



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



144th SESSION OF THE EXECUTIVE COMMITTEE

Washington, D.C., USA, 22-26 June 2009

Provisional Agenda Item 3.1

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11 May 2009

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REPORT ON THE THIRD SESSION OF THE SUBCOMMITTEE ON PROGRAM, BUDGET, AND ADMINISTRATION

1. The Subcommittee on Program, Budget, and Administration held its Third Session at the Organization's Headquarters in Washington, D.C., from 11 to 13 March 2009.
2. The meeting was attended by representatives of the following members of the Subcommittee elected by the Executive Committee or designated by the Director: Bolivia, Colombia, Guatemala, Mexico, Saint Vincent and the Grenadines, Trinidad and Tobago, and the United States of America. Representatives of Brazil, Canada, Spain, and Suriname attended in an observer capacity.
3. Elected as officers were the Delegates of Trinidad and Tobago (President), Guatemala (Vice President), and Mexico (Rapporteur).
4. The Subcommittee discussed the following agenda items:
 - Draft Proposed Program Budget of the Pan American Health Organization for the Financial Period 2010-2011
 - Nongovernmental Organizations in Official Relations with PAHO
 - Institutional Review of the Latin American and Caribbean Center on Health Sciences Information (BIREME)
 - Draft Proposed Five-year Regional Plan of Action for Implementing the Gender Equality Policy
 - Interim Financial Report of the Director for 2008
 - New Scale of Quota Contributions

- Status of the Implementation of the International Public Sector Accounting Standards (IPSAS)
 - Changes in Financial Regulations and Rules
 - PASB Internal Oversight and Evaluation Services
 - Projects using the Program Budget Income Exceeding the Authorized Effective Working Regular Budget
 - Amendments to the PASB Staff Rules and Regulations
 - Contract Reform in PAHO
 - WHO Draft Proposed Program Budget 2010-2011
 - Master Capital Investment Fund
 - Institutional Review of the Institute of Nutrition of Central America and Panama (INCAP)
 - PAHO Procurement Mechanisms for Strategic Supplies, including Vaccines
 - Draft Provisional Agenda for the 144th Session of the Executive Committee
5. Under “Other Matters” the Delegate of Colombia announced that his country intended to seek election to the Executive Committee and Dr. Cristina Beato (Assistant Director, Pan American Sanitary Bureau) announced that she would shortly be leaving her position in the Organization.
6. The final report of the Session is attached.

Annex



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**THIRD SESSION OF THE SUBCOMMITTEE ON
PROGRAM, BUDGET, AND ADMINISTRATION OF THE
EXECUTIVE COMMITTEE**

Washington, D.C., USA, 11-13 March 2009

CE144/4 (Eng.)
Annex

SPBA3/FR (Eng.)
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FINAL REPORT

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FINAL REPORT

1. The Third Session of the Subcommittee on Program, Budget, and Administration (SPBA) of the Executive Committee of the Pan American Health Organization (PAHO) was held at the Organization's Headquarters in Washington, D.C., from 11 to 13 March 2009.

2. The meeting was attended by delegates of the following members of the Subcommittee elected by the Executive Committee or designated by the Director: Bolivia, Colombia, Guatemala, Mexico, Saint Vincent and the Grenadines, Trinidad and Tobago, and the United States of America. Delegates of Brazil, Canada, Suriname, and Spain attended in an observer capacity.

Officers

3. The following Member States were elected to serve as officers of the Subcommittee for the Third Session:

<i>President:</i>	Trinidad and Tobago	(Dr. Anton Cumberbatch)
<i>Vice President:</i>	Guatemala	(Dr. Edgar González)
<i>Rapporteur:</i>	Mexico	(Ms. Ana María Sánchez)

4. Dr. Mirta Roses Periago (Director, Pan American Sanitary Bureau) served as Secretary *ex officio*, and Dr. Cristina Beato (Deputy Director, Pan American Sanitary Bureau) served as Technical Secretary.

Opening of the Session

5. The Director opened the session and welcomed the participants, extending a special welcome to the observers. She was pleased to see so many Member States voluntarily taking part in the Subcommittee's deliberations, particularly as the Third Session would be considering a number of items of great importance for the Organization's future work, including the first draft proposed program budget for the 2010-2011 biennium.

Adoption of the Agenda and Program of Meetings (Documents SPBA3/1, Rev. 2, and SPBA3/WP/1)

6. The Subcommittee adopted the provisional agenda submitted by the Director (Document SPBA3/1, Rev.1). The Subcommittee also adopted a program of meetings (Document SPBA3/WP/1).

Program Policy Matters

Draft Proposed Program Budget of the Pan American Health Organization for the Financial Period 2010-2011 (Document SPBA3/2)

7. Dr. Isaías Daniel Gutiérrez (Area Manager, Planning, Budget, and Resource Coordination, PASB) introduced the draft proposed program budget for the biennium 2010-2011, noting that the Bureau was reviewing the existing Region-wide expected results (RERs) and their respective indicators and targets in order to ensure that the Region was fully aligned with the revised Medium-term Strategic Plan of WHO and in order to adjust some indicators so as to make them more relevant for the Americas. PAHO was also incorporating into its strategic objectives the new Organization-wide expected results that WHO had added to its Medium-term Strategic Plan (see the discussion of the WHO draft proposed program budget, paragraphs 130 to 139 below). He also noted that the draft budget proposal before the Subcommittee contained only high-level budget figures—i.e., costing for the 16 strategic objectives only. More detailed information would be provided in the draft budget proposal to be submitted to the Executive Committee in June 2009. He then outlined the steps that PAHO had taken to increase efficiencies and contain costs, including improved coordination of activities with other United Nations organizations and other stakeholders, decentralization of posts to the subregional and country level, increased use of technology to reduce travel and meeting costs, and continued staff reductions.

8. Turning to the draft budget proposal presented in Document SPBA3/2, he laid out three possible scenarios, all of which were based on the fact that an increase of \$11.5 million¹ would be needed in the post portion of the budget in 2010-2011 simply to maintain the 759 posts envisaged for the biennium. That number reflected a net reduction of 21 fixed-term posts with respect to 2008-2009. All the scenarios also assumed a 2.6% reduction in the WHO portion of the PAHO budget, although that figure was subject to discussion and approval by the World Health Assembly in May. In scenario A, the full cost increase would be covered, PAHO assessments would rise by 6.3%, and the non-post budget would be reduced by 2.2%. In scenario B, 67% of the cost increase would be covered, assessments would increase by 4.3%, and the non-post portion would decline by 6.0%. In scenario C, none of the cost increase would be covered and assessments would not rise, but the non-post portion of the budget would be cut by 14%.

9. The third component in each case, the non-post portion of the regular budget, financed the functions that enabled PAHO to carry out its mandate. Those funds were fully flexible and could be used where and when they were needed to finance program activities, unlike voluntary contributions, which were frequently earmarked for specific

¹ Unless otherwise indicated, all monetary figures in this report are expressed in United States dollars.

purposes. The reduction in the non-post budget therefore represented the impact of each scenario on the Organization's technical cooperation.

10. The proposal put forward in Document SPBA3/2 was based on scenario B. It called for a total PAHO/WHO regular budget of \$287,216,000, an increase of 2.9% with respect to 2008-2009, and for assessed contributions totaling \$187,816,000, an increase of 4.3%. The PAHO share of the budget would rise by 5.2%, to \$207,816,000, whereas the WHO share would fall by 2.6%, to \$79,400,000. The estimate for miscellaneous income was \$20,000,000—14.3% higher than in 2008-2009. Voluntary contributions were projected to remain the same as in 2008-2009: \$347,000,000. Hence, total resource requirements would be \$634,216,000, an increase of only 1.3% with respect to the previous biennium. Voluntary contributions would make up 54% of total funding and assessed contributions, 30%. Miscellaneous income would account for 3% and the WHO portion for 13%.

11. The Subcommittee expressed appreciation for the information presented on the various possible budget scenarios and on the basis for the proposed increase. More information was requested, however, on the basis for the increase in the post portion of the budget and on planned reductions in posts and/or changes in the balance between the post and non-post portions of the budget. Information on the basis of the projection for voluntary contributions was also sought. It was suggested that, in addition to numeric figures on the impact of the different budget scenarios, the Bureau might provide a narrative description of the concrete impact that each one would have in terms of the Organization's program and its technical cooperation with Member States. Such information would be helpful to delegates in their discussions of the budget proposal with national authorities in their respective countries. Information on lessons learned during implementation of the budget and Strategic Plan in 2008 would also be helpful.

12. A number of delegates voiced concern about the impact of the current financial crisis on PAHO's budget. It was pointed out that many Member States were likely to have difficulty meeting their obligations to the Organization, thus exacerbating the cash-flow problems to which the Director had alluded elsewhere (see paragraph 117 below), and it was suggested that it might be wise to develop a back-up plan to be implemented in that event. Delegates questioned whether a 4.3% rise in quota assessments was realistic in the present economic climate and emphasized that the figures in the draft proposal submitted to the Subcommittee would need to be revised in the light of ongoing changes in the global economic situation and the decisions taken by the World Health Assembly on the WHO program budget for 2010-2011. One delegate inquired how the recent strengthening of the United States dollar against the currencies of many Latin American and Caribbean countries might affect the draft budget proposal. Another delegate asked about the impact of the introduction of the International Public Sector Accounting Standards (IPSAS) on the budget. The same delegate, noting that the 2010-2011

biennium would be the last of the three bienniums covered by the Regional Program Budget Policy adopted in 2004, said that her delegation looked forward to an examination of what the policy's impact had been at the regional and country levels and of what it had accomplished in concrete terms.

13. The measures taken by the Bureau to contain costs and increase efficiency were applauded, in particular the use of information and communication technologies to extend PAHO's technical cooperation capacity. The Bureau was asked to provide additional information to illustrate what the impact of such measures had been in quantitative terms. The Organization was encouraged to continue to pursue budget discipline and to seek additional efficiencies. Delegates underscored the need to make the most creative and innovative use of available resources and, in accordance with the principles set out in the Paris Declaration on Aid Effectiveness, to ensure that resources and efforts were well coordinated at country level and that the Organization's technical cooperation was really responding to Member States' needs and priorities.

14. Several delegates noted that the draft proposal reflected significant increases in the allocations for Strategic Objectives 3, 7, 10, and 15; a sizeable decrease in the allocation for Strategic Objective 16; and virtually no change in the other objectives. The Bureau was asked to explain the rationale for those changes and to indicate the expected source of the funds for the proposed increases (i.e., voluntary contributions or the regular budget). It was also asked to indicate, in the document to be prepared for the Executive Committee, the percentages of the total budget allocated to each strategic objective, so that Member States could clearly see the relative priority attached to each one. A delegate requested that the proposal for the Executive Committee also include more comparative data showing trends and shifts in emphasis from 2008-2009 to 2010-2011 and a breakdown of the different types of voluntary contributions, together with specific projections for PAHO trust funds and other types of funds.

15. The Subcommittee made a number of suggestions concerning refinement of the indicators for measuring the achievement of the strategic objectives and Region-wide expected results, and several delegates indicated that they would be submitting additional suggestions in writing. It was pointed out that some of the indicators lacked specificity and conflated distinct concepts or focused on the wrong issues. For example, the indicators associated with RER 1.3 seemed to conflate the concepts of coverage and access and be overly focused on strengthening health systems, while indicators 2.2.1, 2.2.2, and 2.2.3 seemed to conflate improving treatment with improving access. It was suggested that the latter three indicators should focus on whether revised/updated guidelines or therapies were accessible to all patients.

16. It was pointed out that data on the results achieved during the 2008-2009 biennium would not be available before a revised budget proposal was submitted to the

Executive Committee in June or even before the final budget proposal went to the Directing Council for approval in October. That being the case, one delegate wondered how the Bureau would set the baselines against which to measure progress in 2010-2011.

