism to the Director-General, established to ensure the coherent implementation of decisions, policies and strategies of WHO across all levels of the Organization. It consists of the Director-General, Deputy Director-General, Regional Directors and the Executive Director of the WHO Emergencies Programme. The meeting is chaired by the Director-General.

⁴ Strategic Budget Space Allocation extends to 2022-2023 and not beyond

Launching the global processes of prioritization and costing of the Programme budget

Once the Major office budget envelopes have been defined, two major processes are launched globally:

- Prioritization of WHO programmatic results (outcomes and outputs)
- Costing of the Programme budget (also known as bottom-up costing)

The global process of **prioritization** is launched by the Director-General and may involve a joint launching with the Regional Directors of the six WHO Regional offices. The process of prioritization for the results of the Thirteenth General Programme of Work (GPW 13) were described in document A72/INF.2⁵.

For the development of the Programme budget 2024-2025, countries were being requested:

- to revise the prioritization of the outcomes to be delivered jointly by Member states and the Secretariat that was performed for the period of the GPW 13;
- to identify the outputs that the Secretariat should focus on at country level, so the prioritization

Box 1. Principles applied for the costing of draft Proposed programme budget 2024-2025:

1. **Flat budget** - No budget increase expected from the revised PB22-23, which implies that some areas or levels will have a budget decrease
2. **Increased country share** – by shifting budget from headquarters and Regional offices to country offices
3. **Member States-driven** - based on needs both in countries and for global health
4. **Consultative** – the Programme budget development and its costing must start at the country level and should engage meaningfully the Member States, partners, and if possible other relevant entities, e.g., private sector, academia, etc.
5. **Priority setting to lead the costing** – Member States will help defining the programmatic outcomes to be jointly achieved, and the programmatic outputs that must be highlighted as part of the Secretariat's work.
6. **Continuity** – must continue the trend established in the Programme budget 2022-2023 revision, including lessons learned from COVID19 pandemic crisis.
7. **Demonstrated implications of the prioritization** – the results of the prioritization must be translated into the budget, financing and workforce capacity as much as possible.

can drive the specific work at the country office, along with the corresponding budget;

- to collectively discuss what should constitute the regional priorities that will drive corporate efforts at the Regional office and headquarter levels.

Parallel to this, and once the Major office indicative budget envelopes have been agreed by GPG, the global level launches the **costing process of the Programme budget**. This process is highly decentralized: all budget centres of the Organization participate. While the costing process can vary from Major office to Major office, it is guided by generic global principles and guidelines that are adapted to managerial needs and specificities of each Major office (Box 1).

⁵ For more information on prioritization, please refer to A72/INF.2, available at https://apps.who.int/gb/ebwha/pdf_files/WHA72/A72_INF2-en.pdf

Assigning budget envelopes within Major offices and launching prioritization

Upon receiving their budget envelope defined by GPG, each Major office then defines their own process, and if or how the Major office budget envelope will be distributed across all respective budget centers.

- For headquarters,
 - **The indicative budget envelope** - Senior management discusses and agrees on how the headquarters indicative budget will be distributed among the budget centres. With this, each division is set to do their activity and workforce costing.
 - **In terms of prioritization** - iterative information sharing takes place among the three levels. Global level shares information with regional and country levels in terms of global trends, mandates, innovations, resource mobilization and opportunities for the next biennium. Regional and country level share information on the progress of their prioritization consultations, needs and other trends, as applicable. This informs the development of the costing of headquarters.
- For the Regional offices,
 - **The indicative budget envelope** – senior management discusses and establishes indicative envelopes for their regional and country level budget centres. This provides a benchmark for each budget centre to cost. In some regions, further divisions can occur (i.e. provide indicative budget envelopes by budget centre and strategic priority, for example).
 - **In terms of prioritization** – WHO country offices launch extensive consultations with their respective Member states to perform the prioritization of outcomes and outputs. The prioritization informs the internal activity and workforce costing process that takes place for the outputs the Secretariat will focus on in the upcoming biennium, and feeds the regional and global levels for their own respective costing.

