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STATUS OF THE ALLOCATION OF FUNDS BY WHO TO THE REGION OF THE AMERICAS AND COMPARATIVE FINANCIAL OVERVIEW BY BIENNIUM

Introduction

1. During the presentation of the Draft Proposed Pan American Health Organization (PAHO) 2014-2015 Program and Budget at the Seventh Session of the Subcommittee on Program, Budget, and Administration in March 2013, Mexico presented data on the historic funding trends of the World Health Organization (WHO) for the Region of the Americas (AMRO). The Pan American Sanitary Bureau (PASB) was requested to validate the data. Subsequently, the President of the Subcommittee requested that a special virtual session be scheduled to discuss the data presented by Mexico and provide additional guidance to Member States attending the World Health Assembly in May 2013. In response to this request, PASB has prepared this document which contains an overview of the legal framework and budgetary considerations that distinguish WHO and PAHO, and a comparison between WHO's budgeted amounts for the Region of the Americas versus the actual funding received by AMRO during the last three biennia.

Legal Framework and Budgetary Considerations¹

2. An examination of the budgetary relationship between WHO and PAHO must begin by acknowledging the separate legal status of the two organizations. Unlike other WHO regional offices, PAHO is an independent international organization with a separate legal personality from WHO and an independent governance and financial structure. Hence, the

¹ The information in this section has been extracted from a draft document prepared by PAHO as per WHO's request for the Programme, Budget and Administration Committee (PBAC) of the Executive Board.

Pan American Sanitary Conference and PAHO's Directing Council represent the ultimate governing authority for PAHO. Therefore, for example, although the World Health Assembly approves the AMRO budget as part of the overall WHO budget, it does not have the authority to approve the PAHO budget. Nonetheless, the PAHO budget, as approved by its Governing Bodies, is at the disposal of WHO and all interested parties.

3. As a result of PAHO's independent legal personality reflected in its Constitution and in accordance with the Agreement between PAHO and WHO, Member States from the Americas, unlike other WHO regions, pay two shares of assessed contribution: one to WHO and one to PAHO. Likewise, PAHO receives two distinct lines of budget sources derived from assessed contributions, one directly from PAHO Member States and the other from WHO in recognition of the portion of WHO's assessed contributions that relate to AMRO. Similarly, PAHO receives voluntary contributions from two distinct sources: one from WHO representing the portion that relates to AMRO and another directly from donors with whom PAHO has established binding legal agreements.

4. With more stringent budget development and strategic resource allocation processes underway at WHO, the need for better understanding of both parts of the AMRO and PAHO budgets has become more evident. At the WHO Executive Board meeting in January 2013, AMRO Member States requested additional information to explain the discrepancies in the voluntary contributions received from WHO as compared to the other regional offices, where the levels of voluntary contributions actually received from WHO are much higher (80% of budgeted funds received on average, against 61% for AMRO in 2012-2013).

5. Like WHO, PAHO uses a results-based framework for the development and management of an integrated biennial Program and Budget. The PAHO 2012-2013 Program and Budget includes 16 Strategic Objectives with Region-specific results, in addition to the global results. PAHO's Program and Budget is funded from four main sources: (a) the PAHO Regular Budget (PAHO assessed contributions and miscellaneous income), (b) PAHO voluntary contributions, (c) the AMRO share of the WHO assessed contributions, and (d) WHO voluntary contributions that are allocated to AMRO from WHO.

6. Complete information regarding PAHO's budgets, program implementation, and financial expenditure are available on PAHO's Web site and at the disposal of all WHO Member States and the public at large. However, for the reasons noted above, the PAHO budget is not submitted for consideration by WHO's Governing Bodies, as WHO cannot deliberate over the program budget of another international organization, i.e., PAHO. It is the responsibility of PAHO's Governing Bodies to review and approve its entire budget as a key element of the accountability and transparency components of the results-based framework. Moreover, PAHO's Program and Budget has always considered the full resource envelope (all funding sources mentioned above for PAHO and AMRO). There is also a periodic interface between PAHO and WHO's Global Management System (GSM)

system whereby PAHO submits all AMRO expenditures to WHO and these are uploaded into GSM in order to provide a global picture of where and how all WHO funds are expended; however, this interface is for AMRO (WHO assessed contributions and voluntary contributions) funds only, not for PAHO's own funds (PAHO assessed contributions and voluntary contributions) which are not part of the WHO approved resource envelope for the reasons explained above.

