

Independent Review

Hosting Arrangements

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Background

- April 2011 Board Decision:
 - To clarify hosting arrangements
- January 2012 Board Decision:
 - Acknowledging its strong wish for Stop TB to stay within WHO, requested sub-committee to explore alternative hosting options
- November 2012 Board Meeting:
 - Independent Review methodology presented

Background - WHO

- 2010 WHA adopted Hosting Policy setting out key principles for hosting.
- 2013 WHO Executive Board decision to develop:
 - method for regular review of hosted partnerships
 - operational framework (MOU)
 - method for recovering full costs of hosting
- Consultation with hosted partnerships

Evolving Hosting Environment

- 2010 WHO Hosting Policy
 - WHO is not in the business of providing administrative services
- More difficult financial resource environment.
- Costs rising:
 - 7% preferential rate for Stop TB increased to standard 13% rate.
 - WHA has mandated full cost recovery – material increase likely.
 - HR costs have increased
- Evolving approach to partnerships:
 - Focus on more oversight of hosted partnerships.
 - Growing doubts within WHO that the benefits of hosting partnerships outweigh the risks and administrative burden.
- WHA decision de-prioritizing communicable diseases and TB specifically, with a cut in TB funding of over 10%.

Independent Review - Methodology

- Aim of Review:
 - *To facilitate informed discussion of the Board*
- Three key questions:
 1. What does Stop TB need from hosting arrangements to implement Operational Strategy?
 2. Do current hosting arrangements support effective implementation of Operational Strategy?
 3. How do current hosting arrangements compare to alternatives – UNDP, UNOPS, The Union?

Methodology (cont.)

- Review covers institutional hosting arrangements only. Review does not cover:
 - Other elements that can impact hosting arrangements
 - Other elements that impact effective implementation of Operational Strategy
- Information on three alternatives less detailed and subject to negotiation

What is hosting?

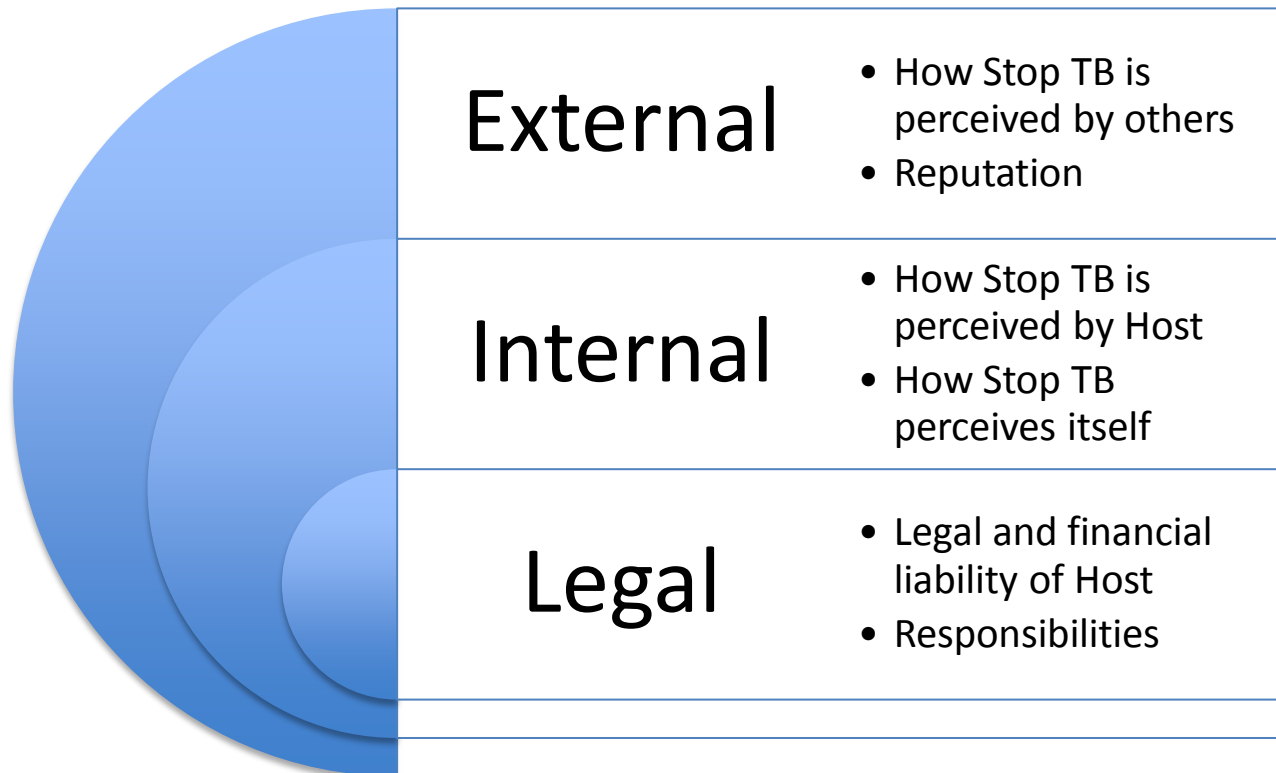
- At its simplest, hosting is one organization (“Host”) providing administrative services to another
 - but can mean more sustained engagement
- Common features
- Common challenges
- Important to distinguish hosting role from partner role
- *Essential to ensure same understanding of hosting and to manage expectations on that basis*

What Stop TB needs *from hosting arrangement* to support implementation of Operational Strategy?

1. Clear identity for Stop TB
2. Host leverage
3. Independence
4. Supportive administrative environment
5. Competitive costs

Irrespective of hosting arrangements, Stop TB needs engagement of WHO, as one of its key partners, to achieve its goals.

Identity



Identity and the Hosting Dynamic

Internal / External	Part of Host?	Not Part of Host?
Part of Host?	Same as Host	Less oversight
Not Part of Host?	More oversight	Less oversight

Host Brand

- Having a strong brand behind Stop TB has advantages and disadvantages:

Advantages	Disadvantages
Automatic credibility	Confused identity
Implied endorsement	Low visibility for Stop TB
Opens doors	Undermines credibility as partnership for all partners

- Use of Host's brand comes with responsibilities to protect Host's name and reputation.
- Main difference between hosting models:
 - Whether or not to use Host's brand generally choice of Stop TB, rather than being a requirement as it is with WHO.

Stop TB Brands

- Three brands: STOP TB, GDF, TB REACH
- Do they still need WHO or can they stand on their own?
 - Opinions differ widely
 - Not possible to know without brand analysis
- 12 years on, should these brands stand on their own?

