

**INDEPENDENT REVIEW
OF HOSTING ARRANGEMENTS**

STOP TB PARTNERSHIP

REPORT

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EXECUTIVE SUMMARY

1. The Stop TB Partnership (“Stop TB”) was established in 2001 as one of the first health partnerships to be hosted at WHO. The Stop TB Secretariat is housed within the Global TB Programme (the WHO TB department) of the HIV, TB and Malaria (HTM) Cluster, allowing Stop TB to operate without the need for its own separate legal status. This hosting arrangement was never formalized in an agreement.
2. Ten years on, the Stop TB Partnership Coordinating Board has sought to clarify the hosting arrangements. At the request of the Stop TB Board, an independent review of the hosting arrangements was commissioned with the aim of facilitating informed discussion and decision-making by the Board. This Report sets out the results of that review, including detailed information on the WHO hosting arrangements for Stop TB and a comparison with three alternative hosting models: UNDP, UNOPS and The Union.
3. This Report addresses three key questions: (a) what does Stop TB require from a hosting arrangement to support effective implementation of its Operational Strategy, (b) what are the current hosting arrangements and do they support effective implementation, and (c) how do the current hosting arrangements compare to the alternatives?

4. Based on the Stop TB Secretariat’s assessment of its needs, this Report identifies the following five key elements for an optimal hosting of Stop TB: (i) a supportive administrative environment; (ii) a hosting organization that has a strong reputation and standing with partners, senior government officials and other key stakeholders and influencers that it is willing to leverage to support Stop TB; (iii) a clear and distinct identity for Stop TB; (iv) a degree of independence from the hosting organization; and (v) transparent, predictable and competitive costs. (See Part II)
5. Stop TB’s close association with WHO has provided it with invaluable benefits, and the hosting arrangement continues to present many opportunities for both Stop TB and WHO. There are, however, significant challenges. Reaching consensus as the Stop TB Board on the different weighting and priority that should be allocated to these benefits and challenges, paying due regard to the concerns of WHO as host, understanding that trade-off, and managing expectations on that basis, is essential to the effective operation of the hosting arrangements. (See Part III)
 - *Identity.* Stop TB’s close association with WHO’s strong brand and reputation means automatic credibility and respect, implies endorsement by WHO of Stop TB and its work, and opens doors with health ministers and officials. The drawback is confusion as to Stop TB’s identity and low visibility for Stop TB. It also means that close oversight by WHO is needed to manage the reputational risk to WHO.
 - *Mandate.* WHO and Stop TB have synergistic missions and significant complementarities. This synergy, however, has translated into an overlapping mandate in some areas, resulting in confusion among donors and other stakeholders as to their respective roles, and an increased risk of competition between WHO and Stop TB for resources and opportunities.
 - *Independence and accountability.* Although WHO’s hosting policies allow the Stop TB Board to be independent of WHO, they leave the Stop TB Board and Secretariat limited autonomous decision-making authority. Issues of dual accountability result in the disempowerment of the Executive Secretary as the head of Stop TB.
 - *Administrative environment.* WHO offers a robust internal control system, worldwide offices and networks, and worldwide privileges and immunities. These advantages come with challenges: (i) lack of clarity as to the application of administrative policies; (ii) cumbersome administrative processes; (iii) potential institutional conflicts of interest; and (iv) WHO’s aversion to risk in administrative clearance and approval processes.

- *Costs.* Until recently, WHO has charged Stop TB a reduced hosting fee (PSC) of 7% on contributions (3% for GDF health product procurement). This flexibility ended in 2012, when costs went up to the standard PSC rate of 13% (GDF remains on the lower rate). WHO is currently reviewing its rates, and a further material increase is expected. Human resource costs have also increased significantly although these seem to have now stabilized.

6. WHO is not the only hosting model potentially available. This Report reviews three other options, each offering different advantages, opportunities and challenges. Many of the challenges are common to all hosting arrangements, but their extent and the way they are managed vary. (See Part IV).

- *UNDP.* The UNDP hosting model would see Stop TB as UNDP's TB project - an integral part of UNDP's operations - with synergies that could help Stop TB to place TB within the broader development and human rights agenda and reinforce the connection with HIV. However, Stop TB would have little independence. As with WHO, the administrative policies are complex and the processes likely to be cumbersome, but the Executive Secretary would be likely to have a greater degree of decision-making authority.
- *UNOPS.* As an organization whose mandate is the provision of administrative services, UNOPS offers a hosting model with the benefits of a UN system organization but with more flexibility, less onerous oversight and without programmatic competition. It does not offer the same reputational and synergistic benefits as the WHO hosting.
- *The Union.* The Union's hosting model offers an arrangement that is as close to being an independent, autonomous organization as Stop TB is likely to achieve without having its own legal status. It provides almost complete freedom of action at relatively low cost, while bringing with it much of the technical programmatic support currently available through WHO (although not on the same scale). However, it has none of the benefits of a UN-system organization.

7. It is not possible to provide a detailed costing for each alternative hosting model. What can be said is that:

- The fixed percentage fee levied against income/expenditure of Stop TB to cover indirect support costs of each of the alternative hosting models is significantly lower than the WHO fee (except for GDF health product procurement).
- The direct support costs are itemized, transparent and tailored to fit the needs of Stop TB (UNOPS, in particular, has a highly developed and detailed catalogue of services and related costs).
- Staff costs are significantly lower at The Union than any of the UN system organizations and both The Union and UNOPS (and to a lesser extent UNDP) have flexibility to use lower-cost consultancy contracts to undertake the daily work of the Secretariat.
- Transition costs to another UN system organization would be relatively low (since staff contracts can be, if the staff are willing, transferred under the UN wide modality for inter-agency transfers), but transition costs to The Union would be high (due to the need to indemnify Secretariat staff for early termination of contracts and enter into Union contracts).

8. To the extent that Stop TB seeks new avenues for reducing costs and raising funds to meet its own needs based on its workplan, the ability of the hosting arrangements to accommodate such new approaches is critical - not just in relation to better control of costs but also in relation to revenue raising.

9. Stop TB's relationship with WHO is complex. Fundamentally, they are partners, cooperating and complementing each others' work. Indeed, irrespective of hosting, Stop TB needs the engagement and support of WHO, as a key partner, in meeting most of the Operational Strategy's goals and objectives. Institutionally, however, the relationship of WHO and Stop TB is that of hosting and hosted organization.

This dichotomy between the partner role and hosting role has led to a lack of clarity in mutual expectations, and in lines of authority and accountability. Moreover, the institutional hosting relationship has come to dominate the partner relationship.

10. The Operational Strategy sets focused and ambitious targets to be achieved within a short timescale of three years. This calls for a nimble Partnership, able to hire the appropriate expertise in a timely manner, engage actively with all stakeholders, seize opportunities as they arise and take a leadership role representing all partners. This Report indicates that the flexibility Stop TB needs for the effective implementation of the Operational Strategy within the allocated time frame proves to be difficult within the current hosting arrangements with WHO.

11. In its report to the WHO Executive Board on hosted partnerships, WHO recognizes that the hosting arrangements for partnerships offer both benefits and challenges. WHO is currently seeking to address these challenges, and bring greater clarity to its hosting arrangements, by developing an operational framework for hosted partnerships in consultation with hosted partnerships. Although the outcome of this process is uncertain, WHO's primary focus in that process is on greater oversight of hosted partnerships - which pulls in a different direction from Stop TB's need for greater freedom of action.

12. At the date of this Report, the Operational Strategy will already be six months into implementation. At the next Board meeting scheduled for April 2014, there will be just over 1.5 years remaining for implementation of the Operational Strategy. This leaves little time in which to seize the opportunities for greater collaboration and address the challenges identified in this Report to benefit implementation of the Operational Strategy.

13. Finally, consideration should also be given to the long-term vision for Stop TB's hosting arrangements. Stop TB is now in its 13th year as a hosted organization. As the Centre for Global Development policy paper on Governance of New Global Partnerships explains, "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"¹. This Report is intended to assist the Stop TB Board in that important evaluation.

¹ Governance of New Global Partnerships – Challenges, Weaknesses, and Lessons, Keith A. Bezanson and Paul Isenman, CGD Policy Paper 014, October 2012 available at http://www.cgdev.org/files/1426627_file_Bezanson_Isenman_FINAL.pdf.

PART I - INTRODUCTION

1. Background

1.1 The Stop TB Partnership (“Stop TB”) was born from the Stop TB Initiative in 1998 and the Amsterdam Declaration of 2000. The formal structures of Stop TB (the Coordinating Board, Secretariat and Working Groups) were created in 2001 at which time it was agreed that Stop TB would be hosted by WHO².

1.2 In 2012, against a background of increasing resource constraints and uncertainty over future resources, Stop TB took stock and, in November 2012, adopted a new Operational Strategy for 2013-2015³. The Operational Strategy aimed to leverage Stop TB’s comparative advantages to accelerate results in TB towards the achievement of the MDGs and to facilitate dialogue, engagement and consensus on the post-2015 agenda. The Operational Strategy sets focused and ambitious targets to be achieved within a short timescale of three years (see summary Operational Strategy Goals and Objectives attached as Annex A). The Secretariat is now six months into implementation of the Operational Strategy.

1.3 Since at least April 2011, the Stop TB Partnership Coordinating Board (the “Stop TB Board”) has sought to clarify the hosting arrangements of Stop TB⁴. In late 2012, at the request of the Stop TB Board, the Review Team⁵ was engaged to conduct an independent review of the current hosting arrangements of Stop TB and to provide a comparison against two or three alternative hosting options, with the aim of facilitating informed discussion and decision-making by the Board.

1.4 In parallel, WHO has been formalizing its policy and framework for hosted Partnerships, beginning with the adoption by the WHA in May 2010 of the Policy on WHO Engagement with Global Health Partnerships and Hosting Arrangements (the “WHO Hosting Policy”)⁶. WHO carried out a review of hosted partnerships, on the basis of which the WHO Executive Board in January 2013 requested the WHO Secretariat to establish the operational framework for hosted partnerships (see Part III, paragraph 1.4)⁷. This necessarily means that this Review has been conducted in a period of some uncertainty for WHO-hosted partnerships, especially with regard to future financial implications for Stop TB. However, the principles that govern the hosting arrangements as set out in the WHO Hosting Policy and the WHO eManual (and summarized in Part III below) will remain unchanged.

² See the Basic Framework for the Global Partnership to Stop TB available at <http://www.stoptb.org/assets/documents/about/STBBasicFramework.pdf>.

³ All references to the Operational Strategy include the GDF Strategy available at <http://www.stoptb.org/about/cb/meetings/22/>.

⁴ In April 2011, at its 20th meeting, the Board established a sub-committee on Governance, Performance and Finance to advance the agreement of a MOU with WHO clarifying the hosting arrangements including defining roles and responsibilities and recommended the Secretariat support the sub-committee and enter into discussions with WHO with a view to presenting a final MOU for approval by the Board in autumn 2011. (Decision Point 1.11-7.0). In January 2012, the Board noted the WHA’s decision on hosting and urged the sub-committee to continue discussions with WHO “*in relation to operational flexibilities for partnership secretariats to function effectively and to deliver efficiently the results expected of them by their Boards*”. In particular, the Board (i) called on WHO to harmonize the reporting line of the Stop TB Executive Secretary with that of other formal WHO hosted partnerships (i.e. to report directly to the ADG HTM Cluster), (ii) in order to improve branding and identity of the Stop TB Partnership, endorsed the modification of the Stop TB Partnership Secretariat staff email addresses to xxxx@stoptb.who.int or xxxx@stoptbpartnership.who.int, and (iii) acknowledged its strong wish for the Stop TB Partnership Secretariat to remain within WHO, requested the Sub-Committee on Governance, Performance and Finance to continue exploring alternatives for hosting the Stop TB Secretariat. (Decision Point 1.12-6.0). Two years on from the 20th Board meeting, there is no MOU, the Executive Secretary still reports to the WHO TB Director and the email addresses of the Stop TB Secretariat have not changed.

⁵ The Review Team has been engaged by USAID at the request of Stop TB Board and reports to the Executive Committee. It is composed of three individual independent consultants: Tamima Boutel (Team Leader), Anant Vijay (Financial and Operational Management) and Ruth Szabo (Human Resources and Institutional).

⁶ See WHA Resolution 63.10 adopting the Policy and calling on the Director-General to establish an operational framework for WHO’s hosting of formal partnerships and to apply the Policy to the extent possible and in consultation with the relevant partnerships, to current hosting arrangements with a view to ensuring their compliance with the principles embodied in the Policy.

⁷ Initial indications were that this process would begin in June 2013 and be completed by the end of 2013.

2. Methodology and Acknowledgements

2.1 As outlined in the methodology presented to the Board in November 2012, this Report has sought to address three key questions:

- 1. What are the optimal hosting arrangements for Stop TB⁸ to effectively and efficiently deliver on the Operational Strategy?*
- 2. What are the current legal and administrative arrangements under which the Secretariat operates? Do they support effective implementation of the Operational Strategy?*
- 3. How do the current arrangements compare to the alternatives explored?*

2.2 While the history of Stop TB has influenced its current arrangements, we have not sought to reconstruct that history and only address historical issues where they are relevant to highlight a specific element of the current arrangements. Although it is recognized that issues of management or personality can impact the effectiveness of hosting arrangements, this Review focuses on the institutional and administrative aspects of the hosting arrangement only. We have tried to identify where issues are relevant to WHO as a whole and where they are specific to hosting arrangements only, as well as unpacking those issues that relate to the different roles played by Stop TB and the hosting organization.

2.3 The alternative hosting options – UNDP, UNOPS and The Union – were selected by the Executive Committee on the recommendation of the Review Team following a high-level analysis of nine options against a set of key hosting criteria⁹. The information gathered on the potential hosting arrangements offered by these organizations is inevitably hypothetical and less detailed than that for WHO. The final details of any hosting arrangement would depend in part on the outcome of due diligence and negotiations between Stop TB and the host.

2.4 With respect to financial information, there are a number of areas where information cannot be ascertained with certainty¹⁰. Where there is an indication of the likely outcome based on available information, this has been stated. While some of these areas of uncertainty on financial matters may be able to be established in the future, there are some for which this will be very difficult. For example, a detailed costing of each alternative hosting option is not possible without in-depth discussions and negotiations with the relevant hosting organization, as well as making numerous assumptions.

2.5 The research for this Review has been based on an extensive document review and interviews (a list of interviewees is attached as Annex J to this Report)¹¹. The Review Team is especially grateful to each of the Stop TB Secretariat and Executive Committee, WHO, UNDP, UNOPS and The Union for their cooperation, responsiveness and openness and their willingness to meet, share information and provide clarifications on short notice. This Report was greatly facilitated by their efforts. Thanks is also due to UNITAID, RBM and PMNCH which each gave their valuable time to assist this Review.

⁸ For the purposes of this Review, we have treated the Stop TB Partnership as comprised of the Coordinating Board and its committees, the Secretariat (including GDF and TB REACH) and the Working Groups (excluding the Working Group secretariats). We have also assumed that the basic structure of Stop TB will remain unchanged, and in particular that Stop TB will continue to have an independent Board; we have assumed that the organization of the Secretariat will be as stated in the Implications of the Operational Strategy document presented to the Board in November 2012.

⁹ By decision of the Executive Committee on 1 May 2013, following a “no-objection” process. The nine potential hosting organizations reviewed were: UNDP, UNOPS, UNICEF, the World Bank, The Union, MSF, the International Federation of the Red Cross, the Global Fund to Fight AIDS, Tuberculosis and Malaria (the “Global Fund”), and KNCV.

¹⁰ These include (i) the proposed methodology and the amount of the expected increase by WHO in the indirect costs charged to hosted partnerships, (ii) the amount of direct support costs charged by each of the alternative hosting options and (iii) in the case of The Union, the potential customs and other tax charges on commodities purchased under the GDF grant modality.

¹¹ This included, among other things, documents relating to the regulatory and policy framework of WHO and each of the alternative hosting organizations; published articles and reports; decisions of the governing bodies of Stop TB, WHO and alternative hosting organizations; and extensive interviews with Executive Committee members, Secretariat staff, WHO staff, and senior management of other WHO-hosted partnerships, as well as senior management staff of the alternative hosting organizations.

3. What is “Hosting”?

3.1 At its simplest, “hosting” means the provision of administrative services by one organization to another organization (usually, but not always, an organization without a legal status). In some cases, “hosting” may encompass a higher level of engagement by the hosting organization where the provision of administrative services is only one part of more extensive arrangements¹².

