



*executive committee of  
the directing council*

PAN AMERICAN  
HEALTH  
ORGANIZATION

*working party of  
the regional committee*

WORLD  
HEALTH  
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Item 12: PROGRAM BUDGETING

In accordance with Section 2 of the Final Report of the 45th Meeting of the Executive Committee, the following paper is presented as a basis for discussion of the application of functional budgeting to the programs of the Pan American Health Organization. The preliminary plan it contains is for discussion of method only. Its detailed application would require much more study.

The technique under discussion is a budgeting system which classifies all activities under headings which facilitate analysis of allocation of funds in accordance with objectives of the agency. In conventional budgeting the emphasis is on the kinds of personnel, supplies, equipment and services to be provided rather than on the program objectives to be fulfilled. Classification of the budget by programs, activities and projects is the keystone of the newer concept of budgeting, often called program budget or functional budget. All planned expenditures are included to show the total effort made in each program, it mattering not whether the expenditure occurs at Headquarters, Zone Office or field project.

The present program and budget estimates of the Pan American Health Organization presents much information on programs in its introductory tables. Note page 14 of Official Document 35 as a summary by related activity; page 5 as an analysis of field program only; and page 16 as an analysis by program and objects of expenditure of projects only. These are supported by detail in the body of the budget.

These displays have been useful in understanding the principal activities. However, it is clear that many of the activities now carried out in the Washington Office are in truth and in fact activities related directly to program execution rather than to the management of the Organization. Such activities charged to the Washington Office and therefore by implication overhead charges, as the malaria eradication office or the adviser in tuberculosis, properly should be allocated to the health programs of the Organization. Similar allocation by program could be made for most activities in Zone Offices.

Having a need for further clarity in the objective description of annual programs, the Organization has begun to consider possible revisions of the budget format which will present to the Governing Bodies programs of the Organization in such manner as to enhance their meaningfulness in assessing the direction of effort of the Organization and conformance with priorities implicit in given policy objectives. A revised format should also assist the Director of the Bureau in planning and guiding its programs. Eventually such a system should facilitate analysis of expenditure in comparison with planned objectives.

To illustrate the difference in the present budget and the kind of program budget being studied, let us take as an example the water program, a program of sufficient importance to warrant establishing a special fund for it. In none of the three summary tables mentioned above is it identified except as the title of individual projects may give a clue. In addition, to give further examples, in Headquarters there is a minimum of one engineer assigned full time to the water program; Zone Office engineers spend a goodly portion of their time on the water program; engineers of the integrated health projects spend much time on the water program; fellowships are awarded and seminars are held for the water program; and, whole projects are devoted to it.

Estimates of costs of the water programs are included in the budget document, Official Document 35 as unidentified parts of the offices or projects. An estimate of the portions of projects and offices devoted to the water program follows:

Headquarters,	
Environmental Sanitation Branch	\$ 38,000
Zone Offices	60,000
Intercountry and Interzone Projects	168,540
Integrated Health Projects	80,000
Country Water Projects	316,146
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Total - Water Program	\$ 662,686
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Under the planned scheme of budgeting, the water program would show as an entity encompassing all of the above. It would be one program among many in the classification of programs.

A narrative explanation by program would be presented to establish the regional and country objectives and the framework of the program as a whole. This would show the function of headquarters and zone staff in planning and promoting the program, as well as giving assistance and advice to individual governments as appropriate and feasible. The role of

the intercountry (AMRO) projects would be related to the program as a whole. It would be explained, for example, how intercountry seminars and training courses stimulate the whole program and raise the level of competence of national personnel to deal with problems in their countries. It would show how intercountry projects for advisory groups, surveys, pools of specialized short-term consultants and fellowships can contribute to the building of policy, collection and dissemination of information and facilitate prompt response to urgent requests of governments for technical advice and training. Finally it would describe in general terms the nature and extent of country projects, leaving detailed descriptions of individual projects to another portion of the budget document.

It should be made clear that the adoption of a program budget format is intended to affect the section of the budget document devoted to program analysis. It is not planned to alter in any substantial way the portion of the budget where organizational units and structure are identified and intercountry (AMRO) projects and projects by country are shown.

Consideration of numerous classification plans for programs has made it clear that there will never be spontaneous agreement on an outline which will codify the complex functions of the Organization in a manner acceptable to all. However, as a means of testing the sentiment of the Executive Committee on the concept of a revised format for presenting budget summaries, a tentative outline is attached to illustrate the fashion in which the budget would be summarized. This is not intended as a recommendation for acceptance by the Committee but rather as an indication of present planning, subject to further review and analysis. It should be noted that a program classification suitable to this international organization is not intended as or likely to be appropriate in all its facets to a program classification for national health services. The latter may well become an undertaking for the Organization in providing advisory services to health agencies at some later date.

The classification is presented on two axes. Program will be displayed on one axis. These are being projected on the basis of related activities grouped under major programs as delineated in the basic documents of the Organization. In addition, costs of governing the Organization and administering it are accumulated under a separate major heading. The last major division provides for acquisitions to the assets of an organization. In order to identify this action and to keep it separate from the direct program costs, a separate category is made for it. These, then, make up the sample set of major programs:

- I. Protection of Health
- II. Promotion of Health
- III. Education and Training
- IV. Governing Bodies and Administrative Direction
- V. Increase to Assets

The second axis for the classification also derives from the basic documents of the Organization since ways of arriving at the objectives outlined are also spelled out. These, too, become of considerable interest in assessing the direction of effort as a whole and even more so in planning and guiding the day-to-day operations by the Director of the Bureau. The second axis would show activities somewhat as follows:

- A. Cooperation in Planning and Execution
- B. Fellowships, Seminars, Symposia, Conferences
- C. Research
- D. Other

The annex is provided as an example of the manner in which the summarizations of programs costs would be presented.

