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PAHO BUDGET POLICY

Background

1. This Budget Policy responds to the recommendation made by Member States of the Pan American Health Organization (PAHO) during the 56th Directing Council to replace the previous PAHO Budget Policy that was approved in 2012 and applied during the period 2014-2019 (Resolution CSP28.R10 and Document CSP28/7) *(1)*. As explained in paragraph 9 below, the Budget Policy became largely irrelevant when the "integrated budget" approach was introduced for the 2016-2017 biennium *(2)*. The Budget Policy applied exclusively to the PAHO Regular Budget (assessed contributions plus miscellaneous income), which was no longer the basis for budgeting after the 2014-2015 biennium.

2. In its consideration of the Evaluation of the PAHO Budget Policy (Documents CD56/6 and CD56/6, Add. I) *(3)*, the 56th Directing Council noted that the Pan American Sanitary Bureau (PASB) should respond to the findings of the independent evaluation – notably its nine specific recommendations – in the development of a new budget policy.

3. In addition, PAHO's Executive Management noted that an objective, flexible methodology for assigning budget ceilings based on country needs would help ensure that PASB applies its resources where they are needed most.

Overall Purpose of the New Budget Policy

4. The main objective of the proposed Budget Policy is to provide an evidence-based, empirical foundation for assigning budget ceilings across PAHO Member States, while allowing sufficient flexibility for PASB to respond to evolving political, health, and technical considerations.

5. The Budget Policy is designed to guide budget allocations during the period 2020-2025. It incorporates lessons learned from the regional level (previous PAHO budget policies *(1-4)*, along with assessments and evaluations of them) and the global level,

especially the World Health Organization (WHO) 2015 Strategic Budget Space Allocation *(5)*.

6. While a formula is used to calculate indicative budget levels, based on an updated health needs index and other factors, this formula is not intended to produce mathematical budget allocations. The indicative budget levels resulting from the formula would be subject to adjustment by PAHO senior management and Member States, based on their strategic judgment. While the formula provides a useful injection of objectivity, the inclusion of a variable component and of manual adjustments for select countries allows for ample tailoring of budget levels to respond to evolving needs and priorities. The formula itself is calculated using data that in some cases are already two to three years old, and therefore may not reflect the latest health trends in certain Member States.

7. It is expected that this new Budget Policy provides Member States and PASB with a useful tool for developing budget allocations—a tool that is transparent and evidence based, while at the same time flexible enough to ensure that PASB remains responsive and proactive in allocating resources to maximize impact on public health.

Defining Budget Terms in PAHO

8. In PAHO, budget does not equal actual funding. The following terms and definitions are used throughout this document and in related PAHO planning and reporting instruments such as the Strategic Plan and Program Budget (PB).

a) **Budget:** In PAHO, as in WHO, the term "budget" refers to fiscal space for planning purposes. The PAHO budget, whether assigned to the whole Organization or to programmatic or organizational elements, is unfunded fiscal space that requires actual financing. The concept of an empty bucket can be useful in visualizing the budget concept: the bucket is only filled once actual funds are received and assigned to the budget bucket in order to be committed (also known as obligated) and expensed. *Synonyms:* budget space, budget allocation, (budget) ceiling, budget envelope.

b) **Integrated budget:** A concept introduced in 2015, when Member States approved the totality of PAHO's Program Budget 2016-2017, and not only the Regular Budget component of the Program Budget. An integrated budget refers to fiscal space that includes all possible sources of funds that finance the Program Budget. As opposed to the Regular Budget, not all sources of funding materialize, hence the integrated budget concept allows for funding gaps.

c) **Funding:** This refers to amounts that can be committed and expensed. The broad classifications of flexible funding and voluntary contributions are used, with specific funding sources such as assessed contributions or individual grants used to track and report on expenditures. The PAHO Program Budget 2020-2021 *(6)* contains a full glossary of such terms. *Synonyms:* financing.

d) **Regular budget:** A very specific type of funding for PAHO consisting of PAHO and WHO assessed contributions plus PAHO's miscellaneous revenue. As such, Regular budget was considered secured funding. This concept is no longer used, as it has given way to the concept of flexible funds.

e) **Flexible funds:** This concept is currently used in PAHO and WHO. These types of funds include but are not limited to: PAHO and WHO assessed contributions, PAHO's miscellaneous revenue, as well as revenue generated from special cost recovery mechanisms such as Project Support Costs for PAHO and WHO. Though more limited in nature, WHO's Core Voluntary Contributions Account (CVCA) are also considered flexible funds.

f) **Funding gap:** This term is typically used to refer to the difference between the budget and the funding for the Organization (or a sub-element thereof). The gap is normally addressed through resource mobilization. *Synonyms:* financing gap, unfunded budget.

Total PAHO Budget versus Regular Budget

9. One of the main concerns highlighted by the evaluation of the PAHO Budget Policy, conducted in 2018, was that the PAHO Budget Policy of 2012 (Document CSP28/7) was based on and applied to the concept of Regular Budget, which is no longer in use. Regular Budget consisted of PAHO and WHO assessed contributions plus PAHO's miscellaneous revenue. With the application of the concept of "integrated budget," starting in 2016, the Program Budget was approved in its entirety, not merely the Regular Budget portion (see Resolution CD54.R16). Thus, it is logical to apply the new Budget Policy to the totality of PAHO's budget envelope.

Regional versus Country Budget Allocations

10. When approving PAHO's Program Budget, Member States approve the budget distribution among the regional, subregional, and country levels of the Organization. For some years PASB has sought to gradually shift budget allocations from the regional level downward. This Budget Policy focuses on the budget distribution at country level and proposes a target allocation to the country and subregional levels totaling 45%, including 42% to PAHO/WHO Representative (PWR) Offices (see Table 1) and 3% to subregional offices.

11. In 2018-2019, just under 40% of the total budget was allocated at the country and subregional levels *(7)*. Table 1 shows the approved distribution of the Program and Budget 2018-2019 by functional level and the proposed target distribution for the period 2020-2025. The 5% for Region-specific programs and response to emergencies is a placeholder; traditionally such funds are spent across all levels of the Organization.

Table 1. Target Budget Distribution among PAHO Functional Levels

Functional Level	Biennium 2018-2019		Target Distribution 2020-2025
	Amount (US$ millions)	% of total	% of total
Regional	351.13	52%	50%
Subregional	22.70	3%	3%
Country	245.77	36%	42%
Total - base programs	**619.60**	**92%**	**95%**
Region-specific programs and response to emergencies	56.00	8%	5%
Total - Program and Budget	**675.60**	**100%**	**100%**

The New Budget Policy Formula

12. The evaluation of the PAHO Budget Policy of 2012 made a series of recommendations that were taken into consideration in devising the new policy formulation (see Annex A). For ease of reference, Table 2 presents a summary of the main changes in the proposed Budget Policy formula. Immediately following the table, Figure 1 introduces the simplified Budget Policy formula. Each element of Figure 1 is explained in detail in the subsequent text.

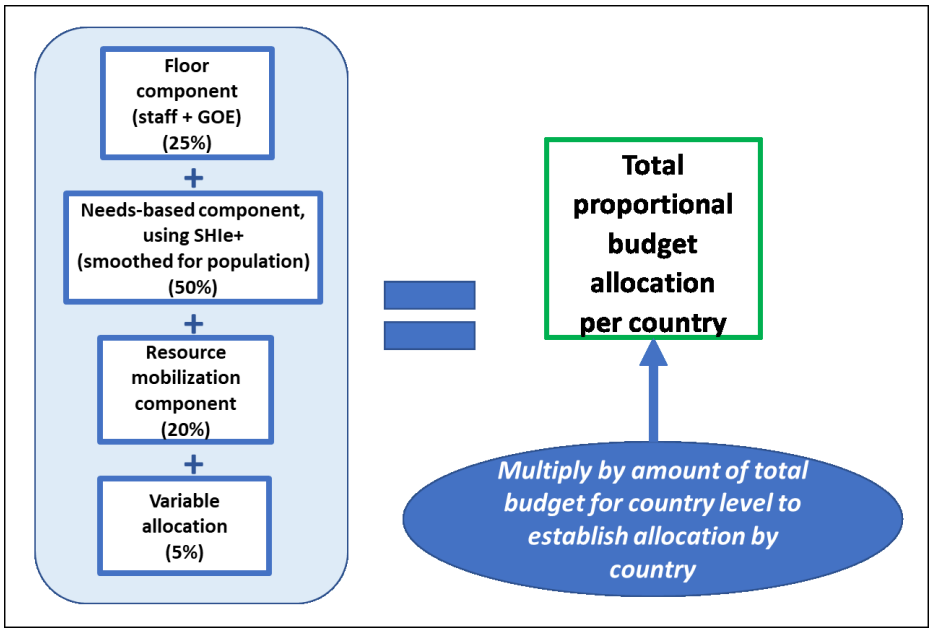
Table 2. Summary of Main Changes to the Budget Policy Formula

Component of the Original Budget Policy Formula (2012)	Component of the New Budget Policy Formula (2019)	Justification for Change
Policy applied only to Regular Budget for countries	Policy applied to the entire budget allocation for countries	With the use of the integrated budget from 2016-2017 onward, the Regular Budget concept is no longer in use.
Minimum country presence floor component share: 42%	Updates estimated floor component share to 25% of the entire formula	Estimates for floor component were updated based on expenses for the last two biennia. Weight of floor component was adjusted as the formula now applies to the entire budget, not merely the Regular Budget.
Needs-based index share: 48%	Uses newly developed Sustainable Health Index Expanded Plus (SHIe+) 2019, and adjusts share of the needs-based component to 50% of the entire formula	The index was improved in its means of calculation (from arithmetic to geometric). It includes six dimensions: two related to health outcome and health access, two related to economic determinants, including income inequality, and two social, to reflect the influence of social determinants of health. The share of the needs index in the budget formula was slightly increased.

