

Sustainable financing

Report by the Director-General

INTRODUCTION

1. The biennium 2020–2021 has revealed more clearly than ever the need for a strong, credible and independent WHO on the world stage. The coronavirus disease (COVID-19) crisis has demonstrated the fundamental importance of the global detection, response and coordination roles that only WHO can play across all Member States. At the same time, the challenges to global health systems and the pressure to ensure equal access to quality health care and the best health possible for all have mounted. The triple billion targets of the Thirteenth General Programme of Work, 2019–2023 remain relevant. The work of WHO in all contexts has never been more critical.

2. However, as several Member States have pointed out, the COVID-19 pandemic has highlighted the discrepancy between what the world expects of WHO and what it is able to deliver with the resources/capacity it has at its disposal. Sustainable financing is thus a key challenge for the Organization that must be addressed as part of the lessons learned from the current COVID-19 pandemic.

3. Member States discussed this issue in detail during the Seventy-third World Health Assembly and their conclusions were reflected in resolution WHA73.1 (2020).

4. The topic of adequate funding is not new. However, discussions on the matter have, to date, remained rather abstract. Building on previous discussions and taking account of lessons learned, the WHO Secretariat would like to initiate a process aimed at finding a concrete solution to the sustainable financing of WHO. This document proposes a process through which to arrive at such a decision, including the key stages and timeline. The document considers the following issues:

- WHO Programme budget levels;
- The current WHO Programme budget financing model;
- Challenges of the current WHO financing model and the need for change;
- Approaches and definitions;
- Proposed process.

WHO PROGRAMME BUDGET AND FINANCING LEVELS

5. Since the adoption of the Millennium Development Goals in 2000, followed by the 2030 Agenda for Sustainable Development in 2015, there has been increasing investment in the United Nations system, mainly through voluntary contributions. WHO's Programme budget grew from a total of US\$ 1939 million in 2000–2001¹ to US\$ 4422 million in 2018–2019. Of this growth, some 30% was attributable to the Global Polio Eradication Initiative; 20% to communicable disease; 19% to health emergencies (not including outbreak and crisis response); 13% to health systems; and 10% to noncommunicable diseases and health promotion. Such increases demonstrate that areas of public health work that are more immediately attractive to donor interests and official development assistance can generate external financing, while, without the certainty of sustainable financing, an even expansion of activities across all public health priorities has proven very difficult. WHO, as the lead agency on health and Sustainable Development Goal 3, must ensure that it can continue to strengthen and exert its leadership role in all aspects of global health, political and normative functions.

6. A comparison of WHO expenditures² with several other United Nations agencies, funds and programmes shows that the trend of this increasing level of budget, and therefore expenditures, in WHO is similar to other organizations (Table 1). This is linked closely to the substantial increase in the level of official development assistance pledged by member countries of the Development Assistance Committee, which rose by over 270% from 2000 to 2019 (Fig. 1). The demand for what multilateral organizations can uniquely deliver has increased at an exponential rate over the implementation period of the Millennium Development Goals and the 2030 Agenda for Sustainable Development.

Table 1. Comparison of expenditure of several United Nations agencies, funds and programmes (US\$ million)

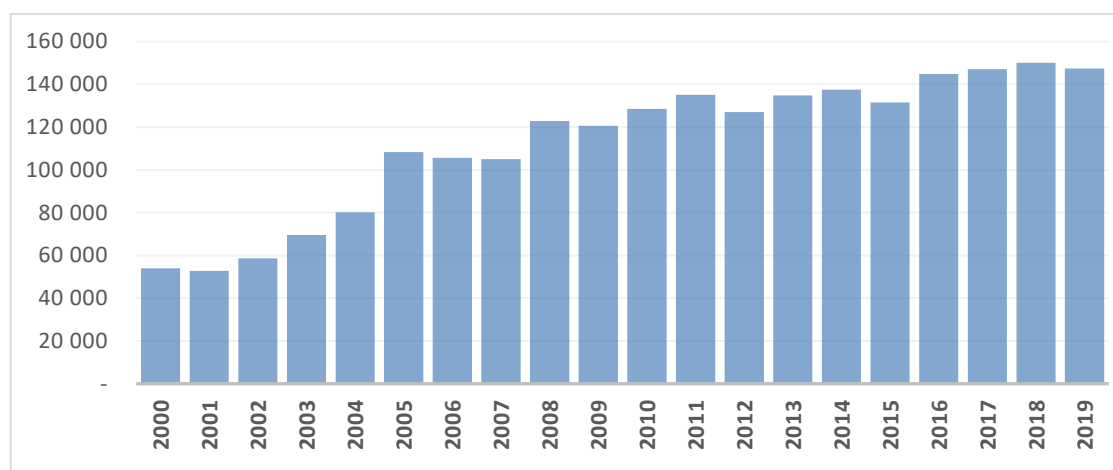
Entity	Expenditure 2000–2001	Expenditure 2010–2011	Expenditure 2018–2019	Percentage increase 2000–2019
WHO	1 788	3 998	5 314	297%
United Nations Secretariat	6 420	8 310	12 097	188%
UNICEF	2 335	9 791	11 161	478%
UNDP	2 986	11 266	8 649	290%
Unitaid ³	N/A	323	458	N/A
FAO	1 304	2 915	2 910	223%
WIPO	569	665	706	124%