It is requested that the Executive Committee comment on the application of the concept outlined in this paper to the budget of the Organization. If it appears feasible, the Director will proceed with the detailed studies that will be necessary and will report on developments to the 1963 Spring Meeting of the Executive Committee.

PROGRAM BUDGETING

PROGRAM AXIS

The proposed outline for program and activity classifications for use in a revised budget format has been formulated under major headings:

- I. Protection of Health
- II. Promotion of Health
- III. Education and Training
- IV. Governing Bodies and Administrative Direction
- V. Increase to Assets

Each of these major headings will require sub-headings to identify activities about which details may be desired because of the importance of an activity to the overall program, its size or special interest in it. The sub-headings would be expected to change from year to year to reflect only those activities which are of particular interest or which may be required to develop information of interest to WHO Headquarters. The major headings, however, should be useful for a number of years to come.

I. Protection of Health would encompass all communicable disease and environmental health program including water supplies and sewage disposal.

II. Promotion of Health would have several major breakdowns. A large portion of the section would be a sub-heading devoted to organization and administration of health services, distinguishing those of general service from those directed specifically to such programs as maternal and child health, nutrition, mental health, dental health and medical care services. Food and drug, radiological, and occupational health program would also be classified under organization and administration of health services since this seems to be more in keeping with the activities related to general health programs than to those grouped with environmental sanitation under Protection of Health.

III. Education and Training would group assistance to educational institutions and to training courses to distinguish this activity from those dealing with the provision of direct services to operating organizations.

IV. Governing Bodies and Administrative Direction would have a principal subdivision which would include the costs associated with the meetings of the governing bodies. In essence this section would be Part I of the present budget presentation.

Executive and technical direction would include the costs directly related to the office of the Director, Assistant Director, Secretary General, Zone Representatives, and Chief of Administration. Members of the technical staff would be charged to appropriate components under Protection of Health, Promotion of Health and Education and Training.

Administrative services would include management, personnel, budget, finance, supply, conference services other than for governing bodies, and similar service operations.

General expenses, would include rental and maintenance of premises and equipment, communications, freight, contractual services, office and custodial supplies, insurances, and like common costs. These costs could be apportioned to the other categories as an alternative.

V. Increase to Assets. In most budgets capital acquisitions are normally held aside from annual operating budget. As such, additions to the Working Capital Fund, costs of building construction, and similar long-term costs would be identified separately in the annual budget presentation of the Organization.

#### ACTIVITY AXIS

The above are the major headings proposed for the budget. They identify the major categories of expense by the two major program entities and the two entities identified as the cost of doing business. These headings will form the major axis of the breakdown of the budget. However, categorization of programs by activities or instruments by means of which objectives are attained would form a second axis in the primary tables showing the breakdown of the budget. This second axis would consist of:

- A. Cooperation in Planning and Execution
- B. Fellowships, seminars, symposia, conferences
- C. Research
- D. Other

A. Cooperation in Planning and Execution is the category to which advisory services will be assigned. In it also would be included supplies, equipment and grants provided as part of the Organization's assistance in the planning or execution of a program.

B. Fellowships, seminars, symposia, conferences is intended to accumulate activities whose primary purposes are education and training. This is to be distinguished from the training aspects inherent in advisory services provided by consultants.

C. Research will include only research being carried out by the Organization. This is to be distinguished from assistance to governments or institutions in planning or execution of research for these activities would be included in Cooperation in Planning and Execution.

D. Other is to accumulate costs for activities which have little or no direct bearing on program objectives. This heading has little application in Protection and Promotion of Health but would encompass practically all of the other headings.

CLASSIFICATION OF EXPENDITURES BY PROGRAM AND ACTIVITY

A C T I V I T Y

Cooperation in Planning and Execution	Fellowships Seminars Symposia Conferences	Research	Other
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I. PROTECTION OF HEALTH

A. Communicable Diseases

1. Malaria
2. Smallpox
3. Tuberculosis
4. Leprosy
5. Treponematoses
6. Zoonoses
7. Foot-and-Mouth Disease
8. Other

B. Environmental Health

1. General
2. Water Supply

II. PROMOTION OF HEALTH

A. General Services

1. General Public Health
2. Nursing
3. Laboratory
4. Health Education
5. Statistics
6. Administrative Methods

B. Specific Programs

1. Maternal and Child Health
2. Nutrition
3. Mental Health
4. Dental Health
5. Radiological Health
6. Occupational Health
7. Food and Drug
8. Medical Care

ACTIVITY

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Cooperation in Planning and Execution	Fellowships Seminars Symposia Conferences	Research	Other
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III. EDUCATION AND TRAINING

1. Public Health
2. Medicine
3. Nursing
4. Sanitation
5. Veterinary Medicine
6. Dentistry
7. Biostatistics

IV. GOVERNING BODIES AND  
ADMINISTRATIVE DIRECTION

- A. Governing Bodies
- B. Executive and Technical  
Direction
- C. Administrative Services
- D. General Expenses

V. INCREASE TO ASSETS