

# I

## INTRODUCTION

## Overview

1. Official Document No. 317 (OD 317) presents the proposal of the combined PAHO/WHO Biennial Program Budget (BPB) for 2006-2007 to the 46<sup>th</sup> Directing Council. This document has been substantially revised as a result of continuous dialogue with Member States. The first discussion of the 2006-2007 BPB took place in March 2005, at the 39th Session of the Subcommittee on Planning and Programming of the Executive Committee, before the approval of the WHO share of the Regular Budget. Then at its 136<sup>th</sup> Session held in Buenos Aires, Argentina, in June 2005, the Executive Committee (EC) reviewed the new proposal with the approved WHO share, and provided guidance on several issues related to the content and level of the program budget. The EC asked for further consultations and the Secretariat invited Member States to send written comments by 15 July 2005. An information session with the Secretariat was also held in Washington, D.C. on 22 July 2005, with video conferencing to 5 sites in Latin America. This revised document addresses the issues and reflects the perspectives of the Member States that participated in the recent consultations.

2. Through priority setting and a reduction in selected programs, the proposed 2006-2007 Biennial Program Budget requires **no quota increases from PAHO Member States**. In addition, the Secretariat brings to the attention of Member States, some key regional commitments that could be better addressed should Member States wish to consider a 2% increase in quotas. The budget details of both options are included at the end of the Introduction.

3. The proposed BPB 2006-2007 builds on the **organization-wide, results-based approach of WHO**. It has also benefited from a participatory and iterative process, involving national counterparts, the various levels of the PAHO Secretariat and the WHO Headquarters. The planning and programming process has enabled the linkages among all the various parts of the institution to be considered. Office-specific Expected Results – OSER – derived from plans in country offices, centers, and regional units are linked to the Region-wide Expected Results (RER) described in the Areas of Work under Section II. The RERs, in turn, are linked to the Organization-wide Expected Results (OWERs) that were identified in the approved WHO Program Budget, 2006-2007. This framework permits the monitoring of contributions of all PAHO offices to the achievement of the RERs and in turn to the OWERs.

4. Lessons learned from the end of biennium review of the implementation of the 2002-2003 Biennial Program Budget have been taken into consideration in the development of the current proposal. The performance of each unit was reviewed by EXM formally in December 2003. The consolidated report was not finalized before the 136<sup>th</sup> Executive Committee and could not be presented to Member States at that time. The 2002-2003 Performance Assessment is now available to Member States as Information Document CD46/INF/1.

5. In the process for developing the BPB, a multidisciplinary review of the country proposals were completed before finalizing the proposals for the regional units to ensure that regional units and centers could align their programming to support country needs. This process has also facilitated better collaboration among regional units and centers in keeping with the country-focused approach.

6. In keeping with a key principle of **results-based management**, and as required by the Regional Program Budget Policy, this proposal presents a unified budget; in other words, **one program budget reflecting multiple funding sources**. The proposed program budget provides a comprehensive

overview of the technical cooperation that the Secretariat will manage during the biennium 2006-2007 and presents the total picture of resources required to achieve the region-wide expected results. This total resource envelope includes regular budget funds, derived from assessments to Member States plus miscellaneous income, as well as funds termed 'Other Sources'. Other Sources (OS) are made up of voluntary contributions and can be divided into two categories: 1) the estimated contributions that can be reasonably expected, either because of established and continuing dialogue with partners and/or traditional donor interest, and 2) an 'unfunded' portion. This unfunded portion represents the gap that will be the **focus of the Secretariat's increased resource mobilization efforts**.

7. Prior to the development of the BPB 2006-2007, the policy for the estimation of voluntary contributions—formerly referred to as extrabudgetary funds—was to use only the known commitments at the time the BPB was prepared. This meant that relatively low amounts of Other Sources compared to the regular budget, were reflected in the BPB document. This level of proposed other resources was in fact much lower than the amounts of voluntary contributions actually received during the biennium, hence the estimates never provided an accurate picture of funding available to the Organization's programs (see table below).

**Table 1. PAHO/WHO voluntary contributions in recent biennia**

	<b>2000-2001</b>	<b>2002-2003</b>	<b>2004-2005</b>	<b>2006-2007</b>
<b>Included in proposal</b>	\$68,600,000	\$55,500,000	\$55,800,000	\$265,544,000
<b>Actual</b>	\$130,420,000	\$140,309,000	\$180,000,000 *	

\* Data through 30 June 2005

8. The one-program one-budget approach used for 2006-2007 BPB presents a complete picture of the resources needed to implement the technical cooperation program in the biennium.

9. The PAHO/WHO **technical cooperation program is presented in the following three sections**: II. Areas of Work; III. Subregional Programs and IV. Country Programs. Section II presents, 37 thematic Areas of Work, and for each of these, the issues and challenges that need to be addressed are analyzed, and the PAHO Objectives, Strategies, and Region-wide Expected Results and Indicators defined. This section presents the consolidated work across the entire Organization. While the PAHO Objective is an expression of the combined commitment of Member States and the Secretariat (country offices, regional units, and centers), the RERs describe the Secretariat's contribution to that objective, and form the basis for costing and estimating resource requirements for the two-year period. Performance indicators are made explicit, and baselines and targets have been added to allow monitoring of achievements through implementing the program budget.

10. Section III, outlines the subregional program, which is introduced for the first time, as predicated by the PAHO Regional Program Budget. This section represents the first iteration of the work of the Organization in support of the health agenda of the various subregional integration processes of the Americas. These plans will be refined in conjunction with the respective subregional institutions: the

Caribbean Community (CARICOM), the Central American Integration System (SICA), the Southern Common Market (MERCOSUR), and the Andean Community of Nations (CAN). This section also includes resources devoted to the three subregional centers—INCAP, CFNI, CAREC—and to the United States/Mexico Border Health Office in El Paso.

11. Section IV is dedicated to the Country Programs. This section includes, for each country of the Region, a summary of the national priorities for PAHO Technical Cooperation as well as the proposed Secretariat response at country level. The technical cooperation program is presented using the logical approach, including the purpose or outcome/impact level objective and expected results. Additional information, including the full situation analysis, technical cooperation strategy, and specific activities for each expected result, are contained in the individual work plans of each of the PAHO country offices.

