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EVALUATION OF THE REGIONAL PROGRAM BUDGET POLICY 2014-2017: FINAL REPORT

Pan-American Health Organization

EVALUATION OF THE REGIONAL PROGRAM BUDGET POLICY 2014-2017

Final Report

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I. EXECUTIVE SUMMARY

Compliance with the Regional Program Budget Policy (RPBP) has been mixed during the 2014-2015 and 2016-2017 biennials. On the one hand, most survey respondents and interviewees at Country Offices were aware of the RPBP, think that it had an impact on their budgets, and share an overall positive perception of the Pan American Health Organization's (PAHO) allocation of resources across countries. The number of survey respondents that agreed that PAHO distributes regular/flexible budget funds equitably among countries was almost three times larger than the number of those who disagreed. In addition, budget allocations were highly correlated with the RPBP formulas, which implies that, on aggregate terms, countries with higher needs received more funding. On the other hand, the restrictions of the RPBP were not always respected as evidenced by the fact that funding minimums for the floor and needs-based components were not met for all countries.

Recent changes in PAHO's budget processes affect the prospects of the current version of the RPBP. The implementation, starting with the 2016-2017 biennia, of the Integrated Budget approach makes the RPBP inoperative. The most relevant change is that the new budget approach eliminates the concept of Regular Budget, which is the basis for most of the policies within the RPBP.

Reliance on strict formulas, as it is the case for the RPBP, has inherent limitations that are difficult to overcome. At the same time, the World Health Organization (WHO) is currently transitioning away from strict formulas in their budget policies. The RPBP may follow that same trend and find more successful ways to reach its goal of being a transparent and systematic approach to ensure

equity, solidarity and Pan Americanism. In that vein, this evaluation proposes nine recommendations to improve the RPBP.

One of the key areas for reform for future iterations of the RPBP is simplifying and restructuring its formula-based restrictions. The only two restrictions needed for promoting equity, solidarity and Pan Americanism are the floor and the needs-based components. The former should be updated annually to reflect current bottom-up costing estimates, while the latter should move away from country-level minimums and toward group-level minimum ranges.

As has been the case with fiscal rules all around the world, the RPBP should allow the use of limited and transparent escape clauses. These clauses set a number of factors, such as health-related emergencies or inadequate executing capacity, that may merit temporary exemptions for specific countries.

The other key area for reform is making the RPBP more transparent and operational. Recommendations in this area include: (a) the creation of a mandatory biennial RPBP executive report to be submitted to Executive Management (EXM), and (b) the inclusion of all processes needed to comply with the RPBP in PAHO's planning and budgeting methodologies. The list of processes includes: updating the Health Needs Index expanded (HNIe) and the basic operational needs every biennia, recalculating needs-based grouping, communicating Country Offices of their RPBP-based funding minimums, and elaborating and submitting the biennial RPBP executive report.

II. INTRODUCTION

1. In September of 2012, the 28th Pan American Sanitary Conference approved the Pan American Health Organization's (PAHO) Regional Program Budget Policy (RPBP), related to PAHO's Strategic Plan 2014-2019. The RPBP was an improved version of the previous PAHO Budget Policy that covered the period 2006-2012. The modifications were based on an evaluation carried-out in 2010 by PAHO's Office of Internal Oversight and Evaluation Services (IES). Its overall finding was that the development and implementation of the RPBP has been a significant achievement and success both for the Pan American Sanitary Bureau as well as for the Member States. However, that same evaluation found that while some countries benefitted significantly from the prescribed allocation of resources, others with relatively better health status, as measured by the Health Needs Index expanded (HNIE), saw their budgets reduced, in some cases to levels insufficient to support a minimum presence of PAHO's offices. The current version of the RPBP sought to address that and other limitations.

2. This evaluation was requested by Resolution CSP28.R10 and its purpose is to analyze whether the current version of the RPBP has been respected and has met its objectives. The scope of this evaluation is limited to the 2014-2015 and 2016-2017 biennials. The three main objectives for this evaluation, as defined in its Inception Report, are:
 - a) Determine whether resources have been allocated (in the period 2014-2017) across the functional levels of PAHO (country, sub-regional and regional), and across individual countries, in accordance with the RPBP approved in 2012.

- b) Identify lessons learned in the application of the RPBP, especially in view of the Integrated Budget approach adopted by PAHO starting in 2016-2017.
 - c) Compare the World Health Organization's (WHO) and the PAHO's budget allocation policies.
3. The current RPBP was subject to an interim assessment carried-out in 2016. The interim assessment concluded that: (1) there was a high level of compliance with the RPBP in terms of the final allocation of the Regular Budget to functional levels. (2) A minimum level of country presence was ensured by increasing the level of funding to countries, mainly from sources other than the Regular Budget, which no longer covers the needs of all countries. (3) Funding levels for the key countries were increased in the context of the key country cooperation strategy despite the progressive reduction of budget allocation that resulted from the application of the RPBP formula. (4) Funding for a results-based component—5% of the overall country allocation— was provided to support countries in attaining specific targets, to build upon positive and demonstrated progress, or to encourage inter-programmatic activities. Country variable allocations and accumulated savings were made available to support countries with unforeseen and one-time needs for priority programs. Key countries were considered first in the allocation of variable funds. (5) The territories of Aruba, Curaçao, and Sint Maarten have become Associate Members of the PAHO since the RPBP was adopted in 2012, and they were included in the sharing of the 41% allocation to countries.
4. Starting from the 2016-2017 biennia, PAHO adopted the Integrated Budget approach. Some features of this approach are relevant for the implementation of the RPBP, particularly the fact

that under the Integrated Budget approach budget allocation combines certain sources of financing, blurring the concept of Regular Budget.

III. METHODS

5. This evaluation follows a mixed-methods approach composed by a statistical and a qualitative component. The statistical component is used to analyze budget data and determine whether budget allocations were made in conformity to the requirements from the RPBP. The statistical component builds almost exclusively from the RPBP formulas and the budget data for the 2014-2015 and 2016-2017 biennia. There is limited use, for comparative purposes, of budget data from the 2012-2013 biennia.

