



## Allocation of Flexible Funds and Proposed Key Performance Indicators for Sustainable Financing

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### Summary

While the WHO Base Programme budget represents the outcome of a results-based costing mechanism, its financing remains challenging and regularly presents gaps. This explainer provides details of the WHO financing, its types, corporate principles of funds management as well as the main challenges of the current financing mechanism. A set of proposed key performance indicators, including several output leading indicators, is put forward to monitor improvements in sustainable financing, including increase in assessed contributions.

### Flexible Funds

**Flexible Funds** consist of three types of funds grouped together to provide the Director-General strategic ability to fund the Organization based on priorities set out in the base segment of the Programme budget. These are:

- **Assessed Contributions (AC):** The “dues” assessed from Member States and Associate members used to finance the Programme budget. It is calculated based on two elements: 1) the overall amount to be financed by assessed contributions, and 2) the amount to be financed from each Member State is calculated on the WHO scale of assessments, adopted by the World Health Assembly based on the United Nations scale in place at the time. In 2022-2023, the net assessment provides WHO with US\$ 956.9 million of assessed contributions.

- **Programme Support Costs (PSC):** Indirect cost recovery mechanism (administrative and management costs) levied on each voluntary contribution.
- **Core Voluntary Contributions Account (CVCA):** voluntary contributions provided to WHO that are fully flexible to fund technical (i.e. not administrative programmes) in the Programme budget.

WHO's flexible funding – particularly assessed contributions – is mostly used to sustain functions such as leadership, management, data, administrative and technical support that do not usually attract voluntary contributions.

### WHO internal corporate principles for governance and management of flexible funds

In consultation with the Global Policy Group (a committee composed of the Director-General and the Regional Directors), the Director-General decides on the biennial allocation of flexible funds by major office. That decision is communicated before the start of each biennium in order to:

- ensure more predictable and sustainable planning of staff and activities.
- support better priority-setting in finalizing human resource plans.
- improve and streamline the management of flexible funds during the biennium; and
- promote transparent allocation across all major offices.

The Director-General delegates authority to the Regional Directors to allocate flexible funds strategically in their respective Major offices to ensure an equitable balance in the funding of Programme budget outputs and outcomes throughout the biennium.

Flexible funds are used to ensure operational capacity for staff costs and critical activities within the approved Programme budget.

Flexible funds utilization is closely monitored during the biennium to ensure that (i) funds are shifted towards underfunded priority areas and away from areas that benefit from other sources of funds and (ii) funds are implemented in a timely fashion.

Flexible funds may be used as catalytic funds in priority areas to attract other resources, although the use of flexible funds to subsidize projects that are meant to be fully funded by voluntary contributions is discouraged.

### Revised approach in allocating the proposed increase in assessed contributions for 2024-2025

In pursuing its commitment to greater budget governance and transparency, the Secretariat has developed a targeted approach in allocating the proposed increase in assessed contributions for the Programme budget 2024-2025 as follows:

- The allocation of the increase in assessed contributions will be directly related to high-priority outputs, with particular emphasis on the country level and those prioritized outputs that traditionally present large financial gaps. It is proposed that the Organization focus its efforts on funding high-priority outputs up to 80% of their budget through a combination of voluntary contributions and flexible funds.
- The commitment to funding the high-priority outputs up to 80% of their budget will enable the strengthening of technical capacity at the country level, including the ability for country offices to increase their workforce resources. This will be done in line with the three-level workforce planning.