7. In WHO, resource mobilization efforts take place across the three levels of the Organization with resources being mobilized globally to support headquarters and Regions and also at the regional and country levels. Technical programs at WHO play a key role in global project-specific resource mobilization with regional and country offices actively and successfully raising significant proportions of their voluntary funds locally. All this information is taken into account in the financial risk analysis for WHO. However, as stated above, PAHO's voluntary contributions cannot legally be attributed to the AMRO voluntary contribution envelope that comes from WHO.

8. This last point is worth examining in detail, as it highlights the different perspectives of two organizations: PAHO Member States expect WHO to "honor its commitment" to the AMRO voluntary contribution budget as indicated at the beginning of a biennium. This has raised concern among PAHO Member States over the past few biennia, given that WHO has consistently provided less than 50% of the voluntary contributions actually budgeted for AMRO. At the same time, the WHO Secretariat expects the PAHO secretariat to participate in the fundraising efforts to cover the AMRO voluntary contribution portion (which may not necessarily be received). Given these constraints, PAHO staff have focused their efforts on raising funds directly for the PAHO voluntary contribution allocation.

9. Furthermore, PAHO Member States consider the WHO voluntary contribution portion for AMRO to be a committed source of funding for the "one Program Budget". Programmatically PAHO has one Program and Budget and one set of corporate objectives and results which include both global and Region-specific results and are funded with various sources, WHO being one of those sources (through both assessed contributions and voluntary contributions). Voluntary contributions mobilized by PAHO cannot be accounted for within WHO, as this would result in a breach of PAHO's fiduciary duty to its donors, and in any event PAHO voluntary contributions cannot substitute WHO's commitment. In fact, these should complement one another, so that PAHO may achieve its stated and approved strategic objectives.

10. Table 1 illustrates the problem for 2010-2011. Based on historical evidence PAHO anticipated that WHO would not fund the full amount of the AMRO voluntary contribution budget allocation (\$164 million). Accordingly, in order not to inflate its overall voluntary contribution envelope, PAHO had to artificially reduce its own voluntary contribution budget (\$191.5 million) even though it was aware that the potential existed to raise funds for

PAHO beyond this amount. The reality was that while PAHO's voluntary contributions budget was "over-financed" for 2010-2011 by \$63.5 million, the WHO/AMRO portion was under-funded by \$123.5 million, resulting in an overall voluntary contribution deficit for PAHO of \$60 million.

11. Table 1 also shows that, for 2012-2013, the WHO Program Budget was somewhat more realistic in terms of budgeted voluntary contribution funding for AMRO (as well as other regional offices). In the case of AMRO, the voluntary contribution budget envelope was cut by 51% from 2011-2012. As of 31 December 2012 the reduced AMRO ceiling was 37% funded while PAHO's voluntary contribution ceiling was 44% funded, a more balanced situation if one assumes the initial budget allocations were "fair".

Table 1. AMRO/PAHO budget summary (USD '000)

Fund types	2012-13			2010-11		
	AMRO	PAHO	Total	AMRO	PAHO	Total
Programme Budget, AC Base	80,700	206,400	287,100	80,700	206,400	287,100
Programme Budget, VC Base	80,783	258,842	339,625	164,297	191,554	355,851
Programme Budget, Total Base	161,483	465,242	626,725	244,997	397,954	642,951
Available funding, AC	78,279	206,400	284,679	80,297	206,400	286,697
Available funding, VC*	29,576	114,124	143,700	40,800	255,100	295,900
Available funding, total	107,855	320,524	428,379	121,097	461,500	582,597
% of AC budget funded	97%	100%	99%	99.5%	100%	100%
% of VC budget funded	37%	44%	42%	25%	133%	83%
% of total budget funded	67%	69%	68%	49%	116%	91%

Source: WHO

*2012-13 amounts are as of 31 December 2012.

