

*executive committee of
the directing council*

PAN AMERICAN
HEALTH
ORGANIZATION



*working party of
the regional committee*

WORLD
HEALTH
ORGANIZATION



70th Meeting
Washington, D.C.
July-August 1973

Provisional Agenda Item 10

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FINANCING OF THE REGULAR BUDGET OF THE PAN AMERICAN HEALTH ORGANIZATION

The XXI Meeting of the Directing Council, which was held in Santiago, Chile, in October 1972, adopted Resolution XV, copy of which is attached as Annex I. In accordance with item 1 of the resolution, the Director established a special group of experts to study the problem of obtaining financial resources to supplement the quota contributions of Member Governments and Participating Governments.

The Group of Experts met in Washington, D.C., on 21-22 June 1973. Its discussions, conclusions, and recommendations are set forth in a report presented as Annex II. The Director is pleased to present this report to the Executive Committee for study and suitable recommendations to the Directing Council at its XXII Meeting, as requested in item 2 of the above-mentioned Resolution XV.

Annexes

XXI MEETING OF THE DIRECTING COUNCIL

RESOLUTION XV

FINANCING OF THE REGULAR BUDGET OF
THE PAN AMERICAN HEALTH ORGANIZATION

THE DIRECTING COUNCIL,

Considering that at present approximately 99 per cent of the funds for the Regular Budget of the Pan American Health Organization are derived from the quota contributions of Member Governments and Participating Governments; i.e., that income from other financial sources represents only just over 1 per cent of the total Regular Budget;

That, among other factors, the high rate of natural population increase in the American Continent, the commitment entered into by the Governments at the III Special Meeting of Ministers of Health to attain realistic but ambitious goals, and the continuous increase in the production costs of health services due to scientific and technological development, are sufficient reasons for considering as a matter of the utmost seriousness and urgency the problem of the necessary increase in the budget of the Pan American Health Organization;

That it is not possible for the burden of that increase to continue to fall almost exclusively upon the quota contributions of the Member Governments and Participating Governments, from which we may deduce that the most advisable and feasible course is to look for means of achieving a rapid and substantial expansion in the sources of financing supplementary to the quota contributions, so that the major part of the budgetary increase would be derived from those new sources, apart from the historical process of growth in quota contributions that has been taking place and will continue to occur; and

That in this regard the efforts which the Pan American Sanitary Bureau has been making towards the setting-up of a financial institution to promote the raising of supplementary financial resources for the Organization's budget are commendable,

RESOLVES:

1. That the XXI Meeting of the Directing Council of the Pan American Health Organization, XXIV Meeting of the Regional Committee of the World Health Organization for the Americas, instruct the Director of the Pan American Sanitary Bureau to establish a special group of experts to study the problem of obtaining financial resources to supplement the quota contributions of Member Governments and Participating Governments, the said group to propose concrete alternative solutions, feasible and capable of immediate application, to the 70th Meeting of the Executive Committee of the Pan American Health Organization.

2. That the Executive Committee of the Pan American Health Organization, at its forthcoming 70th Meeting, consider the report of the Special Group of Experts and on the basis thereof present suitable recommendations to the Directing Council at its XXII Meeting so that the most appropriate alternative solution may be implemented as rapidly and effectively as possible.

(Approved at the sixth plenary session,
12 October 1972)

CE70/15 (Eng.)
ANNEX II

REPORT OF THE GROUP OF EXPERTS FOR THE
STUDY OF SUPPLEMENTAL FINANCING TO THE
QUOTA CONTRIBUTIONS OF MEMBER GOVERNMENTS

Washington, D.C.
June 29, 1973

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GROUP OF EXPERTS FOR THE STUDY OF SUPPLEMENTAL
FINANCING TO THE QUOTA CONTRIBUTIONS OF
MEMBER GOVERNMENTS

Agenda

1. Terms of Reference of the Group
2. Review of Extrabudgetary Funds for the Financing of the Organization's Programs:
 - 2.a United Nations Development Program
 - 2.b Private Foundations
 - 2.c Miscellaneous Income, Grants
3. Legal Considerations:
 - 3.a Constitutions of PAHO and of WHO
 - 3.b Laws of the Countries
4. Possible Ways of Developing other Sources of Financing:
 - 4.a Promotion of Voluntary Contributions through National Health and Education Foundations
 - 4.b Investment in Health-related Industrial Enterprises
 - 4.c Other