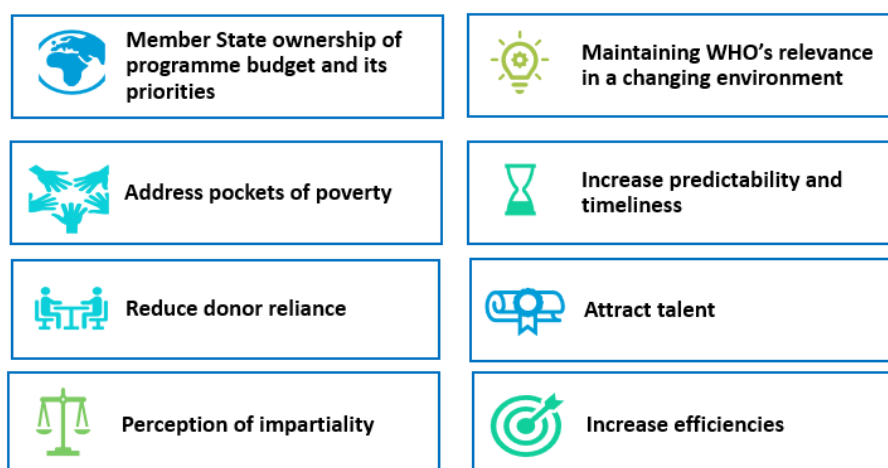
- As enabling functions of the Programme budget outcomes 4.2 and 4.3 are greatly dependent on the flexible resources, any increase in the cost of enabling functions in 2024-2025 must be minimal and focused on the prioritized areas of transparency, accountability and risk management, with a specific focus on PRSEAH. The financing of enabling functions must be partially covered by an increase in efficiencies to offset the higher costs in this area.
- Retaining flexibility of these funds is a key element in ensuring their strategic nature.

The responsibility of following the above principles will be with every Major office.

Making these proposed changes to the allocation of the most predictable and sustainable resources of the Organization, including the increase in assessed contribution, the Secretariat will be able to get closer to addressing the eight key challenges emanating from the lack of sustainable financing (see next section).

### Proposed Key Performance Indicators for sustainable financing including increase in assessed contributions

At the core of the Working Group on Sustainable Financing deliberations were eight key challenges, which an increase in AC would help to rectify or even solve. These challenges are:



As part of accountability of the Secretariat to its Member States for the improvements in sustainable financing, including increase in assessed contributions, and in order to monitor how the identified challenges are being addressed, several Key Performance Indicators (KPIs) are being proposed for discussion with Member States and subsequent adoption for implementation. Once agreed, these indicators will be tracked until biennium 2030-2031 in line with the timeline of the sustainable financing recommendations (WHA75.9 and WHA75(8)). The Secretariat will include reporting on these KPIs into its regular reporting to the governing bodies on Programme budget implementation. These indicators should also be seen in conjunction with leading output indicators for the outputs 4.2.3 (*Strategic priorities resourced in a predictable, adequate and flexible manner through strengthening partnerships*) and 4.2.4 (*Planning, allocation of resources, monitoring and reporting based on country priorities, carried out to achieve country impact, value-for-money and the strategic priorities of GPW 13*) (see WHO Web portal: [WHO | Programme Budget Web Portal](#)).

Below these 8 challenges are briefly summarized and the proposed indicators with their baselines, targets, supporting data and explanatory notes are listed.

### Member State ownership of programme budget and its priorities

The Member States of the World Health Assembly approve the priorities of WHO through its Programme budget. However, when the Programme budget is funded predominantly by voluntary contributions this makes it extremely difficult to ensure that the priorities set out by the World Health Assembly are adequately financed. Setting priorities is not a realistic exercise if it is done by one party while financed by another at the latter's discretion. As a result, the setting of priorities in a meaningful manner must be accompanied by a discussion as to how these should be financed in a realistic manner that can be determined by those setting the priorities.

#### Proposed indicator

**1. High priority outputs funded up to 80% of their planned budget from assessed and voluntary contributions**

Baseline (31 Dec 2021): 58%

Target (31 Dec 2025): 80%

*Note: High priority outputs are the ones identified during the Programme budget 2024-2025 development process. Details of priority setting and priority ranking can be seen in the dashboards of the Programme budget digital platform ([PB2425 - Dashboard - Output prioritization for 2024-2025, by output for budget \(who.int\)](#)). Allocation of funds will be done to a budget centre level, starting at country level. A separate PB explainer is being developed to show high priority outputs, their budgets and what 80% of their financing will signify.*

### Address pockets of poverty

One of the most pressing concerns raised by a lack of sustainable financing is that of “pockets of poverty”. As a significant proportion of WHO's voluntary contributions are earmarked for activities, areas of work or geographic locations that contributors prefer to support, this leads to a situation of under and overfunding across Programme budget segments, Major offices and levels of the Organization. Even if the Organization as a whole appears to be fully funded, if some areas are funded over 100%, the inflexibility of funding may prevent the excess funds being used where most needed. The Organization makes every effort to rebalance the financing levels between severely underfunded and well-funded technical areas. The increased level of assessed contributions will help to rebalance pockets of poverty to a degree.