3.2 All hosting arrangements share common features: (a) the hosted partnership derives its legal status from the hosting organization¹³ and operates within the hosting organization’s regulatory framework, (b) secretariat staff are employees of the hosting organization and owe a duty of loyalty to the hosting organization, (c) the hosting organization provides a wide range of infrastructure and related services (such as office space, security and IT) and administrative services (such as legal, financial, procurement and human resources); and (d) there is a mechanism for the hosting organization to recuperate the costs it incurs in providing the hosting.

3.3 All hosting arrangements also share common challenges for both the hosting organization and the hosted organization. These challenges are generally well recognized¹⁴.

3.4 While the main challenges of a hosting arrangement generally remain consistent, the hosting environment, including the circumstances of the hosting organization and the hosted organization, may change over time. Mandates may expand or become more focused, sources of funding may become more or less available, the hosted organization may mature and expand its operations. These changing circumstances can strain the finely tuned balance of a hosting arrangement.

3.5 ***Ensuring that all parties have a common understanding of what “hosting” means for them and how the challenges associated with any hosting arrangement will be managed is essential in maintaining a robust working relationship between the hosting organization and the hosted organization.***

¹² Other concepts of “hosting” include, for example, (i) situations where the hosting organization incubates an idea and develops and nurtures it through its early stages or (ii) a joint venture where all the partners provide different types of support to the hosted organization.

¹³ Having the legal status of the hosting organization means that, among other things, (a) the hosted partnership secretariat can enjoy all the tax and other benefits of the hosting organization’s legal status (in the case of a UN entity, this would include all the privileges and immunities of the UN entity), (b) the hosting organization is the legal owner of all the hosted partnership’s assets (cash, bank accounts, intellectual property, etc) and (c) all hosted partnership contracts are in the legal name of the hosting organization.

¹⁴ See, for example, WHO Secretariat’s report to the WHO Executive Board on “WHO’s arrangements for hosting health partnerships and proposals for harmonizing WHO’s work with hosted partnership” (EB132/5 Add.1; November 2012) available at http://apps.who.int/gb/ebwha/pdf_files/EB132/B132_5Add1-en.pdf; “Public/Private Partnerships in the Public Health Sector”, Gian Luca Burci (Legal Counsel, WHO) in *International Organizations Law Review* 6 (2009) 359–382 available at <http://brill.publisher.ingentaconnect.com/content/mnp/iolr/2009/00000006/00000002/art00003>; DFID Study “Global Health Partnerships: Assessing the Impact”, Study Paper No 5 “Global Health Partnerships: Increasing their Impact by Improved Governance”, Kent Buse, 2004 available at http://www2.ohchr.org/english/issues/development/docs/WHO_5.pdf; Independent Report of the Global Partnership for Education, Dr. Alison Evans, June 2012 available at <http://www.globalpartnership.org/media/docs/publications/GPE-Report-Hosting-Review-June-2012.pdf>; World Bank Independent Evaluation Group’s 2011 reports on Trust Funds and Global and Regional Partnership Programs available at http://ieg.worldbankgroup.org/content/ieg/en/home/reports/trust_funds.html and http://ieg.worldbankgroup.org/content/ieg/en/home/reports/grpp_eval.html; Overseas Development Institute’s Review of the Governance & Management of the FTI (now called the Global Partnership for Education), Preliminary Observations to Technical Group Meeting, Sept 2005, Kent Buse and Anna Triponek available at <http://webcache.googleusercontent.com/search?q=cache:vk8VJczQaPIJ:www.globalpartnership.org/media/library/Presentation%2520Governance%2520Sept%252030.ppt+kent+buse+partner+host&cd=8&hl=en&ct=clnk&gl=uk&client=safari>.

PART II – THE OPERATIONAL STRATEGY AND HOSTING ARRANGEMENTS

1. Background

The Operational Strategy was developed, at the request of the Stop TB Board, in a process that was led and overseen by a steering committee made of members of the Executive Committee and the task force on Governance, Performance, and Finance. The objective in developing the Operational Strategy was to develop a roadmap that aligned and strengthened the activities of Stop TB closer to the Global Plan to Stop TB, with a primary focus on the role of the Stop TB Secretariat. The development of the Operational Strategy concentrated on the comparative advantages of Stop TB, taking into account the available financial and human resources of Stop TB¹⁵.

2. Hosting Arrangement Implications

2.1 The Executive Secretary, through the Secretariat, is responsible for implementing the Operational Strategy and is accountable to the Stop TB Board for performance against the goals and objectives of the Operational Strategy¹⁶. In that context and based on discussions with the Secretariat, the following key elements have been identified as necessary in an optimal hosting arrangement for Stop TB to effectively and efficiently deliver on the Operational Strategy:

- **Supportive administrative environment.** Stop TB requires a supportive and collaborative administrative environment, (a) where there is clarity and consistency regarding the application of the regulatory framework, including regarding any flexibility that may be exercised, (b) where, in the clearance and approval of key decisions, the hosting organization gives full consideration to Stop TB's assessment of the risks and benefits and (c) where a solution-oriented approach is followed. The success of Stop TB in achieving the Operational Strategy goals and objectives is dependent to a great extent on engaging relevant expertise and experience, including in advocacy, communications, resource mobilization and other areas. It is therefore essential for the Secretariat to be able to bring individuals on board quickly and manage and motivate its staff, based on the Secretariat's determination of what is needed.
- **Hosting organization leverage.** The ability of Stop TB to independently engage senior government officials, world leaders and key influencers is untested and opinions on whether or not this would be possible vary widely (both within and outside the Secretariat). Ideally, any hosting organization of Stop TB would have standing with partners, senior government officials and other key stakeholders and influencers that it would be willing to leverage to support the Secretariat's efforts.
- **Clear identity.** The Operational Strategy describes Stop TB's comparative advantage as being "in global advocacy efforts as a neutral voice in TB advocacy and resource mobilization with the ability to amplify the voices of partners". Stop TB must therefore have its own identity, distinct from its hosting organization to the extent feasible, to ensure that it has credibility as the partnership of all its partners. This is especially important in Stop TB's goal of facilitating meaningful and sustained collaboration amongst partners. It is also relevant to the goal of engaging world leaders and key influencers to ensure that such world leaders and key influencers understand clearly who they are engaging with and why.
- **Independence.** Stop TB must be, and be seen to be, representative of all partners. Stop TB, and in particular the Secretariat, must also be capable of being held to account by its stakeholders for

¹⁵ The parameters set by the Board steering committee for the development of the Operational Strategy did not include consideration of the WHO mandate or the hosting arrangements. The GDF Strategy assumed that key aspects of the hosting arrangement would continue, in particular the WHO decision requiring GDF to procure through a procurement agent.

¹⁶ For ease of reference, a summary of the Operational Strategy goals and objectives is attached as Annex A. See Part IV of the Operational Strategy regarding accountability of the Secretariat.

performance against the Operational Strategy goals and objectives. This requires the Stop TB Board and Secretariat to have independent decision-making authority from the hosting organization and clarity regarding how decisions are made (including the management of institutional conflicts of interest) where independent decision-making authority is not available.

- ***Transparent, predictable and competitive costs.*** The administrative costs of the hosting arrangement should be competitive and sustainable (for both Stop TB and the hosting organization). Moreover, it is important for the purposes of demonstrating value for money that there is transparency regarding direct costs and charges for indirect costs and the basis for computing each, as well as clarity on the services covered by such charges for indirect costs. While it may not be possible to ensure the predictability of costs, it is desirable to minimize uncertainty as to when, how, and by whom costs may be adjusted.

2.2 Stop TB cannot achieve the goals of the Operational Strategy without engagement and support from its partners, in particular WHO as the lead global technical agency and organization of its Member States. ***Irrespective of where Stop TB is hosted, it needs the engagement and support of WHO, as a partner, in meeting most of Stop TB's objectives,*** including: (a) facilitating dialogue and consensus around achievements of the current MDGs and Global Plan and on the post-2015 agenda, (b) developing compelling advocacy messages for and with TB advocacy partners, (c) influencing Global Fund financing and grant management policies, (d) continuing support to TB REACH and increasing support, as well as sharing best practices and successful approaches broadly, to lead to evidence-based policy change and ensure scale-up at country level, and (e) providing expert advice and information to support GDF, in particular in relation to promoting new TB tools and country-level capacity building and evidence.

PART III – WHO HOSTING ARRANGEMENTS OF STOP TB

1. Context of WHO's Hosting of Stop TB

1.1 The Stop TB Secretariat has been housed from its inception in 2001 within the Global TB Programme of the HIV, TB and Malaria (HTM) Cluster, allowing Stop TB to operate without the need for its own separate legal status. (For ease of reference, the Global TB Programme, formerly known as the Stop TB Department, is referred to throughout this Report as the WHO TB Department).

1.2 Stop TB's relationship with WHO is complex, with Stop TB and WHO fulfilling many different roles vis-à-vis each other. WHO acts as hosting organization as well as: fiduciary for Stop TB funds, Board Member¹⁷, key partner¹⁸, Working Group secretariat and, at times, recipient. Stop TB's roles are as hosted secretariat, coordinator for all partners, including WHO, and, at times, as donor. The expectations, accountabilities and authorities with respect to these different roles lack clarity. Indeed, one of the effects of the hosting arrangement has been that these other important roles are viewed through the filter of the hosting arrangement, with Stop TB seeing WHO primarily as a bureaucratic authority and WHO seeing Stop TB primarily as a potential liability that requires close oversight.

1.2 In 2008, the World Bank's Independent Evaluation Group (IEG) found that "the linkages created by housing both the Stop TB Secretariat and the Stop TB Department at WHO have generated a cost-effective and efficient organizational relationship that has been a key to the program's achievements as a whole. This "host" relationship has facilitated day-to-day operations, provided highly valued coordination and allowed for beneficial complementarities"¹⁹.

1.3 Since then, the hosting environment has changed:

- Due to the financial climate, there is less donor funding available, increasing the risk of competing for fewer resources.
- The preferential programme support cost rate for Stop TB has been increased.
- The WHA has demanded more oversight of hosted partnerships²⁰ as well as full recovery of all related costs.
- Every indication so far has been that the costs to hosted partnerships will rise.

¹⁷ As articulated by WHO, WHO's primary role as a member of the Stop TB Board is to provide strategic, technical and policy input and is also responsible for (i) indicating when a policy or decision to be adopted by the Stop TB Board would contravene WHO rules, regulations and policies and (ii) bringing to the Stop TB Board issues relating to the management of the Stop TB Secretariat that impact the functioning of Stop TB. The importance of WHO's role as a Board Member for supporting the hosting arrangement is explained more fully in paragraph 3.8.

¹⁸ "In addition, unlike other partners in a hosted partnership, WHO has a dual role, i.e. that of a partner and that of host organization. In view of this, the role of WHO is unique in that its responsibilities as a host as well as that of technical partner require a deeper engagement and a more structured participation". See WHO Secretariat's report to the WHO Executive Board on hosted partnerships (EB132/5 Add.1; November 2012)

¹⁹ See http://siteresources.worldbank.org/INTGLOREGPARPRO/Resources/stop_tb.pdf.

²⁰ See WHA 63.10: "The Sixty-third World Health Assembly ... requests the Director General... to apply the policy on WHO's engagement with global health partnerships and hosting arrangements, to the extent possible and in consultation with the relevant partnerships, to current hosting arrangements with a view to ensuring their compliance with the principles embodied in the policy". See also WHO Secretariat's report to the WHO Executive Board on hosted partnerships (EB132/5 Add.1; November 2012): "The analysis of modalities for improving WHO's involvement in partnerships and the oversight thereof have been discussed during the last year by WHO's governing bodies in connection with the WHO reform agenda. Member States have suggested that the governing bodies define and play a stronger oversight role in this regard."

- While historically Stop TB was considered to be doing activities that WHO could not do, there is a growing sense within WHO that that may no longer apply and that WHO could undertake the same or similar activities as those of Stop TB.
- The impression is that there are growing doubts within WHO that the benefits of hosting partnerships outweigh the risks and administrative burden.
- The recent decision of the WHA for the 2014-2015 biennium has been seen as somewhat de-prioritizing communicable diseases and TB specifically, with a cut in TB funding of over 10%²¹.

1.4 In its report to the Executive Board on hosted partnerships, WHO recognizes that there are challenges with the hosting arrangements for partnerships, including many of the challenges identified in this Report²². The WHO report on hosted partnerships helps to clarify these same challenges from WHO's point of view and to explain WHO's concerns. WHO is acting to address these challenges by establishing (i) a process for regular review of WHO's engagement with hosted partnerships, (ii) standard written terms for all hosted partnerships²³ and (iii) a costing methodology intended to recover the full costs for WHO of hosting partnerships²⁴.

1.5 WHO intends to consult throughout with the hosted partnerships via a joint committee of WHO and representatives of hosted partnership²⁵. This provides the hosted partnerships with an opportunity to present their concerns and work with WHO with the aim of negotiating solutions acceptable to both WHO and Stop TB.

2. WHO Framework for Hosted Partnerships

2.1 As succinctly stated in WHO Secretariat's report to the WHO Executive Board: "in hosting a partnership, WHO lends its administrative, fiduciary and legal framework to the partnership secretariat. In this regard, the secretariats of WHO-hosted partnerships derive their legal status from WHO and share the same obligations, benefits and status as the host organization. When WHO-hosted partnerships transact with third parties, it is WHO - as the legal entity behind them - that enters into the contracts and makes commitments on the partnerships' behalf. Employees in the secretariats of WHO-hosted partnerships are WHO staff members and adhere to the WHO Staff Rules and Financial Regulations".

²¹ See, for example, Laurie Garrett's blog post "overall, the proposed WHO 2014-15 budget offers startling changes in the mission and direction of the agency, pushing it significantly away from infectious diseases, HIV, TB, malaria, and outbreaks, and towards addressing disabilities, diabetes, heart disease, cancer, and aging" and "Chan seeks to: cut infectious diseases spending by 7.9%, with HIV dropping -5.1%, TB by -10.9% and overall tropical diseases R&D (the TDR program) plummeting -52.4%" at <http://lauriegarrett.com/blog/2013/5/21/the-survival-of-global-health-part-one-whos-margaret-chan-sets-the-stage>.

²² "The hosting relationship entails challenges that are inherent to a situation where two separate entities with distinct governance processes coexist under the same institutional umbrella. In this regard, WHO's decision-making processes and those of the boards of hosted partnerships may not always be convergent. The tensions resulting from this dual governance can increase the risk of conflicting mandates and blur accountability." See WHO Secretariat's report to the WHO Executive Board on hosted partnerships (EB132/5 Add.1; November 2012) – in particular, pages 7-9.

²³ "The hosting terms will in essence serve as an operating framework designed to foster a shared understanding of what it means to be hosted by WHO, and provide greater administrative clarity and consistency across all hosted partnerships. The hosting terms would also identify flexibilities in WHO rules and practices in recognition of partnerships' diverse missions and purposes thereby contributing to an atmosphere of greater harmonization and alignment. They will also underscore the importance of adhering to the Organization's accountability framework and emphasize the need for hosted partnerships to work in a manner that is synergistic with WHO." See WHO Secretariat's report to the WHO Executive Board on hosted partnerships (EB132/5 Add.1; November 2012).

²⁴ See WHO Executive Board decision (EB132(10)) on "WHO Reform; Hosted Partnership" and WHO Secretariat's report to the WHO Executive Board on hosted partnerships (EB132/5 Add.1; November 2012).

²⁵ Originally, this joint committee was due to hold its first meeting in June 2013. This has not happened and there have been no communications with Stop TB regarding the establishment of this committee.

2.2 WHO is clear about the fundamental principles governing its hosting of global health partnerships²⁶, as summarized in the table below.

Table 1: WHO Principles for Hosting Partnerships

WHO Principles for Hosting Partnerships	
1.	<i>WHO is not in the business of providing administrative services.</i> WHO provides hosting arrangements only where there is greater public health goal aligned with WHO's mandate and strategic objectives in providing such hosting.
2.	<i>The overall mandate of the hosted partnership, and its hosting by WHO, must be consistent with WHO's mandate.</i> The hosted partnership's work must be synergistic with WHO's strategic objectives and add value to WHO's work, without duplicating or competing with them.
3.	<i>Hosted partnerships must comply with WHO regulations and rules on all aspects of their operations.</i>
4.	<i>The function of the secretariat must be, and be seen as, part of the overall functions of WHO and may not be seen as separate from them</i> ²⁷ .
5.	<i>The hosting of the partnership must not place additional burdens on WHO and should minimize transaction costs to WHO, and adhere to WHO's accountability framework.</i>
6.	<i>WHO is required by the WHA to recover, in full, all costs it incurs in hosting partnerships.</i>
7.	<i>WHO will not unilaterally terminate hosting arrangements with any hosted partnership</i> , but it will provide support to hosted partnerships that wish to leave.

