

WHO reform

Managerial reform: making WHO's financing more predictable

Report by the Secretariat

OVERVIEW

1. A new, three-phase mechanism for financing the programme budget will increase the predictability of WHO's funding. Priority setting during the first stage will remain the prerogative of Member States and will be conducted through the governing bodies; an innovative second stage will bring Member States together with *all* WHO's state and non-state financiers in a joint pledging process. The transparency achieved through open pledging creates a closer link between the responsibility for setting priorities and the responsibility for ensuring that they are adequately resourced. The transparency of the pledging process also reduces any undue influence of major donors on overall priority setting. In turn, the monitoring and reporting of results, expenditures and resources gaps provides a new platform for enhanced reporting – the third stage.

RATIONALE

2. WHO's results-based management system presents a unified single budget that integrates all sources of financing, including voluntary and assessed funding. The dependence on voluntary funding for 75% of total income creates two related sets of problems.

3. First, the reliance on voluntary funds sometimes results in a mismatch between the priorities agreed by all Member States and the resources available to finance them. Programmes that attract donor interest tend to be well financed, but others – despite being part of an agreed set of priorities – are under-resourced. Tight earmarking reduces the potential to redress the imbalance.

4. The second set of problems arises from the inherently unpredictable nature of voluntary funds. Typically, at the beginning of the programme budget only around 50% of funds are assured. This affects the Secretariat's ability to plan effectively, and the ensuing uneven flow of resources results in inefficiencies in implementation. In addition, a lack of predictable income adversely affects the management of staff employment contracts, where medium- to long-term planning is essential.

5. More flexible financing, through an increase in assessed contributions, is one way of addressing the first set of problems. However, in the current economic environment, although such an increase may be desirable, it is unlikely to happen in the short term. An alternative approach is therefore needed.

6. The current proposal primarily addresses the issue of predictability. When combined with more rigorous priority setting, so that earmarking is brought more closely in line with organizational objectives, increased predictability offers a way of dealing with both sets of issues as increased predictability offers a way to improve the matching of resources with priorities and to increase effective planning.

GOVERNING PRINCIPLES

7. The approach to financing will be guided by the following principles:

(a) Member States, through WHO's governing bodies, will be responsible for working with the Secretariat to determine a set of organizational priorities before the pledging process.

(b) WHO's funding needs at the beginning of the programme budget period and during implementation will be based on an integrated and unified budget, informed by realistic projections of income and expenditure.

(c) Increasing the proportion of flexible to specified voluntary funding will be a desirable outcome. However, the pledging process will take into account the policies and practices of all donors, ensuring their strategic contribution to WHO's work whether their contributions are flexible or specified.

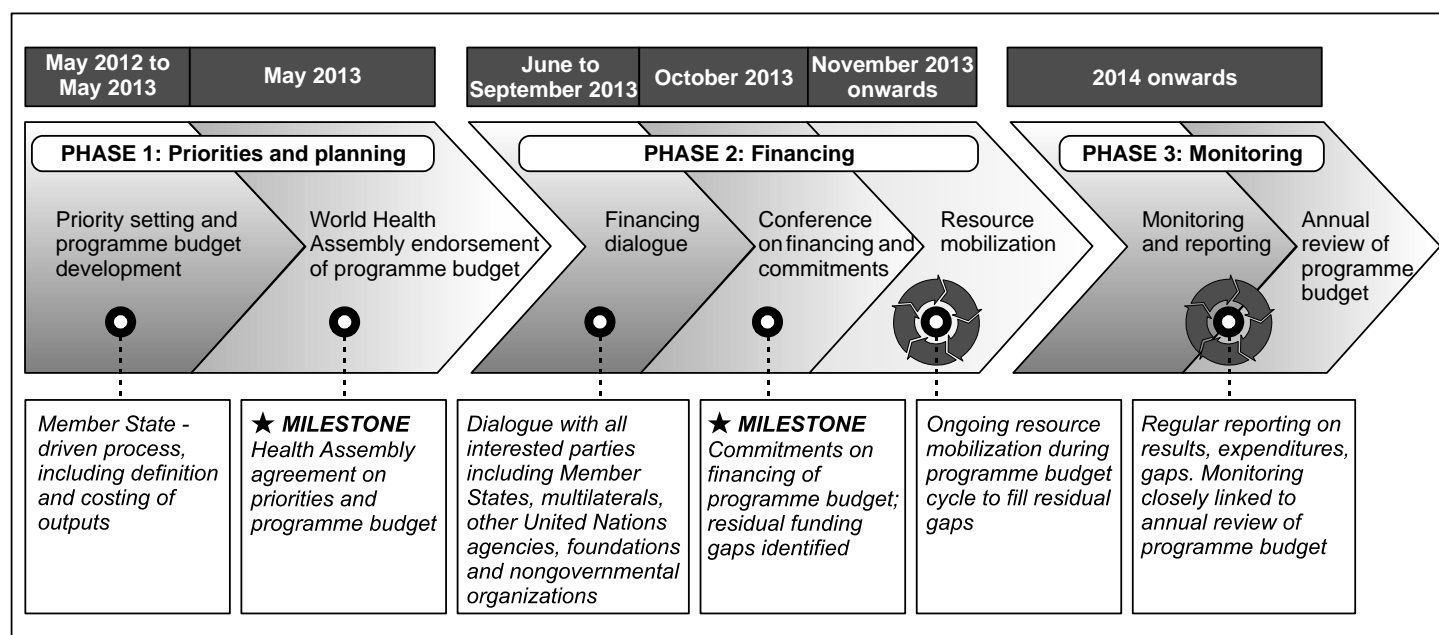
PURPOSE

8. The overall objective of this component of the reform programme is to ensure a closer match between WHO's priorities and the resources available to finance them. Specifically, at the beginning of 2014 and for subsequent planning periods, up to 70% of WHO's income should be predictable. Based on a more realistic budget, this level of predictability should enhance the quality and effectiveness of operational planning. The proposal also offers an approach in which responsibility for setting priorities becomes more closely linked to the responsibility for making sure priorities are adequately financed.