Component of the Original Budget Policy Formula (2012)	Component of the New Budget Policy Formula (2019)	Justification for Change
Quintile weighting applied to smooth the effect of the needs-based index	Eliminates quintile weighting	Simplifies the formula and removes what proved to be a confusing element. The results of application of quintile weighting were not notably different from results without quintile weighting, and tended not to favor key countries.[1]
Results-based allocation share: 5%	Eliminates results-based allocation	This element was not applied in practice.
N/A	Introduces a resource mobilization component and assigns a weight of 20% of the entire formula	Provides a factor that accounts for the ability to raise voluntary contributions. Mitigates the risk of unrealistically raising budget allocations to countries when such allocations cannot be financed. Assigns more budget to those countries that can mobilize resources and less to those that cannot, based on historical funding figures.
Variable allocation share: 5%	Variable allocation share maintained at 5%	Maintains flexibility within the formula. Allows the PASB Director to address situations that might require strategic adjustments from the results of the budget formula, in a transparent manner.
N/A	Introduces an "escape clause" allowing for manual manipulation of the budget allocations for reasons beyond the formula's ability to capture	Recognizes that formulas are not sufficient, and that manual manipulation is sometimes needed where results are illogical. Allows for such manipulation as long as it is transparent and agreed by Member States. For example, specifically, for PB 2020-2021: Brazil and Mexico have very large populations in comparison with the rest of the countries, and this biases the results regardless of the smoothing factor used. Also, both countries have relatively high needs, and per the formula their budgets would more than double. In the case of Haiti, its small population drives down its formula-based budget considerably, despite relatively high needs. For PB 2020-2021, these results have been addressed through manual corrections.

[1] The Strategic Plan 2014-2019 (Amended) identified eight key countries—Bolivia, Guatemala, Guyana, Haiti, Honduras, Nicaragua, Paraguay, and Suriname—where the Organization placed greater emphasis on technical cooperation to ensure that health gaps are closed.

Figure 1. Proposed Budget Policy Formula for the PAHO Strategic Plan 2020-2025



13. The distribution of the country allocation per budget allocation component is summarized in Table 3, using proposed PAHO Program Budget 2020-2021 figures for illustration purposes.

Table 3. Components of the Proposed Budget Policy Formula, Applied to the Proposed PAHO Program Budget 2020-2021

Budget Component	Share of Budget	PB 2020-2021 Allocation (US$ millions, rounded)
Floor component (staff + GOE)	25%	$68
Needs-based component	50%	$136
Resource mobilization component	20%	$55
Variable component	5%	$14
Total allocation for country level	**100%**	**$273**

Floor component (25%)

14. The floor component consists of two main elements: core staff and general operating expenses (GOE). Similar to the Budget Policy of 2012, the proposed policy assumes that minimum operations in an established PAHO/WHO Representative Office require five core staff, plus general costs of running the office. Staff costs were calculated based on updated estimates of current costs in each PWR Office. General operating expenses took into consideration these costs for 2016-2017 and 2018-2019 expenses to date. A factor of 3.5% growth in costs was added to the floor component to allow for inflation and other costs that can increase this component over the next six years.

Needs-based component (50%)

15. The incorporation of a health needs index within the Budget Policy has been PAHO's response to support resource allocation in a way that responds to the principles of equity, solidarity, and Pan Americanism (Document CSP28/7).

16. The last update of the needs index was performed in 2012. At that time, a series of limitations were identified. First, the Health Needs Index of 2012 incorporated two economic dimensions and only one health-related dimension. Second, the index utilized life expectancy at birth as opposed to the more encompassing healthy life expectancy. And third, the calculation of the index was arithmetical, which can allow for excessive compensation among index dimensions.

17. PASB presented different options to the Strategic Plan Advisory Group (SPAG)[2] for improving the Health Needs Index (summarized in Annex B). After thorough consideration, Member States supported the Sustainable Health Index Expanded Plus (SHIe+), which is calculated using the formula shown in Figure 2.

Figure 2: Proposed Sustainable Health Index Expanded Plus (SHIe+)

$$\mathrm{SHI}_{e+} = \left(I_{health\ outcome} \times I_{health\ access} \times I_{inequality} \times I_{economic} \times I_{social} \times I_{environmental}\right)^{1/6}$$

18. The dimensions, with their proxy indicators, are defined as follows:

a) health outcome: healthy life expectancy (HALE) at birth or health-adjusted life expectancy

b) health access: proportion of births attended by skilled health personnel and immunization coverage with DPT3

c) inequality: Gini coefficient of income inequality

d) economic: gross national income per capita (US$)

e) social: years of education attained

f) environmental: proportion of population using improved water supplies

19. The SHIe+ maintains the two economic dimensions originally included in the Health Needs Index of 2012, but it makes considerable changes to expand the scope of the index. It corrects the limitation of the arithmetic calculation by changing the index to instead use the geometric mean (multiplication of each dimension and then taking the root of the number of dimensions). The SHIe+ adds healthy life expectancy, a measurement that is readily available and used by WHO. It includes a proxy for health access, measured

[2] The Strategic Plan Advisory Group, consisted of 21 Member States that agreed to collaborate with the Bureau to elaborate the Strategic Plan 2020-2025. SPAG established a subgroup on Health Needs Index and Budget Policy. The Subgroup oversaw the development of the new budget policy, and presented their final recommendations to SPAG, which endorsed the Subgroup's recommendations.

by a combination of the proportion of births attended by skilled health personnel and DPT3 coverage, and it includes two proxies for social and environmental determinants of health. Overall, the SHIe+ is a more robust and comprehensive way to measure the health needs of the countries of the Americas.

20. Once the index has been calculated, its results are adjusted by the same population smoothing technique that is used in the Budget Policy of 2012, the adjusted log population squared (ALPS). This mathematical technique reduces the effect of wide ranges of population within the model. This is more in accordance with PAHO's technical cooperation, which is not defined by the size of a country. The ALPS is also being used in WHO's Strategic Budget Space Allocation.

21. Even with the smoothing factor applied, Brazil and Mexico—the two countries with the largest populations that also have PWR Offices—would account for 26% of the total needs-based component. On the other hand, Haiti, which has a smaller population but the highest need (needs-based index equals zero), would be allocated less than 7% of the total needs-based component. This led to a decision to address these three countries differently, further explained in paragraphs 30 and 31 below.

22. The needs-based component was redistributed among the countries using the share of each country in the needs index, but excluding the weights and budget allocations of Brazil, Haiti, and Mexico.

Resource mobilization component (20%)

23. This component reflects the fact that countries of the Region have different abilities and success rates in mobilizing resources. In particular, countries classified as middle- or high-income may have less ability to raise resources. This was not relevant to the Budget Policy of 2012, as the policy only applied to the Regular Budget and thus only informed the distribution of secured funds. With an integrated budget approach, it becomes necessary to acknowledge countries' differing resource mobilization capabilities and to adjust their budget allocations accordingly.

24. The original scenarios, or versions, of the new Budget Policy did not factor in a resource mobilization component. Hence, the needs-based component was 70% of the entire Budget Policy formula. This meant that the formula assigned higher budget ceilings to countries with challenges in mobilizing resources and, at the same time, reduced the budget space allocated to several of the current key countries.[3]

25. The resource mobilization component corrects this by introducing an element to the formula that takes into account each country's potential for resource mobilization to fill its allocated budget. This is calculated based on resource mobilization at country level in previous biennia. The total allocation to the country for this component is distributed according to the proportional weight of the voluntary contributions available in each country against the total voluntary contributions available in prior biennia. This is applied

[3] Ibid footnote 1.

to all countries except Haiti (the special approach of Brazil, Haiti, and Mexico is detailed in paragraphs 30 and 31 below).

26. The resulting budget space assigned to a country is more realistic. Flexible funding is distributed by PASB in a strategic way, prioritizing the country level and the technical mandates approved by Member States; however, PAHO's flexible resources constitute only about 56% of the total budget. Increasing the country-level budget without taking into consideration financing entails the risk that not all budget envelopes will be filled (this is also the situation currently, but may be exacerbated by unrestrained application of the proposed formula). The use of the resource mobilization component helps to mitigate this risk.

27. Countries that are less successful in mobilizing resources are still being supported with flexible resources, but their budget allocations must consider the more limited sources of potential funding.

Variable component (5%)

28. This component already exists in the Budget Policy of 2012, currently in force, and the recommendation is to maintain it. It is intended to be potentially applied in every biennium, as needed. It is well understood that the needs-based component uses data that are typically two to three years old. The variable component will provide an added level of flexibility in the formula, allowing PASB to address emergent situations that may not be reflected in the needs-based calculation (for example, natural disasters and events of public health concern, such as epidemics, conflicts, etc.). The variable component also allows the Director and Member States to strengthen technical cooperation in a specific country in the short term according to priorities that have been identified and that would require additional budget allocation to be addressed.

Manual escape clause

29. Member States recognize that any formula, no matter how refined, is imperfect and may not be able to capture the dynamic reality of needs on the ground in all countries. Therefore, the manual escape clause is proposed as part of the Budget Policy (not part of the formula). The manual escape clause will be used when the results of the budget formula, even with the variable component, do not respond to the recognized situation of a specific country. For such cases, manual adjustment can be made to the budget, and the respective justification presented to Member States for their consideration.

30. The usefulness of this clause is perhaps best illustrated by the examples of Brazil, Haiti, and Mexico. In calculating their allocations for the proposed Program Budget 2020-2021, applying the formula directly to these countries resulted in Brazil and Mexico more than doubling their current budget allocation. For Haiti, by contrast, the budget allocation was one-third of the current one. In light of the well-known challenges facing Haiti and the high priority given to this country in the Region, and considering the ability of Brazil and Mexico to redirect their own national resources to address their domestic health situations, Member States who joined SPAG have indicated that the budget

allocations for these three countries should be manually adjusted. To manually correct the allocations for Brazil and Mexico, their budget levels were adjusted based on historical levels and in consultation with the respective PAHO/WHO Representative Offices.

31. In the case of Haiti, the PWR Office was consulted to determine the right budget allocation, given the country's high dependence on voluntary contributions and the occurrence of exceptional events (such as the earthquake and the cholera epidemic) that triggered increases in the previous budget and funding allocations but that are receiving less funding now. This led to a proposed reduction in the country allocation for Haiti, as indicated in Annex C. The Budget Policy formula was not applied to Haiti, as it would have resulted in a much greater reduction.