Mandate: Synergy and complementarity

Opportunities	Risks
Greater collaboration	Confusion of mandates and identity
Information sharing and feedback loop	Competition for opportunities and resources
Day-to-day access to expertise	Difference in approaches (technical, global advocacy etc.) hamper implementation of Stop TB workplan
Leverage with global and national leaders	
Country-level support	

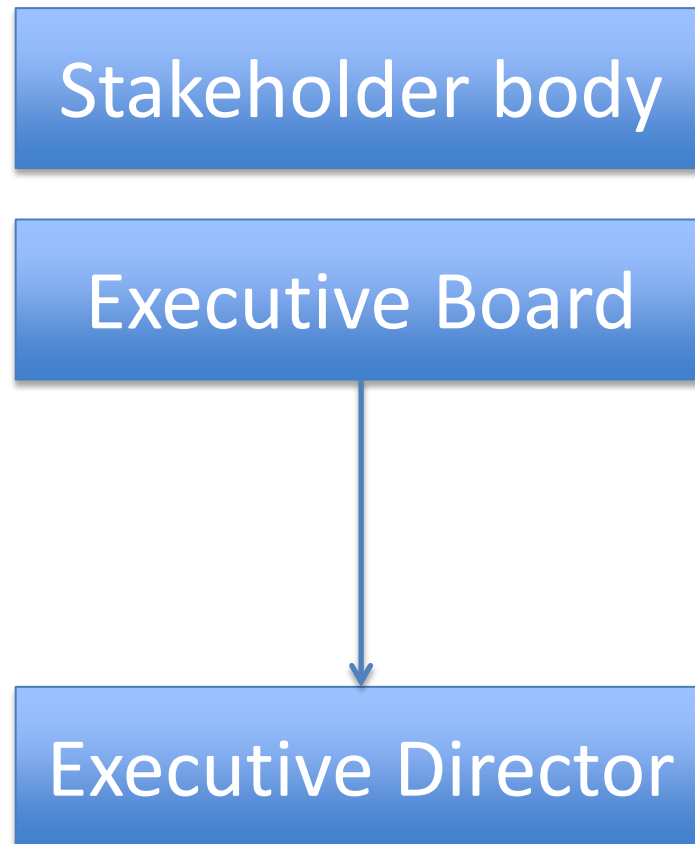
Synergy and complementarity

- While these opportunities and risks exist irrespective of the hosting arrangement, the hosting arrangement can amplify them.
 - Close physical proximity and being within same organization may lead to more and better communication
 - But where there are differences or risk of competition, resolution is difficult – because WHO TB Dept and Stop TB are not on equal footing
- In this context, is synergy and complementarity a pre-requisite for hosting arrangements?

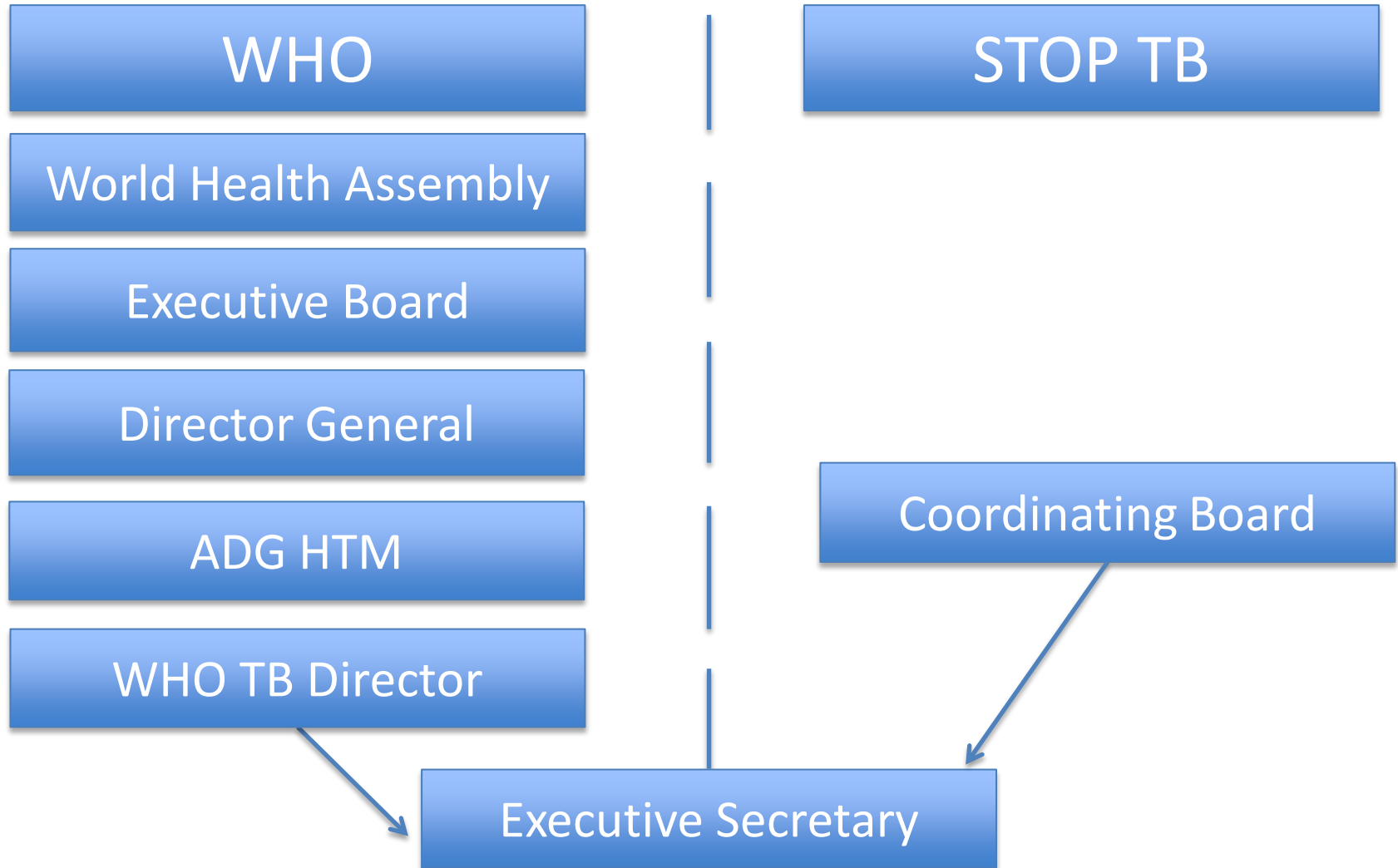
Independence and Accountability

- There is *no full independence* under any hosting arrangement.
 - Stop TB Board is a “coordinating” board, not an executive board
- Dual governance and accountability – the “two masters” problem
 - Executive Secretary derives her authority, and is accountable to, both Host Board and Stop TB Board
- Independence relates to decision-making authority.
 - *Board authority* to set strategy, approve budget, select and manage Executive Secretary
 - *Executive Secretary authority* to make day-to-day decision, including hiring decisions

