



**ACTION PROGRAMME ON ESSENTIAL DRUGS**  
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**ISSUE PAPER ON DONOR CONTRIBUTIONS: SPECIFIED/UNSPECIFIED**

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## 1. Introduction

At the Management Advisory Committee (MAC) meeting in February 1992, the Committee referred to the rule applied for the funding of the Special Programme for Research and Training in Tropical Diseases (TDR) and other special programmes, whereby not more than 50% of each (major) donor's contribution should be specified, and considered this rule to be appropriate also for the Action Programme on Essential Drugs (DAP).

When considering the financial report for 1992 presented to the fifth MAC in February 1993, the Committee discussed contributions to the Programme. The Committee was of the opinion that, in principle, 50% of donors' contributions should be unspecified and that there was a need to maintain DAP's flexibility. It was noted that the Programme's budget reflected WHO policies and priorities and the views of the MAC. The Committee requested that DAP prepare an issue paper on specified/unspecified contributions for submission to the sixth MAC, drawing out all the consequences of a decision requiring, in principle, that 50% of donors' contributions be unspecified. An indication was to be given of the optimal balance between the two types of contribution in the foreseeable future.

## 2. History of funding

The total contributions received by DAP during the period from 1980 to 1993 are shown in Table 1 below. This shows contributions received from extra budgetary sources, i.e. donor countries, UN Organizations and Agencies, and from regular budget and other income. Other income includes interest and miscellaneous contributions. Contributions by donor over the period 1980 to 1993 are shown in Annex 1.

Table 1:

	Extrabudgetary Contributions			Regular Budget and Other Income	Total
	Donor Countries	UN Organizations and Agencies	Sub Total		
	US\$ (x000)	US\$ (x000)	US\$ (x000)		
1980-1981	400	0	400	0	400
1982-1983	595	0	595	1,133	1,728
1984-1985	3,262	0	3,262	1,640	4,902
1986-1987	10,242	654	10,896	2,158	13,054
1988-1989	8,640	1,287	9,927	3,089	13,016
1990-1991	11,564	686	12,250	4,606	16,856
1992-1993	10,549	1,879	12,428	2,242	14,670
	<u>45,252</u>	<u>4,506</u>	<u>49,758</u>	<u>14,868</u>	<u>64,626</u>

The average funding per biennium for the last four biennia from 1986 to 1993 is US\$ 14.399 million. This is fairly representative of the Programme's recent and current funding experiences. For example, in the last biennium, 1992-1993, DAP's total income amounted to US\$ 14.670 million.

A more detailed analysis of DAP's contributions by type of funding is presented in Table 2 below. For the last four years, 1990-1993, contributions are split between specified and unspecified by source of funding. In addition, the planned contributions for 1994 to 1995 are added to show an overall trend for six years.

Table 2:

<b>Specified and unspecified contributions for the four-year period from 1990 to 1993 plus the total income required for the biennium 1994-1995</b>					
	<i>Actual Contributions</i>			<i>Income Required</i>	<i>Total US\$ (x000)</i>
	<i>1990-1991 US\$ (x000)</i>	<i>1992-1993 US\$ (x000)</i>	<i>Sub Total US\$ (x000)</i>	<i>1994-1995 US\$ (x000)</i>	
<b>Extra budgetary Contributions</b>					
<i>Donor Countries</i>					
Specified	4,616	4,321	8,937	7,704	16,641
Unspecified	6,947	6,228	13,175	8,452	21,627
	<b>11,563</b>	<b>10,549</b>	<b>22,112</b>	<b>16,156</b>	<b>38,268</b>
<i>UN Organizations and Agencies</i>					
Specified	687	1,879	2,566	580	3,146
<b>Sub Total</b>	<b>12,250</b>	<b>12,428</b>	<b>24,678</b>	<b>16,736</b>	<b>41,414</b>
<b>Regular Budget and Other Income</b>					
Specified	2,672	1,608	4,280	1,163	5,443
Unspecified	1,934	634	2,568	70	2,638
<b>Sub Total</b>	<b>4,606</b>	<b>2,242</b>	<b>6,848</b>	<b>1,233</b>	<b>8,081</b>
<b>TOTAL</b>	<b>16,856</b>	<b>14,670</b>	<b>31,526</b>	<b>17,969</b>	<b>49,495</b>

Specified and unspecified contributions by donor for the biennia 1990-1991 and 1992-1993 are shown in Annex 2.