Application of the Budget Policy Formula and Distribution over Time

Scenarios Considered and Overall Results

32. PASB conducted a series of consultations and presented multiple scenarios to Member States in the context of the SPAG to obtain feedback and to facilitate the decision-making process regarding the best formula to use. Table 4 summarizes the main attributes of each of the scenarios.

Table 4. Proposed Budget Policy Formula: Scenarios Considered

	Weighting by Quintile	Resource Mobilization Factor	Manual Escape Clause (Adjust Brazil, Haiti, Mexico)
Scenario 1	✓	x	x
Scenario 2	✓	✓	x
Scenario 3	✓	✓	✓
Scenario 4	x	x	x
Scenario 5	x	✓	x
Scenario 6	**x**	✓	✓

✓: included in the formula
x: excluded from the formula

33. Scenarios 1-3 are closer to the original formula used in the Budget Policy of 2012, as they all apply weighting by quintile, as described above. Scenario 1 provides the closest approximation to the 2012 formula, as it uses quintile weighting, does not include a resource mobilization factor, and has no manual adjustment for Brazil, Haiti, and Mexico.

34. Scenarios 4-6 utilize the simplified new formula presented above in Figure 1. All three scenarios exclude quintile weighting. Scenario 5 adds the resource mobilization factor, and Scenario 6 adds both resource mobilization and manual adjustment for the three outlier countries.

35. Notwithstanding these variations, the results were largely consistent across the six scenarios. The following summarizes the main results:

a) With very few exceptions (Cuba, Guatemala, Nicaragua, and Trinidad and Tobago), the budget formulas call for an **increase in budget allocations over 2018-2019**. This is largely due to the commitment to assign a larger proportion of budget space to country level, so the formula starts with a larger base to distribute.

b) The **direction of the change of the budget space allocation** (i.e., whether the budget of a given country should increase or decrease) in most cases would be the same regardless of the scenario applied. Only the magnitude of the change would vary.

c) The budget formulas include a **mix of historical components** (floor component and resource mobilization) as well as an **independent factor** that does not depend on the current budget allocation (the needs-based component). Therefore, the results should be analyzed with this in mind.

   i. **Key countries** traditionally attract more voluntary contributions than other countries in the Region. When the resource mobilization factor is excluded, the budget space formula would indicate a reduction in most key countries. Once the resource mobilization factor is included, the formula would allocate more budget space to most key countries, particularly with the scenarios that utilize the new budget formula (scenarios 4-6).

   ii. **Smaller Caribbean countries and territories without PWR Offices** receive a considerable increase in budget space. However, the formula doesn't capture the additional technical cooperation provided through the Office of Eastern Caribbean Countries in Barbados.

   iii. **Some high- and middle-income countries** such as Argentina, Chile, Costa Rica, and Uruguay would also receive significantly higher budget space than they currently do. The consequence might be unsustainable budget spaces that are difficult to fund. Adding the resource mobilization factor and the limit on increase per biennium would soften and distribute these results over the period covered.

d) Scenarios that used quintile weighting were overall more aggressive in changing the budget space allocations than scenarios that excluded quintile weighting.

36. Based on the initial results, PASB recommends implementing Scenario 6 as the proposed budget formula. This means using the simplified budget formula presented in Figure 1, which includes a resource mobilization factor, and manually adjusting the results for Brazil, Haiti, and Mexico. The full results of Scenario 6 are presented in Annex C.

Distribution of Results over Time

37. An additional consideration that was presented to Member States was the timing of the application of the budget formula i.e. over what period the results of the formula should be applied, and whether to add a maximum budget change allowable (e.g., +/−10%) per biennium.

38. PASB proposes the results of applying the formula be phased in over three biennia, and that no budget shift exceed 10% per biennium. With this approach, and considering that Brazil, Haiti, and Mexico are adjusted separately, in 2020-2021 five countries would receive adjustments (increases or decreases) that are less than 10% of their current budgets, and the rest would be capped at +/−10%. By the biennium 2024-2025, 13 countries would still be capped at a +/−10% change, while the rest would have reached their budget ceiling. The countries that would not reach their formulaic ceiling are mainly small Caribbean islands without PWR Offices, as well as Latin American countries that are considered middle or high-income.

39. Results of the application of the formula through the three upcoming biennia are presented in Annex D.

Action by the Directing Council

40. The Directing Council is invited to take note of this report, provide any comments it deems pertinent, and consider approving the proposed resolution presented in Annex E.

Annexes

References

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Annex A

How the Proposed Budget Policy Addresses Each Recommendation from the Independent Evaluation

Upon approval of the Budget Policy of 2012, the Pan American Sanitary Conference requested that a thorough evaluation be performed after two biennia of implementation "to ensure that it continues to respond to changing health needs and that it consistently allocates resources in an equitable manner" (Resolution CSP28.R10). The evaluation of the Budget Policy was presented to the 56th Directing Council and contained nine principal recommendations (Documents CD56/6 and CD56/6, Add. I). These recommendations are listed here, with an explanation of how the proposed new Budget Policy responds to each of them.

Recommendation 1: Make the needs-based component less restrictive. The needs-based component in the new policy is merely one part of the formula, and the formula itself is flexible and can be manually adjusted (in transparent fashion). In this way the needs-based portion, while calculated using the Health Needs Index (HNI), does not restrict the overall resulting budget allocations.

Recommendation 2: Continue to improve the needs-based calculations. The use of the updated health needs index (the SHIe+) ensures major improvement to the previous methodology, including use of the geometric mean and use of more health-related indicators. It is not recommended to recalculate the HNI every two years, but rather every six years, since the impact-level indicators used do not vary greatly over the shorter period.

Recommendation 3: Enforce biennial updates of the floor component. Through biennial calculation of the general operating expenses and core staff components, this recommendation is met.

Recommendation 4: Allow the use of transparent and limited escape clauses for all Budget Policy's restrictions. These are specifically built into the Budget Policy, and indeed for 2020-2021 biennium, are already being used for select countries.

Recommendation 5: Eliminate all other formulaic restrictions. The elimination of the results-based management (RBM) component and of quintile weighting simplifies the formula. Also, the overall formula calculation can be adjusted through the variable component (5%), manual adjustment, and the maximum biennial shift limitation.

Recommendation 6: Create a mandatory biennial Budget Policy executive report. The proposal is to incorporate reporting on the new Budget Policy more explicitly in the end-of-biennium performance report that is submitted to Governing Bodies in the year following the end of each biennium. Internal reporting to PASB Executive Management is already being done more often than that.

Recommendation 7: The Budget Policy needs to be operationalized by adding its processes into budget and planning methodologies. The new Budget Policy is an integral part of the proposed Strategic Plan 2020-2025. As such, it will figure explicitly in the development of budget allocations for each program budget covered in the period.

Recommendation 8: Analyze ways to link voluntary contributions to the Budget Policy. This is accomplished by applying the Budget Policy to the entire budget envelope, rather than just to the Regular Budget, as previously.

Recommendation 9: Change the focus of the Budget Policy from the Regular Budget to flexible funds. This is the one recommendation not followed, in that the new Budget Policy is designed to apply to total integrated budget allocations, not specific financing sources (e.g., flexible funds). As the Program Budget is appropriated by Member States in its entirety, it was deemed necessary to apply the Budget Policy to the entire budget, not only to specific types of funding. The intention is to ensure reasonable funding of the assigned budgets through a combination of assessed contributions and other flexible funds and voluntary contributions so that the budget is funded equitably and efficiently across the Organization.

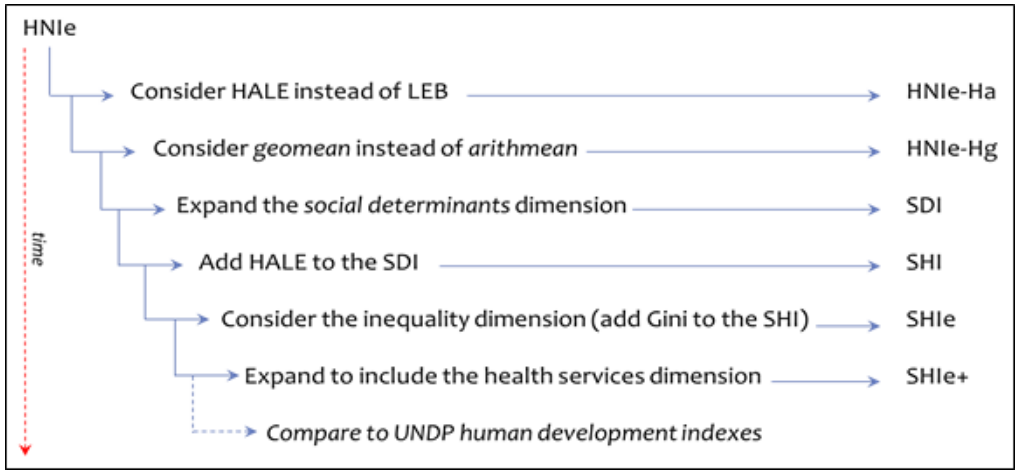
Annex B

Evolution of Decision-Making Process for Updating the 2012 Health Needs Index

The Sustainable Health Index Expanded Plus (SHIe+) is the most recent and updated version of the generic Health Needs Index (HNI), a synthetic measure of the degree of relative health needs of a country. The Pan American Health Organization (PAHO) has used the HNI since 2004 to inform its planning process—more specifically, to apprise the needs-based component of its budget policy, and to help identify key countries in its Strategic Plan. The incorporation of a health needs index within the budget policy has been PAHO's response to support budget allocation in a way that reflects on the principles of equity, solidarity, and panamericanism and, at the same time, to reinforce transparency, objectivity, and accountability in decision-making.