6. The main objective of the qualitative component of this evaluation is to contrast the statistical information with the perception of officials from PAHO and Member States. Data collection for that objective included an online survey sent to PAHO/WHO Representatives (PWR), Program Management Network (PMN) and Administrators of all PAHO's Country Offices. The survey gathered a total of 50 responses from 23 different Country Offices. Data collection also included a total of 14 interviews to officials from PAHO and representatives of Member States located in six different countries plus the Washington, DC office. Finally, another objective of the qualitative component was to contrast the RPBP with the Integrated Budget approach and with WHO's budget policies. The main source of information for that comparison is documentation analysis, complemented with some information from interviews.

7. There are two methodological limitations for this study. First, budget data of the 2014-2015 and 2016-2017 biennials is not fully comparable. This limitation is due to the introduction, starting in 2016-2017 biennia, of the Integrated Budget approach which eliminated the concept of Regular Budget. To allow some comparability, the equivalent to the 2016-2017 Regular Budget was calculated for this evaluation by adding PAHO & WHO's Assessed Contributions and Miscellaneous Revenue. Second, due to time and resource limitations, the survey and the interviews carried-out for this study only cover a non-random sample of countries. Therefore, the qualitative data presented in this evaluation may not be representative of all Country Offices and Member States.

IV. FINDINGS

8. In this section we present the findings on the implementation of the RPBP during the 2014-2015 and 2016-2017 biennials. We start with a revision of resource allocation across functional levels. We continue by analyzing allocations across countries, considering the requirements related to the floor and needs-based components of the RPBP. Third, we review whether budgetary changes for each country met the restrictions imposed by the RPBP. Fourth, we present the perception of officials from Country Offices and Member States about the impact of the RPBP. Finally, we contrast the RPBP with the Integrated Budget approach and WHO's budgetary policies.

Allocation of Resources Across Functional Levels

9. The RPBP established the following initial distribution of the Regular Budget across functional levels: regional and inter-country levels 53%, subregional level 7%, and country level 40%¹. The RPBP also determined that those ceilings could be adjusted during the planning process. However, the RPBP not only defined the 40% allocation to the country level as a ceiling, but also as a minimum, with no explicit determination on whether that minimum could be adjusted². Table 1 shows that the minimum allocation for the country level was met for both the 2014-2015 and the 2016-2017 biennials.

Table 1. Regular Budget allocation to country level, by biennia

Biennia	Regular Budget (total)	Country level (total)	Country level (% of Regular Budget)
2014-2015	\$282,014,996.25	\$113,479,907.54	40.2%
2016-2017	\$289,176,173.07	\$124,222,997.41	43.0%

Allocation of Resources Across Countries

10. The RPBP established several criteria for the allocation of the Regular Budget across countries. First and foremost, the RPBP introduced a floor component intended to provide the resources needed to cover a minimum country presence where a physical presence has been accepted and established. The RPBP initially defined the floor component based on costing calculations for Country Offices. Then, the costing data was translated into percentages of the total country-

¹ See CSP28/7, paragraph 30.

² See CSP28/7, Annex C, paragraph 3, section (b).

level resources from the Regular Budget³. The RPBP requires updating the floor component for every biennia to reflect updated data. The RPBP specifies that “in no instance may the resulting Regular Budget allocation be less than the computed floor component.”⁴ The Regular Budget allocation was not enough to meet the floor component of one country where a physical presence has been accepted and established for both the 2014-2015 and the 2016-2017 biennials⁵. Those countries are Belize and Bahamas for the 2014-2015 and the 2016-2017 biennials, respectively. Table 2 shows that two additional countries got a Regular Budget allocation that was lower to the percentage established for their floor component for the 2016-2017 biennia; however, those countries do not have an accepted and established physical presence, so the floor component should not be applicable⁶.

³ See CSP28/7, Annex B, Table 3.

⁴ See CSP28/7, Annex C, paragraph 3, section (c).

⁵ For 2016-2017: When considering the total flexible funds, instead of only the Regular Budget, the number of countries without enough resources to meet their floor component remains unchanged.

⁶ Those countries are the Netherlands territories and Puerto Rico.

Table 2. Comparison of the required floor component and actual Regular Budget allocation, by country⁷

Country ⁸	Floor Component - RBPB factor	2014-2015			2016-2017		
		Floor Comp. - calculated	Actual Regular Budget allocation	Floor Comp. met?	Floor Comp. - calculated	Actual Regular Budget allocation	Floor Comp. met?
UK territories ⁹	0.366298	\$412,893.73	\$ 1,609,219.02	YES	\$ 455,026.05	\$ 2,148,602.07	YES
French territories	0.267762	\$301,822.90	\$ 581,618.26	YES	\$ 332,621.38	\$ 649,059.36	YES
Canada	0.267762	\$301,822.90	\$ 405,700.87	YES	\$ 332,621.38	\$ 538,000.00	YES
Netherlands territories ¹⁰	0.267762	\$301,822.90	\$ 318,698.64	YES	\$ 332,621.38	\$ 310,000.00	NO
United States ¹¹	0.267762	\$301,822.90	\$ 541,170.02	YES	\$ 332,621.38	\$ 436,712.50	YES
Puerto Rico	0.267762	\$301,822.90	\$ 327,952.55	YES	\$ 332,621.38	\$ 297,000.00	NO
Barbados	0.000000	\$ -	\$ 786,215.62	YES	\$ -	\$ 891,311.89	YES
Antigua & Barbuda	0.100678	\$113,485.41	\$ 730,702.78	YES	\$ 125,065.64	\$ 922,114.64	YES
Cuba	1.400571	\$1,578,734.98	\$ 3,583,610.47	YES	\$ 1,739,831.56	\$ 3,200,900.00	YES
Dominica	0.10282	\$115,899.99	\$ 819,423.25	YES	\$ 127,726.61	\$ 866,608.70	YES
St. Kitts & Nevis	0.100678	\$113,485.41	\$ 773,306.77	YES	\$ 125,065.64	\$ 823,484.29	YES
Grenada	0.094252	\$106,241.66	\$ 909,607.91	YES	\$ 117,082.73	\$ 877,256.16	YES

⁷ Countries presented in the same order as in the RBPB.