Since 1980, DAP has received a total of US\$ 64.626 million of which 70% (US\$ 45.252) came from donor countries, 23% (US\$ 14.868 million) from regular budget and other income, and 7% (US\$ 4.506) from UN Organizations and Agencies.

With regard to contributions received over the last four years, 1990 to 1993, 60% of extra-budgetary contributions from donor countries were unspecified and 40% specified. When the extrabudgetary contributions from UN Organizations and Agencies (all specified) are added to the contributions from donor countries, unspecified contributions drop to 53%, with specified contributions amounting to 47%. Finally, when regular budget and other income is added, the split between unspecified and specified contributions over the last four years is 50% each (see Annex 2).

In total, 11 donor countries have provided funds to DAP over the last four years. In the case of eight of these countries, over 50% of their contributions was unspecified. The other three countries provided specified funding exclusively. UN Organizations and Agencies tend to provide specified funding only, due to the nature of their support, which is project/activity specific. This type of funding is, however, an important opportunity for DAP to work and coordinate with and to influence the UN Organizations and Agencies. Regular budget funds to DAP have been mostly specified for a number of staff posts. Other income is intrinsically unspecified.

### 3. Use and role of unspecified and specified funds and their impact on policies and strategies

DAP's activities reflect the policies and strategies of the Programme. In recent years, the Programme has adopted a formula known as 4+4+4 for the purpose of depicting its framework for action. The formula represents the four principles which underly its activities, the four major areas of work, and the four technical areas of intervention. Taken together, they provide the conceptual and operational framework for the Programme's activities which, in application, are tailored to each country's particular needs and circumstances (see Annex 10 of DAP/MAC(6)/94.4). A DAP project which represents a focused group of activities comes under one of the four major areas of work, namely country support, development work, operational research and management activities. Up to and including the biennium 1992-1993, each of these Programme areas of work was funded by both specified and unspecified funds. Annex 3 shows the actual use of unspecified and specified funds and regular budget funds over the four programme areas for 1992-1993, and planned use for 1994-1995. This is summarized in Table 3 as follows:

Table 3:

	ANALYSIS OF TOTAL OBLIGATIONS BY TYPE OF FUNDING			
	Budgeted Obligations 1994-1995		Actual Obligations 1992-1993	
	US\$ (x 000)	%	US\$ (x 000)	%
Unspecified	9,826	50%	10,383	58%
Specified	8,741	44%	5,926	33%
Regular Budget	1,233	6%	1,597	9%
	<b>19,800</b>	<b>100%</b>	<b>17,908</b>	<b>100%</b>

Unspecified funding represents the largest type of funding to the Programme. The significance of unspecified funds becomes more striking when viewed within each programme area of work, as in Annex 3. In 1992-1993, unspecified funds were used to support 56% of country support, 77% of development work, 58% of operational research, and 55% of management activities.

Close examination of DAP's obligations over the years shows the enormously important role unspecified funds played in the Programme's activities and accomplishments to date. In particular, unspecified funds have:

1. enabled the Programme to respond rapidly to first-time or short-term requests for technical assistance from non-DAP project countries (simultaneously expanding our knowledge about the essential drugs situation in non-DAP project countries at minimum cost);
2. forestalled donors being asked to make specified commitments without sufficient information with which to thoroughly evaluate a potential DAP-project country's needs and priorities and suitability for longer term financial support;
3. provided seed money with which candidate DAP-project countries, which have already conducted a situation analysis and developed a plan of action, could initiate limited implementation activities while seeking donor support (thus avoiding a loss of momentum and continuity);
4. made possible most of the training, information, education and communication (IEC), and advocacy functions, as well as development work activities, including publication of the *Essential Drugs Monitor* and numerous other publications;
5. supported many of the Programme's global operational research projects, which are the specific responsibility of WHO/DAP; and
6. allowed the Programme to acquire needed personnel, including fixed term staff, temporary advisors and short term personnel.