The decision-making process for updating the health needs index—from Health Needs Index *expanded* HNI*e* (2012) to SHIe+ (2019)—was informed by the Subgroup on Health Needs Index and Budget Policy of the Strategic Plan Advisory Group (SPAG). The SPAG was comprised of 21 Member States that agreed to collaborate with the Pan American Sanitary Bureau (PASB or the Bureau) to elaborate the Strategic Plan of the Pan American Health Organization 2020-2025, and the Subgroup included representatives from Antigua and Barbuda, Argentina, Bahamas, Canada, Costa Rica, Ecuador, Panama, and the United States of America. The Subgroup's final recommendations were presented to, and endorsed by, the SPAG. The evolution of—and rationale behind—the decision-making process for updating the HNI*e* (2012) is presented in Figure 1.

Figure 1. Schematic timeline of key decisions/rationale milestones in updating the HNI*e* (2012)[1]



[1] Abbreviations and formulae in the text below.

The Health Needs Index *expanded* (2012): The starting point of the decision-making process for updating the health needs index was the Health Needs Index *expanded* (HNI*e*), as defined in the current PAHO Budget Policy (Document CSP28/7). For each country, an arithmetic mean of its two most recent estimates of life expectancy at birth (LEB) and income per capita (ipc)—as presented in PAHO's Regional Core Health Data System—was computed, and its most recent estimate of the Gini coefficient was taken. For a given country *i*, the HNIe was then calculated according to the formula below, where *actual* is the country's current value, *min* is the minimum value observed in the regional data series, and *max* is the maximum value observed in the regional data series.

$$\text{HNI}e = \frac{\frac{(LEB_{i\ actual} - LEB_{min})}{(LEB_{max} - LEB_{min})} + \frac{(\log ipc_{i\ actual} - \log ipc_{min})}{(\log ipc_{max} - \log ipc_{min})} + \left[1 - \frac{(Gini_{i\ actual} - Gini_{min})}{(Gini_{max} - Gini_{min})}\right]}{3}$$

As noted from the formula, each index's component—namely life expectancy, income per capita, and Gini coefficient—for a given country, was computed by applying a standard statistical transformation procedure, where upon a relative value is assigned. This dimension index follows this structure:

$$dimension\ index\ (I_x) = \frac{actual - minimum}{maximum - minimum}$$

The dimension index can range from zero, for the most needy country, to one for the least needy country. It is noteworthy that, following a well-established recommendation to reflect the ubiquitous law of diminishing returns, a logarithmic transformation of the income distribution was computed instead of its actual value. The purpose here is to appropriately reflect the lower end of the income distribution, that is, the poorer countries. The structure for the Gini dimension index is different (it takes its complement) to take into account the direction or polarity of that indicator (whereas a higher value of LEB or ipc is desirable, a *lower* value of Gini is so). Methodologically and mathematically analogous to the well-known United Nations Development Programme (UNDP) Human Development Index (HDI), the Health Needs Index *expanded* (HNI*e*) was thus comprised of the sum of the values of its three components, after they have been assigned the same weight (1/3; one-third); thus, HNI*e* was the arithmetic average of its three dimension indexes:

$$HNIe = \frac{(I_{LEB} + I_{ipc} + I_{Gini})}{3}$$

Considering HALE instead of LEB: The first limitation identified in the HNI*e* (2012) formulation was that its health component, life expectancy at birth (LEB), although classically regarded as a good summary measure of population health, only captures its mortality experience and, therefore, it reflects survival—not necessarily survival *in good health*. A much better summary measure of population health is the healthy (or health-adjusted) life expectancy (HALE), which estimates the average time (in years) that a person (at a given age) could expect to live *in good health*—that is, taking into account fatal health

loss caused by premature mortality and non-fatal health loss caused by morbidity and disability. HALE estimates are now readily available for all countries. Considering HALE instead of LEB gives explicit importance at *being alive and being healthy* as opposed to just being alive. In order to take this rationale into account, the following modification of the HNI*e* was considered:

$$\text{HNI}e\text{-Ha}=\frac{\frac{(HALE_{i\ actual}-HALE_{min})}{(HALE_{max}-HALE_{min})}+\frac{(\log ipc_{i\ actual}-\log ipc_{min})}{(\log ipc_{max}-\log ipc_{min})}+\left[1-\frac{(Gini_{i\ actual}-Gini_{min})}{(Gini_{max}-Gini_{min})}\right]}{3}$$

This HNI*e*-Ha variant is identical to the original HNI*e*, except that it considers HALE instead of LEB (HNI*e*-Ha is computed as usual –that is, as an arithmetic mean).

Considering geometric mean instead of arithmetic mean: A second limitation identified of the HNI*e* (2012) formulation referred to the statistical way its components/dimensions were summarized. It has become apparent that when dealing with numbers in different scales (such as those that represent the three components of the HNI*e*) the correct statistical way to summarize them into one single number is by taking the geometric mean instead of an arithmetic mean (i.e., consider a multiplicative relationship rather than an additive one). The geometric mean has two important properties here: 1) *scalability*: it allows for averaging across numbers of completely different scales (and, hence, it equalizes impact across different dimensions); and, 2) *non-substitutability*: high achievement in one dimension does not compensate for low achievement in another dimension. For similar reasons, since 2010 the UNDP HDI is a geometric mean of its dimensions. To capture these attributes, the following change of the HNI*e* was now considered:

$$\text{HNI}e\text{-Hg}=\left\{\frac{(HALE_{i\ actual}-HALE_{min})}{(HALE_{max}-HALE_{min})}\ x\ \frac{(\log ipc_{i\ actual}-\log ipc_{min})}{(\log ipc_{max}-\log ipc_{min})}\ x\left[1-\frac{(Gini_{i\ actual}-Gini_{min})}{(Gini_{max}-Gini_{min})}\right]\right\}^{1/3}$$

This HNI*e*-Hg variant is identical to the original HNI*e*, except that it considers HALE instead of LEB and it is computed as a geometric mean.

Expand the social determinants dimension: A third limitation considered in the current HNI*e* refers to its heavier reliance on the economic dimension (i.e., income and Gini) to somehow represent or depict the particular context relative to a corresponding level of health needs in a given country. It was perceived as necessary to explore the expansion of the current context component of the HNI*e* to the social determinants of health, in order to take into account the direct and profound effects that the circumstances of daily life have on health and its distribution in the population, as well as to reflect the social capital and human capabilities approach to development—and, especially in the context of the 2030 Agenda for Sustainable Development—to *sustainable* development. PAHO has been working on one synthetic index, useful as an equity stratifier for the monitoring of subnational-level health inequalities, that captures the three dimensions of the sustainable development by mean of suitable proxies: the economic (income per capita, *ipc*), the social

(years of education attained, *yea*), and the environmental (water access coverage, *wac*). This synthetic index is the Sustainable Development Index (SDI), methodologically and mathematically analogous to the current HDI:

$$\text{SDI}=\left[\frac{\left(\log ipc_{i\ actual}-\log ipc_{min}\right)}{\left(\log ipc_{max}-\log ipc_{min}\right)}\ x\ \frac{\left(yea_{i\ actual}-yea_{min}\right)}{\left(yea_{max}-yea_{min}\right)}\ x\ \frac{\left(wac_{i\ actual}-wac_{min}\right)}{\left(wac_{max}-wac_{min}\right)}\right]^{1/3}$$

Add HALE to the SDI: The natural next step in this decision-making process was to add HALE to the SDI to transform it into a newer variant of the Health Needs Index *expanded* (HNI*e*), which takes into account all the rationale milestones considered so far. This variant was named the Sustainable Health Index (SHI):

$$\text{SHI}=\left[\frac{\left(HALE_{i\ actual}-HALE_{min}\right)}{\left(HALE_{max}-HALE_{min}\right)}\ x\ \frac{\left(\log ipc_{i\ actual}-\log ipc_{min}\right)}{\left(\log ipc_{max}-\log ipc_{min}\right)}\ x\ \frac{\left(yea_{i\ actual}-yea_{min}\right)}{\left(yea_{max}-yea_{min}\right)}\ x\ \frac{\left(wac_{i\ actual}-wac_{min}\right)}{\left(wac_{max}-wac_{min}\right)}\right]^{1/4}$$

Consider the inequality dimension into the SHI: Despite its considerable progress in the last decades, the Region of the Americas remains the most inequitable region of the world in terms of income distribution. It is also a well-established fact that wealth/income is a fundamental determinant of population health and that its distributional inequality deeply affects the distribution of health, determining similarly pervasive inequalities in health. This very rationale was considered to justify the inclusion of the Gini coefficient in the development of the original HNI*e* back in 2012, and so it was considered now. Its inclusion into the SHI grants it two very important attributes: 1) it reflects also the degree of *social* inequality in the country; and 2) it is the only element in the health needs index that captures within-country inequality. So, the updated health needs index considered, named the Sustainable Health Index Expanded (SHIe), had the following formula:

$$\text{SHIe}=\left\{\frac{\left(HALE_{i\ actual}-HALE_{min}\right)}{\left(HALE_{max}-HALE_{min}\right)}\ x\left[1-\ \frac{\left(Gini_{i\ actual}-Gini_{min}\right)}{\left(Gini_{max}-Gini_{min}\right)}\right]\ x\ \frac{\left(\log ipc_{i\ actual}-\log ipc_{min}\right)}{\left(\log ipc_{max}-\log ipc_{min}\right)}\ x\ \frac{\left(yea_{i\ actual}-yea_{min}\right)}{\left(yea_{max}-yea_{min}\right)}\ x\ \frac{\left(wac_{i\ actual}-wac_{min}\right)}{\left(wac_{max}-wac_{min}\right)}\right\}^{1/5}$$

Expand the health dimension to include a health services component: Finally, one more aspect was given consideration: the HALE component only reflects one side of the "health equation"—that of the health outcomes; the health services side (access to and/or coverage of health services) remains missing in the formulation of the new index. In order to have this rationale explicitly reflected into the health dimension of the new health needs index, a sixth, final element was added: an arithmetic mean of the proportion of births attended by skilled health personnel and the immunization coverage with DPT3 (health access and coverage, *hac*). The selection of these two health access and coverage indicators was rather guided by a criterion of practicality and convenience. In the absence of data availability for the universally preferred indicator for this component—namely, indicator

3.8.1 of the Global Indicator Framework for the Sustainable Development Goals and Targets of the 2030 Agenda for Sustainable Development: coverage of essential health services (defined as the average coverage of essential services based on tracer interventions that include reproductive, maternal, newborn and child health, infectious diseases, non-communicable diseases and service capacity and access, among the general and the most disadvantaged population), which is still under discussion at the global level—it was opted for including the said *hac* indicators given its wide regional availability, high data quality, and crucial importance as tracers of health care interventions for the most critical stage of the life course, that of the early years of life.