12. Section V presents a series of detailed program budget information in the form of tables and charts.

### **Regional Health Context**

13. The Region is in a phase of economic expansion—with a rate of annual average growth of 4.3%—that is foreseen to continue during the next biennium. In fact, the expected growth in Gross Domestic Product (GDP) per capita of Latin America and the Caribbean between 2003 and 2006 is expected to be 10 per cent. However this region continues to be the most inequitable in the world in the distribution of wealth. Current evidence suggests that the inequality in income is growing at a faster rate than economic growth, measured by the gross national income.

14. As a result of the dynamic changes in the demographic and epidemiological profiles in the region, the greatest burden of death and illness is now due to both communicable diseases and non-communicable diseases, including accidents and violence. Despite improvements in the health of the population, reflected in the sustained increases in life expectancy at birth, major gaps in the coverage and quality of the health services persist, linked to inequalities of access and other forms of social exclusion. These disparities in health are an expression of underlying structural inequalities that cause social and economic exclusion within and among countries and population groups. National health reform processes cannot be pursued in isolation of broader structural problems in the region and the need to address these problems in an integrated manner, involving many sectors of society, is urgent.

15. There is a growing demand for regional groups, countries and communities to develop and strengthen their early warning capabilities to better anticipate and respond to epidemics and natural or man-made disasters. Strong local, national and regional health information systems and intelligence sharing is called for, including the monitoring of health risks associated with trade, travel and migration within the region and beyond. The reemergence of some old diseases, and emergence of new diseases, the impact of environmental changes linked to expanding urbanization, climate changes and accidental or intentional contamination of the environment make it essential for countries and PAHO to invest appropriately in risk assessment and disaster preparedness.

16. Given that many public health determinants are beyond the manageable capacity of individual countries, regional cooperation is increasingly essential to influence and participate effectively in global and regional debates and decision making that impact people's health. The health considerations of so

called ‘policies of consensus on globalization’ — fiscal austerity, macroeconomic stabilization, foreign direct investment and trade liberalization — must be rapidly analyzed and considered in the region to ensure that the application of such policies that transcend national borders have no unintended negative health impact. These issues are best addressed through regional and sub-regional forums where dialogue, collective monitoring, information exchange and decision making is possible and the Secretariat continues to offer its services to support this form of regional cooperation.

17. Significant changes in the international framework for development cooperation and trends in overseas development assistance (ODA) are influencing public health cooperation in the Americas and the role PAHO is called on to play at country and regional levels. Several new public/private partnerships for development and public health have emerged. All parties are learning how to work more effectively in this innovative new cooperation environment, to serve countries and people’s best health interests. The Working Group on PAHO in the 21<sup>st</sup> century has addressed these issues in their deliberations and the Secretariat has taken note of their emerging recommendations.

18. The Secretariat will continue to prioritize its direct technical cooperation to help population groups and countries with greatest health needs to accelerate actions for achieving agreed goals by improving the systems, services and conditions for health.

## **Strategic Direction and Priorities**

### **Policy framework**

19. The formulation of the BPB 2006-2007 is guided by relevant global and regional policy frameworks. **The Strategic Plan of the Pan American Sanitary Bureau for 2003-2007** is the major compass for the technical work and priority setting. This BPB strengthens the Secretariat’s efforts to assist countries in reducing the inequities within and among countries by placing emphasis on the special population groups: poor populations, indigenous peoples, women, children, and the elderly. Special attention has been given to the Key Countries (Bolivia, Guyana, Haiti, Honduras, and Nicaragua) identified in the Strategic Plan. Four out of five of the Key Countries proposals have been informed by Country Cooperation Strategies (medium-term framework for PAHO’s response at country level). In addition, in the Areas of Work, where relevant, the Key Countries are identified in the ERs. While the 6 health related **Millennium Development Goals** (MDGs) were considered in the development of the Strategic Plan, during the formulation of the BPB efforts was made to ensure that the support to countries focused on the specific targets for those goals.

20. The BPB 2006-2007 has been finalized in tandem with the *Midterm Assessment of the Implementation of the Strategic Plan for the Pan American Health Organization for the Period 2003-2007*, CD46/8. The preliminary findings of the *Midterm Assessment* have been considered in the analysis of programmatic priorities and budget allocations in the BPB. While achievement of the technical cooperation objectives in the 2003-2007 Strategic Plan depends on the programs and resources of many players in the health sector (including PAHO), nonetheless, those objectives are central to the BPB 2006-2007 development process and provide context for the allocation of the Secretariat’s limited resources. The results of the midterm assessment of the levels of achievement of these technical cooperation objectives influenced the redefinition of the ERs in some Areas of Work as presented in this proposal.

21. This is the first program budget guided by the application of the **Regional Program Budget Policy** (RPBP) approved by the 45th Directing Council in September 2004. The Program Budget Policy has as its main objectives the promotion of equity and solidarity in the improvement of the health status in the countries of the Americas, and an increased emphasis on impact at the country level in the operations of the Organization.

22. The key elements of the Policy as defined in the documents CD45/7 and CD45/7 Corrig.1, and the Resolution CD45.R6 are:

- . Increased country focus in part by allocating a greater portion of the Organization's resources to country operations and by introducing a subregional allocation in the program budget. The country allocations will increase to a target of 40% of all regular budget resources. The subregional allocation is targeted to increase to 7% of the total regular budget and the primary objective is to increase PAHO's assistance in achieving the health agenda of the subregional integration processes of the Americas.
- . Introduction of a new model for the allocation of resources among countries based on the principle that the countries with greatest health needs should receive proportionately more resources, adjusted for population, and those countries which enjoy relatively better health status would give up some of their allocations to meet the needs of poorer countries.
- . The country allocation in the new RPBP is divided into two parts, core funds and variable funds.
  - The core funding represents 95% of the country allocation and is made up of two components:- a fixed component and a needs-based component.
  - The variable allocation, is not to exceed 5% of the total country allocation, and is intended to provide some flexibility in the allocation process. It must be distributed based on approved criteria.
- . In the reallocation of resources among countries, no country's core allocation is reduced by more than 40% of its proportional allocation among countries as approved in the Biennial Program Budget, 2004-2005.
- . The allocation to key countries (Bolivia, Guyana, Haiti, Honduras, and Nicaragua), as identified in the Strategic Plan 2003-2007 for the Pan American Sanitary Bureau, will be protected so that these countries do not experience a reduction of their proportional share of the core budget with respect to the Biennial Program Budget, 2004-2005.
- . The Policy is to be implemented over three biennia in order to minimize disruptions and to ensure more effective utilization of resources by those countries gaining increases.