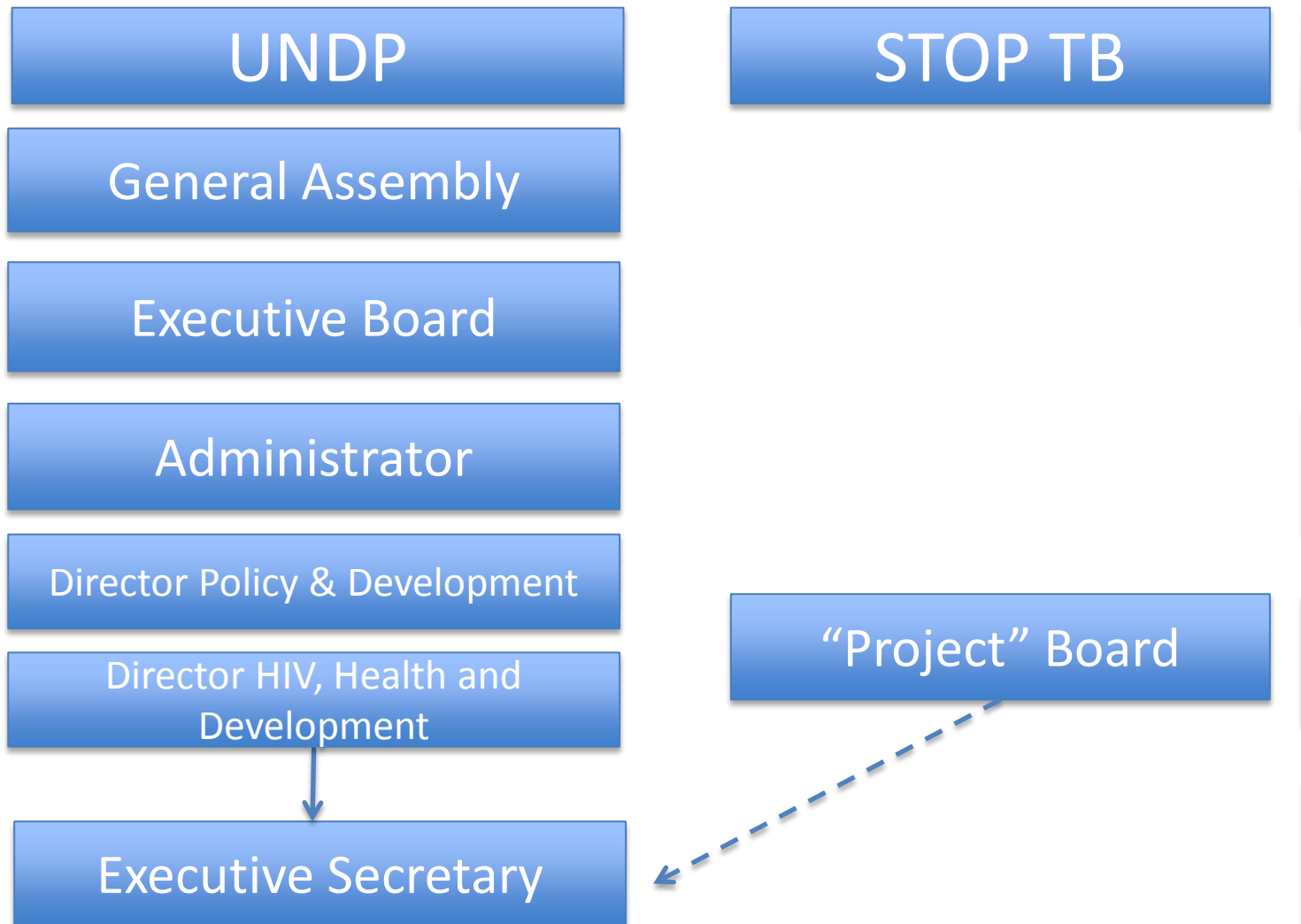
Single Governance Structure: Standard



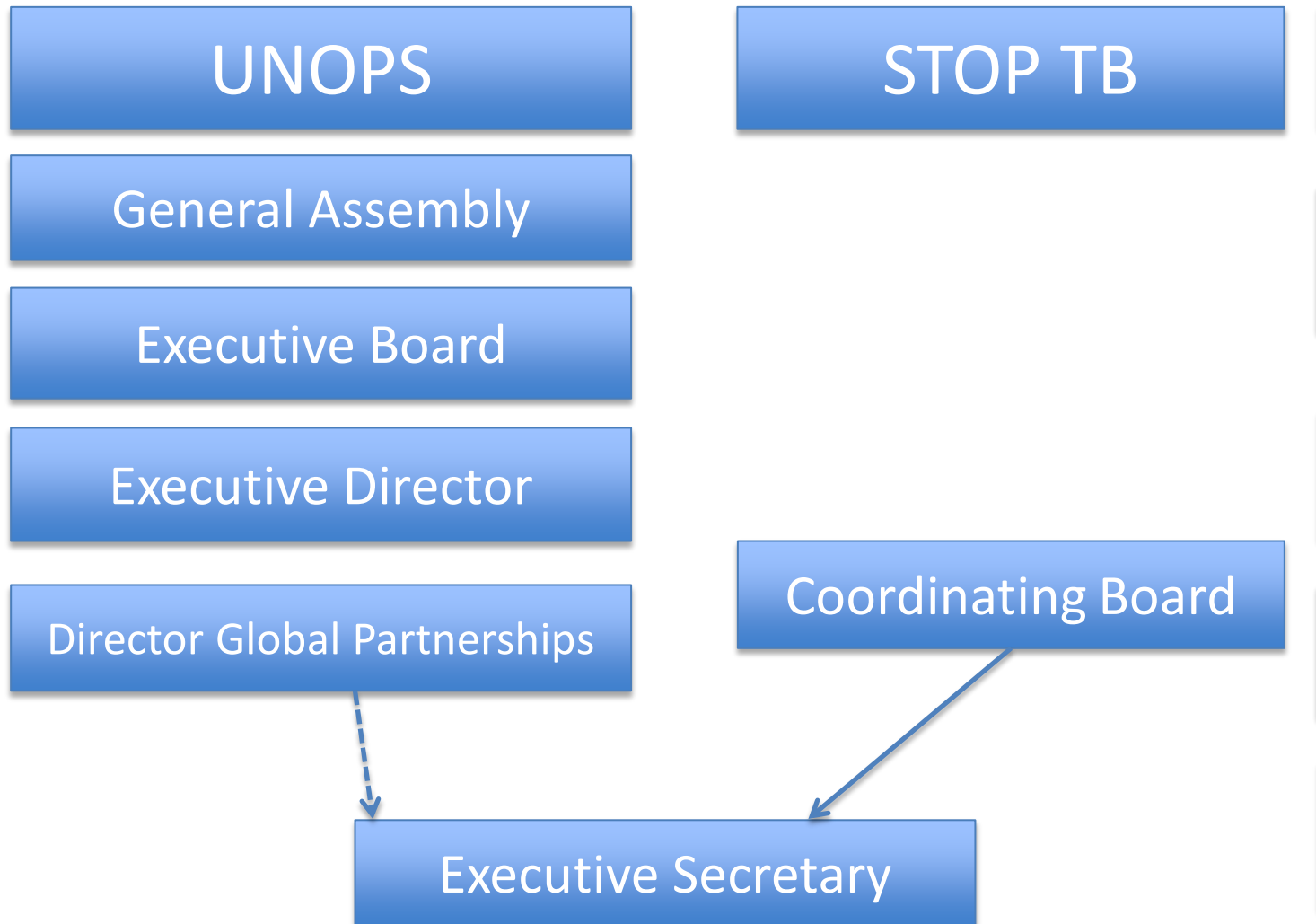
Dual Governance Structure: WHO



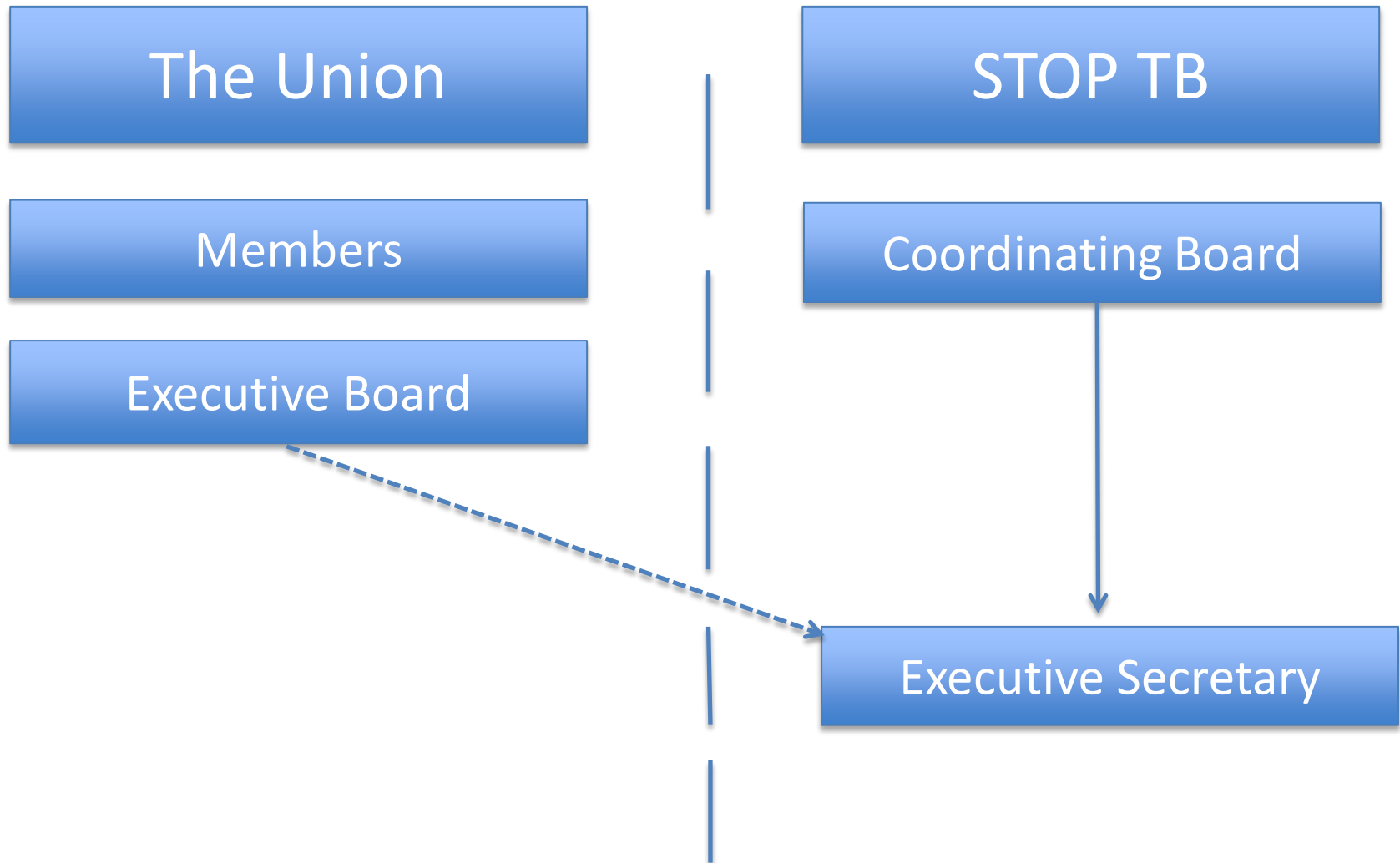
Dual Governance Structure: UNDP



Dual Governance Structure: UNOPS



Dual Governance Structure: The Union



Independence and Accountability Compared

- Stop TB Board:
 - The Union offers most independence
 - UNDP offers the least independence
- Executive Secretary:
 - The Union offers most independence
 - WHO offers the least independence
 - *Leads to disempowerment of Executive Secretary*

Administrative Environment – WHO

- Lack of clarity
 - No MOU
 - Actual and perceived inconsistencies
 - Lack of predictability
 - *Fosters mode of operation that relies on individuals and personal relationships*
- Stop TB and WHO have many roles:
 - Lack of clarity as to mutual expectations and lines of authority and accountability
 - Hosting relationship dominates partner relationship

Administrative Environment – UN System

- UN system organizations share many of the same benefits and challenges:
 - *Benefits*: Worldwide offices and networks, privileges and immunities
 - *Challenges*: Large bureaucracies, hierarchical structures, cumbersome processes