APPROACH

9. The three-stage cyclical process – priority setting and planning; financing and resource mobilization; and monitoring and reporting – is illustrated in the diagram below.

Overview of a predictable financing mechanism



Phase 1: Priorities and plans

10. The process of priority setting starts after the January 2012 Executive Board. Decisions on the criteria for priority setting will then feed into the development of the general programme of work and the next programme budget for the planning period beginning 2014. The process will involve Regional Committees, the Programme, Budget and Administration Committee of the Executive Board, and the Board itself, before formal approval of the next programme budget by the World Health Assembly in May 2013.

11. More detail on the process of priority setting and a timeline for the development of the general programme of work and programme budget are provided in document EB130/5 Add.1.

Phase 2: Financing

12. The financing phase has three components: a dialogue with donors after the programme budget has been approved by the Health Assembly; a pledging conference; and follow-up resource mobilization.

13. The key event in the second phase is the pledging conference, which will be convened under the leadership of the Chairman of the Programme, Budget and Administration Committee. The first such meeting will be held in the last quarter of 2013 with a view to securing pledges for the programme budget that will begin in 2014. This meeting will require careful preparation, including intensive dialogue – between May and November – with Member States and other major donors in order to start the identification of preliminary funding commitments for the period of the programme budget.

14. The pledging conference itself will be open to all Member States whether or not they provide voluntary funds. For donor countries, both health ministries and the ministries that finance voluntary contributions will be invited together with all other non-State funders of WHO. Nongovernmental organizations in official relations with WHO will also be welcome, whether or not they provide funds.

15. The basic reference document will be the approved programme budget. Donors will be encouraged to make commitments for the period of the programme budget, or, in the case of some donors, as part of longer, multi-year framework agreements. Although flexible funding remains the ideal, specified commitments, where they are made, will be mapped against strategic objectives. To best ensure funding for the overall programme, no assumptions will be made at this stage about the allocation of assessed contributions.

16. The essential feature of this approach is that pledges – whether specified or untied – are made publicly. Member States and others can therefore see how the different parts of the agreed overall programme are funded. The process is Member-State-led rather than Secretariat-led; dialogue between different donors will be encouraged.

17. It is hoped that this process will attract an increase in flexible funding, however this is not the main aim. Donors who can provide only specified funding will be able to commit to funding outputs at global, regional or country level, with a detailed project description (traditional project proposal) if necessary. It is recognized that donors may choose to provide a mixture of different types of funding.

18. Given the variation in donor budget cycles, the periodicity of appropriations and government fiscal positions, it is not possible to eliminate all uncertainty, however, the aim will be to secure increased predictability for planning for the period of the programme budget.

19. The outcome of the pledging meeting will be a financing plan that maps contributions onto the programme budget, and which will be presented in January 2014 to the Board at its 134th session. This plan will also identify any remaining funding gaps. This step leads to the final component of the financing phase, which is the conduct of targeted resource mobilization activities to fill the remaining gaps. The Secretariat will continue resource mobilization efforts during the programme budget cycle to fill such gaps, as part of the ongoing engagement with donors and partners.

Phase 3: Monitoring and reporting

20. The approach proposed for the third phase ensures transparency in terms of how State and non-State financiers fund the overall programme of WHO. It provides a new platform for reporting on resources received (monitoring whether donor commitments are met) and results achieved (the outcome of joint financing).

21. Timely and frequently updated information of income, pledges and remaining gaps, disaggregated by funding source, donor, and designated outcomes and outputs, will be made available online through a dedicated section of the WHO web site. Reports will be developed as follows:

- (a) Reporting will follow the same cyclical process as described above. The Board at its 134th session in January 2014 will receive a report from the pledging meeting, which sets out pledges made and funding gaps that remain, set against the components of the programme budget.

(b) In May 2014 it will be possible to report on income received, pledges outstanding, remaining gaps, and initial expenditures. This report will be further enhanced in January 2015. By May 2015, one year will have elapsed, and thus the report will be extended to cover income, pledges outstanding and gaps, expenditures and initial results from one year of implementation (at the mid-term review, assuming the continuation of a two-year programme budget cycle).

(c) The pledging meeting for the programme budget 2016–2017 will be held during the third quarter of 2015.

(d) In January 2016, at the point of financial closure, the magnitude of any remaining gap will be clear, as will the degree of alignment between priorities and funding that has been achieved by the new process. In May 2016 this information will be complemented by an assessment of the results achieved over the biennium.

(e) An assessment of the effectiveness of this approach and the lessons learnt will be made in early 2016 and presented to the Sixty-ninth World Health Assembly in May 2016 for consideration and further guidance.

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