

Sustainable financing

Report of the first and second meeting of the Working Group on Sustainable Financing

Report by the Director-General

The Director-General has the honour to transmit to the Seventy-fourth World Health Assembly the report of the first and second meetings of the Working Group on Sustainable Financing (see Annexes 1 and 2), which met virtually from 29 to 31 March 2021 and from 28 to 30 April 2021, respectively.

ANNEX 1

**REPORT OF THE FIRST MEETING OF THE WORKING GROUP ON
SUSTAINABLE FINANCING**

1. The Working Group on Sustainable Financing met virtually from 29 to 31 March 2021 and was chaired by Mr Björn Kümmel of Germany with the following Vice-Chairs: Mr Iddrisu Yakubu of Ghana, Mr Raúl Vargas Juárez of Mexico, Ms Mouna Mcharek Hadji of Tunisia, Ms Meutia Hasan of Indonesia, and Ms Bronwyn Field of Australia. The session was attended by 100 Member States and one regional economic integration organization.
2. The Working Group was established by decision EB148(12) in order to enable WHO to have the robust structures and capacities needed to fulfil its core functions as defined in the Constitution: (a) to develop a high-level, systemic approach to identify the essential functions of WHO that should be funded in a sustainable manner; (b) to assess the level of costing of the essential functions identified in (a); (c) identify and recommend the appropriate sources for their funding and options to improve sustainable financing and alignment in support of the essential functions, including possibilities for cost-saving and efficiencies; and (d) undertake any additional work, as appropriate, to enable sustainable financing.
3. The Working Group first considered a historical view of WHO's financing and received a briefing from the Secretariat. It was noted that sustainable financing of the Organization has been an issue for a long time. The level of assessed contributions (ACs) has remained largely static while the proportion of voluntary contributions (VCs) has increased along with the budget increase. While VCs are highly appreciated and individual VCs are always aligned with Programme Budget priorities, the heavy reliance on earmarked VCs result in a misalignment between the priorities set and the financing of their delivery. As a result, even though the Organization has managed to raise funding to cover its overall budget, some areas, which are of high priority to Member States, remain chronically underfunded, including noncommunicable diseases, emergency preparedness, and data and science functions, including at regional and country levels.
4. Various mechanisms have been implemented to improve the sustainability and alignment of WHO's finances. Although these mechanisms have brought about improvements, they have not been able to fundamentally change the financing of WHO.
5. The Working Group then turned the discussion to current challenges and the broader perspective, and there were three presentations provided by: (1) the Independent Panel for Pandemic Preparedness and Response (IPPPR); (2) the Independent Oversight and Advisory Committee for the WHO Health Emergencies Programme (IOAC); and (3) the Global Preparedness Monitoring Board (GPMB). A written contribution from the Chair of the Independent Expert Oversight and Advisory Committee (IEOAC) was also shared with the Working Group. The Secretariat also provided a presentation to highlight current practical challenges related to the current way of financing of the Organization. The Working Group expressed its appreciation for the presentations.
6. The Working Group noted that the presentations of the IPPPR, IOAC and GPMB aligned very well with the task at hand of the Working Group and also noted that there was a convergence between some of the views and ideas presented. In particular, the three presentations noted that sustainable funding for WHO was a critical issue for Member States to address, and included the suggestion that Member States consider an increase in the level of the assessed contributions. Finally, it was observed

that, notwithstanding the serious challenge of economic recovery in the aftermath of the COVID-19 pandemic, it remained important to look beyond this to longer-term solutions with a focus on sustainable recovery and “future-proofing” WHO.

7. The Working Group then turned their discussion towards the options for developing a high-level, systematic approach to identify the essential functions that should be funded in a sustainable manner. The Secretariat provided a presentation that included a suggested definition of sustainable financing and four possible approaches to identifying the essential functions, as contained in document EB/WGSF/1/3. The Working Group noted WHO’s proposed definition of sustainable financing (predictable, medium- to long-term, flexible) and discussed its application to various funding types including assessed contributions, core voluntary contributions account, programme support costs and thematic funding. The options included: (1) considering the entire base segment to be essential; (2) defining essential functions based on their content or purpose; (3) defining essential functions based on principles established by the Working Group; and (4) a numerical approach. It was also noted that some approaches could be blended or combined.

8. Working Group members shared their opinions about the options presented; however, many noted that they were not ready to express their preference for any specific option and some felt they would require additional information on the impact of each option. The Chair noted these observations but also stressed the stepwise approach, with identifying the essential functions being the first step. It was suggested that whatever option was preferred, it should be rooted in the comparative advantage of WHO vis-à-vis other global health actors.