Looking at specified funding, DAP has received two types of specified funding in recent years:

1. *Specified funding for specific projects.* Country support projects represent the majority of specifically funded projects. This type of funding requires additional management input and overhead costs in the form of planning, monitoring, evaluation and reporting.
2. *Soft specified funding.* Specified funding for a programmatic area of work such as operational research is referred to as *soft specified funding*. It generally requires less additional management input and overhead costs.

Soft specified funding has contributed significantly to DAP's global activities in the programmatic area of operational research. Specified funding for specific projects has mostly been for country support work and has complemented the unspecified funded

country support work. Many country support projects which have started with the support of unspecified funds, have subsequently been funded with specified contributions. This is often representative of a country support project moving from the phase of long term policy and strategy development to the intensified implementation stage. Unspecified funding cannot generally provide or sustain this level of financial support. In cases of specified funding for country support projects both the specified donor and the Member State request DAP to be the executing technical agency.

Up to now, the balance between unspecified and specified contributions (50% each) has enabled the Programme to implement successfully its global functions, including advocacy and prioritized projects in the Programme's areas of country support, development work, operational research and management activities. In addition, the Programme has had the flexibility to respond to new developments.

#### **4. Requirements for the next five years**

The Future Strategy paper of the Action Programme on Essential Drugs (Chapter 8: "New directions for DAP") discusses the Programme's global functions and country support activities. The paper states that:

"DAP should strengthen its activities at the global level to facilitate its major role in country support and to provide increased technical advice and global advocacy. These global functions are the specific responsibility of WHO; no other agency has the mandate, expertise and commitment to carry them out. In addition, DAP will need to cooperate more fully with other WHO bodies and UN organizations, such as UNICEF and the World Bank".

A number of specific technical areas are identified as being of high priority for study and development. Global advocacy is also seen as a fundamental component of DAP's work, and country support is seen as the backbone of the Programme's work. The following types of country support are envisioned:

- Type 1:* long term policy and strategy development.
- Type 2:* intensified support in a limited number of countries.
- Type 3:* implementation of specific technical activities.

The need to broaden country support to address new issues mainly related to the different use of scarce resources and appropriate financing mechanisms for drugs within the health sector is foreseen.

The 1994-1995 proposed plan and budget document (DAP/MAC(6)94.6) has been prepared following the guidance of the Future Strategy paper. The Strategy paper states that the Programme's resources should be prioritized so that:

- (1) the activities under global functions should be funded from regular budget and unspecified funds;

- (2) country support - long term policy and strategy development should be funded from regular budget and unspecified funds;
- (3) country support - intensified support for a limited number of countries from unspecified/specified funds; and
- (4) country support - implementation of specific technical activities - from unspecified/specified funds.

All of DAP's projects which have been included in the proposed plan and budget for 1994-1995 have been analysed and grouped in accordance with these guidelines. The resulting budgeted obligations of US\$ 19.8 million envisages exactly 50% of planned obligations for 1994-1995 being funded from unspecified funds (see Table 3, page 3). The income required reflects this with some adjustment for movement in the opening and closing balances of the biennium. The total income required for 1994-1995 is shown in Table 2, page 2.

