

Deliberations of the Bureau of the Working Group on Sustainable Financing on options for an increase in assessed contributions

Background document

1. At the sixth meeting of the Working Group on Sustainable Financing on 10–11 March 2022, Member States held a rich discussion of several issues concerned with the potential for a raise in assessed contributions as a key consideration for achieving sustainable financing of WHO. It was agreed that, as a way forward and based on those discussions, the Bureau of the Working Group would develop and circulate to Member States, in advance of its seventh meeting,¹ a draft textual proposal of the Working Group's recommendations for consideration by the Seventy-fifth World Health Assembly.

2. The Bureau's subsequent consideration identified a series of options for an increase in assessed contributions and the principal issues raised, which could be developed and submitted to Member States. These discussions centred on reform of assessed contributions only, noting that Member States had previously deliberated, and had already agreed to recommend, a series of other financing reforms, as elaborated in the green-highlighted text of the Working Group's report that the Executive Board noted at its 150th session.²

3. The Bureau's options for reform of assessed contributions are summarized below. Each is presented in terms of the underlying principles that would guide it, a brief description of the option, and the main implications. They are:

- (a) retaining the status quo with no increase in assessed contributions;
- (b) increasing assessed contributions to a lower level than 50% of the base segment of Programme budget 2022–2023;
- (c) incrementally increasing assessed contributions through a commitment adopted by the Seventy-fifth World Health Assembly, each to take effect concurrently with delivering key budgetary governance deliverables, to an eventual level of 50% of the base segment of the Programme budget 2022–2023;
- (d) increasing assessed contributions to a level of 50% of the base segment of Programme budget 2022–2023 over a prescribed timeline, as originally proposed by the Bureau;

¹ Scheduled to be held on 25–27 April 2022.

² Document EB150/30; see also the summary records of the Executive Board at its 150th session, fourth meeting.

- (e) increasing assessed contributions to a level of 67% in line with the recommendations of the Independent Panel for Pandemic Preparedness and Response.

(a) Retaining the status quo with no increase in assessed contributions

4. **Principles.** This option is based on the principle that sustainable financing should be achieved solely by means other than raising assessed contributions. Member States would retain influence in terms of their setting and approving priorities through the Programme budget, but control of WHO in terms of financing would continue to be exercised by major donors. These major donors may, of course, be Member States themselves but the extent to which they support WHO is at their own discretion.

5. **Description.**

- Assessed contributions remain at about 22% of the base segment of the approved Programme budget 2022–2023, or 16% of the total approved Programme budget 2022–2023 for all segments;
- reliance on voluntary contributions will remain essential for financing the remainder of the approved Programme budget;
- improved sustainability of financing would derive solely from options such as the development of a replenishment mechanism and strategic donor engagement to make funding more predictable and flexible;
- any part of the Programme budget not financed through assessed or voluntary contributions that have been raised through the mechanisms noted above will have to be financed through unpredictable voluntary contributions with varying levels of flexibility;
- with the window of opportunity to undertake financing reform fast closing as other global issues take centre stage in the wake of the COVID-19 pandemic, WHO has to demonstrate that it has learnt one of the key lessons (sustainable financing) as recommended by various expert review panels and others.

6. **Implications.** This option will:

- leave the Organization in a situation of status quo with regard to the financing mechanism, which was deemed unacceptable by the Working Group as well as disregarding the main recommendations of independent expert review bodies;
- not require additional financial investment from across all Member States through assessed contributions;
- risk failure by the Organization to deliver the ambitious results demanded by Member States due to lack of predictability and flexibility of funding risk;
- mean that control over which priorities of the Programme budget are implemented will remain shared between Member States and donors to the Organization, putting the independence of WHO at risk;

- continue the significant underfunding of outcomes by major office (the “heatmap”)¹ owing to lack of predictable and flexible resources;
- retain the current inefficiencies borne by the Organization in mobilizing, monitoring and reporting on numerous voluntary contributions to carry out its core work;
- leave the Organization with current challenges in retaining and attracting talent;
- mean that the Organization will continue to rely on donors and their generosity, risking reliance on a very few donors.

