



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



142nd SESSION OF THE EXECUTIVE COMMITTEE

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REPORT ON THE SECOND SESSION OF THE SUBCOMMITTEE ON PROGRAM, BUDGET, AND ADMINISTRATION

1. The Subcommittee on Program, Budget, and Administration held its Second Session at the Organization's Headquarters in Washington, D.C., from 10 to 11 March 2008.
2. The session was attended by representatives of the following Members of the Subcommittee elected by the Executive Committee or designated by the Director: Bolivia, Canada, Chile, Costa Rica, Cuba, Mexico, and Trinidad and Tobago. Representatives of Brazil, Suriname, and United States of America attended in an observer capacity.
3. Elected as officers were the Delegates of Chile (President), Bolivia (Vice President), and Cuba (Rapporteur).
4. The Subcommittee discussed the following agenda items:
 - Adoption of the Rules of Procedure for the Subcommittee on Program, Budget and Administration
 - Report on Internal Oversight Services
 - Use of Surplus Financial Resources from the 2006-2007 Biennial Program Budget: Preliminary Report and Criteria
 - Biennial Program Budget 2006-2007 of the Pan American Health Organization: Performance Assessment Report
 - Status of PAHO's Engagement with the WHO Global Management System (GSM)

- Programmatic Prioritization and Resource Allocation Criteria
 - Nongovernmental Organizations in Official Relations with PAHO
 - Update on the Implementation of the Regional Program Budget Policy
 - Amendments to the PASB Staff Rules and Regulation
 - UN Contract Reform Implementation in PAHO: Progress Report
 - Draft Provisional Agenda for 142nd Session of the Executive Committee
 - Preliminary Daily Timetable for the 48th Directing Council
 - Report on the OAS 2009 Scale of Contributions
 - Master Capital Investment Fund
 - Institutional Strengthening of the Institute of Nutrition of Central America and Panama
5. Under “Other Matters” the Director informed the Subcommittee that Dr. Leslie Ramsammy, Minister of Health of Guyana, would serve as President of the forthcoming Sixty-First World Health Assembly.
6. The final report of the Session is attached.

Annex



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

Washington, D.C., USA, 10-12 March 2008

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Annex

SPBA2/FR (Eng.)
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FINAL REPORT

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FINAL REPORT

1. The Second Session of the Subcommittee on Program, Budget, and Administration (SPBA) of the Executive Committee of the Pan American Health Organization (PAHO) was held at the Organization's Headquarters in Washington, D.C., on 10 and 11 March 2008.

2. The meeting was attended by representatives of the following Members of the Subcommittee elected by the Executive Committee or designated by the Director: Bolivia, Canada, Chile, Costa Rica, Cuba, Mexico, and Trinidad and Tobago. Representatives of Brazil, Suriname, and the United States of America attended in an observer capacity.

Officers

3. The following Member States were elected to serve as officers of the Second Session of the Subcommittee:

President: Chile (Dr. Osvaldo Salgado Zepeda)

Vice President: Bolivia (Dr. Janette Vidaurre)

Rapporteur: Cuba (Dr. Antonio González Fernández)

4. Dr. Mirta Roses Periago (Director, PAHO) served as Secretary *ex officio*, and Dr. Cristina Beato (Deputy Director, PAHO) served as Technical Secretary.

Opening of the Session

5. The Director opened the session and welcomed the participants. She was pleased that the Subcommittee's second session would coincide with an event to be held at PAHO Headquarters on 10 March 2008 in observance of International Women's Day, particularly as the Subcommittee had absorbed some of the functions of the former Subcommittee on Women, Health, and Development.

6. The Organization was embarking upon both a new quinquennium and a new biennium and was therefore currently engaged in a series of transitions. The months since the 27th Pan American Sanitary Conference in October 2007 had been a time of intense work for the Secretariat, as the staff had prepared to implement the Strategic Plan 2008-2012, the Biennial Program Budget 2008-2009, the International Public Sector Accounting Standards, and the principles of results-based management. Coordinators had

been named for each of the 324 indicators, 88 Region-wide expected results, and 16 strategic objectives in the Strategic Plan, and those coordinators had then worked with personnel in the countries to ensure adequate linkages between country biennial workplans and the indicators set out in the Strategic Plan. At the same time, a number of changes had to be made in order to transition from the 2006-2007 budget to the 2008-2009 budget, including redesign of the allotment mechanism and reclassification of obligations. The Organization's program management and budgeting system (AMPES) also had to be revamped. Meanwhile, the Secretariat staff continued carrying out the day-to-day work of the Organization, while also responding to several emergencies and disasters that had occurred in the Region since October 2007.

