

Follow-up to the financing dialogue

Report by the Secretariat

1. An earlier version of document EB134/9 was considered and noted by the Executive Board at its 134th session.¹ Footnotes have been added to paragraphs 5 and 12 below, and the section on outcomes in paragraph 13 below has been updated.

ACTION BY THE HEALTH ASSEMBLY

2. The Health Assembly is invited to note the report.

¹ See the summary records of the Executive Board at its 134th session, sixth meeting, section 1 (document EB134/2014/REC/2).



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Financing dialogue

Report by the Secretariat

1. By decision WHA66(8) the World Health Assembly established a financing dialogue on the financing of the programme budget. The financing dialogue aims to ensure a match between WHO's results and deliverables, as agreed in the Member State-approved programme budget, and the resources available to finance them, with the ultimate objective of enhancing the quality and effectiveness of WHO's work. It is designed to improve the alignment, predictability, flexibility and transparency of WHO's funding and to reduce its vulnerability.

PROGRESS TO DATE

2. The Director-General convened the launch of the financing dialogue on 24 June 2013. The meeting, attended by 256 participants from 87 Member States and 20 non-State partner organizations, resulted in specific commitments related to improving the alignment, predictability, flexibility and transparency of WHO funding and to broadening the contributor base and continuing the discussion. The commitment to respect the priorities set by the World Health Assembly was strongly reaffirmed. Meeting participants endorsed a prototype of a web portal that WHO has developed in response to Member States' calls for increased transparency and accountability around WHO's financing. The portal is being designed to provide access to up-to-date results and programmatic, budgetary, financial and monitoring information. The Secretariat committed itself to responding to Member States' calls for a more coordinated approach to resource mobilization and income planning across all levels of the Organization.

3. Between the June launch and the follow-up meeting on 25–26 November 2013, discussion on the financing dialogue continued at regional committee sessions, in briefings with Geneva-based missions and during bilateral meetings with 19 of WHO's largest providers of voluntary contributions. The specific objectives of the follow-up meeting were to: (i) review progress since June 2013 towards full funding of the Programme budget 2014–2015; (ii) identify areas of underfunding in view of expressed financing commitments/intentions; and (iii) identify solutions to address areas of underfunding and improve the quality of WHO's funding. Two hundred and sixty-six participants from 92 Member States and 14 non-State partner organizations participated in the meeting in person or via webcast. The meeting was chaired by Dr Dirk Cuyper, Chairman of the Programme, Budget and Administration Committee of the Executive Board. Mr Keshav Desiraju (India), Dr Anders Nordström (Sweden) and Dr Nils Daulaire (United States of America) moderated sessions, and Dr Chris Elias (Bill & Melinda Gates Foundation) and H.E. Ambassador Elissa Golberg (Canada) were discussants.

4. Following a report by the Director-General on actions taken since the June meeting and a short orientation to the new programme budget web portal, the Assistant Director-General, General Management presented the current financial situation for 2014–2015 and participants discussed opportunities to concretize solutions to address the remaining funding challenges. The second day of the meeting was devoted to review and discussion of issues identified as being of interest to Member States and other contributors: financing of administration and management; coordinated resource mobilization; reporting on results; and evaluating the financing dialogue.

5. **Predictability.** The overall level of funding of the Programme budget 2014–2015, as at 31 October 2013,¹ is better than at the same time in the previous biennium, with 61% of required funding available compared with 51% as at 31 October 2011. For the first time, as a direct result of the financing dialogue, 18 Member States and other contributors shared firm funding projections totalling US\$ 935 million, which will assist in programme planning, deepen the understanding of where the residual shortfalls will be and help in the allocation of flexible resources. Available and projected funds thus total 85% of the programme budget. It was noted that expected voluntary contributions from several Member States and other contributors were not yet included in the projections. Continued dialogue with these partners is expected during the next several months, which is likely to result in the budget being fully funded in terms of the total amount. The importance of extending the financing discussion beyond a narrow, two-year window was stressed, and the need for a stronger link to the six-year general programme of work was highlighted.