GROUP OF EXPERTS FOR THE STUDY OF SUPPLEMENTAL
FINANCING TO THE QUOTA CONTRIBUTIONS OF
MEMBER GOVERNMENTS

List of Participants

Members:

Mr. Lyndall Beamer, Program Analyst, Office of International Health, Department of Health, Education, and Welfare, Washington, D.C., USA

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Rapporteur

Professor M. J. Ferreira, Chief, Department of Planning, Ministry of Public Health, Rio de Janeiro, Brazil,
Chairman

Dr. Bogoslav Juricic, Ministry of Public Health, Santiago, Chile

Dr. Stuart Portner, Assistant Secretary for Management, Organization of American States, Washington, D.C., USA

Professor Milton P. Siegel, School of Public Health, University of Texas, Health Science Center at Houston, Texas, USA

Dr. Oscar Urteaga Ballón, Vice Minister of Health, Ministry of Health, Lima, Peru

Secretariat:

Dr. Alfredo Arreaza Guzmán, Assistant Director, PAHO

Mr. William H. Childress, Jr., Chief, Department of Budget and Finance, PAHO

Mr. Clarence H. Moore, Administrative Adviser, PAHO

GROUP OF EXPERTS FOR THE STUDY OF SUPPLEMENTAL
FINANCING TO THE QUOTA CONTRIBUTIONS OF
MEMBER GOVERNMENTS

Terms of Reference

The Group studied Resolution XV of the XXI Directing Council with great care. It came to the conclusion that any discussion of increasing the financial resources of the Pan American Health Organization's Regular Budget, to be meaningful, had to include the integrally related resources from non-regular funds and those of the national Ministries of Health of Member Governments.

The Group therefore devoted considerable attention to the total PAHO budget, from all sources, and the impact on national resources to achieve optimum results of PAHO assistance.

The Group reached the conclusion that its deliberations had to be addressed to the totality of resources for improving the health of the peoples of the Americas.

Discussion and Considerations

Resolution XV of the XXI Meeting of the Directing Council of the Pan American Health Organization instructed the Director to convene a Group of Experts " . . . to study the problem of obtaining financial resources to supplement the quota contributions of Member Governments and Participating Governments." The Group met at PAHO Headquarters on 21-22 June 1973. Dr. Ferreira was designated Chairman and Dr. de Caires Rapporteur.

Dr. Abraham Horwitz, Director of PASB, welcomed the Group and called attention to the magnitude of the problem of financing the health sector in the Region of the Americas as set forth in the Ten-year Health Plan for the Americas,* drawn up at the Special Meeting of Ministers of Health in Santiago, Chile, in October 1972.

The cited resolution drew attention to the fact that quota contributions of Member Governments to the Regular Budget had risen to such a level that further substantial additional financing from that source was not a realistic possibility. The Group understood that they were requested to " . . . look for means of achieving a rapid and substantial expansion in the sources of financing supplementary to the quota contributions, so that the major part of the budgetary increase would be derived from those new sources, apart from the historical process of growth in quota contributions that has been taking place and will continue to occur."

* Distributed as Official Document No. 118 of the Pan American Health Organization.

There was general agreement that PAHO had successfully expanded its resources, both regular and non-regular, at an average rate of approximately 15% per year. Even in view of the fact that rising prices have absorbed a portion of budget increases so that the real rate of increase has been somewhat less, the fact remains that PAHO has been very capable in attracting funds to support programs. It was agreed, however, that the ability of the Members to support larger assessed budgets was limited.

Any investigation of the possibility of obtaining additional funds for the Organization's programs must face the question of the proposed use of the funds as well as the means of obtaining them. PAHO's role, as stated in its Constitution, is to promote and coordinate health programs in the Hemisphere. This is a proper purpose for the Regular Budget, while funds obtained from other sources can be directed toward operational programs. With this view in mind there is a limit to the resources that can be absorbed without distortion; funds, whether provided by PAHO Regular or a supplementary source, necessarily require complementary funds from the receiving Member. At the present time in some but not in all countries, the level of assistance which PAHO can provide with the funds available is as much as the Members can absorb. The problem, therefore, in certain circumstances, becomes not only obtaining additional resources but providing better services for the Members with those resources.