2.3 For all hosted partnerships²⁸, except Stop TB²⁹, these principles are developed into a more detailed framework through a memorandum of understanding (MOU) between the Board of the hosted partnership and WHO³⁰ (or in the case of UNITAID, between the founding donor governments and WHO³¹). In addition, since early 2012, this framework has been brought together, in an accessible and helpful electronic format, in the WHO eManual.

2.4 What has been less clear is how these frameworks, and the WHO rules and regulations, are interpreted and applied in practice to hosted partnerships. This lack of clarity is exacerbated because of perceived or actual inconsistent interpretation and application of the rules and policies among different

²⁶ See Policy on WHO Engagement with Global Health Partnerships and Hosting Arrangements adopted by the WHA in May 2010.

²⁷ See "Public/Private Partnerships in the Public Health Sector", Gian Luca Burci (Legal Counsel, WHO) in *International Organizations Law Review* 6 (2009) 359–382: "[Hosted partnership] staff are staff members of WHO and enjoy the status, privileges and immunities granted to WHO officials for the performance of their functions. Consequently, actions and activities carried out by the partnerships through their respective secretariats are attributed to WHO and engage its responsibility. WHO accepts to assume liability for acts performed in its capacity as host for the benefit of the partnership and to protect staff and assets of partnerships as its own. For this reason, it is essential that the functions and activities carried out by hosted partnerships fall within the functions and strategies of [WHO]."

²⁸ There are eight formal hosted partnerships within WHO, including Stop TB: International Drug Purchase Facility (UNITAID), Roll Back Malaria Partnership (RBM), Partnership for Maternal, Newborn and Child Health (PMNCH), Health Metrics Network, Alliance for Health Policy and Systems Research, Global Health Workforce Alliance and European Observatory on Health Systems and Policies.

²⁹ Stop TB is the only major hosted partnership without a formal hosting MOU. The Stop TB Framework Document adopted by the Board set out the basic principles of the hosting arrangement with WHO, with the Board and WHO having responsibility to further define the terms of the hosting arrangement. In the event, this never occurred (although an MOU was signed for GDF but expired in 2003).

³⁰ As a matter of law, these partnership MOUs are not legally enforceable because the hosted partnerships have no legal status. These MOUs nevertheless serve to establish the basis on which the parties will operate. Note that the UNITAID MOU is legally enforceable because it is entered into with the individual governments that founded UNITAID.

³¹ In the UNITAID MOU, the signatory founding donors agree to indemnify WHO for liabilities arising from UNITAID activities.

hosted partnerships and WHO departments³². These include, among other things, reporting lines, delegation of authority (in particular for HR matters), cost recovery rates, and various issues around communication and branding³³. Some of this inconsistency can be explained, in some cases, by the different nature of the hosted partnerships – but not in all cases. In the case of Stop TB, the fact that there is no MOU with WHO has also proved to be unhelpful³⁴. This lack of clarity has helped to foster a mode of operation that relies heavily on personalities and personal relationships.

2.5 As mentioned above, WHO intends to address these inconsistencies and lack of clarity by establishing a new standard set of hosting terms for all hosted partnerships. WHO's intention is to ensure that these standard terms reflect lessons learned and adopt the best practices currently applied for some hosted partnerships (e.g. process for systematic involvement of the partnerships' boards in the selection and appraisals of their respective executive secretaries). Some of the main concerns that WHO aims to address through this process is that "there is currently no mechanism to ensure adherence to the principles contained in Partnerships Policy, that there are no overlaps and that no conflicting messages or divergent policy advice are given to countries from several entities perceived by national counterparts as all being WHO"³⁵. Bearing in mind this need for WHO to ensure closer oversight of hosted partnerships, WHO has indicated that hosted partnerships are unlikely to be granted additional flexibilities as a result of this exercise³⁶.

3. Analysis of the WHO Hosting Arrangements

3.1 Stop TB's close association with WHO has provided it with invaluable benefits and the hosting arrangements present many opportunities to the advantage of both Stop TB and WHO. However, there are also challenges³⁷. The table below summarizes these benefits and challenges. Reaching consensus as a Board on the different weighting and priority that should be allocated to these benefits and challenges, paying due regard to the concerns of WHO as host, understanding that trade-off, and managing expectations on that basis, is essential to the effective operation of the hosting arrangements.

³² In some cases, when this has been pointed out with respect to specific issues, Stop TB and WHO have worked collaboratively to establish a common practice applicable to all. In other cases, the inconsistency is not addressed. Other hosted partnerships have indicated that they derive a lot of authority in their discussions with WHO from their memoranda of understanding.

³³ With respect to reporting lines, the Executive Secretary is the only head of a hosted partnership that does not report directly to an ADG. With respect to delegation of authority, UNITAID is the only hosted partnership where the head of the hosted partnership has additional delegated authority from the Director General on a variety of matters, including HR matters and signature authority for donor agreements. With respect to cost recovery rates, (i) until 2012, Stop TB enjoyed a lower cost recovery (PSC) rate than other partnerships and (ii) UNITAID's fee is based on an administrative charge for specific services known as an "ASA" (rather than a flat rate) that translates into a much lower rate than for the other formal hosted partnerships. With respect to issues around communication and branding, as an example, other hosted partnerships appear to have more ease in directly communicating with government ministers, the acknowledgement of the hosting arrangement in publications is different as between the various hosted partnerships, other hosted partnerships have their own email designation.

³⁴ The official MOU can bring greater clarity to the hosting relationship – this in itself is helpful in managing the expectations of all parties. Depending on what is negotiated, the MOU may also include greater clarity on the flexibilities available to the Stop TB Secretariat. Both UNITAID and RBM were able to negotiate relatively strong MOUs – with RBM having greater flexibility on communications than the other hosted partnerships.

³⁵ See WHO Secretariat's report to the WHO Executive Board hosted partnerships (EB132/5 Add.1; November 2012).

³⁶ For example, it is not likely that the reporting line of the Executive Secretary will change or that she will receive additional delegated authority.

³⁷ These are well recognized risks associated with hosting arrangements: "The three principal costs that have emerged from IEG's reviews ... are (a) the need to transparently identify and manage the conflicts of interest inherent in host arrangements; (b) the "two masters" problem, in which the head of the program management unit reports to both the governing body of the program and the line management in the host organization; and (c) the threat of "organizational capture" by the host organization." World Bank Independent Evaluation Group's 2011 report on Global and Regional Partnership Programs available at http://ieg.worldbankgroup.org/content/ieg/en/home/reports/grpp_eval.html. In 2005, Kent Buse and Anna Triponel summarized the "pros and cons" of hosting the Global Partnership for Education at the World Bank including the following challenges: (i) governing body sometimes/often lacking in authority, (ii) host retains fiduciary/ oversight responsibility, (iii) Executive reports to host (dual accountability & identity confusion), (iv) competition between host and partnership, (v) host protocols may inhibit communication, (vi) partners without sufficient voice, (vii) often high staff turn-over. See <http://webcache.googleusercontent.com/search?q=cache:vk8VJczQaPIJ:www.globalpartnership.org/media/library/Presentation%2520Governance%2520Sept%252030.ppt+kent+buse+partner+host&cd=8&hl=en&ct=clnk&gl=uk&client=safari>.

Table 2: Summary of Benefits and Challenges of WHO Hosting Arrangements

Benefits	Theme	Challenges
<p>Stop TB’s close association with WHO’s strong brand and reputation means:</p> <ul style="list-style-type: none"> • Automatic credibility and respect • Implied endorsement by WHO of Stop TB and its work • Opens doors with health ministers and officials <p>Stop TB and its two key programmes, TB REACH and GDF, are able to maintain and develop their own brands.</p>	Identity	<p>Stop TB’s close association with WHO’s strong brand means:</p> <ul style="list-style-type: none"> • Confusion as to whether or not Stop TB is a WHO body • Low visibility of Stop TB • Close oversight by WHO
<p>WHO and Stop TB have a shared mandate to eliminate TB and significant complementarities, resulting in programmatic support including</p> <ul style="list-style-type: none"> • Sharing data • Expert advice • Country-level support 	Mandate	<p>The mandates of WHO and Stop TB overlap in programmatic activities and global advocacy. This results in:</p> <ul style="list-style-type: none"> • Confusion among donors and other stakeholders • A competitive environment between WHO and Stop TB for programmatic and resource opportunities
<p>Stop TB is able to maintain its independent and representative Board structure.</p>	Independence and Accountability	<p>Dual governance and accountability and limited independent decision-making authority leads to:</p> <ul style="list-style-type: none"> • Potential “organizational capture”³⁸ by WHO • The disempowerment of the Executive Secretary as the head of Stop TB
<ul style="list-style-type: none"> • Robust internal control system • Worldwide offices and networks • Worldwide privileges and immunities 	Administrative Environment	<ul style="list-style-type: none"> • Lack of clarity regarding application of administrative policies • Cumbersome administrative processes • Institutional conflicts of interest • Aversion to risk

Identity

3.2 WHO has provided Stop TB with a strong global and highly reputable public health platform from which to operate and engage with partners. From its inception, Stop TB’s association with WHO through the hosting arrangement has lent credibility to, and engendered respect for, Stop TB, especially among health ministers of Member States. Being part of WHO, with Stop TB staff being WHO staff, has helped to open doors, has given Stop TB standing and has provided implied endorsement by WHO of Stop TB publications. This has the potential to continue to be helpful for Stop TB’s implementation of the

³⁸ As defined by the World Bank’s IEG “*Organizational capture means that the host organization takes over and runs the program as if it were one of its own. Therefore, the respective roles and responsibilities of the host organization and the program need to be clearly specified and understood. And the relationship between the host organization and the GRPP must be properly managed in order to ensure appropriate accountability all the way down to the country level, where the lead country representative of the host organization may be to some extent accountable for what the program is doing at that level*”. See Sourcebook for Evaluating Global and Regional Partnership Programs available at http://siteresources.worldbank.org/EXTGLOREGPARPROG/Resources/grpp_sourcebook_chap12.pdf.

Operational Strategy, including communication efforts, particularly with government officials and for increasing support for continuity, scale-up, and policy change for successful interventions at country level.

3.3 ***Yet the requirement to always associate the Stop TB brand with WHO and to engage government ministers and other officials only through WHO³⁹ leads to confusion among stakeholders about the identity of Stop TB and low visibility for Stop TB among its key stakeholders⁴⁰.*** This confusion and low visibility has a number of drawbacks for Stop TB and WHO:

- If Stop TB is viewed as a body of WHO, then the fundamental principle that Stop TB represents all partners (not just WHO) is somewhat diluted.
- It is difficult for the Secretariat to engage and mobilize key individuals and world leaders and develop the relationships necessary to sustain high-level support as part of its goal to increase political engagement by world leaders and key influencers if the Secretariat, and in particular the Executive Secretary, needs to communicate with that individual or partner through a WHO third party.
- The accountabilities of the Secretariat and WHO become muddled if they are indistinguishable.
- If the Secretariat is closely identified with WHO, then WHO will naturally feel the need to exercise close oversight of Secretariat activities and communications (which presents the administrative challenges described below – see paragraphs 3.14-3.22) since these activities and communications are likely to be seen as WHO activities and communications.

Mandate

3.4 ***There are significant complementarities between the mandates, programmes and expertise of Stop TB and the WHO TB Department.*** With WHO's worldwide presence, its reputation and its very strong relationship with ministries of health, there is extensive scope for collaboration and country support. The association with WHO opens doors; country offices help with drug delivery in-country and facilitate connections with NTP managers; close proximity means easy access to expertise within WHO headquarters⁴¹. For TB REACH and GDF, an information feedback loop appears to exist to the mutual benefit of WHO and Stop TB and the wider TB effort on programmatic matters. Indeed, this complementarity of mandates is a pre-condition for being hosted at WHO (see paragraph Table 1 above).

3.5 On global advocacy and resource mobilization for the wider TB effort, Stop TB's clear comparative advantage and capacity for global advocacy and WHO's mandate for data collection and global target setting suggest that effective collaboration in these areas would be mutually beneficial. Similarly, the expectation would be that there would be close collaboration in relation to opportunities of mutual interest to Stop TB and WHO, including meetings, consultations, workshops and the like, around dialogue on the achievements of the current MDGs and Global Plan and on the post-2015 agenda, strengthening support to Stop TB Working Groups and facilitating collaboration between them, etc.

3.6 ***Although there are natural complementarities between WHO and Stop TB, there are significant challenges in coordinating and collaborating on activities of mutual interest.*** This is because, in spite of the clarity intended by the Operational Strategy regarding Stop TB's mandate, the mandates of the WHO TB Department and Stop TB appear to overlap, which can be confusing for stakeholders. WHO is similarly concerned: "A review of the mandates of the WHO-hosted partnerships shows that some of them have functions that overlap with [WHO]'s programmatic mandates. This can lead to fragmentation and

³⁹ See WHO eManual Parts I.7.2, VIII.1.4, VIII.8.3 and XVIII.2 and "Guidelines for working with WHO offices in countries, territories and areas" August 2012.

⁴⁰ This has been further exacerbated by the WHO TB Department having the same name as Stop TB, which has been identified by both as being counter-productive for their operations. We understand that the WHO TB Department recently changed its name to the Global TB Programme.

⁴¹ As stated in the GDF Strategy, "being housed at Stop TB Secretariat in Geneva, Switzerland, the GDF has fast access to TB control expertise of WHO departments especially the Stop TB Department and Essential Medicines (WHO/EMP)".

duplication of international cooperation on specific subject areas and to competition for funding⁴². There is a continuing sense within WHO that programmatic activities (such as TB REACH and GDF) are more appropriately situated within WHO than Stop TB⁴³ and it is WHO's view that advocacy is also within the mandate of WHO⁴⁴. Again, wherever Stop TB is hosted, these issues would still exist⁴⁵; however, the hosting arrangement appears to exacerbate this state of affairs, as illustrated below.

- *Resource mobilization.* Confusion around the potentially overlapping mandates of WHO and Stop TB creates an impression of inefficiencies and lack of collaboration that is unattractive to potential donors, as well as leading to situations of potential conflicts of interest in administrative decisions (as described below in paragraph 3.18). This confusion, coupled with the increased risk of competition for resources described below, undermines the efforts of both Stop TB and the WHO TB Department⁴⁶.
- *Advocacy and communications.* Being housed within WHO means that the Secretariat must either persuade the WHO TB Department of the validity of its messaging or tailor its messaging to meet WHO's advocacy strategy⁴⁷. Stop TB cannot have a communication or advocacy strategy that differs from the WHO line, except in terms of target audience or modes of communication. As regards data used by the Stop TB Secretariat in its communications and for messaging purposes, while WHO does not completely rule out the possibility of the Secretariat commissioning data collection, this has to be agreed with the WHO TB Department and WHO sees this as WHO's prerogative, not Stop TB's.

3.7 One key perceived advantage of being housed within WHO is that Stop TB is in a better position to influence WHO policy and dialogue with WHO to ensure that all partner input is taken into account and that Stop TB can feed back and communicate regarding WHO messaging. As identified by the IEG in 2008, "with its diverse range of partners, including those with a long history of interest in tuberculosis control, and with WHO as its host organization, Stop TB has become the "glue" holding together the "community" involved in tuberculosis control." The question is to what extent being hosted at WHO continues to support this role of Stop TB as the "glue" of the TB control community.

⁴² This issue is highlighted by WHO as a general challenge in the WHO Secretariat's report to the Executive Board (EB132/5 Add.1; November 2012). In terms of overlapping mandate, among the hosted partnerships, the Stop TB Partnership has the most complex challenges in terms of mandate because of its hybrid operations. As we understand it, UNITAID has a mandate that does not overlap with any of the WHO departments. We understand that WHO and RBM are starting to experience some degree of overlapping mandate in relation to advocacy activities.

⁴³ Note that the equivalent of TB REACH for malaria (Rapid Access Expansion 2015 programme (RACe 2015)), which was launched in 2012, is housed within the WHO malaria department, not RBM.