This last, final variant of the updated health needs index was the one selected and recommended by the SPAG Subgroup on Health Needs Index and Budget Policy. The index was called the Sustainable Health Index Expanded Plus (SHIe+) and its unabridged formula is the following:

$$\text{SHIe+}=\left\{\frac{(HALE_{i\,actual}-HALE_{min})}{(HALE_{max}-HALE_{min})}\,x\,\frac{(hac_{i\,actual}-hac_{min})}{(hac_{max}-hac_{min})}\,x\left[1-\frac{(Gini_{i\,actual}-Gini_{min})}{(Gini_{max}-Gini_{min})}\right]x\,\frac{(\log ipc_{i\,actual}-\log ipc_{min})}{(\log ipc_{max}-\log ipc_{min})}\,x\,\frac{(yea_{i\,actual}-yea_{min})}{(yea_{max}-yea_{min})}\,x\,\frac{(wac_{i\,actual}-wac_{min})}{(wac_{max}-wac_{min})}\right\}^{1/6}$$

where:

HALE	healthy life expectancy at birth (or health-adjusted life expectancy)
hac	health access and coverage
Gini	Gini coefficient of income inequality
yea	years of education attained
ipc	income per capita
wac	water access coverage

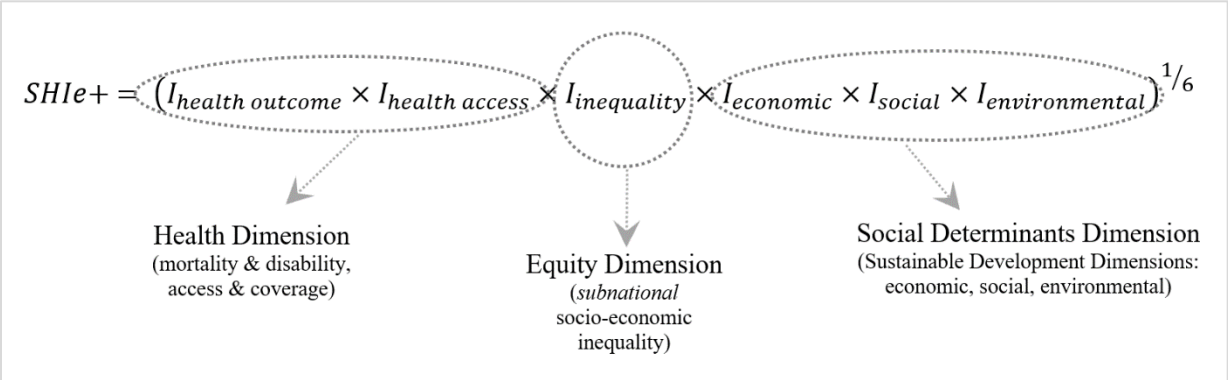
The SHI*e*+ formula can be represented in its abridged format as follows:

$$\text{SHI}_{e+}=(I_{health\,outcome}\times I_{health\,access}\times I_{inequality}\times I_{economic}\times I_{social}\times I_{environmental})^{1/6}$$

where Ii is a dimension index, its standard equation being:

$$\text{dimension index } (I_x)=\frac{actual-minimum}{maximum-minimum}$$

and in which it is clearer to recognize the index's three core dimensions:



The six dimensions of PAHO SHI*e*+, with their proxy indicators, and corresponding sources are:

health outcome	healthy life expectancy (HALE) at birth or health-adjusted life expectancy (years), annualized by linear interpolation
	Source: Institute for Health Metrics and Evaluation, Global Burden of Disease 2016 Study
health access	proportion of births attended by skilled health personnel and immunization coverage with DPT3
	Source: Health Situation in the Americas: Core Indicators 2018, PAHO
inequality	Gini coefficient of income inequality, most recent high-quality estimate
	Source: UN WIDER database, v. 2018
economic	gross national income per capita (US$); in purchasing-power-parity, 2011 constant, international dollars
	Source: World Bank World Development Indicators (2018 Series)
social	years of education attained; age-standardized education per capita at age 25+
	Source: Institute for Health Metrics and Evaluation, Global Health Data Exchange
environmental	proportion of the population using improved water supplies accessible on premises
	Source: WHO-UNICEF Joint Monitoring Programme for Water Supply, Sanitation and Hygiene

Redundancy Analysis: The last three variants considered, namely the Sustainable Health Index (SHI), the Sustainable Health Index expanded (SHIe), and the Sustainable Health Index Expanded Plus (SHIe+) were subjected to a redundancy analysis to ascertain the degree of information redundancy they conveyed with respect to other seven composite indexes thematically related. The analysis is based on the degree of correlation between two sets of composite indicators by ascertaining the coefficient of determination (R^2). If the R^2 is too high, it is said both composite indicators are redundant (i.e., either of them can be used to reflect the same construct or to measure the same thing); the threshold for redundancy is normally set at $R^2>0.90$. If the R^2 is too low, it is said both composite indicators are unrelated (i.e., they capture different constructs and measure different things); the threshold for unrelatedness is set normally at $R^2<0.70$. Substantive non-redundancy between two composite indexes should be found in the narrow range of $>0.70>R^2<0.90$, in which case both indexes have their own singularities in capturing a construct or measuring a dimension. The following table shows the results obtained:

Thresholds	R^2	meaning
Level 1	<0.699	unrelated
Level 2	0.700 - 0.899	substantive
Level 3	>0.900	redundant

Composite Development Index		SHI	SHIe	SHIe+
UNDP Human Development Index	HDI	0.915	0.789	0.775
UNDP Inequality-adjusted Human Development Index	IHDI	0.835	0.868	0.870
IHME Socio-Demographic Index	SDI	0.855	0.755	0.737
SDSN (Sachs) SDGs Global Index Score	GIS	0.787	0.726	0.742
SDSN (Sachs) SDG3 (health) Index Score	GIS3	0.768	0.682	0.712
Legatum Institute Prosperity Index	LPI	0.703	0.654	0.664
UNDP Global Multidimensional Poverty Index	MPI	0.814	0.753	0.811

This analysis puts PAHO SHIe+ in level 2 redundancy, meaning substantive non-redundancy with all other composite indexes assessed, except the Legatum Institute Prosperity Index, to which it is unrelated. These findings favor PAHO SHIe+, showing that it shares commonalities with related indexes but, at the same time, it captures constructs and measures dimensions not captured nor measured by the other indexes evaluated.

Pan American Health Organization
World Health Organization
Regional Office for the Americas

PAHO

The PAHO Sustainable Health Index *expanded plus* (SHI*e*+)

