



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



SIXTH SESSION OF THE SUBCOMMITTEE ON PROGRAM, BUDGET, AND ADMINISTRATION OF THE EXECUTIVE COMMITTEE

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PROPOSED PAHO BUDGET POLICY Progress on the Formulation of the Policy

Background

1. In 2004, the Pan American Health Organization (PAHO) instituted a Member State-led process for the development of a policy to govern the internal allocation of PAHO resources across the Organization. The existing Regional Program Budget Policy has been in effect since 2006 and will come to an end at the conclusion of the 2012-2013 biennium.
2. In September 2011, the 149th Session of the Executive Committee endorsed the process for formulating the next PAHO Budget Policy commencing with the 2014-2015 biennium (1, 2). The process called for the establishment of a Member State Consultative Working Group (CWG) and development of Terms of Reference to guide the preparation of a policy to be approved by the 28th Pan American Sanitary Conference in September 2012. The Director of the Pan American Sanitary Bureau (PASB) designated a PAHO staff task force to act as secretariat to the CWG.
3. Candidates for membership on the CWG were solicited from the current Members of the Executive Committee and, from those candidates, the Director constituted the CWG with the following:
 - Brazil: Dr. Arionaldo Bomfim Rosendo, Undersecretary for Planning and Budget, Ministry of Health
 - Chile: Mr. José Ignacio Dougnac Vera, Chief of Management and Planning, Ministry of Health
 - Grenada: Dr. Terron Gilchrist, Policy Adviser, Ministry of Health

- Peru: Dr. Percy Minaya, Chief Executive Officer, National Institute of Health, Ministry of Health
- United States of America: Ms. Denisse Bentancourt, Public Health Adviser/Budget Officer, Centers for Disease Control and Prevention
- Venezuela (Bolivarian Republic of): Dr. Milagro Clareth Vera Fereira, Director General of Administrative Management, Ministry of Health

4. The Terms of Reference (TOR) of the CWG, as outlined in Document CE149/3, are found below in the Analysis and Update section.

5. The timeline for development of the budget policy is also outlined in Document CE149/3. The principal milestones are as follows:

- (a) 1-3 February 2012: the first of two face-to-face meetings of the CWG (the basis for this first report to the Governing Bodies at the Sixth Session of the Subcommittee on Program, Budget, and Administration (SPBA6));
- (b) 14-16 March 2012: update and discussion at SPBA6;
- (c) 9-13 April 2012: second face-to-face meeting of the CWG;
- (d) Late April 2012: virtual consultation with all Member States;
- (e) 18-22 June 2012: update and discussion at the 150th Session of the Executive Committee;
- (f) 17-21 September 2012: presentation of the PAHO Budget Policy for approval by the 28th Pan American Sanitary Conference.

Analysis and Update

6. The analysis that follows resulted from the first meeting of the CWG.

TOR 1: Review the criteria of the current policy and gain an understanding of its conceptual design and intended objectives

7. The following key elements of the current policy are worthy of emphasis: (a) resource targets for the regional, subregional, and country levels of the Organization; (b) use of a needs-based index to assign fixed percentages to country allocations; (c) use of population smoothing as a statistical technique to deal with the variation in population sizes within the Region; and (d) use of both a floor and a ceiling to limit reductions/increases in allocations.

8. On item *a*, while the resource targets among the three levels had been set somewhat arbitrarily, the desired effect was to reflect an increase in the country and subregional shares while providing for an offsetting reduction in the regional share compared with previous levels. The resource shifts were accomplished gradually so as not to create an abrupt change in the delivery of technical cooperation to Member States at any of the three levels.

9. With reference to item *b*—use of a needs-based index—a point of consideration is whether or not to use a mathematical formula that relies on a country’s health and socioeconomic status as the main factor in determining the distribution of internal PAHO resources among country offices. The Secretariat’s limited resources are not intended to address the entire magnitude of public health issues and priorities of the countries—a responsibility that lies primarily with the national health authorities and other local stakeholders. Rather, these resources are primarily intended to provide technical cooperation in support of public health institutional capacity. An alternative approach to a needs-based index might be to establish standards for different technical cooperation modalities based on national public health capacity. Funding requirements would then be aimed toward ensuring sufficient presence in a country to implement the specific technical cooperation modality that was agreed upon.

10. Regarding item *c*, population smoothing is a statistical technique used to attenuate the direct results of an applied model when dealing with great variations in populations among the affected beneficiaries, provided that population size is deemed as a relevant factor when determining the allocation of resources. In the Region of the Americas, some countries have nearly 200 million inhabitants while others have less than 100,000. Smoothing allows smaller countries to “receive” a greater share per capita than larger ones. Consideration should be made as to if the size of a country’s population should be a factor in the distribution of internal resources meant for delivering technical cooperation. In the formulation of the new budget policy, the CWG believes that population size can still play some role in the distribution of resources, although to a lesser extent—i.e., with lesser weight—than in the current model.

11. On item *d*, it is noted that the current budget model has a floor parameter but does not include a ceiling, or top end, limit. The lower limit holds a given country’s reduction to no more than 40% of its original share; however, the lack of an upper limit allows some countries to receive as much or more than a 200% increase over the period of the policy. The CWG recommends that future models include both floor and ceiling parameters.

