

PMNCH 25th Board Meeting

Tuesday, 30 June, 2020

Document Title: Draft PMNCH 2019 Financial Report

Document Number: PMNCH-B25-2020; 3b

Summary: The Draft PMNCH 2019 Financial Report provides information on Partnership's income and expenditures in 2019. It notes that PMNCH's budget in 2019 was US\$ 10 million. In summary, PMNCH secured US\$ 8.54 million of new revenue in 2019. However, reflecting individual grant agreement specificities, some resources recognized in 2018 as received were allocated to 2019, and therefore PMNCH allocated a total of US\$ 10.26 million for use in 2019, meeting its US\$ 10 million essential budget. Approximately 83% of funds available for use in 2019 were from governments, 15% from private foundations, and 2% from multilateral agencies/initiatives.

The PMNCH implementation rate in 2019 was 92%, as of 31 December 2019.

A fully certified financial report will be circulated to the Board as soon as it is finalized by WHO.

Actions Required: *The PMNCH Board is asked to approve the draft 2019 Financial Report, subject to WHO certification process taking place. The final certified report will be shared electronically as soon as received from WHO.*

2019 Financial Report

Partnership for Maternal, Newborn & Child Health

DRAFT: **WHO CERTIFICATION IN PROCESS**

Hosted by the World Health Organization

June 2020

1. Introduction

This Financial Report provides information on the budget and finances in 2019 of the Partnership for Maternal, Newborn & Child Health (Partnership; PMNCH). Section 2 of this report provides information on the workplan structure and budget, as approved by the PMNCH Board. Section 3 provides a short analysis of the resource mobilisation efforts, and Section 4 sets out information on expenditure and commitments, as well as on implementation of the PMNCH workplan.

Annex 1 includes the Statement of Financial Performance with notes, as certified by WHO, and Annex 2 includes a draft WHO certified copy of the Statement of Income and Expenditure for the period 1 January 2019 to 31 December 2019.

2. Programme of work and budget in 2019

In 2019, PMNCH's work was organized in six workstreams, reflecting the PMNCH 2018 to 2020 Business Plan envisaged operational structure.

The Business Plan set out the budget for the six workstreams at two levels. The first level refers to a Comprehensive budget, planned for a maximum set of activities that the Partnership would likely be able to deliver in any one year. This was set at US\$ 15 million per year, should resources be available.

The second level was an Essential budget, which noted a prioritized set of activities deemed most important by the Board. This was set at US\$ 10 million per year for each of the three Business Plan years, including 2019.

Table 1 below sets out the budget for 2019, as per the 2018 to 2020 Business Plan.

Table 1: PMNCH 2019 Budget (US\$), as highlighted

Budget: Essential and Comprehensive	2018	2019	2020	Total
Workstream 1. Early Childhood Development	1,740,000	1,700,000	1,700,000	5,140,000
	2,610,000	2,550,000	2,550,000	7,710,000
Workstream 2. Adolescents' Health and Well-Being	1,780,000	1,745,000	1,745,000	5,270,000
	2,670,000	2,620,000	2,620,000	7,910,000
Workstream 3. Quality, Equity and Dignity in Services	1,700,000	1,705,000	1,705,000	5,110,000
	2,550,000	2,555,000	2,555,000	7,660,000
Workstream 4. Sexual and Reproductive Health and Rights	1,705,000	1,690,000	1,690,000	5,085,000
	2,555,000	2,535,000	2,535,000	7,625,000
Workstream 5. Empowerment of Women, Girls and Communities	1,475,000	1,540,000	1,540,000	4,555,000
	2,215,000	2,310,000	2,310,000	6,835,000
Workstream 6. Humanitarian and Fragile Settings	1,600,000	1,620,000	1,620,000	4,840,000
	2,400,000	2,430,000	2,430,000	7,260,000
Total Essential Budget	10,000,000	10,000,000	10,000,000	30,000,000
Total Comprehensive Budget	15,000,000	15,000,000	15,000,000	45,000,000

3. Resource mobilisation and management

The key attributes of PMNCH resource mobilisation and management efforts in 2019 were as follows:

- **Many multi-year awards.** Many grants supporting the work of PMNCH were provided as part of multi-year awards, spanning two or more calendar years. This was exceptionally helpful in supporting planning and operational stability. PMNCH continues to be engaged in discussions with donors about the possibility of renewing existing and establishment of new multi-year grants.