- But, what differentiates them is:
 - Greater decision-making authority
 - More flexibility, especially in hiring decisions
 - Supportive approach
 - Approach to risk
 - Potential institutional conflicts of interest

Administrative Environment – The Union

- Benefits of The Union hosting model include:
 - Streamlined administrative processes
 - Near complete autonomy
- Challenges with The Union hosting model include:
 - no privileges and immunities

Administrative Environment – Human Resources

	WHO	UNDP	UNOPS	The Union
Remuneration package	Good	Good	Good	Average
Hiring processes	Cumbersome	Cumbersome	Less cumbersome	Streamlined
Priority for internal candidates?	Yes	Yes	No	No
Flexibility to hire consultants?	Limited	Limited	Yes	Yes
Final hiring authority	ADG	Executive Secretary	Executive Secretary	Executive Secretary
Staff management decisions	Difficult	Less difficult	Less difficult	Straightforward

Financial Considerations

Structure of Finance Presentation

Three parts:

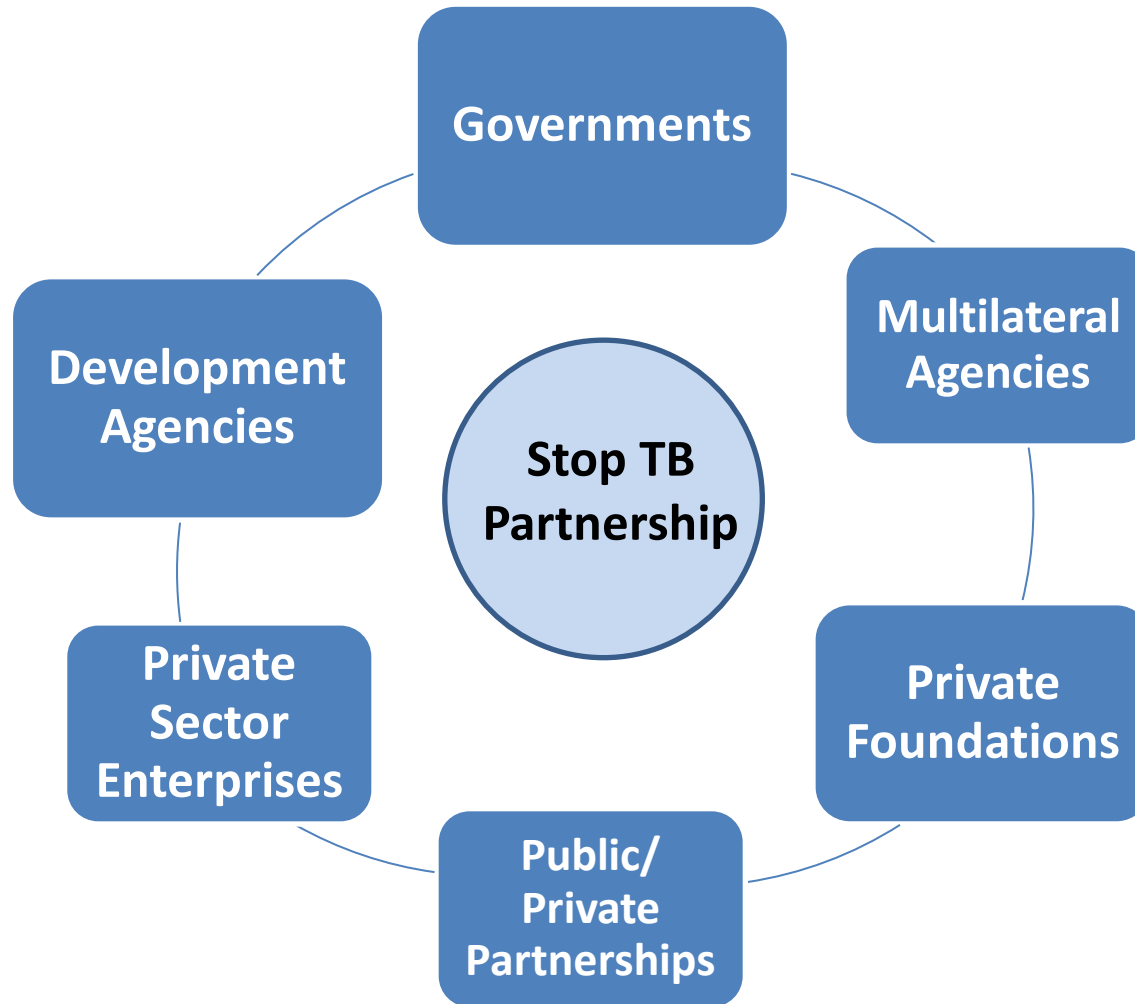
- Financial environment in which Stop TB Partnership operates currently
- Comparison of the financial environment across four hosting models
- Summary of findings