AC=assessed contributions

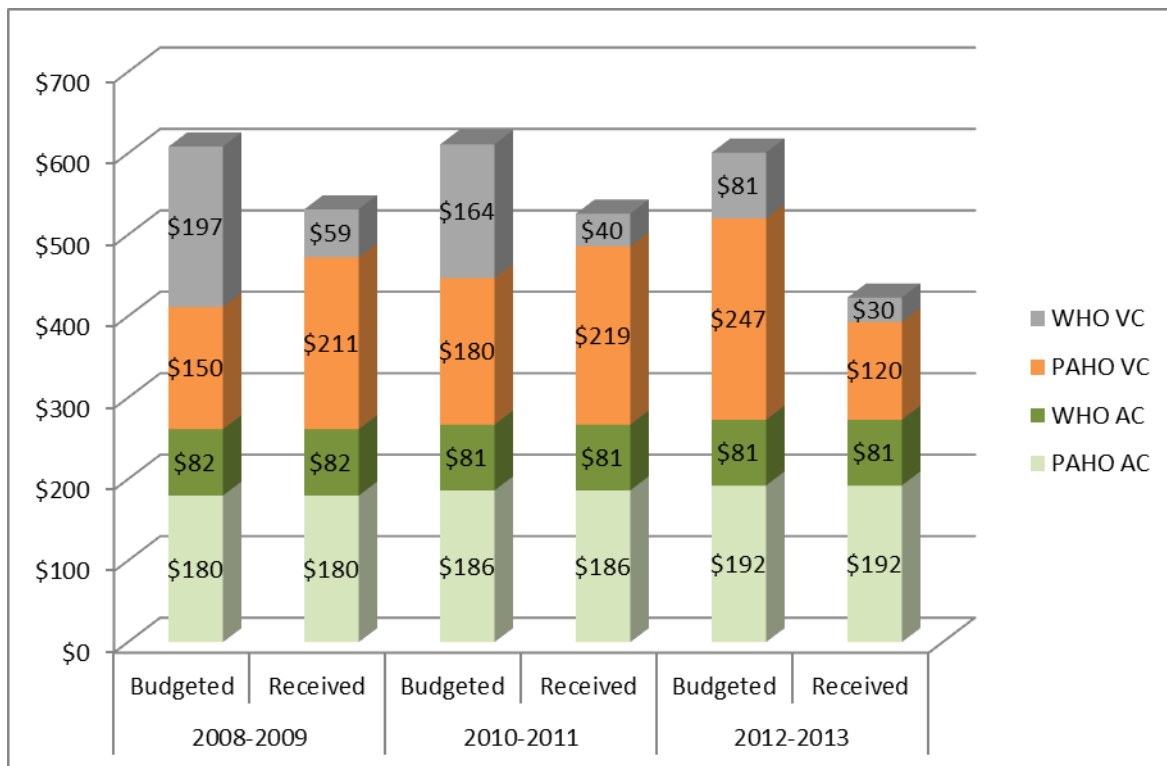
VC=voluntary contributions

12. While maintaining separate financial accounting and reporting mechanisms, PAHO will continue to maintain full transparency to WHO for all parts of its budget implementation, and provide tailored financial reports to WHO as requested. The extent to which resource mobilization between the two organizations can be coordinated may also provide a bridge for further exchange of information in terms of resource coordination and funding gaps. An avenue to foster this coordination is the recently WHO appointed Task Force on Resources Mobilization in which AMRO participates, along with the other WHO regions.

Comparative Overview of WHO/AMRO Budgeted Versus Received Amounts by Biennium

13. Figure 1 below shows the total budgeted and received amounts for PAHO’s Program and Budget during the last three biennia, detailed by funding source: PAHO and WHO/AMRO assessed contributions, and PAHO and WHO/AMRO voluntary contributions. There is little change in the total of assessed contributions. However, the focus on voluntary contributions shows that in 2008-2009 while the mobilization of funds at PAHO exceeded by \$61 million its budgeted amount, WHO/AMRO voluntary contribution funds actually received were only 30% of their budgeted amount for AMRO. The resulting funding gap in 2008-2009 was \$77 million. The same analysis holds for 2010-2011, where PAHO mobilized \$39 million over its budgeted voluntary contribution amount, while WHO/AMRO voluntary contributions reached 25% of its commitment, leaving a funding gap of \$85 million. Currently PAHO has received 37% of WHO/AMRO’s commitment for 2012-2013.