An issue related to better utilization of resources is the problem of data and information. It would be of great value to the Members, both individually and collectively, if better data and information was available regarding expenditures in program areas of health and health-related activities by various national agencies, as well as those being conducted with multilateral, bilateral, and other sources. Such an inventory would be of great benefit to avoid duplication and promote efficiency within countries as well as among the various Members.

Of the sources of external financing it was noted that, although the UNDP is an important contributor to PAHO programs, in any given country the level of funding to the health sector, as a percentage of the total, is generally small. This is of course related to the fact that UNDP funds are provided to those sectors to which the country itself accords priority. The relatively low level provided the health sector is a reflection of the importance attached to such programs by planning authorities in the countries. Another factor to be considered is the method by which UNDP funds are allocated among countries. Provision of these funds is based upon the average level provided during the previous five-year period. Thus, the amount scheduled is a function of the amount provided previously. This method tends to favor those countries with a previous record of relatively large levels of assistance with a continuation of that level.

Associated with the health sector's ability to receive funds for projects of interest to it is the ability of health officials in the country to have their voices heard at the planning stage. As in the case of

the UNDP, not only does the health sector frequently receive a small share of the total funds available but too often the Ministry of Health is not consulted on the health aspects of the development projects that are to be undertaken in other sectors of the economy. As health is undeniably an integral part of economic and social development, the Ministry of Health must make every effort to have a stronger voice in decision-making, not only with regard to those projects which are generally considered to be within their purview, but also those in other sectors which nevertheless have a health component.

Another possible source of financing is the United Nations Fund for Population Activities (UNFPA). Although directed primarily toward population activities, this fund is active in programs with a maternal and child health component. The United Nations Environmental Program is another growing source that is worth considering for those projects that fall within this special interest. UNICEF is still active in supporting programs in the health area but has shifted its emphasis somewhat, from health services to those projects of a more innovative nature.

International lending agencies, such as the World Bank and the IADB, have become more receptive to requests for loans in the health sector as well as more aware of the health component of other development sectors. The Agency for International Development similarly has increasingly been emphasizing projects in the health sector. There have been promising developments in the proposal reviews by these organizations, as a consortium, to fund those proposals which seem especially promising.

Private foundations and other agencies have heretofore provided a considerable level of extrabudgetary support to PAHO. However, they do not appear to be able to provide additional funds at this time. Competition for scarce funds, and cutbacks in some cases, have reduced the likelihood of increases at the present time.

The possibility of receiving assistance and cooperation from the nongovernmental organizations associated with PAHO holds some promise. These organizations, with special and clearly defined interests, may be receptive to assist with funds or personnel to work with the Organization on those projects of special interest to them.

Consideration should also be given to greater cooperation with industrial firms, both from the point of view of receiving assistance for health projects from them and also for the opportunity for health input to decisions these organizations will make. In this connection, it was noted that the system of national world health foundations might be useful. Special attention was invited to the fact that the World Health Foundation of the USA was authorized to deal directly with PAHO. In keeping with greater cooperation with the business sector is the possibility of encouraging national governments to provide financial incentives to those enterprises which are of special interest to the health sector, e.g.,

pharmaceuticals, medical supplies, and equipment. In some instances government subsidy of production vital to the health sector may be necessary, or even government entry into production. However, this latter possibility is not always broadly applicable because of problems of patents, technology requirements, etc.

The suggestion was also made of greater national cooperation with the efforts of voluntary organizations to provide assistance and support. This for example, is an important source of UNICEF's income but has been little used in Latin American countries.

The subject of a bank or fund for health was raised, but this presents problems which the group believed required a depth of study not feasible at this time due to the urgent requirements that the report of this group be available by mid-July. The Technical Discussions of the XIX Meeting of the Directing Council examined this question at length and provided a report, The Financing of the Health Sector. Among the conclusions of the Technical Discussions was that it would be preferable to funnel additional external funds through multilateral agencies. The difficulties faced in consideration of a health fund still remain. Grants from the usual sources have become increasingly difficult to obtain. The group felt that statutory assessments for a special fund are not feasible at this time.