23. Accordingly, for 2006-2007, resources have been shifted to country programs, to the level shown in Table 2 below.

**Table 1. Application of the Regional Program Budget Policy**

	2006-07	2008-09	2010-11
Country	38.0%	39.0%	40.0%
Subregional	6.4%	6.7%	7.0%
Regional	55.6%	54.3%	53.0%
	100.0%	100.0%	100.0%

24. The subregional processes to be supported initially in 2006-2007 are those represented by CARICOM in the Caribbean, SICA in Central America, MERCOSUR in the Southern Cone, and CAN in the Andean region. The primary purpose is to collaborate with the official intergovernmental subregional bodies in programs focused on subregional health priorities which are congruent with PAHO's mandates and priorities. These programs presented as a draft in this proposal would be further developed in consultation with the respective authorities. Efforts have been made in this initial phase to minimize disruption in existing sub-regional arrangements. However, changes will be introduced in subsequent biennia to equitably distribute resources across subregions.

25. PAHO's technical cooperation at the subregional level will be provided through:

- New subregional technical cooperation program in support of subregional health agendas
- Support to PAHO subregional centers: Institute of Nutrition of Central America and Panama (INCAP), Caribbean Food and Nutrition Institute (CFNI), and Caribbean Epidemiology Centre (CAREC),
- Support to U.S./Mexico Border Health Office (El Paso, Texas)

26. As required in the RPBP in March 2005, **the 39<sup>th</sup> Subcommittee on Planning and Programming (SPP) approved the following three criteria for the allocation of the variable part by the Director during the biennium:**

- For those countries that are experiencing major unexpected disruptions in their economies, such as the occurrence of natural disasters, temporary social or civil instability, or a sudden fiscal downturn. In this regard, countries who are already feeling the impact of budget reductions would receive priority over those countries that are experiencing budget increases from the core part of the country allocation.

- To support those countries that have shown a concerted effort in their 2006-2007 work plans in addressing critical work toward the progress of achieving Millennium Development Goals and targets. Within that group, those countries furthest away from reaching targets will be given priority. This criterion is intended to serve as an incentive for countries to actively engage in MDG-related activities.
- To support those countries that, in addition to already having comparatively small budgets, are receiving further budget reductions in core funding. This criterion is intended to allow for small, but needed operational adjustments to assist the countries in achieving a smooth transition to the new budget level with minimum disruption to their technical cooperation activities.

27. The allocation of variable funding will be tracked and monitored separately and the Director will report annually to the SPP on its utilization.

28. Another major policy guiding this proposal is the **Managerial Strategy 2003-2007**. It defines new ways of working that must be adopted across the Secretariat in order to implement the Strategic Plan effectively and respond to countries' needs. The Strategy identifies 5 corporate objectives for the organizational change. Because of the cross-cutting nature of the needed institutional change, it is not always easy to identify all aspects of the Strategy in the Program Budget. However, eleven, interrelated, transformational projects, are being implemented during the biennium to achieve the objectives for institutional change. The relationship of the strategic objectives and the eleven transformational projects is illustrated in Table 2 below and the roadmap projects are identified in the Section on Areas of Work, at the Expected Result level.

**Table 2. Relationship between the 5 corporate strategic objectives and the 11 transformational projects**

<b>Strategic Objective for organizational change</b>	<b>Transformational Project</b>
1. Respond better to country needs	1. Country-focused cooperation 2. Review of Country Support Unit
2. Establish a Regional Forum	3. Regional Forum
3. Become a learning, knowledge-based organization	4. Information and Knowledge Management Strategy 5. Leadership development and learning
4. Foster innovation modalities of technical cooperation	6. Regional Programs
5. Enhance management practices	7. Resource mobilization strategy 8. Human resources strategy 9. Standards of accountability and transparency 10. Internal communication strategy 11. External communication

29. As a result of these initiatives, greater alignment and effectiveness is expected in management structures, processes, and mechanisms of technical cooperation that will improve the Organization's ability to meet the expectations of Member States in the 21st century. A separate document (CD46/15) details the progress to date on the ongoing institutional change process.

30. In addition, the BPB proposal also considers the recommendations of three initiatives which provided a broad range of recommendations aimed at improving the performance of the Secretariat: **the Working Group on PAHO in the Twenty-first Century; the Assessment by the United Nations Joint Inspection Unit of the results-based management (RBM) practices in the Secretariat; and the special External Audit** performed in 2004. They will be considered by the 46<sup>th</sup> Directing Council and its deliberations will be taken into the operational planning of the BPB.

31. The Secretariat has also been involved in the renewal of the WHO Managerial Framework and, consequently, additional measures have been taken to further align the global and regional planning processes for the different time frames. The formulation of the BPB 2006-2007, benefited from improvements in the coordination of both resource and program requirements with the global process. The greater convergence with WHO will facilitate dialogue across all areas of the Organization, and in all stages of planning, implementation, monitoring, and reporting.

### **Program structure and orientation**

32. The **Areas of Work (AOW)** are the health development and managerial themes that the Secretariat has selected to focus its work. They are the building blocks for programmatic planning and budgeting. The revised Areas of Work for 2006-2007 are the results of an extensive WHO inter-regional consultative process. The PAHO Areas of Work statements framed our Region's input into the global process for developing the organization-wide WHO Program Budget. Prior to the Executive Committee (EC), the PAHO Areas of Work had been streamlined from the existing 42 to 38, allowing for congruence with the 36 organization-wide WHO Areas of Work for 2006-2007. Two additional Areas of Work reflect the specificity of the PAHO Secretariat's work at country level. As a result of the priority setting exercise, described later in the document, the number of AOW has been reduced to 37. There will be no separate AOW for communicable disease research. The complete scope of all the Areas of Work is available to the Directing Council as Information Document CD46/INF/2.