17. Delegates raised several concerns in relation to the Organization's program and technical cooperation activities. One was the asymmetries that existed among countries of the Region, particularly with respect to the achievement of the Millennium Development Goals (MDGs). In that connection, one delegate expressed the view that the Organization's focus in the next biennium should be mainly on the strategic objectives that were directly related to the MDGs. Another emphasized the need to accord special attention to PAHO's five priority countries. A third delegate sought information about the financial and programmatic implications of the transition process under way at the Institute of Nutrition of Central America and Panama (this matter was also discussed by the Subcommittee during the Third Session; see paragraphs 146 to 148 below). In addition, it was pointed out that governments faced great pressure, both from their populations and from producers, to introduce expensive new drugs, biologicals, and technologies, but they often lacked the capacity and the evidence base to assess the cost-effectiveness of those inputs. Meanwhile, the introduction of costly technologies strained the budgets of health care systems and could compromise their ability to provide care for the entire population. Assisting Member States in grappling with those issues was identified as an important technical cooperation role for PAHO.

18. Dr. Gutiérrez, responding to the Subcommittee's comments, clarified that the Region-wide expected results, targets, and indicators in the draft budget proposal for 2010-2011 were not new, but were the same as those in the Strategic Plan 2008-2012, approved by Member States during the 27th Pan American Sanitary Conference in 2007. As he had said earlier, the Bureau was currently revising the Strategic Plan with a view to adjusting some of the indicators and ensuring the Plan's alignment with the WHO Medium-term Strategic Plan. He would welcome Member States' input on the indicators and looked forward to receiving their suggestions in writing.

19. He also wished to clarify that the current year was the second year of the first biennium of the six-year period covered by the Strategic Plan. The resolution approving the Strategic Plan (Resolution CSP27.R4) called on the Director to submit performance assessment reports on the Plan to the PAHO Governing Bodies every two years, at the end of each biennium. However, the Bureau had already prepared and submitted to WHO a first monitoring and performance assessment report, covering the first year of the biennium only (2008). He would be pleased to make that report available to Member States.

20. After the program budget was approved, it would be executed by means of biennial workplans, which were drawn up for each country on the basis of its Country Cooperation Strategy. Those workplans made it possible for countries to strike an appropriate balance between the collective program established by Member States and embodied in the regional Strategic Plan and their own objectives, needs, and priorities established at the national level.

21. The Bureau was aware that the draft proposal before the Subcommittee did not contain much programmatic information. That information, including details about the program impact of the various budget scenarios, would be provided to the Executive Committee. He explained that the budget was divided into two parts: post and non-post. The post portion basically covered staff salaries, whereas the non-post portion provided the funds needed for staff to carry out the technical cooperation program. If the Organization did not receive sufficient funds to finance the increase in the post portion of the budget, it would have to take those resources out of the non-post portion. That would have an impact on PAHO's ability to carry out technical cooperation at all levels: regional, subregional, and country.

22. Mr. Román Sotela (Senior Advisor, Program Budget Management, PASB) said that the basis for the projected increase of \$11.5 million in post costs was explained in paragraphs 5 and 6 of Document SPBA3/2. The post component of the budget was a mandatory cost, representing the amount needed to pay the salaries of the workforce required to carry out the Organization's program. For 2010-2011, the size of that workforce was calculated at 759 staff members, which was a reduction of 21 with respect to the current biennium.

23. The cost of the post component had increased substantially in the past several years, primarily because of the devaluation of the United States dollar. For the current biennium, that cost had been projected to increase by about 15%, although the Bureau had budgeted a cost increase of only 8.6% in order to avoid a steep rise in Member States' assessments for 2008-2009. Unfortunately, a recent analysis indicated that post costs in the current biennium had, in fact, increased by just under 15% with respect to 2006-2007, which meant that the post part of the budget was already underfunded by about 6.4%. Hence, the projected increase of 6.3% required to fund the post component in 2010-2011 would actually only bring that component up to the level that had been needed in the current biennium. It did not allow for any cost increase at all. That—i.e., by not including any cost increases for 2010-2011—was how the Bureau was factoring in the recent rebound of the dollar.

24. Regarding the impact of the various budget scenarios, clearly if the non-post component of the budget, which was the portion used to carry out PAHO's core functions, were to fall by 14%, there would be a noticeable impact on the Organization's

technical cooperation. The impact would be greater at the regional level, because under the 2004 Regional Budget Policy the regional share of the budget would shrink, while the country share would grow, but the impact would be felt at all levels and in all technical areas. After the biennial workplans had been drawn up, the Bureau would be in a better position to provide details on exactly what activities would have to be cut in each scenario. That information would be provided to the Executive Committee, together with a breakdown of the entire budget by cost type (post/non-post), by level (regional, subregional, and country), and by strategic objective and Region-wide expected result. The figures on voluntary contributions would also be broken down by type, with contributions for so-called internally funded projects—i.e., funds received by PAHO from a Member State to implement a project in that same Member State—being presented separately.

25. With respect to the changes in funding for some strategic objectives, the modest increases in Strategic Objectives 3, 7, and 10 came in direct response to requests from Member States for increased support in the areas of chronic diseases, health determinants, and health services with a primary care focus. The increase in Strategic Objective 15 was actually only a reclassification of funds that had originally been budgeted by some country offices under Strategic Objective 16. Those funds related to PAHO's presence in countries, which properly came under Strategic Objective 15. That shifting of funds also accounted for the projected 10.6% decrease in Strategic Objective 16.

26. Drs. Pedro Brito (Area Manager, Health Systems and Services, PASB) Gina Tambini (Area Manager, Family and Community Health, PASB), Jarbas Barbosa da Silva (Area Manager, Health Surveillance, Disease Prevention and Control, PASB), and Luiz Galvão (Area Manager, Sustainable Development and Environmental Health, PASB) responded to comments and questions from the Subcommittee concerning specific strategic objectives, Region-wide expected results and indicators. Dr. Brito noted, for example, with respect to Strategic Objective 10 (improvement of the organization, management, and delivery of health services) that the Organization's work in that area came in response to requests from numerous countries for support in strengthening health systems based on primary health care and addressing problems such as segmentation and fragmentation of health systems. All the area managers noted that the indicators for the Region-wide expected results in their respective areas of responsibility were being revised with a view to clarifying, avoiding duplications, and improving the monitoring and measurement of progress.

27. Dr. Socorro Gross (Assistant Director, Pan American Sanitary Bureau), pointing out that her office was responsible for about 90% of the strategic objectives, Region-wide expected results, and related targets and indicators, affirmed that the Organization was engaged in an exhaustive review of the indicators included in the Strategic Plan, aimed at ensuring that PAHO was closely aligned with WHO, while at the same time preserving

the indicators that were specific to the Region. She assured Subcommittee members that the Bureau would bear in mind their comments, both in revising the indicators and in carrying out country-focused technical cooperation with Member States.

28. The Director, responding to the question concerning the impact of the Bureau's cost-containment and efficiency measures, said that the effectiveness of those measures was evident, for example, in the area of procurement, where the size of the staff had remained the same, while the level of procurement had tripled in recent years. The same was true across the Bureau: despite continued staff reductions, PAHO had maintained or, in many cases, increased its level of activity. That was a very strong indicator of efficiency. As for cost containment, PASB had a long-standing policy of classifying posts one or two grades lower, with correspondingly lower salaries, than the level at which the same posts were classified at WHO Headquarters and at the other regional offices. Although that policy did not always sit well with staff, it did result in considerable savings, and the Bureau had no intention of changing it. PAHO's travel policy was similarly austere. No business-class travel was allowed within the Region, for example, irrespective of the length of the flight. When air travel costs had begun to rise dramatically several years earlier as a result of high oil prices, PAHO's travel budget had remained unchanged, thanks to its strict cost-containment measures.

29. The Bureau would endeavor to provide additional information to illustrate the impact of its efficiency and cost-containment measures, as well as the impact of the various budget scenarios, not only at the regional level, but also at the level of individual Member States. She believed that it would be important for the Bureau to continue consulting with Member States on the program budget proposal in the run-up to the World Health Assembly in May and the Executive Committee in June, and she therefore proposed that ongoing discussions should be held by electronic means.

30. The Subcommittee agreed to the Director's proposal and requested that she make the necessary arrangements for the electronic discussions.

Nongovernmental Organizations in Official Relations with PAHO (Document SPBA3/3)

31. In accordance with the procedure outlined in the Principles Governing Relations between the Pan American Health Organization and Nongovernmental Organizations (NGOs), the Subcommittee held a closed meeting to review the status of eight NGOs in official relations with PAHO. Following that meeting, the President announced that the Subcommittee had decided to recommend that the Executive Committee approve the continuation of official relations between PAHO and the American Society for Microbiology, the Inter-American Association of Sanitary and Environmental Engineering (AIDIS), the International Diabetes Federation (IDF), the Federación

Latinoamericana de la Industria Farmacéutica (FIFARMA), the March of Dimes Foundation, the United States Pharmacopeia, and the World Association for Sexual Health. The Subcommittee had decided to recommend that official relations with the Latin American and Caribbean Association of Public Health Education (ALAESP) be discontinued, with the understanding that they might be renewed at some point in the future on the basis of a new collaborative work plan.

32. The Subcommittee also made several recommendations to the Bureau concerning the format and content of the information presented on NGOs seeking admission into or renewal of official relations with PAHO.

33. Dr. Socorro Gross (Assistant Director, Pan American Sanitary Bureau) said that the Bureau would ensure that the information on NGOs submitted to the Subcommittee in the future was presented in a more concise, standardized, and easy-to-follow manner, and would also endeavor to indicate how PAHO's collaboration with each NGO was contributing to the achievement of the strategic objectives contained in the Organization's Strategic Plan 2008-2012.

Institutional Review of the Latin American and Caribbean Center on Health Sciences Information (BIREME) (Document SPBA3/4, Rev. 1)

34. Dr. Heidi Jiménez (Legal Counsel, PASB) updated the Subcommittee on the status of the development of a new institutional framework for the Latin American and Caribbean Center on Health Sciences Information (BIREME), noting that the Bureau had last reported to the Governing Bodies on this matter during the 48th Directing Council (September-October 2008). She began by reviewing the history and functions of BIREME, which was founded in 1967. The Center's Maintenance Agreement had not been modified since then and it did not meet BIREME's current management, operational, and financing needs. Accordingly, a new institutional framework comprising three legal instruments—a Statute, a Headquarters Agreement, and a Facilities Agreement—was proposed.

35. The proposed Statute of BIREME had been drafted and was annexed to Document SPBA3/4, Rev. 1. The Headquarters Agreement between PAHO and the Government of Brazil would establish the commitments and responsibilities of the two parties and the rights, privileges, and immunities of the Center in Brazil. The bilateral Facilities Agreement with the Federal University of São Paulo, which provided the Center's physical facilities and many of its human resources, would update existing commitments with regard to the assignment of national staff, physical facilities, and the Center's journal collection. The new institutional framework was intended to put in place a new governance structure and to ensure a stable and balanced source of financing for BIREME's work, including regular resources approved by the PAHO Governing Bodies;

contributions from the Government of Brazil; contributions from WHO Member States outside the Americas (all PAHO Member States would automatically also be members of BIREME at no additional cost to them) and from participating organizations (a new membership category comprising international public organizations with specific expertise in scientific and technical information and communication); and income generated by projects, agreements, grants, and the sale of services.

36. It was anticipated that the complete proposal for a new institutional framework would be submitted to the 49th Directing Council for approval.

37. In the ensuing discussion, one delegate questioned whether BIREME remained relevant, noting that it had been established 45 years earlier. At that time there had been much less access to information than in the current “information age.” He wondered what the Center’s value added was at present, given the proliferation of information and information sources, and whether it provided information that could not be accessed by PAHO Member States elsewhere.

38. Another delegate suggested that there might be a basic lack of understanding regarding the types of information and services being provided by BIREME and the users of its services. She inquired whether all Member States, including, for example, those in the English-speaking Caribbean, were utilizing the Center’s services and whether BIREME was connected to other health sciences libraries and centers throughout the hemisphere.

