



Programme budget and financial matters

Report by the ad hoc working group on extrabudgetary resources

The Board is invited to consider this report of its ad hoc working group on extrabudgetary resources. It may wish to request the Director-General to develop a policy framework for extrabudgetary resources based on its recommendations.

INTRODUCTION

1. The Executive Board, at its 100th session in May 1997, after reviewing the report by the Director-General on extrabudgetary resources and WHO's priorities,¹ agreed to establish an ad hoc working group on extrabudgetary resources.²

2. After consultation with the Chairman of the Board, Dr A. Meloni, Dr Y.-S. Shin and Dr G.M. van Etten were asked to serve on the ad hoc working group. Also, officials from the governments of Switzerland and of the United Republic of Tanzania, a member of the secretariat of the OECD Development Assistance Committee, and three Directors from WHO headquarters were invited to participate, as resource persons, in the working group.

3. The first meeting was held at WHO headquarters on 28 November 1997. Dr Y.-S. Shin was nominated as Chairman. The Executive Board members³ participating in the working group adopted the following terms of reference:

- *to assist in formulating a policy framework for the Organization regarding the use and direction of extrabudgetary funds in order to improve the convergence of WHO and donor/recipient country health priorities;*

¹ Document EB100/6.

² See document EB100/1997/REC/1, p. 69.

³ Dr G.M. van Etten was represented at the first meeting by Mr P.P. van Wulfften Palthe, Minister Plenipotentiary of the Netherlands Permanent Representation to the United Nations and other Specialized Agencies.

- to consider guidelines that would be used for attracting additional voluntary contributions for health programmes approved by WHO Member States every second year at the World Health Assembly.

4. A detailed exchange of views at the first meeting led to a decision to broaden participation at the second meeting. In this connection, resource persons from the governments of Bangladesh, Japan, Sweden, the United Kingdom of Great Britain and Northern Ireland, and the United States of America were invited to the second meeting in addition to those invited to the first meeting. The members at the first meeting also decided to invite staff from all WHO regional offices in order to ensure that their experiences and views on extrabudgetary resources could be taken into account.

5. The second meeting was held at WHO headquarters on 2 and 3 March 1998. A report of the discussions and debates that took place at both the first and second meetings of the ad hoc working group, is provided below.

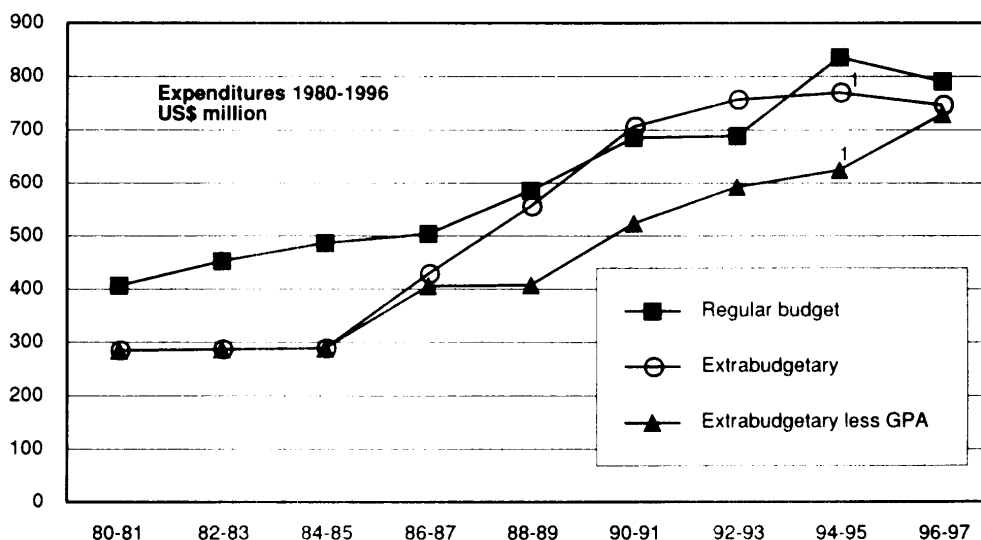
BACKGROUND DOCUMENTS AND STATISTICAL INFORMATION

6. The Director-General’s report on extrabudgetary resources served as the main information document at the first meeting of the ad hoc working group. It was noted that one of the conclusions in particular had received wide attention by the Executive Board, namely: “... the time may have come to draw up a WHO policy framework for extrabudgetary resources.”. Participants at the first meeting consequently concentrated heavily on this question.