9. The Working Group members recognized that as they build a common understanding of sustainable financing issues, they would be better able to determine essential functions that should be funded in a sustainable manner. The Secretariat elaborated on the total size of the Organization’s budget and the current sources of flexible and/or sustainable funding, which generated further discussion. Practical issues related to budgeting cycles, and the implications these may have on the ability of Member States to meet the definition of medium- to long-term funding predictability, were highlighted.

10. The Working Group decided to turn its attention towards a deeper examination of each of the possible approaches. It was emphasized that none of them represented an authoritative list of what the Secretariat considers essential priorities or functions, but were rather provided to stimulate discussion on potential approaches that could be taken to meet the mandate of the Working Group. The Working Group was open to exploring other options after further consultation.

11. Differences and similarities between the options were described by the Secretariat, and ideas about how to combine some elements from different options were put forward by the Working Group. A fifth option was proposed, which would include due consideration for procedural issues. This proposal stimulated further debate on governance and transparency matters related to the financial implications of resolutions and decisions. It was noted that further discussion would be needed to determine the size of the base budget, as well as the role of earmarked voluntary contributions in financing it.

12. In order to provide guidance to the Secretariat on the way forward, including on how to narrow down priorities based on the various approaches, the members of the Working Group expressed a need for more time to reflect and consult within their respective governments. The Working Group put forward several requests for additional information to be provided by the Secretariat to facilitate such consultations.

13. Requests to the Secretariat for additional information concerned the following areas: disaggregation of the options for which this is possible and presentation of scenarios for the numbered options; clarification on what is included in the enabling functions; description of which elements of the GPW are or are not included in the different options; explanations of envisioned cost-savings and efficiency gains; costing of resolutions and the impact on the budget process; characterization of various types of funding and their levels; provision of more details on the balance between assessed contributions and voluntary contributions; elaboration of the comparative advantage of WHO; more details on programme support costs; and provision of further details on budgetary information and also on transparency and accountability. The Secretariat welcomed the chance to understand in more detail the expectations of Member States in the latter regard.

14. The Working Group was invited to elaborate on existing governmental mechanisms that allow some Member States to fund other global health actors for longer-term periods, with flexibility. It was noted that this would assist the Secretariat to understand whether such mechanisms might be applied in a similar way to WHO. This was noted particularly in the context of recommendations made to the Working Group by external panels on the replenishment model of funding.

15. The Working Group concluded its substantive discussion and noted that it would meet again in advance of the Seventy-fourth World Health Assembly to continue its deliberations.

ANNEX 2

**REPORT OF THE SECOND MEETING OF THE WORKING GROUP ON
SUSTAINABLE FINANCING**

1. The Working Group on Sustainable Financing held its second meeting, virtually, from 28 to 30 April 2021 and was chaired by Mr Björn Kümmel of Germany with the following Vice-Chairs: Mr Iddrisu Yakubu of Ghana, Mr Raúl Vargas Juárez of Mexico, Ms Mouna Mcharek Hadiji of Tunisia, Ms Meutia Hasan of Indonesia, and Ms Bronwyn Field of Australia. The session was attended by 95 Member States.
2. The Working Group agreed to return to the discussion on the development of a high-level, systemic approach to identify the essential functions of WHO that should be funded in a sustainable manner. The discussion commenced with consideration of the current challenges and the broader perspective. In this regard, a presentation of personal insights was provided by the Chair of the Independent Expert Oversight and Advisory Committee (IEOAC).
3. The five main observations/recommendations from the IEOAC Chair's presentation were: (1) the separation of strategic and financial resource decisions might lead to alignment challenges; (2) the contribution to WHO budget per world citizen (US\$ 0.39) may not be sufficient; (3) assessed contributions (ACs) as a proportion of total WHO revenue are on a declining trend and should be reversed with ACs substantially increased; (4) consideration should be given to the introduction of an annual increase of ACs in line with the previous year's world GDP growth; and (5) certain major expenditure items of WHO should be sustainably financed.
4. The IEOAC Chair's presentation generated a rich discussion. One of the main themes that emerged was a request for the IEOAC Chair to share potential options to address the five main observations/recommendations and their connection to WHO's priority-setting. In response, the IEOAC Chair offered further explanation based on three types of funding characteristics: (1) ACs should form a larger proportion of WHO revenue and should be tied to world GDP trends; (2) there should be an additional new form of sustainable funding (a contribution between ACs and voluntary contributions (VCs)); and (3) VCs should be limited to a smaller proportion of WHO revenue. The IEOAC Chair explained that such a solution would help to sustainably finance WHO, decrease dependency on VCs and address some inefficiencies. The IEOAC Chair also suggested that in relation to priority-setting, every initiative should include an end date and an associated cost, and Member States should consider sunsetting specific initiatives, when appropriate. The Chair of IEOAC stressed that WHO was one of the most transparent organizations with which he has worked, as data and information are readily and publicly available; where WHO needs to improve is by providing more concise reports to the governing bodies. In the context of efficiencies, the Chair confirmed that in the experience of the IEOAC, WHO is run efficiently. However, "pockets of inefficiencies" exist, for example when it comes to award management and donor reporting – necessitated by the large number of small and specified awards with non-standard reporting requirements. The Working Group expressed its appreciation for the presentation and subsequent discussion.
5. Presentations were then given by representatives from Gavi, the Vaccine Alliance, and the Global Fund to Fight AIDS, Tuberculosis and Malaria, on their respective financing models. Several themes emerged during the discussion concerning: (1) the differing (and more narrowly focused) mandates and governance structures of Gavi and the Global Fund compared to WHO and the impact on financing; (2) the collaboration between Gavi, the Global Fund and WHO overall and at the national level; (3) the