7. Consequently, some of the Secretariat's normal work was disrupted and there had been a delay in releasing some of the documents for the Subcommittee, for which she apologized. She was certain, however, that over the coming months and years, Member States would be able to see the results of the Secretariat's efforts.

8. The Subcommittee thanked the Director for her remarks and expressed confidence that the changes under way within the Organization would yield positive results.

Adoption of the Agenda and Program of Meetings (Documents SPBA2/1, and SPBA2/DIV/2, Rev. 2)

9. The Subcommittee adopted the provisional agenda submitted by the Director (Document SPBA2/1). The Subcommittee also adopted a program of meetings (Document SPBA2/DIV/2, Rev. 2).

Subcommittee Matters

Adoption of the Rules of Procedure for the Subcommittee on Program, Budget, and Administration (Documents SPBA2/2 and SPBA2/2, Rev. 1)

10. Dr. Heidi Jiménez (Area Manager, Office of Legal Counsel, PAHO) presented the Rules of Procedure contained in Document SPBA2/2, pointing out that they were strongly aligned with the Rules of Procedure of the former Subcommittee on Planning and Programming, and that they were supplemented by the Rules of Procedure of the Executive Committee.

11. The Subcommittee expressed general approval of the Rules of Procedure, but suggested that they should be augmented by a statement on the nature and functions of the SPBA, which could be drawn, for example, from Resolution CE138.R12 by which the Subcommittee had been established. Clarification was sought with regard to paragraph 6.2 of Document SPBA2/2, dealing with the procedure for establishing a

quorum. Delegates also sought clarification of the second subparagraph of paragraph 3, dealing with the membership of the Subcommittee. In particular, they considered that there should be some statement of the criteria that the Director should apply in designating three members to serve on it.

12. Consideration was given to placing the matter on the agenda of the following session of the Executive Committee, but when some members pointed out that the composition of the SPBA had been extensively discussed both by the Executive Committee and by the Working Group on Streamlining the Governance Mechanisms of PAHO, it was decided that the issue of membership could be clarified by the addition of the words “With a view to maintaining an adequate balance in the geographical representation...” to the second subparagraph of paragraph 3 of the document. It was also agreed that since the composition of the Subcommittee changed every year, it was appropriate that the Director should be charged with designating Members from appropriate countries in order to maintain geographical balance. It was suggested that the second subparagraph of paragraph 7 of the document, also dealing with the role of the Director, should be amended to read: “The Director of PASB shall be responsible for making the necessary arrangements for the Subcommittee’s sessions, including the assignment and supervision of the personnel involved in its work.”

13. It was pointed out that the Rules of Procedure did not make any provision for the Subcommittee to prepare proposed resolutions for subsequent adoption by the Executive Committee, and it was agreed that suitable wording should be added to the penultimate and final subparagraphs of paragraph 4 of the document.

14. Responding to the Subcommittee’s comments, Dr. Jiménez explained that the composition of the Subcommittee was a matter to be resolved not by the Subcommittee itself but by the body to which it was subordinate, namely the Executive Committee. The issue of quorums was covered in the Rules of Procedure of the Executive Committee. The practice was to check the attendance at the beginning of every day of a meeting. Should there ever be less than a quorum – which had never happened – then that day’s work could not start until the number of additional members to make up the quorum arrived.

15. The Director welcomed the various suggestions for improvement of the Rules of Procedure, but stressed that, in the event of doubt or conflict, the Rules of Procedure of the Executive Committee would prevail. Noting that the Executive Committee’s sessions were always very full and busy, she was pleased that it had been decided not to resubmit to the Committee matters which had already been discussed and decided.

16. Subsequently, the Subcommittee considered document SPBA2/2, Rev. 1, which incorporated the various amendments proposed, and approved the Rules of Procedure without further discussion.

Administrative and Financial Matters

Report on Internal Oversight Services (Document SPBA2/3)

17. Mr. Michael Boorstein (Director of Administration, PAHO) explained that the mission of the Internal Oversight Services unit was to provide independent, objective assurance and advisory services designed to improve the Organization's operations. The unit brought a systematic approach to evaluating and improving the effectiveness of processes for risk management and governance, conducted investigations of alleged irregular activity, and coordinated the framework for program evaluation.

18. The unit had been understaffed for a considerable time, but he was pleased to report that the Evaluation Officer had joined the staff in January 2008. The recruitment of the Senior Internal Auditor was expected to be completed shortly, and it was hoped that the incumbent would be on board by May 2008. When fully staffed, the PAHO Internal Oversight Services (IOS) office would cover both audit and evaluation functions.