7. As decided at the first meeting, additional statistical information was prepared for consideration at the second meeting. At the request of the working group, this information has been updated and is contained below and in the annexes.

8. Figure 1 below shows the trends in WHO’s regular and extrabudgetary expenditures.

FIGURE 1



¹ From 1 January 1996, contributions to the Global Programme on Aids (GPA) ceased, apart from certain residual donations accounted for in 1996.

It shows both a continuing growth in total extrabudgetary expenditures and a relative growth in relation to the regular budget. Overall during the period, extrabudgetary expenditures grew from a minimum of 37% of total expenditure in 1984-1985 to 52% in 1992-1993. Most of the relative growth was accounted for by donations to the Global Programme on HIV/AIDS (GPA), which was discontinued at the end of 1995.

9. For 1996-1997, a comparison with 1994-1995 is most effectively made by excluding from the comparison donations to GPA and UNAIDS, this latter now being accounted for separately from WHO programmes. On this basis, extrabudgetary expenditures grew by around 16% compared to 1994-1995, while regular budget expenditures declined by 5%. Thus, even excluding GPA, extrabudgetary expenditures represented 48% of the total in 1996-1997.

10. Figures 2 and 3 below analyse the programmatic and geographical breakdown of expenditures. It should be noted that the breakdown in Figure 3 relates to the regional office where funding is managed; all expenditures of course ultimately benefit countries and their populations.

FIGURE 2

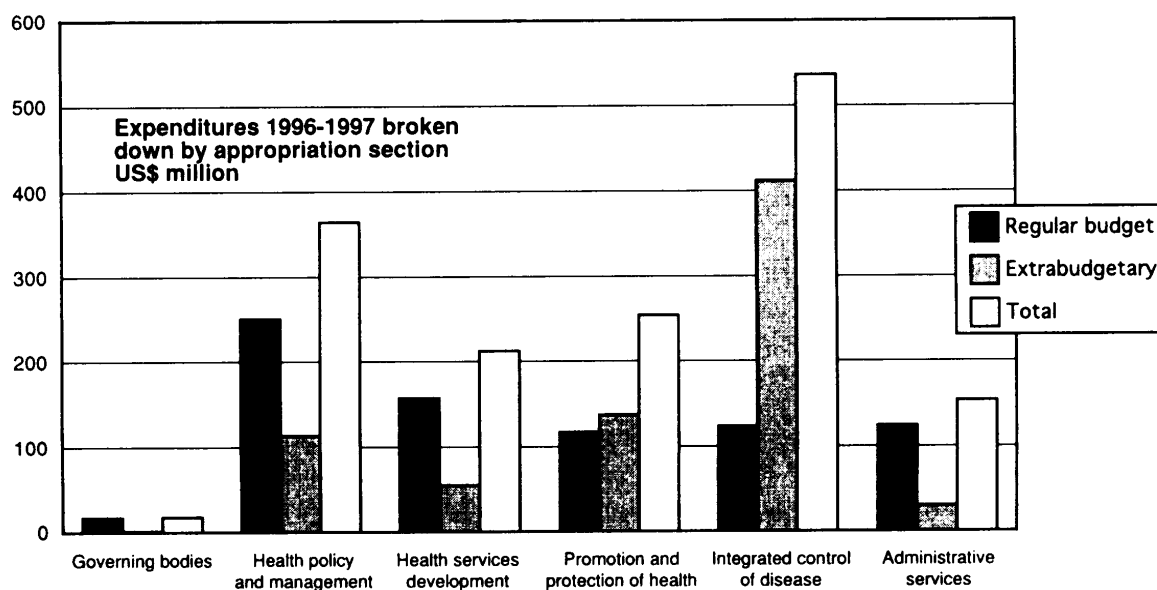
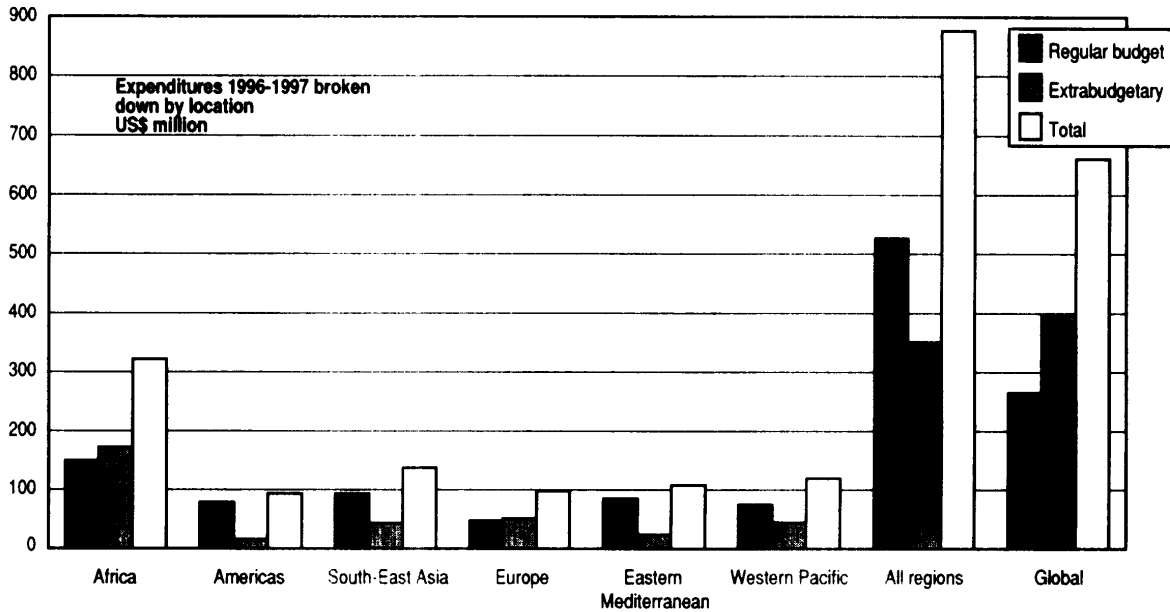