While the establishment of indicative budget envelopes for bottom-up costing might seem counterintuitive, it has proven a good lesson learned. Not setting indicative envelopes has led in the past to unrealistic planning that might not be achievable in terms of financing or human resources capacities. Instead, budget centres are requested to plan ambitiously based on the needs faced, but also taking into consideration the best information they have in terms of corporate financing (see Box 2) and resource mobilization intelligence, human resources capacities, partnerships and other technical and managerial considerations.

Still, budget centres have a responsibility to determine where and how they will focus their work for the next biennium, based on the consultations they had with Member states and all other information gathered.

Box 2. Misalignment between technical demands and financing: consequences for the budget costing process

In an environment where financial and human resources were fully flexible, costing the programme budget considering country priorities would mean that the highest priorities would get the highest budget, the highest resources, and the higher proportion of human resources. In reality, this is not the case.

Flexible funds represent a small fraction of total base budget of the Organization, while most resources mobilized in WHO are of specified nature: contributions received have a specific purpose. While these funds allow the Organization to continue its work in still much needed areas of work, Member states may not consider these areas as “high priority”. The misalignment between the ambition of Member states and their willingness and approach to fund the Organization has been highlighted in multiple WHO fora.

The first consequence of this misalignment is noted in the overall budget of the Organization. For instance, document A72/Inf 1 presented the number of countries that prioritized outcomes for PB 2020-2021. About 160 countries prioritized 1.1 (Improved access to quality essential health services) as medium or high priority. A similar number of countries prioritized outcome 3.2 (Risk factors reduced through multisectoral action). The respective budget shares of these two outcomes were 26% for 1.1, and 5% for 3.2. By the end of the biennium, while outcome 1.1 achieved full financing, outcome 3.2 was financed at 63.7% despite its much smaller budget (see online version of PB20-21 Results Report [here](#)). The stark difference between budgets and financing of these two outcomes can be entirely explained by level of voluntary contributions received in each. This partly explains why an outcome prioritized as “high” could end up having a smaller budget than an outcome prioritized as “medium” or “low”.

The Secretariat partially addresses this situation by providing support with flexible resources towards the least financed outcomes. In 2020-2021, flexible resources constituted 16% of total resources received for outcome 1.1, but 45% for outcome 3.2. In terms of budget, the Secretariat strives for positive growth in budget of highly prioritized outcomes.

A similar situation happens at the regional or country levels. A country office must strike a careful balance between establishing a realistic budget that reflects their country priorities in the right way, with the funding that it will be more likely to receive in the next biennium.

The recent discussions among Member states to better align their financing of the Organization with the demands they make for technical cooperation are then highly appreciated as they will help improving this situation.

Costing of activities and human resources at the country level

WHO sees the costing process for the development of the Programme budget as the first major concerted strategic discussion that is held at each budget centre on the main actions and resources (human and financial) that will be required to deliver the goals that are being set for the next biennium.

Given the time difference between the moment when the costing process takes place and the actual start of implementation -usually around 15 months before the start of the biennium, guidance is provided so the costing is performed at a higher level, focusing on the main deliverables that need to take place in the following biennium so an impact can be achieved.

At the budget center level, the costing process of WHO consists of two major streams: activities, and workforce resources.

- For **activities**, budget centres discuss and agree, by output, on main deliverables for their next biennium, along with their respective scope of work. Based on prioritization results -or best information available-, as well as historical figures, knowledge of resource mobilization efforts, discussions with their counterparts and partners and any other relevant information, they establish main products and services to be delivered, along with their expected costing. The costing usually involves both technical and managerial sides of any budget centre.

Details on the very specific activities for each deliverable are not expected at this stage. This additional information will be requested as part of the operational planning process that is launched after the Programme budget is approved and right before the biennium starts.

- In regard to **workforce**, budget centres start from their current organigram to establish a generic costing for Human Resources for the upcoming biennium, and to determine how these human resources will contribute to the programmatic outputs for that budget centre. For this exercise, budget centres use standard post cost averages to determine the staff costs for the upcoming biennium⁶.

Budget centres then distribute the cost of any given position among the outputs that this position contributes the most, so human resources are adequately reflected across the different outputs that the organization works on. Budget centres will also consider non-staff resources (e.g. consultants) and their contribution to the programmatic deliverables and outputs.