33. It is important to highlight that, in addition to the Areas of Work; **the program budget is also prepared from the perspective of each three functional level and funds are allocated accordingly:** 1) Country, 2) Subregional, and 3) Regional. The term 'Region-wide' is an expression that refers to the totality of the effort, across the institution, combining the work of the country offices, regional and subregional centers, and regional units in Washington). The term 'Regional', refers to the work carried out by regional units and regional centers, including the contributions of the regional advisors based in offices outside Washington. To illustrate this distinction, Section II of this document, reflects the region-wide BPB by Area of Work, i.e., the combined work of the entire Secretariat. The resources indicated for each region-wide Area of Work also represent the total cost of achieving the related region-wide expected results across all functional levels of the institution.

34. The diagram below illustrates the relationship between Areas of Work and functional levels and highlights what is meant by region-wide.

Basic Architecture of the Program Budget

Level AOW	Regional	Subregional	Country	TOTAL (region-wide)
AOW 1	\$	\$	\$	\$\$
AOW 2	\$	\$	\$	\$\$
⋮				
AOW 38	\$	\$	\$	\$\$
TOTAL	\$\$\$	\$\$\$	\$\$\$	\$\$\$

16

35. The revised 37 PAHO Areas of Work have been grouped into appropriation categories that reflect the conceptual underpinnings of PAHO's work. This modifies the program structure of the BPB 2006-2007 compared to the previous biennium, although many of the Areas of Work are common to both periods. As before, the program structure does not reflect the structure of the Secretariat. This is by design to facilitate cross functional cooperation and integrate the Secretariat's response to the technical cooperation requirements of countries.

36. The following paragraphs summarize the **revised nine appropriation sections in terms of Areas of Work** (please refer to Information Document CD46/INF/2 for the complete scope of the Areas of Work).

***Section 1: Communicable Diseases***

37. This section includes prevention, control and research aspects of communicable diseases, in addition to an Area of Work on Epidemic Alert and Response linked to disease outbreaks and the revision of International Health Regulations. This section also includes specific Areas of Work for Malaria, Tuberculosis, and HIV/AIDS, Foot and Mouth Disease and other zoonotic diseases relevant to human health. T

***Section 2: Noncommunicable Disease and Reduction of Risks***

38. This section includes the surveillance, prevention, and management of chronic, non communicable diseases. It also includes activities in mental health and substance abuse; tobacco control; nutrition; violence, injuries and disabilities.

### ***Section 3: Sustainable Development and Environmental Health***

39. This section encompasses Areas of Work which address determinants of health and therefore rely on multi-sectoral involvement in technical cooperation: health promotion, health and environment, and food safety.

### ***Section 4: Family and Community Health***

40. This section now includes the areas of reproductive health; making pregnancy safer; gender, women, and health; child and adolescent health; and immunization and vaccine development. Note that the area of HIV/AIDS is now located in Section 1--Communicable Diseases.

### ***Section 5: Health Technologies***

41. This section was previously part of Section 6. It now has two Areas of Work; essential medicines and essential health technologies. The latter includes clinical technology, blood safety and laboratories.

### ***Section 6: Health Systems Development***

42. This section includes major areas, such as policy-making for health and development; health systems policies and services delivery; human resources for health; and health information, evidence and research policy. Also included are areas in health financing and social protection, as well as in emergency preparedness and response.

### ***Section 7: Knowledge Management and Information Technology***

43. This section covers one Area of Work but two inter-related functions which will together propel the Organization towards becoming a knowledge-based and learning organization. Knowledge management will build on the work of BIREME, and publications; and the information technology will ensure that the necessary infrastructure is in place.

### ***Section 8: Managerial and Administrative Processes***

44. This section groups together all of the Areas of Work related to essential corporate management and statutory functions of the Organization, such as: planning, resource coordination and oversight; human resources management; budget and financial management; infrastructure and logistics; governing bodies; external relations; and direction.

### ***Section 9: Core Presence in Countries***

45. In support of the country focus orientation and in convergence with the WHO Area of Work, “WHO’s Presence in Countries,” entire appropriation section named “Core Presence in Countries” has been defined for the BPB 2006-2007. The three Areas of Work included provide greater specificity for the activities and resources allocated for ensuring PAHO/WHO presence in countries and for contributing to processes aimed at strengthening national health development over and above the work at country level in each of the other 35 Areas of Work. This is the only point of deviation from the 36 WHO Areas of Work. PAHO has expanded the WHO Area “WHO Core Presence in Countries” into three distinct Areas of Work: Country cooperation, leadership and coordination; Country office operations; and Technical cooperation among countries. The notion of a ‘core presence in countries’ is comprised by all three Areas of Work and remains as the title of the appropriation section

### Setting Priorities

46. **The Strategic Plan 2003-2007 calls for the Bureau to focus on three priorities: population groups, key countries, and technical areas.** In most instances, the population groups are explicit at the Area of Work level; in the case of indigenous population and the elderly, the support to countries is discernible at the Expected Results level in the AOWs: Health Systems Policies and Services Delivery and Health Promotion respectively. The technical cooperation assisting countries to address the needs of the poor is evident in the Areas of Work (AOW) Policy-making for health development and Health financing and social protection. The five Key Countries have been identified for priority attention in Areas of Work relevant to their national health priorities; and all of the objectives for the Priority Technical Areas are identifiable in the Area of Work Goals, PAHO Objectives or among the Expected Results. Given the centrality of health in the **Millennium Development Goals (MDGs)**, and the inter-sectoral and inter-disciplinary nature of the required response, the ERs in many areas of work reflect or support achievement of the MDG targets.