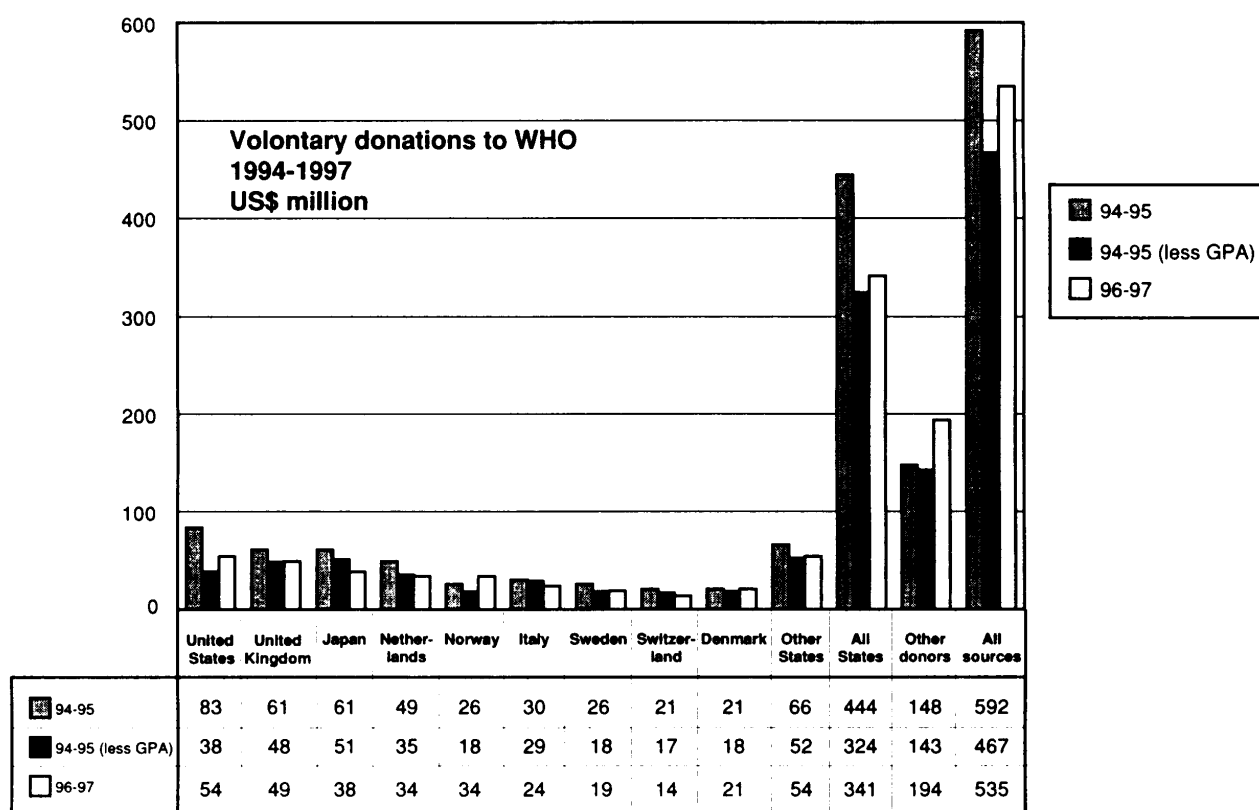
FIGURE 3



11. Two of the six major programmatic appropriation sections were thus financed primarily with extrabudgetary funds. The table in Annex 1 gives a further detailed analysis broken down into specific programme areas, showing, in particular, the ratio of extrabudgetary resources to regular budget expenditures for specific programmes. The working group noted that a high percentage of extrabudgetary resources do go to priority areas as identified by the Board, of the order of 70%. Annex 2 gives examples of a time trend in expenditures for selected specific programmes over the past eight years.

12. Figure 4 shows the trend in voluntary donations to the Organization over the past two bienniums.

FIGURE 4



Government donations accounted for around two-thirds of all contributions, and within that figure, the nine largest government contributors accounted for over 80%. Overall, in 1996-1997, there was a 14% increase in government donations, compared to a 35% increase in donations from other sources.

GENERAL PRINCIPLES

13. The working group felt it important that Member States should recognize, in any policy framework, that the Organization will continue to rely on both regular budget and extrabudgetary¹ sources of finance for the foreseeable future. The regular budget must ensure implementation of a core programme of activities, including much of the norms, standards and ethical guidelines drawn up and promoted by the Organization. Additional funds are, however, much needed to provide critical support that will ensure an enhanced response in specific programmes at global, regional and country levels. No effort should be spared to mobilize such additional resources so long as their use is fully consistent with the overall health policies, strategies and priorities set down by the Health Assembly and Executive Board.

14. Planning and priority setting should be carried out jointly for the combined income of the regular budget and additional funding.

¹ The term "extrabudgetary" may no longer be appropriate to describe such funding as it becomes more integrated into the budget process. Hence the possibility of using a different term, such as "additional" is suggested.

15. The greatest possible transparency in the budgeting and expenditure of additional funding is essential so that all Member States are fully aware of the sources of such funding and its purpose both at the earliest possible time in the planning processes and at the end of programme delivery.

BUDGETING IMPLICATIONS

16. The WHO strategic budgeting processes should further evolve in order to facilitate the joint planning requirement for all sources of funds, including monitoring and evaluation of the expected results of programmes.