⁸ The Regular Budget allocation includes an aggregated account for the Eastern Caribbean Countries. For the purposes of this evaluation, allocations for the Eastern Caribbean Countries are distributed equally among its eleven members: Anguilla, Antigua and Barbuda, Barbados, British Virgin Islands, Dominica, French Departments in the Americas, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines.

⁹ UK territories include Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Montserrat, and Turks and Caicos Islands.

¹⁰ Netherlands territories include Aruba, Curaçao, Netherland Antilles, and Sint Maarten. The territories of Aruba, Curaçao, and Sint Maarten have become Associate Members of the PAHO since the RBPB was adopted in 2012.

¹¹ In 2014-2015 includes the allocation for the Field Office at the United States – Mexico border.

St. Lucia	0.100678	\$113,485.41	\$ 816,167.22	YES	\$ 125,065.64	\$ 930,940.36	YES
St. Vincent & Grenadines	0.100678	\$113,485.41	\$ 910,398.94	YES	\$ 125,065.64	\$ 961,677.17	YES
Bahamas	1.52517	\$1,719,183.24	\$ 2,179,119.42	YES	\$ 1,894,611.37	\$ 1,669,409.00	NO
Uruguay	1.426098	\$1,607,508.77	\$ 2,105,873.44	YES	\$ 1,771,541.46	\$ 2,511,534.96	YES
Trinidad & Tobago	1.376473	\$1,551,570.92	\$ 2,352,768.11	YES	\$ 1,709,895.63	\$ 2,511,400.00	YES
Costa Rica	1.343806	\$1,514,748.53	\$ 2,572,875.93	YES	\$ 1,669,315.82	\$ 2,955,400.00	YES
Argentina	1.469475	\$1,656,404.08	\$ 2,807,595.99	YES	\$ 1,825,426.12	\$ 3,951,305.64	YES
Chile	1.589075	\$1,791,218.30	\$ 2,785,220.83	YES	\$ 1,973,997.01	\$ 3,042,811.00	YES
Mexico	1.697251	\$1,913,154.76	\$ 5,697,305.69	YES	\$ 2,108,376.04	\$ 5,838,470.00	YES
Venezuela	1.916458	\$2,160,247.10	\$ 6,292,467.12	YES	\$ 2,380,682.08	\$ 5,056,600.00	YES
Panama	1.440914	\$1,624,209.63	\$ 2,480,838.49	YES	\$ 1,789,946.51	\$ 2,583,814.96	YES
Peru	1.866476	\$2,103,906.83	\$ 5,075,937.99	YES	\$ 2,318,592.75	\$ 5,898,653.00	YES
Jamaica	1.378615	\$1,553,985.50	\$ 2,384,979.72	YES	\$ 1,712,556.60	\$ 3,108,312.31	YES
Ecuador	1.432346	\$1,614,551.30	\$ 4,415,290.94	YES	\$ 1,779,302.63	\$ 5,160,388.00	YES
Belize	1.262228	\$1,422,793.15	\$ 1,043,692.87	NO	\$ 1,567,977.18	\$ 1,629,800.00	YES
Dominican Republic	1.451981	\$1,636,684.98	\$ 3,464,211.29	YES	\$ 1,803,694.86	\$ 4,044,731.00	YES
Brazil	2.142092	\$2,414,583.20	\$ 10,506,146.79	YES	\$ 2,660,971.03	\$ 6,743,302.54	YES
El Salvador	1.423777	\$1,604,892.97	\$ 2,939,168.95	YES	\$ 1,768,658.74	\$ 3,455,394.00	YES
Colombia	1.830061	\$2,062,858.91	\$ 4,404,725.49	YES	\$ 2,273,356.25	\$ 5,468,834.34	YES
Guyana	1.282221	\$1,445,329.26	\$ 2,560,626.82	YES	\$ 1,592,812.91	\$ 3,709,827.30	YES
Suriname	1.301142	\$1,466,658.08	\$ 2,571,646.53	YES	\$ 1,616,318.15	\$ 2,772,544.64	YES
Paraguay	1.487861	\$1,677,129.25	\$ 3,554,524.01	YES	\$ 1,848,266.13	\$ 4,691,585.00	YES
Nicaragua	1.354516	\$1,526,821.44	\$ 5,148,518.14	YES	\$ 1,682,620.68	\$ 5,593,279.90	YES
Honduras	1.522135	\$1,715,762.58	\$ 4,632,078.40	YES	\$ 1,890,841.66	\$ 4,706,956.72	YES
Guatemala	1.62085	\$1,827,034.62	\$ 5,544,143.55	YES	\$ 2,013,468.08	\$ 8,267,907.00	YES
Bolivia	1.500893	\$1,691,817.96	\$ 5,161,200.22	YES	\$ 1,864,453.70	\$ 5,355,868.00	YES
Haiti	1.74277	\$1,964,464.65	\$ 7,685,159.36	YES	\$ 2,164,921.68	\$ 9,641,201.00	YES

11. The RPBP also re-designed the needs-based component used in previous versions of the policy.

While the RPBP required the needs-based components to be updated with the most recent data for every budget cycle¹², no updates were made to the needs-based component since 2012. Table 3 shows that the Regular Budget allocation was not enough to meet the floor and needs-based components of thirteen and eleven countries for the 2014-2015 and the 2016-2017 biennials, respectively¹³. Despite the increase in number of countries not meeting the minimum allocation, the RPBP factor for the floor and needs-based components is strongly correlated (0.92) to the actual Regular Budget country allocations, which suggests that the Regular Budget was, in general terms, allocated in a way that closely resembles the RPBP formulas.

¹² See CSP28/7, Annex B, paragraph 24.