			the dimensions of sustainable health																											
			health outcome		health access		inequality	economic		social		environmental		arithmetic averages						log income	dimension indices (standardized values)							SHIe+	Rank SHIe+
Members[1]	code	population 2018	HALE (years)		SBA (%)	DPT3 (%)	Gini index	income per capita (US$)		education attained (years)		water access (%)		healtho	healtha	inequality	income	education	water		I_{heaO}	I_{heaA}	I_{ineq}	I_{eco}	I_{edu}	I_{env}		
			2015	2016	2017	2017	*lay**	2016	2017	2014	2015	2014	2015																
Sint Maarten	SXM	40,120	68.4	69.7	100.0	100.0	32.4	65,500	66,800	13.6	13.7	89.5	89.5	69.1	100.0	67.6	66,150	13.7	89.5	4.821	0.826	1.000	0.826	1.000	0.882	0.892	0.901	1
United Kingdom	UKT	209,636	70.3	71.6	98.7	87.8	32.4	38,146	38,680	14.0	14.1	95.2	95.2	71.0	93.3	67.6	38,413	14.1	95.2	4.584	0.942	0.827	0.826	0.852	0.921	0.953	0.885	2
France	FRT	1,117,195	71.2	72.6	99.0	87.8	29.2	38,367	38,702	12.0	12.1	97.1	97.2	71.9	93.4	70.8	38,535	12.0	97.2	4.586	1.000	0.831	0.919	0.853	0.723	0.975	0.878	3
Netherlands	NET	130,662	67.2	68.4	99.0	84.3	26.4	46,239	46,711	13.6	13.7	95.8	95.8	67.8	91.7	73.6	46,475	13.7	95.8	4.667	0.749	0.786	1.000	0.904	0.882	0.960	0.876	4
Canada	CAN	36,624,199	71.1	71.2	95.5	91.0	39.5	42,512	42,664	14.8	14.9	98.5	98.4	71.2	93.3	60.5	42,588	14.9	98.4	4.629	0.954	0.827	0.619	0.880	1.000	0.989	0.867	5
Aruba	ABW	105,264	67.2	68.4	100.0	97.0	32.4	25,300	25,300	13.6	13.7	95.8	95.8	67.8	98.5	67.6	25,300	13.7	95.8	4.403	0.749	0.962	0.826	0.739	0.882	0.960	0.848	6
Curacao	CUW	160,539	69.0	70.3	99.0	85.0	32.4	15,000	20,902	13.6	13.7	99.1	99.1	69.6	92.0	67.6	17,951	13.7	99.1	4.254	0.860	0.795	0.826	0.645	0.882	0.996	0.827	7
United States	USA	324,459,463	67.6	67.7	99.1	95.0	47.2	53,741	54,104	14.7	14.8	99.2	99.2	67.7	97.1	52.8	53,923	14.7	99.2	4.732	0.739	0.924	0.395	0.944	0.987	0.997	0.794	10
Puerto Rico	PRI	3,663,131	68.5	68.6	99.8	95.0	55.8	24,224	22,450	14.7	14.8	94.1	94.1	68.6	97.4	44.2	23,337	14.7	94.1	4.368	0.794	0.933	0.145	0.717	0.987	0.941	0.644	20
Cuba	CUB	11,484,636	69.1	69.2	99.9	100.0	27.0	12,200	12,300	11.1	11.2	91.4	92.6	69.1	100.0	73.0	12,250	11.1	92.0	4.088	0.831	0.999	0.983	0.541	0.636	0.919	0.798	8
Antigua and Barbuda	ATG	102,012	67.4	67.5	100.0	95.0	32.4	25,200	26,300	13.1	13.2	74.8	74.8	67.5	97.5	67.6	25,750	13.2	74.8	4.411	0.728	0.936	0.826	0.743	0.833	0.732	0.796	9
Saint Kitts and Nevis	KNA	55,345	67.0	68.2	100.0	98.0	32.4	26,500	26,800	10.1	10.2	95.5	95.5	67.6	99.0	67.6	26,650	10.2	95.5	4.426	0.735	0.974	0.826	0.753	0.541	0.957	0.783	11
Uruguay	URY	3,456,750	67.8	67.9	100.0	95.0	41.6	19,502	19,930	10.1	10.3	98.5	98.6	67.9	97.5	58.4	19,716	10.2	98.5	4.295	0.752	0.936	0.558	0.671	0.545	0.990	0.723	12
Bahamas	BHS	395,361	64.8	64.9	99.0	94.0	43.0	27,602	26,632	11.8	12.0	96.4	96.4	64.9	96.5	57.0	27,117	11.9	96.4	4.433	0.567	0.910	0.517	0.757	0.709	0.966	0.719	13
Argentina	ARG	44,271,041	67.1	67.2	99.7	88.0	41.8	17,857	18,461	10.9	11.0	99.0	99.1	67.2	93.9	58.2	18,159	11.0	99.1	4.259	0.709	0.842	0.552	0.648	0.618	0.995	0.713	14
Saint Lucia	LCA	178,844	66.2	66.4	99.1	80.0	32.4	14,100	14,400	10.1	10.2	95.5	95.5	66.3	89.6	67.6	14,250	10.2	95.5	4.154	0.656	0.732	0.826	0.582	0.541	0.957	0.702	15
Trinidad and Tobago	TTO	1,369,125	63.4	63.5	100.0	89.0	40.3	33,500	31,400	10.9	11.0	94.7	94.7	63.5	94.5	59.7	32,450	11.0	94.7	4.511	0.480	0.859	0.597	0.806	0.620	0.948	0.699	16
Chile	CHL	18,054,726	69.8	69.9	99.7	93.0	50.4	21,768	21,910	11.1	11.2	99.2	99.4	69.8	96.4	49.6	21,839	11.1	99.3	4.339	0.873	0.906	0.302	0.699	0.635	0.998	0.688	17
Dominica	DMA	73,925	64.1	64.1	100.0	91.0	32.4	10,800	11,100	10.6	10.7	74.9	74.9	64.1	95.5	67.6	10,950	10.6	74.9	4.039	0.520	0.885	0.826	0.511	0.588	0.734	0.661	18
Costa Rica	CRI	4,905,769	71.0	71.2	98.5	96.0	48.4	14,490	14,636	9.0	9.2	99.4	99.6	71.1	97.3	51.6	14,563	9.1	99.5	4.163	0.951	0.929	0.360	0.588	0.436	1.000	0.659	19
Saint Vincent and the Grenadines	VCT	109,897	62.7	62.7	98.6	100.0	32.4	11,400	11,500	8.4	8.6	93.7	93.7	62.7	99.3	67.6	11,450	8.5	93.7	4.059	0.433	0.982	0.826	0.523	0.377	0.937	0.634	21
Peru	PER	32,165,485	69.7	69.8	92.4	83.0	44.1	11,635	11,789	9.6	9.7	83.7	84.5	69.7	87.7	55.9	11,712	9.6	84.1	4.069	0.868	0.685	0.485	0.529	0.490	0.833	0.630	22
Ecuador	ECU	16,624,858	68.0	68.2	96.7	85.0	42.5	10,234	10,347	8.9	9.1	89.6	90.6	68.1	90.9	57.5	10,290	9.0	90.1	4.012	0.767	0.765	0.532	0.494	0.427	0.898	0.624	23
Barbados	BRB	285,719	66.9	66.9	99.1	90.0	47.0	18,400	18,700	8.4	8.6	98.0	98.0	66.9	94.6	53.0	18,550	8.5	98.0	4.268	0.693	0.860	0.401	0.654	0.377	0.984	0.622	24
Panama	PAN	4,098,587	69.3	69.4	94.6	81.0	50.6	18,167	18,494	10.0	10.2	92.9	93.5	69.3	87.8	49.4	18,331	10.1	93.2	4.263	0.842	0.687	0.296	0.651	0.533	0.932	0.617	25
Grenada	GRD	107,825	62.7	62.7	99.3	83.0	32.4	14,500	14,900	8.4	8.6	89.9	89.9	62.7	91.2	67.6	14,700	8.5	89.9	4.167	0.432	0.773	0.826	0.591	0.377	0.896	0.617	26
Jamaica	JAM	2,890,299	65.3	65.3	99.7	93.0	45.5	7,841	7,832	10.5	10.6	83.4	83.4	65.3	96.4	54.5	7,837	10.5	83.4	3.894	0.596	0.906	0.446	0.420	0.576	0.826	0.603	27
Dominican Republic	DOM	10,766,998	66.2	66.4	98.6	84.0	43.1	13,282	13,921	8.1	8.3	90.7	91.8	66.3	91.3	56.9	13,601	8.2	91.2	4.134	0.656	0.777	0.514	0.570	0.348	0.910	0.601	28
Venezuela	VEN	31,977,065	66.5	66.6	99.3	66.0	40.7	14,700	12,100	9.0	9.1	89.1	89.1	66.5	82.7	59.3	13,400	9.0	89.1	4.127	0.670	0.555	0.584	0.566	0.430	0.888	0.601	29
Mexico	MEX	129,163,276	67.0	67.1	96.4	85.0	48.6	16,623	16,944	8.3	8.5	93.1	94.1	67.0	90.7	51.4	16,783	8.4	93.6	4.225	0.700	0.762	0.356	0.627	0.369	0.936	0.587	30
Colombia	COL	49,065,615	68.8	69.1	99.0	92.0	53.3	13,050	12,938	8.2	8.4	95.7	96.0	69.0	95.5	46.7	12,994	8.3	95.8	4.114	0.819	0.885	0.218	0.557	0.358	0.960	0.558	31
El Salvador	SLV	6,377,853	66.3	66.5	99.5	85.0	41.8	7,663	6,868	7.2	7.4	88.7	89.7	66.4	92.3	58.2	7,266	7.3	89.2	3.861	0.661	0.801	0.552	0.399	0.262	0.889	0.548	32
Guyana	GUY	777,859	58.9	59.2	95.8	97.0	35.0	7,900	8,200	9.5	9.6	92.8	93.7	59.0	96.4	65.0	8,050	9.5	93.2	3.906	0.209	0.908	0.750	0.427	0.478	0.932	0.548	33
Brazil	BRA	209,288,278	65.3	65.5	99.0	89.0	51.2	16,300	15,600	6.9	7.1	96.6	97.2	65.4	94.0	48.8	15,950	7.0	96.9	4.203	0.599	0.846	0.279	0.613	0.230	0.972	0.518	34
Bolivia	BOL	11,051,600	63.7	64.0	99.0	84.0	48.3	6,621	6,714	7.8	7.9	91.0	91.8	63.9	91.5	51.7	6,668	7.8	91.4	3.824	0.506	0.782	0.363	0.376	0.314	0.912	0.499	35
Paraguay	PRY	6,811,297	64.9	65.0	91.4	79.0	51.7	8,424	8,380	7.9	8.1	93.2	94.6	64.9	85.2	48.3	8,402	8.0	93.9	3.924	0.572	0.621	0.265	0.439	0.327	0.940	0.483	36
Nicaragua	NIC	6,217,581	68.8	68.9	95.0	100.0	47.0	5,145	5,157	6.4	6.5	77.2	78.0	68.9	97.5	53.0	5,151	6.4	77.6	3.712	0.813	0.936	0.401	0.306	0.177	0.763	0.482	37
Belize	BLZ	374,681	62.9	63.1	94.4	88.0	53.3	7,419	7,166	8.5	8.6	94.5	95.2	63.0	91.2	46.7	7,292	8.5	94.8	3.863	0.451	0.774	0.219	0.400	0.383	0.950	0.472	38
Suriname	SUR	563,402	62.1	62.2	90.0	81.0	57.6	15,600	14,600	8.8	8.9	90.5	90.5	62.2	85.5	42.4	15,100	8.8	90.5	4.179	0.401	0.628	0.092	0.598	0.411	0.902	0.416	39
Honduras	HND	9,265,067	64.1	64.3	83.0	90.0	50.4	4,096	4,215	6.3	6.4	90.5	91.4	64.2	86.5	49.6	4,156	6.3	91.0	3.619	0.526	0.654	0.302	0.247	0.165	0.908	0.396	40
Guatemala	GTM	16,913,503	63.6	63.9	69.8	82.0	48.6	7,191	7,278	5.2	5.3	84.9	85.8	63.7	75.9	51.4	7,234	5.2	85.3	3.859	0.498	0.382	0.354	0.398	0.060	0.846	0.333	41
Haiti	HTI	10,981,229	55.4	55.9	50.0	72.0	60.8	1,681	1,665	4.6	4.7	7.1	7.2	55.7	61.0	39.2	1,673	4.6	7.2	3.224	0.000	0.000	0.000	0.000	0.000	0.000	0.000	42

[1] United Kingdom includes Anguilla, British Virgin Islands, Montserrat, Bermuda, Cayman Islands, Turks and Caicos Islands; France includes French Guiana, Guadeloupe, Martinique; Netherlands includes Netherlands Antilles
HALE = healthy life expectancy at birth; income = power-purchasing parity-adjusted gross national income per capita (US$)
* *lay* = last available year