17. Lack of predictability in receipt of additional contributions prevents, at present, any serious attempts for joint planning at the level of WHO governance. Ideally, the Executive Board and the Health Assembly, when considering biennial programme budgets, should have clearly indicated two-year commitments before them to enable them to exercise planning authority based on total resources. This task would be facilitated if government contributors took measures to ensure multiyear contributions, or at least made multiyear pledges concerning additional support to WHO priority programmes. In order to make possible substantial discussion in the governing bodies on the amount of additional funding needed, the Director-General could consider replacing in programme budget tables the column on expected extrabudgetary income by a range reflecting the minimum and maximum amount of additional funds required.

18. A bridging mechanism (similar in principle to the Working Capital Fund for the regular budget) could be envisaged to ensure that variations in the level of additional funds would still allow biennial budget implementation to continue using a combined, total resource base. Similarly, some form of bridging mechanism might also be considered by government contributors to ensure funding stability over a biennium.

19. The potential for greater focus by contributors on upstream support at the programme level could reduce the conditionality often implicit in extrabudgetary funding of small projects, and could significantly simplify the administration of these resources. A balance also needs to be struck between earmarked and unearmarked contributions, in order to minimize potential micromanagement of programmes and subprogrammes by existing or potential contributors of additional funds.

20. It will be necessary to consider budget priorities at regional and country levels as well as at global level so that contributors of additional funds, beneficiaries, and the governing bodies are able to determine the optimum pattern of additional contributions for programme delivery. There is scope for packages of support to be created that cut across the budget structure of existing programmes and offices.

ENHANCING WHO'S APPROACHES FOR ATTRACTING ADDITIONAL FUNDS TO MEET HEALTH PRIORITIES

21. The quality of WHO's work and the added value it can and does offer to health development are fundamental for attracting additional resources. Contributors of additional funds need to be convinced that the Organization is able to make a difference in meeting clearly identified health needs.

