

Draft financial strategy for WHO

Report by the Secretariat

1. In May 2014 the Sixty-seventh World Health Assembly considered a report on follow-up to the financing dialogue.¹ During the discussions, it was suggested that it would be useful to establish a link between the different initiatives in financing, namely: budgeting, financial resourcing, financial management and financial reporting.² The present report describes how existing and future instruments and initiatives fit together; based on these, it also proposes broad strategic directions for the Secretariat.

2. The draft financial strategy consists of the following components (Figure 1):

- programming and budgeting
- mobilizing resources
- managing and tracking resources
- reporting
- accountability and risks.

Figure 1. Components of the draft financial strategy



¹ Document A67/7.

² See document WHA67/2014/REC/3, summary record of the third meeting (section 2) of Committee A of the Sixty-seventh World Health Assembly.

These areas are considered in detail below.

3. Work on the draft financial strategy for WHO will continue, based on the ongoing discussions concerning the future strategic budget space allocation mechanism and coordinated resource mobilization strategy. These will further inform the content of the strategic direction, so that it evolves into a comprehensive, cohesive and forward-looking approach.

PROGRAMMING AND BUDGETING

4. The programmatic reform started in early 2012 with the Member State-led process for priority-setting, which reinstated the commitment to improve health outcomes, as highlighted in the Twelfth General Programme of Work, 2014–2019 and subsequent programme budgets. These documents represented a major departure from previous ones by acting as instruments not only for accountability and transparency but also for financing and resource mobilization. For the first time in May 2013, the Health Assembly in resolution WHA66.2 approved the Programme budget in its entirety and authorized the Director-General to finance it from assessed and voluntary contributions, subject to availability, up to the amounts approved.

5. The development of recent programme budgets has followed robust bottom-up planning, adopted realistic costing and been based on identified roles and responsibilities across the three levels of the Organization. The process has been conducted through category and programme area networks to ensure Organization-wide agreement on the strategic directions for each programme area. It has been a challenge to ensure consistency and alignment among the priorities as endorsed by the governing bodies, the bottom-up planning process reflecting the needs of host governments, the proposed mechanisms (including that for strategic budget space allocation), and the flexibility and predictability of voluntary contributions.

6. In the future, the outcome of the continuing work on the strategic budget space allocation methodology¹ will further guide the programming and budgeting process. The decision of Member States on how to distribute budget space should go hand in hand with bottom-up planning and the costing of outputs and deliverables, and all these elements will need to be further aligned with the roles and functions across the three levels of the Organization, as well as with the review of the financing of administrative and management costs. Efficiency targets will continue to be set and monitored as part of budgeting and costing process.

MOBILIZING RESOURCES

7. The Programme budget is funded by assessed and voluntary contributions. Assessed contributions currently account for less than 25% of the overall Programme budget; as a result, the Organization is heavily reliant on voluntary contributions. While recognizing that several Member States continue to advocate increases in assessed contributions as a crucial element of WHO's financial sustainability, this report focuses on the mobilization of voluntary contributions.

¹ Budget space is not the same as available funds. However, current work on this topic indicates that budget space should represent the desired funding available within the Programme budget. It is therefore important for WHO to receive as flexible funds as possible, in order to allow funding of the Programme budget for all results and to avoid overfunding in one place and underfunding in another.

8. WHO's financing is underpinned by four guiding principles, as agreed during the 2013 financing dialogue:

- **Alignment and flexibility:** Voluntary funds will be mobilized in alignment with the Member State-approved Programme budget. Contributors' commitments to increase the flexibility of funding will further facilitate an even distribution of funds across programme areas.
- **Predictability:** Member States and other funders will strive to make at least 70% of required funding available at the start of a biennium. In addition, the Organization will promote a longer-term view of organizational financing, including by linking to the six-year General Programme of Work.
- **Transparency:** WHO will make information about contributors' funding public, facilitating a shared understanding of available and projected income by category, programme, major office and budget centre, and promoting well-informed decision-making about voluntary contributions.
- **Reducing vulnerability:** Member States and other funders will address the Organization's reliance on just 20 contributors (11 of them non-State actors) for 80% of all voluntary contributions. This will involve both broadening and deepening the existing contributor base, with an initial focus on Member States.