39. It was pointed out that the document on this item had been made available only a few days before the opening of the session, and Member States had therefore had insufficient time to review it, particularly given the nature of the document and the complexity of the proposed Statute. It was suggested that the discussion should perhaps continue electronically via SharePoint, after Members had had the opportunity to thoroughly examine the Statute. To facilitate that discussion, the Bureau was asked to provide the previous statute, or other instrument establishing the legal status of BIREME, for purposes of comparison. Information was also requested on precedents for the creation of advisory bodies such as the proposed Advisory Committee and Scientific Board.

40. Dr. Jiménez, acknowledging the delay in posting the document on the Organization’s website, explained that the process of negotiating the Statute with the Government of Brazil had been arduous and detailed. The document had initially been prepared in Portuguese, and it had taken quite a long time to ensure that it was ready to be released in the Organization’s other official languages. Unfortunately, she could not provide the previous statute because none existed. At present, BIREME had no formal

governance structure or institutional legal framework. Creating such a structure was precisely the purpose of the institutional review process.

41. As to the elements included in the Statute, she had done considerable research on other successful international centers and had modeled the proposed governance structure for BIREME after theirs, in particular that of WHO's International Agency for Research on Cancer (IARC), which had a Governing Council, a Scientific Council, and a Bureau. She believed that a structure comprising a governance body, a technical advisory body, and an administrative body was fairly standard for such institutions. If BIREME was to remain a specialized center of PAHO, the proposed Advisory Committee could only function in an advisory capacity, as the Director would continue to have ultimate decision-making authority with respect to the Center. The new institutional framework remained a work in progress, on which she would be pleased to continue receiving feedback from Member States via SharePoint.

42. The Director observed that Document SPBA3/4 had perhaps assumed too much prior knowledge about BIREME on the part of Subcommittee members. With a view to facilitating the SharePoint discussion, she undertook to provide the Subcommittee with background documents presented to the Governing Bodies in recent years, which contained more detailed information on the Center's work.

43. BIREME had begun as a library similar to the National Library of Medicine in the United States, which had long been one of the Center's principal partners. Its acronym, derived from the Spanish *Biblioteca Regional de Medicina* (Regional Library of Medicine), reflected that origin. However, like the National Library of Medicine it had moved away from being a library in the sense of a physical repository of books and periodicals and it now operated mainly as a virtual information clearinghouse. As such, she believed that it was tremendously useful for all countries because it provided them access to the scientific literature produced by other countries of the Region. The Center had also played, and continued to play, a crucial role in the development, maintenance, and operation of the WHO Global Health Library, the platform for which was based on that of the Virtual Health Library developed by BIREME. It thus served as a key link between the scientific production of the Region and that of the rest of the world.

44. In addition to formal scientific and technical literature, the Center captured a great deal of grey literature relating, for example, to country programs, national health legislation, regional plans and strategies, and project reports, which could be extremely valuable for policy-makers. Hence, BIREME also played an important role in translating research into policy and in facilitating and disseminating assessments of the impact of policies.

45. However, BIREME was first and foremost a standard-setting institution. It had been established mainly in response to the need to set standards for scientific and technical information in the health sciences in Spanish and Portuguese. In that respect, its functions were comparable to those of the United States National Library of Medicine, which had similar responsibilities with respect to scientific production in the English language, including, for example, establishing keywords and descriptors for the classification and indexing of health sciences information and defining what was meant by terms such as “health sector reform.” Thanks to BIREME, Spanish and Portuguese were now, respectively, the third and fourth most commonly used languages in the scientific and technical literature published in the health sciences.

46. Dr. Richard Van West Charles (Special Adviser in Partnerships with International Financial Institutions, PASB) said that another important function of BIREME was reducing the inequities that existed between countries in the production of scientific information by enabling authors in countries that did not publish scientific journals, such as some Caribbean and Central American countries, to produce articles that met the standards of international peer-reviewed journals in the scientific world. They were thus able to publish and share their experiences and knowledge throughout the Americas. BIREME’s capacity-building efforts in that regard were linked to the Organization’s efforts to promote evidence-based approaches in medicine and public health.

47. Dr. Luis Cuervo (Senior Advisor, Research Promotion and Development, PASB) observed that BIREME was perceived at the global level as one of the jewels of the Region and was seen as a model in other regions. Like the United States National Library of Medicine and Medline, it had permitted the indexing, organization, and standardization of information and had brought extraordinary access to that information, much of which would otherwise not have been available.

48. The Delegate of Bolivia said that BIREME’s services had proved critical to her Government in 2006, when it had embarked upon the process of implementing universal health care coverage. Thanks to information accessed through the Center, Bolivia had been able to learn from the examples of other countries that had already introduced universal health insurance systems, notably that of Brazil. She emphasized the value to Member States of having ready access to such information when it was urgently needed.

49. It was agreed that the discussion of this item would continue via SharePoint. To facilitate that discussion, in addition to the background documents mentioned by the Director, the Bureau was asked to provide information on the research conducted by the Office of Legal Counsel regarding options for the governance structure of BIREME.

Draft Proposed Five-year Regional Plan of Action for Implementing the Gender Equality Policy (Document SPBA3/5)

50. Dr. Marijke Velzeboer Salcedo (Senior Advisor, Gender, Ethnicity, and Health, PASB) recalled that the 46th Directing Council had approved PAHO's Gender Equality Policy in 2005. Although other organizations in the United Nations system had similar policies, PAHO's policy was unique because it applied not only to the Bureau but also to Member States, which made it a powerful tool for achieving gender equality throughout the Region. The proposed Plan of Action for implementing the Policy had been designed in consultation with other areas within the Organization and with external partners, including civil society organizations. Member States and the gender focal points in the PAHO/WHO country offices had also participated.

51. The goal of the Plan of Action was the same as the goal of the Policy: to contribute to the achievement of gender equality in health status and health development through gender-sensitive research, policies, and programs and the active promotion of equality and equity between men and women. The strategy for implementing the Policy was the mainstreaming strategy approved by the United Nations Economic and Social Council in 1997. The Plan comprised four strategic areas, which corresponded to the Policy's four components: evidence-building; capacity-building; participation of civil society; and institutionalization, monitoring, and evaluation. She outlined the Plan's guiding principles, emphasizing that it was tailored to individual countries' realities and needs and noting that PAHO's Gender Equality Policy and the proposed Plan of Action were fully aligned with WHO's Gender Policy and Strategy for Integrating Gender Analysis and Action into the Work of WHO. She then outlined the objectives to be pursued under the four strategic areas (presented in Document SPBA3/5, together with the actions and the baselines and indicators for monitoring progress on each one). She assured the Subcommittee that the Bureau intended to work closely with Member States not only in implementing the Plan of Action but also in identifying appropriate indicators for monitoring and evaluation.

52. The total budget required to cover PAHO's operational costs during the five-year implementation period was estimated at \$6.5 million. That estimate included the cost of adding one new post, which would enable the Organization to further decentralize its support for countries in carrying out the Plan of Action.

53. The Subcommittee welcomed the Plan of Action, considering it comprehensive, innovative, and well thought-out, although members also noted several areas in which the Plan might be strengthened. In particular, it was felt that some of the proposed indicators should be clarified, expanded, or refocused. The indicators relating to the inclusion of unpaid health care in national health accounts, tools for gender and health analysis, and PAHO's technical gender networks were cited as examples. The Bureau was encouraged

to identify indicators developed by other international organizations and by national entities which might be of use to the Bureau and Member States in monitoring progress in implementing the Gender Equality Policy under the five-year Plan of Action. The Quick Health Data Online system (www.healthstatus2010.com/owh/) maintained by the Office on Women's Health of the United States was mentioned as a possible model. The need to ensure that indicators were comparable across countries was underscored, as was the need to identify indicators that might serve as a basis for decision-making, as opposed to indicators that simply provided information. Several delegates offered to assist the Bureau in refining the indicators and other aspects of the Plan of Action.

54. One delegate, noting that Document SPBA3/5 stated (in paragraph 4) that the Americas was the most unequal region in the world, pointed out that the Plan of Action should recognize that the Region actually might not be the most unequal in the world, depending on the data used to measure inequality. Another observed that gender parity in staff recruitment and career development was an important focus of the Plan and pointed out that, while employment equity was not the same thing as gender equality, employment equity strategies would certainly contribute to the success of gender equality policies. She highlighted the need to monitor how the employment equity aspect of PAHO's Gender Equality Policy was being applied in the Bureau's planning and programming. She also commended the inclusion of gender equality indicators in the sets of indicators for monitoring the Region-wide expected results in PAHO's Strategic Plan 2008-2012 and in its biennial program budgets.

55. Several delegates, noting that the proposed Plan of Action offered ample opportunity for collaboration between countries, emphasized the value of sharing experiences and lessons learned in gender equality initiatives carried out at country level. It was also pointed out that the particularities of each country must be taken into account, both in terms of the magnitude of the problem of gender inequality, but also in terms of specific areas in which, owing to the characteristics of the country, targeted interventions would be effective.

56. The Delegate of Saint Vincent and the Grenadines, speaking on behalf of the male members of the Subcommittee, extended his congratulations to his female colleagues in the Region for their many accomplishments over the years, some of which had been honored during the celebration of International Women's Day (held on 11 March 2009 at PAHO Headquarters). He was sure that all the men in the ministries of health of the Region would do their utmost to ensure the success of the PAHO Gender Equality Policy and the Plan of Action.

57. Dr. Velzeboer thanked the Delegate for his expression of support and pointed out that the Gender Equality Policy was not just about women. It also sought to address the areas in which males were at a disadvantage or needed more attention. The collaboration

of men in identifying those areas would thus be crucial to achieving the Policy's objectives. She encouraged both governmental and nongovernmental organizations from the Caribbean to share their best practices with PAHO so that they could be included in the Organization's Best Practices Database on Gender Mainstreaming in Health.

58. She was grateful for the various countries' offers of assistance in refining the Plan of Action. The Bureau was aware of the need to strengthen some indicators and would be consulting with Member States on an ongoing basis in order to identify indicators that would provide the information needed to monitor the implementation of the Plan not only by the Bureau but also by countries. PASB planned to work in particular with Chile on the indicator related to unpaid health care, as it was the country in the Region that had probably made the most headway in measuring the contribution of unpaid labor in national health accounts. The Bureau also intended to take advantage of indicators developed by other agencies at both the national and the international levels, and indeed was already doing so. It worked closely with other agencies in the United Nations system and with the Economic Commission for Latin America and the Caribbean (ECLAC) on the gender parity observatory created by ECLAC, which had developed a database of indicators for monitoring the implementation of the Beijing Platform for Action, the gender-related MDG targets, and other international commitments related to gender equality. It was also working closely with national bodies, such as the National Institute of Women in Mexico.

59. On the issue of employment parity, she noted that a baseline study for the evaluation of gender mainstreaming conducted by WHO in 2008 had found that PASB was close to reaching parity at Headquarters, but that there were still appreciable inequalities in the country offices, especially in higher-level professional posts. Her Office was organizing a focus group with the Area of Human Resources Management with a view to identifying strategies for rectifying those inequalities.

60. She agreed that the inclusion of gender equality indicators in PAHO's budget represented a milestone. To her knowledge, never before had the budget of a United Nations organization been analyzed from a gender perspective.

61. The Director thanked the Member States that had participated in the technical advisory group that had helped to draw up the Plan of Action. Although it had taken four years to develop the Plan, she was certain that the robust consultation process that had occurred during that period had resulted in a very solid strategy for implementing the Gender Equality Policy.