6. **Alignment and flexibility.** This overall strong financial picture, however, masks serious shortfalls in some programmes and the problem of aligning resources as between staff and activity costs: achieving full alignment of funding will be the Organization's biggest financing challenge. The Director-General, in consultation with the regional directors, has allocated 80% of assessed contributions, to ensure that each category of work has funding for operational continuity at the beginning of the biennium. Several Member States expressed their willingness, in the event that a programme to which they are providing funding becomes oversubscribed, to consider reallocating their funds to underfunded areas. The steps to be taken in a situation in which a contributor wishes to provide funds to a fully funded area were presented:

- (i) the option of the new funds being provided for the fully funded area but reprogrammed as a multi-biennial grant, thus also available for the next biennium, would be explored;
- (ii) the option of the contributor allocating the new funds to an underfunded area would be explored;
- (iii) a discussion with other contributors to the fully funded area would take place, to explore their willingness to reallocate their funding to an underfunded area, thus making room for the new contribution (the possibility of proactively reflecting openness to this eventuality via a clause in memoranda of understanding between contributors and WHO was suggested);
- (iv) if no other solution could be found, as a last resort, the offer of a contribution to a fully funded area would be turned down.

¹ On 1 January 2014, 69% of funding of the Programme budget 2014–2015 was available, compared with 61% at the start of the previous biennium.

Meeting participants called for additional detail on the allocation of available and projected funding, which will contribute to a better understanding of the most vulnerable areas of work and facilitate actions to address these vulnerabilities.

7. **Transparency.** The initial release of the new programme budget web portal was warmly welcomed, and the portal was seen as having the potential to be a powerful tool for accountability and transparency. Its potential to provide critical inputs to well-informed decisions about voluntary contributions and to offer easy access to reporting on results and expenditures was noted. Meeting participants asked to be consulted on the further development of the web portal.

8. **Vulnerability.** The vulnerability inherent in the current situation, where WHO relies on just 20 contributors for 80% of all voluntary contributions, was highlighted (11 of these are non-Member State contributors, with several relying on the same small pool of Member States for funding). Member States were called upon collectively to ensure that the agreed priorities are financed, and the Secretariat was encouraged to provide contributor benchmarking information (for example relating to the flexibility of funding and to ratios of voluntary to assessed contributions), thereby creating incentives for Member States to improve the quality and increase the quantity of their financial contributions. Middle-income countries were encouraged to play a larger role in providing voluntary contributions. Supplements to assessed contributions on a voluntary basis were flagged as a potentially useful mechanism for some Member States to use to increase their funding of WHO. The support for WHO's financing dialogue in the communiqué issued by health ministers meeting in Cape Town, South Africa, in November 2013 following the Fifth BRICS¹ Summit was noted. The imperative need to conclude the framework for engaging with non-State actors, in order to facilitate expansion of the contributor base beyond Member States, was highlighted, particularly in light of the growing demands for international health-related financing.

9. **Financing of administration and management.** The complexity of administration and management financing at WHO was broadly acknowledged. The need for WHO to keep the cost of administration and management low and to demonstrate value for money was underscored by several meeting participants, and the commitment was expressed to fully fund administration costs – if their value to programmes could be clearly communicated and cost-effectiveness could be demonstrated. There was broad support for the move towards an integrated budget financed by assessed and voluntary contributions. There was also support for the real costs of WHO's programme of administration and management to be attributed separately to each of the categories of work, with the costs being built into all voluntary contribution agreements, replacing existing service charges. There were, however, several calls to keep stewardship and governance as a separate category, noting that the costs are relatively fixed compared with the more variable costs associated with most programmatic work.

10. **Coordination of resource mobilization.** There was strong support for the framework that the WHO Regional Director for Europe presented on behalf of the Secretariat for a coordinated resource mobilization approach to fill the remaining programme budget funding shortfalls. Several participants noted that the new approach will require significant changes in behaviour by both the Secretariat and Member States and other contributors.

11. **Reporting on results.** Meeting participants endorsed the Secretariat's vision for improving the clarity, timeliness, impartiality and coherence of its reporting and reducing its transaction costs.

¹ Brazil, Russian Federation, India, China and South Africa.

Several meeting participants underscored the fact that high-quality, effective reporting was central to stakeholder confidence in the Organization, while others noted that better reporting will lead to better implementation. Participants welcomed the news that future iterations of the web portal over the next two years will provide deeper levels of detail on WHO's use of funds and deliverables, and emphasized the importance of this enhancement.

12. **Evaluating the financing dialogue.** There was concurrence with the proposed focus and modalities of the evaluation of the financing dialogue and resource mobilization experiences called for by the Sixty-sixth World Health Assembly, which will be presented to the Sixty-seventh World Health Assembly in 2014.¹ The possibility of the need for a second phase of evaluation was suggested, to allow for full accounting of the impact and results of the financing dialogue.