Loans to finance a special fund of PAHO would require the assumption of obligations which the Members as a whole would have to approve. Such an arrangement could require repayment over a relatively short period of time and may ultimately require increased assessments. It was noted that loans from existing intergovernmental banks are now providing limited opportunities for health sector loans. PAHO has developed close working relations with the International Development Bank and the International Bank for Reconstruction and Development and therefore has some capabilities to assist Members, and indeed provide advice and assistance to the banks, for the negotiation of funds for health purposes. There does not appear to be a readily available source of obtaining adequate financing for a separate fund at this time. Efforts to establish such a fund, and the uses of it, would of course be governed by the PAHO and/or WHO constitutional provisions, the views of the Members, and the legal requirements of the respective countries. Nevertheless it was considered that a study in depth of a loan fund arrangement which would supplement, not supplant, any existing loan authorities, might well be pursued at an appropriate time.

An interesting presentation of the possibility of expanding available health services through the profitable and efficient operation of health-related enterprises was provided by Dr. Oscar Urteaga, Vice Minister of Health of Peru. Dr. Urteaga explained how better management of assets held by the Beneficencias (agricultural properties, a bank, housing, cemeteries) had enabled the Ministry not only to improve the efficiency of these projects, but also to operate them at a profit, thus providing additional funds for other health activities.

This has enabled the Ministry to expand health services and improve the delivery of others, e.g., reduce the length of confinement of maternity patients, revise the methods of care of long-term patients, and improve the delivery of emergency hospital services.

It was proposed that this profit-making experience might be expanded into other commercial ventures to capitalize on profit potential and thereby help support other health services. Such ventures might include x-ray equipment, EKG equipment, pharmaceuticals, disposable hypodermics, and other supplies. Although there is some precedent for the successful operation of health-related commercial activities in some countries, this is not a viable alternative in all countries. There are requirements for capital investment and technical and management skills which may not be available. Dr. Urteaga was careful to point out that the experiences of his country were not necessarily transferable to all other countries of the Hemisphere. The Ministry of Health had obtained valuable assets that required the application of good management to make them operate efficiently and profitably.

There was some discussion concerning other profit-making enterprises which had been attempted with varying degrees of success at other times: the production and sale of Christmas cards, postage stamps, and other commercial ventures. The conclusion was that the organization of the projects was difficult and they were not infrequently unrewarding or unsuccessful. Government supported pharmaceutical projects had been successfully operated in some cases and had provided additional revenue to support activities in other areas of the health services.

Summary of Conclusions

1. Even allowing for inflation, the PAHO budget, both regular and non-regular, has expanded at a rapid rate during recent years. This reflects credit upon the Director's and the Secretariat's ability to attract grantors and Member's willingness to support the Organization.
2. The level of funds which the Organization can absorb is not unlimited without distorting the purposes and levels of expenditures in the Member Countries. PAHO Regular funds should be directed toward the constitutionally provided purpose of coordinative efforts, while supplementary funds may be directed toward operational programs.
3. One means of promoting greater efficiency would be to have better information available. An inventory of the health programs that are already in operation with funds from various sources would be most useful. This would avoid duplication and overlapping and promote greater efficiency.
4. The level of UNDP funds available to PAHO has been growing but the amount expended on health projects within the Member Countries, as a percentage of the whole, remains very small. This is a function both of the relatively weak position of the health sector in obtaining resources and

of the manner in which total allocation of resources is provided to the countries by UNDP. Health officials should make every effort to give recommendations on development projects because of the interrelationship of health and social and economic development.

5. Other sources which are growing and deserve consideration are the UNFPA, which can be of importance in MCH programs, and the United Nations Environmental Program. UNICEF, while still active in supporting programs, is placing greater emphasis on programs other than basic health services.

6. International and bilateral lending agencies are becoming more responsive to health projects and PAHO has the ability to assist Members in negotiating with them. There is a possibility of funding health projects through consortium review of proposals.

7. Private foundations at the present time do not represent a source of substantial additional funds due to the increased competition for resources. An avenue which may hold promise, and has been under-utilized, is the non-governmental organizations (NGO's) which are associated with the Organization. These NGO's should be approached for financial and/or technical assistance for those projects which are within their special area of interest and competence.

8. Cooperation with private industrial organizations should be promoted. There is a health component in industrial and commercial enterprises and the interrelationships between development and health should be explored more extensively.

9. Greater efforts should be made to obtain the cooperation of voluntary groups operating both within Member Countries and internationally. Organizational efforts would be required, but such groups could provide financial and other assistance.

