

11.6 Financing of administrative and management costs

Contents

- [In focus at WHA67](#)
- [Background](#)
- [PHM comment](#)
- [Notes from WHA67 debate](#)

In focus at WHA67

The Assembly will consider [A67/10](#).

At one level this item is about a simple matter of accounting. How will administrative and management and leadership and governance costs be accounted for?

Behind this is the question whether certain donors will continue to get away with donating to program costs but not picking up the associated administrative and infrastructure costs. It is necessary to have this issue dealt with at the Assembly to strengthen the hand of the Secretariat in dealing with these donors and insisting on them paying the PSC (program support cost) and POC (post occupancy charge).

Looming behind both issues is the continued freeze on assessed contributions, the refusal of most voluntary contributors to contribute to the core voluntary account (not earmarked), and the continuing donor chokehold over WHO.

Background

With the freeze on assessed contributions (AC), the proportion of WHO expenditure coming from ACs has fallen to around 23%. ACs as a source of funds has gone increasingly to fund administration, management, infrastructure etc. The total cost of 'Administration and Management' (A&M) and 'Stewardship and Governance' (S&G) in 2012 was in excess of the total revenue from ACs. WHO has sought to raise administration and management funds from voluntary contributions (VCs) through the 13% admin charge on VC funded programs (from 1981); the 'post occupancy charge' (POC), from 2010 which is an admin charge on VC funded staff; and the Real Estate Fund.

However, many donors have been reluctant to pay the admin charge or the POC and, in the past, have negotiated discounts, thereby increasing the burden on AC funds.

If ACs are used solely to cover the admin costs that the donors do not pick up, it means that the governing bodies have absolutely no discretion with respect to implementing programs which have GB support but which do not attract donor support.

In May 2013 Member States considered the findings of the study by an external consultant on the funding, budgeting and monitoring of management and administrative costs at WHO ([EBPBAC18/3](#) and [EB133/2](#)). The report to the Board in Jan 2014 ([EB134/11](#)) described the approach proposed to Member States in relation to the recommendations of the consultant.

The report before the Assembly [A67/10](#):

- defines and delineates the category Administrative and Management (A&M) costs for budgeting and accounting purposes;
- defines and delineates the category Stewardship and Governance (S&G) costs for budgeting and accounting purposes;
- proposes that A&M costs be budgeted and accounted for in the five functional categories of the program budget so that their link to program functions is clear, and so the requirement on donors to fund these costs (in relation to donor supported programs) is clear although they would also be reported separately;
- proposes that S&G costs remain in Category 6 as a separate category;
- reviews possible mechanisms for raising A&M funds;
- recommends a policy approach to be applied from 2016-17:
 - S&G to be funded by ACs so as to be secure from uncertainties with respect to VCs
 - Infrastructure and admin costs to be categorised as direct (identifiably related to a program) and indirect
 - direct infrastructure and admin to be funded as a component of program funding whether AC funded or VC funded
 - indirect infrastructure and admin to be aggregated within a 'programme support cost budget' across all five functional categories and differential charges applied to voluntary contributions depending on complexity and earmarking (non earmarked funds to be exempt from the charge).

Notes from EB134 debate [here](#).

PHM Comment

It is a known strategy to starve an institution for funds and compromise its capacity to work in order to use the institution's inactivity to justify decreasing its funds further and cut its human resources until it is weakened to dysfunctionality. PHM believes that this is the strategy currently used against the WHO.

PHM recognizes that clear accounting categories are necessary. But PHM does not believe that bureaucratic responses will solve the structural roots of the lack of resources to cover core costs. The fixed costs of the organization seem high today due to the choking of the organisation's overall budget. The system proposed in the Secretariat Report is complicated and will carry significant transaction costs. As long as assessed contributions freeze, the refusal of

most MSs to contribute to the core untied account and donor dependence are not addressed, other interventions will be cosmetic in nature.

In 2012 although more than half did make voluntary contributions (104), very few contributed to the core voluntary account (19/104), out of which close to half (8) contributed less than 50% of their total voluntary contribution to the core account. 87 MS made no voluntary contribution at all. (More details [here](#). Revenue data from [A66/29 Add.1](#) and [A66/30](#).)

MSs have a duty of care. However, donors are today getting away with tied contributions which do not cover for administrative costs of programs. Donors are using the existing competition for funding to negotiate such 'preferential' treatment, thereby deepening the tension between fixed costs and programmatic costs.

PHM urges MSs to increase assessed contributions immediately. PHM urges MSs to increase their voluntary contributions and redirect them to core instead of tied purposes. PHM urges MSs to direct the Secretariat to ban the practice of giving 'discounted' program funding options to donors, as a matter of funding policy.

Notes from WHA67 debate

Documents

- [A67/10](#)
- [A67/54](#)

Iraq: Requires adjustment. Remove unnecessary admin cost in collaboration with the country. Negotiation with the country to ensure the best allocation of resources. Financial planning between the countries and WHO to ensure efficiency and better utilization.

Seychelles: on behalf of Afro; reform was long overdue; high needs and fin challenges; admin and mgt costs unlikely to go down; may appear as incr % on adm and mgt; cutting this could be risky as warned by evaluation; presently admin and mgt costs are spread across the categories; it is a challenge therefore to determine exact costs of management across the org; the Afro group supports the drive to get a grip on this; support proposal for funding of A&M; the proposal to fund stewardship and governance from ACs is problematic bec some regions don't have enough ACs; yes there are direct and indirect costs; direct program cost need to be funded under the program while the indirect costs under admin and magt

Thailand: appreciate report. important for effective budgeting and resource management. suggest, that assessed contribution rather than voluntary contributions be targeted. as this would give more stability to the organisation. voluntary contributions are rather small. encourage WHO to have financing dialogues with funders, as well as develop non state actors framework in order to develop the base of contributors.

Lebanon: have expr our concerns on financing of A&M through ACs incl programs which are subsidised by VCs; getting worse over years; this trend threatens sustainability and

accountability; disguising lack of transparency; separate accounting of stewardship and governance could be included in the program budgets with appropriate drivers

Japan: commends the report. welcomes the approach that recognises that structural reforms is important to increase transparency. countries need to assess the outcomes. flexibility of contributions

Australia: welcomes paper and supports proposed approach; look for more in Jan 2015 with more detail including differential PSCs; need time to consider; transparency essential

Argentina: supports work done by Mexico in working group and agrees with WG suggestions. need more research on scope. this method should be applied to both voluntary and assessed contributions. supports needs based allocation, with robust planning from bottom up. regarding criteria of segment one, criteria are a good beginning for an objective formula. regarding segment 2, this is a good start. For segt 3 and 4 we need more research done. support road map and support more information for benefit of regional processes.

US: supports measures to improve the budgeting. US supports the voluntary financial contribution. We have a concern that the WHO would be relying on assessed contribution. We support further dialogue on these issues and on the budget of 2016-2017.

Qatar: need to have a way for est a short term as well as a long term plan for a strategy on program and admin costs; same dialogue being repeated over last 3 years; hear about 'bottom up' but not to repeat same conversations. Calls for Up-Ups approach.

Secretariat: acknowledges and thanks supportive comments. will take all further suggestions on board and incorporate the revised approach in preparation of 16-17 budget, to be presented to regional committees later this year. regarding Seychelles, assessed contributions financing 16-17 budget proposals will consider requirements from assessed contribution based on overall administration and management cost.

Note the report