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EVALUATION OF THE PAHO BUDGET POLICY

Background

1. The current Pan American Health Organization (PAHO) Budget Policy (Document CSP28/7), adopted in 2012 by the 28th Pan American Sanitary Conference (Resolution CSP28.R10),¹ presented a revised budget policy that established a new way of allocating Regular Budget resources in PAHO. In that resolution, the Conference requested a mid-term assessment after one biennium of implementation, as well as a thorough evaluation of PAHO Budget Policy implementation after the second biennium (2016-2017) to “ensure that it continues to respond to changing health needs and that it consistently allocates resources in an equitable manner”.
2. In the evaluation of the previous policy (Document CD50/6 [2010]), it was determined that, although the policy had been implemented correctly, there had been challenges to ensuring adequate budgetary levels for all the countries and for the regional entities. The current policy aimed to enhance effectiveness in the distribution of PAHO Regular Budget resources to ensure adequate funding levels throughout the Organization, while continuing to focus on key and priority countries. Statistical methodologies and normative criteria were improved in order to address weaknesses in the previous PAHO Regional Program Budget Policy (Document CD45/7 [2004]) applied in 2006-2011.
3. The current PAHO Budget Policy was approved to cover the same period as the Strategic Plan of PAHO 2014-2019 (Official Document 345) and its principles have been applied in the formulation of the Program and Budget for 2014-2015, 2016-2017, and 2018-2019. It should be noted that the budget policy was intended to apply only to Regular Budget resources.
4. A number of key corporate changes that affect the budget policy have taken place since its approval:

¹ The PAHO Budget Policy is also referred to as Regional Program Budget Policy (RPBP).

- a) An integrated budget has been adopted by the World Health Organization (WHO); thus, the Regular Budget allocation to the Region of the Americas is no longer indicated before the start of the biennium and cannot be included in the PAHO Regular Budget appropriation.
- b) The PAHO Program and Budget 2016-2017 (Official Document 350) was approved with an integrated budget approach that indicates the total resource requirements, regardless of the sources of financing. Therefore, there is no separate Regular Budget appropriation in the integrated budget.
- c) The integrated budget allows for the strategic allocation of flexible funds to program areas and organizational entities, based on needs and priorities. Assessed contributions (Regular Budget) from the Member States are one source of flexible funds, with no earmarking or prescribed usage.

Evaluation objectives and methodology

5. In compliance with Resolution CSP28.R10, the Bureau, through the Office of Internal Oversight and Evaluation Services (IES), engaged an external evaluator to perform an evaluation of the current PAHO Budget Policy following the second biennium of implementation, namely 2016-2017. The evaluation took place between February and April 2018.

6. The evaluation of the PAHO Budget Policy included the following objectives:

- a) To determine whether resources have been allocated (in the period 2014-2017) across the functional levels of PAHO (country, sub-regional, and regional), and to individual countries, in accordance with the PAHO Budget Policy approved in 2012.
- b) To identify lessons learned in the implementation of the PAHO Budget Policy, especially in view of the integrated budget approach that began with the 2016-2017 Program and Budget.
- c) To compare the budget allocation policies of WHO and PAHO.

7. The evaluation methodology included a desk review of documents related to the PAHO Budget Policy (Governing Body resolutions, PAHO's Strategic Plan, and other internal documents) and a statistical analysis of existing internal budget data records for the 2014-2015 and 2016-2017 biennia. The evaluation also included interviews to a sample of both internal and external stakeholders. Internationally agreed criteria of relevance, effectiveness, efficiency, and impact were used, as well as other criteria such as equity, fairness, and transparency.

8. Specifically, the external evaluator performed the following tasks:

- a) Reviewed the current Budget Policy and its implications for program budgeting in the Pan American Sanitary Bureau.