62. In her view, the best practices competition held in conjunction with the celebration of International Women's Day was a key tool for facilitating collaboration between countries in the area of gender equality because it afforded the opportunity to

make national experiences visible. Such sharing of experiences would, she believed, be crucial in achieving the objectives of the Gender Equality Policy. She highlighted the importance of refining the indicators for measuring progress towards the MDGs. As the Region entered the last third of the period allotted for achieving the Goals, it was especially important to have accurate indicators for identifying gaps and areas in which special effort was needed. As had been pointed out in the discussion, it was very important to ensure comparability of indicators across countries, but it was equally important to ensure consistency between the indicators in PAHO's Plan of Action and those established by the international community to measure progress towards the MDGs, particularly Goal 3 on gender equality. As former United Nations Secretary-General Kofi Annan had pointed out, the other MDGs were unlikely to be achieved unless the gender equality goal was achieved.

63. The Subcommittee endorsed the proposed five-year Regional Plan of Action for Implementing the Gender Equality Policy.

Administrative and Financial Matters

Interim Financial Report of the Director for 2008 (Official Document 335)

64. Ms. Sharon Frahler (Area Manager, Financial Resources Management, PASB) presented the interim Financial Report of the Director for 2008, which showed the Organization to be in a strong financial position, with total funding from all sources having reached \$718.5 million. Total expenditures had increased to \$678.6 million. Total quota receipts for 2008 had been \$66.8 million, with \$33.3 million also being paid for assessments from prior biennium. Member States paying their quota assessments for 2008 within that year had totaled 24, eight had made partial payments, and seven had made no payment for 2008, although some of them had made payments towards prior years' assessments. As a result, the balance of quota contributions due at the end of 2008 had been the lowest since 2000. For example, Canada, Brazil, and Mexico were completely paid up and had no balance due.

65. There had also been a significant increase in the receipt of resources by the Organization under multi-year agreements for public health programs. PAHO had received \$91 million from governments for internal projects within their countries and \$22 million for projects in other countries, as well as \$4.4 million from international organizations and \$7.4 million from private- and public-sector organizations.

66. During 2008 the Organization had received \$48 million from Member States and institutions for the purchase of strategic public health supplies. The cumulative total of the Organization's procurement activities, in all three procurement funds, now stood at \$370 million. The greatest increase had been in the purchase of vaccines and syringes via

the Revolving Fund for Vaccine Procurement, totaling \$322 million. Miscellaneous income, largely comprising the return on the Organization's investments, had been virtually double the budgeted figure of \$8.75 million, reaching a total of \$16.1 million.

67. Member State assessments for 2008 had been budgeted at \$95.6 million, but including assessments for prior bienniums PAHO had received \$100.1 million. Of that total, \$5.6 million had been applied to the tax equalization fund, leaving a total of \$94.5 million. Together with the miscellaneous income of \$16.1 million, total net income to the Organization was \$110.6 million. Expenditures under the Biennial Program Budget had been budgeted at \$98.8 million. Those figures needed to be seen in the context of the introduction of the IPSAS: formerly, any contracts entered into in a budgetary year had been shown to their full amount in that year; now, only the portion that had actually been implemented, or for which services had actually been delivered, was shown. Up to 31 December 2008, PAHO had actually implemented activities totaling \$94 million, leaving an unspent balance of \$16.6 million. The Expanded Program on Immunization had returned to the budget a loan of \$3 million made for the purchase of influenza vaccines, which meant that \$19.6 million had still been available for activities at the end of 2008.

68. Turning to the financial statements of the PAHO centers, she said that the financial position of the Caribbean Epidemiology Center (CAREC) was strong. Regular budget income had amounted to \$2.72 million, yielding an excess of income over expenditure of \$355,000. Quota arrears had decreased to \$4.12 million (\$2.74 million of the total being due from one Member State). The financial position of the Institute of Nutrition of Central America and Panama (INCAP) also remained strong. Regular budget income had amounted to \$840,000, and there had been an excess of income over expenditure of \$213,000. Quota arrears had decreased to \$5,632.

69. The financial performance of the Caribbean Food and Nutrition Institute (CFNI) had improved. Regular budget income had amounted to \$528,000, giving an excess of income over expenditure of \$235,000. Quota arrears had decreased to \$1.47 million (\$1.45 million of the total being due from one Member State.) However, the situation of CFNI remained a source of concern, as the accumulated deficit of its Working Capital Fund still stood at almost \$270,000. The shortfall had had to be covered by a loan from PAHO in order to allow the Institute to continue operating. The Bureau was closely monitoring the situation, since that deficit had to be cleared before the Institute could become part of the planned Caribbean Public Health Agency (CARPHA).

70. The Subcommittee welcomed the generally strong position of the Organization, in particular the improved position with regard to collection of arrears. Several delegates expressed appreciation for the benefits brought to the Region by the procurement funds, particularly the Revolving Fund for Vaccine Procurement. The Subcommittee also

expressed its appreciation for the way PAHO was managing the recent growth in its volume of resources. Noting the outstanding results for miscellaneous income, the Subcommittee commended PAHO for its success in preserving capital in the present difficult times.

71. More information was sought on the issue of project support costs. Concern was also expressed about the situation of CAREC and CFNI. Delegates pointed out that while their financial position might appear solid, there were some doubts about the quality and value of the services that they were producing. Information was also sought on INCAP's progress towards its new status as a self-managing institution, on the progress towards CARPHA, and in general terms on how the operation of the centers might impact the budgeting for the next biennium. Considering the relatively high level of funding being provided by governments for internal projects, it was suggested that such projects might be reported on separately in the next budget performance assessment report.

72. Ms. Frahler explained that PAHO charged project support costs of 3% on its procurement activities, but only on the actual purchases of vaccines and syringes, not on shipping or insurance. However, that 3% remained in the Revolving Fund, helping to increase it for future purchases. On the trust fund side, PAHO typically requested project support costs of 13%, in order to ensure as far as possible that projects were not being cross-subsidized out of the regular budget. With regard to internal projects, she confirmed that a new fund would be set up, starting in 2010, to handle those cases in which a government transferred funds to PAHO for assistance with a project in its own country.

73. The Director noted that the present was a difficult time in which to make financial forecasts, given the effects of the various crises: in the economy, in energy, and in food security. Nevertheless, she was optimistic about prospects for the biennium. PAHO was strong both financially and in terms of mechanisms, processes, and strategic planning. The Organization had a sound regional program budget policy and diversified sources of income. One particularly encouraging sign was that, despite the economic crisis, all donor governments had said they would not be reducing official development assistance in the Region. In the near future the Organization was unlikely to see such high figures for miscellaneous income—which had come about from unusual market conditions—nor such a dramatic increase in procurement levels—which had resulted from the introduction of new vaccines, the uptake of influenza vaccines, and the development of new vaccines that were more expensive than their predecessors.

74. The reinvestment of project support costs in the procurement funds avoided the appearance of conflict of interest, which might arise, for example, from the purchase of relatively expensive drugs, which would yield higher project support income. Keeping the 3% in the funds was also a matter of equity and solidarity with the less prosperous countries of the Region. In general terms, asking for project support costs, at the various

rates applied, was a way of ensuring that PAHO could afford to implement the projects for which it was seeking funds, without excessive cross-subsidization. If PAHO determined that it could not afford to implement such a project, then it would decline to undertake it. In the case of disaster preparedness and relief activities, PAHO was the only organization to charge no project support costs at all: whatever the Organization received from donors went entirely to the afflicted countries.

75. Turning to the situation of the centers, she noted that INCAP was moving fast in its transition to self-management (see paragraphs 146 to 148 below for additional information on this topic). PAHO was doing everything it could to support that transition. It was also investing major efforts to improve transparency and accountability at CAREC and CFNI. It had undertaken a thorough review of their real capacities, in particular looking at the quality of the services they were providing, and a mission would shortly be undertaken for the same purpose. The uncertainty as to the centers' situation had impeded their capacity to hire top-grade personnel and had impacted donors' willingness to support them. PAHO now proposed to replace the year-to-year agreement on administration of the centers with a three-year agreement, which would make it possible to offer personnel employment contracts of reasonable lengths, regardless of when CARPHA actually came into being. She could not say when that might be: decisions concerning CARPHA were a matter for the governments involved, not for PAHO. Thus PAHO had to take a slightly "schizophrenic" approach for the present: continuing to manage the centers for now but being ready to step aside when CARPHA became a reality.

76. The Subcommittee took note of the Interim Financial Report.

New Scale of Quota Contributions (Document SPBA3/6)

77. Mr. Román Sotela (Senior Advisor, Program Budget Management, PASB) recalled that in accordance with Resolution CE140.R5, adopted at the 140th Session of Executive Committee in June 2007, PAHO was committed to adopt a new scale of assessments for the bienniums following 2008-2009, in line with the new scale adopted by the Organization of American States. Using a slide presentation, he drew attention to the percentage changes in quota contributions applicable to each Member State.

78. One delegate requested that the Bureau provide actual dollar figures rather than percentages. Another asked how future changes would be applied, given that the OAS revised its quota contributions every three years, whereas PAHO had a biennial budgetary cycle.

79. Mr. Sotela clarified that the new quotas would be applied to the 2010-2011 budget, which had not yet been approved. However, he undertook to provide some indicative figures later in the session on the basis of the 2008-2009 budget. (An informal document showing 2008-2009 assessments based on the current scale and the same assessments based on the new scale, was subsequently distributed to Subcommittee members.) With regard to future changes, he suggested that it would not be advisable to make changes in mid-biennium. If the next revision of the OAS scale of contributions, for example, were approved promptly, then the revised figures would apply to PAHO's 2012-2013 budget; if not, they would apply to the 2014-2015 budget.

80. The Director concurred that it would be prudent to wait until any future OAS revision was concluded, and then apply the new figures to the following full PAHO budgetary cycle, rather than introducing changes halfway through a biennium.

81. The Subcommittee took note of the revisions to the scale of quota contributions.

Status of the Implementation of the International Public Sector Accounting Standards (IPSAS) (Document SPBA3/7)

82. Ms. Sharon Frahler (Area Manager, Financial Resources Management, PASB) gave an update on the progress in implementing the International Public Sector Accounting Standards. Recalling that the United Nations General Assembly had approved the introduction of IPSAS starting in January 2010, she said that PAHO was on track to implement the new standards fully at that time. The three most significant changes to PAHO's existing accounting arrangements would be the shift from biennial audits to annual; the accrual of income and expenditure; and the capitalization of property, plant, and equipment with expensing of depreciation. She listed a number of milestones along the road to implementation in 2010, all of which had been completed.

83. The major task still in progress was the actuarial valuation of long-term liabilities. An exercise had been carried out, applying a fictional scenario in which every member of the PAHO staff left the Organization simultaneously, in order to determine how much money would need to be set aside to pay their terminal entitlements and travel costs. It was found that the \$30 million which had been initially estimated would, in fact, be sufficient. An external actuary would be engaged to confirm the calculations. It was expected that the actuary's findings would be ready by the forthcoming meeting of the Executive Committee.

84. However, while the issue of terminal entitlements and travel costs appeared to be in order, there was no money set aside for after-service health insurance. Initial estimates of how much would be needed for the United Nations system as a whole were in the hundreds of millions of dollars. If PAHO were to recognize on its financial statements a

figure of, for example, \$100 million for after-service health costs, that could result in its having negative net assets. An additional complication was the need to determine how to separate PAHO's liability from WHO's liability relating to the AMRO staff whose salaries were paid out of the portion of the PAHO budget funded by WHO.

85. The remaining steps towards IPSAS implementation to be taken in the course of 2009 included submission to the Governing Bodies of proposed changes in the Financial Regulations and Rules, development of accounting manuals, IPSAS training, determination of how to recognize in-kind contributions from Member States in financial statements, identification of inventories held for sale, determination of which entities would be consolidated into PAHO's financial statements, possibly requesting current valuations for PAHO's land and buildings, and coordinating the Organization's interpretation of IPSAS with that of the External Auditor. Some work would also be needed on the Organization's computer systems, which at present required significant improvisations to meet basic IPSAS requirements.

86. The Subcommittee was pleased that PAHO was progressing towards the implementation of IPSAS in a timely manner. More information was requested on several issues, including how the determination of which entities were to be consolidated into the PAHO financial statements; how the funds for AMRO staff paid by WHO would be treated; the schedule for changing the Financial Regulations and Rules; and the adequacy of PAHO's current computer systems with regard to IPSAS implementation.