⁴⁴ See, for example, WHO Programme Budget 2014-2015 "Provide global leadership and coordination of global stakeholders to achieve impact in tuberculosis prevention, care and control through the Stop TB Strategy, including managing the global partner networks for technical cooperation and resource mobilization" (available at http://apps.who.int/gb/ebwha/pdf_files/WHA66/A66_7-en.pdf).

⁴⁵ Indeed, the issues of overlapping mandates, competition for resources and differences on advocacy approaches and technical issues are relevant among all partners in a global health partnership and are not limited to the partner relationship between Stop TB and the WHO TB Department. "*Partners' interests do not necessarily always coincide with the interest of the [Global Health Partnership] and with other partners, particularly since there is often intense rivalry and turf wars among 'partners' who enter into partnerships – over funding or technical approaches. The difficulties facing staff in negotiating a path through these internecine wars is not often sufficiently well appreciated by partner organisations*". See Overseas Development Institute Briefing Paper – Global Health: Making Partnerships Work, Kent Buse, January 2007. Available at <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/102.pdf>.

⁴⁶ WHO has identified this as a concern from WHO's perspective as follows: "*greater collaboration, coordination and transparency between hosted partnerships and WHO is required in order to reduce competition over resources and confusion among donors. The absence of such coordination could also lead to inappropriate engagement with private commercial entities giving rise to conflicts of interest and reputation risks to both WHO and the partnerships it hosts*". WHO Secretariat's report to the WHO Executive Board on hosted partnerships (EB132/5 Add.1; November 2012).

⁴⁷ WHO policy is that all Stop TB advocacy communication and messaging must be cleared by the TB Director. This clearance is to ensure consistency of messaging with WHO and to ensure that any advocacy messages of Stop TB are technically sound and in line with the goals of the WHO TB Department and WHO generally as set by Member States.

Independence and Accountability

3.8 ***WHO is able to accommodate the independent Board structure of Stop TB and recognizes the accountability of the Executive Secretary and Secretariat to the Stop TB Board.*** Under WHO hosting arrangements the Stop TB Board has authority to approve programmatic decisions for Stop TB, that is: (a) to decide on the strategic direction of Stop TB, (b) to approve the Secretariat budget and workplan and (c) to approve grants. The Executive Secretary, and through her the Secretariat, is functionally accountable to, and reports to, the Stop TB Board and her accountability to WHO is for administrative matters only. WHO's acceptance of the Stop TB Board's independence and the Executive Secretary's dual accountability is based on the premise that WHO is a full participating member of the Stop TB Board, so that Board decisions are also a decision of the WHO that the Secretariat may then legitimately implement⁴⁸. (This understanding exists only as long as Stop TB's governance documents envisage that Board decisions are taken by consensus or enable WHO to refuse to implement decisions that do not conform to WHO rules). It is through WHO's role as Board Member that WHO indicates where a proposed Board decision would contravene WHO rules, regulations and policies or when issues relating to the management of the Stop TB Secretariat impact the functioning of Stop TB.

3.9 ***However, the reality is more complex, with a number of constraints on the independence of the Stop TB Board*** in key areas:

- *Approval of Secretariat budget and workplan.* Stop TB's budget has, to date, been included in WHO's programme budget. In practice, this has meant that Stop TB's workplan and budget has had to follow the design and planning of the WHO programme. Additionally, WHO managerial control is exercised over the preparation and establishment of the Stop TB budget and workplan in parallel to the Stop TB Board's review and approval of the workplan and budget. From 1 January 2014, the Stop TB Partnership will no longer be included in the WHO programme budget. The indications are, however, that Stop TB's workplan and budget preparation cycle will remain subject to the managerial oversight of WHO.
- *Executive Secretary selection and appraisal.* The Executive Secretary is selected by WHO, in accordance with its hiring procedures. Input by the Board is provided through Board Member participation in the selection panel, but the Executive Secretary's performance appraisal is undertaken by her line managers (i.e. the WHO TB Director and the ADG)⁴⁹.
- *Policy setting.* Stop TB must operate within the WHO rules, regulations and policies, which means that there is little scope for the Stop TB Board to establish its own policies, for example in relation to private sector engagement, except to the extent that they are consistent with those of WHO.

3.10 Similarly, ***the decision-making authority of the Executive Secretary is constrained over a wide range of Secretariat operations*** (see paragraphs 3.14 to 3.22 below and Annex C). The Executive Secretary has dual accountability both to the Stop TB Board and to WHO line management. Like all Secretariat employees, as a WHO staff member she is required to act in the best interests of WHO as well as Stop TB. Although the Executive Secretary's accountability to WHO is for administrative matters, there is no "bright line" that defines what is an administrative issue. Moreover, as described below, the purpose of WHO clearance processes goes beyond a mere compliance check. The lack of authority described below and dual accountability places her in a difficult position and effectively results in a disempowered Executive Secretary and Secretariat. This has negative repercussions for both the Secretariat and WHO.

⁴⁸ "To reconcile these two aspects of WHO's role as host organization..., WHO requires to be a member of the partnership board so that decisions by the latter are also decisions by the WHO Director-General that the Secretariat may then legitimately implement. As a corollary of this requirement, the operating procedures of boards of hosted partnerships either envisage decisions by consensus or otherwise enable WHO to refuse to implement such decisions if it determines that they would breach WHO rules and policies." See "Public/Private Partnerships in the Public Health Sector", Gian Luca Burci (Legal Counsel, WHO) in *International Organizations Law Review* 6 (2009) 359–382.

⁴⁹ See McKinsey's 2008 Evaluation Report: "By agreement with the Coordinating Board, the Executive Secretary's performance is assessed by his WHO supervisor and reported to the Board for discussion."

3.11 ***This results in a situation where, in spite of the apparent autonomy of Stop TB, Stop TB effectively has little or no structural independence from WHO. To the extent that any independence may be granted, this is at the discretion of the Director General and the ADG, based on her/his assessment of the risks involved, and taking into account the directives and principles outlined by the WHA and Executive Board for hosted partnerships (including the directive for strengthened oversight of hosted partnerships).***

3.12 With regard to WHO's accountability in its role as the hosting organization, WHO is accountable for, and has administrative oversight responsibility for, the use of Stop TB Partnership funds held by it on behalf of the Stop TB Secretariat. WHO's administrative accountability in this regard is to the donors contributing to the work of the Secretariat, with the Secretariat also accountable through WHO to such donors for the programmatic implementation of work using such funds. That said, ***WHO is first and foremost accountable to its governing bodies and not to the Stop TB Board.***

Administrative Environment

3.14 ***WHO has highly developed worldwide infrastructure and administrative systems, enabling the Stop TB Secretariat to conduct its day-to-day operations.*** For example:

- The Secretariat is able to offer a competitive compensation and benefits package to attract the staff it needs⁵⁰.
- The Secretariat staff are able to undertake international travel without visa restrictions.
- Stop TB, based on its own operational management, is able to use WHO's ERP system (GSM) to make payments and disbursements on behalf of Stop TB on an efficient basis⁵¹.
- The Secretariat has access to WHO's worldwide country presence to assist with its operations.
- Commodities procured under the GDF grant are free of tax and customs clearance is smooth.

3.15 This also gives comfort to donors and other partners that funds are managed well and that there is a strong system of internal controls and oversight.

3.16 ***The very nature of being hosted by a large bureaucracy, however, inevitably presents the Stop TB Secretariat with the challenges of having to apply organization-wide policies and processes and be subject to multi-tiered clearance and decision-making structures. These challenges manifest themselves in (a) lack of clarity as to the application of the rules and policies (see paragraph 2.3 above), (b) cumbersome administrative processes, (c) potential institutional conflicts of interest, and (d) an aversion to risk***⁵².

Administrative policies and processes

3.17 WHO is a large organization, with total assets of US\$3.8 billion⁵³ and six regional and 190 country offices, managing an extensive number of programs and initiatives. WHO policies are set by the Member States through the WHA based on WHO's programmatic, financial and administrative priorities. In order to ensure efficient and effective processes overall, WHO has a responsibility to its Member States to manage its transaction costs, both in terms of financial cost and human resources costs. Examples of how this affects Stop TB operations include:

⁵⁰ See paragraphs 2.1 – 2.8 of Annex B.

⁵¹ For example, access to GSM and the various data management facilities offered by it, and WHO's financial network through its country offices, is seen by the Secretariat as particularly helpful for disbursements to TB REACH grantees in-country.

⁵² In terms of administrative challenges, all of the hosted partnerships experience the same types of issues, with the main challenge being consistently identified as HR matters (although in terms of recruitment UNITAID has significant flexibility since the Executive Director has delegated authority for approving recruitments up to P-4 level). Conflicts are prevented or dealt with through a variety of means, including reference to the MOU (where relevant), reference to partnership governance decisions, or persuasion, negotiation and compromise.

⁵³ As of 31 December 2012.

- *Internal Controls.* WHO clearance and authorization are required for a wide range of day-to-day operational Secretariat decisions through a complex system of internal controls, including parallel GSM computerized control systems and paper-based “red book” clearance systems⁵⁴. At each layer of controls⁵⁵, questions may be raised and additional justification sought. This means that Stop TB needs to plan well ahead for every decision. The more risky or novel the decision is perceived to be, the more likely that detailed and multiple justifications are required to be provided by the Secretariat. This caution may well be warranted, but the downside is that all of these control layers together contribute to additional transaction costs for both Stop TB and WHO and result in delays, sometimes significant. ***Within this system, it is difficult for Stop TB to be responsive when opportunities arise or to develop innovative approaches.***
- *Hiring staff.* WHO’s recruitment rules and procedures, including WHO’s policy of encouraging the selection and promotion of internal WHO candidates and the need to consider diversity and gender balance in the context of WHO as a whole, as well as the multiple clearance processes has generally meant that ***the Secretariat’s ability to select and retain talent and to fill positions quickly, based on its own assessment of its needs, is constrained***⁵⁶.

Institutional conflicts of interest

3.18 Although the Executive Secretary is the head of the Secretariat and has been assigned responsibility by the Stop TB Board for the day-to-day operations of Stop TB, she is not the final authority for decisions relating to the day-to-day operations of Stop TB⁵⁷. The purpose of WHO clearance processes of the Secretariat work are to ensure consistency and compliance with WHO rules and procedures, and also to ensure (i) compliance with Stop TB workplan and budget, (ii) that there are no incompatibilities with WHO's programme and (iii) to protect against risks to WHO and Stop TB (including its Secretariat), in particular reputational, political and financial risk. ***The challenge for WHO and for Stop TB is how to manage situations of potential conflict of interests*** - where the action presented for WHO clearance is in line with Stop TB’s workplan and budget, but is not completely consistent with WHO’s programme or where there are perceived risks to WHO in authorizing the action but risks for Stop TB if the action is not taken. Examples include areas where there are differences between WHO and the Secretariat on the risk/benefit analysis of a proposed decision (see paragraphs 3.19-3.21) and other situations, such as:

⁵⁴ See Annex C. Note that the Programme Support Cost charged by WHO covers WHO’s central administrative services and that none of this amount goes to support the costs of the HTM Cluster or WHO TB Department’s time in reviewing and clearing Secretariat administrative actions.

⁵⁵ One of the major benefits noted by the IEG’s evaluation of the Stop TB Partnership in 2008 was that the WHO TB Department and the Secretariat shared a joint chief of administration and administrative unit which facilitated a more efficient working relationship: *“Importantly, administrative and financial operations are undertaken by a joint unit serving both Stop TB Secretariat and WHO’s Stop TB Department.”* This was true until 2011: one person served as the sole Coordinator for administrative and operational matters, jointly serving the WHO TB Department and Stop TB in the HTM Cluster. In 2011, this position was abolished and the functions split into two roles – one for the WHO TB Department and one for Stop TB.

⁵⁶ See paragraphs 3.1 – 3.10, Annex B. Hiring has been a challenge for Stop TB since the very outset of the hosting arrangements. See McKinsey’s 2003 evaluation of GDF: *“Going forward, GDF could renegotiate its MoU with WHO to allow for more flexibility, better service and cost-effectiveness, specifically for staffing and legal processes.”*

http://www.stoptb.org/assets/documents/resources/publications/achieve_eval/GDF_Report.pdf. See also McKinsey’s 2008 Evaluation Report: *“WHO staffing and recruitment processes remain challenging for Stop TB, with hiring cycles that can extend to 12 - 15 months (Exhibit 21) – for example the GDF was formally without a manager for over a year, although an interim manager covered the role.”* Stop TB and other hosted partnerships’ need for flexibility is recognized by WHO: *“From the perspective of hosted partnerships, it has been stressed that their operating and financing model necessitates a degree of flexibility and agility in relation to human resources recruitment and termination, contracting with third parties, and communications, that WHO’s rules and regulations do not cater for. That said, the need for such flexibility has to be balanced with the importance of ensuring a coherent and robust implementation of WHO’s administrative system”.* WHO Secretariat’s report to the WHO Executive Board on hosted partnerships (EB132/5 Add.1; November 2012).

⁵⁷ For reasons of synergistic fit, WHO continues to believe that Stop TB is best situated within the WHO TB Department with the Executive Secretary reporting through the TB Director. This means that clearances and authorizations are required from the ADG HTM Cluster and TB Director as more clearly explained in Annex C.

- *Resource mobilization decisions.* Stop TB and the WHO TB Department compete for resources from the same pool of donors, both existing and new (see paragraph 4.6 below)⁵⁸. Ideally, as required by WHO rules on hosted partnerships, WHO and Stop TB would coordinate on their respective resource mobilization strategies to effectively manage this risk of competition for resources. It is not clear how much coordination actually occurs. However, because WHO clearance and authorization is required for all Stop TB's proposal submissions and contribution agreements, Stop TB's resource mobilization efforts do become transparent to WHO. Whether Stop TB is hosted at WHO or elsewhere, the risk of competition for resources would still exist; however, the hosting arrangement places WHO and Stop TB in an awkward position. The question is how WHO manages the institutional conflict of interest in such situations.

Aversion to risk

3.19 Because of WHO's normative function and as an organization of Member States, there is a natural aversion to risk, particularly with regard to financial or reputational risks.

3.20 The WHO line management of Stop TB has a sense of great personal and institutional responsibility for oversight of Stop TB. It considers that WHO has responsibility without authority (i.e. it has no power to make decisions but is held accountable when things go wrong). In fact, the position is more nuanced. While WHO's formal responsibility is limited to its Member States (not the Stop TB Board) and Stop TB maintains a substantial financial reserve to meet its liabilities and indemnify WHO, in reality it is difficult to ring-fence liabilities of Stop TB, such that a failure of Stop TB is likely to impact WHO as well (especially given the confusion of identity – see above). On the other hand, while WHO has no authority to pro-actively make decisions on Stop TB's behalf, it does have considerable authority through its effective veto power of day-to-day decisions of the Secretariat.

3.21 ***WHO's natural inclination towards a conservative approach, together with this perceived position of responsibility without authority and the WHA directive to strengthen oversight of hosted partnerships, drives a risk-averse approach to Stop TB and hosted partnerships generally.*** The emphasis is on the risk for WHO and is often articulated as a generalized risk to WHO's reputation and, at times, an unquantified financial risk. This can lead to significant delays as additional justifications are sought or, in some cases, protective measures being imposed which appear to be out of proportion to the perceived risk to WHO and which do not have sufficient regard to the risk to implementation of Stop TB activities. ***This risk-averse approach is applied across all areas, and is most evident in the area of human resources.***

- *Human resources.* Decisions relating to confirmation of probation, termination for poor performance and redundancy are particularly difficult for the Secretariat operating within WHO because of WHO's aversion to the risk of litigation. All such decisions are assessed by WHO against the reputational risk to it in having to defend possible appeals before the ILO Administrative Tribunal.⁵⁹
- *Private sector engagement.* WHO has an established policy for engagement with the private sector (on all matters, including resource mobilization but also other types of collaboration). A key concern for WHO is in protecting WHO's reputation and minimizing any actual or perceived conflict of interest. WHO uses a case-by-case approach in considering the risks associated with any private sector engagement, which means that there is no clear practice or precedent on which Stop TB can rely for private sector collaborations and fund-raising. WHO is currently reviewing its policy for engagement with the private sector with a view to making the policy more practical. What this means for Stop TB is not as yet clear.