comparative advantage of WHO vis-à-vis other global health actors; and (4) the policies concerning receipt of non-earmarked funds.

6. During the discussion, the representative from Gavi explained that ensuring a solid business case and effectively communicating results to donors contributes to their receipt of non-earmarked funds. The representative from the Global Fund suggested that a joint approach including both bold leadership on a global stage and strong civil society activists initially turned the idea of the Global Fund into a reality. Some critical factors for successful financing of both agencies included the nature of their mandates, solid investment cases validated by top experts, broad advocacy, committed hosts for replenishment events and dedicated efforts on communication. Both entities stressed the importance of long-term, predictable and flexible funding as a prerequisite for their ability to implement their respective strategic plans and explained that this had been the expectation from the outset, although Gavi noted that it had faced challenges in securing predictable funding during its first ten years. Their replenishment cycles permit this longer-term funding that is almost entirely unearmarked, provide a platform for negotiations with donors, and enable country planning. WHO was acknowledged as a critical partner to Gavi and the Global Fund (“we could not operate without WHO”) due to its country presence and normative and regulatory roles. The Working Group expressed its appreciation for these two presentations.

7. In response to requests for additional information put forward during the first meeting of the Working Group, the Secretariat gave presentations on: (1) types of funding for WHO’s programme budget; (2) programme support costs (PSCs); and (3) costings of governing bodies’ decisions and resolutions. These presentations summarized the contents of three documents prepared by the Secretariat in advance of the second meeting of the Working Group.¹ Several Working Group members expressed their appreciation to the Secretariat for the presentations and the corresponding documentation.

8. During the discussion on types of funding for WHO’s programme budget, it was explained that highly specified funds are associated with increased time and capacity requirements for fundraising, management and reporting. With approximately 3000 active awards at WHO, of which 80% are specified VCs with different start and end dates and specific reporting requirements, the administrative burden is high and contributes to “pockets of inefficiency”.

9. During the discussion on PSCs, explanations were provided on the level of PSCs vis-à-vis growing VCs. It was explained that a large proportion of VCs in the biennium 2020–2021 includes funds for emergencies, which have a lower PSC rate at 7% compared to the standard rate of 13%. The Secretariat continues efforts to maximize PSCs and limit the number of exceptions to the standard PSC rate. The main exceptions to the standard PSC rate are made either for institutional donors (including the European Commission, Gavi, the Global Fund, and the United Nations) or by activity (including those related to emergency response and polio eradication). Currently, PSCs are insufficient to cover all of WHO’s enabling functions, and the WHO Secretariat is therefore required to use ACs to cover these shortfalls. An overarching consideration is also that all VCs earmarked for programmes should cover the full cost of the activities undertaken.