#### Proposed indicators

**1. The funding of outcomes at Major office level funded below 40% improved at least by 5%**

Baseline (31 Dec 2021): 8 outcomes at Major office level are funded below 40% (Figure 1)

Target (31 Dec 2025): their level will increase by 5% respectively

*Note: Rationale for 5% increase is the following: ~200M AC increase represents 4% of the 2024-2025 Base budget segment, therefore 5% is reasonable enough expectation for an increase. Due to changes in the result structure of strategic priority 3 that occurred between*

## Proposed programme budget 2024-2025

*the 2020–2021 and 2022–2023 bienniums, for this strategic priority values of 31 December 2023 will be used instead to ensure comparability.*

**Figure 1. Heatmap of Programme budget outcome funding by Major Office (as at 31 December 2021)**

Global outcomes	AF Africa	AM Americas	EM Eastern Mediterranean	EU Europe	SE South East Asia	WP Western Pacific	HQ Headquarters	Grand Total
1.1 Improved access to quality essential health services	105%	100%	151%	118%	100%	101%	192%	131%
1.2 Reduced number of people suffering financial hardship	59%	94%	38%	92%	72%	85%	120%	80%
1.3 Improved access to essential medicines, vaccines, diagnostics and devices for primary health care	78%	76%	51%	80%	61%	63%	116%	92%
2.1 Countries prepared for health emergencies	77%	130%	61%	71%	42%	62%	85%	73%
2.2 Epidemics and pandemics prevented	89%	62%	167%	61%	66%	32%	63%	84%
2.3 Health emergencies rapidly detected and responded to	108%	19%	108%	63%	132%	86%	78%	87%
3.1 Determinants of health addressed	78%	92%	62%	69%	110%	71%	179%	109%
3.2 Risk factors reduced through multisectoral action	20%	49%	74%	91%	90%	70%	93%	64%
3.3 Healthy settings and Health-in-All Policies promoted	18%	15%	38%	72%	81%	40%	88%	47%
4.1 Strengthened country capacity in data and innovation	84%	52%	36%	60%	78%	58%	105%	84%
4.2 Strengthened leadership, governance and advocacy for health	54%	143%	74%	101%	69%	94%	134%	96%
4.3 Financial, human, and administrative resources managed in an efficient, effective, results-oriented and transparent manner	118%	85%	94%	109%	94%	102%	109%	105%
<b>Grand Total</b>	<b>84%</b>	<b>75%</b>	<b>103%</b>	<b>92%</b>	<b>84%</b>	<b>82%</b>	<b>125%</b>	<b>99%</b>

### Predictability and Timeliness

Assessed contributions is the only fully predictable source which Member States can provide. It also avoids a problem of voluntary contributions which can be received at varying times over the course of a biennium and seriously hampers the full implementation of planned results even if those results appear, at the end of the biennium, to have been fully funded. Assessed contributions, being considered available from the start of the biennium, eliminates this problem. The Working Group recommended that funding be found for WHO which, “is fully flexible or at least thematic in nature, as well as sustainable and predictable” (EB/WGSF/5 para 39(e1)). This also improves strategic planning of activities, as most assessed contributions allocations are committed at the start of the biennium, as a key input for managers during operational planning process.

#### Proposed indicator

No specific indicator is proposed as the increase in assessed contributions itself is the ultimate solution to this challenge.

### Perception of impartiality

For the Organization to carry out its duties effectively in any circumstances, it has to be able to act without concerns for where financing is coming from, not least in terms of potential conflicts of interest. Assessed contributions provided by its own Member States gives it full confidence to act with impartiality and without having to consider perceptions associated with heavy donor reliance. This was specifically called for by the IPPPR among others. Furthermore, the Director-General stated that, “WHO’s reliance on voluntary contributions to fund over 80% of the approved Programme budget threatens its ability to deliver the impartial and world-class normative work that Member States expect” (WGSF4/3 para 2)).