47. In addition to this higher-level priority setting, the Director of PAHO has identified **a framework for the implementation of technical cooperation** which has three components **1) addressing the unfinished agenda (UA), 2) facing new challenges (FC), and 3) protecting the achievements (PA).**

- . **The unfinished agenda** refers to the diseases and health issues for which cost-effective solutions are widely available and almost universally applied. The continued presence of these conditions is illustrative of the inequalities and unrealized health rights of large population groups. This component includes:
  - the health-related MDGs, except HIV/AIDS representing the major causes of the burden of disease in the Key Countries.
  - the “neglected” diseases, a group of parasitic and other infectious diseases which, because of the ‘tyranny of national averages’ remain in pockets of the poorest populations.
  - disease surveillance and epidemic response
- . **Facing new challenges** refers to leadership and insight into the emerging public health issues. Some of them like non-communicable diseases, violence, and mental health benefit from a health promotion approach and require the involvement of communities and individuals. Countries need to be able to plan and manage the relevant actions at the national and subnational levels, while at the same time linking to global and regional initiatives to address global risks. The new challenges highlight the urgent need to reorient the health systems, in such a way as to increase equity in

access to services and social protection while improving the effectiveness and efficiency of the systems. Further, countries need to optimize resources and opportunities available from an expanded range of public health players, pooling from different sectors to design and implement public policies that will make an impact and ensure successful interventions.

- . **Protecting the Achievements** calls for ensuring that existing accomplishments are sustained, and are scaled up to benefit the region, and national institutions. Health gains are not necessarily cumulative and permanent. They must be protected from social and economic crises, political instability and disasters. It is about reducing vulnerability and creating resilience in the health system.
- . **Within a resource constrained environment, the Secretariat will concentrate on the AOWs that support the unfinished agenda (UA) and the new challenges (FC).** It will advocate with other agencies and partners for their assistance to countries to sustain the achievements, such as high coverage of immunization.

48. With this framework in mind, and after analyzing the feedback from Member States throughout the program budget development cycle, **the Secretariat undertook a deeper prioritization exercise** and transparent process for rationalizing resource allocation among Areas of Work. The Areas of Work were divided into two groups: 1) technical cooperation and 2) managerial and administrative support. Separate set criteria (seven for technical areas and five for support areas) were developed for each group, some objective and others subjective in nature.

#### **The criteria developed for the technical Areas of Work were:**

- i. Potential of PAHO to improve health outcomes in the region
- ii. Specific support to special population groups/key countries in order to reduce inequities
- iii. Value for money of current technical cooperation impact, especially at country
- iv. Global threats/emerging issues
- v. Low accessibility of other resources to countries
- vi. Difficulty in replacing PAHO's current technical cooperation
- vii. Global/regional mandates near to end of 2007

#### **Criteria for managerial and administrative areas**

- i. Line relationship to roadmap projects
- ii. Current capacity to improve PAHO's efficiency in technical cooperation
- iii. Current capacity to improve PAHO's effectiveness of technical cooperation
- iv. Low accessibility to Other Sources (excluding allocation of indirect costs)
- v. Statutory requirements

49. Each AOW was assessed against these criteria assigning a value of 0 to 5 to each of the criterion, with 5 being the value that would require a higher level of regular budget funding. Thus, the total range of values achievable for technical Areas of Work is from 0 to 35; the range for managerial and administrative support areas is from 0 to 25.

50. It is important to note that this review affected only the regional level component of the program budget. Within a zero growth scenario for the PAHO assessments, the total level of reductions for the subregional and country levels are known, \$444,000 and \$2,634,000 respectively. However, while these are reflected in the total proposed budget, the program prioritization exercise is left to the country offices and subregional entities to ensure that changes reflect national and subregional priorities. (This process will be completed in the months following the approval of the budget.)

51. The resulting pattern of priorities from low to high was then compared to the pattern of distribution of the levels of regular budget funding at the regional level for the respective Areas of Work (AOW). The mapping of the two patterns highlighted some areas of misalignment of the budget with the relative priorities. The distribution of RB was therefore adjusted to compensate for this weakness. AOWs for which the budget level exceeded the priority pattern were reduced to a level that would allow for redistribution of funds to other AOWs which had been assigned a high priority but for which there was little RB.

**The proposal previously submitted to the 136<sup>th</sup> Executive Committee has been adjusted as follows:**

**AOWs Reduced (applied to whole or parts of Areas of Work):**

Communicable disease research	(500,000)
Veterinary public health	(800,000)
Health and environment	(600,000)
Human resources for health	(800,000)
Policy-making for health and development	(360,000)
Research policy	(250,000)
Gender, women and health	(130,000)
Health financing and social protection	(170,000)
Regional Director's development program	(800,000)
Information and knowledge management	(400,000)
Financial management	<u>(174,000)</u>
Subtotal – reductions	(4,984,000)

**AOWs increased**

Epidemic alert and response	500,000
Nutrition	200,000
Malaria	200,000
Tuberculosis	80,000
Chronic diseases	<u>150,000</u>
Subtotal – increases	<u>1,130,000</u>

**Net reduction to RB at regional level      (3,854,000)**

## **Improving effectiveness and efficiency to enhance program delivery**

52. One of the objectives of organizational change within the Managerial Strategy for the Work of the Pan American Sanitary Bureau in the Period 2003-2007 is to continuously improve the effectiveness and efficiency of the Secretariat's operations to maximize resources for technical cooperation.

### **53. Among the initiatives already being undertaken in his biennium are:**

- a. Working jointly with WHO to develop a renewed Results-Based Management Framework (RBMF): strengthening accountability, coordination, and streamlining planning processes. This has been complemented by a Secretariat-wide quality assurance process for the proposed BPB 2006-2007 programs and better performance review processes.
- b. Instituting competency-based policies for the management of human resources that will impact on recruitment, classification, performance assessment, and staff development.
- c. Development of an IT strategy and governance process to ensure that scarce resources are invested in line with corporate management system needs and strategic Information and knowledge priorities.
- d. Improving managerial competencies through broad PAHO participation in the WHO Global Leadership Program.
- e. The reengineering of administrative processes, resulting in efficiencies and reprofiling of support posts, wherever possible, without compromising internal controls and standards.
- f. A constant review of alternatives for infrastructure and logistics, both at Headquarters and country offices. This has already resulted in reduced costs at Headquarters for the rental of office space and the operation of the cafeteria and print shop.

