WHO sustainable financing in the European Region

Ensuring that WHO is sustainably financed is a priority of Member States. Sustainable financing is an issue at all three levels of the Organization, including in the WHO European Region.

This information document describes the WHO funding situation, both globally and in a European context, and presents the Organization’s financing model and its inherent challenges.

The document shows that:

- the share of sustainable financing available to the WHO Regional Office for Europe remains limited, making it highly dependent on voluntary contributions that are often earmarked for specific priorities and/or geographical areas, are unpredictable and do not cover a long enough period of time;
- the current financing model leads to an uneven distribution of resources and the persistence of underfunded areas of work;
- the current funding base of WHO is narrow, with a limited number of top contributors representing a very large share of the financing available to the Organization to fulfil its mandate; and
- the financing model of WHO leads to important challenges across the three levels of the Organization, which ultimately impacts its performance negatively.

This document supports the draft resolution on WHO sustainable financing in the European Region that is submitted to the Regional Committee at its 71st session.
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Background

1. At the time of the Organization’s establishment, WHO functions were predominantly normative (15 of the 22 functions listed in the WHO Constitution are of a normative nature) and its budget was financed exclusively by the membership fees – assessed contributions (AC) – of its 61 founding Member States. These contributions are calculated based on the size of the country’s economy and population. This “core” funding is used by the Organization to run its essential functions.

2. Since then, driven by the impact of demographic, economic, environmental and other external factors, as well as by changes in the disease burden and expanded membership of the Organization, the scope of WHO’s work and the results expected from it have increased dramatically, while the level of AC has not.

3. While WHO’s programme budget has quadrupled in the last three decades – from US$ 1.4 billion in 1990–1991 to US$ 5.8 billion in 2020–2021 – the amount of AC has remained the same, at about US$ 1 billion per biennium. This has led to an increased reliance of the Organization on voluntary funding, which now represents 80% of WHO’s total funding (Fig. 1).

Fig. 1. WHO-approved programme budget funding trends since 1990–1991 (US$ millions)

4. The financial situation of the WHO Regional Office for Europe (WHO/Europe) mirrors the global one: AC represent only 20% of its total funding, or 18% of its budget in the current biennium. WHO/Europe is therefore also highly dependent on voluntary contributions (VC), a large share of which is strictly earmarked for specific areas of work, countries, and/or expenditure categories. As a result, a huge share of WHO/Europe’s core work relies on unpredictable, discretionary funding.
WHO’s funding sources: definitions and historical perspective

5. WHO’s funding comes from three sources: AC, VC (different categories) from Member States and other partners, and programme support costs.

6. VC are further categorized based on their respective degree of earmarking:
   - Core voluntary contributions (CVC): fully unconditional (flexible) funds, meaning WHO has full discretion on how these funds should be used to fund the programmatic work of the Organization. CVC represent about 4% of all VC.
   - Thematic and strategic engagement funds or thematic voluntary contributions (VCT): partially flexible funds, earmarked for WHO priority areas jointly agreed on with the contributor. These funds represent 6% of all VC.
   - Specified voluntary contributions (VCS): funds tightly earmarked for specific programmatic areas and/or geographical locations and time frames. VCS represent 90% of all VC.

7. Programme support costs are charged as a percentage of VC at the time of programme implementation. A range of percentage rates exists.

8. As part of ongoing work on sustainable financing by the Working Group on Sustainable Financing (WGSF) – established through Executive Board decision EB148(12) – a new definition of sustainable financing is now used by the Organization. It is understood to be:
   - predictable, that is, similar to AC in that WHO is aware of the exact financing level before the biennium starts and can reliably count on these funds;
   - medium to long term, that is, at a minimum, covering the duration of a general programme of work (usually five years);
   - flexible, that is, allowing full alignment with the priorities of the approved programme budget, including staff and activity costs, with no limitations on the type of activity, location or programme budget outcomes and outputs;
   - not wholly dependent on a small number of contributors or the size of their contributions; and
   - largely in support of the base segment of the approved programme budget.

9. In essence, sustainable financing covers AC, CVC, programme support costs and a fraction of other VC.

10. This funding is mostly used to sustain WHO core functions and functions that do not usually attract VC. On average, a quarter of WHO programme budget financing is considered sustainable (Fig. 2).
11. The percentage of sustainable financing is higher when looking at the base segment alone (Fig. 3).

Fig. 2. Financing of WHO Programme budget 2018–2019 by type of funds (percentage of total approved programme budget)

Fig. 3. Financing of WHO base segment 2018–2019, by type of funds (percentage of base segment’s approved programme budget)
WHO/Europe’s current funding situation

12. As a proportion of the programme budget, specified and thematic voluntary contributions (VCST) follow similar trends and patterns in the WHO European Region as for WHO globally. While WHO/Europe’s total programme budget has increased almost 2.5 times over the past four biennia – from US$ 225 million in 2014–2015 to US$ 536 million in 2020–2021 – the amount of sustainable financing has remained constant at around US$ 100 million per biennium (Fig. 4). The base segment follows the same trend (Fig. 5).