#### Proposed indicator

**1. Funding from the top 5 donors of voluntary contributions for any given outcome does not exceed 50%**

Baseline (31 Dec 2021): 1

Target (31 Dec 2025): 0

**Table 1.** % funding of Programme budget outcomes by flexible funds, top 5 donors and other voluntary contributions

Outcomes	01.001	01.002	01.003	02.001	02.002	02.003	03.001	03.002	03.003	04.001	04.002	04.003	Total
<b>All Donors</b>													
Number of Donors (excl FF)	246	34	75	103	84	65	106	64	41	58	47	46	364
% Flexible Funding	20%	38%	25%	29%	8%	45%	35%	37%	56%	47%	84%	94%	40%
% Top 5	45%	40%	38%	44%	68%	32%	31%	37%	27%	32%	11%	5%	31%
% Others	35%	22%	37%	27%	23%	23%	34%	26%	18%	21%	5%	1%	29%

**Maintaining WHO's relevance and timely response to the changing public health environment**

Sustainable funding is critical to respond to the changing public health environment and to address areas – such as emergency preparedness, noncommunicable diseases and universal health coverage – that traditionally do not appeal to a broad spectrum of voluntary contributors. In the biennium 2020-2021, in the midst of the COVID-19 pandemic, Programme budget outcomes corresponding to the one billion more people better protected from health emergencies target were among the least funded areas of WHO.

No specific indicator is proposed. The leading output indicator **4.2.3.IND1** can be used to monitor this aspect – the more flexible the WHO funding is, the greater ability WHO will have to respond to the changing public health environment.

**Leading output indicator 4.2.3.IND1**

**1. Proportion of flexible and semi-flexible funding of the overall funding available for the biennium**

Baseline (31 December 2022): 49%

Target (31 December 2025): 60%

**Quality of work – attracting talent**

The strength of WHO as an organization lies in the excellence of its staff. However, owing to the fact that the bulk of WHO's current financing is strictly earmarked and not predictable, and given that the largest cost component of the Organization's expenditure is for workforce contracts (both staff and non-staff), effective workforce planning and management have proven difficult. This, in turn, ultimately impedes the Organization's ability to attract and retain the best professionals in global health.

No new specific indicator is proposed. It is suggested to use the leading output indicator 4.3.2.IND4 to measure progress in this area.

**Leading output indicator 4.3.2.IND4**

**1. Percentage of short-term contracts holders within WHO workforce**

Baseline (31 Dec 2022): 22.4%

Target (31 Dec 2025): 20%

*Note: Introduction of the timely and dynamic human resources data on the WHO Programme Budget Web Portal (<http://open.who.int>) (to go live mid-May 2023) will present current and past human resources information and its contribution to the implementation of GPW13 (and future ones). This information will facilitate monitoring of this indicator and will allow Member States to follow the progress on a monthly basis.*

**Donor reliance**

WHO's significant reliance on voluntary contributions is further intensified by the dependence on a somewhat narrow donor base, with only a few large donors. The top five donors of voluntary contributions represent between 30% and 60% of the financing for Programme budget outcomes in the Programme budget 2020–2021. Withdrawal of any of these major donors would leave an immediate, substantial funding gap that cannot be bridged easily due to the very limited amounts of sustainable, flexible and predictable financing.

**Proposed indicator**

The indicator listed under Perception of impartiality will also measure donor reliance.

**Increasing efficiencies by reducing the administrative burden on managing many small grants**

Besides flexible funding and significant grants from a handful of contributors, WHO relies on a very large number of medium and smaller voluntary contributions. A single Programme budget outcome could rely on funding from over 150 distinct contributions. As a result, within one biennium, the Secretariat manages thousands of awards across hundreds of budget centres, which represents a significant administrative burden. The negotiation, mobilization, management, implementation and reporting on these grants, also takes away from the time that technical teams would have dedicated to technical cooperation activities, and often also implies the need to hire extra support to help managing or monitoring the grants, which also takes away from funds that otherwise could be used for core work.

**Proposed indicator**

**1. Number of smaller grants (less than US\$ 500,000) reduced by 10% or 80 grants**

Baseline (31 Dec 2021): 430 smaller grants or 55% of the total number

Target (31 Dec 2025): 350 smaller grants or 45% of the total number

*Note : this indicator will show the increased level of sustainable financing due to increased assessed contributions as well as measure the effort in resource mobilization to negotiate better quality, more predictable and longer-duration agreements/grants.*