10. During the discussion on the costings of governing bodies’ decisions and resolutions, the Working Group acknowledged several concerns that Member States needed to consider, including considering the true budgetary and resources implications of decisions or resolutions and the consequent

¹ Documents EB/WGSF/2/3 (Outlook on WHO’s various types of funding, their levels and its contributors), EB/WGSF/2/4 (WHO governance: costing of decisions and resolutions and its relationship to the programme budget and its financing), and EB/WGSF/2/5 (WHO’s cost-recovery mechanisms: programme support costs).

implications of this costing exercises. Member States should therefore be encouraged to give due consideration to the operational aspects of implementation when adopting resolutions and decisions. In addition, it was explained that a large number of decisions and resolutions are being adopted every year. As such, it was re-emphasized that all decisions and resolutions should have associated costs indicated from the outset, with a precise end date for initiatives therein (“sunsetting”). There was also discussion of how to ensure such decisions and resolutions sat within the approved programme budget plans. It was recognized that this was a question of governance that went beyond the scope of sustainable financing alone but, also, that sufficiently flexible and predictable funding would have to be available in order for the issues raised to be addressed. More generally, the Working Group recognized that the meeting had raised a number of interesting proposals beyond the scope of its mandate, and some Member States suggested that it would be worthwhile to consider those ideas within the governing bodies.

11. The Working Group also expressed the need to understand better and have upfront the costs of the Secretariat’s initiatives, and stated that Member States should be advised and consulted on this for the benefit of transparency and completeness.

12. Two WHO department directors presented and described the close relationships between WHO and Gavi and the Global Fund, respectively. It was emphasized that both Gavi and the Global Fund rely on WHO for its normative and regulatory roles and its role as an implementing/technical assistance partner with extensive country presence. It should be noted that these technical relationships are strong, and WHO has been deemed a critical, high-value-for-money partner for the Global Fund and Gavi on external evaluations. But some challenges were highlighted including: (1) substantial transaction costs for WHO (including human resources and time investments and delays in receipt of funding) associated with the current ways of working; (2) limits on the flexibility of funds passed through to WHO, with high levels of earmarking; and (3) the dual role of WHO as both a board member of these entities and a funding recipient. More generally, both directors also explained the challenges of managing daily operations in their respective programmes, given that such a large majority of their funding comes from specified contributions which are shared across the three levels of the Organization. These reflections emphasized the challenges faced by many WHO technical programmes that, due to a high reliance on specified funds, do not have the flexibility to adjust to meet new priorities or the predictability to plan for the longer term.

13. The Working Group then discussed existing governmental mechanisms that allow some Member States to provide longer-term flexible funding to other global health actors. During the discussion, a common theme emerged as many Member States explained that multi-year funding is provided to other global health actors (including Gavi and the Global Fund) because their work focus is much narrower than that of WHO. In addition, some of these other actors achieve impacts over shorter time periods and therefore their results are more tangible because of their mandates. Also, the governance structures of Gavi and the Global Fund were noted as having a more significant donor influence on how funds are allocated, in contrast to WHO’s governance structure. Several Member States emphasized that they allocate funding that amplifies and aligns with national policies and strategies and health priorities. They explained that funding to WHO often follows similar principles. While some Member States expressed an interest in exploring a replenishment model for WHO, other Member States considered that such a model would not be possible for WHO as a UN agency.

14. There was broad consensus from the Working Group that WHO plays a critical role among global health actors, highlighting its extensive country presence, technical expertise and normative work; however, visibility is sometimes lacking with respect to results and impact. In this regard, WHO has not always been able to articulate its essential role in a way that clearly communicates its value proposition vis-à-vis other global health actors. The Working Group recognized that significant progress has been achieved in recent years but that further work is needed to consistently demonstrate how technical work

across the three levels of the Organization impacts global outcomes. The Secretariat welcomed the frank feedback of Member States and emphasized the attention being given to this issue. It highlighted that the 2020–2021 mid-term WHO Results Report is being made available via a dedicated page on WHO's website, and that innovative work is under way to better articulate results and impact at the Seventy-fourth World Health Assembly.