TOR 2: Review the Office of Internal Evaluation and Oversight Services (IES) evaluation of the current policy,¹ assess the experience with its implementation, and identify both the negative and positive aspects of the policy

12. In 2010, PASB's Office of Internal Evaluation and Oversight Services (IES) conducted an evaluation of the Regional Program Budget Policy based on implementation of the policy over the 2006-2007 and 2008-2009 biennia.

13. The major recommendations of the evaluation were to:

- (a) Review the funding floor assigned to countries.
- (b) Review the traditional size of PAHO/WHO Representative Offices.
- (c) Compare effects of other population smoothing mechanisms.
- (d) Consider a funding ceiling.
- (e) Consult benchmarking studies of needs-based solutions adopted by other agencies in the United Nations system.
- (f) Increase the proportion of flexible resources.
- (g) Strengthen resource mobilization functions and transfer regional and subregional posts to countries with lower regular budget ceilings.
- (h) Update the health-needs index variables more often.
- (i) Extend the current Regional Program Budget Policy into 2012-2013.
- (j) Ensure that future budget policies incorporate greater flexibility to meet the countries' needs, and that they also include South-South cooperation and protection of achievements.

14. The CWG considers that: (a) the floor, or minimum funding level, needs to be sufficient so that no country has to rely on flexible funding to execute its agreed level of technical cooperation; (b) the size of country offices should parallel the technical cooperation modality agreed upon with each country; (c) funding ceilings should be adopted; (d) needs-based solutions should be explored further to determine their applicability to internal resource allocation modeling; (e) an element of "flexibility" in any resource allocation policy is healthy; (f) the criteria for distribution among the three levels of the Organization should be examined taking into account the future roles of each of the three levels; (g) the availability of voluntary contributions to a country should be considered in determining the distribution of regular budget resources.

¹ PASB internal memo IES/10/57 dated 3 September 2010.

15. A list of all concepts and criteria being taken forward by the CWG is included at the end of this report.

TOR 3: Review of the trends in the budget policies of other intergovernmental agencies, globally and regionally, and identify relevant good practices

16. A review of three different approaches to resource allocation was conducted. The first review was based on the World Health Organization (WHO) experience, captured in the document “Guiding Principles for Strategic Resource Allocation” (3). This document outlines the principles that currently govern the distribution of resources among WHO headquarters and its six regions. Although there are similarities between the WHO policy and the current PAHO budget policy, there is one significant difference: the WHO policy is used as a validation mechanism rather than as a prescriptive formula. The policy establishes percentage ranges for each of WHO’s seven parts and allows each of the parts to prepare individual budgets. The results of the budgeting process are then “validated” against the established percentage ranges. The CWG expressed interest in the concept of validation within a resource allocation policy.

17. Another approach deals with the subject of measuring public sector capacity, in line with a report commissioned by the Economic Development Institute² of the World Bank in 1999. The report focuses on the development of a public sector capacity index that can be used to identify the different levels of self-sustainability of a country’s public sector. It suggests that public sector capacity is defined in terms of policy capacity, implementation authority, and operational efficiency. The CWG inquired if this concept, or a similar one, could be used to determine ministry of health capacity. Furthermore, it considered whether this measure could then be used to identify the type of PAHO technical cooperation modality suitable for a given country, which would ultimately influence the level of PAHO resources allocated to that country. This concept merits further attention, even though the application of such an index might be challenging.

18. A third approach is the United Nations Children’s Fund (UNICEF) experience in the allocation of its general resources. There are similarities between the PAHO and UNICEF budget policies: both include needs-based criteria, flexibility to meet unexpected contingencies, and progressive allocation to groups in greatest need. However, there is one major difference between the two policies: the UNICEF policy parameters apply only to the general resources available for programs. In other words, the budget for strategic/managerial/administrative support, or the cost of doing business, was not subject to the formula-based distribution criteria. This approach is not unlike the one previously outlined which speaks to ensuring funding for established technical

² Renamed World Bank Institute in 2000.

cooperation modalities first, and then focuses remaining resources on the health and socioeconomic status of countries, inequity gaps, and population factors.

TOR 4: Identify specific concepts and issues of substance related to the development and implementation of resource allocation policies especially within the intergovernmental sector

19. Two influential factors for the next budget policy are the WHO reform process and the experience gained with PAHO's implementation of its 2008-2013 Strategic Plan.

20. Three major expected outcomes of WHO reform are: (a) focusing core business to address health challenges in the twenty-first century; (b) reforming the financing and management of WHO; and (c) transforming governance to strengthen public health. One of the reform components is organizational effectiveness and alignment, which in turn touches upon: clarifying the respective roles of the global, regional, and country levels; and identifying priority products and services for each core business area. Care must be taken to ensure that the new PAHO budget policy be in alignment with any WHO reform outcomes that could impact the allocation of resources at the different levels of the Organization.