The new directions set out for DAP incorporating global functions, global advocacy and the three types of country support require that 50% of DAP's proposed budgeted obligations for 1994-1995 be unspecified. This is very similar to DAP's actual funding over the past four years 1990-1993 where 50% of its total income was unspecified. Therefore, to answer the question proposed by the fifth MAC "what the optimal balance between the two types of contribution should be in the foreseeable future" the answer is that 50% of the Programme's contributions should be unspecified for the foreseeable future, so as to secure its global functions and prioritized activities including prioritized country support activities. If there is any shortfall in the unspecified contributions of US\$ 8,452,000 (see Table 2, page 2) called for in the 1994-1995 proposed plan and budget, then it will be necessary to reduce some of the Programme's global functions and prioritized activities. Suffice that any reduction in unspecified funds would affect all aspects of the Programme, but some more acutely than others, especially new start-up activities including country assessments, development work, operational research and many important management functions not covered by the WHO regular budget or specified funds.

## 5. Types of funding for the future

Annex 2 shows the funding history of the Programme for the last four years 1990-1993 and that unspecified/specified contributions have been equally balanced. It is reasonable to assume that this mix of funding will continue.

The Programme envisages the following types of funding for the foreseeable future.

### 1. *Unspecified Funding*

At least 50% of the Programme's contributions should continue to be *unspecified* so as to enable DAP to implement its global functions, including advocacy and prioritized projects in the programmatic areas of country support, development work, operational research and management activities.

2. In addition, it is realistic for the Programme to have due regard to the requirements under which some donors can provide contributions. Reference is made here to the fact that some donors can only provide specified funding and for such situations, the following is recommended:

(a) *Soft specified funding*

Donors will be encouraged to provide *soft specified funding* for all the programmatic areas of work - i.e. country support, development work, operational research, management activities. In such cases, it is hoped that no specific reporting requirements will be called for over and above the existing reports to the MAC.

(b) *Specified funding for specific projects*

- (i) Where it is necessary for a donor to provide *specified funding for specific projects*, DAP will suggest to the donor that it select for funding one of the existing projects planned and included in the proposed plan and budget for the biennium. The fact that such a project may have been targeted for unspecified funds is secondary to the planned project being implemented in the event that the funding is specified. Any additional management and overhead costs related to this type of funding (including planning, monitoring, evaluation and reporting) would be charged directly to the project.
- (ii) When a donor wishes to provide *other specified funding*, for example, for an intensified country support project requiring additional management input and overhead costs (including planning, monitoring, evaluation and reporting), these cost elements will be included in the specific project budget.

Finally, it is becoming clear that there is a need for DAP to be in a position to enter into longer term commitments with Member States to enable the development of national medium-term plans. This in turn will encourage longer term plans to be secured within their national budgets. Ideally, an overall national medium-term plan should be of three to five years.

Annex 1

	US\$									
	1980-1981	1982-1983	1984-1985	1986-1987	1988-1989	1990-1991	1992-1993	Total		
<b>Extrabudgetary Contributions</b>										
<i>Donor Countries</i>										
Australia			379,332			77,780	144,754	222,534		
Canada		595,238	1,165,488	2,171,411	2,906,443	781,260	771,507	379,332		
Denmark			71,318	205,572	846,879	2,027,098		8,391,347		
Finland			24,631	90,833	136,794	208,496	207,784	3,150,867		
France	400,000		800,500	250,000				1,068,538		
Italy				50,000	210,000	310,000	560,000	1,050,500		
Japan				5,601,254	2,058,398	4,205,978	5,133,863	16,999,493		
Netherlands					446,244	790,868	816,930	2,054,042		
Norway			351,753	549,801	616,017	565,196	489,825	2,572,592		
Sweden			186,143	773,221	347,222	1,178,911	583,190	3,068,687		
Switzerland			282,692	550,264	1,072,099	1,392,968	1,646,998	4,945,021		
United Kingdom						25,000	194,000	219,000		
United States of America	400,000	595,238	3,261,857	10,242,356	8,640,096	11,563,555	10,548,851	45,251,953		
Sub Total										
<b>UN Organizations and Agencies</b>										
UN High Commission for Refugees				20,000				20,000		
United Nations Children's Fund				5,000	39,550			44,550		
United Nations Development Fund				629,351	22,600	3,589	278,411	304,600		
Nigeria Trust Fund					1,224,349	682,833		2,536,533		
International Bank for Reconstruction and Development							1,600,742	1,600,742		
Sub Total	0	0	0	654,351	1,286,499	686,422	1,879,153	4,506,425		
<b>Total Extrabudgetary Contributions</b>	400,000	595,238	3,261,857	10,896,707	9,926,595	12,249,977	12,428,004	49,756,378		
<b>Regular Budget and Other Income</b>										
Regular Budget		1,056,000	1,142,000	1,115,600	1,340,770	2,183,417	1,596,626	8,434,413		
Other Including Interest		76,534	498,368	1,042,506	1,748,338	2,422,387	645,766	6,433,899		
Sub Total	0	1,132,534	1,640,368	2,158,106	3,089,108	4,605,804	2,242,392	14,868,312		
<b>Total Funds Received</b>	400,000	1,727,772	4,902,225	13,054,813	13,015,703	16,855,781	14,670,396	64,626,690		