- **Mostly undesignated contributions.** It has also been very helpful that most awards were provided as undesignated (or un-earmarked) contributions, enabling the Partnership to apply resources to activities across its entire workplan in the most effective manner.
- **Broad donor base.** In 2019, the Partnership was able to draw on resources from 14 different donors.¹ During 2019, PMNCH was able to re-establish new multi-year contributions from long standing donors, such as Bill & Melinda Gates Foundation and the Governments of Canada and Norway.
- **Variety of financial years and management of resource timing.** The Partnership received grants from governments, multilateral organizations and philanthropic foundations that operate on different financial years to each other and to WHO, which hosts PMNCH. For example, WHO operates a biennium financial cycle (i.e. two calendar years), some donors have financial years that align with a calendar year, whilst others have financial years that follow a different calendar pattern, e.g. April to March, June to July, and October to September. This has both assisted the Partnership in managing its cashflow over the years, but has also added a degree of complexity in grant management processes.²
- **Management of donor reporting.** Most PMNCH donors are aware of the reporting burden that PMNCH Secretariat manages across all PMNCH awards. Reflecting this, many have been flexible in accepting some standardization of reporting formats and information. Nevertheless, the Partnership had around 60 reporting points during 2019, which were all met.

Overall, the Partnership was able to secure US\$ 8.54 million of new revenue in 2019 (see Annex 2). However, reflecting individual grant agreement specificities, some resources recognized in 2018 as received were actually allocated to 2019, and therefore PMNCH allocated a total of US\$ 10.26 million for use in 2019 (see Table 2 in Section 4 below) – meeting its US\$ 10 million essential budget.

Approximately 83% of funds available for use in 2019 were from governments, 15% from private foundations, and 2% from multilateral agencies / initiatives.

4. Expenditure and commitments – Implementing the PMNCH workplans

The Partnership was able to secure resources to support and deliver on its Essential Budget of US\$ 10 million, but not to reach its Comprehensive Budget of US\$ 15 million.

In 2019, PMNCH had an almost full implementation rate – i.e. it used the vast majority of resource that were available in 2019. As shown in Table 2 below, PMNCH's implementation rate as compared to the available resources was 92%, including both expenditure and commitments as at 31 December 2019. Commitments include the value of contractual arrangements expected immediately in 2020, as a result of outsourcing contracts having to be broken up between 2019 and 2020 due to 2019 being the end of the 2018/19 WHO accounting biennium.

WHO certified statements follow internationally accepted IPSAS standards and, as set out in Annexes, and therefore do not include these commitments.

¹ Annex two shows a list of 13 donors whose revenues were recognized in 2019. However, grant agreement with the Government of Canada was signed towards the end of the calendar year 2019 and did not show up in the accounts in time.

² Another consequence of this variability in financial years is that PMNCH has significant brought forward and carry forward balances in WHO certified financial statements, as per Annex 1 and Annex 2. This is not a reflection of unspent resources, but a combination of: (i) when resources are recognized by the WHO system as received; (ii) when individual grant agreements specify funds can be spent; and (iii) variability in the financial years of individual donors. The resources shown are set aside for activities in 2020 and 2021, and more often than not cannot be used before these future years even if they are recognized in the accounts earlier.