21. The discussion on PAHO's experience thus far with the implementation of its 2008-2013 Strategic Plan focused on the results-driven nature of the planning process. The planning process calls for individual Country Cooperation Strategies to define the level and type of PAHO technical cooperation to be carried out in a particular country. These strategies, in turn, are aligned with the regional mandates in the Strategic Plan that have been approved by the Governing Bodies. The Strategic Plan is then resourced through biennial budget exercises. The planning has been developed within the PAHO Results-based Management Framework.

22. The CWG analyzed the use of two major Member State-approved managerial instruments in PAHO: (a) the Strategic Plan, which documents an agreement among Member States on what needs to be done and where; and (b) the Regional Program Budget Policy, which establishes predetermined, formula-based, resource allocation levels for the various parts of the Organization. On the one hand, the Strategic Plan offers a results-based process to identify the baselines and targets to be reached during a six-year period, which are agreed to by all Member States. On the other hand, the budget policy allocates resources to and among countries based on a predetermined formula that takes into account the health and socioeconomic status of the countries. Although both instruments have fundamental merits, there is a potential for disparity in allocating more resources to a country that has already achieved a majority of the targets set out in the Strategic Plan, while allocating fewer resources to another that has considerable unmet

targets. A future budget policy must respond to the programmatic orientation of the Organization, whether it is embodied in the Strategic Plan or some other instrument.

23. Another perspective worth consideration is the current and future economic context, including the constraints on the availability of resources for health cooperation in the Region of the Americas. Although international assistance in health for the Region has shown a rising trend, multilateral resources, such as those channeled through WHO and PAHO, are decreasing. In this respect, the PAHO Secretariat can play an instrumental role in supporting ministries of health in their dialogue with partners in order to channel funds to meet the needs of their countries.

TOR 5: Recommend principles and criteria to guide the development of a revised budget policy to be recommended to the PAHO Governing Bodies

24. The list below illustrates the main concepts and criteria that the CWG wishes to take forward to the next round of discussions.

Resource Allocation: Concepts and Criteria

Considerations for Modeling Criteria

- **Objectivity.** A resource allocation policy must be objective, clear, and transparent for the benefit of all Member States.
- **Flexibility.** A resource allocation policy needs to be flexible in order to meet unexpected demands that arise during a specific budget period.
- **Prescriptive policy, or a guidance/validation mechanism.** Further consideration needs to be given as to whether or not a resource allocation policy should be prescriptive, as is currently the case, or act as a validation mechanism in a results-based budgeting process.
- **Population size.** Albeit an important concept and given the nature of PAHO's work, the weight and/or relative importance of population size should be lessened in the next policy if a formula-based allocation model is proposed.
- **Distribution of resources among the three levels.** The criteria established for the percentages corresponding to the regional, subregional, and country levels need to be reviewed in light of possibly re-defined roles across levels of the Organization.
- **Minimum and maximum budget thresholds.** A floor threshold should be sufficient to fund an adequate minimum presence. Likewise, upper limits should also be used.

Core Business Considerations

- **Results-based, or needs-based.** There is a need to look at two competing forces in the allocation of internal resources and whether resources should be “results-driven,” as with the Strategic Plan, or formula-driven, as with the index that considers the health and socioeconomic status of countries.
- **Country focus.** It is necessary to determine if this concept equates to increased funding at the country level, or if it implies an increased emphasis on work across all levels toward achievements at the country level.
- **Subregional level.** The purpose of the subregional level needs to be further explained so as to know whether it provides added value for the Member States.
- **Sustainable institutional capacity of the ministries of health.** PAHO resources have greater impact when invested in areas where ministries have demonstrated sustainable institutional capacity in performing essential public health functions.
- **Standard modalities of technical cooperation and country presence.** Technical cooperation modalities will differ among countries, primarily in terms of their institutional capacity to carry out essential public health functions. These modalities could end up defining the type and level of presence required in a given country, and thus influence resource allocation needs. In this scenario, the “cost of doing business” (i.e., the cost of required staff and general operating expenses of the country offices) would need to be protected.
- **Voluntary contributions.** Although a budget policy that governs the internal allocation of PAHO resources can only be strictly applied to regular budget resources, the level of voluntary contributions that flow to the countries (through PAHO) should influence the allocation of regular budget resources.
- **National voluntary contributions.** In the case of voluntary contributions from the host government to the country office for the implementation of host government priorities, regular budget resource allocation to these countries should be decreased in direct proportion. Some CWG members felt that countries with the ability to devote a significant level of national voluntary contributions to the Organization should be encouraged to also invest in neighboring countries with greater needs (i.e., South-South cooperation).
- **WHO reform.** The future budget policy must be able to respond to potential changes in mandate and structure within the Organization as a result of WHO reform. Special attention should be paid to the possible redefinition of roles and responsibilities of the three levels of WHO—global, regional and country.

Next Steps

25. The Consultative Working Group will meet again on 9-13 April 2012. It will engage in further discussion of these resource allocation concepts and criteria, and it will also incorporate the guidance provided by SPBA6.

Action from the Subcommittee on Program, Budget, and Administration

26. The Subcommittee is invited to comment on the present document and provide further guidance to the Consultative Working Group. A future iteration of this document will then be presented at the 150th Session of the Executive Committee in June 2012.

References:

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