87. One member of the Subcommittee asked whether a financial value had been calculated for the benefit that the changeover to IPSAS was presumably going to bring, and how such benefit compared to the costs that had already been incurred and those that were still to come. The question was raised of whether it would actually be feasible for PAHO to operate with such huge amounts having to be set aside for after-service health insurance costs. The Bureau was also asked to clarify whether it had been decided that PAHO would move from biennial to annual audits, since Document SPBA3/7 stated that that change would be made "if desired by the Governing Bodies." Information was sought on what the costs and benefits of making that change would be.

88. Ms. Frahler said that the issue of consolidation of entities had not yet been finalized, but it was expected that since WHO had the controlling interest in the funds that it provided for the Region of the Americas, those expenditures would be shown on WHO's consolidated financial statement, rather than on PAHO's. There might perhaps be a note on PAHO's statement to the effect that a portion of its income comprised WHO funds, administered by PAHO on WHO's behalf.

89. She clarified that if the changes to the Financial Regulations were approved by the 49th Directing Council, then the changes to the Rules could be approved by the

Executive Committee at its 145th Session, to be held immediately following the close of the Council. Thus both the Regulations and the Rules would be ready in time for IPSAS implementation in January 2010.

90. With regard to the need for changes to computer systems, the Director had established a Corporate Management Information Committee to review all the systems and make recommendations as to the best course of action. The Committee had met several times, and was now reviewing the WHO guiding principles to see which ones PAHO could accept unchanged, which would need to be adjusted, and which were not applicable to PAHO.

91. The primary benefit of IPSAS would be that the Organization's accounting principles, particularly as they related to accrual, would be in alignment with results-based management, giving the Governing Bodies a clearer picture of the cost of PAHO's programs and activities, and of whether the Member States were getting value for the money they were contributing. Additionally, accounting practices at Headquarters and in the country offices would be identical, eliminating the present need for an inefficient and costly monthly reconciliation.

92. The problems relating to after-service health insurance had not yet been resolved at the level of the United Nations system as a whole. Drawing an analogy with the purchase of a house on a mortgage, she said that PAHO would probably have to show the total liability in its financial statements, with the Member States deciding over how many years the required amount would actually be accrued.

93. She clarified that the rules of IPSAS did not stipulate that audits had to be annual, although annual audits were considered best practice. The cost of changing over to annual audits, in terms of increased travel and working time, had been estimated by PAHO's present External Auditor at about \$140,000 for the biennium, but that figure was still under negotiation.

94. The Director added that many national administrations were also adopting IPSAS, and it was to be expected that sooner or later all the PAHO Member States would do the same. The new standards would enhance accountability and transparency and would support results-based management. Additionally, the shift to accrual accounting would be beneficial in the context of multi-year commitments to longer-term public health programs. She also pointed out that donors were increasingly required to show audited financial statements to their own constituencies in a timely manner, which was another argument for PAHO to change over to annual audits.

95. The Subcommittee took note of the progress report.

Changes in Financial Regulations and Rules (Document SPBA3/8)

96. Ms. Linda Kintzios (Treasurer and Senior Advisor, Financial Services and Systems, PASB) provided details on the process being followed to review the Financial Regulations and Financial Rules of the Organization in the light of the replacement of the United Nations System Accounting Standards by the International Public Sector Accounting Standards (IPSAS). Some of the major changes included new financial reporting requirements and realignment of disclosure requirements. The adoption of full accrual accounting would impact the interpretation of cash management in the contexts of the Working Capital Fund, internal borrowing, and the disposition of any surplus at the end of a financial period. Recognition of fixed assets on the balance sheet, their valuation, and the gradual depreciation of their value over predefined periods of time would impact the relationship between budgetary and financial reporting.

97. In order to meet the Organization's deadline for the adoption of IPSAS, the Financial Regulations and the accompanying Financial Rules must be aligned with those standards with effect from 1 January 2010. A cross-functional working group had been meeting for two months, systematically analyzing the content of the current Financial Regulations and Rules against IPSAS requirements, while also taking into consideration changes made or proposed to WHO's Financial Regulations. The group's goal was to ensure compatibility with IPSAS while facilitating the maintenance of the Regulations over time, considering that additional standards would be developed and current standards might be revised.

98. The group would present draft new Financial Regulations to PAHO's executive management team in April 2009, the approved draft would be presented to the Executive Committee for review and comment in June 2009, and the Executive Committee's recommendations would be presented, together with the final proposed amendments to the Financial Regulations, to the 49th Directing Council in September 2009. If the Directing Council approved the Financial Regulations at that time, the proposed amendments to the Financial Rules would then be presented to the Executive Committee session immediately following the Directing Council.

99. The Subcommittee took note of the report on changes to the Financial Regulations and Financial Rules and recommended that the Executive Committee approve those changes.

PASB Internal Oversight and Evaluation Services (Document SPBA3/9)

100. Dr. Heidi Jiménez (Legal Counsel, PASB) reported on the process that PAHO was undertaking to establish its Audit Committee. It had pursued intensive consultations into how audit committee functions were handled within the United Nations system, by

agencies outside that system, and by national audit offices. It had gathered advice and experience from WHO, from the World Food Program, and from legal counsels' offices in other agencies. That process was ongoing.

101. Subcommittee members expressed appreciation for the update, while noting that they had had some difficulty in preparing to discuss the item owing to the late arrival of Document SPBA3/9. It was emphasized that the Bureau should strive to produce documents in a timely manner, especially when they contained a proposal for a significant new initiative, such as the creation of an audit committee. Appreciation was also expressed for the role of the Internal Oversight Services in providing needed monitoring, evaluation, and accountability. The Bureau was encouraged to implement Internal Oversight Services recommendations swiftly and fully, and the staff of the Internal Oversight Services were urged to continue to pay due attention to monitoring the implementation of their recommendations. Expressing concern that the position of senior auditor still remained vacant, Subcommittee members sought an update on progress in the recruitment process.

102. The Subcommittee was pleased to receive the draft Terms of Reference for the Audit Committee, and strongly suggested that the Organization take the necessary time to get the details right. One delegate said that she would be submitting a number of written comments regarding the Terms of Reference, addressing issues of the Committee's role and reporting, its specific responsibilities, and some refinement of the criteria for membership. She suggested that arrangements be made for delegations to submit additional comments electronically over a period of several weeks, a suggestion that was endorsed by several other delegates.

103. The same delegate recalled that Document CE142/INF/9 had stated that "PAHO will consider the appropriate scenarios under which it may disclose internal audit and oversight reports to PAHO Member States upon request." Noting that it had been her delegation's view that internal audit and oversight reports should be released to Member States upon request, in their original and unedited form, except when doing so would infringe individual confidentiality or risk violating due process rights, she inquired as to PAHO's current thinking on the matter.

104. Dr. Jiménez apologized for the delay in making the document available to the Subcommittee. Drafting it had been a consultative process, and there had been some delay in receiving feedback. It might be best regarded as a work in progress, one that would still call for considerable amounts of consultation and learning. She agreed with the suggestion regarding electronic submission of comments, suggesting that in addition to Document SPBA3/9 itself, PAHO would put up for discussion some of the background documents it had utilized, notes on some of the information it had gleaned from other

organizations, and other materials that might be helpful to members. The various options concerning access to internal audit reports might also be discussed electronically.

105. The Director recalled that the proposal for an audit committee had originated with the Working Group on PAHO in the 21st Century and that the Organization's External Auditor had also recommended the creation of such a committee. Unfortunately, there was not a great deal of past practice to follow. WHO had established an audit committee, but it had had certain functional difficulties. The WHO Executive Board had then redefined some of those functions, and PAHO was attentively observing the situation to see how well the committee was working under its revised terms of reference. She welcomed the suggestion for electronic submission of comments, suggesting that the process should be completed by the last week in May in order to ensure timely submission of a revised document to the Executive Committee.

106. Mr. Michael Boorstein (Director of Administration, PASB), responding to the question concerning recruitment of the senior auditor, reported that it was proving extremely challenging to find a person with the right qualifications and experience and also the necessary language skills. PAHO had advertised on two occasions in the relevant publications, without success. In the course of a temporary contract with PAHO, a retired senior auditor with years of experience at the Organization for Security and Co-operation in Europe had also written to some 50 potential candidates. Additionally, the post had been upgraded to Director level, and the job title changed to "Auditor-General." He was now hopeful that the right candidate was close to being found. With assistance from Mr. Kenneth Langford, Head of Internal Oversight Services at WHO, PAHO had narrowed the list of applicants to about 10 individuals who would now be invited to take a remote examination. After that, the top four or five would be invited for an interview. That process was expected to take place within the next few weeks, and he was therefore hopeful that he would be able to report to the Executive Committee that the Auditor General was either on board or about to be.

107. The Director added that PAHO was extending the tenure of the present senior auditor, who was reaching retirement age, and was also going to add another temporary auditor under short-term contract, in order to be able to continue with the audit plan. Despite the difficulty in filling the post, PAHO had continued to complete all audits as planned.

108. The Subcommittee recommended that arrangements should be made for electronic submission of comments on the terms of reference of the Audit Committee, and for provision of the relevant reference documents in electronic form, over a period of six weeks, starting on 16 March 2009

Projects Using the Program Budget Income Exceeding the Authorized Effective Working Regular Budget (Document SPBA3/10)

109. Mr. Román Sotela, (Senior Advisor, Program Budget Management, PASB) updated the Subcommittee on the status of projects approved by the 48th Directing Council, in Resolution CD48.R1, for funding from the Holding Account during 2008-2009. Of the five projects that had actually been started, three required authorization of additional funds over and above the figure projected for the biennium. However, he stressed that this did not represent an increase in the total cost of the project: authorization was needed to spend in 2009 money that had been projected to be spent in a later year. It was therefore proposed to accelerate the timetable for the disbursement of funds for three projects.

110. In the case of Project 1.A—Emergency Operations Center—it had been projected that \$1,000,000 would be spent in 2008-2009, and a further \$500,000 later. In fact, \$1,500,000 would be needed in 2008-2009, but the total amount authorized for funding from the Holding Account, namely \$1,500,000, would remain unchanged.

111. In the case of Project 3.C—IPSAS compliance—it had been projected that \$200,000 would be spent in 2008-2009, and a further \$100,000 later. However, \$300,000 would be needed in 2008-2009, but the total of \$300,000 authorized for funding from the Holding Account would remain unchanged.

112. In the case of Project 4.B—Energy savings measures, Phase I—it had been projected that \$500,000 would be spent in 2008-2009, and a further \$2,400,000 later. A total of \$620,000 would be needed in 2008-2009 in order to complete one specific part of the project, namely replacement of windows in the Headquarters building, but that figure was still well within the projected total of \$2,900,000 for the entire project, which was unchanged.

113. The Subcommittee welcomed the news that the total project costs would not increase, and voiced no objection to the acceleration of the timetables for disbursement. Members recognized that project costs could change in the implementation phase, but stressed the importance of obtaining accurate figures as soon as was possible. It was suggested that the reasons for advancing the disbursement schedules should be stated in the version of the document to be submitted to the Executive Committee. Further information was sought on the intentions regarding Project 4.F, “Refurbish Rooms A, B, and C in the Headquarters building” and on the progress made in Project 2.A, “Strengthen PAHO public health information systems.”

114. Mr. Edward Harkness (Area Manager, General Services Operations, PASB) gave some details on the reasons for accelerating the disbursement schedules. In the case of the

Emergency Operations Center (EOC), for example, a large portion of the money spent so far had been for architectural and engineering studies on the feasibility of converting the present PAHO library to a space suitable for the new EOC. About \$1.2 million was projected for the actual construction work; PAHO would soon be ready to put that work out to tender; but when it did so, it was legally required to have the full amount of the project cost on hand. In the case of IPSAS compliance, it was the implementation date of January 2010 that was dictating that funds needed to be spent (for training and for actuarial studies, among other things) earlier than had been anticipated. For the energy savings measures, the increase from \$500,000 to \$620,000 would allow all 400 windows on the south side of the Headquarters building to be replaced in one operation, rather than two.

