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**EXECUTIVE BOARD**
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# Sustainable financing: feasibility of a replenishment mechanism, including options for consideration

## Report by the Director-General

### INTRODUCTION

1.      The Seventy-fifth World Health Assembly through a decision on sustainable financing,[1] adopted the recommendations of the Member States Working Group on Sustainable Financing, contained in Appendix 2 of the Working Group's report to the Seventy-fifth World Health Assembly.[2] As part of the recommendations, the Secretariat was requested to "explore the feasibility of a replenishment mechanism to broaden further the financing base, in consultation with Member States and taking into consideration the Framework of Engagement with Non-State Actors; and to present a report that includes relevant options for Member States to consider, to the Seventy-sixth World Health Assembly, through the 152nd session of the Executive Board and the thirty-seventh meeting of the Programme, Budget and Administration Committee in January 2023" (paragraph 39(f) of Appendix 2 of the Working Group's report).

2.      In response to this request, the Secretariat reviewed the feasibility of a WHO replenishment mechanism in line with the principles set out by the Working Group on Sustainable Financing. It consulted with Member States through the work of the Agile Member States Task Group on strengthening WHO's budgetary, programmatic and financing governance and benchmarked a set of replenishment mechanisms within and beyond the global health arena.

3.      This report outlines the Secretariat's review and proposals on key elements of a potential WHO replenishment mechanism.

### MEMBER STATE PRINCIPLES GUIDING A POTENTIAL WHO REPLENISHMENT MECHANISM

4.      The recommendations of the Working Group on Sustainable Financing refer to a set of six principles to guide any WHO replenishment mechanism. According to the recommendations, any WHO replenishment mechanism, with relevant rules of procedure, should be based on the following principles:

(i)      is Member State-driven and approved by the Health Assembly and open to all donors that comply with the Framework of Engagement with Non-State Actors;

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[1] Decision WHA75(8) (2022).

[2] See document A75/9.

(ii)    addresses both WHO needs for flexibility and donor needs to show accountability for results to their own constituents;

(iii)    ensures efficiency and no competition between different parts of WHO;

(iv)    aligns with the defined needs of WHO as approved by its governing bodies and is oriented to prioritize the financing needs of the base budget in all its components;

(v)    aligns with the global health architecture avoiding competition with other global actors;

(vi)    aligns with resolutions and decisions of the Health Assembly.

5.    An assessment of the feasibility of developing a replenishment mechanism that complies with each of these six principles is provided in the sections below.

## Principle 1: is Member State-driven and approved by the Health Assembly and open to all donors that comply with the Framework of Engagement with Non-State Actors

6.    Multisectoral replenishment approaches are traditionally the most promising way of ensuring a successful replenishment campaign. This requires the replenishing organization to engage with nongovernmental organizations, private-sector entities, philanthropic foundations and academic institutions, as well as with sovereign donors. However, during a WHO replenishment campaign, all activities relating to non-State actors would continue to comply with the principles and procedures of the Framework of Engagement with Non-State Actors.[1] As such, WHO's work would continue to be protected from potential risks, such as conflicts of interest and undue influence.

## Principle 2: addresses both WHO needs for flexibility and donor needs to show accountability for results to their own constituents

7.    The overarching aims of the Health Assembly's decision on sustainable financing and of any WHO replenishment mechanism will be to further broaden the financing base and to increase the Organization's level of sustainable, predictable and flexible funding. The Secretariat expects replenishment pledges to increase the amount of flexible, multiyear funding.

8.    The Secretariat is committed to enhancing accountability, transparency and reporting on results. To support Member States and non-State actors in demonstrating the programmatic impact and value for money of their investments in a WHO replenishment mechanism, the Secretariat will, in consultation with Member States, design a bespoke approach that is based on existing WHO accountability mechanisms and adapted to the replenishment mechanism.

9.    Further details in this regard will be provided in the Secretariat's implementation plan on reform[2] and through the report of the Agile Member States Task Group on strengthening WHO's budgetary, programmatic and financing governance.[3]

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[1] See resolution WHA69.10 (2016).

[2] Document EB152/34.

[3] Document EB152/33.

**Principle 3: ensures efficiency and no competition between different parts of WHO**

10.     All objectives around sustainably financing WHO, including those relating to a potential WHO replenishment mechanism, have at their core the drive to improve the quality of funding for the entirety of the Organization and thus to maximize impact and value for money.

11.     A more sustainably financed WHO will be able to build on existing efficiency gains. It was previously noted by the then-Chair of the Independent Expert Oversight Advisory Committee in his presentation to the Working Group on Sustainable Financing that the current WHO financial model is in itself very inefficient.[1] Examples include the cost of handling large numbers of small-sized grants, and unpredictable funding flows that are only partially aligned with the Organization's objectives. This current model drives internal competition within WHO departments and regions. Increasing the sustainable financing of WHO will therefore reduce internal competition.