¹³ For 2016-2017: When considering the total flexible funds, instead of only the Regular Budget, the number of countries without enough resources to meet their floor and needs-based components gets reduced from eleven to ten (Brazil).

Table 3. Comparison of the sum of the required floor and needs-based components and actual Regular Budget allocation, by country¹⁴

Country ¹⁵	Needs-based Component - RPBP factor	2014-2015			2016-2017		
		Needs-based Comp. - calculated	Actual Regular Budget allocation	Needs-based Comp. met?	Needs-based Comp. - calculated	Actual Regular Budget allocation	Needs-based Comp. met?
Barbados	0.36	\$ 410,266.21	\$ 786,215.62	YES	\$ 452,130.41	\$ 891,311.89	YES
Antigua & Barbuda	0.23	\$ 377,136.91	\$ 730,702.78	YES	\$ 415,620.54	\$ 922,114.64	YES
Cuba	1.12	\$ 2,836,020.01	\$ 3,583,610.47	YES	\$ 3,125,411.91	\$ 3,200,900.00	YES
Dominica	0.20	\$ 346,552.52	\$ 819,423.25	YES	\$ 381,915.27	\$ 866,608.70	YES
St. Kitts & Nevis	0.18	\$ 319,495.82	\$ 773,306.77	YES	\$ 352,097.68	\$ 823,484.29	YES
Grenada	0.25	\$ 387,949.97	\$ 909,607.91	YES	\$ 427,536.98	\$ 877,256.16	YES
St. Lucia	0.31	\$ 462,383.27	\$ 816,167.22	YES	\$ 509,565.58	\$ 930,940.36	YES
St. Vincent & Grenadines	0.32	\$ 469,148.86	\$ 910,398.94	YES	\$ 517,021.53	\$ 961,677.17	YES
Bahamas	0.49	\$ 2,274,968.90	\$ 2,179,119.42	NO	\$ 2,507,110.26	\$ 1,669,409.00	NO
Uruguay	0.98	\$ 2,709,128.33	\$ 2,105,873.44	NO	\$ 2,985,572.00	\$ 2,511,534.96	NO
Trinidad & Tobago	0.75	\$ 2,400,605.21	\$ 2,352,768.11	NO	\$ 2,645,566.70	\$ 2,511,400.00	NO
Costa Rica	1.08	\$ 2,728,540.80	\$ 2,572,875.93	NO	\$ 3,006,965.34	\$ 2,955,400.00	NO
Argentina	2.28	\$ 4,230,772.00	\$ 2,807,595.99	NO	\$ 4,662,486.55	\$ 3,951,305.64	NO
Chile	1.67	\$ 3,674,504.09	\$ 2,785,220.83	NO	\$ 4,049,456.21	\$ 3,042,811.00	NO
Mexico	4.40	\$ 6,874,938.67	\$ 5,697,305.69	NO	\$ 7,576,468.10	\$ 5,838,470.00	NO

¹⁴ All the footnotes from Table 2 apply for Table 3 as well.

¹⁵ Six countries were not assigned a need-based component; therefore, they are excluded from this analysis. Those countries are: UK territories, French territories, Canada, Netherlands territories, United States, and Puerto Rico. See CSP28/7, Annex B, paragraph 24.

Venezuela	2.06	\$ 4,481,858.22	\$ 6,292,467.12	YES	\$ 4,939,194.00	\$ 5,056,600.00	YES
Panama	1.04	\$ 2,793,568.77	\$ 2,480,838.49	NO	\$ 3,078,628.88	\$ 2,583,814.96	NO
Peru	2.06	\$ 4,420,327.35	\$ 5,075,937.99	YES	\$ 4,871,384.43	\$ 5,898,653.00	YES
Jamaica	0.96	\$ 2,637,786.42	\$ 2,384,979.72	NO	\$ 2,906,950.25	\$ 3,108,312.31	YES
Ecuador	1.58	\$ 3,397,074.75	\$ 4,415,290.94	YES	\$ 3,743,717.54	\$ 5,160,388.00	YES
Belize	0.55	\$ 2,045,688.52	\$ 1,043,692.87	NO	\$ 2,254,433.75	\$ 1,629,800.00	NO
Dominican Republic	1.55	\$ 3,381,047.87	\$ 3,464,211.29	YES	\$ 3,726,055.26	\$ 4,044,731.00	YES
Brazil	7.36	\$ 10,709,578.29	\$ 10,506,146.79	NO	\$ 11,802,400.31	\$ 6,743,302.54	NO
El Salvador	1.34	\$ 3,114,254.75	\$ 2,939,168.95	NO	\$ 3,432,038.15	\$ 3,455,394.00	YES
Colombia	2.83	\$ 5,250,719.99	\$ 4,404,725.49	NO	\$ 5,786,511.62	\$ 5,468,834.34	NO
Guyana	0.73	\$ 2,268,050.07	\$ 2,560,626.82	YES	\$ 2,499,485.43	\$ 3,709,827.30	YES
Suriname	0.76	\$ 2,325,225.60	\$ 2,571,646.53	YES	\$ 2,562,495.24	\$ 2,772,544.64	YES
Paraguay	1.59	\$ 3,469,588.86	\$ 3,554,524.01	YES	\$ 3,823,631.10	\$ 4,691,585.00	YES
Nicaragua	1.54	\$ 3,260,623.34	\$ 5,148,518.14	YES	\$ 3,593,342.42	\$ 5,593,279.90	YES
Honduras	1.67	\$ 3,599,232.29	\$ 4,632,078.40	YES	\$ 3,966,503.55	\$ 4,706,956.72	YES
Guatemala	2.05	\$ 4,138,840.58	\$ 5,544,143.55	YES	\$ 4,561,174.31	\$ 8,267,907.00	YES
Bolivia	1.81	\$ 3,728,938.62	\$ 5,161,200.22	YES	\$ 4,109,445.31	\$ 5,355,868.00	YES
Haiti	1.81	\$ 4,002,054.11	\$ 7,685,159.36	YES	\$ 4,410,429.94	\$ 9,641,201.00	YES

12. The final two elements for the allocation of the Regular Budget in terms of the RPBP are the results-based component and the variable allocation. The RPBP does not provide criteria subject to evaluation for neither of these two elements. For the case of the results-based component, the criteria in the RPBP is broad enough that it could potentially be used to justify any allocative decision¹⁶. The variable allocation was intentionally left as a discretionary portion of the Regular Budget; therefore, it is not limited to measurable restrictions. In addition, there is no method that would allow extrapolating the fraction of the Regular Budget that was allocated through either of these two elements.