115. With regard to the refurbishment of the conference rooms, the furniture was very old and increasingly unserviceable: every year four or five chairs had to be replaced. It was intended to find new chairs of a slimmer design, allowing for greater ease of access, and to increase the number of tables.

116. Dr. Jarbas Barbosa da Silva (Area Manager, Health Surveillance, Disease Prevention and Control, PASB), responding to the question about Project 2.A, said that work was proceeding on the first stage of the project, which was a comprehensive review of the Organization's various information systems aimed at organizing the flow of information in a way that would ensure the availability of the necessary information, but would streamline the collection of data from countries and avoid problems such as fragmentation, lack of integration, and duplication of information. An update on the first stage of the work would be presented to the 49th Directing Council.

117. The Director explained that the Bureau had delayed taking concrete action on some of the approved projects because of cash-flow concerns. While PAHO's financial situation was very sound overall, in terms of daily cash requirements it had been encountering some difficulties, owing to delays in the receipt of quota contributions from some countries, particularly those that accounted for the largest shares of the Organization's regular budget resources. As those members of the Subcommittee who had also been members of the Executive Committee in 2008 would recall, the cash-flow situation had become so serious at one point that she had been obliged to request the Committee's authorization to engage in internal borrowing from the Holding Account in order to finance day-to-day operations.

118. She had therefore decided that it would not be prudent to embark upon large-scale capital projects when it was not certain that the Organization would have the funds needed to finance the technical cooperation that was its main mission. Consequently, some of those projects had been postponed for a year or so. On the positive side, the Organization had used the delay to make substantial progress in design, consultation, and

examination of options, and now had a much clearer idea of how to proceed with the various projects while still remaining within the approved price ceiling. She added that in future versions of documents on this topic, more details would be given about the content of the projects and their stage of progress.

119. She wished to bring another matter to the attention of Subcommittee members and other Member States: in the biennium 2006-2007, PAHO had not only had the surplus amount of \$25,290,000 which had gone into the Holding Account; it had also had almost \$900,000 more, but that sum had been a portion of the regular budget resources transferred by WHO to the Region as part of its percentage share of the WHO regular budget. The External Auditors had indicated that PAHO was obliged to return those funds to WHO, a view with which she, personally, had disagreed, as that money had been a part of the portion of the WHO regular budget which the WHO Governing Bodies had allocated to the Americas and to which the Region was legally entitled. PAHO had followed the advice of the External Auditor and returned the funds, but remained hopeful that WHO would restore them to the Americas.

120. The Subcommittee took note of the report.

Staffing Matters

Amendments to the PASB Staff Rules and Regulations (Document SPBA3/11, Rev. 1)

121. Ms. Dianne Arnold (Area Manager, Human Resources Management, PASB) explained that there were two reasons why changes to the Staff Rules and Regulations came up for approval every year. In the first place, PAHO was obliged continually to monitor its many sister organizations, not only in the Inter-American system but also in the United Nations system, in order to remain aligned with them in the areas of staff benefits, entitlements, salary structures, and so on. Secondly, as the Human Resources staff worked on solving personnel issues that came before them, they sometimes found cases where the language of the Rules and Regulations could be made clearer or more consistent.

122. Dr. Nancy Machado (Human Resources Advisor, Human Resources Management, PASB) summarized the Staff Rule amendments considered necessary in the light of decisions taken at the 63rd Session of the United Nations General Assembly, based on recommendations of the International Civil Service Commission and on decisions taken by the 62nd World Health Assembly, as listed in Document SPBA3/11, Rev. 1. She also summarized the Staff Rule amendments considered necessary in the light of experience and in the interests of good human resources management, also listed in Document SPBA3/11, Rev. 1. Finally, she described the Staff Regulation amendment, which was considered necessary for the same reasons.

123. One delegate sought clarification on the proposed Staff Regulation amendment, the wording of which appeared to suggest that PAHO personnel had previously had recourse to the United Nations Administrative Tribunal, whereas it was her delegation's understanding that the Administrative Tribunal of the International Labor Organization (ILO) had been the appeals forum used by PAHO staff. She also asked whether PAHO might consider making use of the new United Nations Appeals Tribunal in the future.

124. Dr. Machado, confirming that PAHO had indeed been using the ILO Administrative Tribunal for many years, said that the amendment was purely an editorial clarification. However, there had recently been some significant changes in the administration of justice within the United Nations system as a whole, and she felt that once those changes were implemented, it would certainly be proper to examine whether the United Nations Appeals Tribunal would be an appropriate venue in which PAHO's cases would be heard promptly and reasonably.

125. The Subcommittee recommended that the Executive Committee approve both the proposed amendments to the Staff Rules and the proposed resolution concerning the salary of the Director and the amendment to Staff Regulation 11.2.

Contract Reform in PAHO (Document SPBA3/12, Rev. 1)

126. Dr. Nancy Machado (Human Resources Advisor, Human Resources Management, PASB) recalled that in June 2007 the PAHO Executive Committee had examined several contract reform proposals that had been put forward to ensure consistency with WHO, which was moving forward with its own contract reform. Part of the proposal had been to establish three types of contracts for PASB personnel: fixed-term, continuing, and temporary appointments. The proposal had been approved, but implementation had been made contingent upon approval of a similar contractual framework for the United Nations common system. The issue had been taken up by the United Nations General Assembly at its 62nd and 63rd sessions, and in December 2008 the Assembly had approved the new contractual arrangements, which were consistent with the framework that had been recommended by the International Civil Service Commission. However, implementation of continuing contracts was not to take place until January 2010, pending receipt of some information on how that type of contract would actually be implemented.

127. WHO had fully implemented its contract reform, with all three contract types. PAHO had implemented changes to its short-term consultant contracts on 1 January 2009, and the Bureau was now asking for authorization to implement, effective 1 July 2009, two changes for temporary contracts: firstly, to allow such contracts to run for up to two years without a mandatory break, and secondly, to approve harmonization of some of the benefits with those provided for permanent positions.

128. The Bureau also intended to propose, at a subsequent session of the Governing Bodies, that continuing contracts be implemented at PAHO, effective 1 July 2010. For the present, it was waiting to see how the United Nations progressed with implementation of that contract type.

129. The Subcommittee took note of the decisions taken by the United Nations General Assembly, decided to instruct the Bureau accordingly with respect to implementation of the relevant changes and to take note of the proposed resolution in Document SPBA3/12, Rev. 1, by which the Executive Committee would be asked to authorize the Bureau to move forward with implementing the relevant changes for temporary contracts.

Matters for Information

WHO Draft Proposed Program Budget 2010-2011 (Document SPBA3/INF/1)

130. Dr. Isaías Daniel Gutiérrez (Area Manager, Planning, Budget, and Resource Coordination, PASB) introduced the draft proposed Program Budget of WHO for 2010-2011, noting that proposal incorporated recent changes to the WHO Medium-term Strategic Plan. The 13 strategic objectives remained the same, but some changes had been made in the indicators for the Organization-wide expected results (OWERs) and four new OWERs had been established. One concerned climate change, the second related to patient safety, and the other two had to do with response to epidemic outbreaks and crises. The budget proposal for 2010-2011 comprised three segments: basic WHO programs, outbreak and crisis response, and partnerships and collaborative arrangements. WHO would have complete control over the first two; the third would depend to a great extent on donors, and WHO would therefore have only partial control over that portion of the budget.

131. He reviewed the evolution of the WHO program budget since 1994-1995, drawing attention to the steady growth in the proportion of the budget funded by voluntary contributions, from about 50% in 1994-1995 to 83% of total funding in 2010-2011. At the same time the proportion funded by assessed contributions had declined steadily, although the actual amount of those contributions in United States dollars had remained virtually unchanged. Consequently, only 17% of the funds in 2010-2011 budget would be regular budget funds over which WHO had complete control. The vast majority of the voluntary contributions were expected to be earmarked, or “specified,” voluntary contributions, although WHO was working to encourage donors to provide unearmarked, or “core,” voluntary contributions, which could be utilized where and as needed.

132. He then outlined the financing for the 2010-2011 draft proposed budget (shown in Document SPBA3/INF/1) and summarized the reactions of the 124th Session of the

WHO Executive Board (January 2009) to the draft proposal, noting that Board members had welcomed the increase in transparency and supported the three-part segmentation of the budget. However, they had questioned the gap between the proposed budget for 2010-2011 and projected expenditures during 2008-2009 and also WHO's ability to scale up implementation to the proposed level for 2010-2011. Board members had also urged greater emphasis on noncommunicable diseases, maternal and child health, and nutrition, with a view to achieving the Millennium Development Goals in those areas.

133. WHO was now revising the budget in the light of the Executive Board's comments. Base programs were expected to be cut by approximately 10% overall with respect to 2008-2009 levels, although the areas of noncommunicable diseases, maternal and child health, social determinants of health, and nutrition would be cut proportionately less than other areas. The distribution of the budget among WHO headquarters and the six regions would remain the same, and there would be no request for currency adjustment or inflation compensation. A projection for miscellaneous income—which had been projected at zero in the draft budget proposal submitted to the Executive Board—would be included in the revised proposal, but it was expected to be much lower than in 2008-2009.

134. In the discussion that followed, one delegate inquired what the projection for miscellaneous income was expected to be. Another delegate noted that, during the WHO Executive Board session in January 2009, her delegation had indicated that it could support the proposed increase of 3.6% in the WHO budget, provided that it received assurance from WHO that the Organization was capable of building the necessary capacity in all areas to implement the very ambitious program envisaged therein. Her delegation had also underscored the importance of having some basis on which to monitor the size of the budget carry-over. She sought information on what the projected carry-over to the 2010-2011 budget would be, as that would be an important determining factor in whether or not an increase should be approved. She also inquired whether PAHO might be considering a budget segmentation approach similar to that of WHO.

135. Dr. Gutiérrez said that the projection for miscellaneous income was expected to be around \$15 million—half the amount estimated for 2008-2009. The carry-over, which had been projected at \$1.6 billion, might be reduced to \$1 billion. He stressed, however, that those figures were preliminary estimates and that WHO was still revising the budget proposal in consultation with the regional offices. He understood that efforts were under way to enhance WHO's implementation capacity.

136. The Director said that it was her impression that there were two main issues of concern in the ongoing discussions on the WHO program budget proposal for 2010-2011. One was the issue of implementation capacity and the other was the growing imbalance between the portion of the budget funded by assessed contributions and the portion

funded by voluntary contributions. A related issue was the distribution of resources among the various strategic objectives in the Medium-term Strategic Plan. WHO had been very successful in mobilizing voluntary contributions; however, a large majority of those funds continued to be specified contributions and they were heavily concentrated under Strategic Objectives 1 and 2. The remaining strategic objectives—including the last two, which related to the enabling functions and the infrastructure that made it possible for the Organization to implement the activities envisaged under the other strategic objectives—were severely underfunded.

137. As had been noted, the portion of the WHO budget funded by assessed contributions had declined steadily since 1994-1995. That trend was a reflection of the zero nominal growth policies adopted by some countries with respect to international organization assessments. In 2010-2011 assessed contributions would account for only 17% of total funding, which was a source of concern as it was under the 20% level considered critical in order to ensure that the Organization had the necessary capacity to manage the rest of the budget.

138. The Region was moving towards a budget segmentation approach similar to WHO's, although there would be differences with respect to the "partnerships and collaborative arrangements" segment, as PAHO did not have the same sorts of collaborative arrangements with organizations such as UNAIDS and the Stop TB Partnership. It did, however, have internal projects, whereby Member Governments contributed resources for projects to be carried out within their own territories.