(b) Increasing assessed contributions to a lower level than 50% of the base segment of Programme budget 2022–2023

7. **Principles.** Although 50% of the base segment of the Programme budget 2022–2023 was the figure around which the discussions of the Working Group centred, the possibility was also raised of aiming for a lower level which would nonetheless make a difference. This approach would not necessarily close the door to further increases in future but would enable those Member States facing fiscal challenges still to demonstrate a concrete commitment to strengthening the Organization. It would be designed to increase sustainability and also Member States’ control of the Organization to a limited extent.

8. **Description.**

- The World Health Assembly approves a lower target of ambition for an increase in assessed contributions, in comparison to both the recommendations of the Independent Panel for Pandemic Preparedness and Response and the Bureau’s earlier proposal;
- discussions continue, based on various factors, including a demonstration of the benefits of increased assessed contributions through delivery of results, greater transparency and stronger accountability, and governance reform;
- other recommendations to achieve sustainable financing as well as to reform budgetary governance are to be considered in parallel.

9. **Implications.** This option will:

- help to address some of the financial issues the Organization currently faces;
- reduce strain on fiscally challenged Member States compared with options (c)–(e);
- lose the political and strategic momentum for a more significant level of sustainable financing of WHO;

¹ See document EB/WGSF/7/INF./1, Table 1.

- still leave the Organization in a situation of insufficient sustainable financing, struggling to live up to its mandate fully while other global health actors grow and expand, thus risking WHO's obsolescence;
- leave the Organization striving for efficiency (as demanded by the Member States) while dealing with hundreds of voluntary contribution agreements and their management;
- continue the Organization's reliance on the generosity of donors, while only partially addressing the risk of relying on a small number of donors;
- allow "greening of the heatmap"¹ only to a limited extent.

(c) Incrementally increasing assessed contributions through a commitment adopted by the Seventy-fifth World Health Assembly, each to take effect concurrently with delivering key budgetary governance deliverables, to an eventual level of 50% of the base segment of Programme budget 2022–2023

10. **Principles.** The overarching principle behind this option is the recognition that Member States must finance a significant share of the approved Programme budget in order to be guaranteed control of the Organization in terms of both governance and deliverables. This option considers a level of 50% of the base segment of the approved Programme budget 2022–2023 to be essential for there to be basic predictability and flexibility of financing for the Organization to be able to perform its core functions. This recommendation approaches that of WHO's Independent Expert Oversight Advisory Committee for a minimum funding requirement of US\$ 2.7 billion per biennium to achieve this.

11. At the same time, this option is based on the understanding that there should be budgetary governance deliverables (lying within the sole manageable interest of the Secretariat) set by the World Health Assembly and they would need to be achieved after the approval of the first increase in assessed contributions and concurrently with further approvals for increase in assessed contributions. The principle here is that in return for a greater investment by Member States in terms of assessed contributions, the Secretariat would have to demonstrate a greater return in terms of value for money.

12. Description.

- The original timeline and level of increase in assessed contributions will be kept, according to the recommendations of the Bureau of the Working Group on Sustainable Financing.
- However, any approval given by the Seventy-fifth World Health Assembly in May 2022 is for the overall commitment and concept of the increase.
- Approvals take place in line with the programme budget approval cycle, with the corresponding resolutions seeking approval of the budgets in May 2023 (for Programme budget 2024–2025), May 2025 (for Programme budget 2026–2027) and May 2027 (for Programme budget 2028–2029).
- To connect the discussion of budgetary governance with the increase in assessed contributions, there will be clear deliverables (those within the sole manageable interest of the Secretariat) for

¹ See document EB/WGSF/7/INF./1, Table 1.

2025 and 2027 and they must go hand-in-hand with approvals for the increases in the programme budgets.

- Details of the deliverables could be considered by the Executive Board through its Programme, Budget and Administration Committee, with a potential role for a dedicated task group to consider these deliverables.
- Other recommendations to achieve sustainable financing are also considered in parallel.
- This option sets a clear path and way forward.