10. A separate loan and/or grant fund for health was considered. Without a separate and special study of the full implications, there do not appear to be resources available for it at the present time. Member quota assessments to such a fund are not feasible in the face of the current relatively high assessments to the Regular Budget. A loan to PAHO from an international lending organization would not only require Governing Body approval but would of course require repayment from the Organization's resources. In any event, there are existing banks which are already developed to make such loans.

11. Entry into industrial or commercial enterprises in order to fund additional health programs is an interesting possibility. However, this would be limited to those cases where local conditions would allow the expectation of success. The health sector would need either access to the assets of economically viable organizations which can be operated to provide additional income for health projects, or else additional capital resources.

The experience in Peru appears to offer a new, innovative approach for national health ministries to increase their own financial resources. The specific methodology in each country will vary according to opportunity for independent action and social and cultural acceptability. The striking feature of the Peruvian experience is the capability of the Health Ministry to generate health funds, independently of the national treasury, by the application of sound business management to health-related endeavors.

Recommendations

1. That the report of the Expert Group, together with the statement of the Vice Minister of Health of Peru, be circulated to all Ministries of Health of Member Countries.
2. That PAHO assist in individual country evaluations of the applicability of the Peruvian experience within its own social and cultural setting. Alternative methods of achieving the same goal should be explored, where appropriate.
3. That the Director of PASB appoint a small, select group to advise him on approaches to industrial, academic, nongovernmental, and inter-governmental institutions for support of PAHO-assisted national programs, taking into account, inter alia:
 - 3.1. Consideration of the "Ten-year Health Plan for the Americas - Final Report of the III Special Meeting of Ministers of Health of the Americas" (Santiago, Chile, 2-9 October 1972) (Official Document No. 118 - January 1973).
 - 3.2. The action at the Twenty-sixth World Health Assembly on cancer, involving the WHO, IARC, and the UICC;
 - 3.3. The study of the possibilities of establishing a health loan and/or grant fund which would supplement but not compete with existing loan institutions, bearing in mind the Technical Discussions on this subject at the XIX Meeting of the Directing Council of PAHO; and
 - 3.4. Any other possibilities which might be feasible based on proposals and suggestions to be invited from the Member Countries, as well as others who might be interested.
4. That the most rewarding activities in fund-raising at this time, in the light of the success of PAHO in achieving sizeable annual increases in its own regular budget over the past several years, will be to endeavor to influence the allocation of an increase in the national resources devoted to health programs. This recommendation is clearly reinforced by the fact that PAHO financial assistance to a country often requires a national investment many times larger.

ANNEX

DOCUMENT PREPARED BY DR. OSCAR URTEAGA BALLON, DEPUTY MINISTER OF
HEALTH AND SENIOR DIRECTOR OF THE REPUBLIC OF PERU, FOR THE GROUP
OF EXPERTS TO STUDY THE PROBLEM OF FINANCING TO SUPPLEMENT THE
QUOTAS OF THE MEMBER GOVERNMENTS

Washington, D.C., 20 June 1973

DOCUMENT PREPARED BY DR. OSCAR URTEAGA BALLON, DEPUTY MINISTER OF HEALTH AND SENIOR DIRECTOR OF THE REPUBLIC OF PERU, FOR THE GROUP OF EXPERTS TO STUDY THE PROBLEM OF FINANCING TO SUPPLEMENT THE QUOTAS OF THE MEMBER GOVERNMENTS

Washington, D.C., 20 June 1973

Introduction

- In fulfillment of Resolution XV on the item, Financing of the PAHO Regular Budget, approved at the sixth plenary session of the XXI Meeting of the Directing Council of PAHO held in Santiago, Chile, on 12 October 1972, the Director convened a Special Group of Experts to study the problem of financing to supplement the quotas of the Member and Participating Governments. After the pertinent study, the Group will propose to the 70th Meeting of the Executive Committee of the Pan American Health Organization concrete and feasible alternative solutions that may be put into effect immediately.
- After consideration by the Executive Committee, this report will in due course be submitted to the XXII Meeting of the Directing Council, which will examine the alternative solutions.
- At present, almost 99% of the funds of the PAHO Regular Budget are derived from the quotas of the Governments; in other words, other sources of financing represent about 1% of the total funds of the Regular Budget.
- Furthermore, the population growth in the Americas, the establishment of ambitious health goals, and the continuing rise in the cost of health and medical care services justify a study of the problem of increasing the budget of the Pan American Health Organization.
- At the meeting in Santiago, Chile, the Governments, in particular the Governments of the more economically developed countries, clearly stated their decision not to increase the quotas, to continue to contribute according to the scale adopted by the OAS, and to avoid any kind of international paternalism.
- The Director of PASB urged the relevant bodies to review extra-budgetary funds for the financing of the programs of the Organization. In addition, the Governments found that a study of an increase in the PAHO budget with a view to meeting the growing demand by the Members for technical assistance was justified. They also suggested the inversion of the fraction whereby the numerator be increased in favor of supplies and equipment and the denominator corresponding to the regular costs of technical assistance and fellowships be decreased. (technical assistance + fellowships)
supplies and equipment