**Fig. 4. WHO/Europe programme budget and its financing over time, 2014–2021**

![Graph showing WHO/Europe programme budget and its financing over time, 2014–2021]

*Note: AC = assessed contributions; CVC = core voluntary contributions; PB = Programme budget; PSC = programme support costs; VCST = specified and thematic voluntary contributions.*

**Fig. 5. WHO/Europe base segment programme budget and its financing over time, 2014–2021**

![Graph showing WHO/Europe base segment programme budget and its financing over time, 2014–2021]

*Note: AC = assessed contributions; CVC = core voluntary contributions; PB = Programme budget; PSC = programme support costs; VCST = specified and thematic voluntary contributions.*
13. The level of VCST has increased over the same period, both in relative and absolute terms. From representing slightly more than half of the programme budget financing in 2014–2015, it accounted for two thirds in 2018–2019, and has increased to 81% thus far in 2020–2021, in other words, an increase from US$ 111 million in 2014–2015 to US$ 380 million in 2020–2021 (as at end of March 2021). This clearly illustrates WHO/Europe’s high dependence on VC and its relatively low share of sustainable financing: 29% of WHO/Europe’s Programme budget and 41% of its base segment in 2018–2019 (Figs. 6 and 7).

Fig. 6. Financing of WHO/Europe Programme budget 2018–2019 by type of funds (percentage of total approved programme budget)

Fig. 7. Financing of WHO/Europe base segment 2018–2019 by type of funds (percentage of base segment approved programme budget)
**Earmarked contributions and “pockets of poverty”**

14. A significant proportion of WHO’s VC is earmarked to specific areas of work, and this has resulted in an uneven distribution of funding across programme budget segments, major offices, levels and programme areas of the Organization. Resource partners’ preferences and areas of interest are determining factors influencing earmarking decisions.

15. While the Thirteenth General Programme of Work, 2019–2023 (GPW 13), was designed to address this issue, the problem has persisted. In the middle of biennium 2020–2021, the top three WHO outcomes received 63% of VCST available to the WHO/Europe base segment, while the bottom three received only 6%, as illustrated by Fig. 8. While earmarked contributions to the emergency response have greatly increased in 2020–2021 as a consequence of the COVID-19 pandemic, outcomes of the base segment related to detection and prevention of epidemics and pandemics, including International Health Regulations (GPW 13 outcomes 2.2 and 2.3), are still underfunded.

**Fig. 8. WHO/Europe’s specified and thematic voluntary contributions by GPW 13 outcome, base segment, 2020–2021**

* as at 31 March 2021.
Note: VCS = specified voluntary contributions; VCT = thematic voluntary contributions; AC = assessed contributions; CVC = core voluntary contributions; PSC = programme support costs.

**Narrow funding base**

16. WHO Member States (providing 58% of total specified and thematic voluntary contributions) and the European Union (EU) (22%) represent the two largest categories of contributors to WHO/Europe. The remaining categories are United Nations organizations (6%), partnerships including the GAVI Alliance and the Global Fund to Fight AIDS, Tuberculosis and Malaria (5%), and non-State actors (academic institutions, nongovernmental organizations (NGOs), philanthropic foundations and private sector entities – 4% combined).

17. When compared with the composition of these funds received by WHO globally, the share that WHO/Europe receives from governments is significantly higher, as reflected in Fig. 9. WHO/Europe is also quite successful at attracting voluntary funds from intergovernmental organizations, largely from the EU. The shares from United Nations organizations, philanthropic foundations and the private sector in WHO/Europe are lower than in WHO globally.
Fig. 9. Specified and thematic voluntary contributions to WHO/Europe and to WHO globally: composition by resource partner categories (2020–March 2021)*

* as at 31 March 2021.
Note: VCST = specified and thematic voluntary contributions.

**WHO/Europe’s Member States as contributors to the regional programme budget**

18. Member States in the European Region and the EU have increased their support to the work of the Region over time, and their contributions to all segments have grown.

19. Funding from Member States in the Region in 2020 accounted for nearly half of all VCST received by WHO/Europe. Ministries of health and local governments and ministries of education, environment and finance mostly supported the base segment, while ministries or agencies of foreign affairs and development supported priority emergency operations.

