



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



134th SESSION OF THE EXECUTIVE COMMITTEE

Washington, D.C., USA, 21-25 June 2004

Provisional Agenda Item 4.1

CE134/9 (Eng.)

26 May 2004

ORIGINAL: ENGLISH

PROGRESS REPORT OF THE WORKING GROUP ON REGIONAL BUDGET POLICY

The PAHO Regional Program Budget Policy was last considered by the Subcommittee on Planning and Programming (SPP) in 2000. A Working Group, comprised of representatives of countries and staff of the Secretariat was established at that time; and its preliminary report to the SPP identified principles that should guide the policy development process.

While endorsing the principles and providing additional guidance on the work in this area, the Subcommittee advised that it would be more appropriate to formulate a new program budget policy after the Organization's new quadrennial strategic and programmatic orientations were discussed. Subsequently, in 2002, the Pan American Sanitary Conference approved the Strategic Plan for the Pan American Sanitary Bureau for the Period 2003-2007.

During the last Directing Council, the Director announced that a consultative group would be established with experts from Member States in the fields of planning, programming, and budgeting and staff of the Secretariat to provide recommendations for the formulation of a program budget policy for PAHO/WHO. The Consultative Group on PAHO Regional Program Budget Policy was convened prior to the 38th SPP in March 2004, and a second meeting was scheduled for mid-May 2004.

This document takes into consideration discussions during the first meeting with the Consultative Group, as well as comments and guidance received during the 38th SPP. Following the second meeting with the Consultative Group, a draft proposal for the Regional Program Budget Policy is being elaborated and will be made available in time for the 134th Session of the Executive Committee in June 2004.

Background

1. The need for discussions on the PAHO Regional Program Budget Policy was most recently identified during the Directing Council's discussions of the program budget for 2004-2005, in September 2003. At that time, the Council recognized the need to update the PAHO regional budget policy to define need-based criteria for resource allocation among countries. In addition, some Member States had expressed their will to make resources presently allocated to their country programs available for countries in greater need. At that time, the Director informed Member States that the work on the regional budget policy was planned for early 2004.

2. Further, in support of the country-focus approach and the thrust to increase WHO's country presence, WHO is planning to shift resources and decentralize operations to the regional and country levels. The Director-General of WHO has indicated that the percentage of the budget allocated to Regions and countries will be gradually increased from 66% in 2002-2003, to 70% in 2004-2005, to 75% in 2006-2007, and to 80% in 2008-2009. This should increase WHO funds available to country programs in the Americas.

3. The Fifty-seventh World Health Assembly has adopted the decision to discontinue the application of Resolution 51.31, approved in May 1998, that caused a reduction in the WHO allocation to the Region of the Americas of more than US\$ 10 million over three biennia and has requested the Secretariat to submit to the 115th session of the Executive Board a proposed framework for guiding the allocation of resources in the Global Program Budget 2006-2007, including the criteria for regular allocations.

4. Given PAHO/WHO's own emphasis on responsiveness to the attainment of the health-related MDGs regarding country needs and the identification of five Priority Countries in the Strategic Plan—Bolivia, Guyana, Haiti, Honduras, and Nicaragua, it is important to reconsider the criteria used for the distribution of the PAHO regular budget among functional levels, among areas of work, and among countries.

5. All of the above developments at the regional and global levels, therefore, make it necessary to review and update the PAHO regional budget policy.

Summary of Current Regional Budget Policy

6. The current program budget policy of the Pan American Health Organization was adopted by the Directing Council in 1985. It includes criteria for the distribution of funds among countries, based on their achievement of the collective mandates adopted by the Governing Bodies and indicators, such as infant mortality, population size, and previous

levels of technical cooperation. It also provides guidelines for the development of the program budget and the allocation of resources among regional and country programs.

7. The policy establishes support for country programs as a fundamental priority of the Organization and sets a minimum of 35% to be allocated to those programs. Funds for regional programs were to be provided to support the country program objectives and the pursuit of the collective mandates of the Organization.

8. The current budget policy also provides guidance on the mobilization and use of extrabudgetary funds and support for technical cooperation among countries (TCC). The policy promotes the use of flexible and innovative administrative mechanisms to maximize resources.