- Resolution I of the appropriations of the Pan American Health Organization for 1973 approved \$22,108,146 for the financing of the quotas by the Governments and \$240,000 to be financed by other income, giving a grand total of \$22,348,146.

- To study the possibilities of finding new sources of financing, Dr. Oscar Urteaga Ballón, Deputy Minister of Health and Senior Director of Peru, was invited by Dr. Abraham Horwitz, Director of PASB, to describe to a committee of experts on international financing the Peruvian experiment in the field of economic promotion and business policy for increasing the budgets for preventive activities of health establishments, whether of the Ministry of Health or of the Sociedad de Beneficencia Pública of Lima. Just as in the Pan American Health Organization, it is almost impossible in Peru for the Ministry of Health to obtain more funds from the National Treasury apart from natural growth. Given the priorities for the programming of development, the Ministry of Health will not receive an increased budget, at least not during the next two biennia.

Business Policy in the Health Sector

This consists of economic promotion aimed at rationalization of expenditures and programming of costs, leading to self-financing, as well as to real improvement in comprehensive health care services, which for financial purposes are linked to a series of agricultural, industrial, and handicraft activities and the construction of the infrastructure and housing for the health sector.

BUSINESS POLICY OF
THE BENEFICENCIA
PUBLICA DE LIMA AND
OF THE MINISTRY OF
HEALTH

FINANCIAL
ACTIVITIES

1. Growth of Health Bank (Savings Bank)
2. Housing and Health Establishments
Construction Program
3. Pharmaceutical Laboratory and
Basic Medicines Program
4. Agro-industrial Complexes Program
5. Social Welfare Program
6. Lotteries
7. Farm Administration
8. Cemeteries

HEALTH CARE
ACTIVITIES

1. Increase in Outpatient Care
2. Acute Patient Treatment Policy
3. Early Discharge Obstetrical Program
4. Chronic Patients Assistance Program

1. Growth of the Health Bank (Lima Savings Bank)

Despite the fact that it is authorized to undertake banking activities, this body prudently and conservatively limited its activities to saving accounts operations and occasional credit and current account operations.

Thanks to promotional credit and financing programs, after three years its capital assets have increased from 500 to 2,500 million soles. This exemplary banking activity, in particular in the field of social promotion, showed that it is really acting as the Health Bank of Peru.

2. Housing and Health Establishments Construction Program

This program is aimed at the implementation of the housing plan of the Revolutionary Government which provides the community with low-cost housing, for example, projects such as Palomino, Jacarandá 1 and 2, El Recreo in Trujillo, etc. It involves the construction of 3,500 housing units over a period of three years and an investment in the order of 1,750 million soles. The rental-sales system enables the user to obtain a house by means of a reasonable initial down-payment and the payment of monthly installments over periods of 10 or 20 years at a low interest rate.

The construction program was initiated at a time when the building industry was paralyzed. If to the number of houses we add 12,000 mortgage loans for the same purpose, we see that it has been possible to construct 15,200 low cost housing units and to mobilize capital totalling 3,000 million soles.

These activities will also make it possible to finance the reconstruction of the old teaching hospitals, Hospital Dos de Mayo for men and Arzobispo Loayza for women, and their conversion into general hospitals.

3. Pharmaceutical Laboratory Program to Support the Basic Drug Program

This program consists in increasing the production of basic drugs and involves the purchase, as part of the business program of the Sociedad de Beneficencia, of the shares of the Laboratorios Unidos, S.A., which will be responsible for the control and regulation of the prices of pharmaceutical products in general.

By reason of this mode of production of generic drugs without commercial name, it was possible to reduce the cost of basic drugs by between 100 and 300% at a time when, in almost all countries of the world, the costs of medicaments is rising.