Income of the Stop TB Partnership

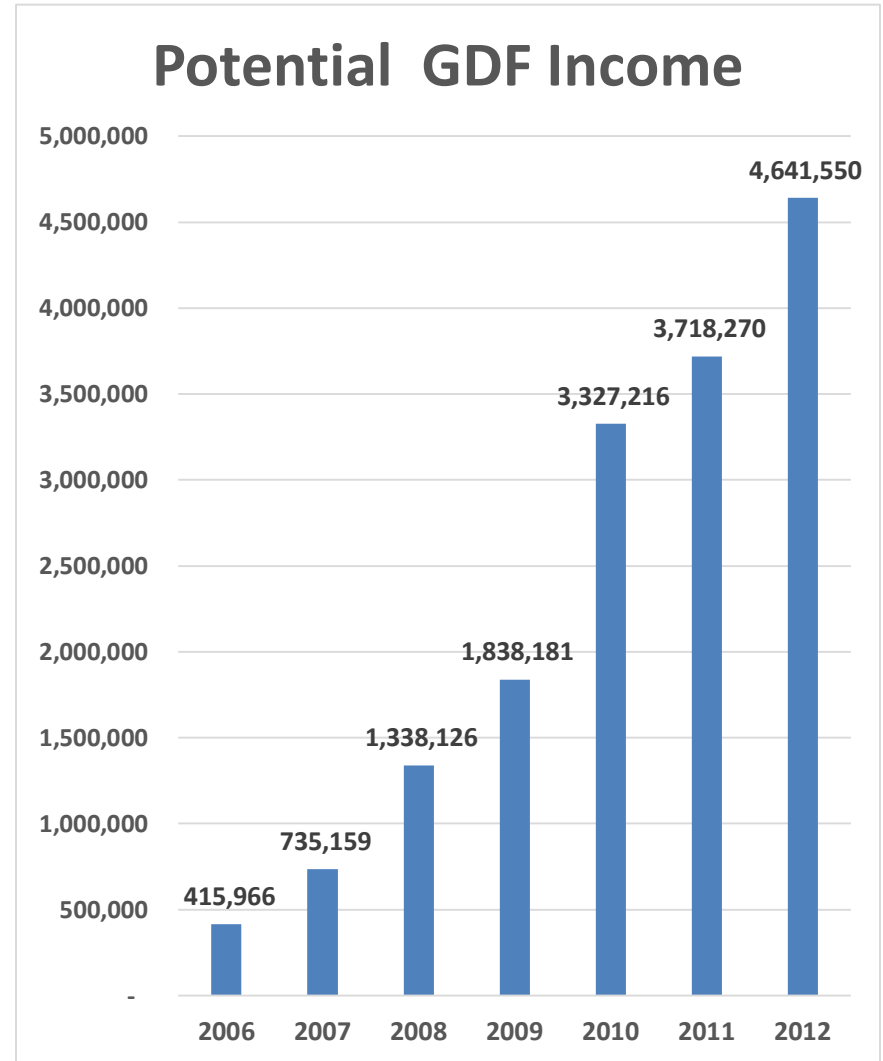
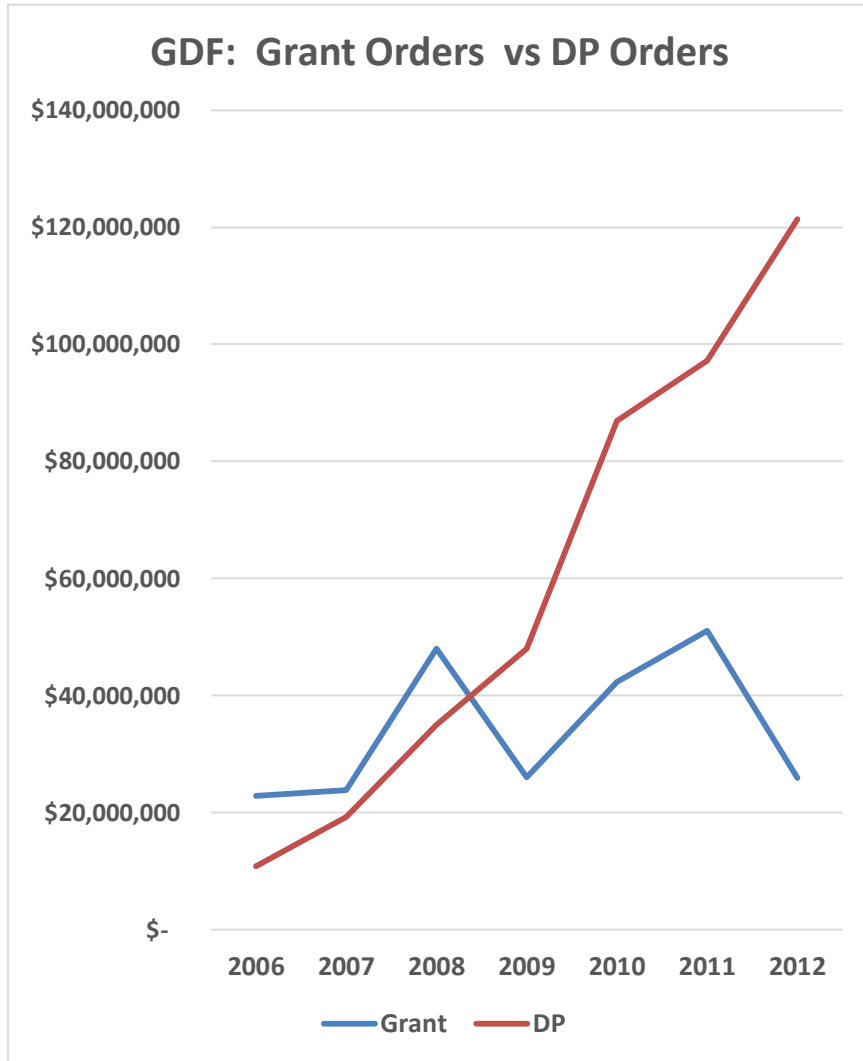
- A small and committed group of donors
 - Seeking to consolidate group
- Seeking to attract new donors
- Develop new sources of revenue