Budgetary Changes Within Countries

13. Changes in resource allocations across countries were necessary to meet with the new guidelines from the RPBP. However, the RPBP also defined two limitations on how much each country's budget could be reduced. The first limitation is that no country's core allocation could be less than 50% of its proportional allocation among countries as approved in the Program and Budget 2012-2013¹⁷. The second limitation was that the net allocation for the five key countries, as defined in the Strategic Plan 2003-2007 (Bolivia, Guyana, Haiti, Honduras, and Nicaragua), should not be reduced from 2012-2013 to 2014-2015¹⁸. There are two important clarifications regarding the second limitation: (a) because one of the objectives of this limitation was to acknowledge that key countries have higher capabilities for raising voluntary contributions, this limitation does not refer to the Regular Budget but to total budget

¹⁶ See CSP28/7, paragraph 32, section (a).

¹⁷ See CSP28/7, Annex C, paragraph 3, section (c).

¹⁸ See CSP28/7, Annex C, paragraph 3, section (d).

allocations; and, (b) the RPBP calls for doing “every possible effort” not to reduce the net allocation of key countries, but does not explicitly restrict it from happening.

14. In terms of the first limitation, it was met for all countries. Regarding the second limitation, Table 4 shows the changes in the Regular Budget and in total allocations for the five key countries. In terms of the Regular Budget, two of the five countries saw a decrease in their allocations, while the number of countries increases to four out of five when analyzing the entire budget.

Table 4. Budgetary changes in five key countries

	Regular Budget			Total Allocation		
	2012-2013	2014-2015	Difference	2012-2013	2014-2015	Difference
Bolivia	\$5,490,000	\$5,161,200	\$(328,799)	\$10,980,037	\$8,125,432	\$(2,854,604)
Guyana	\$2,140,000	\$2,560,626	\$420,626	\$4,491,217	\$3,542,307	\$(948,909)
Haiti	\$5,579,600	\$7,720,159	\$2,140,559	\$48,521,207	\$30,662,101	\$(17,859,105)
Honduras	\$4,918,600	\$4,632,078	\$(286,521)	\$9,293,821	\$9,689,833	\$396,012
Nicaragua	\$4,403,200	\$5,148,518	\$745,318	\$9,653,035	\$9,468,158	\$(184,876)

Perception of RPBP Results at Country Offices and Member States

15. In general, most survey respondents and interviewees at Country Offices were aware of the RPBP, think that it had an impact on their budgets, and share an overall positive perception on PAHO’s allocation of resources across countries. The number of survey respondents that agreed that PAHO distributes regular/flexible budget funds equitably among countries was almost three times larger than the number of those who disagreed. Similarly, the number of

respondents who were satisfied with the regular/flexible budget allocated to their Country Office for the 2014-2015 and 2016-2017 biennials was almost four times larger than the number of respondents that were dissatisfied.

16. There is no correlation between Regular Budget allocations and survey responses. In fact, there is a stronger linkage between total budget allocations, i.e., not limited to the Regular Budget, and survey responses. This finding suggests that it is difficult to extrapolate the Regular Budget from the total budget when analyzing the budgetary situation of previous years.

17. Survey and interview respondents communicated several complaints in terms of the RPBP. The most common complaint is that the RPBP can be excessively punitive for middle-income countries. The three arguments used to explain that complaint are that: (a) middle-income countries have within-country inequalities that are obviated by the RPBP, (b) that most middle-income countries find it difficult to raise enough voluntary contributions to make up for diminished funding from the RPBP, and, (c) that budget allocation tends to favor priority country excessively, up to the point of providing them with more resources than what they are capable of executing. In terms of the first argument, it is important to note that the current version of the RPBP did introduce the Gini coefficient into the HNIe calculation to address within-country inequalities. However, the survey and interview responses suggest that the relative weight assigned to it in the formulas might not have been enough to trigger the changes expected by some middle-income countries.

18. One common suggestion from Country Offices is to include updated figures for basic operational needs during the budget and planning process. This suggestion was raised particularly in response to changes in PAHO's policies for funding hardware updates and internet services.
19. A final complaint about the ability to meet core operational needs is somewhat out of the scope of the RPBP: the process for making funds available during budget execution can bring financial problems. Most interviewees reported experiencing issues during the 2016-2017 biennia due to uncertainty regarding when they were going to have flexible funds available. In some cases, this uncertainty led to extreme difficulties and complex arrangements to meet deadlines for paying the most basic services. All interviewees acknowledged that this issue has, for now, been solved for the 2018-2019 biennia.
20. Finally, most survey respondents and interviewees at Country Offices reported having enough financial resources to work fluently with their government counterparts. The number of survey respondents that reported having enough resources was almost two times larger than the number of those who reported issues. Among those who reported issues, the most common comment was that government counterparts have expressed interest in expanding PAHO's role in their country, but that resource limitations prevents the Country Office from taking a larger role. Those responses were validated by interviewing governments officials from a small sample of countries. All government officials stated that they work fluently with PAHO, that they value PAHO's capacity for providing technical support, and that PAHO tends to listen to their priorities and works towards accomplishing them. Only one interviewee expressed that,

while PAHO's support has been overwhelmingly positive, the government would appreciate if PAHO had the resources to expand their role.