Annex 2

**CONTRIBUTIONS RECEIVED DURING THE BIENNIA 1990-1991 AND 1992-1993**

	Specified US\$	Unspecified US\$	Total US\$
<b>Extrabudgetary contributions</b>			
<b>Donor Countries:</b>			
Australia		222,534	222,534
Denmark	599,960	952,807	1,552,767
Finland	2,027,098		2,027,098
France	106,261	310,019	416,280
Japan	220,000	650,000	870,000
Netherlands	4,336,676	5,003,165	9,339,841
Norway	363,652	1,244,146	1,607,798
Sweden	1,055,021		1,055,021
Switzerland	9,524	1,752,577	1,762,101
United Kingdom		3,039,966	3,039,966
United States of America	219,000		219,000
<b>Total Donor Countries:</b>	<b>8,937,192</b>	<b>13,175,214</b>	<b>22,112,406</b>
	40%	60%	100%
<b>UN Organizations and Agencies:</b>			
Nigeria Trust Fund	682,833		682,833
International Bank for Reconstruction and Development	1,600,742		1,600,742
United Nations Development Programme	282,000		282,000
	<b>2,565,575</b>		<b>2,565,575</b>
<b>Total extrabudgetary contributions</b>	<b>11,502,767</b>	<b>13,175,214</b>	<b>24,677,981</b>
	47%	53%	100%
<b>Regular budget and other income</b>			
Regular budget	3,354,061	425,982	3,780,043
Other, including interest	926,056	2,142,097	3,068,153
<b>Total regular budget and other income</b>	<b>4,280,117</b>	<b>2,568,079</b>	<b>6,848,196</b>
<b>Total income</b>	<b>15,782,884</b>	<b>15,743,293</b>	<b>31,526,177</b>
	50%	50%	100%

Annex 3

**OBLIGATIONS BY PROGRAMMATIC AREA OF WORK  
AND BY TYPE OF FUNDING**

	Budgeted Obligations 1994-1995		Actual Obligations 1992-1993	
	US\$ (x 000)	%	US\$ (x 000)	%
<b>COUNTRY SUPPORT</b>				
Unspecified	4,479	37%	6,000	56%
Specified	7,703	62%	4,737	43%
Regular Budget	10	1%	12	1%
	<u>12,192</u>	100%	<u>10,749</u>	100%
<b>DEVELOPMENT WORK</b>				
Unspecified	1,576	82%	1,408	77%
Specified	344	18%	422	23%
	<u>1,920</u>	100%	<u>1,830</u>	100%
<b>OPERATIONAL RESEARCH</b>				
Unspecified	654	64%	556	58%
Specified	375	36%	408	42%
	<u>1,029</u>	100%	<u>964</u>	100%
<b>MANAGEMENT ACTIVITIES</b>				
Unspecified	3,117	67%	2,419	55%
Specified	319	7%	361	8%
Regular Budget	1,223	26%	1,585	37%
	<u>4,659</u>	100%	<u>4,365</u>	100%
<b>TOTAL</b>	<u><u>19,800</u></u>		<u><u>17,908</u></u>	

Funds received during 1980 to 1993