13. **Implications.** This option will:

- provide a step-change in the way WHO is financed;
- improve sustainable financing for WHO's core functions which have to be financed under any circumstances (as in the recommendation of the Independent Expert Oversight Advisory Committee), and will facilitate improving the funding percentages (shaded green in Table 1 in document EB/WGSF/7/INF./1 – the heatmap);
- improve efficiencies by reducing the administrative costs associated with managing hundreds of donor agreements;
- contribute to improving attracting and retaining talent;
- allow Member States to retain and expand their ultimate control of the process and its results;
- permit individual Member States to plan for financial commitments in a staged and predictable manner;
- permit continuing adoption of other recommendations for sustainable financing;
- facilitate the commencement and delivery of parallel reform of budgetary governance as requested by Member States;
- maintain political and strategic momentum.

(d) Increasing assessed contributions to a level of 50% of the base segment of Programme budget 2022–2023 over a prescribed timeline, as originally proposed by the Bureau of the Working Group on Sustainable Financing

14. **Principles.** Similar in many ways to option (c) above, the principle behind this option is the recognition that Member States must finance a significant share of the approved Programme budget to be guaranteed control of the Organization in terms of both governance and deliverables. This option considers a level of 50% of the base segment of Programme budget 2022–2023 to be essential for there to be basic predictability and flexibility of financing for the Organization to be able to exercise its core functions. It also comes close to the recommendation of the Independent Expert Oversight Advisory Committee for a minimum funding requirement of US\$ 2.7 billion per biennium to achieve this.

15. In this option the Seventy-fifth World Health Assembly in May 2022 makes a commitment to assessed contributions being increased to 50% of the base segment of the Programme budget 2022–2023, to be achieved through a series of incremental increases each biennium until 2029. Linear incremental increases would be defined by the Seventy-fifth World Health Assembly, and stipulated in the appropriation resolution for subsequent bienniums. Member States would expect to see demonstrated improvements in reform of budgetary governance, transparency and accountability, and value for money, but these would not be explicit pre-conditions for increases in assessed contributions to be approved.

16. **Description.**

- The Seventy-fifth World Health Assembly approves an increase in levels of assessed contributions to 50% of the base segment of the Programme budget 2022–2023 to be achieved by 2029.
- Incremental increases are applied across the course of the following bienniums as a predetermined matter of course.
- Budgetary governance reform is undertaken in parallel.
- Other recommendations to achieve sustainable financing are also considered in parallel.

17. **Implications.** This option will:

- provide a step-change in the way WHO is financed;
- improve sustainable financing (that is, flexible and predictable) for core functions of WHO that must be financed under any circumstances (as in the recommendation of the Independent Expert Oversight Advisory Committee) and facilitate the “greening of the heatmap”;
- improve efficiencies by reducing the administrative costs associated with managing hundreds of donor agreements;
- contribute to improvements in attracting and retaining talent;
- allow Member States to retain and expand ultimate control of the process and its results;
- permit individual Member States to plan for financial commitments in a staged and predictable manner;
- permit continuing adoption of other recommendations for sustainable financing;
- align sustainable financing to reform of budgetary governance as requested by Member States, though not conditionally;
- maintain political and strategic momentum.

(e) Increasing assessed contributions to a level of 67% of base segment of Programme budget 2022–2023 in line with the recommendations of the Independent Panel for Pandemic Preparedness and Response

18. **Principles.** This option envisages adopting the recommendation of the Independent Panel for Pandemic Preparedness and Response in its report of early 2021. In its report, the Independent Panel noted that WHO's financing model, "seriously impacts the quality of the organisation's performance and, most importantly, the way WHO is financed is a major risk to the integrity and independence of the work of the organisation. Attempts during the last decades to improve the present model have not been successful. To the contrary, over the last two years the situation has become even worse. Experts have called for financial reforms linked to improving performance and the quality of work".¹

19. The Independent Panel presented two potential options for more substantive change in the present situation, either "The work of the organisation to be fully financed through a member fee, the assessed contributions," or "The major part of the base/core budget – 2/3 – to be financed through assessed contributions equal to a doubling of the present level".²

20. **Description.**

- an immediate increase of assessed contributions to 67% of the base segment of the approved Programme budget 2022–2023 takes place;
- the remaining portion of the base segment is financed through an unearmarked replenishment mechanism, akin to those used for the Global Fund to Fight AIDS, Tuberculosis and Malaria or Gavi, the Vaccine Alliance;
- Budgetary governance reform is undertaken in parallel.