A new market has been created in the country but has not displaced the traditional market of private industry. In 1972 private industry sold drugs to the value of approximately 3,000 million soles and accounted for a good part of the production of basic drugs amounting to approximately 800 million soles.

Previously, a segment of the population was unable to buy drugs because of their high cost. That does not happen now because efficacious and low-cost drugs are available to it, and a new market has thus been created.

With an investment of 100 million soles, the Sociedad de Beneficencia Pública of Lima increased the production of the laboratory. In 1972 it produced drugs to the value of 100 million soles; in 1973 its production will amount to 250 million soles. Under the present plan, it will be able to reinvest the profits in:

A) The Industrial Community, of which all the laboratory workers are a part.

B) Capital for the repayment of the debt incurred for the purchase of the laboratory; according to estimates the Beneficencia will recover the capital invested in the pharmaceutical laboratory in a period of three years.

In so doing, the Peruvian Government is not moving towards the nationalization of the pharmaceutical industry, but it is intervening in it so as to provide drugs within the financial reach of all, so-called generic or basic drugs, and without restricting the production of conventional drugs (with commercial names) at internationally competitive prices.

4. Agro-industrial Complexes Program

This program consists in using agricultural land belonging to the health sector for agricultural production. It will make it possible to supply food as well as resources that will be reinvested in general medical care.

This experiment was initiated at El Asesor, a farm of 95 hectares. In 1968 the production of this farm was approximately 45,000 units (chickens, pigs) despite a subsidy from the Ministry of Health in the amount of 500,000 soles per year. In 1970 it increased its production to 294,000 units and in 1973 to 647,000 units, weighing approximately 1,320,000 kilos.

Pig production, initially 5,000, increased to 20,000 and this year will amount to 50,000.

This production, like that of fish, will be consumed in hospitals in Lima as a substitute for beef, which is expensive and requires the consumption of foreign exchange.

In addition, the El Asesor farm produces truck farm products and agro-industrial products such as sorghum, maize, and soya beans.

The industrial processing of soya beans from which milk, oil, and flour are extracted, is in the experimental stage.

The production of milk, which is consumed by the children at the Pérez Aranibar Child Care Center is giving good results.

Oil and amino-acids for pharmaceutical use are also extracted from soya beans.

In this way, the health sector is obtaining the funds that the Treasury cannot give it and they are immediately reinvested in the production of health coverage.

This program will be expanded in 1973, with annexes at Buena Vista in Barranca and Santa Rosa in Callao, and will make it possible to supply these items to the health sector.

In the case of the Beneficencia, it will supply its three hospital centers (2,500 beds), old peoples homes (500 beds), and the Pérez Aranibar Child Care Center (1,500 beds).

5. Lima and Callao Lotteries

These were already in existence. However, the effect of this business policy is reflected in an increase in their working capital which has made it possible to obtain, in addition to the prize money, a margin of profit which is reinvested in social welfare and health care programs.

6. Farm Administration Program

It has been possible to conduct this program, thanks to the confidence of the public which hands over real estate to be administered by the Beneficencia. It charges reasonable commissions and in some cases concerns itself with farm maintenance.

Of course the program also administers the properties of the Beneficencia which are valued at more than 1,500 million soles. These are used to support internal financial operations as well as external financial operations at present underway.

7. Cemetery

Up to 1968 the Beneficencia Pública had an income of approximately 11 million soles a year. Today, thanks to the adjustment of supplies, the renewal of its fleet of vehicles, and the provision of improved services, it produces an income of 65 million soles; however, the long-term aim of the Beneficencia is to provide a cremation service but, to do so, it must overcome the resistance due to our cultural patterns and traditions.

Welfare Activities

A policy designed to increase and extend health care services and thus increase health coverage has been developed. For that purpose, the following guidelines have been issued:

- Provide the community with outpatient services including medical consultations and prompt, efficient, and timely diagnostic assistance, and endeavor to motivate the community to accept health promotion and preventive activities.
- Reduce hospitalization by the rational use of beds for acute patients.
- Promptly discharge of patients from obstetrical services, with follow-up until total uterine involution.
- Provide the community with beds for long-stay patients who, during their rehabilitation, may serve as producers of resources.
- Provide the community with child care centers where children who are too old for the recreational system may make items such as toys and handicrafts for younger children and other institutions.