3.22 ***The questions are (a) whether this degree of administrative checks and controls achieves the appropriate balance for an organization like the Stop TB Partnership, (b) whether these arrangements represent an efficient use of financial and human resources and (c) whether sufficient consideration is***

⁵⁸ While the majority of WHO funding comes from bi-lateral sources that are ring-fenced for multi-laterals, WHO departments nevertheless conduct significant resource mobilization from other sources.

⁵⁹ See paragraphs 4.1 – 4.6 of Annex B.

given to the risks to the effective implementation of Stop TB's Operational Strategy. Moreover, in cases where WHO's interests and those of Stop TB are not in complete alignment on any particular clearance or authorization request, there is a question as to how that conflict of interest is managed.

4. Financial Considerations

4.1 This Report considers the financial implications of the hosting arrangement in three key areas: income, costs and financial management and control. Annex D provides further details on all three aspects.

Stop TB Income

Funding Model

4.2 Stop TB has enjoyed the benefit of a small but committed group of donors⁶⁰ and multi-year donor agreement. With the exception of the multi-year DFID agreement signed in 2011, Stop TB's multi-year donor agreements are now expiring or have expired. Contributions from some of Stop TB's key donors are under pressure (for example, the World Bank has indicated a slow pulling out from global partnerships and USAID is currently operating under a sequestration).

4.3 Stop TB receives two types of income: specified (also often referred to as restricted or ear-marked funds) and unspecified. Specified funds can only be used for the purposes for which they were provided by donors and moving unused funds from one budget line to another requires negotiation and written approval from the donor. Unspecified funds are provided by donors for the general purposes of Stop TB. These funds can be used flexibly to cover the core costs of supporting the administration and management of the Stop TB Secretariat or to support other activities of Stop TB as the Secretariat deems necessary in order to deliver on its workplan. Unspecified funds also give the Secretariat the flexibility to respond to immediate identified needs or take advantage of time-sensitive opportunities. Stop TB has been experiencing a steady decline in unspecified funds for some years, which was identified as a risk to Stop TB's funding model during the development of the Operational Strategy⁶¹. ***To the extent that Stop TB seeks new avenues for raising funds to meet its own needs, the ability of the hosting arrangements to accommodate such new approaches is critical - not just in relation to managing costs but also in relation to revenue raising.***

4.4 GDF provides a unique package of services, including technical assistance in TB drug management and monitoring of TB drug use, as well as procurement of high-quality TB drugs at low cost. GDF offers these services to countries through two distinct lines of operation: (a) the Grant Service (GS) line which grants commodities to programmes following an application process at no charge to grantees and (b) the Direct Procurement Service (DP) line whereby countries can access GDF services subject to paying procurement agency fees directly to GDF's procurement agent. ***Because GDF is unable to charge for its services, the Direct Procurement Service line of operation is unfunded, with donor contributions to the Grant Services line effectively subsidizing the work necessary for the Direct Procurement Services line⁶². With the Grant Services line declining, and the rapid rise in the Direct Procurement Services line (which trends are expected to continue) this model of funding for GDF is not optimal.***

Resource Mobilization

4.5 Under the WHO hosting policy, Stop TB and the WHO TB Department are required to coordinate regarding their resource mobilization strategies and all proposals for funding by Stop TB should be cleared through the WHO line management.

4.6 ***As noted above, competition for resources has become an increasing risk as the resource environment has become more challenging.*** To put this in context, the HTM Cluster and the WHO TB Department receives minimal corporate funding from the assessed contributions and core voluntary

⁶⁰ USAID, the Gates Foundation, CIDA, DFID, UNITAID, the World Bank, Eli Lilly.

⁶¹ See Operational Strategy, page 26.

⁶² The annual \$50,000 allocation in Global Fund TB grants goes to GLC, not GDF.

contributions from Member States⁶³. The amount received is totally insufficient to finance the work and core functions either of the HTM cluster, or *a fortiori* the WHO TB Department. The WHO TB Department must therefore mobilize resources directly from potential donors to cover most of its HR costs and activities. As with Stop TB, these tend to be specified or ear-marked funds for specific activities. The pool of donors of Stop TB and WHO TB Department include many of the same organizations, for example, USAID, CIDA, the Gates Foundation.

4.7 Stop TB has sought to optimize its engagement with the private sector, as a key partner of Stop TB. This includes efforts to mobilize resources for TB control in general and direct resources to partners and to mobilize resources for Stop TB's own needs. WHO has an established policy for engagement with the private sector covering all aspects of engagement. A key concern for WHO is in protecting WHO's reputation and minimizing any actual or perceived conflict of interest. WHO uses a case-by-case approach in considering the risks associated with any private sector engagement, which means that there is no clear practice or precedent on which Stop TB can rely for private sector collaborations and fund-raising. ***This makes it difficult for Stop TB to have any clarity as to the extent of permitted engagement with the private sector. WHO is currently reviewing its policy for engagement with the private sector⁶⁴. What this means for Stop TB is not as yet clear.***

4.8 ***A potential source of cost savings and revenue generation for Stop TB is to allow GDF to procure directly, and thus avoid payment of fees to procurement agents and allow GDF to charge a fee to direct procurement service clients.*** GDF is largely self-sufficient and conducts many of the functions of a procurement agent through its operations already. However, WHO has to date required GDF to conduct procurement through a procurement agent (except for procurement of GeneXpert commodities) due to concerns that the risks of direct procurement outweigh the benefits. Further information on this is included in Annex D.

Costs

4.9 The three major cost considerations for Stop TB are the indirect administrative costs paid to WHO, direct administrative costs of Stop TB and human resources costs. These costs have increased significantly in recent years. Every indication is that the indirect costs payable to WHO will continue to rise. HR costs for the biennium 2014-2015 appear stable.

Indirect Administrative Costs

4.10 The provision of administrative services is centralized at WHO, with all WHO departments and hosted partnership required to contribute towards the indirect costs of WHO⁶⁵. These costs are recovered by WHO from its various departments and hosted partnerships by levying a Programme Support Cost (PSC). Since 1 January 2010, a percentage of human resources costs has also been applied to meet indirect costs (see paragraphs 4.18-4.20 below and Annex D). Currently the WHO standard PSC rate is 13%. However, WHO utilizes a wide range of PSC rates for different programmes ranging from 0% to 20%⁶⁶.

4.11 The mechanism for recovering PSC varies from (i) a flat percentage charge, as levied on the Stop TB Partnership and RBM, to (ii) a fee for administrative services (commonly referred to as "ASA") in which the

⁶³ Corporate funding is composed of (i) assessed contributions (AC) made by member states on the basis of a formula which includes considerations of their GDP, burden of disease and development status and (ii) flexible (i.e. un-specified) voluntary contribution called Core Voluntary Contribution (CVC) from member states. The distribution across the organization of those funds is decided by the Director General. Currently, the majority of AC and CVC are distributed to finance Country Offices, Regional Offices of WHO and the corporate management functions of the organization. As a result, for the HTM Cluster in HQ, corporate funding currently represents less than 5% of its income, and for the WHO TB Department it is negligible. It has been continuously reduced over the last 8 years.

⁶⁴ This was reviewed by the WHO Executive Board at its meeting in May 2013 and will go back for consideration at the next Executive Board meeting.

⁶⁵ These indirect costs comprise payments for the provision of infrastructure and related services by WHO, such as office space, security and IT and support services such as legal, financial, procurement and human resources.

⁶⁶ See PwC Report on administration and Management Cost Study, January 31, 2013 available at http://apps.who.int/gb/pbac/pdf_files/Eighteenth/PBAC18_3-en.pdf.

cost of each service delivered by the host is negotiated and set out, item by item, in an administrative services agreement, as for UNAIDS and UNITAID, to (iii) a mix of these two mechanisms, that is a flat percentage plus an ASA.

4.12 ***WHO has shown great flexibility in the past by agreeing to a reduced PSC for the Stop TB Partnership; however, this was brought to an end in 2012.*** Since 2008⁶⁷, the PSC charge on income levied by WHO has been 7% for Stop TB Partnership programme activities and 3% for GDF health product procurement⁶⁸. For all contribution agreements signed after 1 January 2012⁶⁹, the PSC will be WHO's standard rate of 13% charged by WHO (except for GDF health product procurement which will remain at 3%).

4.13 However, a recent study by PwC shows that, comparing the absolute amounts paid by hosted partnerships for the 2010/11 biennium, the largest contribution to WHO for administration and management fees was from Stop TB⁷⁰. Stop TB paid WHO fees in respect of administration and management of US\$9.9 million (comprised of a PSC of approximately US\$9.2 million⁷¹ and a post occupancy charge (an element of HR costs) of US\$0.7 million computed on an income of US\$189 million⁷²). This amounts to an overall charge of 5.2% on income for Stop TB. In the same period, the ASA and additional agreements-based charges for UNITAID was approximately US\$2 million⁷³ on an income of US\$607 million in the same biennium⁷⁴. This amounts to a charge of 0.33% for UNITAID⁷⁵.

4.14 As noted by PwC in their study, there is a general lack of understanding as to what services are covered through these various indirect cost payments, with funding being provided separately at the WHO departmental level for services which are considered additional requests from partnerships: "This patchwork approach makes it difficult to understand which services the partnerships are getting for which fee, and subsequently to assess whether the fees collected properly offset the costs to WHO". There is also a mismatch between the expectations of WHO and the hosted partnerships as to WHO's accountabilities relating to indirect costs: "Whilst WHO sees these arrangements as merely a form of agreement to recover costs and provide services on a best effort basis, we understand that partnerships may perceive the signature of an ASA as an agreement to provide services at guaranteed service levels and expect WHO to demonstrate value for money."

4.15 WHO has, for some time, suspected that the programme support costs that it levies do not cover the full cost of servicing its departments and hosted partnerships. The WHA has mandated WHO to recover the full costs of providing services to hosted partnerships.

- All of the revenue from PSC is allocated to WHO central administration and corporate management (known as "GMG"). Thus, none of the PSC paid by Stop TB to WHO goes to benefit the HTM Cluster or the WHO TB Department, even though both have significant managerial and

⁶⁷ The programme support cost applicable to Stop TB was 13% at inception in 2001. In 2004 it was negotiated down to 6% for programme activities (later changed to 7% in 2008), and 3% for procuring drugs.

⁶⁸ WHO departments' standard PSC has throughout this period been 13%. WHO departments do not receive any allocation from the PSC or management fees charged by WHO. Each WHO department receives a small amount from the central WHO pool of voluntary contributions, significantly below what it needs to cover all staff costs. It is then the responsibility of each WHO department to fundraise for all its other costs.

⁶⁹ As all income currently accruing to Stop TB is based on contribution agreements signed prior to 1 January 2012, the PSC that has been levied on income received until December 2012 has been at the lower 3% and 7% levels. Contributions under any new donor agreement will be subject to the 13% charge.

⁷⁰ See PwC Report.

⁷¹ Based on the PwC Report. This does not include amounts in respect of Post Occupancy Charge.

⁷² This includes TB REACH and GDF funds and is based on financial management reports of Stop TB.

⁷³ Based on the PwC Report. This does not include amounts in respect of Post Occupancy Charge and does not include certain other charges for specific services under UNITAID hosting arrangements. These additional specific charges are included in the higher amount of US\$2.5 million for ASA shown in UNITAID's published accounts available at <http://www.unitaid.eu/images/budget/Financial%20Statements%202010%202011%20final%20%2028%2003%202012%20with%20auditors%20opinion.pdf>.

⁷⁴ Based on published accounts of UNITAID – see above.

⁷⁵ Although not part of the hosting arrangement for UNITAID, it is worth noting that UNITAID is a significant donor to WHO, having granted over US\$330 million to WHO (including funds to the WHO pre-qualification programme as well as to hosted partnerships and GDF in particular) since 2006. These grants often include funding for direct costs, such as positions within WHO.

administrative responsibilities for oversight of and support to Stop TB. In that sense, the work undertaken by the HTM Cluster and the WHO TB Department is unfunded⁷⁶.

- WHO intends to conduct a detailed study of the costs of hosting partnerships and to determine the actual level of costs and the appropriate methods for raising such funds⁷⁷. During that review, it is likely that an assessment of the allocation for the time of the HTM Cluster and the WHO TB Department in overseeing and supporting Stop TB and other hosted partnerships will be taken into account in assessing whether the cost of hosting is being fully recovered. This is one reason there is a strong expectation that the cost for hosted partnership will go up⁷⁸.
- This process provides Stop TB and other hosted partnerships with an opportunity to voice their concerns and make suggestions not only on the costing definitions, but also the method for requiring partnerships to pay for WHO's administrative services, although WHO will have the final say.
- WHO cannot confirm how it will raise funds from hosted partnerships to meet its funding gap and, while there is some willingness to consider itemized costing as this provides transparency to all parties, the likelihood is that a flat-fees based recovery mechanism will be applied in order to avoid any inference of setting up guaranteed service levels. ***WHO has indicated that they expect that costs to partnerships will rise. While the amount of increase is not known, there are strong indications that the increase will be material.***

Direct Administrative Costs

4.16 The Secretariat maintains a substantial administrative, management and support function within the Secretariat to meet the administration and corporate management needs of the Secretariat. (This team had been running at full strength from 2007 until 2012; since 2012 a number of key positions have been vacant). This includes financial, IT and human resources staff as well as operational management staff for GDF and TB REACH. (GDF is largely self-sufficient in terms of administrative and operational management). The costs of this administrative support function are covered through a mixture of unspecified funds and specified funds ear-marked for GDF and TB REACH that contain an allocation for staff costs. The purpose of maintaining the administrative and support function within the Secretariat is to minimize the administrative burden on WHO and help smooth administrative process flow and to meet needs of the Secretariat that cannot be met within the WHO function (in particular, for GDF). It was on the basis of hiring and maintaining its own administrative and support function, that WHO was willing in 2004 to agree to a reduced PSC rate of 6% - later increased to 7% - and 3% for GDF⁷⁹.

4.17 In the 2010-2011 biennium, the Secretariat's administrative and management team (including corporate management of the Secretariat as a whole)⁸⁰ had around 14 full-time equivalent staff positions at a cost of approximately US\$5.3 million (based on GSM data). Together with the PSC of 7% (3% for GDF) paid for the 2010/11 biennium of approximately US\$9.9 million, the total administrative costs of Stop TB for the 2010/11 biennium amounted to US\$15.2 million or 8% on income for Stop TB in the same period.

⁷⁶ "WHO devotes considerable effort and resources to supporting hosted partnerships' operations and in some cases does not recover all the associated costs, which go beyond the overheads charged to the contributions received for financing their operations. In this respect, WHO's governing bodies have repeatedly stressed the need to ensure that WHO does not subsidize partnership activities". See WHO Secretariat's report to the WHO Executive Board on hosted partnerships (EB132/5 Add.1; November 2012).

⁷⁷ WHO has indicated that it expects this study to be completed by the end of 2013 with the new arrangements to come into effect soon thereafter.

⁷⁸ Another reason is the substantial funding gap in "GMG" costs identified by PwC in their report.

⁷⁹ Negotiations were conducted between the Executive Secretary, Chief Operating Officer and representatives of the Stop TB Board with the WHO ADG and Comptroller at the time. WHO took into consideration the fact that by maintaining its own administrative and support function, the Stop TB Secretariat was reducing the administrative burden on WHO. WHO also took the approach that Stop TB should be treated as a "trust fund".

⁸⁰ The methodology used to define administrative and management costs in this paragraph is the same methodology as used by PwC in its Report on administrative and management costs. Therefore, the amounts in this paragraph include an allocation of FTE costs ("full time equivalent" staff costs) where all or part of the functions of the staff position include core management or administrative tasks.

Human Resources Costs

4.18 ***The standard human resources costs that are charged by WHO have increased significantly over the past five years.*** As an example, the average cost of employing a P-3 grade staff⁸¹ has increased by an overall 28%⁸² between July 2008 and December 2012.

4.19 The standard human resources costs that are charged by WHO comprise a number of elements, that can be broadly grouped into (i) net base salary, (ii) cost of living adjustment and employee benefits, and (iii) indirect costs to cover capital funds and staffing-related costs (e.g. for building maintenance, security and related matters) that are calculated on a headcount basis. Based on the example above of for P-3 staff⁸³ for the period 2008 to 2012, the non-salary elements have increased at a significantly faster rate than the salary element: net base salary has increased by only 7% and all other costs by 40%. The main reason for the increase is the significant increase in the value of the Swiss franc against the US dollar⁸⁴, which not only has an impact on the cost of living adjustment rate, but because employee benefits are calculated on the basis of net salary as adjusted for cost of living, has a significant multiplier effect on the employee benefits group of costs. WHO have confirmed that they now have a hedging policy in place which should mitigate future violent swings in exchange rates - but at a cost which is now built into, and recovered through, HR costs. Headcount type costs also increased substantially during the period.