STBP Funding Model

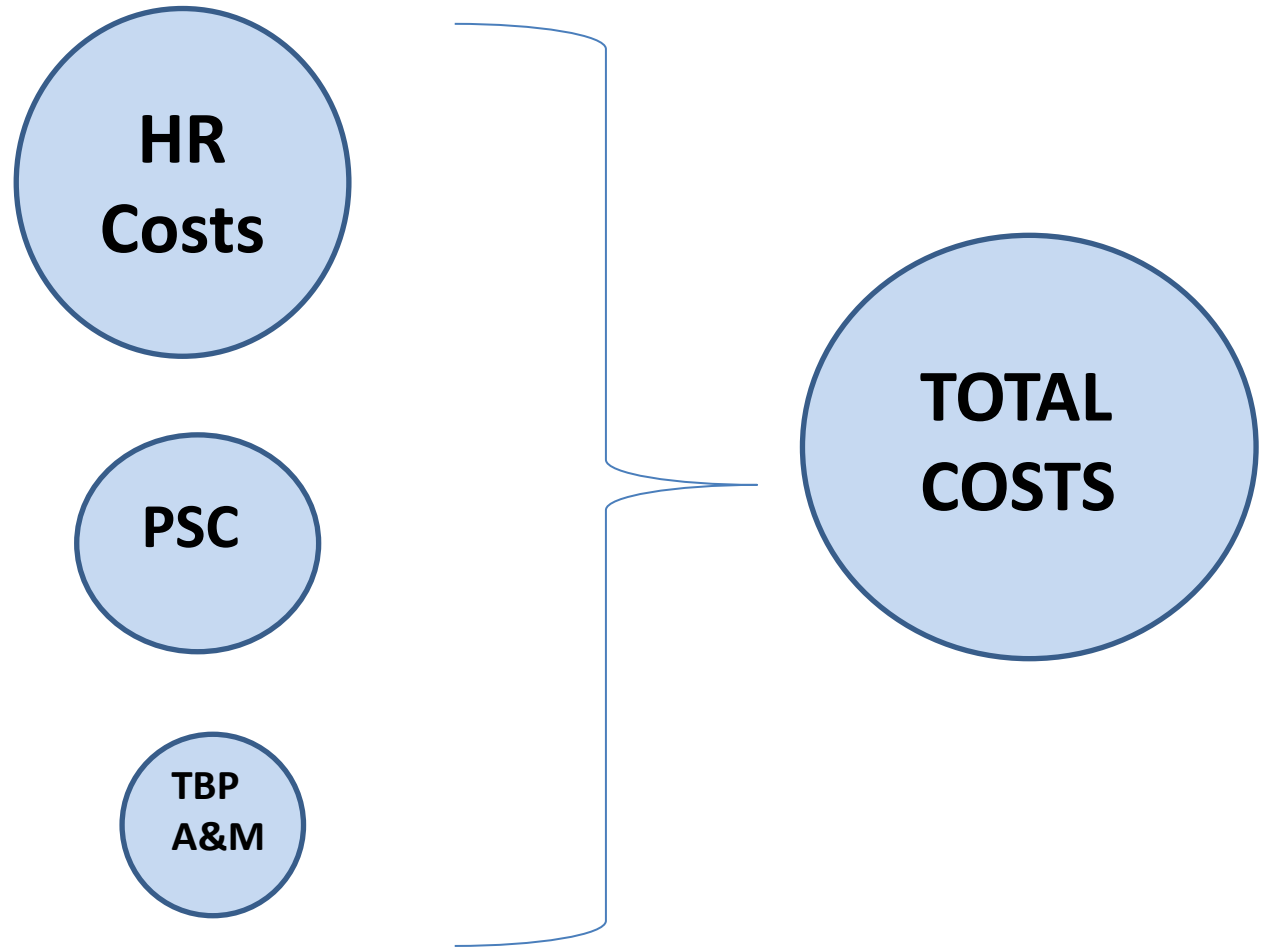
Only Institutional donors



GDF Grants and DP Services Trend and Potential GDF Income from its DP Service



Stop TB Operating Cost Build Up



Programme Support Costs (PSC)