21. **Implications.** This option will:

- provide a very high degree of flexibility and predictability of financial resources in WHO;
- eliminate highly inefficient reliance on small, specified donor grants which impose a considerable management and reporting burden;
- permit full or near-to-full achievement of good funding percentages;
- maintain political and strategic momentum;
- implement the recommendations of the Independent Panel for Pandemic Preparedness and Response;

¹ IPPPR. The World Health Organization: an Institutional Review. Background paper 15. Geneva: The Independent Panel for Pandemic Preparedness and Response 2021, p 11 (<https://theindependentpanel.org/wp-content/uploads/2021/05/Background-paper-15-WHO-Institutional-review.pdf>, accessed 13 April 2022).

² IPPPR. The World Health Organization: an Institutional Review. Background paper 15. Geneva: The Independent Panel for Pandemic Preparedness and Response 2021, p 28 <https://theindependentpanel.org/wp-content/uploads/2021/05/Background-paper-15-WHO-Institutional-review.pdf>, accessed 13 April 2022).

- improve attracting and retaining talent;
- to a significant degree expand Member States' ultimate control of the setting of priorities matched to the resources;
- impose a more considerable fiscal strain on many Member States as compared to other options.

Conclusion

22. Based on the rich and constructive discussions of the sixth meeting of the Working Group on Sustainable Financing, the Bureau identified several options for increasing assessed contributions, as presented above.

23. In deliberating these options, the Bureau established the following guiding principles.

- Keeping the status quo is not an option (consistent with findings of independent expert reviews) – the greened (agreed) text of the outcome of the fifth meeting of the Working Group itself states that WHO's current financial set up is not sustainable and needs to be improved.¹
- Member States have to act now – the window of opportunity is rapidly closing; in the wake of the COVID-19 pandemic other burning priorities are taking centre stage and the “panic and neglect cycle” is fast approaching. For those responsible for health – but also financial professionals – this is unacceptable. This cycle needs to be stopped immediately and the Seventy-fifth World Health Assembly in May 2022 offers a significant opportunity in that regard.
- Failing to act now will almost certainly cost more to each and every country in the world in the near and medium term compared to the relative investments needed. The Working Group needs to show the world that Member States have learned the lessons of the COVID-19 pandemic and are striving to be better prepared for the next pandemic and other health emergencies.
- The 50% target needs to be preserved – this is in line with Member States' expectation vis-à-vis WHO and, as demonstrated in the background paper provided by the Secretariat,² this is also the required minimum amount needed to enact fundamental change in WHO's financing. Negotiating this level of increase downwards may risk the underpinning aim of achieving financing sustainability.
- Budgetary governance reform and increased efficiencies are needed to accompany this process.
- The appropriation resolution for the programme budget remains the ultimate decision point for setting the assessed contributions for the subsequent budgetary period.

24. Based on these principles, the Bureau agreed that option (c) “a commitment to future incremental increases in assessed contributions adopted by the Seventy-fifth World Health Assembly, each to take effect concurrently with delivering key budgetary governance deliverables, to an eventual level of 50% of the base segment of Programme budget 2022–2023 ”, which is a readjusted proposal of the

¹ Documents EB/WGSF/5/4 and EB150/30.

² Document EB/WGSF/7/INF./1.

Bureau's original option, is the best suited option that follows the above guiding principles and takes account of the concerns expressed by Member States. The Bureau decided to present this as the best suited option to the seventh meeting of the Working Group on Sustainable Financing, scheduled to be held on 25–27 April 2022.

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