¹ This includes voluntary contribution estimates that could not be predicted as closely as the assessed contribution amounts contained in the approved Programme budget, but which were nonetheless referenced therein.

² In order to offset different methods of budgeting by different organizations, biennial expenditures have been used as a best approximation for biennial operations.

³ Unitaid was not founded until 2006.

Fig. 1. Development Assistance Committee countries net official development assistance 2000–2019 (US\$ million)

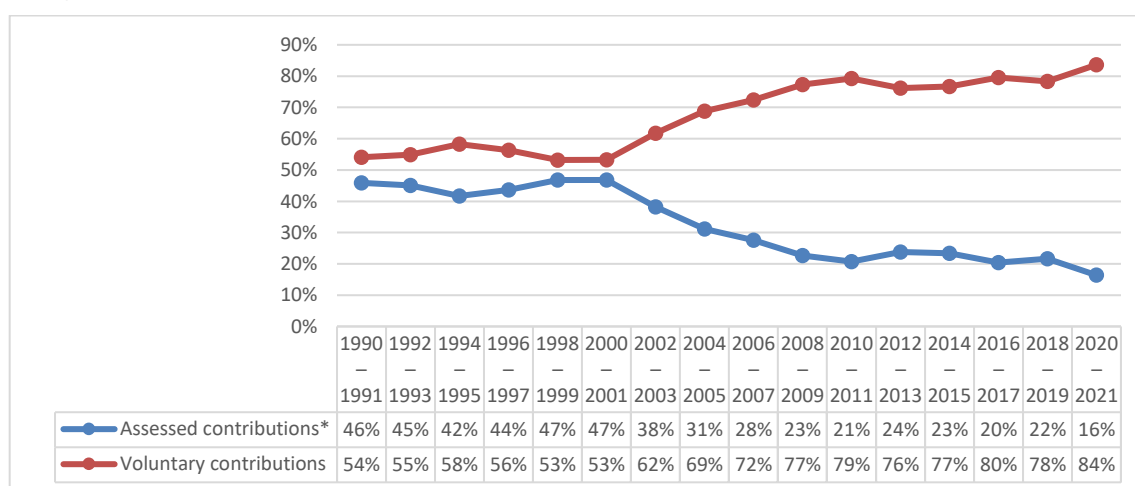


THE CURRENT WHO PROGRAMME BUDGET FINANCING MODEL

7. Current financing of the WHO approved Programme budget largely consists of two funding types, namely assessed contributions and voluntary contributions.