Context for the Development of a New Regional Budget Policy

9. The PAHO program budget is the instrument that gives expression to the Organization's mission and strategic orientations and priorities. It must reflect the Organization's values as well be sensitive to the changing environments in which technical cooperation is formulated and implemented. Major external and internal environmental factors affect the quantum of the budget as well as shape the policies that guide its allocation. Some of these issues include:

- The Millennium Development Goals have now become the common development goals to which countries are striving. Among these, some are health-specific while others are goals to which health must contribute. It will be important to determine if there are any related issues that should be considered when the budget policy is revised.
- Often the very countries that require intensified and increased levels of cooperation are the ones that do not have the institutional capacity or human resources to take advantage of the cooperation. How should the policy treat such situations to ensure the appropriate use of the allocations?
- One of the Organization's goals is to reduce the inter- and intra-country inequities in health. In this regard, it will be important that the budget policy facilitates the direction of resources in consonance with this perspective.
- PAHO/WHO country presence is valued by Members States, but it is not yet available in all of them. The size and distribution of physical presence varies greatly among countries. The issue needs to go from the physical presence to strategic support to national health development.

- The nature and measurement of the need for technical cooperation are important if there is to be strategic management of resources. The measurement of need should not be limited to the traditional health indicators but also to new measures such as the level of development of health systems, the performance of essential public health functions, the absorptive capacity of the health sector, or the external flows of health development aid.
- Countries not only expect to be actively involved in technical cooperation exchange, but also increasingly are requesting more support from PAHO in decision-making processes regarding normative actions, standard setting, conventions, and agreements.
- There is a strong integration process at the subregional level, and both normative functions as well as technical cooperation are being discussed in these fora.

The Approach to the Revision of the Regional Program Budget Policy

10. In order to continue the review of the current policy, the Secretariat convened a Consultative Group of planning and budgeting experts to assist in the development of a proposal for the consideration of the Member States for a regional program budget policy that responds to the current needs and changing environment for technical cooperation.

11. The specific terms of reference of the Consultative Group are to:

- Review the criteria of the current policy and assess the experience with its implementation.
- Review trends in budget policies of international agencies, globally and regionally, and identify relevant good practices.
- Discuss issues related to the development and implementation of budget policies, especially within the international sector.
- Recommend principles and criteria to guide the development of a revised budget policy to be recommended to the Governing Bodies.

12. An initial meeting of the Consultative Group on PAHO Regional Program Budget Policy was held in Washington, D.C., from 4 to 5 March 2004. Experts participating in the first meeting came from Canada, Guatemala, and Trinidad and Tobago. Participants from other Member States and sister agencies were also invited but were not able to attend. A second meeting of the Consultative Group was scheduled for mid-May 2004 and additional Member States have participated.

13. After the first meeting of the Consultative Group, the Secretariat presented to the 38th Session of the Subcommittee on Planning and Programming of the Executive Committee (SPP), a progress report of the Consultative Group, which outlined the general direction and principles that were to further guide the work of the Secretariat. The report also recommended criteria for priority setting among organization-wide areas of work and for equitable allocation of resources among country programs, while also permitting the necessary flexibility to respond to country, subregional, and regional special and changing needs. The SPP noted the meeting and supported the direction of the recommendations of the Consultative Group.

14. In preparation for the second Consultative Group meeting, the Secretariat has conducted further analyses and modeling of country allocations and has defined more clearly the rationale behind the different components of the policy that will be proposed. Among the most important issues discussed with the Consultative Group and the SPP that the Secretariat has considered in the preparation of the draft program budget policy are the following:

- Regarding allocations among countries, it is important to consider the different needs of the Member States. On the one hand, there is a need for country programs to have a predictable budget allocation for supporting the discharge of their core functions and operations. On the other hand, changes in individual country allocations from one biennium to another were considered necessary, so the Organization could be responsive to the changing special and priority needs among Member States.
- In order to meet the dual requirements of stability with flexibility, a two-part budget allocation mechanism is being considered. Within this mechanism, all countries would receive a basic or core allocation that would be distributed using agreed-upon, objective equity criteria. This core allocation would be subject to periodic adjustments but would provide a fairly stable reference for country planning purposes. In order to provide the flexibility needed for a targeted response to the Member States special and priority needs, a second tier of country resources was proposed whose allocation among countries would still be transparent and equitable but would vary from one biennium to another.
- The flexible part of the country budget would allow the Organization to accelerate action for priority and special issues. These would include, for example, the priorities for technical cooperation given in the Strategic Plan 2003-2007 and the Managerial Strategy for the Work of the Pan American Sanitary Bureau in the Period 2003-2007; actions dealing with health-related Millennium Development Goals; and responses to emerging health problems. Every country would have