### **54. Other actions will be undertaken by the Secretariat during the biennium 2006-2007 to continue improving technical and managerial effectiveness and efficiency.**

The Secretariat will:

- Implement the 11 transformational projects in the roadmap for institutional change to bring about the desired change to better meet the many public health challenges of the 21st century.
- Undertake exercises for aligning the human resource profiles with the strategic directions and seizing opportunities arising from natural attrition to continually aligning budget distribution in accordance with the priorities assessment.
- Implement the priorities recommended by the External Assessment of PAHO's Results-Based Management systems undertaken by the United Nations Joint Inspection Unit. There will be a major effort to build staff capacity for Results-Based Management and planning in their daily work, and to strengthen the organizational capacity in monitoring and evaluation.

- Continue to devolve and evaluate certain regional functions and consolidate operations in respective centers, such as: 1) Basic Sanitation program operating in CEPIS; 2) Maternal and Women’s Health program operating in CLAP and; 3) Food Safety program operating within the facilities at PANAFTOSA.
- Redeploy some regional advisor posts to improve country focus.
- Continue to emphasize cross-functional working groups and task forces, including interprogrammatic joint missions and the increased use of technology platforms such as Sharepoint and Communities of Practice.

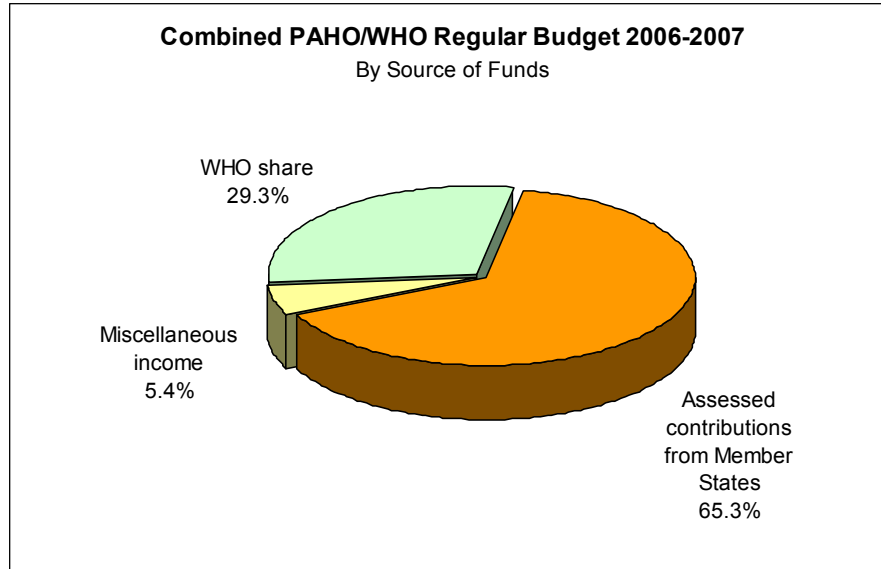
### Resource Requirements

55. As mentioned in the Overview, the Director is presenting a combined PAHO/WHO **program budget proposal that requires no increase in the assessments to Member States**. The additional scenario included in this proposal requires a 2% increase to the assessments of Member States.

56. The proposal calls for a total budget of \$531.1 million. This consists of a combined PAHO/WHO regular budget of \$265.6 million and \$265.5 million in estimated Other Sources. The proposed level of the regular budget represents an increase of 2.3% compared with the previous biennium. This takes into account an increase of 7.4% in estimated miscellaneous income, and an increase of 6.9% in the WHO share—PAHO assessments do not increase. Table 3 is the proposal for the financing of the proposed program budget for 2006-2007 and is compared with the approved level of financing for the previous biennium.

**Table 3. Financing of the Regular Budget**

Source	2004-2005	2006-2007	%change
Assessed contributions from Member States	173,300,000	173,300,000	0.0%
+ Miscellaneous income	13,500,000	14,500,000	7.4%
= Total PAHO share	186,800,000	187,800,000	0.5%
+ WHO share	72,730,000	77,768,000	6.9%
= Total PAHO/WHO	259,530,000	265,568,000	2.3%



57. The WHO share (the portion of the total WHO budget allocated to the Region of the Americas) included in the proposal is \$77.8 million. This is the revised amount for the Region of the Americas (AMR) presented by the Director-General of WHO and approved by the 58th World Health Assembly in May 2005. The AMR share of \$77.8 million represents an increase of 6.9% over the previous biennium. This amount is similar, in nominal terms, to the AMR share received from WHO for the 2000-2001 biennium.

58. The proposed PAHO share, therefore, amounts to \$187.8 million and represents an increase of \$1.0 million, or 0.5% over the previous biennium of \$186.8 million. Funding of the PAHO share of \$187.8 million is proposed as follows: \$14.5 million in projected miscellaneous income and \$173.3 million from assessments to Member States. The miscellaneous income projection is \$1 million above the amount budgeted for 2004-2005, and reflects a cautious forecast in the external investment climate. The portion of the budget financed by assessments from Member States remains at the same level for 2004-2005 at \$173.3 million.

59. In arriving at the proposed budget level, and in keeping with the guidance from Member States, a number of adjustments have been made to accommodate significant cost increases but minimize the impact of proposed reductions while maintaining a core and strategic level of program cooperation. This juggling of variables is complex and has risks in terms of the level of the Secretariat's response to the public health challenges of the Region.

60. Consequently, the program budget adjustment exercise, explained earlier in this document, has primarily focused on program prioritization, rationalization, and consolidation across the entire Secretariat. This analysis has led to further program decentralization and consolidation, including a series of proposed post relocations and eliminations affecting several program areas.

61. Some of the more significant changes includes the following:

- In the area of Sustainable Development and Environmental Health, the work in Basic Sanitation is being decentralized and consolidated with the Pan American Center for Sanitary Engineering and Environmental Sciences (CEPIS), in Lima, Peru.
- In the area of Family and Community Health, the work of Reproductive Health and Making Pregnancy Safer is being decentralized and consolidated with the Latin American Center for Perinatology and Human Development (CLAP), in Montevideo, Uruguay.
- In the area of Veterinary Public Health, the Pan American Institute for Food Protection and Zoonoses (INPPAZ), is being disestablished and the food safety program is being redefined, enabling a reduction in the number of international and local posts.