- b) Assessed the application of the three key principles adopted in the PAHO Budget Policy to guide budget development: equity, solidarity, and Pan Americanism.
- c) Evaluated implementation of the budget by functional level (regional, subregional, and country).
- d) Assessed the distribution of resources among countries through application of the Country Budget Allocation (CBA) model.
- e) Evaluated the perception of PAHO Regional Program Budget Policy from the perspective of representative offices and Member States.
- f) Examined the implementation of the results-based portion of the budget.
- g) Examined main differences and commonalities with WHO's budget policies.
- h) Determined the relevance of the PAHO Budget Policy in the integrated budget era and provide any pertinent recommendations.

Summary of evaluation findings

9. This section provides a high-level summary of the findings of the external evaluation.

10. According to the external evaluation, compliance with the specific formulaic provisions of the RPBP was mixed during the 2014-2015 and 2016-2017 biennia, though budget allocations were highly correlated with the RPBP formulas. Most of those surveyed at the country level were aware of the RPBP, thought that it had an impact on their budgets, and shared an overall positive perception of PAHO's allocation of resources across countries.

11. In general, budget allocation under the RPBP met the standards of equity, solidarity, and Pan Americanism. In terms of equity, countries with higher needs, as measured by the Health Needs Index expanded (HNIE), generally received more per capita resources than those with lower needs. The RPBP allowed enough flexibility to deal with needs that arose during the execution process by not setting formulaic restrictions on a portion of the Regular Budget labeled "variable funds", nor over PAHO's emergency funds.

12. Still, the restrictions of the RPBP were not always respected, as evidenced by the fact that funding minimums for the floor and needs-based components were not met for all countries, and the requirements were not always met for updating the data used to calculate the floor and needs-based components for each budget cycle. Recent changes in PAHO's budget processes affect the prospects of the current version of the RPBP, attenuating its requirements. Starting in the 2016-2017 biennium, PAHO adopted the Integrated Budget approach where budget allocation combines certain sources of financing, blurring the concept of Regular Budget, which is the basis for most of the policies within the RPBP. Reliance on strict formulas, as it is the case for the RPBP, has inherent limitations that are difficult to overcome. The World Health Organization (WHO) is currently transitioning away from strict formulas in their budget policies.

13. The evaluation proposes nine recommendations to improve the RPBP. One of the key areas for reform for future iterations of the RPBP involves simplifying and restructuring its formula-based restrictions. The only two restrictions needed for promoting equity, solidarity, and Pan Americanism are the floor and the needs-based components. The other key area for reform is making the RPBP more transparent and operational. Recommendations in this area include: the creation of a mandatory biennial RPBP executive report to be submitted to Executive Management (EXM); and for PAHO's planning and budgeting methodologies to include all processes required for compliance with the RPBP.

14. The complete Evaluation of the Regional Program Budget Policy for the period of 2014-2017 is included in the addendum to this document (Document CD56/6, Add. I).

Comments by the Pan American Sanitary Bureau

15. Overall, the findings of the external evaluation are consistent with expectations, given that the RPBP was designed to apply to Regular Budget funds only (assessed contributions plus miscellaneous income), and since PAHO moved to an integrated budget approach in 2016-17. Furthermore, the broader concept of strategically-used "flexible funds" has replaced the prescribed allocation of Regular Budget funds. Thus, while the "letter of the law" set out in the RPBP may not have been observed in all cases (see tables 2 and 3 in the addendum), the spirit of the policy has been observed in the allocation of flexible funding to date. Country perceptions, as assessed in the evaluation, support this perspective.

16. As noted in paragraphs 34-35 of the evaluation, the originally approved RPBP is no longer relevant to PAHO's budgeting and resource allocation processes. Therefore, if the concept of a budget policy is to remain relevant going forward, it will require significant revision. This also reflects deliberations in WHO at the global level, where there is a movement away from strict formula-based budgeting.

17. The Bureau proposes to study the nine recommendations contained in the document, along with other relevant considerations, and make a set of coherent budget policy recommendations to Member States during the 2019 PAHO Governing Bodies cycle, with a view to applying them during the period of the upcoming Strategic Plan 2020-2025.

Action by the Directing Council

18. The Directing Council is requested to take note of the report and provide any additional comments and/or guidance to the Bureau that it deems pertinent.

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