Table 2: PMNCH 2019 summary of budget, available resources and expenditure & commitments

Budget, available funds and expenditure	2019 (US\$)
<i>Essential budget</i>	<i>10,000,000</i>
<i>Comprehensive Budget</i>	<i>15,000,000</i>
Total allocated funds in 2019	\$10,259,764
Expenditure as at 31 Dec 2019	\$8,927,898
Commitments as at 31 Dec 2019	\$485,900
Total expenditure and commitments as at 31 Dec 2019	\$9,413,798
Implementation rate against available funds	92%

PMNCH invests resources at its disposal into delivering activities set out in its workplan. These activities are delivered through a combination of investments into professional staff at the Secretariat, external contractors (e.g. consultants), travel and event related costs, sub-grants to partners, and some expenses related to equipment and general operating costs. Each activity within the PMNCH workplan has a unique combination of cost allocations across these categories (e.g. some activities are led by Secretariat staff, others are fully outsourced, some include travel and others do not, and many include a combination of all expenditure categories).

Table 3 below sets out how the resources available in 2019 were allocated to various workstreams within the workplan. The PMNCH Board agreed a budget that was set relatively equally across the six workstreams. Expenditure and commitments followed a similar level of implementation. There was no reallocation of budget across the different workstreams during 2019.

Table 3: Available resource, expenditure and commitments, and implementation rate in 2019 (US\$)

Budget: Essential and Comprehensive 2019	Budget	Resources	Expenditure & commitments	Implementation
Workstream 1. Early Childhood Development	1,700,000 2,550,000	1,744,160	1,600,346	92%
Workstream 2. Adolescents' Health and Well-Being	1,745,000 2,620,000	1,790,329	1,642,708	92%
Workstream 3. Quality, Equity and Dignity in Services	1,705,000 2,555,000	1,749,290	1,605,053	92%
Workstream 4. Sexual and Reproductive Health and Rights	1,690,000 2,535,000	1,733,900	1,590,932	92%
Workstream 5. Empowerment of Women, Girls and Communities	1,540,000 2,310,000	1,580,004	1,449,725	92%
Workstream 6. Humanitarian and Fragile Settings	1,620,000 2,430,000	1,662,082	1,525,035	92%
Total Essential Budget	10,000,000			
Total Comprehensive Budget	15,000,000	10,259,764	9,413,798	

Annex1: Statement of financial performance and notes

Certification of Statement of Financial Performance and Notes

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Statement of financial performance

Table A.1 below provides an overview of the financial performance for the Partnership, for the year ended 31 December 2019. Please also refer to Annex 2: Statement of Income and Expenditure.

Table A.1: Statement of financial performance (In thousands of US Dollars)

Description	Notes	2019		2018	
Fund balance as at 1 January	3.3		7,354		4,296
REVENUE	3.1				
Voluntary contributions		8,541		12,776	
Total revenue			8,541		12,776
EXPENSES	3.2				
Staff and Other Personnel Cost		3,827		3,888	
Contractual Services, Transfers and Grants to Counterparts		3,598		3,631	
Travel		799		1,298	
General Operating and Other Direct Costs, Equipment, Materials		176		373	
Programme Support Costs (PSC)		527		528	
Total expenses			8,927		9,718
Fund balance as at 31 December	3.3		6,968		7,354

Notes to the statement of financial performance

1. Basis of preparation

The financial results of PMNCH are consolidated within the General Fund of WHO. Revenue and expenses for PMNCH are recorded in a separate fund to allow for financial reporting. A separate balance sheet is not available for PMNCH as all balance sheet transactions are managed in one set of ledgers for WHO.

The PMNCH statement of financial performance has been extracted from WHO accounts and all transactions have been recorded in accordance with relevant WHO accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).

2. Significant accounting policies

For a full set of accounting policies, please refer to the WHO Audited Financial Statements for the year ended 31 December 2019.³ These policies support PMNCH's statement of financial performance.

³ See: [\[Link to be included once available\]](#)

2.1 Revenue

Revenue is recognized following the established criteria of IPSAS 23 (Revenue from Non-Exchange Transactions).

Revenue from voluntary contributions is recorded when a binding agreement is signed by WHO, on behalf of PMNCH, and the contributor. When an agreement contains “subject to” clauses, WHO does not consider the agreement to be binding and does not record the revenue and amount receivable until the cash is received. Where there are no payment terms specified by the contributor or payment terms are in the current accounting year, revenue is recognized in the current period. Where payment terms specify payment after the year end, the amount is reported as *deferred* revenue.