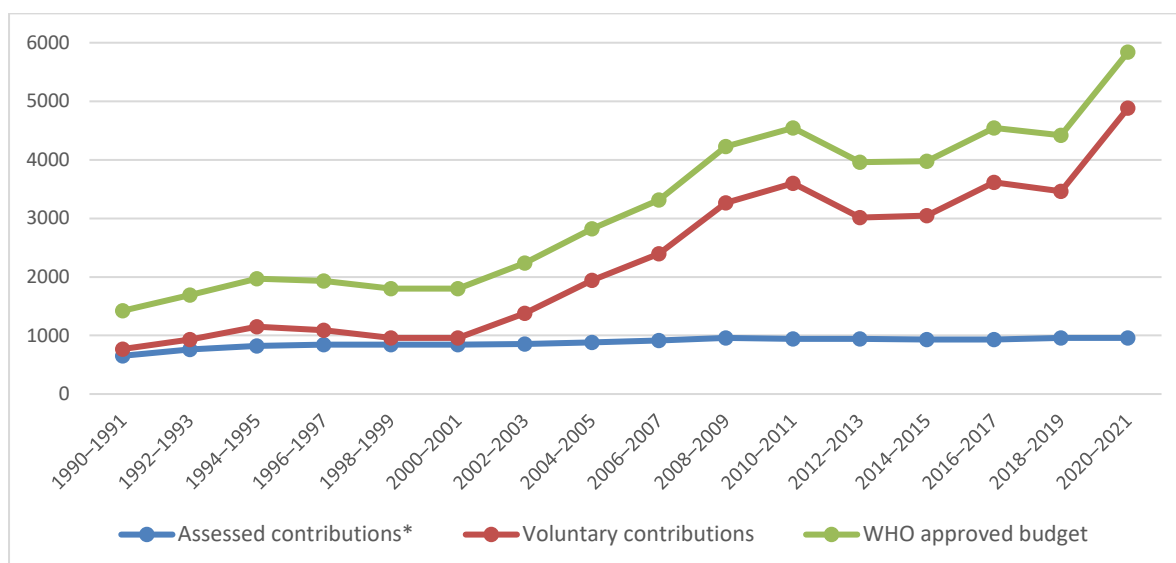
8. WHO's work was previously funded entirely by assessed contributions from Member States. By 1990, voluntary contributions had increased to 54% of total funds, and they now make up over 80% of WHO's total income (Fig. 2). While WHO's budget has increased substantially – from US\$ 1.4 billion for 1990–1991 to US\$ 5.8 billion for 2020–2021 – assessed contributions have remained more or less static at about US\$ 1 billion (Fig. 3).

Fig. 2. WHO approved Programme budget funding trends since 1990–1991 (percentage of total funding)¹



*Assessed contributions include miscellaneous income amounts as approved by the World Health Assembly for the respective programme budgets.

¹ This includes voluntary contribution estimates that could not be predicted as closely as the assessed contribution amounts contained in the approved Programme budget, but which were nonetheless referenced therein.

Fig. 3. WHO approved Programme budget funding trends since 1990–1991 (US\$ millions)

*Assessed contributions include miscellaneous income amounts as approved by the World Health Assembly for the respective programme budgets.

9. The financing of WHO can also be split into two distinct groups: (i) flexible funding and (ii) voluntary contributions with various degrees of earmarking. WHO's flexible funding includes:

- Assessed contributions;
- Core voluntary contributions;
- Programme support costs (i.e. overheads charged on top of any voluntary contribution).

10. WHO's flexible funding – particularly assessed contributions – is mostly used to sustain functions such as leadership, management, data and administrative and technical support that do not usually attract voluntary contributions. Annex 1 provides an overview of the usage of assessed contributions in 2018–2019. Internally, management of flexible funds is governed by a set of corporate principles presented in Annex 2.

11. In terms of sustainability, only assessed contributions can be considered truly sustainable, as core voluntary contributions and programme support costs are non-earmarked voluntary contributions, thus not fully predictable in the medium and long term. The amount each Member State pays in assessed contributions is calculated relative to the country's wealth and population and invoiced to every Member State, while voluntary contributions are subject to a range of other conditions – in many cases, for example, parliamentary approval – and are therefore less predictable.

12. When comparing WHO financing to other United Nations organizations, it is notable that only the specialized agencies and the United Nations Secretariat receive what could be called assessed contributions or regular budget (hereafter referred to collectively as assessed contributions), as understood in the WHO context. The growth in assessed contribution levels has been minimal across the specialized agencies and has not kept pace with the overall expenditure levels experienced. The exception to that rule is the United Nations Secretariat. Its level of assessed contributions has risen from US\$ 2414 million in 2000–2001 to US\$ 5397 million in 2018–2019, representing an increase of 224%.