62. For the 2006-2007 biennium, cost considerations are having a significant impact on the purchasing power of the budget. The total cost increase on the 2004-2005 post budget alone is estimated at \$16.2 million, about a 10% increase. However, in going forward with a zero nominal growth (ZNG) budget for the PAHO assessed contributions for 2006-2007, the Director has further reduced the total number of fixed posts by 41, a further reduction from the 34 posts identified at the Executive Committee. This reduction amounts to a savings of \$6.5 million, and brings the net post cost increase in the proposal down to \$9.7 million.

63. The dramatic increase in the cost of international fixed posts is a result of a combination of two factors in particular. First, the post costs for professional level staff based in Washington have had a notable increase in the last two to three years as mandated by the United Nations International Civil Service Commission. This is a result of an adjustment made to the duty station methodology applied to Washington after several years of straight-lined costs with little to no increase. Second, the falling price of the U.S. dollar worldwide has significantly increased costs of international posts abroad, a factor that usually had minimal impact on the budget in previous years.

64. As a consequence of the net increase in the cost of posts and of the proposed ZNG budget, the non-post portion of the budget is being reduced by \$2.7 million. The effective real reduction in the non-post budget, when inflation of \$3.8 million on non-staff costs is factored in, amounts to \$6.5 million. When combined with the reduction in posts of another \$6.5 million, the 2006-2007 proposal contemplates a total reduction in program from 2004-2005 of \$13 million.

Table 4 below summarizes the different budget views of the proposed regular budget.

**Table 4. The Proposed PAHO/WHO Regular Budget 2006-2007**

In thousands of U.S. dollars				
	<u>2004-2005</u>	<u>Change</u>	<u>2006-2007</u>	<u>%</u>
<b><u>To be Financed from:</u></b>				
Assessed Contributions	173,300	0	173,300	0.0%
Miscellaneous Income	13,500	1,000	14,500	7.4%
WHO/AMRO	72,730	5,038	77,768	6.9%
Total	259,530	6,038	265,568	2.3%
<b><u>By Major Cost Type</u></b>				
Post	159,060	9,742	168,801	6.1%
Nonpost	94,471	(2,704)	91,767	-2.9%
Retirees' Health Insurance	6,000	(1,000)	5,000	-16.7%
Total	259,530	6,038	265,568	2.3%
<b><u>By Functional Level</u></b>				
Country	96,323	4,593	100,916	4.8%
Subregional	15,688 *	1,308	16,996	8.3%
Regional	147,519	137	147,656	0.1%
Total	259,530	6,038	265,568	2.3%

Note \* Although the subregional level did not formally exist in 2004-2005, an approximation is included for comparability with 2006-2007.

65. The 2006-2007 proposal includes \$265.5 of estimated Other Sources. Of this amount, \$120 million is expected from WHO, and represents the share for the Americas Region included in the overall estimation of Other Sources of \$2.3 billion presented at the 58<sup>th</sup> World Health Assembly in May 2005. The balance, or approximately \$145 million, is an estimate of voluntary contributions targeted for direct negotiations between PAHO and its financial partners. Of the total \$265.5 million estimate of other sources, approximately 70%, or about \$190 million, can be reasonably expected given historical trends and relationships. The remainder would fall into the 'unfunded' category of the program budget, and represents an amount that will be the subject of increased resource mobilization efforts.

66. The Organization's operating budget for program activities has been eroded over the last several biennia given that budget approvals have only considered increases in net staffing costs. The erosion is particularly true for regional units, where the ratio of post to non-post funds is higher than in countries.

This effect is compounded by the implementation of the Regional Program Budget Policy that gives countries the larger share of any budget increases, despite the relatively higher costs of regional operations. In the current proposal, even with an overall regular budget increase of 2.3%, the activity budgets of regional units are still 30% less on average compared to the previous biennia.

67. The current budget reality is that the Regional Program Budget Policy will continue to reduce the regular budget available for regional activities which focus on the normative work of the Organization and on backstopping countries. As the cost of fixed-term positions continues to rise, it becomes increasingly more difficult for the Secretariat to strive for efficiencies in regional units by streamlining operations and realigning program areas. Indeed, continued change will be essential for the Organization to reach its objectives with the current budgetary situation. Our challenge will continue to be finding alternative ways of ensuring efficiency and effectiveness in the attainment of the expected results approved by Member States.

### **Alternative Program Budget Scenario**

68. The Director recommends the following scenario be considered by the Directing Council. It calls for a budget of \$269,034,000, which is an additional \$3,466,000 over the proposal, and represents an increase to assessments of 2%.

69. The proposed scenario increase of \$3,466,000 would be applied to the three different functional levels in the proportion required to maintain the targeted percentages being phased-in in accordance with the Regional Program Budget Policy: country level (38%) is allocated \$1,317,000; the subregional level (6.4%) is allocated \$222,000; and the regional level (55.6%) is allocated \$1,927,000.

70. The prioritization exercise described previously in this document is an objective mechanism for realigning the budget and therefore was also used to identify AOWs (or parts thereof) of high priority that should be targeted for increased regular budget funding. In following those same principles and criteria for the budget scenario, six Areas of Work (five technical and one managerial) were identified to receive any additional regular budget funding as follows: chronic disease control; mental health; tobacco control; making pregnancy safer; HIV/AIDS; and Direction (Transparency and Accountability Initiative).

71. The table below illustrates the application of the 2% budget increase by functional level, and further by Area of Work for the regional level.

**Table 5. Proposed allocation of resources for 2% quota increase budget scenario**

Country Level	
Core a/	\$1,251,000
Variable b/	\$66,000
Subtotal – country	\$1,317,000
Subregional Level	
Andean	\$50,000
Caribbean	\$50,000
Central America	\$50,000
Southern Cone	\$50,000
Field Office: United States/Mexico Border	\$22,000
Subtotal - subregional	\$222,000
Regional Level	
Surveillance, prevention and management of chronic diseases	\$450,000
Mental Health and Substance Abuse	\$400,000
Tobacco	\$300,000
Making Pregnancy Safer	\$250,000
HIV/AIDS	\$250,000
Direction (Transparency and Accountability)	\$277,000
Subtotal - regional	\$1,927,000
Total	\$3,466,000

a/ Please refer to Annex for quota assessment and country allocation implications

b/ The criteria for the application of the country variable allocation is the same as approved by the 39<sup>th</sup> Subcommittee on Planning and Programming.