Deferred revenue is reported on the WHO balance sheet as a liability and is released in the period in which it falls due.

2.2 Expenses

WHO recognizes expenses at the point where goods have been received or services rendered (delivery principle) and not when cash or its equivalent payments have been made.

3. Supporting information to the PMNCH statement of financial performance

3.1 Revenue

In 2019, voluntary contributions were recorded as US\$ 8.5 million (2018: US\$ 12.8 million). These contributions represent revenue recognized from governments, intergovernmental organizations, institutions and other United Nations organizations. Please refer to Annex 2 for recognized revenue by donor.

Deferred revenue represents multi-year agreements signed in 2019 or prior years but for which the revenue recognition has been deferred to future financial periods.

Table A.2: *Deferred revenues (in thousands of US dollars)*

Deferred revenue by contributor	2019	2018
Switzerland		1,079
United Kingdom of Great Britain and Northern Ireland		303
GFF (World Bank)		150
Fondation Botnar		98
Bill & Melinda Gates Foundation	1,750	-
Norway	763	-
Sweden	820	-
Miscellaneous	1,078	-
Total deferred revenue	4,412	1,630

3.2 Expenses

All expenses shown in Annex 2 and below do not include future commitment.

Staff and Other Personnel Cost

These costs were recorded as US\$ 3.83 million in 2019 (2018: US\$ 3.89 million). They reflect the “total organizational cost” of employing PMNCH Secretariat staff, including charges for base salary, post adjustment and other entitlements (e.g. pension and medical insurance, etc.). The vast majority of these resources are used for professional staff costs, directly involved in delivering activities noted in PMNCH’s Business Plan, with some limited costs associated with administrative support staff.

Contractual Services, Transfers and Grants to Counterparts

These costs were recorded as US\$ 3.60 million in 2019 (2018: US\$ 3.63 million) and represent expenses associated with public procurement of service providers and sub-grants to counterparts. The main components are:

- Agreements for Performance of Work (APW) and short-term consultants (STCs). All have been procured according to the WHO rules and regulations to perform activities required to deliver the PMNCH workplan.
- Letters of Agreement for research or capacity building grants issued to institutions and implementing partners.

Travel

These costs were recorded as US\$ 0.80 million in 2019 (2018: US\$ 1.30 million). They reflect the cost of travel for qualifying representatives of PMNCH governing and advisory bodies (e.g. PMNCH Board members, Executive Committee members, etc.), qualifying broader partner participants in PMNCH organized meetings, some consultants (where travel was not included in their original contracts), and PMNCH staff members. Travel expenses include airfares, per diem and other travel-related costs. This amount does not include statutory travel for home leave or education grants for PMNCH staff, which is accounted for within staff costs. In 2019, these costs show a considerable reduction as compared to the previous prior year, given that 2018 included all travel associated with PMNCH’s 2018 Partners’ Forum in New Delhi, India.

General Operating and Other Direct Costs, Equipment, Materials

These costs were recorded as US\$ 0.18 million in 2019 (2018: US\$ 0.37 million). They reflect the cost of general operations to support the office.

Programme Support Costs (PSC)

These costs were recorded as US\$ 0.53 million in 2019 (2018: US\$ 0.53 million), a very similar amount for both 2018 and 2019. PMNCH pays this administrative charge to WHO in accordance with World Health Assembly Resolution 34.17.

3.3 Fund balance at end of year

In 2019, the opening balance has been recorded as US\$ 7.35 million and the end of year fund balance has been recorded as US\$ 6.97 million. This includes resources received from donors to date to support the implementation of planned activities in 2020-21 biennium and beyond (including 2022), according to individual donor grant agreements, PMNCH Business Plan and the emerging new 2021 to 2025 Strategy.

The end of year fund balance also includes approximately US\$ 1.8 million (i.e. 6 months) of PMNCH Secretariat personnel cost liability carry-forward as recommended by WHO.

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Annex2: Statement of Income and Expenditure

To be provided by finance WHO as part of the certification process.

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