Annex C

Results of the Application of the Budget Formula from Scenario 6

Members[1]	Code	Current country allocation	Core allocation					Proposed BP formula: SHIe+(2018), no within country weights, resource mobilization component BRA, HTI, MEX adjustment			
			Core staff	Floor GOE	Total floor core allocation	Floor variable	Total floor	Needs based component, adjustment for (BRA, HTI, MEX)	Resource mobilization component	Total country budget allocation	Difference with current country allocation
		1	2	3	4=2+3	5	6=4+5	7	8	9=6+7+8	10=9-1
Antigua and Barbuda	ATG	650,000	522,000	30,000	552,000	21,668	573,668	449,661	240,130	1,263,459	613,459
Argentina	ARG	6,330,000	1,852,000	596,171	2,448,171	96,101	2,544,272	4,819,530	761,606	8,125,407	1,795,407
Aruba	ABW	330,000	-	-	500,000	-	500,000	-	-	500,000	170,000
Bahamas	BHS	2,700,000	1,610,000	170,272	1,780,272	69,883	1,850,156	1,038,799	-	2,888,954	188,954
Barbados	BRB	600,000	-	500,000	500,000	19,627	519,627	1,248,860	542,202	2,310,689	1,710,689
Belize	BLZ	3,180,912	1,563,000	199,831	1,762,831	69,199	1,832,030	1,916,575	1,164,928	4,913,534	1,732,622
Bolivia	BOL	10,170,000	1,890,667	555,243	2,445,910	96,013	2,541,922	4,947,137	3,833,308	11,322,368	1,152,368
Brazil	BRA	16,793,875	2,042,333	1,340,832	3,383,165	132,804	3,515,969	12,595,406	646,760	16,758,135	(35,740)
Canada	CAN	500,000	-	-	500,000	-	500,000	-	-	500,000	-
Chile	CHL	4,300,000	1,802,000	376,400	2,178,400	85,512	2,263,912	3,626,037	2,041,192	7,931,141	3,631,141
Colombia	COL	10,000,000	1,828,500	1,158,410	2,986,910	117,249	3,104,159	7,807,604	1,480,542	12,392,305	2,392,305
Costa Rica	CRI	3,243,000	1,759,000	176,136	1,935,136	75,962	2,011,098	2,659,828	502,821	5,173,747	1,930,747
Cuba	CUB	5,800,000	507,000	360,390	867,390	34,049	901,438	2,020,948	2,618,785	5,541,172	(258,828)
Curacao	CUW	120,000	-	-	500,000	-	500,000	-	-	500,000	380,000
Dominica	DMA	600,000	500,000	30,000	530,000	20,805	550,805	646,993	11,016	1,208,814	608,814
Dominican Republic	DOM	6,253,000	1,596,333	431,158	2,027,491	79,588	2,107,079	3,905,764	1,383,085	7,395,928	1,142,928
Ecuador	ECU	7,561,000	1,565,000	488,400	2,053,400	80,605	2,134,005	4,241,808	2,451,363	8,827,176	1,266,176
El Salvador	SLV	5,595,000	1,857,250	101,680	1,958,930	76,897	2,035,827	3,790,994	1,410,176	7,236,997	1,641,997
France	FRT	300,000	-	-	500,000	-	500,000	-	-	500,000	200,000
Grenada	GRD	600,000	600,000	30,000	630,000	24,730	654,730	865,996	23,912	1,544,639	944,639
Guatemala	GTM	13,200,000	2,077,450	527,062	2,604,512	102,238	2,706,751	7,570,590	2,591,624	12,868,965	(331,035)
Guyana	GUY	6,000,000	1,636,000	316,031	1,952,031	76,626	2,028,657	2,079,386	2,699,185	6,807,228	807,228
Haiti	HTI	32,117,600	2,000,200	1,064,241	3,064,441	120,293	3,184,734	23,721,970	3,577,990	30,484,693	(1,632,907)
Honduras	HND	11,457,000	1,847,833	664,430	2,512,263	98,617	2,610,880	5,657,534	6,127,305	14,395,719	2,938,719
Jamaica	JAM	4,960,000	1,611,167	246,079	1,857,246	72,905	1,930,151	2,670,002	410,457	5,010,609	50,609
Mexico	MEX	9,239,000	1,780,000	841,882	2,621,882	102,920	2,724,803	6,929,250	1,290,613	10,944,665	1,705,665
Netherlands	NET	120,000	-	-	500,000	-	500,000	-	-	500,000	380,000
Nicaragua	NIC	13,035,000	1,678,708	202,032	1,880,740	73,827	1,954,567	4,313,748	3,750,927	10,019,242	(3,015,758)
Panama	PAN	5,701,000	1,638,500	243,680	1,882,180	73,884	1,956,064	2,836,250	3,209,438	8,001,752	2,300,752
Paraguay	PRY	8,922,400	1,792,000	214,485	2,006,485	78,763	2,085,248	4,421,655	2,892,450	9,399,353	476,953
Peru	PER	11,250,000	1,721,500	763,432	2,484,932	97,544	2,582,476	5,379,410	3,736,355	11,698,241	448,241
Puerto Rico	PRI	340,000	-	-	500,000	-	500,000	-	-	500,000	160,000
Saint Kitts and Nevis	KNA	533,000	600,000	30,000	630,000	24,730	654,730	360,659	715,130	1,730,519	1,197,519
Saint Lucia	LCA	600,000	456,000	30,000	486,000	19,078	505,078	828,021	1,233,455	2,566,553	1,966,553
Saint Vincent and the Grenadines	VCT	650,000	600,000	250,000	850,000	33,366	883,366	834,402	-	1,717,769	1,067,769
Sint Maarten	SXM	346,000	-	-	500,000	-	500,000	-	-	500,000	154,000
Suriname	SUR	4,800,000	1,662,000	354,167	2,016,167	79,143	2,095,310	2,429,334	2,003,534	6,528,179	1,728,179
Trinidad and Tobago	TTO	4,100,000	1,469,500	203,819	1,673,319	65,685	1,739,004	1,639,578	58,626	3,437,209	(662,791)
United Kingdom	UKT	1,526,000	-	-	500,000	-	500,000	-	-	500,000	(1,026,000)
United States	USA	490,000	-	-	500,000	-	500,000	-	-	500,000	10,000
Uruguay	URY	3,973,000	1,959,000	337,180	2,296,180	90,135	2,386,315	1,961,751	1,205,820	5,553,886	1,580,886
Venezuela	VEN	7,061,000	1,821,500	421,618	2,243,118	88,052	2,331,170	5,784,519	385,264	8,500,953	1,439,953
		226,047,787	**47,846,442**	**13,255,059**	**65,601,501**	**2,398,499**	**68,000,000**	**136,000,000**	**55,000,000**	**259,000,000**	**32,952,213**

Proposed as key countries by Needs Index formula

[1] France includes French Guiana, Guadeloupe, Martinique; Netherlands includes Netherlands Antilles; United Kingdom includes Anguilla, British Virgin Islands, Montserrat, Bermuda, Cayman Islands, Turks and Caicos Islands

Key for Annex C table

Column 1. Current country allocation**:** Country budget allocation for 2018-2019.

Column 2. Core staff**:** Minimum core staff in a given PWR Office, established as five staff members, with costs estimated at 2020-2021 levels.

Column 3. Floor GOE**:** General operating expenses, based on historical amounts by PWR Office in 2016-2017 and 2018-2019.

Column 4. Total floor core allocation**:** Sum of column 2 and column 3.

Column 5. Floor variable**:** Remainder of the floor component (25%), distributed proportionally among all countries that have a floor component applied to them. This accounts for potential increases in general operating expenses and staff costs over the six-year period.

Column 6. Total floor**:** Sum of column 4 and column 5.

Column 7. Needs-based component (with adjustment for BRA, HTI, MEX)**:** Except for countries/territories indicated as having no need, and the special cases of Brazil, Haiti, and Mexico, the needs-based component (50%) was distributed using the proportional share of SHIe+ times the population, adjusted by smoothing factor ALPS (adjusted log population squared). The budget space of Brazil, Haiti, and Mexico and their share were excluded from the calculation. For Brazil and Mexico, the needs-based component was calculated as 75% of their current allocation, corresponding to the average weight of their general operating expenses. For Haiti, the needs-based component was based on discussions with the PRW Office.

Column 8. Resource mobilization component**:** The weight attributed to this component is 20% of the total country budget ceiling. Budget space by country was assigned according to the weight of voluntary contributions of that country in relation to the total voluntary contributions received by PAHO at country level in the 2016-2017 biennium.

Column 9. Total country budget allocation: Sum of column 6, column 7, and column 8.

Column 10. Difference with current country allocation**:** Column 1 minus column 9.