22. Transparent processes in seeking additional funds should be complemented with a set of clear principles showing why additional funds are being requested. Securing of funds should primarily be for the benefit of priority programmes. This would require greater precision by the Executive Board in identifying programme priorities, and a better understanding of the objectives, policies, and development issues (e.g. alleviation of poverty) pursued by government contributors. Priorities must be limited and manageable. The Executive Board should be in a position to adjust the orientation of the Organization's requirements for extrabudgetary contributions depending on the nature of support to different programmes.

23. Approved programmes not identified as priorities may also need additional funds beyond those offered through the regular budget, particularly if such funding is not in competition with funding for priority programmes. Contributors should thus continue to be given the opportunity to support those programmes when such support does not distort policies adopted by the Executive Board or the Health Assembly.

24. Insufficient attention is given to the important role of WHO regional and country offices in attracting additional funds for health. It is also important to take into account the diverse sources of external aid directed to health development within countries. WHO acts as a technical adviser to governments, and although responsibility for external aid is clearly that of recipient governments, WHO can play a more active role in helping to increase levels of external aid, given sufficient infrastructure and capacity within country offices. WHO should develop more fully the concept of development partnerships, both with contributors of additional funds and beneficiaries of such funds.

25. WHO should remain fully aware of overall development-funding issues within the United Nations system. It might consider new approaches, such as "negotiated pledges", which are being considered within the context of United Nations reform, in order to ensure predictability of support to development programmes promoted through the United Nations system.

ADMINISTRATIVE AND MANAGERIAL ISSUES

26. The ad hoc working group noted that some managerial and administrative matters should be considered by the Director-General. Further efforts should be made to streamline procedures so that additional funds would not present an added burden on the administration of individual programmes to which such funds are designated by various contributors. A common reporting system acceptable to all government contributors could form part of streamlining efforts, and this might be discussed collectively with representatives of government departments and agencies which decide on additional funds in support of WHO programmes. Within WHO, an appropriate computerized information base on development policies, overall aid flows in health, and donor relations might be compiled.

27. Corporate discipline is necessary on the part of senior management in WHO to ensure that senior staff act in a coordinated manner when requesting extrabudgetary support for their work, and that such donations do not relate to nonsustainable activities.

28. Broadening the base of contributions of additional funding is a clear priority. Not all governments with capacity to assist are involved and other institutions and sectors of society are also important potential sources. Appropriate and public guidelines should continue to be used by the Organization when seeking or receiving support from the private sector where conflict of interest will arise, particularly in relation to those sectors over which the Organization has a regulatory role.

GOVERNANCE

29. Present practices of meetings of interested parties, management advisory committees, annual review meetings, etc., provide both transparency and strong commitment of participants to many programmes that are funded primarily from sources other than the regular budget. Those practices should not be discouraged or disrupted, although there may be scope for greater rationalization in terms of periodicity, more consistency of approach in presentations, and a broader sharing of information with all concerned parties on recommendations emanating from those forums.

30. The ad hoc working group emphasized that the Executive Board and the Health Assembly have larger roles to play with respect to extrabudgetary resources. A better overview of those resources was required. The

group consequently found that regular reporting on meetings of interested parties and other programme management bodies was needed to enable the Executive Board, in the first instance, to exercise its authority with respect to additional funds received by or pledged to the Organization at all levels and to integrate these with the regular budget.

31. The Director-General might consider convening a meeting with government representatives from departments and agencies which deal with development assistance funds, together with representatives of potential recipients. The purpose would be to determine if it would be possible to obtain, in a more coordinated manner, early indications of additional funding for WHO and incorporate them in the proposed programme budget for 2000-2001 to be submitted to the Executive Board at its 103rd session in January 1999.

ACTION BY THE EXECUTIVE BOARD

32. The ad hoc working group found through its two meetings that the issue of extrabudgetary or additional funding has far-reaching implications for the Organization and its future. It will continue to be a crucial input to the Organization, enabling it to carry out priority programmes and to meet agreed global, regional, and country programme targets and objectives.

33. Several key concepts and ideas emerged from the discussions as identified in this report. The working group recommends that the Board should request the Director-General to draw up a policy document based on the present report and any comments of the Board thereon, for the consideration of the Board early next year, together with a draft resolution for consideration of the Health Assembly.