72. The increase to the country and subregional levels would be programmed jointly with the respective counterparts during the period October – December 2005, upon the Directing Council's decision to approve the 2% scenario.

73. As for the regional level, the proposed increase of \$1,927,000 would be applied to increase the direct support to countries to implement available policies and strategies in the high priority Areas of Work. In some cases the Secretariat will need to work with all countries e.g. tobacco control and in others it will focus on the Key Countries and other countries in which the particular issue is worse than most countries in the region. The following highlights are Expected Results (ER) on which the increase of 2% will have a positive impact:

- **Surveillance, prevention and management of chronic diseases - \$450,000**

The increase in this Area would be used to accelerate the implementation of integrated programs for the prevention of chronic diseases. Specifically, the additional cooperation will result in increased targets in the following Expected Results:

ER2 Interventions and programs for integrated prevention, early detection, and management of NCDs

Indicator 1: Number of countries developing a demonstration site for integration prevention of NCDs. **Target will increase from 5 to 10.**

ER3 Local surveillance systems for NCDs and risk conditions established, with particular emphasis on behaviors

Indicator 1: Number of countries that publish periodic data on the prevalence of NCDs and NCD risk factors. **Target will be increased from 8 to 10.**

Indicator 2: Number of countries with information systems to monitor NCDs, their risk factors, and health services. **Target will be increased from 8 to 10.**

ER4 Population based management models within primary care for detection and control of selected diseases

Indicator 1: Number of countries with demonstration sites for improved detection or management of diabetes, hypertension, cervical or other major cancers. **Target will be increased from 4 to 8.**

- **Mental Health and Substance Abuse - \$400,000**

In the case of this area, because the mobilization of the Other Sources is difficult, it is proposed to use any additional regular budget mainly to secure a higher probability of achieving key Expected Results. Therefore, not all the targets have been increased.

ER1 Improved capacities in countries to collect and disseminate data relevant to support the development of cost-effective interventions and policies in the mental health and substance abuse area.

Indicator 2: Number of countries where data on the prevalence and burden of mental disorders and substance abuse have been collected and analyzed.

Indicator 3: Number of countries where information on delivery of services for mental health and substance abuse has been collected and analyzed. **Targets remain the same**

ER3 Strengthened capacity in countries to implement mental health policies and plans

Indicator 2: Number of countries where mental health plans were implemented with the support of PAHO. **Target increased from 20 to 24**

ER4 Countries assisted to develop and evaluate programs to prevent and treat mental disorders and to meet the special needs of vulnerable groups.

Indicator 1: Number of countries that have developed, with PAHO assistance, programs to improve the prevention and treatment of mental disorders. **Target increased from 8 to 12.**

ER5 Strengthened capacity in countries to develop new mental health legislation and protect human rights of people with mental disorders.

Indicator 1: Number of countries that have reviewed or updated mental health legislation with PAHO support. **Target remains the same**

- **Tobacco Control - \$300,000**

The increased funding to the Tobacco Area of Work would be used to:

1. to provide technical cooperation, including training, in support of the FCTC and smoke-free environments among youth to a greater number of countries (22 instead of 15)
2. allow to support more research and surveillance activities to support policy goals and track progress. The Secretariat will focus on helping countries to complete studies on tobacco control economics and increasing the number of countries participating in the global health professional survey.
3. update the data base on tobacco control information for all countries in the region (PATIOS) annually, instead of every two years.

- **Making pregnancy safer - \$250,000**

The focus in this area would be on two expected results:

ER1 Guidance provided for the development of public policies and plans for the safe motherhood and newborn health

Indicator 1: priority countries supported to implement policies and programs for improving maternal and neonatal health - **the target will increase from 6 to 10 countries.**

ER2 Appropriate evidence-based standards and guidelines on maternal and perinatal health developed or updated and disseminated.

Indicator 2: number of countries with high maternal mortality ratios that have received technical cooperation to implement maternal and newborn mortality standards, norms and guidelines. **The target will increase from 15 to 18 countries.**

Indicator 3: number of priority countries where health workers in urban and rural settings trained as trainers for the prevention of post-partum hemorrhage (PPH) interventions.

**The target for this indicator will increase from 10 to 15 priority countries.**

- **HIV/AIDS - \$250,000**

The increase in this area will be applied in such a way as to maintain the balance between the Secretariat's focus on treatment and prevention activities, as well as to assist countries to apply existing models and guidelines. Specific interventions to be increased would be:

ER2 Health systems/services strengthening, including the adaptation and application of appropriate tools, supported.

Indicator 1: number of countries assisted by PAHO to implement operational scaling-up plans. **The target for this indicator will be increased from 25 to 30 countries.**

Indicator 5: number of countries that adopted and/or adapted guidelines, protocols, and recommendations on care interventions and treatment schemes developed and facilitated by PAHO. **The target will increase from 30 to 35 countries.**

Indicator 7: number of laboratories assisted by PAHO to scale up treatment and monitor patient outcomes. **The target will increase from 6 to 8 laboratories.**

ER4 The prevention of sexually transmitted HIV, with a focus on vulnerable groups supported, and the prevention of sexually transmitted infections (STI), including congenital syphilis, strengthened.

Indicator 2: number of countries implementing new models of prevention of sexually transmitted HIV and STI with the support of PAHO. **The target will increase from 18 to 20 countries.**

Indicator 3: number of countries implementing, with the support of PAHO, training plans to increase the capacity of health teams to carry out prevention activities. **The target will increase from 8 to 15 countries.**

- **Direction (Transparency and accountability) - \$277,000**

The focus in this area would be on one expected result:

ER8 Recommendation of special External Audit of 2004 implemented

Indicator 1: sustainable capacity for implementing the Integrity and Conflict Management System

Indicator 2: project on transparency and accountability implemented

Within the proposal, the Secretariat will only be able to establish the recommended functions in support of the above expected result through the use of existing posts in technical areas. In the 2% scenario, this could be achieved with less negative impact on the technical areas.