Relation Between the RPBP and the Integrated Budget Approach

21. The introduction of the Integrated Budget approach had important ramifications for the RPBP.

Under the Integrated Budget approach, the figure of Regular Budget is replaced by "flexible funding", where the latter is composed by a larger number of funding sources. While the Regular Budget included only PAHO's and WHO's assessed contributions and miscellaneous revenue, flexible funding also comprises PAHO's and WHO's special funds for program support cost, and WHO's core voluntary contributions.

22. This change makes the RPBP irrelevant for budget allocation. The RPBP sets all its guidelines based on the Regular Budget, and that concept is no longer used during the planning and budget allocation process. Therefore, it was unreasonable to expect PAHO's allocations for the 2016-2017 biennia to follow a set of conditions linked to a concept no longer in use.

23. In some respects, flexible funding and the Regular Budget are similar enough to argue that, in future biennials, RPBP restrictions could be transferred from the latter to the former. For instance, Table 5 shows that country-level allocations of flexible funds were only 10% larger than what the Regular Budget would have been in the 2016-2017 biennia. However, the total amount of flexible funds is 29% larger than that of a hypothetical Regular Budget for that same biennia. Applying the RPBP restrictions to 29% more resources could result in excessive

budget rigidity and would run counter the Integrated Budget approach goal of increased flexibility.

Table 5. Comparison between flexible funds and an estimated Regular Budget, 2016-2017 biennia

	Flexible funds	Regular Budget	Difference
Total	\$373,204,370	\$289,176,173	29.1%
Country-level	\$137,135,416	\$124,222,997	10.4%

Main Differences and Commonalities with WHO's Budget Policies

24. The current trend of WHO's budget policies is to move away from formulas and towards resource allocation based on costing of outputs. The latest policy states that "clear differentiation of responsibilities in the budget will then allow resource allocation between levels of WHO to be based more on functions and responsibilities for producing outputs, and less on fixed allocative formulae."¹⁹

25. The other aspect that is currently changing in WHO's budget policies is the treatment of voluntary contributions vis-à-vis the rest of the budget. The objective is to deal with the unpredictability of voluntary contributions and the vulnerability of depending too much on them. In terms of this shift, WHO's budget policy states that at the World Health Assembly "Member States approve the programme budget in its entirety. This is an important shift from

¹⁹ See Twelfth General Programme of Work 2014–2019, page 58.

current practice where only the proportion of the budget financed from assessed contributions is approved. The change implies the Organization taking a greater degree of responsibility not only for the budget's programmatic content, but also for alignment of resources to the programme budget. Thereafter, following the approval of programmes and priorities, a structured and transparent process with Member States and other donors begins.”²⁰

V. CONCLUSIONS

26. Compliance with the RPBP has been mixed during the 2014-2015 and 2016-2017 biennials.

On the one hand, most survey respondents and interviewees at Country Offices were aware of the RPBP, think that it had an impact on their budgets, and share an overall positive perception on PAHO's allocation of resources across countries. In addition, budget allocations were highly correlated with the RPBP formulas, which implies that, on aggregate terms, countries with higher needs received more funding. On the other hand, the restrictions of the RPBP were not always respected as evidenced by the fact that funding minimums for the floor and needs-based components were not met for all countries.

27. The floor component, which was established to cover minimum operating needs in every country, was respected for an overwhelming majority, but not for all, countries. In both biennia one country where a physical presence has been accepted and established received a Regular Budget allocation lower than their floor component: Belize and Bahamas for the 2014-2015 and the 2016-2017 biennials, respectively. Despite the small number of cases, the RPBP

²⁰ See Twelfth General Programme of Work 2014–2019, page 58.

explicitly established that “in no instance may the resulting Regular Budget allocation be less than the computed floor component.”²¹

28. The number of countries for which the needs-based component was not met rises dramatically as compared to that for the floor component. A total of thirteen and eleven countries did not receive enough Regular Budget allocations to meet with their needs-based component for the 2014-2015 and the 2016-2017 biennials, respectively.
29. The results for the 2016-2017 biennia, regarding funding for the floor and needs-based components, remain relatively unchanged when performing the analysis with flexible funding instead of the Regular Budget. The only difference in the results is that when using flexible funding as the measure for calculation the number of countries without enough needs-based funding gets reduced by one.
30. The RPBP required PAHO to update the data used to calculate the floor and needs-based components for each budget cycle. This requirement was not followed for the 2016-2017 biennia. There are two attenuates to this fact: the data for needs-based component was updated during the planning process to determine a new list of priority countries, and the need to update all RPBP data was overshadowed by the implementation, for the first time, of the Integrated Budget approach.

²¹ See CSP28/7, Annex C, paragraph 3, section (c).

31. While funding for key countries has been relatively high, some key countries saw their Regular Budget and total budget allocations reduced. All key and priority countries (based on the previous and current lists) received enough funding to cover their floor and needs-based components. In some cases, they met these requirements by a large margin. For example, in the 2016-2017 biennia, Haiti and Guatemala received about 200% of their floor and needs-based components minimum. However, some key countries saw a budget reduction in the 2014-2015 biennia even though the RPBP called for all necessary actions to avoid such reductions.
32. In general, budget allocation under the RPBP met the standards of equity, solidarity and Pan Americanism. In terms of equity, countries with higher needs, as measured by the HNIe, did in general get more per capita resources than those with lower needs. Still, this positive remark only holds in the aggregated view because a country-by-country analysis leads to cases where they did not receive their equitable share. In terms of solidarity and Pan Americanism, the implementation of the budget policy shows that countries accepted lower resource allocations to correct imbalances inherited from the previous version of the RPBP. In addition, the RPBP allowed enough flexibility to deal with needs that arose during the execution process by not setting formulaic restrictions neither over a portion of the Regular Budget labeled variable funds, nor over PAHO's emergency funds.
33. The implementation, starting with the 2016-2017 biennia, of the Integrated Budget approach makes the RPBP inoperative. The most relevant change is that the new budget approach eliminates the concept of Regular Budget, which is the basis for most of the methodologies

within the RPBP. In addition, the implementation of the Integrated Budget approach brought additional operational challenges that overshadowed the requirements of the RPBP.