4.20 ***Since there are so many variables within the overall human resources costs, it is difficult to predict with any certainty whether human resources costs will continue to rise⁸⁵. What is clear is that non-salary costs have increased at a much faster rate than the basic salary. Human resources costs for the 2014/15 biennium appear to have stabilized.***

Scope to reduce costs

4.21 Through the hosting arrangement, Stop TB is able to benefit from the worldwide tax exemptions accorded to WHO. This is a major benefit in reducing tax costs. While other non-UN organizations may have been able to negotiate preferential tax treatment in relevant countries, enforcing these tax exemptions can be a lot more difficult, and varies from country to country, as compared to organizations within the UN system.

4.22 It appears that there is limited scope to reduce costs. While in the past Stop TB was successful in negotiating a reduced PSC for Stop TB, this is no longer possible. HR costs are standard and not subject to negotiation. Moving staff (or the whole Secretariat) to a WHO office with a lower post adjustment rate may be possible but has not yet been explored. Other unsuccessful efforts to reduce costs have included direct procurement (to save on the procurement agent fee and generate revenue to cover GDF costs) and exploring the use of secondments of staff. Consultancy contracts as a means to reduce costs have also been challenging for the reasons explained elsewhere in this Report.

⁸¹ This is the most common professional grade within Stop TB.

⁸² Accurate information is not readily available and difficult to extract. This is based on the actual costs of P-3 grade staff as identified through Stop TB GSM data. There is other data available that shows average total standard costs as increasing by 39% between the 2010/11 and 2012/13 biennia. However, we believe that the information provided in this report is more accurate.

⁸³ Since Post Adjustment changes every month, for illustration the Post Adjustment has been chosen for February each year.

⁸⁴ The accounting unit of WHO is dollar-based while Geneva HR costs are in Swiss Francs, such that the dramatic rise in the value of the Swiss Franc compared to the US Dollar resulted in a spike in the post adjustment rates.

⁸⁵ It should be noted that the WHO has shifted with effect from 2012 to new accounting rules (IPSAS) which require a disclosure of all liability. (This resulted in an increase in charges for employee insurance costs – a 10% increase in 2011, with a 4% annual increase thereafter). All other UN bodies are also moving in this direction. The UNJSPF will be moving to IPSAS this year, which will require an actuarial valuation. If the liability is substantial, UNJSPF may demand that it be reduced or eliminated. WHO and other UN organizations contributing into the UNJSPF would then need to raise funds to meet the gap.

Financial Management, Accounting and Budget Control

4.23 *Stop TB has sufficient access to financial information relevant to Stop TB to meet its day-to-day requirements, but it is unable to have a complete view of its assets and liabilities and cannot produce full financial statements, including a balance sheet and cashflow statement.* This is because Stop TB, along with most other hosted partnerships and WHO departments, is treated as a budget center rather than as a separate accounting entity. What this means is that, because cash funds are managed in a pooled manner, the level of detail on the actual position regarding Stop TB funds held by WHO in trust for Stop TB is not available or is very difficult to extract. For example, there is no separation of accounts payable. Moreover, other necessary standardized policies are applied to pooled funds, such as applying accounting attribution methodologies to calculate and allocate earnings⁸⁶ and certain types of liabilities attributable to Stop TB (e.g. HR liabilities). Neither Stop TB nor WHO therefore has a clear view of the liabilities of Stop TB. This makes it difficult for external parties to assess the financial condition of Stop TB (a point of importance for donors). Setting up Stop TB as an accounting entity (which like UNITAID and UNAIDS⁸⁷) can produce audited financial statements will entail some effort and associated costs for both Stop TB and WHO. This option has not been formally explored, but the indications are that this would not be readily available as it would impose a burden on WHO.

4.24 WHO's rigid program planning and budgeting rules and control systems make any rapid change in course challenging. Such a change may be needed in order to take advantage of time sensitive opportunities, including those that need to be seized promptly to mobilize resources. All Stop TB programme budgets and any changes to them must be approved by the ADG HTM Cluster.

Other Financial Funds Flow

4.25 Stop TB has provided funds to WHO, either as financial support for WHO to carry out activities for Stop TB (Stop TB has provided similar grants to other partners)⁸⁸ or as a conduit of pass-through funds intended by the donor for WHO⁸⁹. This places Stop TB and WHO in an awkward position. Stop TB is held responsible by the donors for the use of these funds and reporting on such use, but because Stop TB is subsumed within the WHO structures, Stop TB cannot hold WHO to account for these funds.

⁸⁶ Until 2010 investment income that accrued to Stop TB's funds was credited to Stop TB. (This amounted to an average of US\$1.5 million a year during the period 2006-2010, which was treated as unrestricted income available to support core Secretariat work). Following the adoption of the WHO Hosting Policy in 2010, the policy became less clear – however, in interviews WHO has clarified that investment income on partnership funds is credited to the relevant partnership. WHO has stated that no investment income was credited to Stop TB in 2011 because none was earned, but a small amount will be credited to Stop TB for 2012.

⁸⁷ Under IPSAS accounting rules, UNITAID and UNAIDS are required to be accounted for, and audited, separately as “accounting entities” and can therefore produce full financial statements capable of external audit.

⁸⁸ In addition, funding has been provided in the past to support the human resources function of WHO to facilitate Stop TB work, but this is no longer the case. Other hosted partnerships still do this.

⁸⁹ An example of this would be the TB Team funding. While the role of Stop TB as a conduit of pass-through funds intended for WHO has diminished, it still secures funds for WHO from donors who have reached the limit of their contribution to WHO and of necessity must use Stop TB to get funds to WHO. It thus performs an important function for the work of the WHO TB Department.

PART IV – COMPARISON WITH ALTERNATIVE HOSTING OPTIONS

1. General Context

The Four Hosting Organizations

1.1 WHO, UNDP and UNOPS are all large UN system organizations that enjoy privileges (including tax exemptions) and immunity from the application of national laws on a worldwide basis. They have similar human resources frameworks, and employees of all three are international civil servants. However, the mandate and governance structures of WHO on the one side and UNDP and UNOPS on the other are quite different, with potentially different impacts for any hosting arrangements.

- To exercise its mandate of providing normative guidance for public health worldwide it is essential for WHO to maintain its high standing and reputation of impartiality by, amongst other factors, avoiding any possible perception of conflicts of interest (in particular in dealing with the private sector) and proceeding cautiously in all its endeavours. UNDP and UNOPS are project-based organizations with very broad mandates in development. Their ability to achieve their respective missions is not constrained by a standard-setting function in the same way as WHO.
- In addition, WHO's supreme governing body, the World Health Assembly, composed of Member State ministers of health, is involved in the operations of WHO to a great extent. This impacts on the WHO Secretariat's ability to act quickly, except in cases of emergency. UNDP's and UNOPS' governance structure is highly devolved such that the UNDP and UNOPS secretariats have broad delegated authority for managing their operations. This gives UNDP and UNOPS significantly greater freedom of action in managing their projects and programmes.

1.2 As a non-governmental organization, The Union is entirely different from any of the UN system organizations. It is subject to national laws and, while it enjoys charitable status, it does not benefit from tax exemptions in all its operations. With four separate but affiliated legal entities and several branches, The Union operates a federal, decentralized approach to management. It does not operate as a large bureaucracy with a civil service type hierarchy. While The Union's governance bodies include representatives of countries, it is not an intergovernmental entity of Member States in the same way as UN organizations. The Union is significantly smaller than any of WHO, UNOPS or UNDP.

1.3 A detailed description of each of UNDP, UNOPS and The Union and the hosting arrangements potentially available through them is included in Annexes E, F and G respectively.

The Four Hosting Models

1.4 ***The WHO arrangements and the three alternative hosting options present four quite different hosting models. These differences are important since how the hosting model is framed can, to a large extent, influence the dynamic of the hosting relationship. The table below summarizes the four hosting models as they apply (or would apply) to Stop TB.***

1.5 One of the key defining features of the hosting model is whether or not the Stop TB Secretariat would be viewed for all intents and purposes (and not merely for legal and administrative purposes) as an integral part of the hosting organization, i.e. as "one of us". In the table below, as shorthand reference, if Stop TB is considered to be part of the hosting organization only for legal and administrative purposes, this is referred to as "in but not of" the hosting organization. If Stop TB would be viewed as an integral part of the hosting organization for all purposes, this is referred to as "in and of" the hosting organization.

Table 3: A Snapshot of the Four Hosting Models

WHO	UNDP
<ul style="list-style-type: none"> • Stop TB is <i>in but not of</i> WHO. • For administrative purposes, a WHO unit within the WHO TB Department. • For programmatic purposes, a quasi-autonomous unit, albeit with synergies with WHO TB Department. • Majority of its day-to-day operations under WHO managerial control. 	<ul style="list-style-type: none"> • Stop TB is <i>in and of</i> UNDP. • For all purposes, a UNDP project within the HIV, Health and Development division. • Majority of its day-to-day operations decentralized and under Stop TB Secretariat control, but under overall UNDP administrative and operational control.
UNOPS	The Union
<ul style="list-style-type: none"> • Stop TB is <i>in and of</i> UNOPS. • Stop TB is a quasi-autonomous operation, with its own set of Standard Operating Procedures, within Global Partnerships division. • Majority of its day-to-day operations are under Stop TB Secretariat control but some UNOPS administrative control. 	<ul style="list-style-type: none"> • Stop TB is <i>in but not of</i> The Union. • Stop TB is a quasi-autonomous operation completely outside The Union’s operational divisions. • Majority of its day-to-day operations are under Stop TB Secretariat control, but almost no administrative or operational control by The Union.

1.6 On the one hand, the WHO hosting model is predicated on the activities of the hosted partnership being in alignment and synergistic with WHO’s mission and programmatic objectives. On the other hand, the activities of the hosted partnership are not integral to core WHO activities and are not part of the WHO programmatic accountability framework⁹⁰. Because Stop TB staff are WHO employees Stop TB is “in” WHO, but because Stop TB is not integral to core WHO activities Stop TB itself is not “of” WHO. This results in a situation where Stop TB is perceived as a different body within WHO, with WHO seeing itself as having responsibility without authority for Stop TB’s activities. In this context, even though Stop TB has built up its own management and administrative function, controls are interposed by WHO to ensure oversight of Stop TB’s operations. The terms of the hosting arrangement are due to be clarified through standard hosting terms set by WHO and endorsed by the Stop TB Board.

1.7 In contrast, UNDP would view Stop TB as an integral part of UNDP’s operations and not a different body - a UNDP project, like all UNDP’s other projects. Whereas WHO already has its own TB department, Stop TB would become UNDP’s only TB-specific project – part of its broader mandate on health, development and human rights. Similarly, but for different reasons, UNOPS would view Stop TB as being both “in” and “of” UNOPS. UNOPS’s mission is to provide administrative services to projects, therefore providing support to Stop TB is an integral part of UNOPS activities. This is likely to lead to greater administrative efficiency. Neither UNDP nor UNOPS would sign an MOU with the Stop TB Board. Instead, the terms of the hosting would be established, in the case of UNDP, through a project document for the Stop TB “project”, and, in the case of UNOPS, through detailed standard operating procedures for Stop TB.

1.8 The Union would view Stop TB as a distinct business line with a completely autonomous governance structure. The Union would manage its administrative relationship with Stop TB on the federal, decentralized structure that it already uses for its affiliated organizations and branches. It would continue to engage with Stop TB as a partner in the normal way. Stop TB would in effect be not “of” The Union and only very loosely “in” The Union. The terms of the hosting arrangement would be established through a MOU between The Union and the Stop TB Board. This model is as close to being an independent, autonomous organization as Stop TB is likely to achieve without having its own legal status.

⁹⁰ See WHO Secretariat’s report to the WHO Executive Board on hosted partnerships (EB132/5 Add.1; November 2012) available at http://apps.who.int/gb/ebwha/pdf_files/EB132/B132_5Add1-en.pdf.

2. Comparison of the Four Hosting Models (Non-Financial Considerations)

Identity

2.1 *As stated elsewhere in this Report, having a clear identity for Stop TB and visibility to external stakeholders is important to ensure that Stop TB has credibility as the partnership of all the partners in order to meet its goal of facilitating meaningful and sustained collaboration amongst partners.* It is also relevant to the goal of engaging world leaders and key influencers to ensure that such world leaders and key influencers understand clearly who they are engaging with and why. Opinions (both within and outside the Secretariat) vary widely on whether or not Stop TB (through its own name and the TB REACH and GDF brands) would be able to independently engage senior government officials, world leaders and key influencers without the name of WHO or another strong and reputable brand behind it. Without a survey it is not possible to know.

2.2 Stop TB is often confused with the WHO TB Department. The confusion arises for a number of reasons, including (a) the fact that WHO has its own TB department, (b) until very recently the WHO TB Department shared the same name as Stop TB and (c) because, under WHO rules, Stop TB must constantly present itself as part of WHO (e.g. use of WHO logo, WHO signature of key documents, communication with ministers only through WHO). In some cases, the confusion with WHO has been beneficial for Stop TB. At other times, this confusion has not worked in the best interests of Stop TB or WHO – indeed, this confusion of identities has been identified as a challenge for WHO⁹¹. Apart from changing its name, however, there is very little within the WHO regulatory framework that either Stop TB or WHO can do to avoid this confusion of identities. While Stop TB is hosted at WHO, it is not possible for Stop TB to have an identity that is truly distinct from WHO. This has all the advantages and disadvantages identified earlier in this Report in Part III, paragraphs 3.1 and 3.2.

2.3 The other hosting options do not require the same degree of association with the hosting organization as required under WHO rules and therefore Stop TB is more likely to be able to maintain a clear and distinct identity. While there is a risk of confused identity with a hosting arrangement at The Union due to the shared mandate on TB-specific matters, because The Union is prepared to provide Stop TB complete freedom of identity, it is likely that the external perception will be of two separate organizations. With both UNDP and UNOPS, the risk of confusion is minimized because neither of them have TB-specific departments and because they are both prepared to provide Stop TB a fair degree of freedom of identity (although some association with UNDP or UNOPS as hosting organization is required).

2.4 The need for a clear identity should be balanced against the significant advantage for Stop TB of the association with the strong brand of WHO. With the WHO brand behind it, doors open for Stop TB: access to ministers of health is facilitated, journalists listen, donors are interested, publications are endorsed. ***However, the corollary of having the advantage of the WHO name is the responsibility that comes with it. WHO has a responsibility to guard the WHO name carefully and, because Stop TB staff are WHO staff, so does Stop TB. Every indication is that WHO will be overseeing more closely the branding efforts of Stop TB and other hosted partnerships to ensure appropriate safeguarding of WHO's name***⁹².

2.5 As regards the alternative hosting options, with regard to brand (leverage is dealt with separately below under “Mandate”):

- As a provider of administrative services without a specific public health or development mission, UNOPS's brand is more in the background and has lower visibility generally.

⁹¹ With WHO's unique role in providing guidance to countries, it is important for WHO to present consistent messages to external parties. If Stop TB were seen to be completely independent of WHO, then the fact that Stop TB may send out different messages may be undesirable, but it would not have reputational issues for WHO. However, precisely because Stop TB derives its legal status from WHO and its staff are WHO staff, there is a risk that it can appear to external parties that WHO is issuing conflicting messages.

⁹² Branding and advocacy are identified by WHO as one of three major administrative challenges of the hosting arrangements for partnerships – see WHO Secretariat's report to the WHO Executive Board on hosted partnerships (EB132/5 Add.1; November 2012) available at http://apps.who.int/gb/ebwha/pdf_files/EB132/B132_5Add1-en.pdf.

- Among the TB community, The Union brand is well recognized and respected through its guidance, conferences and education. It is highly regarded for its peer-reviewed publications⁹³.
- UNDP has a well recognized and respected brand in the wider health and development community. This is a particular advantage for when Stop TB would want to reach out beyond ministries of health.

While none of the other hosting options have a name that is as well recognized among the general public as the name of WHO, they do bring benefits for identity and leverage that offer potentially different opportunities for Stop TB.