CHALLENGES OF THE CURRENT WHO FINANCING MODEL AND THE NEED FOR CHANGE

13. Having only 17% of WHO's budget funded from sustainable sources poses numerous challenges.

14. **Persisting pockets of poverty.** As a significant proportion of WHO's voluntary contributions are earmarked for activities or areas of work that contributors prefer to support, this leads to a situation of under and overfunding across Programme budget segments, major offices and levels of the Organization. The Organization makes every effort to rebalance the financing levels between severely underfunded and well-funded technical areas. The 2018–2019 Results Report demonstrates the level of flexible funding invested into the underfunded priority areas of noncommunicable disease and health emergencies; however, the Secretariat has very limited amounts of assessed contributions or flexible funding with which to invest in such areas and a true balance can therefore never be achieved. These pockets of poverty will persist and are likely to increase as long as the sustainable financing of WHO remains at 17–20% level (Fig. 2).

15. **Timely response to the changing public health environment.** Sustainable funding is critical to respond to the changing public health environment and to address areas – such as emergency preparedness, noncommunicable diseases and universal health coverage – that traditionally do not appeal to a broad spectrum of voluntary contributors. As a most recent example, in the midst of the COVID-19 pandemic, Programme budget outcomes corresponding to the one billion more people better protected from health emergencies target continue to be the least funded areas of WHO.

16. **Governance.** Resolutions and decisions proposed to the Health Assembly or Executive Board for adoption are accompanied by a report on their administrative and financial implications. While ideally, the costings in those reports should determine at least part of future Programme budgets, this is not an easy task without predictable sources of funding. Sustainable funding would therefore serve as one key component of strengthening this governance mechanism and aligning it more closely with planning and budgeting under the full oversight of the WHO governing bodies. The process would allow Member States even greater control of the Organization's strategic focus (see further considerations in Annex 3).

17. **Quality of work – attracting talent.** The strength of WHO as an organization lies in its staff. However, owing to the fact that the bulk of WHO's current financing is strictly earmarked and not predictable, and given that the largest cost component of the Organization's expenditure is for workforce contracts (both staff and non-staff), effective workforce planning and management has proven difficult. This, in turn, ultimately impedes the Organization's ability to attract and retain the best professionals in global health. The current financing patterns lead to negative consequences, such as incentivizing independent fundraising efforts and/or the acceptance of voluntary contributions to complement insufficient core funding for staff, which may not be fully aligned with key priorities; rendering longer-term forward planning (i.e. beyond a one to two-year time period) challenging or even impossible; restricting the Organization's agility to change course or reprioritize when new challenges arise or when new skills are required; creating delays in recruitments, which limit the Secretariat's ability to respond; and reducing the attractiveness of the Organization as an employer not only to prospective candidates but also to the existing workforce. The Organization has thus increasingly had to rely on larger numbers of short-term staff and consultants, which results in higher administrative and transaction costs and increased employee/employer dissatisfaction, and is not sustainable in the long run.

18. **Donor reliance.** WHO's significant reliance on voluntary contributions is further intensified by the dependence on a somewhat narrow donor base, with only a few large donors. Top five donors of voluntary contributions represent between 30% and 60% of the financing for Programme budget

outcomes in the Programme budget 2020–2021. Withdrawal of any of these major donors would leave an immediate, substantial funding gap that cannot be bridged easily due to the very limited amounts of sustainable, flexible and predictable financing.

19. **Administrative burden on managing many small grants.** Besides flexible funding and significant grants from a handful of contributors, WHO relies on a very large number of medium and smaller voluntary contributions. For example, Programme budget outcome 1.1 “Improved access to quality essential health services” currently has 191 distinct contributions. As a result, within one biennium, the Secretariat manages thousands of awards across hundreds of budget centres, which represents a significant administrative burden.

APPROACHES AND DEFINITIONS

20. For the purpose of this paper, sustainable financing refers to funding that enables WHO to have the robust structures and capacities needed to fulfil its core functions in effective and efficient support of its Member States, including in preventing, detecting, and responding to, disease outbreaks. Sustainable financing is understood to be:

- medium to long term i.e. at a minimum, for the duration of a general programme of work;
- predictable i.e. similar to assessed contributions where WHO is aware of the exact financing level before the biennium starts and can reliably count on these funds;
- flexible i.e. allowing full alignment with the priorities of the approved Programme budget, with no limitations on the type of activity, location or Programme budget outcomes and outputs;
- not dependent on a small number of contributors or the size of their contributions;
- largely in support of the base segment of the approved Programme budget.