Levied on a set rate on income of STBP and covers

- Core Organisational Management Costs

- Offices of DG, ADG,
- Country Office representatives
- Governing Bodies

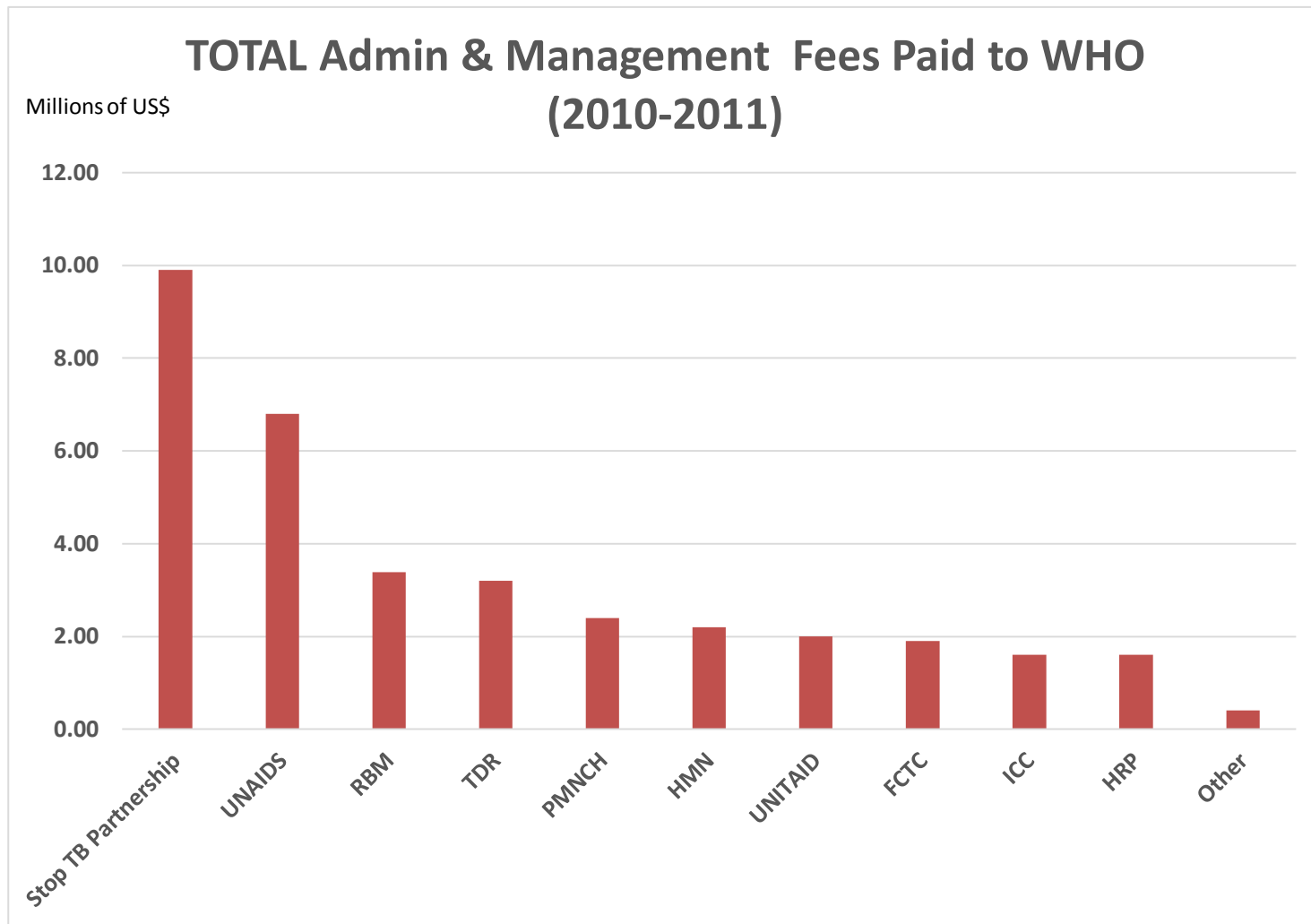
- Administrative Functions

- Facility Management
- General Services
- ICT
- Central finance Functions
- Central HR

Range of PSC

- Wide-- from 0% to 20%
 - 0% for UNEP, UNHCR, UNFPA- there is a reciprocal agreement with UN agencies and Emergency supply services to member states
 - 20% for the European Union. DG research
- Different programmes - different rates
- STBP rate 6% initially in 2005, later raised to 7% on activities and 3% for GDF commodities
- Lower rate for Partnership abolished in 2012, now 13%. 3% remains for GDF commodities
- Future rate set to rise by a material amount as WHO needs to fully recover costs of hosting

PSC: Comparison of WHO-hosted partnerships



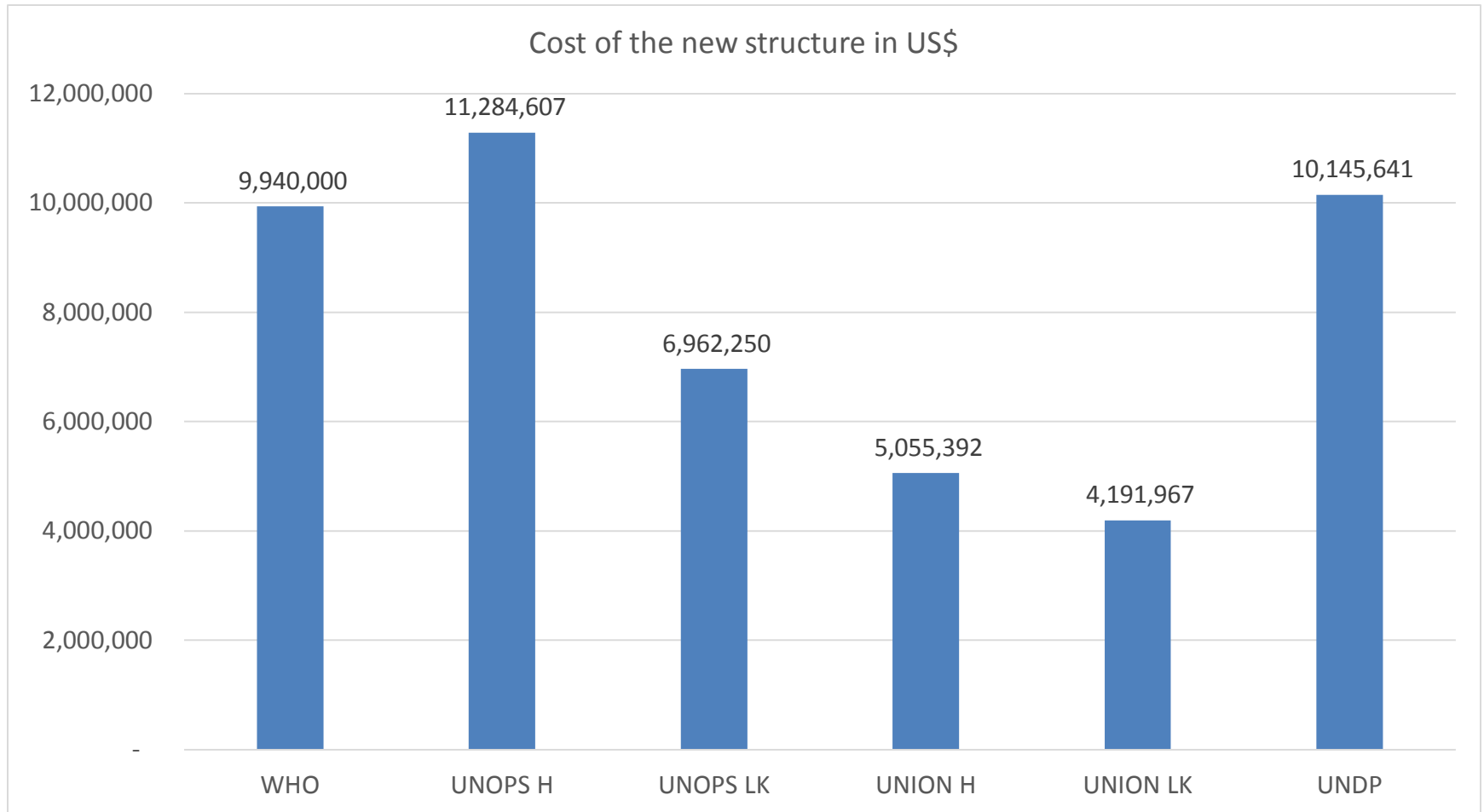
HR Costs

- Biggest cost driver for STBP
- Approved organisational structure of TBP costs \$9.94 million p.a.
- No flexibility in WHO – prohibition of outsourcing core functions makes this a fixed cost
- HR cost have risen
 - approx. 50% between 2008 and 2012.
- HR costs include other elements introduced by WHO to partially recover its indirect costs

Recovery of Admin and Management costs: Comparison

- WHO applies (i) a fixed percentage cost for indirect costs, currently 13% , set to rise materially + (ii) ad hoc direct costs
- All others have (i) a lower fixed percentage for recovery of indirect costs + (ii) negotiated direct costs
- HR costs are standard costs developed by each of the four hosting organisations. Degrees of flexibility differs from “no flexibility” in case of WHO to maximum “what the market will bear” available with The Union

Projected cost of new structure



Finance Dimension Common to all Four hosting Environments

- Well established Financial Systems appropriate checks and balances
- International Financial Reporting and Accounting Standards Framework
- Large well established ERP systems
- Hedging for currency risk
- Segregation of Partnership Funds through Trust Fund mechanism
- Grant Management support
- Procurement support

WHO HOSTING ENVIRONMENT

Financial Dimension

STRENGTH

- Access to Income on signature of Donor Agreement
- Special rate of 3% may be continued for GDF
- Tax Exemptions