Thus, the Peruvian Revolution is against paternalism since it affords the Peruvian citizen the possibility of being a producer and a capitalizer of the fruit of his labor through participation. As a result he is able to cope with the health problems that arise when he or his dependent family members are sick.

HEALTH CARE ACTIVITIES PROGRAM 1973-74

1.-2. Outpatient Consultations and Hospital Admissions

In the two-year period 1971-72 the Health Sector provided the following services:

- Hospital Admissions	853,000
- Medical Consultations	21,008,000

of which the Ministry of Public Health was responsible for 59.3% of the hospital admissions and 43.6% of the consultations.

For the two-year period 1973-74 it is planned to increase hospital admissions in the sector to 1,033,000 and medical consultations to 28,568,000, of which the Ministry of Health will account for 59.6% and 45.5%, respectively.

3. Domiciliary Maternal and Child Health Care Program

This program is aimed at regulating the occupancy rate of obstetrical beds in hospitals in Greater Lima by increasing maternal care coverage and care of the newborn, during delivery and the postpartum period, and endeavoring to achieve early discharge of the patient if everything goes well, and to continue domiciliary care until uterine involution is complete. This will prevent "doubles," reduce the length of hospital stay, increase coverage, improve the level of health education, and obstetrical care in Lima will be provided on a sector basis.

For this program, 20 ambulances have been put into service and are distributed in an appropriate manner.

Mothers whose pregnancy and delivery has been normal and whose child on the second day of birth is normal are discharged from hospital and both are sent home in an ambulance.

After four weeks the results of this effort were as follows:

In Lima, the Ministry of Health and the Beneficencia have 11 hospitals with a total of 1,137 beds. In that period, 4,007 persons were discharged after normal delivery. A total of 2,404 persons were discharged within 48 hours of delivery.

4. Program for the Rehabilitation of Chronic Patients

This program was developed for geriatric patients or patients suffering from chronic diseases, such as leprosy cases, mental cases, disabled or neurological cases. They will be accommodated in independent pavilions situated in agro-industrial complexes.

Full-time medical and nursing care services will be provided, as will be rehabilitation services including occupational therapy, workshops, and farms where agricultural activities will be carried out.

Depending on their physical capacity, the patients will participate voluntarily and will become producers of goods.

Places: Rehabilitation Center in Barranca, Hermilio Valdizan (El Asesor) and centers being organized in the cities of Trujillo and Arequipa.

Suggestions for Supplementary Financing

Because of the inability of PAHO to obtain funds over and above the traditional resources, we must think about obtaining funds by establishing units for the production of goods. If strategically located in the Americas, they will make it possible to pursue a business policy designed to ensure self-financing. They will not compete with private industry or for markets insofar as there is already a potential consumer population for these goods which, transformed into inputs, can be used in the health sector of the Americas.

- A. We first emphasize the desirability of diversifying the sources of financing the PAHO budget while maintaining the historical contribution of the Governments.
- B. Revision of the quota system policy, taking into account in it the countries that do not belong to the OAS, such as Canada and Guyana, and Participating Governments, such as France, United Kingdom, and the Kingdom of the Netherlands.
- C. To advocate in the Americas, wherever needed, national sectoral health systems pursuing a business policy aimed at achieving an increase in their own resources and self-financing.

Production of meat (poultry and pork) to replace beef; in the agricultural field, production of maize, sorghum and soya beans and their by-products, which have their own market in each national sector.

D. Foundation of International Health Bank

This can be established with an initial capital, after temporary budgetary readjustment, of \$4,000,000. It could be increased with the above-mentioned support to between 30 and 40 million dollars (IDB) in the form of soft loans payable in 20 years.

Investment in Five Projects

1. Production of pharmaceutical inputs, conventional and basic drugs.
2. Center for the production of radiographic films, special paper for medical equipment such as EEG and EKG, as well as medical photographic material of all kinds.

3. Center for the production of surgical equipment and disposable material.
4. Establishment of a number of industrial-type plants for the preparation of milk, oil, and amino-acids by countries interested in their own supply. PAHO and the Ministries of Health might enjoy tax exemptions, convertability by maintaining the national equivalent for the saving of foreign exchange.
5. Postage stamps, from whose sale the Ministries of Health and PAHO might benefit after agreement with the International Postal Union.