12.     In its recommendations, the Working Group on Sustainable Financing called for all funding to WHO's base budget to be as flexible as possible. Donors pledging through any WHO replenishment mechanism will be able to reiterate and reinforce this call through their own unearmarked pledges.

13.     Experience of other replenishment mechanisms shows that fewer earmarked and larger replenishment pledges bring a range of internal efficiency gains that indirectly contribute to cost savings, thus driving a virtuous circle.

**Principle 4: aligns with the defined needs of WHO as approved by its governing bodies and is oriented to prioritize the financing needs of the base budget in all its components**

14.     The funding envelope for any WHO replenishment mechanism will be set within the agreed size of the programme budget, which reflects the financing needs of WHO as the multilateral system's leading and directing authority on global health. These needs will be carefully assessed, laid out in the general programme of work and associated programme budgets, costed and approved by WHO's governing bodies. In this way, Member States will define both the Organization's programmatic priorities and its financial needs.

15.     A WHO replenishment mechanism would raise voluntary contributions for the part of the Organization's base segment that is <u>not</u> funded by assessed contributions. Replenishment contributions would cover work by country offices, regional offices and headquarters across all strategic priorities, as well as the enabling functions. The upper limits of any replenishment funding envelope will thus be set by the boundaries of the general programme of work and associated programme budgets.

**Principle 5: aligns with the global health architecture avoiding competition with other global actors**

16.     The Secretariat will work towards aligning any replenishment timeline – in particular the sequencing of its major campaign events, such as the campaign launch and the replenishment conference – with other global health organizations that are due to replenish within a similar period. As Member States would decide the technical strategy for the replenishment mechanism, they would be instrumental in seeking alignment, to allow for an optimum outcome for all global health actors.

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[1] See the report of the second meeting of the Working Group on Sustainable Financing in document EB/WGSF/2/6.

17.     The Secretariat would also encourage global health partners to expand existing collaborations and to create new ones, where necessary/appropriate in areas of relevant technical overlap, further contributing to alignment.

## Principle 6: aligns with resolutions and decisions of the Health Assembly

18.     Following an initial due diligence exercise, the Secretariat has not identified any previous decisions or resolutions of WHO's governing bodies that would be relevant to a potential WHO replenishment mechanism. Past references to "replenishment" are limited to the specific cases of poliovirus, Ebola virus disease and the Contingency Fund for Emergencies. A WHO replenishment mechanism would therefore be aligned with resolutions and decisions of WHO governing bodies, as well as with the applicable WHO legal framework.

## FURTHER CONSIDERATIONS AND PROPOSED WAY FORWARD

19.     Replenishments are months-long, sustained political campaigns around a financial goal to enable achievement of a set of programmatic objectives. Replenishment cycles may differ in duration and in regularity, with irregular replenishment cycles being set on an ad hoc basis, providing limited predictability. Many large-scale replenishing organizations – such as Gavi, the Vaccine Alliance; the Global Fund to Fight AIDS, Tuberculosis and Malaria; and the World Bank – opt for regular three-, four- or five-year replenishment periods that align with the duration of the programmatic strategy that forms the programmatic basis for the implementation of incoming funding pledges.

20.     In view of the objective to support the sustainable financing of WHO, a WHO replenishment mechanism could be based on either a regular short-term period (two years, based on programme budgets) or a regular longer-term period (five or six years, based on the general programme of work).

21.     The Secretariat would propose a WHO replenishment cycle based on the general programme of work (i.e. five or six years) to raise funds for the entirety of WHO's base budget, with accountability ensured through the programme budget mechanism every two years. A shorter cycle is not advisable, as it would keep WHO in a constant replenishment mode and allow for only limited planning. The utilization of replenishment contributions could begin with the implementation of the fourteenth general programme of work.

22.     There are three processes, each of which is of equal relevance to any replenishment mechanism's success, that the Secretariat would manage separately: (i) the development of the programmatic technical strategy underpinning all replenishment activities; (ii) the development of the funding envelope for the implementation of all technical goals; and (iii) the organization and execution of the replenishment campaign itself.

23.     In conclusion, following the assessment of the feasibility of a potential WHO replenishment mechanism, the Secretariat believes that it is possible to develop a WHO replenishment mechanism that complies with each of the six principles set out in the recommendations of the Working Group on Sustainable Financing, as adopted by the Seventy-fifth World Health Assembly in decision WHA75(8) (2022).

## ACTION BY THE EXECUTIVE BOARD

24.     The Executive Board is invited to note the report and, in its discussions, to further provide guidance, in particular, on: (i) whether to move forward with a WHO replenishment mechanism; and, if

so, (ii) whether to base the technical strategy for the replenishment mechanism on the general programme of work to ensure longer predictability of funding; and (iii) whether to base the overall funding envelope for the replenishment mechanism on the budget of the base segment of the general programme of work minus approved assessed contributions.

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