WEAKNESS

- High fixed operating costs PSC 13% and material increase expected
- Non transparency of charges
- Stop TB not a separate accounting entity, no full set of separate accounts.
- No independent audit permissible
- Comingling of Cash and liabilities
- GDF not authorised to charge fees for its DP service
- Very difficult to raise money from private sector

UNDP HOSTING ENVIRONMENT

Financial Dimension

STRENGTH

- PSC known and capped at 8%
- Transparency of Direct charges; negotiable
- GDF authorised to charge fees for its DP service
- Full set of accounts
- Tax Exemptions

WEAKNESS

- UN Single Audit Principle, no independent Audit permitted
- Access to income for expenditure only on receipt of cash
- Limited flexibility on HR costs
- Transparency of Investment income not obvious
- Lower rate for GDF possible, subject to negotiations

UNOPS HOSTING ENVIRONMENT

Financial Dimension

STRENGTH

- Flexible HR costs
- PSC fixed at 8%.
- Lower rate for GDF negotiable.
- Transparency of charges; negotiable
- Independent External Audit under the Aegis of IOS
- Full set of accounts
- Easier fund raising from Private sector
- GDF can charge for services
- Tax Exemptions

WEAKNESS

- Access to income only on receipt of cash
- Higher burden on Admin & Finance team of the Secretariat

UNION HOSTING ENVIRONMENT

Financial Dimension

STRENGTH

- Programme support costs fixed at 6%
- GDF PSC will be 3%
- Flexibility in HR costs
- Much easier to raise money from private sector
- GDF allowed to charge fees for DP.
- Treated as a separate accounting entity
- Independent audit permissible

WEAKNESS

- Higher responsibility on Stop TB Partnership Admin& Management Team
- Access to funds only when cash received
- No Tax exemptions for GDF commodities or staff salaries

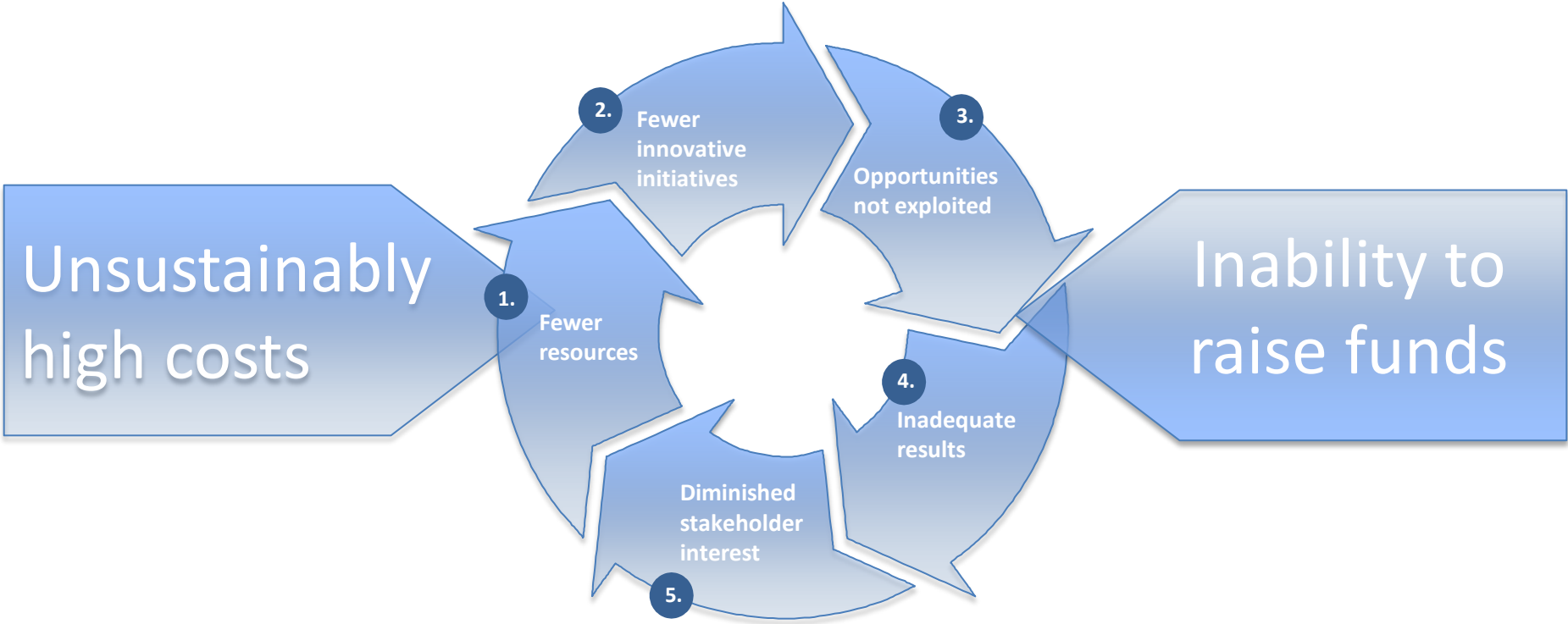
Comparison across the Four Options

	Attribute	WHO	UNDP	UNOPS	The Union
1	Indirect Costs	13% material rise expected	8% fixed	8% fixed	6% fixed
2	Direct costs	Not available	Negotiable	Negotiable	Negotiable
3	Authority and Control of financial transactions	Low	Medium	High	High

Comparison across the Four Options

	Attribute	WHO	UNDP	UNOPS	The Union
6	Private sector engagement	Challenging	Somewhat less challenging	Least restricted	Least restricted
7	Taxation	Exempt	Exempt	Exempt	Not Exempt
8	Financial Reporting and Accountability	Very limited	Somewhat limited	High	High

Funding Model of the Stop TB Partnership needs to be monitored and managed



Conclusions

Summary

- Review raises important questions for Stop TB's consideration
- Hosting always involves a trade-off.
- Board needs to:
 - Decide on how to weight and prioritize benefits and challenges
 - Pay due regard to concerns of Host
 - Manage expectations on that basis

WHO Hosting

WHO hosting has provided invaluable benefits

Continues to present many opportunities

But there are significant challenges

WHO seeking to address these challenges

WHO focus is on more oversight

Stop TB focus is on more freedom of action

Flexibility Stop TB needs for effective implementation of Operational Strategy within allocated timeframe is difficult within WHO hosting

Alternative Hosting Models

- Three alternatives offer different hosting models
 - Different financial management models
- Different advantages, opportunities and challenges
 - Extent and management of common challenges also differs
 - Generally greater autonomy for Stop TB
- All willing to host Stop TB

Financial Considerations

- Some uncertainty:
 - WHO is reviewing its costing method
 - difficult to fully cost the alternative hosting models without detailed negotiation
 - *There will always be some uncertainty about costs*
- What is clear:
 - WHO hosting costs will increase
 - Alternatives offer lower flat rates, more transparency and greater flexibility for cost management and resource generation
- Stop TB funding model needs to be actively monitored and managed for stress.
- *Ability of Host to accommodate new avenues for managing costs and raising funds is critical.*

Conclusion

“...a new organization being hosted by an existing one almost inevitably leads to strains, in part from rigidities imposed by rules and policies of hosting organization, in part from increasing desire by the hosted organization for autonomy over time ...

The benefits and costs of moving major functions from a hosting organization change over time, with the maturity and capacity of the new organization.

They should be evaluated closely and require careful planning.”