PROPOSED PROCESS

21. The process of arriving at a decision on the sustainable financing of WHO should follow a disciplined, methodological approach based on three practical questions:

1. What should be funded sustainably?
2. How much funding should be provided sustainably and why?
3. Who should provide this funding?

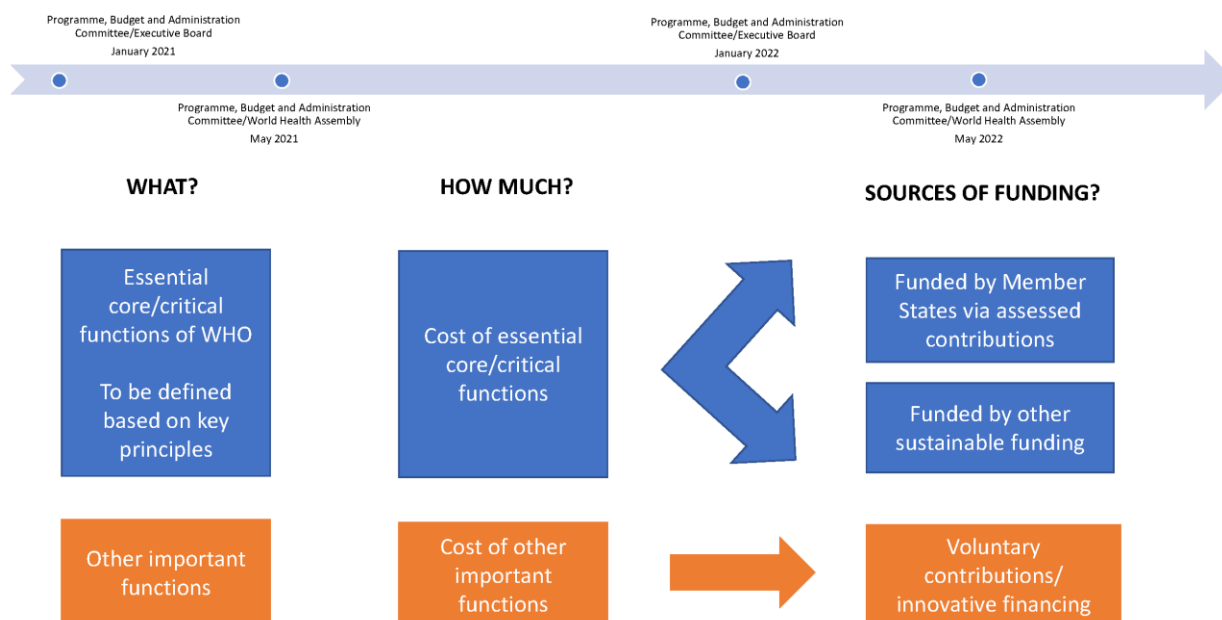
22. The proposed process and corresponding time frame are summarized below and in Fig. 4:

- In the past, work on similar critical issues has been advanced by the formation of a working group led by Member States from each region and supported by senior WHO technical staff.
- The Programme, Budget and Administration Committee of the Executive Board at its Thirty-third session in January 2021 may therefore wish to consider adopting the same approach, not least as a number of Member States have expressed a keen interest in supporting

this work on numerous occasions. The Committee could submit a recommendation to that effect to the Executive Board.

- Such a working group would steer the process and submit thoroughly reviewed recommendations to the Executive Board in due course.
- The first task of the working group would be to define principles to identify what should be funded sustainably (answering question one above).
- Once principles have been established, options would need to be developed and considered, with the Secretariat providing the respective costings. That would establish how much sustainable funding would be required at all times (answering question two above).
- Subsequently, the working group would need to consider what share of the required financing should be funded directly by Member States to maximize governance and what should be funded from other long-term sustainable sources (answering question three above).
- The working group would discuss its findings and formulate a proposal on how to secure sustainable financing, including increased levels of assessed contributions.
- The Secretariat would be responsible for elaborating guidelines on voluntary contribution-funded activities, including their governance, and for devising innovative ways of financing and ensuring linkages to the sustainably financed part of the budget.
- Given the timing of the forthcoming report Independent Panel for Pandemic Preparedness and Response's and the time it takes to properly prepare such a decision, it is proposed that the Seventy-fifth Health Assembly in 2022 would consider the final proposal and make a decision.

