

Additional information presented by the Secretariat prior to the last session of the Open-ended intergovernmental meeting on the draft Framework of engagement with non-State actors (25-27 April 2016)

COST IMPLICATIONS FOR WHO OF THE IMPLEMENTATION OF FENSA

Background

1. The EB (EB138(3)) requested the Secretariat to present an objective and balanced report on the implications for WHO of the implementation of the framework and also requested the secretariat to organize a mission briefing on the report.
2. The Secretariat sought the assistance of the External Auditor to conduct an independent assessment on the implications to WHO of the implementation of FENSA. The External auditors report is available as document A/FENSA/OEIGM/4.
3. In the mission briefing at WHO HQ on 18 April, several Member States expressed concern that the report did not meet their expectations, and requested additional information on, inter alia, the estimated costs of implementation of FENSA.
4. The additional information provided by the secretariat addresses the following questions:
 - With how many non-State actors (NSAs) does WHO currently engage?
 - What is the estimated number of engagements with NSAs at each level of the organization?
 - How much time is currently spent on managing engagement with NSAs, and how will this change in the future with FENSA? How does this translate into staff time and cost?
5. This additional information is extrapolated from the survey responses from HQ Clusters, Regional offices and Country Offices, based on the following methodology and assumptions:
 - Survey responses from HQ clusters and Regional Offices were complete, with the exception of a small number of HQ departments. Cluster responses have been adjusted to take into account non responses.
 - 14 country offices (COs) in countries of differing sizes and socio-economic situations were selected by Regional Offices. The results of these countries were extrapolated to all country offices.

Estimated number of non-State actors with which WHO engaged in 2015

6. Based on the survey, extrapolated to the whole of WHO, the number of NSAs with which WHO engaged in 2015 is 42,130

	NGOs	Private sector entities	Philanthropic foundations	Academic institutions	Total
Country offices	15,250	2,365	4,650	6,665	28,930
Regional offices	2,095	130	135	795	3,155
Headquarters	4,850	1,425	295	3,470	10,040
Total	22,195	3,920	5,080	10,930	42,125

7. This is likely to be a significant overestimate, as each office has independently estimated the number of NSAs with which it engages, resulting in the same NSA being counted several times. For example, a single NGO which had engaged with 7 Country Offices, 2 Regional Offices and 3 clusters would have been counted 12 times.
8. A factor of 5 has been used to correct for this systematic overestimation. This correction factor is derived from the known number of NSAs which provide resources to WHO, according to the financial statement (293), compared with the number of NSAs providing resources estimated from the survey (1,609). It is assumed the same correction factor can be applied to other types of engagement
9. If, on average, each NSA has engaged with 5 different offices of WHO, the total number of NSAs with which WHO engaged in 2015 is about 8,500.

Estimated number of engagements with non-State actors in 2015

10. Based on extrapolations from the survey, there were approximately 90,000 separate engagements with NSAs across the three levels of WHO in 2015, of which 67,718 (77%) were at Country Offices, 2,799 (3%) at Regional Offices, and 17,365 (20%) at HQ.

NSA type	Participation	Resources	Evidence	Advocacy	Technical collaboration	Total
NGO	21,515	1,048	1,359	2,380	23,459	49,761
Private sector entities	2,906	390	657	582	1,969	6,504
Philanthropic foundations	853	733	460	832	405	3,283
Academic institutions	10,166	390	2,121	1,270	14,387	28,334
Total	35,440	2,561	4,597	5,064	40,220	87,882

Estimation of costs

11. In order to estimate the cost of implementation of FENSA, the current costs of managing NSA engagements have to be compared with the future costs of managing engagements under FENSA.
12. For the purposes of this costing exercise, it is assumed that implementation of FENSA will not lead to significant changes in the number of NSAs with which WHO engages, nor the number of engagements.
13. The main costs of engagement for WHO with NSAs are staff time, for three main groups of activities:
 1. Due diligence & risk assessment
 - a) Initial screening, due diligence & risk assessment
 - b) Updating due diligence & risk assessments for new types of engagement or when the NSA changes
 - c) Clearance of engagement proposals
 2. Documenting & recording engagements
 3. Transaction costs of the engagement
14. Currently, **due diligence & risk assessments** are carried out centrally and by technical units, but are not standardised nor systematically recorded, with the exception of due diligence & risk assessment carried out centrally by the department for Partnership and non-State actors (PNA). PNA conducted 624 due diligence & risk assessments in 2015. This work was performed by four professional staff spending on average half of their time on this task (2 FTEs), i.e. 6 hours per assessment. (This does not include the staff time of the technical unit concerned and with other units e.g. Legal office (LEG), and Compliance, Risk Management and Ethics (CRE)).
15. Currently, there is no system for **documenting and recording engagements**, with the exception of those relating to resources, which are recorded centrally for financial records and reports. 293 NSAs contributed resources to WHO in 2015, but the staff time for negotiating these financial agreements is not known.
16. The **transaction costs of engagement** are not recorded or reported, and are not expected to change with the introduction of FENSA.
17. With implementation of FENSA, responsibility for **due diligence & risk assessment** will be transferred to the central unit (with the exception of some local organizations, which will be carried out by the Country Office). It is assumed there will be a significant increase in the number of due diligence & risk assessments at the central level. It is estimated that each due diligence & risk assessment requires 6 hours staff time.
18. With implementation of FENSA, there will be a substantial increase in staff time required for **documenting & recording engagements**, which will be incurred by the technical units concerned. It is estimated that documenting & recording each engagement will require 20 minutes of staff time.
19. Staff time in the central unit and in Regional Offices will also be required for **quality assurance & monitoring compliance**.
20. There will also be some initial startup costs for the following activities:

- Development of Global Engagement Management Register (USD 1.2 million in 2015-16)
- Orientation and training of staff
- Transfer of information into Global Engagement Management Register

21. Non-State actors will also incur costs of staff time to submit the information required in the register of NSAs.

Annual cost estimates of engagement

22. Estimated staff time: total hours / FTE equivalents

Assumptions:

- (a) Engagement with 8,500 NSAs and 4,000 due diligence/risk assessments per year
- (b) 6 hours staff time per due diligence & risk assessment
- (c) 90,000 engagements per year
- (d) 0.3 hours staff time to document and record each engagement
- (e) 1 hour staff time for quality assurance and monitoring compliance per NSA
- (f) Average annual budgeted cost per FTE of USD 200,000

Costs of engagement	Current costs technical units	Current costs central units	Future costs technical units	Future costs central units
Due diligence & risk assessment	23,400 / 13	3,600 / 2	0	24,000 / 13
Documenting and recording engagement	0	0	27,000 / 15	0
Quality assurance & monitoring compliance	0	0	0	8,000 / 4
Total hours / FTE	23,400 / 13	3,600 / 2	27,000 / 15	32,000 / 17
Cost (USD million)	2.5	0.4	2.9	3.5