Annex D

Application of the Formula Selected over Time, with Maximum Change of +/−10%, Assuming Budget Formula Scenario 6

Members[1]	Code	New budget policy (2019)			Application of the budget policy through the biennia with maximum biennial shifts							
		Current country allocation 2018-19	Total budget formula allocation	Difference with current country allocation	2020-2021 Biennium (+/-10% max)	% Change from previous biennium	Projected 2022-2023 biennium[1] (+/-10% max)	% Change from previous biennium	Projected 2024-2025 biennium[1] (+/-10% max)	% Change from previous biennium	Difference between total country budget and 2024-2025 biennium	Variable component 2020-2021
		1	2	3=2-1	4	5=(4/1)-1	6	7=(6/1)-1	8	9=(8/1)-1	10=9-6	11
Antigua and Barbuda	ATG	650,000	1,263,459	613,459	715,000	10%	786,500	10%	865,150	10%	398,309	-
Argentina	ARG	6,330,000	8,125,407	1,795,407	6,963,000	10%	7,659,300	10%	8,125,407	6%	0	-
Aruba	ABW	330,000	500,000	-	500,000		500,000		500,000			-
Bahamas	BHS	2,700,000	2,888,954	188,954	2,888,954	7%	2,888,954	0%	2,888,954	0%	0	-
Barbados	BRB	600,000	2,310,689	1,710,689	660,000	10%	726,000	10%	798,600	10%	1,512,089	-
Belize	BLZ	3,180,912	4,913,534	1,732,622	3,499,003	10%	3,848,904	10%	4,233,794	10%	679,740	-
Bolivia	BOL	10,170,000	11,322,368	1,152,368	11,187,000	10%	11,322,368	1%	11,322,368	0%	0	-
Brazil	BRA	16,793,875	16,758,135	(35,740)	16,758,135	0%	16,758,135	0%	16,758,135	0%	0	-
Canada	CAN	500,000	500,000	-	500,000		500,000		500,000			-
Chile	CHL	4,300,000	7,931,141	3,631,141	4,730,000	10%	5,203,000	10%	5,723,300	10%	2,207,841	-
Colombia	COL	10,000,000	12,392,305	2,392,305	11,000,000	10%	12,100,000	10%	12,392,305	2%	0	-
Costa Rica	CRI	3,243,000	5,173,747	1,930,747	3,567,300	10%	3,924,030	10%	4,316,433	10%	857,314	-
Cuba	CUB	5,800,000	5,541,172	(258,828)	5,541,172	-4%	5,541,172	0%	5,541,172	0%	0	-
Curacao	CUW	120,000	500,000	-	500,000		500,000		500,000			-
Dominica	DMA	600,000	1,208,814	608,814	660,000	10%	726,000	10%	798,600	10%	410,214	-
Dominican Republic	DOM	6,253,000	7,395,928	1,142,928	6,878,300	10%	7,395,928	8%	7,395,928	0%	0	-
Ecuador	ECU	7,561,000	8,827,176	1,266,176	8,317,100	10%	8,827,176	6%	8,827,176	0%	0	-
El Salvador	SLV	5,595,000	7,236,997	1,641,997	6,154,500	10%	6,769,950	10%	7,236,997	7%	0	-
France	FRT	300,000	500,000	-	500,000		500,000		500,000			-
Grenada	GRD	600,000	1,544,639	944,639	660,000	10%	726,000	10%	798,600	10%	746,039	-
Guatemala	GTM	13,200,000	12,868,965	(331,035)	12,868,965	-3%	12,868,965	0%	12,868,965	0%	0	-
Guyana	GUY	6,000,000	6,807,228	807,228	6,600,000	10%	6,807,228	3%	6,807,228	0%	0	-
Haiti	HTI	32,117,600	30,484,693	(1,632,907)	30,484,693	-5%	30,484,693	0%	30,484,693	0%	0	-
Honduras	HND	11,457,000	14,395,719	2,938,719	12,602,700	10%	13,862,970	10%	14,395,719	4%	0	-
Jamaica	JAM	4,960,000	5,010,609	50,609	5,010,609	1%	5,010,609	0%	5,010,609	0%	0	-
Mexico	MEX	9,239,000	10,944,665	1,705,665	10,162,900	10%	10,944,665	8%	10,944,665	0%	0	-
Netherlands	NET	120,000	500,000	-	500,000		500,000		500,000			-
Nicaragua	NIC	13,035,000	10,019,242	(3,015,758)	11,731,500	-10%	10,558,350	-10%	10,019,242	-5%	0	-
Panama	PAN	5,701,000	8,001,752	2,300,752	6,271,100	10%	6,898,210	10%	7,588,031	10%	413,721	-
Paraguay	PRY	8,922,400	9,399,353	476,953	9,399,353	5%	9,399,353	0%	9,399,353	0%	0	-
Peru	PER	11,250,000	11,698,241	448,241	11,698,241	4%	11,698,241	0%	11,698,241	0%	0	-
Puerto Rico	PRI	340,000	500,000	-	500,000		500,000		500,000			-
Saint Kitts and Nevis	KNA	533,000	1,730,519	1,197,519	586,300	10%	644,930	10%	709,423	10%	1,021,096	-
Saint Lucia	LCA	600,000	2,566,553	1,966,553	660,000	10%	726,000	10%	798,600	10%	1,767,953	-
Saint Vincent and the Grenadines	VCT	650,000	1,717,769	1,067,769	715,000	10%	786,500	10%	865,150	10%	852,619	-
Sint Maarten	SXM	346,000	500,000	-	500,000		500,000		500,000			-
Suriname	SUR	4,800,000	6,528,179	1,728,179	5,280,000	10%	5,808,000	10%	6,388,800	10%	139,379	-
Trinidad and Tobago	TTO	4,100,000	3,437,209	(662,791)	3,690,000	-10%	3,437,209	-7%	3,437,209	0%	0	-
United Kingdom	UKT	1,526,000	500,000	-	500,000		500,000		500,000			-
United States	USA	490,000	500,000	-	500,000		500,000		500,000			-
Uruguay	URY	3,973,000	5,553,886	1,580,886	4,370,300	10%	4,807,330	10%	5,288,063	10%	265,823	-
Venezuela	VEN	7,061,000	8,500,953	1,439,953	7,767,100	10%	8,500,953	9%	8,500,953	0%	0	-
		226,047,787	259,000,000	32,524,213	234,578,226		242,947,623		247,727,863		8,681,999	14,000,000

Proposed as key countries by needs index formula

[1] France includes French Guiana, Guadeloupe, Martinique; Netherlands includes Netherlands Antilles; United Kingdom includes Anguilla, British Virgin Islands, Montserrat, Bermuda, Cayman Islands, Turks and Caicos Islands

Key for Annex D table

Column 1. Current country allocation 2018-2019: Current country budget allocation for 2018-2019.

Column 2. Total budget formula allocation: Corresponds to column 9 in Annex B table.

Column 3. Difference with current country allocation: Column 2 minus column 1.

Column 4. 2020-2021 biennium (+/−10% max): The current country allocation would move in the direction of the amount recommended by the budget formula, with a maximum of 10% variation, or the amount recommended by the budget formula, whichever is less.

Column 5. Percentage change from previous biennium: Calculated against the current budget allocation for 2018-2019.

Column 6. Projected 2022-2023 biennium (+/−10% max): For illustration purposes. The country allocation estimated for 2020-2021 would move in the direction of the amount recommended by the budget formula, with a maximum 10% variation, or the amount recommended by the budget formula, whichever is less.

Column 7. Percentage change from previous biennium: Calculated against the budget allocation for 2020-2021.

Column 8. Projected 2024-2025 biennium (+/−10% max): For illustration purposes. The country allocation estimated for 2022-2023 would move in the direction of the amount recommended by the budget formula, with a maximum 10% variation, or the amount recommended by the budget formula, whichever is less.

Column 9. Percentage change from previous biennium: Calculated against the budget allocation for 2020-2021.

Column 10. Difference between total country budget and 2024-2025 biennium: Difference between what would be the suggested budget for biennium 2024-2025 and the budget proposed by the budget formula.

Column 11. Variable component 2020-2021: The budget space for this component remains undistributed unless the Director proposes its distribution.

Pan American Health Organization
World Health Organization
REGIONAL OFFICE FOR THE Americas

57th DIRECTING COUNCIL

71st SESSION OF THE REGIONAL COMMITTEE OF WHO FOR THE AMERICAS

Washington, D.C., USA, 30 September-4 October 2019

CD57/5
Annex E
Original: English

PROPOSED RESOLUTION

PAHO BUDGET POLICY

THE 57th DIRECTING COUNCIL,

(PP1) Having reviewed the proposed *PAHO Budget Policy* (Document CD57/5), which presents a revised regional budget policy that defines a new way of allocating budget ceilings within the Pan American Health Organization (PAHO);

(PP2) Noting the recommendations contained in the external evaluation of the existing budget policy that was presented to Member States for consideration in Documents CD56/6 and CD56/6, Add. 1;

(PP3) Mindful that the World Health Organization (WHO) and PAHO have adopted integrated budget approaches, and that Member States now approve an integrated budget, not solely the Regular Budget as was done prior to the 2016-2017 biennium;

(PP4) Considering the deliberations of the Executive Committee,

RESOLVES:

(OP)1. To thank the Strategic Plan Advisory Group (SPAG) and in particular the SPAG Subgroup on Health Needs Index and Budget Policy for their efforts to recommend modifications and introduce new criteria for the allocation of budget ceilings among the PAHO/WHO Representative Offices in the countries.

(OP)2. To take note of the proposed model for allocating budget ceilings among countries.

(OP)3. To approve the new PAHO Budget Policy, with the following emphases:

a) the budget allocation among the three functional levels of the Organization (country, subregional, and regional) will be such that, with the aim of strengthening

cooperation with countries, the Pan American Sanitary Bureau (PASB) will continuously strive to maintain optimal functional and organizational structures aimed at delivering the greatest level of impact in the countries, while still effectively responding to collective regional and subregional mandates;

b) the target budget share for the country and subregional levels (combined) is set at 45% for the period 2020-2025; the distribution among functional and organizational levels remains dynamic, allowing for budget ceiling adjustments throughout the planning process as necessary, always in transparent fashion and with the objective of improving health results in and for countries;

c) in the reallocation of budget ceilings among countries, no country's budget allocation shall be modified (increased or decreased) by more than 10% per biennium;

d) if the manual adjustment "escape clause" is used in a specific biennium, the respective justification will be presented to Member States for consideration and approval.

(OP)4. To ensure that the country budget allocations in PAHO program budgets during the period 2020-2025 are guided by the Budget Policy and are phased in over the three biennia, to ensure manageable transitions for technical cooperation programs and PAHO/WHO Representative Offices.

(OP)5. To promote prioritization in the allocation of resources among programmatic outcomes consistent with the collective and individual mandates of Member States, as expressed in PAHO's planning documents.

(OP)6. To request the Director to:

a) apply the new PAHO Budget Policy when formulating future proposed program budgets for the consideration of the Directing Council or the Pan American Sanitary Conference;

b) present to the Directing Council or to the Pan American Sanitary Conference an update on the implementation of the PAHO Budget Policy every two years, as part of the report on the end-of-biennium assessment of the PAHO Program Budget;

c) present to the Directing Council or to the Pan American Sanitary Conference a thorough evaluation of the PAHO Budget Policy following two biennia (four years) of its implementation, to ensure that it is meeting the objectives set out in the Budget Policy;

d) collaborate with Member States to promote more effective modes of cooperation in an environment of financial constraints.

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