15. The Working Group then turned to the options for developing a high-level, systemic approach to identify the essential functions that should be funded in a sustainable manner. The Secretariat gave a presentation on five main approaches, highlighting the overall (not detailed) estimated costs and expanding on the information provided at the Working Group's first meeting. Equity was highlighted as relevant to the allocation of funds, and the Secretariat indicated that equity could be added to the definition of sustainable financing. Each approach was then discussed in more detail, one at a time, and the Working Group made the following observations:

- Approach 1 – considering the entire base segment as representing WHO's core work and funding it sustainably: Several Member States acknowledged approach 1 given its linkages with the GPW and the Constitution as ambitious and aspirational, and suggested that it should be seen as the ultimate goal to pursue. However, they considered it difficult to achieve as a short-term goal. The possibility of incremental increases in the level of sustainable funding through ACs and increases in the flexibility and predictability of VCs over an agreed period to achieve this goal was suggested by some Member States. The Working Group was invited to consider that while the approach might seem very ambitious, Member States have, in reality, already approved the base budget at this size and expect the Secretariat to implement it accordingly.
- Approach 2a – defining the six core functions of WHO as essential functions that require a sustainable source of financing: The Working Group was invited to consider how prioritization could be approached. During the discussion, it was noted that this approach remains quite broad and is practically very similar to approach 1.
- Approach 2b – defining essential functions based on their content or purpose: During the discussion, a number of Member States expressed an interest in exploring approach 2b further as their preference. It was noted that a blended approach, combining aspects from other approaches together with approach 2b could be explored further. The Secretariat emphasized that the list provided during the presentation is just an example and did not include certain elements from the GPW such as leadership and country support, noncommunicable diseases, communicable diseases and addressing the social determinants of health. The Working Group was invited to provide further guidance to the Secretariat on what should be included on the list of essential functions to facilitate further elaboration and costing.
- Approach 3 – defining essential functions based on principles established by the Working Group: The Secretariat clarified that this approach is not a stand-alone approach but could be used in combination with another approach to define principles to assist in prioritization.
- Approach 4 – using a numerical approach to define a critical threshold for sustainable financing: Three types of numerical approaches were discussed. Approach 4a assumes that every outcome is funded sustainably, to a certain percentage, and 50% was used for illustrative purposes. This approach does not account for the fact that some specific areas (1) fully depend on flexible funding and (2) should not in essence depend on any VC, and therefore 50% is too low in both cases and the approach alone is not granular enough. The Working Group acknowledged that this approach would result in an unequitable allocation of funds across major offices if not further elaborated. Approach 4b attempts to balance an overreliance on VCs

from the top five donors. While this approach addresses one of the main challenges of dependency on specified VCs, it assumes that specific funding does not change from one biennium to the next. Approach 4c indicates that the share of flexible funding from the total funding for a specific outcome is equal to that outcome's reliance on sustainable funds. This approach is the most complex numeric option, which was acknowledged as a potential drawback because it may be difficult to explain. However, it was noted that this approach would enable a more equitable allocation of sustainable financing.

- Approach 5 – ensuring that every outcome in every major office is fully funded (i.e. greening the heatmap): One of the assumptions of this approach is that patterns of specified VCs will not change. The Working Group acknowledged some merits of this approach, but several questions were raised about where flexible funding would be sourced, which would need to be addressed further. While this option helps underfunded areas, it would not address some of the challenges previously raised by the Working Group, including the continued dependence on VCs for specific outcomes that currently depend on them. Furthermore, the inefficiencies will remain related to the high number of grants and associated human resource burden required for award management and donor reporting.

16. Once all the approaches had been discussed, the Working Group underlined the need for further information on, and elaboration of the consequences of, each approach. The Working Group considered that two approaches should be initially focused on, including approaches 1 and 2b, while noting that all approaches remain on the table. The Working Group remains open to discussing other possible options in fulfilling its mandate. Regarding approach 2b, it was reiterated that pairing it with another approach such as approaches 3, 4, or 5 could be a way of defining the sustainable funding needed. The Working Group was invited to reflect on the list of essential functions provided as an example for approach 2b and indicate what items should be added or removed. The normative functions of approach 2b were understood to include some aspects of noncommunicable diseases, but some Member States suggested the addition of noncommunicable diseases, country support and social determinants of health to the list.

17. The Working Group indicated that acknowledging the normative role of WHO and its comparative advantage vis-à-vis other global health actors should be an underlying principle for consideration moving forward. The Working Group was invited to continue reflecting on what should be included on a list of essential functions, which will be discussed at a future Working Group meeting (for example, applying other numeric approaches, such as approaches 4a and 5 to gradually adjust the resource shares allotted to the base over time).

18. In preparation for the third Working Group meeting, the Secretariat was requested to further elaborate on the contents of normative functions, including public health goods, and the contents of functions advancing research and innovation for global health, so as to potentially limit their scope and to cost approach 2b. The Secretariat was further requested to list those functions that are currently include and not included in the current version of approach 2b.

19. The Working Group concluded its substantive discussion and noted that it would meet again after the Seventy-fourth World Health Assembly.

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