34. Some of the concepts used by the RPBP are becoming outdated as compared to current transitions in WHO's budget policies. Examples of those concepts are: the use of formulas to allocate significant portions of the budget and the exclusion of voluntary contributions from the overall policy.

VI. LESSONS & RECOMMENDATIONS

35. The conclusions of this evaluation show that, although some of the specific restrictions of the RPBP were not always respected, officials from PAHO's Country Offices share an overall positive perception on PAHO's allocation of resources across countries and that aggregate budget allocations were highly correlated with the RPBP formulas. Another important conclusion is that the introduction of the Integrated Budget approach has made many of the RPBP concepts inoperative.
36. The road to improving the RPBP is not one of more and/or stricter formulas. The use of formulas has inherent limitations, such as: (a) the fact that even well-designed formulas are unlikely to capture and/or properly weight all relevant data, and (b) they increase budget rigidities resulting in reduced policymaking capacity to take decisions based on factors not included in the formulas. In that same vein, WHO's budget policies are transitioning away from formulas.

37. The RPBP still may play a significant role by providing a transparent and systematic approach to enhance equity in the allocation of resources. We list the following nine recommendations for future iterations of the RPBP to play that role:

38. **Recommendation 1: Make the needs-based component less restrictive.** Currently, the RPBP's needs-based component yields a specific dollar amount that needs to be met for every country. Having a specific dollar amount has proven to be excessively restrictive and hard to meet. The needs-based component should be modified in a manner that it becomes less restrictive while still being effective towards its goal of having an equitable allocation of resources. For that purpose, the RPBP could (a) replace specific dollar amounts with acceptable dollar ranges of per capita funding, and (b) shift its dollar restrictions from a country to a group-level basis. The current RPBP already classifies countries into needs-based groups, through the HNIe, so transitioning restrictions from country to groups should be straightforward.

39. **Recommendation 2: Continue to improve the needs-based calculations.** If the HNIe will continue to be used, whether the way it is currently used or by enacting the previous recommendation, it needs to be improved. The findings of this evaluation suggest that the HNIe is still not giving enough weight to within-country inequalities, which affect a group of countries that, at the same time, has difficulties raising voluntary contributions to make up for reduced funding. Alternatively, PAHO could design a different calculation to replace the HNIe.

40. **Recommendation 3: Enforce biennial updates of the floor component.** Since 2012, the floor component has not been updated to reflect new costing information. Following the trend from WHO's budget policies, and the intent from the RPBP itself, basic operational needs should be determined via bottom-up costing for every biennia based on clear methodologies and considering other policy changes (for instance, the recent change in terms of internet costs). It continues to be on everyone's interest that basic operational needs are covered for every Country Office; therefore, their funding should be mandatory.
41. **Recommendation 4: Allow the use of transparent and limited escape clauses for all RPBP's restrictions.** A common trend for fiscal rules around the world is to acknowledge that in any given year there can be legitimate reasons to temporarily bypass a fiscal rule. However, those bypasses need to be limited to specific escape clauses and their use must be transparent and properly reported. Both the needs-based and the floor components should allow for temporary exemptions as long as those are properly reported. The following is a proposed list of acceptable escape clauses: (a) smoothing the impact of a rule through multiple biennia in order to avoid abrupt budget changes; (b) having a temporary change in allocations due to a health-related emergency; (c) smoothing a budget increase through multiple biennia to build appropriate executing capacity; and (d) postponing or smoothing operational needs such as hiring and office infrastructure.
42. **Recommendation 5: Eliminate all other formulaic restrictions.** If the first four recommendations are followed, then the remaining restrictions included in the RPBP are not

needed in terms of equity, solidarity and Pan Americanism. Simplification of the RPBP also enhances the likelihood of it becoming useful and operational.

43. **Recommendation 6: Create a mandatory biennial RPBP executive report.** The calculations and the decisions taken within the framework of the RPBP need to be transparent and well-documented. Therefore, a short executive report should be submitted to Executive Management (EXM) including, at least, all basic operational and needs-based calculations, the use of escape clauses, and a brief analysis of equity in resource-allocation decisions.
44. **Recommendation 7: The RPBP needs to be operationalized by adding its processes into budget and planning methodologies.** To make sure that RPBP restrictions are not excluded from the planning and budget-allocation processes they need to be clearly defined within operational methodologies. Some of the processes that need to be explicitly detailed in the methodologies are: updating the HNIe and the basic operational needs every biennia, recalculating needs-based grouping, communicating Country Offices of their RPBP-based funding minimums, and elaboration and publication of the biennial RPBP executive report.
45. **Recommendation 8: Analyze ways to link voluntary contributions to the RPBP.** While it is reasonable, due to their uncertainty and volatility, not to include voluntary contribution in the RPBP, the recent trend from WHO's budget policies serves as a call for integration. The importance of establishing links between voluntary contributions and the rest of the budget was also raised by survey respondents and interviewees from Country Offices. PAHO should carry-out an analysis to determine how voluntary contribution may be linked to the RPBP.

46. **Recommendation 9: Change the focus of the RPBP from the Regular Budget to flexible funds.** A final, although indispensable, recommendation is to change all RPBP requirement to flexible funds. In order to allow budgetary flexibility, the RPBP could be limited to a proportion of flexible funds as long as that proportion is large enough to be relevant.

VII. ACRONYMS USED IN THIS REPORT

EXM	Executive Management
HNIe	Health Needs Index Expanded
IES	Internal Oversight and Evaluation Services
PAHO	Pan American Health Organization
PWR	PAHO/WHO Representatives
PMN	Program Management Network
RPBP	Regular Program Budget Policy
WHO	World Health Organization

ANNEX 1: TERMS OF REFERENCE

I. Description and Overall Purpose of the Evaluation

The Regional Program Budget Policy (RPBP) provides a transparent methodology for allocating a portion of PAHO's two-year budgets among the functional levels of the Organization and among individual countries.

