



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



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PROGRESS REPORT OF THE WORKING GROUP ON REGIONAL BUDGET POLICY

1. An initial meeting of the Consultative Group on PAHO Regional Program Budget Policy was held in Washington, D.C. from 4 to 5 March 2004. The Consultative Group, composed of planning and budget experts from the Region, met to review the existing PAHO program budget policies and provide guidance on factors to be included in a proposal for their revision. Experts participating in the first meeting came from Canada, Guatemala, and Trinidad and Tobago; the other members from Argentina, Bolivia, Chile, and United States of America, as well as from other international organizations.
2. The group's primary concern was to propose criteria for priority setting among organization-wide areas of work and for equitable allocation of resources among country programs, while also permitting the necessary flexibility to respond to country, subregional, and regional special and changing needs. In looking at allocations among countries, the different needs of the Member States were discussed. On the one hand, there is a need for country programs to have a predictable budget allocation for supporting the discharge of their core functions and operations. On the other hand, changes in individual country allocations from one biennium to another were considered necessary, so the Organization can be responsive to the special and priority needs of Member States.
3. In order to meet these dual requirements of stability with flexibility, a two-part budget allocation mechanism was proposed and discussed. Within this mechanism, all countries would have a basic or core allocation which would be distributed using agreed-upon, objective equity criteria. This core allocation would be subject to periodic adjustments but would provide a fairly stable reference for country planning purposes. In order to provide the flexibility needed for a targeted response to Member States' special and priority needs, a second tier of country resources was proposed whose

allocation between countries would still be transparent and equitable but would vary from biennium to biennium.

4. The possible criteria for the distribution of the basic or core allocation was discussed at length. In the interest of equity, the distribution would need to take into account both the technical cooperation needs of the countries to attain the collective priorities of the Organization, as well as relative economic need.

5. Ideally, a model should incorporate a number of indicators reflecting different kinds of health status in addition to population levels and economic need—population health status, the state of health systems, as well as the levels of access to services and institutional development. The existing Regional Program Budget Policy used population, gross domestic product (GDP), infant mortality, and doctors and hospital beds per capita as its distribution variables. Of these factors, the first three were still considered relevant, although other criteria should also be added to allow better identification of need. It was felt that the latter two distribution variables, indicators on doctors and hospital beds per capita, were not particularly strong measures of countrywide health systems development or access to health services. Among a number of other possible indicators discussed for further consideration were:

- the proportion of the population below a minimum level of dietary energy consumption (as an alternate measure of relative poverty), and
- the proportion of births attended by skilled health personnel (as a measure of access to health systems and a proxy for quality).

6. The criteria used in some other international organizations was discussed, specifically UNDP and UNICEF, although it was noted that comparability should be treated cautiously given that neither organization operates on the basis of a regular budget with assessed contributions. The adjusted Human Development Index (HDI) applied by WHO in its regional reallocation formula under Resolution WHA51.31 was also reviewed and the consensus was that it was not the most useful means of weighting allocations between countries in this Region. The HDI is not primarily directed toward health and does not take health trends into account, which can be significant in some countries in this Region, where the current health status is fairly good but declining. It was also noted that its methodology has been revised recently and that such revisions could lead to disruptions in allocations between countries, countering the objective of basing allocations on indicators that are transparent. The Consultative Group identified the need for more detailed information on and analysis of the current budget policies of similar relevant organizations.

7. The idea of developing a composite health status index to reflect the multi-factorial nature of health development was discussed. Recognizing that there are a limited number of indicators available for all the countries that are relatively reliable and updated, it was noted that any eventual model should not be highly sensitive to any one health-related variable. Rather than being overly precise, one option to be considered would be to segment countries into groups by health status alone or by combination of health and economic status. More work would be needed to develop and model options.

8. The Consultative Group agreed that among other issues of core funding which need further consideration would be its level in relation to total country funding, and how often and on what basis adjustments would be made to change the relative distribution between countries.

9. The variable part of the country budget would allow the Organization to accelerate action for priority and special issues. These would include, for example, the priorities for technical cooperation given in the Strategic Plan 2003-2007 and the Managerial Strategy for the Work of the Pan American Sanitary Bureau in the Period 2003-2007; actions related to the Millennium Development Goals; and responses to emerging health problems. Every country would have basic or core funding, but not every country would receive funding from the variable portion of the country budget. By its nature, a country could not assume it would receive the same level of variable resources from one biennium to the next, although receipt in one biennium would not preclude receipt in the next. At the same time, the variable share of the budget should benefit a range of countries and not be concentrated in just a few. The idea of having some funds allocated and programmed subregionally was raised as one possible means of ensuring an adequate distribution among subregions and of addressing the increasing subregional integration needs.

10. The issue of health inequities within countries was discussed and how this should be dealt with in a resource allocation context. The discussion favored taking this into consideration in the variable part of the budget, rather than as a factor in the basic or core allocation. Given that major disparities in health status within countries tend to reflect similar disparities in income distribution, there was concern that including such factors in the core calculation would unfairly disadvantage countries that do have a more equitable income distribution.

11. The topic of resource allocation implications if country presence were considered was also discussed. It was felt that there were two separate issues: the need for some level of country presence in terms of technical cooperation to effectively support countries in their national health development; and the need for funding the costs of maintaining a physical presence. In addition, it was cautioned that current office operating costs charged to the PAHO country budget allocations should not be

considered fixed and used as an element in calculating core allocations. Such a method would disadvantage countries that are currently providing significant direct support. This issue would need to be examined further in the context of model options, to be sure that countries that cannot provide for PAHO's physical country presence, where such is needed to advance effective technical cooperation, have sufficient funds in their core allocation to meet the minimal needs of presence and still have adequate resources for technical cooperation.

12. Another aspect which would need to be reviewed in the context of modeling is how these revised mechanisms being proposed could be implemented without disruption to the technical cooperation currently under way. A period of transition would likely be needed to phase in revised allocations, perhaps over several biennia.

13. Due to time constraints, the majority of the discussion focused on allocations among countries. Further discussions will be needed to address the intercountry portions of the budget and the distribution of resources among areas of work.

14. As the next steps in the process, the Secretariat will conduct analytical work, including modeling, based on the initial discussions with the Consultative Group and taking into account the comments received from the Subcommittee on Planning and Programming. The dialogue with the Consultative Group will continue through electronic communication, and then conclude in a follow-up meeting planned for early May. A revised proposal for the PAHO Regional Program Budget Policy will then be submitted to the next meeting of the Executive Committee.

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