2.6 Just as with WHO, if Stop TB were to use the brands of any of the other hosting organizations, this use would be subject to review and approval by the hosting organization and would need to be in accordance with the rules of the hosting organization. ***The main difference between the three alternative hosting options and WHO is that whether or not to use the hosting organization's brand would generally be at the choice of Stop TB rather than being a requirement as it is with WHO.***

Mandate

2.7 WHO and The Union have mandates that are the most directly aligned with those of Stop TB. Both WHO and The Union's primary focus in TB is on the technical aspects of fighting TB. It is from that technical base, that each of WHO and The Union fulfill the wider aspects of their TB mandates. UNDP's health focus derives from a development and human rights based understanding of the needs of the most vulnerable and poor. UNOPS' health focus is on delivery of administrative services, leaving programmatic aspects to the relevant programme or project leaders.

2.8 WHO's overall mission is for the advancement of public health globally. With its unique position as the single authority for public health matters, WHO has an unequalled standing and influence. With respect to TB, the focus for WHO for the next two years is on building capacity to implement the Stop TB Strategy at national and regional levels in order to reach vulnerable populations, ensure adequate access to new tools and guidelines for prevention and treatment of all forms of tuberculosis⁹⁴ and access to first- and second-line treatment, and strengthen surveillance systems and use of data. The recent decision of the WHA for the 2014-2015 biennium has been seen as somewhat de-prioritizing communicable diseases and TB specifically, with a cut in TB funding of over 10%⁹⁵.

2.9 The mission of The Union is to bring innovation, expertise, solutions and support to address health challenges in low- and middle- income populations with a focus on lung health. The Union's core mission since its inception in 1920 is the elimination of TB. The Union uses technical assistance, research and education in innovative ways to lead to creative and sustainable health solutions for the poor, including through its new TREAT TB initiative. The Union is committed to the dissemination of information and expertise to support the development of strong public health systems and programmes, through its conferences, courses and publications.

2.10 As part of its mandate to support the achievement of the MDGs, UNDP is engaged in the fight against TB, including as principal recipient of Global Fund TB grants. UNDP is also following a development and human rights approach to health and TB which aligns with Stop TB's approach. UNDP is taking the lead on the post-2015 development agenda, having launched and leading a special initiative to shape the post-2015 development agenda and including UNDP's hosting of the High-level Panel of Eminent

⁹³ *The International Journal of Tuberculosis and Lung Disease (IJTLD)*, published by The Union, is the only peer-reviewed journal dedicated to lung health worldwide.

⁹⁴ In particular, WHO aims to "update and consolidate policy and technical guidance, for example on rapid diagnostic tools and laboratory practices, delivery of care for patients with multidrug-resistant tuberculosis and integrated community-based management of tuberculosis, and will work with countries to adapt policies and guidance to national and regional contexts". See WHO Programme Budget for the 2014-2015 Biennium.

⁹⁵ See, for example, Laurie Garrett's blog post "overall, the proposed WHO 2014-15 budget offers startling changes in the mission and direction of the agency, pushing it significantly away from infectious diseases, HIV, TB, malaria, and outbreaks, and towards addressing disabilities, diabetes, heart disease, cancer, and aging" at <http://lauriegarrett.com/blog/2013/5/21/the-survival-of-global-health-part-one-whos-margaret-chan-sets-the-stage>.

Persons on the Post-2015 Development Agenda. This is particularly relevant to Stop TB's objective of facilitating dialogue, engagement and consensus around achievements of the current MDGs and Global Plan and on the post-2015 agenda.

2.11 UNOPS mission is to expand the capacity of the UN system and its partners to implement peace-building, humanitarian and development operations that matter for people in need. While UNOPS core function is to provide administrative services for the achievement of its development objectives, UNOPS does have significant programmatic experience in implementing projects in the health sector. Its support for health programmes focuses mainly on projects involving access to health care services, health systems strengthening and procurement of pharmaceuticals and medical equipment.

2.12 Each of the four hosting organizations offers opportunities to leverage its own standing and relationships at the global, national and community level to support Stop TB's objectives:

- *WHO*: Through its headquarters and country offices, WHO has considerable standing and relationships with global leaders, and with Ministries of Health and National TB Programmes. Moreover, WHO is leading the development of the post-2015 health agenda.
- *UNDP*: At the headquarters level, UNDP has extensive standing and relationships with global leaders. It is leading the development of the post-2015 development agenda and, among other things, hosts the High-level Panel of Eminent Persons on the Post-2015 Development Agenda. As the UN coordinator at country level, UNDP has unrivalled access to all relevant government ministries at a senior level and can facilitate liaison with other country-level UN officials.
- *UNOPS*: In those countries and regions in which UNOPS is implementing major projects (e.g. Afghanistan, South Sudan, Congo, Myanmar, Haiti), UNOPS is well recognized and has strong relationships with national authorities. In other countries where UNOPS has no or limited presence, UNOPS is able to leverage its relationship with the UNDP Resident Representative acting as the UN Coordinator to support Stop TB, including in relation to facilitating relations with national authorities.
- *The Union*: Through the Union's connections in-country, The Union can help Stop TB to facilitate meaningful and sustained collaboration amongst partners and support Stop TB's partner engagement and communication strategy.

2.13 The programmatic support available to assist in the achievement of Stop TB's objectives is summarized in the table below (more detailed information is included in the Annexes E-G). Note that support in the form of leveraging the hosting organization's standing with external stakeholders to support Stop TB's objectives is analyzed in the preceding paragraph and is not included in the table below.

Table 4: Programmatic Support Available for each Operational Strategy Objective (excluding leverage)

Operational Strategy Objective	WHO	UNDP	UNOPS	UNION
1. To facilitate meaningful and sustained collaboration amongst partners				
- through a partner engagement and communication strategy	✓	✓		✓
- strengthening support to Partnership Working Groups	✓			✓
- facilitating dialogue/consensus around the post-2015 agenda	✓	✓		✓
2. To increase political engagement by world leaders and key influencers to double external financing for TB from 2011 to 2015				
- developing compelling advocacy messages for and with TB advocacy partners and aligning partner efforts in global advocacy and resource mobilization	✓	✓		✓
- influencing Global Fund financing and grant management policies through partner coordination and community engagement	✓	✓		✓
- mobilizing resources for Global Plan funding gaps by developing new streams of external financing and maintaining and broadening the existing TB donor base	✓	✓	✓	✓
3. To promote innovation in TB diagnosis and care through TB REACH				
- continuing to support and fund innovations in TB case detection/care	✓	✓		✓
- increasing support for continuity, scale-up, and policy change for successful interventions	✓	✓		✓
- sharing best practices and successful approaches broadly to lead to evidence-based policy change and ensure scale-up at country level	✓	✓		✓
4. To ensure universal access to quality assured TB medicines and diagnostics in countries served by GDF				
- ensuring that the GDF services and procurement model have a market-shaping effect		✓	✓	
- promoting new TB tools by building on experience with promotion of FDCs, patient and diagnostic kits, pediatric formulations	✓	✓	✓	✓
- strengthening partner linking for technical and financial support to respond to client TB program needs, capacity building through strong collaboration with key partners, and improving service provision through evidence from countries and better forecasting	✓	✓		✓

2.14 The core question for Stop TB is whether the support, coordination and collaboration that is assumed to come with a shared mandate should be a central element of the hosting arrangements or whether this should instead be a key element of the role of a partner. ***The perceived benefit of being hosted by an organization with a shared mandate is that this facilitates improved coordination and collaboration. This needs to be weighed against the risk of straining the hosting arrangements by increasing competition, confusing external stakeholders and potentially compromising the perception of Stop TB as being for all partners.***

Independence and Accountability

2.15 The core question for Stop TB is what degree of independence is needed by the Stop TB Board and the Secretariat (a) as a matter of principle and/or (b) to achieve Stop TB's objectives. In considering that question, it is important to bear in mind that, no matter where Stop TB is hosted, Stop TB cannot have full independence – this can only come with having its own separate legal status.

2.16 ***As with WHO, each of the alternative hosting options allows Stop TB to maintain an independent Board, with the authority to set the strategy for Stop TB, approve Stop TB workplans and budgets and oversee the activities of Stop TB. In this regard, The Union would provide the greatest freedom to the Board and UNDP the least freedom.*** For example:

- ***Budget.*** Under all the hosting options, the Stop TB Board has the authority to approve Stop TB's budget. In practice, however, the approval of the Stop TB budget is under the managerial control of

the Executive Secretary's supervisor in the case of WHO, UNDP and UNOPS. There would be no involvement of The Union management in the approval of the Stop TB budget.

- *Executive Secretary.* In terms of the selection, performance appraisal and contract renewal/termination of the Executive Secretary, The Union would allow the Stop TB Board complete autonomy whereas with UNDP the Board's role would be limited to setting the terms of reference, with the recruitment and management of the Executive Secretary being the complete responsibility of the UNDP Director of HIV, Health and Development. WHO allows the Stop TB Board some involvement in the recruitment of the Executive Secretary, but to date performance evaluation is conducted by WHO line management. UNOPS conducts the recruitment on behalf of Stop TB, but it is the Stop TB Board that makes the selection and conducts the performance evaluation.
- *Policy setting.* The Union would allow the Stop TB Board to establish policies that are different to The Union's core policies as long as they fit within the general regulatory framework of The Union. UNOPS would be willing to work with the Stop TB Board and Secretariat to establish policies (for example, on private sector engagement) that are more attuned to Stop TB's operations and priorities as long as they are broadly in line with the principles underlying UNOPS' policies. Within WHO, the Stop TB Board may set policy as long as the policy fits squarely within WHO's regulatory framework (for example, policies on grant-making or conflicts of interest). Within UNDP, the Board has no role in policy setting, but UNDP works with the Stop TB Secretariat to establish policies within the UNDP regulatory framework that ensure Stop TB can deliver the results of Stop TB.

2.17 *Each of the alternative hosting options appears to allow greater autonomy to the Executive Secretary than WHO is able or willing to do. This is generally achieved through increased delegation of authority. In this regard, The Union would provide the greatest freedom to the Executive Secretary and WHO the least freedom.* In no case will the autonomy granted to the Executive Secretary ever amount to the same autonomy that the Executive Secretary would have if Stop TB were an autonomous independent organization in its own right.

- Within UNDP, Stop TB would have no structural independence from UNDP. However, autonomy for the Executive Secretary would be at the discretion of the UNDP Director of the HIV, Health and Development Group (HHD). The main difference between UNDP and WHO is that because UNDP would consider Stop TB to be a UNDP project, there would be no need for an intermediate level of controls. The UNDP HHD Director would provide delegated authority based on her assessment, in consultation with the Stop TB Secretariat, on what the needs of Stop TB are in order to deliver the planned results.
- Similarly, within UNOPS, while Stop TB would have no structural independence from UNOPS, there would be a certain degree of autonomy for the Executive Secretary. The main difference between UNOPS and UNDP is that because UNOPS has no programmatic oversight of Stop TB, the reporting line from the Executive Secretary to the UNOPS Director of Global Partnerships is purely administrative.
- Within The Union, there would be a considerable degree of structural independence – the Executive Secretary would report on all matters directly to the Stop TB Board and on administrative matters to The Union Board. She would have the authority to manage the affairs of Stop TB as the head of Stop TB equivalent to the authority of the Union President for management of The Union. The Executive Secretary would remain subject to the rules of The Union, including any compliance and internal controls processes, but she would be the final authority for the management of the affairs of Stop TB.

2.18 For all hosting options, including WHO, the hosting organization would be accountable for, and would have administrative oversight responsibility for, the use of Stop TB funds held by it for Stop TB. The hosting organization's accountability in respect of the hosting arrangements is first and foremost to their own

governing bodies and then to the donors to Stop TB. Whether or not the hosting organization also has accountability to the Stop TB Board is not clear in all cases. WHO does not consider itself to have accountability to the Stop TB Board. UNDP considers itself to have accountability to the Stop TB Board for the results of Stop TB. UNOPS generally holds annual accountability meetings with the Board to jointly review the operation of the hosting arrangements. In all cases, there is a role for the Stop TB Board to monitor the hosting arrangements as a matter of good governance and relationship management.

Administrative Environment

2.19 *For the three UN system organizations, the regulatory framework is largely the same – they are all large bureaucracies with a hierarchical structure and multiple clearance levels, such that day-to-day administration can be burdensome and slow. However, there are some key differences in both (a) the regulatory framework, particularly as relates to the area of human resources, and (b) in the administrative approach taken by each of WHO, UNDP and UNOPS.*

2.20 Because UNDP manages hundreds of different projects, its mode of operation is necessarily decentralized. UNDP takes a pragmatic approach to delegation of authority based primarily on functions and types of transactions, so that administrative clearances and monetary thresholds are adapted to meet the needs of the particular project. This means, for example, that UNDP is able to streamline operational management systems where the transactions are frequent and repeated. The Executive Secretary would therefore likely have significantly more delegated authority than currently available at WHO, including in relation to human resources decisions. Moreover, it is unlikely that there would be institutional conflicts of interest because (a) there would be no competition for resources from the same pool of donors for similar activities, and (b) there is limited overlapping mandate, since UNDP has no other TB-specific project. However, as a major principal recipient of Global Fund financing for TB and with a key objective of influencing Global Fund policies for TB, Stop TB would need to consider how a UNDP hosting of Stop TB might be viewed by the wider partners and how its affiliation with UNDP could affect Stop TB's comparative advantage as a "neutral voice" of the partners.

2.21 Because UNOPS's mandate is to provide administrative services, its mode of operation is service-oriented and supportive. UNOPS administrative environment offers some significant advantages, in particular with regard to human resources issues. UNOPS is able to provide a greater degree of autonomy to the Secretariat for its day-to-day operations than WHO and allows for greater use of consultants to cover the Secretariat's work, providing additional flexibility and potentially reducing HR costs. There is clarity regarding administrative processes through detailed standard operating procedures that are negotiated at the outset, transparency about what those services entail and how much they cost and a mode of operation that is generally supportive and adaptable. Its management systems are ISO certified. It is unlikely that there would be any institutional conflicts of interest if Stop TB were to be hosted at UNOPS.

2.22 *The Union's administrative arrangements provide significantly more flexibility than any of the UN system organizations.* Human resources are managed under national laws and The Union makes copious use of the consultancy modality, keeping costs low and ensuring maximum management flexibility. While The Union's remuneration and benefits package is not as attractive as the packages offered by the UN system organizations, it has nevertheless been able to recruit and retain high caliber staff. With regard to potential institutional conflicts of interest:

- The Union is a TB REACH grantee, which would be untenable if Stop TB were to be hosted by The Union. Because Stop TB and The Union would share the same legal identity, it would be as if Stop TB were making a grant to itself. Moreover, it would be likely that The Union would be perceived as having greater influence as hosting organization on the decision-making processes of Stop TB.
- As with WHO, there are two other significant areas where institutional conflicts of interest may arise: competition for resources from the same pool of donors for similar activities and overlapping mandate. (Note that issues of competition for resources and overlapping mandate with The Union exist even with Stop TB situated within WHO). However, the risks of conflicts of interest arising are likely to be minimal and the opportunity for coordination greater than they are at WHO. This is

because administrative and operational control of Stop TB by The Union would be very limited (for example, the Executive Secretary would not be required to submit funding proposals for clearance to The Union management). In effect, this means that the Executive Secretary and The Union President or CEO would be interacting on an arms' length basis as equals and not as supervisee and supervisor.

2.23 All of the options are able to provide the administrative framework to support the TB REACH and GDF programmes. In respect of GDF, however, each of UNDP, UNOPS and The Union can offer greater administrative flexibility and support than WHO in order to achieve the market dynamics, supply chain capacity building and other key objectives of the GDF strategy. UNOPS conducts procurement on a large scale and has core competencies in supplier relations and supply chain management. UNDP has similar core competencies, but also has a focus on capacity building of country system for supply chain management that is complementary to the work of GDF. On the technical side, both The Union and WHO are better placed than UNOPS or UNDP to provide the programmatic support essential to GDF's work (see above). However, while WHO does not allow GDF to conduct direct procurement (except for GeneXpert), ***all three alternative options would allow GDF to procure directly, rather than using a procurement agent, thus allowing Stop TB significant cost savings (see paragraph 4.8 and Annex H), and earnings from fees charged to countries placing orders with GDF.***

Transition Processes and Costs

2.24 In the event of a transition from WHO to any of the three alternative hosting options, the terms of the exit from WHO and the terms of any new hosting arrangements would need to be negotiated and settled prior to the transition. This would take some time. There would also be one-time costs of moving the Secretariat staff and office equipment⁹⁶ to other offices within Geneva as well as some IT transition to hook Stop TB's custom GDF software for GDF to the host's ERP system. In addition:

- In the event of a transition to UNDP or UNOPS, disruption and cost would likely be relatively low (see Annexes D and H). This is because an agreement exists between the UN organizations on the movement of staff between them. Many of the Secretariat's staff would be transferred on similar employment terms as they enjoy under WHO⁹⁷. Given that the regulatory frameworks of UNDP and UNOPS are similar to WHO's framework, the learning curve should not be too steep. In both cases, lessons learned from transitions from other hosting arrangements (in particular, WSSCC's transition from WHO to UNOPS in 2009) can help to make the transition smoother.
- A transition to The Union is less straightforward to assess. The Secretariat's staff could not be offered the same generous UN system packages to move, and there would be high costs associated with the termination of their WHO staff contracts (see Annexes D and H). There would also likely need to be more build-up time to find suitable office space and train staff. While The Union manages major stand-alone projects, unlike UNDP and UNOPS, it has no specific precedent for a transition of hosting arrangements.