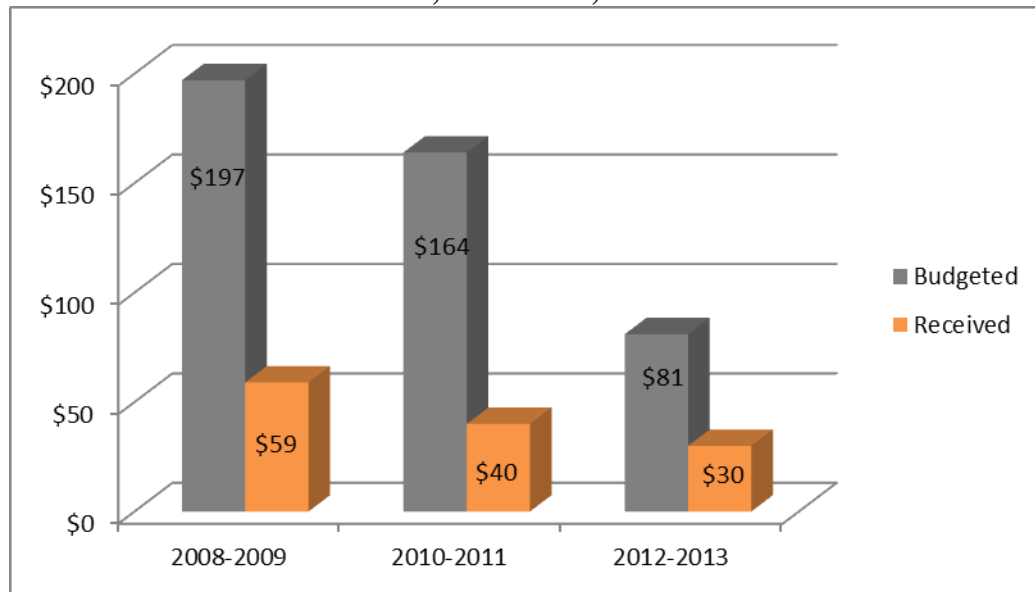
Figure 1. Comparison of budgeted and received funds in PAHO’s Program and Budgets, in millions, 2008-2013.*



*2012-2013 data as of 31 December 2012.

14. Figure 2 highlights the difference between WHO’s budgeted amounts for AMRO, and actual funding. In 2008-2009 PAHO received 30% of the WHO/AMRO budget amount. It should be noted that while the total envelope has been reduced from \$197 million to \$164 million (17%) from 2008-2009 to 2010-2011, the amount and percentage of budget received in 2010-2011 was even lower, at 25%.

Figure 2. Comparison of WHO Voluntary Contributions for AMRO, budgeted and received, in millions, 2008-2013.*



*2012-2013 data as of 31 December 2012.

15. The Strategic Resource Allocation validation mechanism approved in 2006 to guide the allocation across all WHO regions set the average percentage of resources for AMRO at 7%, with variance between 6.3% and 7.7%. The actual funding received as percentages of WHO’s total funding for base programs can be viewed in Table 2. Throughout the three biennia the level of funds actually received from WHO by PAHO has not reached the minimum allocation.

Table 2. Comparison of total WHO base program budget with AMRO actual allocation, in millions.

	2008-2009	2010-2011	2012-2013*
TOTAL WHO BASE PROGRAM	\$2,371	\$2,471	\$2,627
AMRO SHARE	\$141	\$121	\$111
AMRO SHARE AS A % OF TOTAL	5.9%	4.9%	4.2%

Note: WHO base programs 2008-2009 and 2010-2011 are actual implementation. 2012-2013 is budgeted amount.

*2012-2013 data as of 31 December 2012.

WHO Program Budget 2014-2015

16. The WHO Program Budget 2014-2015 proposes that assessed contributions remain at their 2012-2013 level, representing zero nominal growth. Assessed contribution allocation for AMRO has remained constant in the last three biennia, at approximately \$80.5 million. It is to note that almost 70% of these funds cover core posts in our Region, which constitute an ongoing financial liability for the Organization. Any reduction in assessed contributions will severely compromise the financing of the 2014-2015 Program and Budget.

17. The total WHO/AMRO budget is stated at \$176 million, which includes \$11.5 of funding for Crisis and Outbreak Response (only to be allocated in response to natural disasters or outbreaks). The resulting budget for base programs is \$164.5 million, which represent 4.2% of the total WHO envelope.

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