ANNEX 1
EXPENDITURE 1996-1997

Programme*	Regular budget	Extra-budgetary	Total	Share of total	Ratio extrabudgetary: regular budget
	US \$m	US \$m	US \$m	%	
Governing bodies					
Health Assembly	8	0	8	0.52	0:100
Executive Board	6	0	6	0.39	0:100
Regional committees	3	1	4	0.26	25:75
Programme development/management					
Executive management	20	3	23	1.50	13:87
Managerial process	17	0	17	1.11	0:100
Information systems	14	5	19	1.24	26:74
External coordination	11	5	16	1.04	31:69
Health, science and public policy					
Health in development	9	4	13	0.85	31:69
Research policy and strategy	7	6	13	0.85	46:54
National health policies					
Technical cooperation	82	3	85	5.53	4:96
Countries in greatest need	9	8	17	1.11	47:53
Procurement services	9	1	10	0.65	10:90
Emergency and humanitarian action	8	68	76	4.94	89:11
Health information and trends					
Epidemiology, statistics	24	3	27	1.76	11:89
Publishing, languages, library	41	8	49	3.19	16:84
Health systems based on PHC					
Health systems research	4	2	6	0.39	33:67
National health systems	33	7	40	2.60	17:83
District health systems	27	6	33	2.15	18:82
Human resources for health					
Human resources for health	57	14	71	4.62	20:80
Fellowships	3	0	3	0.20	0:100
Essential drugs					
Action programme	11	18	29	1.89	62:38
Procurement	2	1	3	0.20	33:67
Quality of care and technology					
Technology	13	2	15	0.98	13:87
Drug and biologicals quality	6	3	9	0.59	33:67
Traditional medicine	2	0	2	0.13	0:100
Reproductive, family health, population					
Reproductive health	14	28	42	2.73	67:33
Child health	1	1	2	0.13	50:50
Adolescent health	1	2	3	0.20	67:33

* Abbreviated titles.

Programme*	Regular budget	Extra-budgetary	Total	Share of total	Ratio extrabudgetary: regular budget
	US \$m	US \$m	US \$m	%	
Women's health	2	3	5	0.33	60:40
Ageing and health	2	0	2	0.13	0:100
Research in human reproduction	2	48	50	3.25	96:4
Occupational health	3	0	3	0.20	0:100
Healthy behaviour and mental health					
Mental health	6	5	11	0.72	45:55
Substance abuse	4	8	12	0.78	67:33
Health promotion	11	5	16	1.04	31:69
Communications	8	1	9	0.59	11:89
Rehabilitation	2	2	4	0.26	50:50
Nutrition, food security and safety					
Nutrition	10	3	13	0.85	23:77
Food safety	5	1	6	0.39	17:83
Food aid	0	1	1	0.07	100:0
Environmental health					
Water supply, sanitation	23	5	28	1.82	18:82
Urban development	7	4	11	0.72	36:64
Health hazards	10	11	21	1.37	52:48
Chemical safety	4	9	13	0.85	69:31
Environmental management	2	2	4	0.26	50:50
Eradication/elimination diseases					
Global	6	93	99	6.44	94:6
Regional	0	0	0	0.00	-
Other communicable diseases					
Vaccine-preventable	19	43	62	4.03	69:31
Diarrhoeal, acute respiratory	6	28	34	2.21	82:18
Tuberculosis	9	21	30	1.95	70:30
Emerging diseases	5	10	15	0.98	67:33
Other communicable	32	47	79	5.14	59:41
Tropical disease control	29	101	130	8.45	78:22
Tropical disease research	2	61	63	4.10	97:3
Blindness, deafness	1	4	5	0.33	80:20
Noncommunicable diseases	14	4	18	1.17	22:78
Personnel	17	3	20	1.30	15:85
General administration	82	15	97	6.31	15:85
Budget and finance	26	10	36	2.34	28:72
Total	791	747	1 538	100.00	49:51

* Abbreviated titles.

ANNEX 2

EXPENDITURES: SELECTED SPECIFIC PROGRAMMES
US \$m

Programme*	1990-1991		1992-1993		1994-1995		1996-1997	
	Regular budget	Extra-budgetary	Regular budget	Extra-budgetary	Regular budget	Extra-budgetary	Regular budget	Extra-budgetary
Onchocerciasis	1	63	1	58	1	45	1	43
Tropical disease research	3	78	2	74	2	66	2	61
Human reproduction research	1	54	1	53	2	48	2	48
Action programme essential drugs	7	15	6	15	14	18	10	19
Tuberculosis	5	4	4	12	5	12	9	21
Emergency/humanitarian	18	54	7	52	3	88	8	68
Total of all programmes	686	524	689	593	836	625	791	747

* Abbreviated titles.

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