OUTCOMES

13. In his closing remarks, the Chairman highlighted several actions that the Secretariat will take in follow-up to the meeting:

- (a) Conduct further alignment analysis of the 61% available² and projected funding, to better understand shortfalls.

As at 28 February 2014, 74% of required funding for the Programme budget 2014–2015 was available (based on assessed contributions of US\$ 929 million and voluntary contributions of US\$ 1808 million). The final phase of distribution of these funds to budget centres was expected to be completed by the end of March 2014. The analysis as at 28 February 2014 also highlighted a number of programmes for initial targeted resource mobilization efforts.

- (b) Carry out coordinated, Organization-wide resource mobilization to address shortfalls.

The financial analysis referred to above, and updates to it, provide a preliminary focus for coordinated resource mobilization and are being regularly incorporated into the programme budget web portal in order to allow contributors to consider how to align their funding with programme budget shortfalls.

- (i) Hold financing dialogue bilateral discussions with those contributors who have not yet committed funding.

Since January 2014, several bilateral meetings have been held or were scheduled with contributors who had not committed funding for the biennium 2014–2015 as at the second financing dialogue meeting (Geneva, 25 and 26 November 2013).

- (ii) Expand efforts to broaden the contributor base, in the first instance among Member States, in particular middle-income countries, but also with philanthropic foundations.

¹ See decision WHA66(8) and document A66/48.

² As at 31 October 2013.

Following a recommendation by the WHO task force on resource mobilization and management strategies and a subsequent request by the Global Policy Group, WHO has commissioned a consultancy to make recommendations on the possibility of, and approaches to, broadening the contributor base to support programme budget shortfalls.

(iii) Provide comparative analysis of contributions.

This information will be provided annually, based on information contained in the financial report and audited financial statements.

(iv) Explore other ways to improve funding quality, such as by encouraging supplements to assessed contributions on a voluntary basis and providing incentives for contributors of core voluntary funds.

In November 2013, the Secretariat wrote to Member States advising on the procedure to supplement assessed contributions on a voluntary basis for the biennium 2014–2015.

(c) Promote a longer-term view of organizational financing to ensure funding for the first six months of the next biennium, by linking to the six-year general programme of work.

A number of multi-year framework agreements reflecting the Twelfth General Programme of Work, 2014–2019's six-year time frame are being discussed with contributors. Longer-term financing views are also being incorporated into the programme budget web portal.

(d) Continue the financing dialogue with all Member States and other contributors, to ensure a common understanding of residual shortfalls and resulting implications for programme implementation and to inform financing decisions.

The Secretariat will continue its regular dialogue with interested Member States and other contributors, and will notify Member States by email on the occasion of each web portal update, summarizing the financing situation and flagging any resulting implications for programme implementation. Such information will also be shared in bilateral meetings and at briefings with the Geneva-based missions, upon request.

(e) Invite feedback from Member States and other contributors on the initial release of the web portal, to assist in its further development.

The Secretariat held two sessions, on 18 December 2013 and 14 January 2014, in order to receive Member States' feedback on the initial release of the programme budget web portal, as well as inviting and receiving written comments. Feedback has been and will continue to be incorporated into subsequent web portal updates.

(f) Continue the discussion of administration and management financing at meetings of the Organization's governing bodies in January 2014.

Proposals were presented to the Executive Board at its 134th session, in January 2014, and are being further refined for presentation and eventual decision at the Sixty-seventh World Health Assembly, in May 2014. Recommendations on improved budgeting for administration and management financing are being incorporated into the planning process for the proposed

Programme budget 2016–2017. Discussions are ongoing to incorporate full cost recovery into future contributor proposals.

(g) Strengthen the robustness, timeliness and transparency of reporting, and better define WHO's contributions to results.

Reporting will be based on the revised results chain (impacts, outcomes, outputs) outlined in the six-year general programme of work and the programme budget. Efforts are being made to streamline multiple current reporting requirements for statutory reports to governing bodies and individual reporting on programmes and donor agreements. In particular, efforts are being made to improve the timeliness and robustness of performance reporting through initiatives such as the programme budget web portal and an annual report on performance and achievements.

(h) Evaluate the financing dialogue and resource mobilization experience.

The Secretariat has commissioned an independent evaluation of the financing dialogue and the report of this evaluation will be presented to the Sixty-seventh World Health Assembly.¹

(i) Update Member States on progress towards each of the above commitments during meetings of the Organization's governing bodies in 2014.

ACTION BY THE EXECUTIVE BOARD

14. The Board is invited to note this report.

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¹ See document A67/8.