9. WHO's approach to mobilizing voluntary contributions is two-pronged: maintaining and deepening support from existing contributors, and broadening the contributor base. These efforts are being facilitated by the establishment of a coordinated resource mobilization unit that will ensure a coherent and consistent approach to articulating funding priorities and mobilizing resources in support of the Programme budget.

Maintaining and deepening support from existing contributors

10. In addition to optimizing the funding relationship with the top 20 contributors, focusing on areas of alignment between their priorities and those of WHO, the Organization is committed to improving its stewardship of contributions. This will include a better demonstration of impact, timely reporting on results, and improved visibility to help contributors to justify their investments in WHO to their key stakeholders. Future financing dialogues and regular bilateral consultations will complement greater day-to-day engagement with contributors.

Broadening the contributor base

11. Interviewees in a 2014 study on broadening WHO's contributor base repeatedly stressed that Member States should remain the primary funders of WHO. The stage 2 evaluation of WHO reform recommended that Member States "discuss their mutual accountabilities, and those Member States not carrying a fair share of the financing of the Organization should be challenged".¹ In addition to opportunities to broaden the contributor base among Member States through voluntary contributions or supplements to assessed contribution on a voluntary basis, other opportunities clearly exist with philanthropic foundations, multilateral institutions and global health initiatives. Resource mobilization

¹ Document EB134/39, Annex, section 9.1.1.

from individuals, particularly in the context of responses to emergencies, will continue to be implemented through more appropriate third parties such as the United Nations Foundation. Financing by non-State actors, including the private sector, will be guided by the outcomes of the ongoing discussions among Member States on WHO's framework of engagement with non-State actors.

12. The willingness of Member States and other contributors to provide voluntary contributions will reflect their confidence in the Organization.

Coordinating resource mobilization efforts across WHO

13. WHO is committed to following a coherent and consistent approach to articulating funding priorities and mobilizing resources, and to this end the Director-General has established a new Coordinated Resource Mobilization unit in her Office. The unit will guide the work of a global network within WHO, dedicated to sharpening the focus and effectiveness of resource mobilization activities and to securing funding in line with the key principles described above.

MANAGING AND TRACKING RESOURCES

14. An important prerequisite for targeted resource mobilization is the availability of constantly updated financial information, presented with a longer-term horizon and broken down according to the structure of the Programme budget. In this regard, the programme budget web portal¹ has been an important development, as it indicates the needs for each programme and matches those needs with the availability of funds at any given point in time.

15. In terms of management of resources, it will be particularly important to ensure a timely distribution of available funds to programmes; this will not only make it easier to identify funding shortfalls but also give programmes more predictability and more time for the implementation of their activities. In addition, in-house expectations need to be managed, clarifying that flexible funds are no longer distributed according to historic procedures but strictly to fill gaps in funding; this may also mean that these funds are distributed rather unevenly among different programmes, to keep all programme areas operational throughout the programme budget cycle.

REPORTING

16. Contributors will only provide funds to WHO if they have the confidence that the resources will be used according to the intended initiatives. Timely and good-quality reporting is therefore fundamental for understanding the progress made, identifying gaps and subsequent risks, and determining reprogramming options. Current monitoring and reporting tools (such as those available on the web portal) and internal management tools ("management dashboards", for instance) have already helped to enhance the quality and timeliness of reports to donors and governing bodies. However, more work needs to be done to combine technical and financial information and strengthen resource management and tracking.

17. A further important element for streamlining and transparency is the standardization of agreements for voluntary contributions and reporting requirements. It is hoped that existing frameworks, such as the approved Programme budget and its oversight and evaluation mechanisms,

¹ Accessible at <https://extranet.who.int/programmebudget/>.

will be accepted as the framework for accountability to Member States and other partners, so that the Organization can reduce its multiple ad hoc, project-specific reporting requirements.

18. The Secretariat will continue to improve the readability and transparency of its financial statements, while following the International Public Sector Accounting Standards. Particular attention will be paid to improving asset accounting (for example of vehicles, equipment, building improvement and inventory), for which the Organization continues to be in “transitional” arrangements under those Standards, before reaching full compliance. These further improvements will also help to enhance effective management of WHO assets.