basic or core funding, but not every country would necessarily receive funding from the variable portion of the country budget. By its nature, a country could not assume it would receive the same level of flexible resources from one biennium to the next, although receipt in one biennium would not preclude receipt in the next. At the same time, the flexible share of the budget should benefit a range of countries and not be concentrated in just a few. The idea of having some funds allocated and programmed at a subregional level was raised as one possible means of ensuring an adequate distribution among specific subregions and of addressing the increasing needs of Member States for the health agenda that results from subregional integration processes.

- The adjusted Human Development Index (HDI), applied by WHO in its regional reallocation formula under Resolution WHA51.31, was also reviewed at the request of the SPP. The Secretariat is of the view that the HDI was not the most useful means of weighting allocations among countries in this Region. It is not primarily directed toward health and does not take health trends into account that can be significant in some countries in this Region, where the current health status is fairly good but declining. It is also to be noted that its methodology has been revised recently and that such revisions could lead to disruptions in allocations among countries, countering the objective of basing allocations on indicators that are transparent. Nevertheless, for comparative purposes, the Secretariat has included the HDI in its modeling of country allocations.
- The idea of developing a composite health status index to reflect the multi-factorial nature of health development is being considered. Recognizing that there are a limited number of indicators available for all countries that are relatively reliable and updated, it was noted that any eventual model should not be highly sensitive to any one health-related variable. Rather than being overly precise, one option to be considered would be to segment countries into groups, or percentiles, by health status alone or by combination of health and economic status. The effects of this concept would be seen more extensively in the development of the model options.
- The issue of health inequities within countries has been considered and how this should be dealt with in a resource allocation context. The discussion with the Consultative Group favored taking this into consideration in the flexible part of the budget, rather than as a factor in the basic or core allocation. Given that the lack of comparable data on the level of inequities and that major disparities in health status within countries tend to reflect similar disparities in income distribution, there was concern that including such factors in the core calculation would unfairly disadvantage countries that do have a more equitable income distribution.

- With respect to the resource allocation implications of country presence, it was felt that there are two separate issues: (1) the need for some level of country presence in terms of technical cooperation to effectively support countries in their national health development; and (2) the need for funding the costs of maintaining a physical presence. In addition, it was cautioned that current office operating costs charged to the PAHO country budget allocations should not be considered fixed and used as an element in calculating core allocations. Such a method would disadvantage countries that are currently providing significant direct support. It must be ensured that countries that cannot provide for PAHO's physical country presence, where such is needed to advance effective technical cooperation, can count on sufficient funds in their core allocation to meet the minimal needs of presence and still have adequate resources for technical cooperation.
- While it is useful to learn from the methods used by other international organizations, it is necessary to select ones that are appropriate to PAHO. In the review of the methods for resource allocation used by UNDP and UNICEF specifically, it was noted that comparability should be treated cautiously given that neither organization operates on the basis of a regular budget with assessed contributions.

15. The Consultative Group agreed that among other issues of core funding which need further consideration would be its funding level in relation to total country funding, and how often and on what basis adjustments would be made to change the relative distribution among countries.

16. In addition, another aspect that needs to be addressed is how the revised mechanisms being proposed could be implemented without disruption to the technical cooperation currently under way. A period of transition would likely be needed to phase in revised allocations, perhaps over several biennia.

17. Additional issues to be considered in the revision of the budget policy were taken up during the second meeting of the Consultative Group in mid-May 2004, and are being reflected in the draft regular program budget policy that will be submitted to the 134th Session of the Executive Committee as an addendum to this document.

Action by the Executive Committee

18. Following the second meeting of the Consultative Group, a draft regional program budget policy proposal is being formulated and will be made available in time for review at the 134th Session of the Executive Committee. The Executive Committee is being asked to (1) comment on whether the proposal properly reflects criteria for resource allocation by functional level, by areas of work, and among countries; (2) discuss whether a more equitable distribution of PAHO resources among countries is attained with the proposal criteria; and (3) make recommendations to strengthen the intent of the policy and to make its implementation feasible.

- - -