20. In 2020, of the 16 Member States that provided VC to WHO/Europe through their ministries of health (Fig. 10.1), funding from five Member States accounted for 93% of all VCST received. The concentration of funds from a limited number of ministries and agencies is even higher for ministries or agencies of foreign affairs and development, with three out of 13 European Member States providing 92% of all VC received in WHO/Europe (Fig. 10.2).
Note: VCST = specified and thematic voluntary contributions.

21. Withdrawal of any of these major contributors would leave an immediate and substantial funding gap that would be difficult to fill due to the limited amount of sustainable financing.

**Challenges associated with the WHO financing model**

22. The current financing model of WHO poses considerable challenges at the three levels of the Organization:

- The inability to predict voluntary funding makes it challenging for WHO to deliver on its commitments; effective workforce planning and management has proven difficult, which, in turn, impedes the Organization’s ability to attract and retain qualified professionals.

- The donor base for substantial VC is narrow and carries inherent vulnerabilities for programme delivery.

- Earmarking of most of the VC reduces funding flexibility and limits the capacity of WHO to allocate funds to underfunded areas, which in turn leads to distortion of priorities and unequal levels of funding across programme budget outcomes, outputs and programmes.

- Besides flexible funding and significant grants from a handful of contributors, WHO relies on a very large number of medium and small VC, management of which requires substantial administrative support, incurring additional costs. For example, of the approximately 3000 currently active awards in WHO as a whole, 80% are related to specified VC with different start and end dates and specific reporting requirements.

- The separation of strategic and financial resource decisions is another challenge. The adoption of the WHO long-term (5–10 year) general programme of work defining the overall strategic priorities and direction of the Organization is not directly linked to the adoption of WHO biennial programme budgets. In addition, the two-year approved programme budget, which translates the strategic priorities
into deliverables (currently referred to as outcomes and outputs), includes budget allocations, but as the programme budget is results based, it does not represent the funds available but the amounts needed for the results to be achieved. It is thus not funded at the point at which it is approved by the Member States.

- Even though costed in a European context and globally, decisions and resolutions adopted by WHO governing bodies are not directly linked to the programme budget decision-making processes. This creates potential discrepancies between the strategic directions adopted by Member States and the financial resources available to WHO to implement them.

### Initiatives to date to address sustainable financing issues

23. Various mechanisms have been implemented to improve the sustainability and alignment of WHO’s finances over time.

24. At the global level, the efforts include:

- The establishment of the CVC account.
- The organization of an informal consultation convened by the Director-General on the future of financing for WHO, which resulted in a formal report presented to the Executive Board in January 2011, with input from all six regional committees (2010–2011).
- The launch of a series of strategic financing dialogues aimed at ensuring a match between WHO’s results and deliverables, as agreed in the programme budget, and the resources available to finance them.
- The introduction of the VCT. Their share has increased from 2.8% of WHO total funding in 2018–2019 to 5.5% at the end of the first quarter of 2021, and the number of contributors has increased from 24 in 2018–2019 to 30 at present. These funds play an important role in the European context, where Belgium, the EU, Finland, Germany and the Netherlands contribute with VCT.

25. Member States in the Region have been active supporters of the above efforts as follows:

- 11 out of 14 CVC contributors are from the European Region, representing on average 90% of the total amount of CVC received by WHO over the last two biennia.
- Member States in the Region actively participated in the above-mentioned global consultation on the future of financing for WHO.
- Currently, 14 out of 34 contributors providing VCT are Member States in the Region, together representing 45% of the total amount received by WHO; contributions of the EU represent an additional 28%.

26. While these mechanisms have contributed to greater alignment and improved flexibility and efficiency, to date they have not been able to fundamentally tackle the financing challenges faced by WHO.

27. In 2021, the WGSF was established through Executive Board decision EB148(12) to support this process. The WGSF was tasked to develop a systemic approach for identifying
essential WHO functions, assessing the levels of their costs, and recommending funding sources for their sustainable financing.

28. The WGSF meets on a regular basis and reviews several sustainable financing approaches. Its recommendations will be presented at the 150th session of the Executive Board in early 2022.

29. The Twenty-eighth Standing Committee of the Regional Committee for Europe (SCRC) subgroup on WHO/Europe’s financing was established by European Member States at the second session of the Twenty-eighth SCRC, mainly to review the Region’s funding composition and trends, identify systemic financial challenges, understand the drivers behind them and identify possible measures to mediate or overcome the identified challenges.

30. The subgroup has reviewed and discussed the historical and current financing situation of WHO/Europe and reflected their considerations in the draft resolution on WHO sustainable financing in the European Region developed by the subgroup. The draft resolution has been endorsed by the SCRC and will be considered for adoption at the 71st session of the WHO Regional Committee for Europe in September 2021.

31. Particular attention has been given to ensuring strong linkages between the work of the WGSF and of the SCRC subgroup to ensure a strong alignment between deliberations at the regional and global levels.