3. Comparison of the Four Hosting Models (Financial Considerations)

General Context

3.1 This Report contains detailed information about the financial aspects of all four hosting options, in particular regarding indirect costs and HR costs. While cost is an important parameter, the Report also considers other financial matters, such as transparency, flexibility, resource mobilization and financial management. A matrix setting out a comparison of the hosting options against fifteen financial parameters is set out in Annex H.

⁹⁶ Stop TB funds were used to purchase office equipment, including computers.

⁹⁷ For those that choose not to transfer, terminal indemnities will be payable unless they are able to find another position within WHO under the reassignment process.

Indirect Costs

3.2 Each of the four hosting options charges a fixed percentage fee on contributions to recover the indirect costs of hosting, as set out in the table below. *As can be seen, the fixed percentage fee levied against income/expenditure of Stop TB to cover indirect support costs of each of the alternative hosting models is, in general, significantly lower than the WHO fee. However, WHO and The Union have a significantly lower fee for GDF procurement (UNOPS will consider a lower fee, depending on the level of support needed by GDF).* It has not been possible to quantify the impact on costs for Stop TB.

Table 5: Indirect Cost Recovery Fee - Comparison for the Four Hosting Models

	Standard	GDF commodities	TB REACH
WHO	13% (expected to rise in the near future)	3% (for funds intended for commodity procurement)	7% (for funds intended for grants only)
UNDP	8% (subject to review in 2016) ⁹⁸	8%	8%
UNOPS	8%	(8% in principle but will consider a reduced rate)	8%
The Union	5-6%	3%	5-6%

Direct Costs

3.3 UNDP, UNOPS and The Union would also charge direct support costs. In the case of UNDP and UNOPS, these have been extensively developed into a line-by-line analysis and list of options. As an administrative services provider, UNOPS in particular has a detailed catalogue of support service and charges, developed over many years, that is regularly updated. Stop TB would then be charged on the basis of the support needed by Stop TB. Since Stop TB has its own administration and management, this additional support should be limited but would be subject to negotiation. The Union, in particular, has indicated that it is willing to accept that Stop TB has the capacity to undertake its own administration and management. In all three cases, these charges would also involve a charge for rent and utilities. *It is not possible to quantify ahead of detailed negotiations what these costs would amount to. However, a clear benefit of this approach to charging for hosting is the transparency that comes with a line-by-line analysis of support costs as well as flexibility to build the cost based on the actual needs of Stop TB and to change these as Stop TB's needs evolve.*

Tax exemptions

3.4 WHO, UNOPS and UNDP being UN system organizations enjoy worldwide tax exemptions that cover almost all aspects of their operations; The Union organizations only benefits from national charitable tax status in the jurisdictions where they are organized. For the UN organizations, this means that salaries are tax free and delivery of health products by GDF are free from custom duties. For The Union, this means that salaries are taxed (although even on a gross basis, salary costs are still significantly lower than UN-system salaries) and local import and customs duties would be payable on GDF health product procurement. It is not possible to quantify the potential cost for GDF of the loss of the tax exemption.

⁹⁸ UNDP, along with UNICEF and UNFPA, is going through a process of harmonizing their cost recovery rates based on the principle of full cost recovery and ensuring that core resources are not used to subsidize the costs of activities funded through specified or earmarked funds. The 8% rate represents an increase by 1% over the previous rate and comes into effect on 1 January 2014. It may be reviewed in 2016 to ensure adherence to the principle of full cost recovery. See UNDP/UNFPA Executive Board Decision 2013/9.

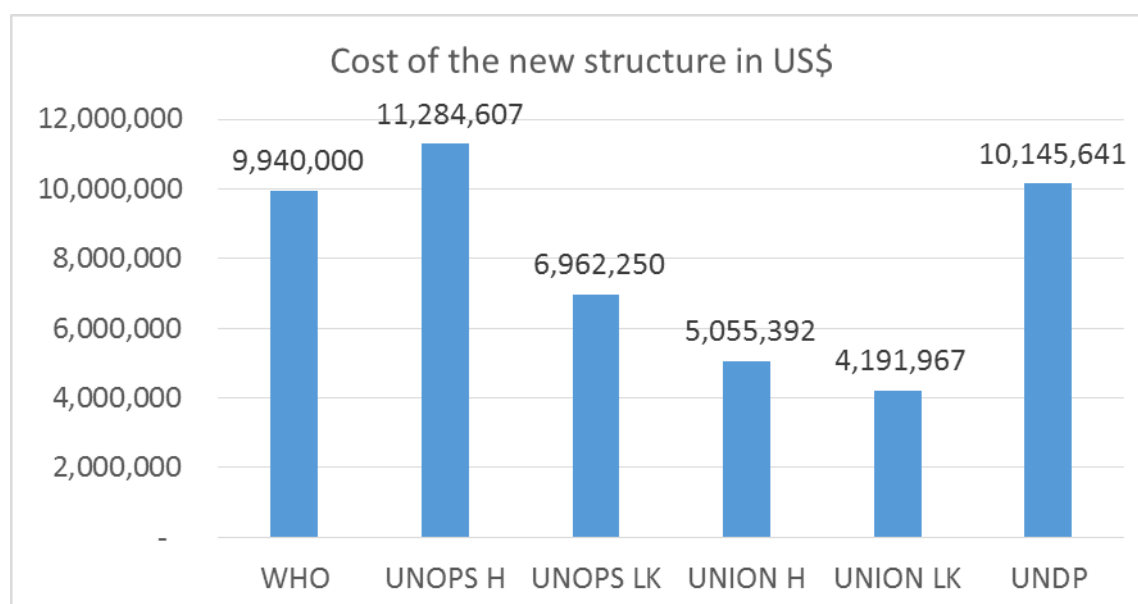
HR Costs

3.5 *As UN system organizations, the standard HR costs of WHO, UNDP and UNOPS are based on the same or similar components and do not differ significantly.* WHO’s HR costs are the lowest of the three and UNOPS the highest – although this difference is largely attributable to the assumptions made in establishing “standard” costs for budgeting purposes⁹⁹. However, *what differentiates these hosting options is the flexibility to use a consultancy contract modality for staff, at generally significantly lower cost than staff contracts and maximizing management flexibility.* In this regard, UNOPS has the most flexibility¹⁰⁰ allowing Stop TB to make use of the consultancy contract modality even for positions that are for “core staff work”¹⁰¹. The difference using consultancy contracts can make in terms of cost is illustrated in the table and figure below.

3.6 *Staff costs of The Union are significantly lower than those of the UN system organizations, even taking into account that The Union does not benefit from tax exemptions and pays a gross salary to its staff. Moreover, The Union makes copious use of the consultancy modality.*

3.7 Based on the Stop TB Board-approved HR structure for the Stop TB Secretariat having 45 staff at different levels and using the standard costs provided by each organization, the costs for Stop TB would vary as set out below:

Figure 1: Comparison of the Total Cost of the Approved HR Structure



* The designation “H” means the high cost scenario where all positions are on a staff contract; and the designation “LK” means the likely cost scenario where all staff holding team leaders’ posts and those on continuous contracts are on staff contracts and all other staff positions are on a consultancy contract¹⁰².

⁹⁹ The difference between the WHO, UNOPS and UNDP costs can be attributed to the different way in which they determine the standard HR costs for budgeting purposes. UNOPS assumes that the staff members will have all possible benefits (education allowance, dependents allowance, etc) whereas WHO makes assumptions based on average costs, past experience and future expectations. The actual costs are generally likely to be lower. As an illustration, UNOPS standard costs are fully front-loaded, but based on UNOPS’s experience, the actual costs are some 20% lower than the standard costs.

¹⁰⁰ While under UNDP and WHO regulations the use of consultancy contracts for “core staff work” is prohibited, because Stop TB would be a “project” of UNDP, it is more likely that certain functions of the Stop TB Secretariat could be characterized as specific, quantifiable and time-bound and the function performed by a consultant rather than a staff member.

¹⁰¹ These contracts can also be established much faster. An individual can be on a consultancy contract for a total of four years initially; thereafter, it can be renewed after functional reviews every four years.

¹⁰² The Union has two sets of standard HR costs – maximum and minimum – for each location. For this analysis, the designation “H” reflects staff contracts at the maximum standard cost for Geneva and the designation “LK” reflects staff contracts at the maximum standard costs for Geneva for team leaders and those on WHO continuous contracts and minimum standard costs for Geneva.

3.8 This translates into a difference from the WHO standard costs as set out in the table below. In the case of The Union, the likely total staff costs that can be saved are as much as 58% (or US\$4,191,967); even in the highest scenario, The Union option is 49% below the WHO cost. Under the UNOPS hosting model, Stop TB could save up to 30% based on a mix of staff on standard contracts and international consultant contracts.

Table 6: HR Cost Comparison for the Four Hosting Models

Organization	Scenario	Cost of the new structure in US\$	% Difference from WHO
WHO	Standard	9,940,000	-
UNOPS	High	11,284,607	+14%
	Likely	6,962,250	-30%
UNION	High	5,055,392	-49%
	Likely	4,191,967	-58%
UNDP	Standard	10,145,641	+2%

3.9 The above comparisons are illustrative only; the actual HR costs will have to be determined by Stop TB's management in view of its evolving resource position.

Resource Mobilization

3.10 Under the WHO hosting policy, Stop TB and the WHO TB Department are required to coordinate regarding their resource mobilization strategies and all proposals for funding by Stop TB should be cleared through the WHO line management. Under both the UNDP and UNOPS, Stop TB's resource mobilization strategy would need to be coordinated at the high level, but proposals do not require any line management clearance or approval. At The Union, Stop TB would be free to mobilize resources as it sees fit without any requirement to coordinate resource mobilization strategies (although The Union and Stop TB may choose to coordinate if they so wish).

3.11 Both WHO and UNDP have policies in place that regulate private sector engagement and view mining and pharmaceutical companies as higher risk and therefore requiring greater due diligence and clearance. Whereas the focus for WHO is on avoiding any potential or perceived conflict of interest (especially given WHO's normative role), the focus of UNDP's policy is on ethical concerns. UNOPS is currently developing a policy and has indicated that it could work with Stop TB to develop a policy for Stop TB that takes into account Stop TB's needs and circumstances. Similarly, The Union would wish to ensure that Stop TB has a policy that adequately takes into account the risks and does not contravene The Union's values but would leave it to Stop TB to ensure compliance with the policy. Therefore, in terms of private sector engagement, WHO's policy is the most restrictive and The Union's is the most flexible.

3.12 ***Each of UNDP, UNOPS and The Union would allow GDF to procure directly from suppliers. Capacity gaps (if any) within GDF would be plugged with support from these organizations' own substantive health product procurement units. This would result in substantial savings by avoiding the need to pay a fee to a procurement agent (see Annex D).*** WHO has to date only allowed GDF to procure GeneXpert supplies directly. Each would also allow Stop TB to charge a fee to its direct procurement service clients and retain all or part of these earnings to generate income to support the financial self-sufficiency of GDF.

Financial Management and Accounting

3.13 WHO pools Stop TB funds and uses fund accounting (treating Stop TB as a budget center) to track Stop TB income and expenditures, assets and liabilities. UNDP and UNOPS would establish trust funds for Stop TB income. The Union would establish a separate bank account.

3.14 In contrast to WHO, each of UNDP, UNOPS and The Union would treat Stop TB as a separate accounting entity. This would afford greater real-time understanding of the assets and liabilities of Stop TB and allow Stop TB to prepare a full set of financial statements.

3.15 Due to the UN single audit principle, WHO, UNDP and UNOPS are all subject to audit by the UN Board of Auditors for financial audits and to their respective internal audit and investigation functions for internal audits and investigations. Audits by external parties is generally not permitted¹⁰³. The Union would allow Stop TB's accounts to be externally audited (indeed Stop TB's accounts would be required to be so audited on an annual basis).

¹⁰³ UNOPS has indicated that specific internal audits can be arranged if so requested by donors. The audit report would be prepared by an independent third party firm engaged by UNOPS but formally issued by the UNOPS Internal Audit and Investigations Unit.

PART V – CONCLUSION

1. This Report addresses three key questions, and in doing so, raises fundamental questions about Stop TB itself and its relationship with WHO. Annex I sets out further questions for the Board's consideration.
2. Stop TB's close association with WHO has provided it with invaluable benefits, and the hosting arrangement continues to present many opportunities for both Stop TB and WHO. There are, however, significant challenges. Reaching consensus as the Stop TB Board on the different weighting and priority that should be allocated to these benefits and challenges, paying due regard to the concerns of WHO as host, understanding that trade-off, and managing expectations on that basis, is essential to the effective operation of the hosting arrangements.
3. WHO, on its side, is seeking to address challenges identified by it and to bring greater clarity to the hosting arrangements. Although the outcome of this process is uncertain, WHO's primary focus in that process is on greater oversight of hosted partnerships - which pulls in a different direction from Stop TB's need for greater freedom of action.
4. The Operational Strategy sets focused and ambitious targets to be achieved within a short timescale of three years. This calls for a nimble partnership, able to hire the appropriate expertise in a timely manner, engage actively with all stakeholders, seize opportunities as they arise and take a leadership role representing all partners. This Report indicates that the flexibility Stop TB needs for the effective implementation of the Operational Strategy within the allocated time frame proves to be difficult within the current hosting arrangements with WHO.
5. The comparison of the hosting options in this Report highlights that the hosting model offered by WHO is not the only hosting model available. There are other options, with different advantages, opportunities and challenges. The current hosting arrangements with WHO shares various common challenges with other potential hosting arrangements, but the extent of such challenges and the way they are managed will differ for each of the hosting options. The alternative hosting organizations reviewed in this Report appear to appreciate the benefits of hosting, and are willing to host, Stop TB.
6. It is not possible to provide a detailed and comprehensive costing for each alternative hosting model, such that it is not possible to say with any certainty which of the options is the most cost effective. Nevertheless, this Report highlights the different financial aspects of the hosting models offered by each of UNDP, UNOPS and The Union. This includes greater transparency on cost arrangements, flexibilities that can help to reduce costs and allow revenue generation, and more independent financial accounting.
7. In the background to these considerations, based on information available as at the date of this Report, the risks to Stop TB's funding model identified during the development of the Operational Strategy¹⁰⁴ continue to subsist. To the extent that Stop TB seeks new avenues for reducing costs and raising funds to meet its own needs based on its workplan, the ability of the hosting arrangements to accommodate such new approaches is critical - not just in relation to better control of costs but also in relation to revenue raising.
8. At the date of this Report, the Operational Strategy will already be six months into implementation. At the next Board Meeting scheduled for April 2014, there will be just over 1.5 years remaining for implementation of the Operational Strategy. This leaves little time in which to seize the opportunities for greater collaboration and address the challenges identified in this Report to benefit implementation of the Operational Strategy.
9. Finally, consideration should also be given to the long-term vision for Stop TB's hosting arrangements. Stop TB is now in its 13th year as a hosted organization. As the Centre for Global Development policy paper on Governance of New Global Partnerships explains, "a new organization being

¹⁰⁴ See Operational Strategy, page 26.

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”¹⁰⁵. This Report is intended to assist the Stop TB Board in that important evaluation.

¹⁰⁵ Governance of New Global Partnerships – Challenges, Weaknesses, and Lessons, Keith A. Bezanson and Paul Isenman, CGD Policy Paper 014, October 2012 available at http://www.cgdev.org/files/1426627_file_Bezanson_Isenman_FINAL.pdf.