139. The Subcommittee took note of the draft proposed Program Budget of WHO for 2010-2011 and the PASB's report thereon.

Master Capital Investment Fund (Document SPBA3/INF/2)

140. Mr. Edward Harkness (Area Manager, General Services Operations, PASB) explained that Document SPBA/3/INF/2 showed all the projects under the Master Capital Investment Fund that had either been started or were projected for the future, both in the present biennium (Annexes A and C) and for the decade 2008-2017 (Annexes B and D). He suggested that rather than going through the document project by project, he would respond to any specific questions that the Subcommittee might have.

141. The Subcommittee requested that future versions of reports on the Master Capital Investment Fund should show the relationship between projects funded from the Fund and those funded from the Holding Account. They also asked for clarifications of certain specific figures in the Annexes, and sought information on the contractual details of PAHO's procurement of information technology hardware and software.

142. Mr. Harkness undertook to make a clearer cross-reference between the Master Capital Investment Fund and the Holding Account in future reports. In response to the Subcommittee's questions, he explained that the "Reserve amount" of \$73,364 on page 3 of Annex A was regarded as a contingency fund: the money was not yet committed but it would serve to cover either any difference between PAHO's estimate of a project cost and the supplier's actual bid, or unforeseen events. Drawing attention to the "Annual totals" line on the same page, he clarified that \$333,261 had actually been disbursed in 2008, and that it was projected that \$1,593,375 would be spent in 2009. He also clarified that the figure of \$5,826,146 on the bottom line of Annex B represented the total projected needs over the period 2008-2017.

143. Mr. Lorne Murdoch (Area Manager, Information Technology Services, PASB) explained that it was PAHO's practice to purchase information technology hardware, although the Organization had given consideration to leasing as an option for the future. Hardware typically had to be renewed every five or six years, although for servers the useful life was shorter since they were running constantly. PAHO generally purchased its hardware under the terms of an agreement with the suppliers negotiated by WHO and the World Bank which gave very advantageous prices, not only for Headquarters but also for anything that PAHO purchased for the country offices. With regard to software licenses, PAHO benefited from an agreement negotiated by the United Nations, which gave prices 40% below the lowest commercial rate.

144. The Director confirmed that future reports would also show the projects that were to be funded, either wholly or in part, from the Holding Account, thus giving a more complete picture, and suggested that it should also list projects approved at prior Governing Body meetings, which would enable members to track progress.

145. The Subcommittee took note of the document and presentations.

Institutional Review of the Institute of Nutrition of Central America and Panama (INCAP) (Document SPBA3/INF/3)

146. Dr. Socorro Gross (Assistant Director, Pan American Sanitary Bureau) updated the Subcommittee on the progress made in the review and reorganization of the Institute of Nutrition of Central America and Panama (INCAP) since the 48th Directing Council in 2008. She recalled that in June 2008 the Directing Council of INCAP had decided that the Institute should pursue full administrative autonomy and elect its own Director, thus ending PAHO's role as INCAP administrator. In October 2008, the Director of PAHO had appointed Dr. José Adán Montes Figueroa as Interim Director of INCAP. He had been given responsibility for overseeing the transition to functional autonomy for the Institute. Two meetings had been held since then to review the roadmap for institutional

strengthening, which included all the activities to be carried out in the transition process, and to draw up an institutional strategic plan.

147. In January 2009, the INCAP Directing Council had resolved to assume full responsibility for the administration of INCAP in September 2009 and to amend the Basic Agreement of INCAP as shown in the Annex to Document SPBA3/INF/3. The Director of PAHO had established several working groups to address the various technical, administrative, and legal aspects of the transfer of administrative responsibility, with a view to ensuring a smooth transition and preserving the Institute's functionality and leadership in nutrition and food security.

148. The Subcommittee took note of the report and the decision by the Directing Council of INCAP to assume responsibility for autonomous administration of the Institute as of September 2009.

PAHO Procurement Mechanisms for Strategic Supplies, including Vaccines (Document SPBA3/INF/4)

149. Dr. Socorro Gross (Assistant Director, Pan American Sanitary Bureau) recalled that information had been presented during the 48th Directing Council (in Document CD48/INF/8) on PAHO's three procurement mechanisms: the Reimbursable Procurement Mechanism, the Revolving Fund for Vaccine Procurement, and the Regional Revolving Fund for Strategic Public Health Supplies (commonly known as the "Strategic Fund"). She reviewed the history and objectives of the three mechanisms and the growth in procurement through them in recent years, emphasizing that they served as a means of ensuring timely, sufficient, and sustainable access to high-quality strategic health supplies. The three mechanisms, which operated on the basis of the principles of equity, quality, access, and Pan-Americanism, had contributed to the successes of disease prevention and control programs in the countries of the Americas; the achievement of regional goals; the eradication, elimination, and control of various diseases; and the Region's progress towards the attainment of the Millennium Development Goals.

150. She noted that, with a view to enhancing the efficiency of the operations of the Revolving Fund, the Director had established an internal working group within the Bureau. In addition, a working group had been established in 2008 to facilitate coordination of PAHO's immunization activities with those of the Global Alliance for Vaccines and Immunization (GAVI), particularly in relation to the introduction of new vaccines in poor countries and populations in the Region. WHO, UNICEF, and the World Bank also participated in that working group.

151. In the discussion that followed, delegates affirmed the importance of establishing collaborative instruments to facilitate timely and adequate access to quality health

supplies, drugs, and vaccines, and voiced solid support for PAHO's procurement mechanisms, particularly the Revolving Fund for Vaccine Procurement. It was acknowledged that the Revolving Fund had helped the Region to attain high immunization rates, reduce morbidity and mortality from vaccine-preventable diseases, and achieve disease eradication and elimination goals, and that it had also facilitated the introduction of new vaccines. The growth in the Fund's capitalization was welcomed. PAHO was encouraged to explore opportunities for procuring, through both the Revolving Fund and the Strategic Fund, the drugs and technology needed to treat high-cost pathologies. It was pointed out that such procurement would enable countries to take advantage of economies of scale and would also help to correct the asymmetries in their relationships with suppliers, which in some cases were the sole producers of a particular drug or device.

152. Delegates welcomed the creation of the PAHO-GAVI Working Group and sought additional information on its activities and its successes in promoting the introduction of new vaccines. Information was also requested on the nature of the work and the issues being addressed by the internal working group.

153. The Delegate of the United States of America, noting that his Government had requested that this item be included on the agenda of the Governing Bodies in 2009, said that in his view the crucial issue with regard to the Revolving Fund was how it fit into the new global health architecture and, especially, its relationship with GAVI. It was essential, he said, to ensure that the Revolving Fund and GAVI were not working at cross purposes. The Region must stand in solidarity with the least developed countries, both in the Americas and in the rest of the world, and ensure that their ability to purchase vaccines at the lowest available price was not jeopardized. He requested that the Bureau revise the document prior to the Executive Committee, focusing specifically on the Revolving Fund and its relationship with other international organizations for health, in particular GAVI. The document should, in his view, chart out how the PAHO-GAVI Working Group would address the various issues that had arisen with regard to the Revolving Fund and GAVI, particularly in relation to some of the specific clauses in the purchasing contracts used by the Fund. He suggested that it might be interesting for the Committee to hear from a representative of GAVI and possibly also a representative of the World Bank.

154. It was suggested that it would also be useful to ascertain the views of the countries participating in the Revolving Fund—particularly those with the lowest socioeconomic and health indicators and those with limited markets—with respect to whether they considered that they had benefited to the same extent as other countries from the Fund and whether they remained satisfied with it.

155. Dr. Gross pointed out that only countries with per capita gross national income below \$1,000 qualified for GAVI support. Currently, only six countries in the Americas fell into that category and, depending on the evolution of economic conditions, some of those countries might soon cease to be eligible. PAHO's Revolving Fund, on the other hand, was open to all countries. It was not intended only for poor countries, although poor countries, including the GAVI-eligible countries, purchased vaccines through the Fund. A great advantage of the Revolving Fund was that it helped to ensure price stability; it also enabled smaller, less developed countries to take advantage of the same economies of scale as larger, more highly developed ones.

156. GAVI's objectives were different from those of the Revolving Fund. GAVI sought mainly to accelerate the introduction of new vaccines in the GAVI-eligible countries. Facilitating the introduction of new vaccines was also an aim of the Revolving Fund, but its main focus was ensuring sustainable, uninterrupted access to vaccines in all countries of the Region, thereby enabling national immunization programs to continue operating, even when there were delays in the approval of funding for those programs by national legislatures. Regional immunization goals could not be achieved, she noted, unless all countries in the Region had access to the necessary vaccines. However, the introduction of a new vaccine required not just the availability of the vaccine. Infrastructure such as a reliable cold chain, good epidemiological surveillance systems, and properly trained human resources must be in place in order to ensure that the vaccine reached the entire population. The Americas had that infrastructure and thus held great potential for GAVI. Work was under way to strengthen both the Revolving Fund and the Strategic Fund in order to permit more rapid introduction of the rotavirus and pneumococcal vaccines, increase the availability of other inputs, and make the Strategic Fund as effective as the Revolving Fund.

157. The Director thanked the Delegate of the United States for clarifying the interest of his Government with respect to the Revolving Fund and the content of the document on the item. The Bureau would revise the document, but in order to do so it would need input from Member States regarding exactly what topics should be covered and what the desired outcome of the discussion was to be. The Bureau would also invite a representative of GAVI to make a presentation.

158. She wondered, however, whether the PAHO Governing Bodies would be the best forum for discussing technical issues such as the health financing architecture, advance market commitments, and the specific challenges relating to the introduction of new vaccines. She doubted that such a discussion among ministers of health at the Directing Council would be very fruitful. Certainly, the Directing Council was not the proper forum for discussing issues relating specifically to the functioning of GAVI, which had its own governance mechanisms. It might therefore be preferable to hold technical discussions or convene a special meeting of interested parties, including vaccine suppliers. Her

recommendation would therefore be to organize a small group to clarify the issues that needed to be discussed and the anticipated end result of those discussions, and then to identify the best scenario for achieving that result.

159. She had proposed the establishment of the PAHO-GAVI Working Group precisely in order to foster better understanding of the relationship between the two organizations and clarify the concerns within GAVI with respect to the Revolving Fund. As far as she was aware, those concerns related to a single producer and had to do mainly with the pricing of the pneumococcal vaccine, which had yet to be introduced in the GAVI-eligible countries, although several other countries in the Region had begun purchasing the vaccine through the PAHO Revolving Fund. She had invited WHO to take part in the Working Group because it was represented on the GAVI Alliance Board, whereas PAHO was not. She had also asked UNICEF and the World Bank to participate, as the former was the other major intergovernmental vaccine procurement agency for the United Nations system, while the latter brought financial and market expertise that PAHO did not possess.

160. The Working Group had held two meetings to date. Those meetings had revealed a considerable lack of knowledge within GAVI about how the PAHO Revolving Fund operated and how it benefited both vaccine purchasers and the vaccine industry by promoting sustainability of supply and security of demand. There also appeared to be a lack of understanding of how public health goals were achieved. Success in eradicating or eliminating diseases hinged on ensuring universal vaccination coverage. No real public health impact could be achieved by vaccinating only in poor countries.

161. Although PAHO was not a member of the GAVI Board, nor had it ever been invited to make a presentation about the Revolving Fund to the GAVI Board, it had worked closely with the Alliance since its inception. It had collaborated with GAVI in immunization-related studies and other technical cooperation work in the Region. The GAVI-eligible countries in the Americas had purchased their vaccines through the Revolving Fund, and those transactions had thus far been accomplished without any problem. In her view, the Organization had a very good partnership with GAVI. She was certainly open to a discussion of that partnership, but she reiterated the need first to clarify exactly what issues Member States wished to address and what outcome they wished to see from the discussion. Unless the issues were clarified, the impact of discussing the topic in the PAHO Governing Bodies could well be more negative than positive.