Fig. 4. Proposed process and time frame to arrive at a decision on the sustainable financing of WHO



23. The Secretariat will thus not be requesting an increase in assessed contributions before the Seventy-fifth Health Assembly. The draft Proposed programme budget 2022–2023¹ outlines a two-stage process for developing the Programme budget, including a plan to review its provisions in 2022. A revised Programme budget will be accompanied by a new appropriation resolution, which could formalize a decision on an increase in assessed contributions, to enter into force as of 2023.

ACTION BY THE EXECUTIVE BOARD

24. The Board is invited to note this report.

¹ Document EB148/25.

ANNEX 1

**ASSESSED CONTRIBUTIONS SPENT BY EXPENDITURE TYPE AND
CLASS IN 2018–2019 (US\$)**

Expenditure type	2018–2019 expenditures
Staff costs	674 815 053
Staff costs: long term	604 680 418
Staff costs: short term	56 130 731
Staff costs: supplementary	14 003 904
Activities	248 295 403
Contractual services, general	82 610 671
Travel	51 588 096
General operational costs	40 310 077
Direct Financial Cooperation (DFC)	21 318 751
SSA expenses	8 239 584
Equipment, vehicles, furniture	7 461 536
Direct implementations	7 366 941
Medical supplies, literature	7 260 638
Agreements with UN and NGO	5 485 482
Telecommunications	5 107 879
Equipment for third parties	3 996 669
Security expenses	3 186 215
Fellowships, GEA	1 919 720
Training	1 797 416
Consulting, research services	677 796
Hospitality	127 743
Courtesy Expenses	(159,812)
Grand total	923 110 456

ANNEX 2

WHO INTERNAL CORPORATE PRINCIPLES FOR GOVERNANCE AND MANAGEMENT OF FLEXIBLE FUNDS

- The Global Policy Group decides on the biennial allocation of flexible funds by major office. That decision is communicated before the start of each biennium in order to:
 - ensure more predictable and sustainable planning of staff and activities;
 - support better priority-setting in finalizing human resource plans;
 - improve and streamline the management of flexible funds during the biennium; and
 - promote transparent allocation across all major offices.
- Regional Directors and the Director-General have the authority to allocate flexible funds strategically in their respective major offices to ensure an equitable balance in the funding of Programme budget outputs and outcomes at the beginning of the biennium.
- Flexible funds are used to ensure operational capacity for staff costs and critical activities within the approved Programme budget.
- Flexible funds utilization is closely monitored during the biennium to ensure that (i) funds are shifted towards underfunded priority areas and away from areas that benefit from other sources of funds and (ii) funds are implemented in a timely fashion.
- Flexible funds may be used as catalytic funds in priority areas to attract other resources, although the use of flexible funds to subsidize projects that are meant to be fully funded by voluntary contributions is discouraged.