The costing of workforce at this stage does not equal to an HR plan. Inclusion of staff or non-staff costs in this process does not guarantee an approval of creation of new positions; likewise, no decisions on specific positions or individuals are made at this stage. Instead, this process provides the three levels of the Organization with an idea on how much the workforce component will overall cost, and how workforce will be contributing to the different outputs and outcomes of the Programme budget. Full workforce planning decisions are made and approved only once the Programme budget is approved by Member states and the Secretariat launches the process of “operational planning” (see below).

Consolidation and finalization of the budget

Once the costing of activities and workforce is finalized by each budget centre, the costing plans are submitted to the respective Major office. Each Major office aggregates all contributions, reviews the submission, requests changes if required, and adapt as needed, based on additional information on discussions held with Member states and executive management on regional priorities or any other strategic information at that level.

Given that the budget by Major office is being planned from the bottom-up starting from the aggregation of all budget centres that conform that Major office, the resulting distribution of the budget across the outcomes and outputs proposed for the upcoming biennium might result in counter-intuitive trends -for example, a highly prioritized outcome for a given Major office that shows a reduction in budget (like the example presented in Box 2). Major offices may decide to adjust the budget to make sure priority outcomes demonstrate stable or positive budgetary trends, or may submit rationale to explain the reasoning for their costing. If changes occur between the submission provided by budget centres and the Major office to the global level, Major offices are responsible to provide feedback to budget centres so they make adjustments as necessary, during Operational Planning.

Similarly, the global level receives the submission by Major office levels and aggregates all information comparing the draft aggregated levels against current budget, prioritization results, as well as data and recommendations from consultations and other used to build the global budget. If

⁶ Standard Post Costs Averages are calculated every biennium as a collaborative effort between Regional Offices and Headquarters. They are used to estimate the average cost of any post in any duty station around the world for the upcoming biennium. These costs usually take into consideration elements such as inflation or any other post cost due to natural increases related to staff length in the same position.

the global level has a concern or change suggested for any Major office submission, this is usually discussed at once with the Major office. Major offices would record and adjust as needed and resubmit to the global level.

Along this period, global level may organize several formal or informal consultations with Member states. The guidance and recommendations from consultations are incorporated as the draft Programme budget is being built and presented for Member states consideration in the upcoming formal or informal presentation. Further changes might be required prior to the approval of the Programme budget by Member states. If there are changes between submission by Major office and the final budget approved by Member states, global level is responsible for providing feedback to Major offices before operational planning.

As mentioned in the introduction, parallel to the costing process, internal discussions take place to update and redefine the programmatic side as needed. Changes on the programmatic side may result in changes that affect the budgetary side. The global level is in charge to guarantee consistency between programmatic and budgetary side for the consolidated Programme budget.

Following governing bodies statutory requirements, the draft Proposed programme budget is discussed by the Executive Board through its Programme, Budget and Administration Committee, that usually takes place at the end of January before the new biennium starts. Any recommendation provided by Member states during these meetings are incorporated for the draft to be presented to WHA. Depending on what was requested by Member states, Major offices may or may not be required to be involved at this stage.

Operationalization of the programme budget after WHA approval

After the WHA approves the Programme budget, the process of operational planning is launched. Operational planning usually starts around six months before the biennium starts. While operational planning goes beyond the scope of this document, it is important to recognize its linkage with the budget costing process, summarized as follows:

- Operational planning starting point is the budget costing made by budget centres during the development of the Programme budget, and it expands on the level of detail required. Based on the scope of deliverables proposed during the costing period, this is the instance where detailed plans and activities are built, and where workforce plans are fully discussed and approved.
- Since the Secretariat now has a fully approved budget, more controls are established and observed to make sure that the operational planning abides to budget amounts agreed with Member states.
- If there were changes between the submission of budget centres and the aggregation by Major office, or between the submissions from Major office and what global level finally presented to Member states, global and or Major office levels must feedback their respective lower levels on changes finally approved by Member states, so planning can happen in accordance with the latest approved budget amounts.

To allow for implementation to start, activity workplans and workforce plans are built in the WHO ERP system and approved internally according to the process and business procedures established by each Major office. This would conclude the operational planning process for a specific budget centre, which then would move to the implementation phase, preferably a few weeks before the biennium starts, so there is a smooth transition of activities between closure of the old and start of a new biennium.

Annex 1: Programme budget costing process at-a-glance