The main purpose of this assignment is assess whether regular budget resources have been allocated in the period 2014-2017 in accordance with the criteria set out in the RPBP. In addition, per the intention of the RPBP, the evaluation will examine how well the RPBP addresses Member States' needs and whether changes introduced in regular budget allocation improved equity, fairness and transparency. It is important to note that the budget policy applies only to the distribution of regular budget resources.

II. Objectives

The evaluation has three main objectives:

- Determine whether resources have been allocated (in the period 2014-2017) in across the functional levels of PAHO (country, sub-regional and regional), and across individual countries, in accordance with the RPBP approved in 2013.
- Identify lessons learned in application of the RPBP, especially in view of the “integrated budget” approach adopted by PAHO starting in 2014-2015.
- Compare the World Health Organization's (WHO's) and the Pan American Health Organization's (PAHO's) budget allocation policies.

III. Background and Context

In September of 2012, the 28th Pan American Sanitary Conference approved PAHO's Regional Program Budget Policy (RPBP), related to the PAHO Strategic Plan 2014-2019. This was an updated improvement of the previous PAHO Budget Policy that covered the period 2006-2012. The Conference also noted that the RPBP should support the implementation of PAHO's Strategic Plan 2014-2019, with its emphasis on special population groups, priority countries and technical objectives.

The RPBP gives priority in the allocation of resources from the regular budget to the region's poorest countries (priority countries). An evaluation of the previous PAHO Budget Policy (2006-2012) found that while some countries benefitted significantly from the prescribed allocation of resources, others with relatively better health status, as measured by the *Health Needs Index expanded* (HNIe), saw their budgets reduced, in some cases to levels insufficient to support a minimum presence of PAHO's offices. In those cases, regular budget funds are complemented with other sources of funding. Following two biennia of its implementation, this evaluation will examine the extent to which the policy results in an equitable allocation of regular budget resources while responding to Member State needs.

IV. Criteria and Key Evaluation Questions:

The key questions the evaluation must address are:

1. Has PAHO allocated resources (in the period 2014-2017) across the functional levels of the Organization (country, sub-regional and regional), and across individual country offices, in accordance with the RPBP approved in 2013?
 - a. From a financial perspective, has PAHO followed to specific criteria set out in the RPBP for the allocation of regular resources?
 - b. To what extent has implementation of the RPBP reflected the principles of equity, solidarity and Pan Americanism?
 - c. What effect did the policy have on priority countries?
2. What lessons learned can be identified regarding application of the RPBP, especially in view of the “integrated budget” approach adopted by PAHO starting in 2014-2015?
 - a. How does the policy in its current form impact each organizational level?
 - b. What recommendations can be made to improve equity, fairness and transparency in the allocation of resources?
3. How does PAHO’s current budget allocation policy compare with the WHO’s? What recommendations can be made in this regard?

V. Scope and Methodology

This study will primarily focus on data for the last four years (2014-2015 & 2016-2017 biennia). The evaluator may wish to review outcomes of the previous 2006-2011 RPBP. The budget data to be analyzed includes allocations to PAHO’s 27 Country offices, three Pan American Centers and three Sub-Regional offices, as well as PAHO’s Regional Headquarters. The data to be analyzed will also include allocations by programmatic areas at regional, sub-regional and country levels for interventions benefitting PAHO’s countries and territories.

The methodology will include a desk review of documents (Governing Body Resolutions, PAHO’s Strategic Plan, and other internal documents); the bulk of the analysis will involve examining existing internal budget data, monitoring data and PAHO’s financial records. The evaluation may also include a sample of interviews of both internal and external stakeholders.

A mixed methods approach is preferred. Quantitative skills for analyzing budget data are essential for this assignment. However, evaluator(s) or team members also need qualitative skills to conduct interviews and to address issues of fairness, equity and transparency.

The evaluation will use internationally agreed criteria of relevance, effectiveness, efficiency and impact. It will also consider other criteria such as equity, fairness and transparency. The methodology will be developed further by the consultant(s) once they have conducted an initial desk review.

VI. Deliverables, Tasks, and Timeline:

The deliverables for this assignment include a Draft Report followed by a Final version of an Evaluation Report, which will require the consultant(s) to perform the following tasks:

1. Review the current RPBP and its implications for program budgeting in the PAHO Secretariat;
2. Assess the application of the three major principles adopted in the RPBP to guide budget development: equity, solidarity, and Pan Americanism;
3. Evaluate the application of the budget by organizational level (i.e., Regional, Sub-regional and country levels);
4. Assess the distribution of resources among countries through the application of the Country Budget Allocation (CBA) model, specifically with regard to the Core and the Variable portions.
5. Examine the application of the Results-based portion of the budget.
6. Determine the relevance of the RPBP in the “integrated budget” era, and make any pertinent recommendations.

ANNEX 2: SURVEY QUESTIONNAIRE

General questions on PAHO's budget policies

1. Are you aware of PAHO's Regional Program Budget Policy (RPBP) for allocating regular/flexible budget funds among countries?
2. Were you aware of the revised version of the RPBP, used in the past two biennia (2014-2015 and 2016-2017)?
3. Are you aware of the integrated budget approach applied by PAHO since the 2016-2017 biennium?
4. Do you agree or disagree that PAHO distributes regular/flexible budget funds equitably among countries?
5. Please provide some comments about your answers regarding:
 - a. Your understanding of PAHO's Regional Program Budget Policy and Integrated Budgeting
 - b. Your perception of whether the distribution of regular/flexible budget funds across countries is equitable

Questions on the budgetary situation in your country office

6. What is your position title and for which country office you are responding?
7. Did you notice changes in your regular/flexible budget allocation after the RPBP was revised (starting with the 2014-2015 biennium)?
8. How satisfied or dissatisfied were you with the regular/flexible budget allocated to your office for the past two biennia (2014-2015 and 2016-2017)?
9. Do you agree or disagree that the regular/flexible budget allocated to your office was enough to cover all basic operational needs for the past two biennia (2014-2015 and 2016-2017)?
10. Explain whether your counterparts from the Ministry of Health ever expressed concern over insufficient funding for your country office.

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