ANNEX 3

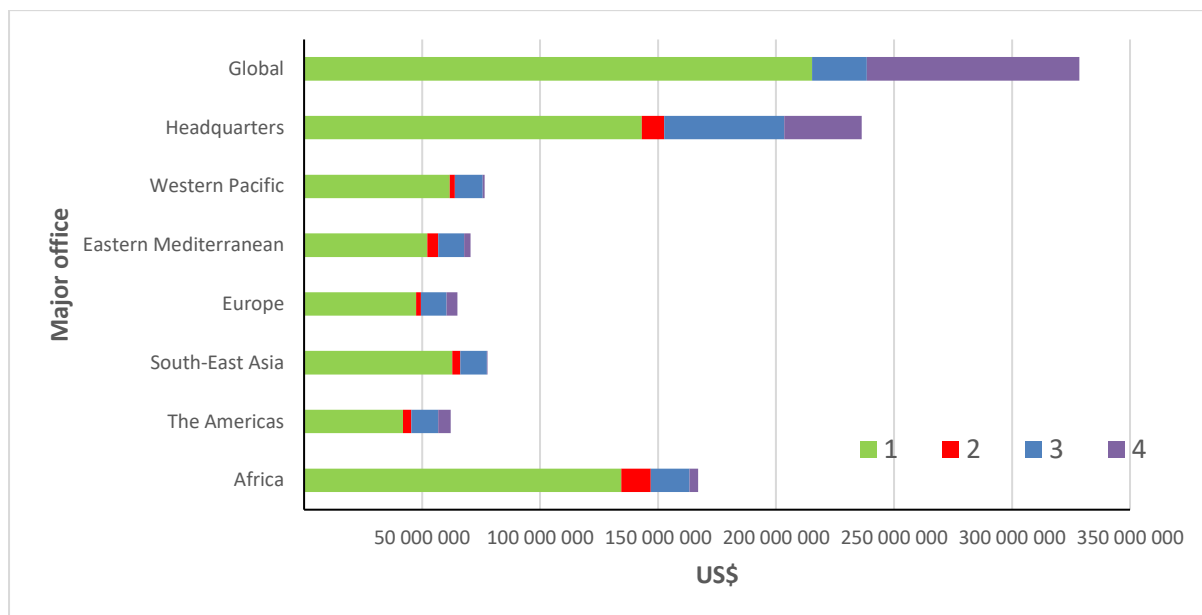
EMPOWERING GOVERNANCE MECHANISMS

1. In theory, every resolution or decision presented to the World Health Assembly or Executive Board for adoption should be accompanied by a report on the administrative and financial implications of that resolution or decision (a procedure also followed by the Regional Committee in the European Region).
2. This principle has been strictly adhered to since 2006 following the adoption of resolution WHA58.4 (2005), with the process being further strengthened since 2017.
3. The costings contained in those reports can cover any period, with some resolution or decisions being costed up to 15 years into the future. As a result, the costings should determine at least part of future Programme budgets. However, this is not an easy task without predictable sources of sustainable funding – since it is harder to approve something for which a source of funding is not yet known. Hence, the use of resolutions and decisions as a management tool for Member States is not utilized to the extent to which it could be with sustainable funding available for future costings.
4. This has a significant impact, as the extent of the resolution and decision costings approved from 2017 to 2020 (excluding the Seventy-third World Health Assembly) with implications for the 2022–2023 Programme budget (Table 2).

Table 2. Implications for the 2022–2023 Programme budget from the resolution and decision costings approved from 2017 to 2020 (excluding the Seventy-third World Health Assembly)

Major office	Strategic priority/Pillar				Total
	1	2	3	4	
Africa	134 375 000	12 510 000	16 500 000	3 565 000	166 950 000
The Americas	41 975 000	3 410 000	11 411 111	5 380 000	62 176 111
South-East Asia	62 840 000	3 370 000	11 222 222	299 000	77 731 222
Europe	47 430 000	2 130 000	10 777 778	4 614 000	64 951 778
Eastern Mediterranean	52 260 000	4 640 000	10 977 778	2 621 000	70 498 778
Western Pacific	61 735 000	2 220 000	11 766 667	733 000	76 454 667
Headquarters	143 050 000	9 580 000	50 888 889	32 839 000	236 357 889
Global	215 236 364		23 260 000	90 000 000	328 496 364
Total	758 901 364	37 860 000	146 804 444	140 051 000	1 083 616 808

Fig. 5. Budget costings approved by the Executive Board and the Health Assembly for 2022–2023 since 2017 by strategic priority



5. In theory, some 20% to 25% of the proposed Programme budget 2022–2023 could thus be considered virtually approved in advance through the adopted resolutions and decisions. This would need considerable refinement in practice since the resolutions and decisions have not been considered as a whole and do not all have a strategic focus. For example, triple billion target 2 “One billion more people better protected from health emergencies” is costed at a considerably lower level than either triple billion target 1 “One billion more people benefitting from universal health coverage” or triple billion target 3 “One billion more people enjoying better health and well-being”, while the global costings (for which no major office was identified at the time of producing the report on the administrative and financial implications of the corresponding resolution) remain at a high level.

6. Nevertheless, sustainable financing would be one key component of strengthening this governance mechanism and aligning it more closely with planning and budgeting under the full oversight of the WHO governing bodies. The process could be strengthened and would allow Member States even greater control of the Organization’s strategic focus. This has been a key objective since the introduction of the integrated, results-based budget in 2006 and the fully integrated budget in 2014.

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