ACCOUNTABILITY AND RISKS

19. Accountability and transparency are at the heart of the above-mentioned four components of the draft financial strategy. The strategic direction is a key component of WHO’s accountability framework and builds on close cooperation and trust between the Secretariat, Member States and other contributors and partners, which can only be assumed if there is proven accountability and transparency.

20. WHO has a number of instruments or initiatives:

- The Financial Regulations and Financial Rules provide the policy framework for accountability in the areas of budgeting, financial control, financial reporting, and financial oversight. Detailed procedures, contained in the WHO eManual and standard operating procedures, will be updated as needed.
- Adherence to the Financial Regulations and Financial Rules will be supported and reinforced through the following measures:
 - implementation of the internal control framework, which will help to ensure that resources are managed effectively and efficiently;
 - the approach of raising awareness about internal controls, including a self-assessment checklist, which will support managers in complying with WHO’s rules, regulations and policies and in facilitating prioritization of actions to strengthen internal controls and management practices;
 - tools such as the management dashboard (internal) and web portal (internal and external), which will be further improved;
 - clearly specified lines of accountability and responsibility within the Secretariat, documented by the delegation of authority from the Director-General; primary responsibility for ensuring financial accountability lies with the Comptroller, the Directors of Administration and Finance in the regions, and the Director, Planning, Resource Coordination and Performance Monitoring. They rely on the collaboration of all budget centre managers;
 - an accountability compact (for Assistant Directors-General), with further financial responsibilities being made more explicit, and performance indicators for selected staff in their personal performance assessment.
- Tools and processes such as audits, administrative and programmatic reviews, and evaluations are available to facilitate accountability in specific areas or units. These provide assurance,

strengthen accountability and help to raise the level of confidence in the management of WHO's financial resources.

- Risk management is integral to achievement of the Organization's strategic and operational objectives. Risks will be systematically identified, managed and mitigated through a risk management framework that is currently being rolled out across the Organization and is linked to programme budget development and operational planning. Well-defined escalation mechanisms are being established, with the highest-level risks being addressed to the Director-General and Member States.
- Long-term financial risks will be closely monitored: the most significant are the long-term liabilities associated with staff employment (for example, after-service health care and pension costs), for which the Organization needs to ensure that the burden of future staff-related costs is fairly shared by current sources of financing, and that the amounts set aside for these future costs are appropriate based on the latest estimates.

21. External and internal audit continue to provide assurance of the completeness and effectiveness of internal controls, including highlighting weaknesses that may in turn reduce the effectiveness of accountability mechanisms. The Organization is committed to address such audit observations promptly or to bring to the attention of the Independent Expert Oversight Advisory Committee any observations with which management does not agree or which may be difficult to implement. In addition, that Committee exercises oversight of the overall internal control and accountability mechanisms, including assessing the efficacy of the audit process and highlighting any concerns to the Director-General and Member States.

22. The next six-year period will also include major building renovation, for which long-term financing plans need to be secured and made sustainable, with a fair burden for the repayment of loans agreed between current and future sources of financing.

23. Finally, accountability will be rigorously monitored and non-compliance corrected, in conjunction with the wider improvements planned for the management of staff performance.

METRICS

24. Successful implementation of the five components as described above is linked to that of the various reform initiatives in the areas of budget and finance. As a consequence, its achievement will be measured through the following indicators:

- alignment of income and expenditure with the approved Programme budget by category and major office;
- proportion of the Programme budget by category and major office funded at different stages within the programme budget cycle;
- percentage of countries where 80% of WHO country resources are allocated to 10 programme areas or less;
- reporting on the key points arising from the risk register;
- monitoring of efficiency targets;
- an unqualified audit opinion from the External Auditor on the annual WHO financial statements.

The indicators listed above are already provided in the Programme budget and the WHO reform implementation plan.

25. Existing mechanisms (such as mid-term reviews and programme budget performance assessments) will be used to report back to Member States on the above-mentioned indicators. In this context, it is essential to note that some of the indicators are defined at the outcome level and are therefore a shared responsibility of the Secretariat, Member States and partners. In the longer term, the aim is to produce an integrated report encompassing programme, budget and financial reporting.

ACTION BY THE EXECUTIVE BOARD

26. The Board is invited to note the report.

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