162. The Delegate of the United States said that Dr. Gross's remarks had seemed to imply that there was only room in the Americas for the Revolving Fund, which he did not believe was the case. He stressed that the Region should do nothing that might harm the ability of the least developed countries to purchase vaccines at the lowest available price,

which, he said, was often the GAVI price, not the Revolving Fund price. As for the Director's proposal that the matter should be referred first to a small technical group, he believed that the Executive Committee would be the ideal forum for an intensive discussion among a small group of countries.

163. The Delegate of Saint Vincent and the Grenadines said that, from his perspective as Minister of Health of his country, the Revolving Fund had been, and remained, more than satisfactory. He was confident that his fellow ministers of health in the Caribbean shared that view. That being the case, he wondered what the value of a discussion of the Fund by the PAHO Governing Bodies would be. As the saying went: "If it ain't broke, don't fix it." Nevertheless, as it appeared that there were some nuances to the matter that were not clear to all Member States, he would have no objection to such a discussion, which would presumably lead to greater transparency and clarity in regard to the issues involved.

164. It was agreed that the matter would be placed on the agenda of the 144th Session of the Executive Committee and that the Bureau would revise the document in consultation with Member States. In the subsequent discussion of the draft provisional agenda of the Executive Committee (see paragraphs 165 to 182 below), it was decided that an informal technical discussion would be held during the 144th Session, with participation by other partners, including representatives of GAVI, and then the item would be discussed by the Executive Committee in formal session.

Draft Provisional Agenda for the 144th Session of the Executive Committee (SPBA3/INF/5, Rev. 1 and Rev. 2)

165. Ms. Piedad Huerta (Advisor, Governing Bodies Office, PASB) presented the draft provisional agenda for the 144th Session of the Executive Committee contained in Document SPBA3/INF/5, Rev. 1. She explained that the items on IPSAS and the Master Capital Investment Fund would not need to be discussed under "Administrative and Financial Matters" unless any new substantive issues arose which needed to be resolved by the Executive Committee; otherwise, those items would be covered under the report of the President of the Subcommittee (item 3.1 of the provisional agenda) and brief progress reports would be presented to the Committee under "Matters for Information." She also said that the title of item 5.7, on internal oversight and evaluation services, would be changed to refer to the terms of reference for the Audit Committee, which would be a substantive item requiring a resolution.

166. The Subcommittee observed that the agenda seemed very full, but expressed confidence that the Executive Committee would rise to the occasion. The Bureau was asked to ensure that related items were grouped together in the program of meetings so that the discussion would flow logically.

167. The Delegate of the United States of America recalled that the most recent WHO Executive Board had requested that the WHO draft global code of practice on the international recruitment of health workers be placed on the agenda of all Regional Committees. Rather than its going directly to the Directing Council, his delegation felt that the item should first be examined by the Executive Committee. He also suggested that, in the light of the earlier discussion of the PAHO procurement mechanisms (see paragraphs 149 to 164 above), the item on the PAHO Revolving Fund should be moved from “Matters for Information” to “Program Policy Matters.” Discussion of it might not necessarily result in a resolution, but he did feel that it was a substantive item rather than just an informational one.

168. Information was requested on the background and the issues to be discussed under “Policy Framework for Organ Donation,” “Pan American Alliance for Nutrition and Development to Achieve the MDGs: Report on the preparations for the panel discussion,” “Plan of Action on the Prevention of Avoidable Blindness and Visual Impairment,” and “Strategic Approach to Family and Community Health for the Americas.”

169. The Delegate of Bolivia suggested that at some time—though not necessarily during the forthcoming session of the Executive Committee—there should be a discussion within the Governing Bodies of strategies for jointly and collaboratively addressing the impact of asymmetries between the countries of the Region, especially in relation to the achievement of the Millennium Development Goals. That discussion should include a process of reflection aimed at improving harmonized and synergic action between countries in border regions, where the greatest asymmetries often occurred.

170. Ms. Huerta said that the Bureau would make every effort to order the topics in a meaningful sequence. The program of meetings would be published on the PAHO website in advance of the session so that delegates could be prepared to suggest any changes during the first meeting.

171. The Director noted, with apologies, that the item “Projects Using Program Budget Income Exceeding the Authorized Effective Working Regular Budget” had been omitted from the draft agenda. It would have to be added so that the Executive Committee could deliberate on the Subcommittee’s discussions concerning authorization of early disbursement of part of the approved cost of three particular projects (see paragraphs 109 to 120 above).

172. She noted that she had been contacted by the Pan American Health and Education Foundation (PAHEF), which was proposing that a joint gala dinner should be held during the Directing Council. It was envisaged that the dinner might replace the traditional

reception given by the Director. Having the awards presented at an evening event would free up additional time during the day for the Council's deliberations. She suggested that the possibility of organizing such an event should be considered by the Executive Committee in the context of its discussion of the provisional agenda for the 49th Directing Council.

173. Concerning the draft global code of practice for international recruitment of health workers, she said that a document could be prepared for discussion by the Executive Committee, which could submit its recommendations to Directing Council. The outcome of the Council's deliberations would then be transmitted to WHO for incorporation into the revised document to be submitted to the WHO Executive Board in January 2010.

174. Responding to the question about the strategy on nutrition, she explained that the intention was to inform Member States about the common approach being taken to nutrition and related issues, such as malnutrition, obesity, and diabetes, by the United Nations agencies participating in the Pan American Alliance for Nutrition and Development to Achieve the MDGs.

175. With regard to prevention of avoidable blindness, she recalled that WHO had addressed the issue at the 56th and 59th World Health Assemblies, and that there was going to be a new resolution on the topic at the next Assembly in May 2009. The Region had many years of experience in this field and was preparing a regional plan, which would need to be harmonized with WHO's global plan of action.

176. Dr. José Di Fabio (Area Manager, Technology, Health Care, and Research, PASB) added that work on the regional plan had started in 2007, and the plan had in fact been ready for presentation to the Governing Bodies in 2008. However, the previous year's Executive Committee agenda had been even longer than the current year's, and the topic had been postponed. With regard to the issue of organ transplantation and donation, he recalled that the matter had been discussed by the Subcommittee on Planning and Programming in 2005, as it had been a topic at the 2004 World Health Assembly. Now, new guiding principles for organ donation and transplantation would be presented at the forthcoming Assembly, and it was PAHO's intention to work with countries on amending their relevant legislation in order to incorporate those guiding principles.

177. Dr. Gina Tambini (Area Manager, Family and Community Health, PASB) said that the presentation on family and community health would be in the form of a concept paper, the intention of which was to promote an integrated approach to care of individuals, families, and communities in which the families and communities would participate more actively in a closer relationship with health services, thereby fostering a

synergistic continuity between disease prevention, health promotion, and treatment of illness.

178. Dr. Pedro Brito (Area Manager, Health Systems and Services, PASB) added that the work was being tackled with an interprogrammatic approach, involving not only Dr. Tambini's area and his own, but many other areas within PAHO also. It was fundamentally related to the process of reinvigorating primary health care which had started in the Region in 2003. It was very clear that the creation of systems based on primary health care would be a major step towards universal coverage and towards achieving the Millennium Development Goals. The family and community health concept could also be seen as a way to overcome the fragmentation of health systems, the lack of coordination and integration, that caused the health outcomes for different segments of the population within one and the same country to be very different.

179. The Director confirmed that the approach was intended, as a complement to work focused on specific groups such as mothers, newborns, or older people, to bring about a coordinated and integrated, coherent and consistent, approach to health coverage for the entire population.

180. Turning to the issue of the Revolving Fund and how it related to the Global Alliance for Vaccines and Immunization (GAVI), she said that it might be difficult to accommodate a broad discussion, particularly one that involved external invitees, within the formal setting of the Executive Committee. Also, it would not be proper to have a discussion in the Executive Committee of procedures or decisions of other bodies of which PAHO was not a member. She proposed, therefore, that an informal technical discussion might be held in the margins of the Committee's formal session. Members of the PAHO-GAVI Working Group could be invited, as well as other participants yet to be determined. Later in the week, the Executive Committee could then discuss the matter in formal session.

181. The Subcommittee agreed to the Director's proposal. The Delegate of the United States of America expressed the view that the formal consideration of the item should take place within a day of the informal technical discussion, while the nuances of the latter were still fresh in delegates' minds.

182. The Subcommittee subsequently examined and approved a new version of the draft agenda, contained in Document SPBA3/INF/5, Rev. 2, which reflected the amendments proposed by members.

Other Matters

183. The Delegate of Colombia announced that his country intended to seek election to the Executive Committee.

184. Dr. Cristina Beato (Deputy Director, Pan American Sanitary Bureau) announced that she would shortly be leaving her position in the Organization. It had been an honor and a privilege to work with the members of the PAHO staff and with the representatives of Member States and to be a part of their efforts to improve the health of the peoples of the Americas. As the Organization continued to pursue those efforts, she urged everyone to be mindful of the importance of education, particularly the education of girls and women, in achieving health for all.

Closure of the Session

185. Following the customary exchange of courtesies, the President declared the Third Session of the Subcommittee closed.

Annexes

IN WITNESS WHEREOF, the President of the Third Session of the Subcommittee on Program, Budget, and Administration of the Executive Committee, Delegate of Trinidad and Tobago, and the Secretary *ex officio*, Director of the Pan American Sanitary Bureau, sign the present Final Report in the English language.

DONE in Washington D.C., United States of America, this thirteenth day of March in the year two thousand nine. The Secretary shall deposit the original signed document in the Archives of the Pan American Sanitary Bureau.

Anton Cumberbatch
Delegate of Trinidad and Tobago
President of the Third Session
of the Subcommittee on Program, Budget,
and Administration

Mirta Roses Periago
Director of the Pan American Sanitary Bureau
Secretary *ex officio* of the Third Session
of the Subcommittee on Program, Budget,
and Administration

AGENDA

1. **OPENING OF THE SESSION**

2. **PROCEDURAL MATTERS**
 - 2.1. Election of the President, Vice President, and Rapporteur
 - 2.2. Adoption of the Agenda

3. **PROGRAM POLICY MATTERS**
 - 3.1. Draft Proposed Program Budget of the Pan American Health Organization for the Financial Period 2010-2011
 - 3.2. Nongovernmental Organizations in Official Relations with PAHO
 - 3.3. Institutional Review of the Latin American and Caribbean Center on Health Sciences Information (BIREME)
 - 3.4. Draft Proposed Five-year Regional Plan of Action for Implementing the Gender Equality Policy

4. **ADMINISTRATIVE AND FINANCIAL MATTERS**
 - 4.1. Interim Financial Report of the Director for 2008
 - 4.2. New Scale of Quota Contributions
 - 4.3. Status of the Implementation of the International Public Sector Accounting Standards (IPSAS)
 - 4.4. Changes in Financial Regulations and Rules
 - 4.5. PASB Internal Oversight and Evaluation Services

4. **ADMINISTRATIVE AND FINANCIAL MATTERS** (*cont.*)

4.6 Projects using the Program Budget Income Exceeding
the Authorized Effective Working Regular Budget

5. **STAFFING MATTERS**

5.1 Amendments to the PASB Staff Rules and Regulations

5.2 Contract Reform in PAHO

6. **MATTERS FOR INFORMATION**

6.1 WHO Draft Proposed Program Budget 2010-2011

6.2 Master Capital Investment Fund

6.3 Institutional Review of the Institute of Nutrition
of Central America and Panama (INCAP)

6.4 PAHO Procurement Mechanisms for Strategic Supplies,
including Vaccines

6.5 Draft Provisional Agenda for the 144th Session of
the Executive Committee

7. **OTHER MATTERS**

8. **CLOSURE OF THE SESSION**

Information Documents

SPBA3/INF/1	WHO Draft Proposed Program Budget 2010-2011
SPBA3/INF/2	Master Capital Investment Fund
SPBA3/INF/3	Institutional Review of the Institute of Nutrition of Central America and Panama (INCAP)
SPBA3/INF/4	PAHO Procurement Mechanisms for Strategic Supplies, including Vaccines
SPBA3/INF/5, Rev. 2	Draft Provisional Agenda for 144th Session of the Executive Committee

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