19. Details of the audit work carried out in the 2006-2007 biennium could be found in Document SPBA2/3. The audit work plan for 2008 covered two areas: financial and operational audits in country offices and program performance audits. The details of the audits to be carried out by PAHO in 2008 were currently under review. The evaluation work plan for 2008 covered three areas. The first was preparation of a policy framework for integrated evaluation at PAHO; the second area was methodology and training; and the third covered the actual evaluations planned for 2008, which would comprise one thematic cross-cutting evaluation to be carried out in three or four countries, focusing on one specific issue of PAHO operations; one program comparative evaluation conducted in two countries; and one management evaluation of PAHO internal processes. As the document explained, there was also a WHO audit function. WHO's plan for the Region in 2008 consisted of audits of the country offices in Ecuador, Honduras, and Peru, and one programmatic evaluation of the Health Systems and Services area at PAHO Headquarters.

20. While the Subcommittee was pleased that the recruitment process was nearly complete, disappointment was expressed about the brevity of the report and its failure to fully articulate a work plan for 2008. It was requested that a report on the work plan for 2008 be provided to the forthcoming session of the Executive Committee. It was suggested that the report submitted to the Subcommittee would have been more valuable if it had contained an annex indicating to what degree each recommendation was significant to the operations of the Organization and its status. Where implementation had not yet started, reasons should be given, and future reports should contain such information.

21. The Subcommittee urged the Secretariat to implement the Internal Oversight Services recommendations swiftly and fully, and at the same time urged the IOS office to monitor implementation. In particular, the Subcommittee considered that immediate action should be taken to implement the recommendations on strengthening the management and monitoring of letters of agreement. Members sought clarification of the legal mechanisms that were being used for disbursement of funds to the country offices within the context of such letters and of how the use of the funds was monitored.

22. The Subcommittee also sought more information on the recommendations that purchasing procedures should be improved in some countries and that access rights to the accounting systems should be more carefully controlled. Information was also requested on the findings of the review of the charter, mission, and risk assessment plan of the PAHO Internal Oversight Services, referred to in paragraph 4 of Document SPBA2/3. One member asked whether the ministries of health would somehow be involved or consulted in the audit process, especially concerning the program performance audit.

23. Mr. Boorstein gave some background on why the recruitment process, particularly for the Senior Auditor, had been so prolonged: very specific and very-high level skills were required, and the requirement for fluency in both English and Spanish had been another hurdle. With a second round of advertising, however, PAHO now had a good pool of candidates with the necessary qualifications.

24. The original audit work plan for 2008, which had been drafted on the assumption that the Internal Oversight Services office would have a full staff for the whole year, had specified audits for 15 country offices and centers and six Headquarters functions. Those numbers would be adjusted as necessary in light of the staffing situation. He undertook to provide more detailed information for the upcoming session of the Executive Committee.

25. The consultant mentioned in paragraph 4 of document SPBA2/3 had identified three main risks for PAHO: business continuity, disaster recovery, and information technology from a vulnerabilities perspective. All of those issues were currently being addressed. With regard to the charter, the consultant had also developed an outline covering all of the elements that needed to go into a charter for an internal audit function, which could be completed once the Senior Auditor was in place.

26. With regard to other areas where the audit findings indicated shortcomings, a series of subregional workshops on best practices in procurement had helped to strengthen the abilities of people working in that area. Work was also being pursued with country representatives under the accountability framework to emphasize their role in ensuring that activities were performed in a transparent and proper manner. Where access rights to accounting systems had been found defective, PAHO's information technology personnel were working to effect technological improvements.

27. The Director said that the Secretariat would make available all three audit work plans: for PAHO internal audits, WHO internal audits, and external audits. Member States would thus have a complete picture of the auditing work undertaken in the Region, which was the most audited of all WHO regions, despite the personnel shortages in Internal Oversight Services. Regarding the letters of agreement, they were the mechanism by which PAHO transferred resources for the execution of agreed cooperation programs with countries. They provided transparency and accountability between the Organization and the Member State. If there were some difficulties with the letter of agreement process, they arose largely because the instruments were not designed for use at regional level, but only at country level. Consideration was being given to how they could be modified for use at regional level. Other issues raised by the auditors, such as monitoring of travel costs and of the Expanded Textbook and Instructional Materials Program (PALTEX), were also being addressed.

28. Responding to the question about involvement of the governments in the audit process, the Director recalled that WHO audits of Guyana and Mexico had involved interaction with various entities of the two governments. The auditors did definitely interact with government authorities in order to elucidate any apparent accounting problems found at country level, for example in relation to procurement, which was an area of particular interest for the auditors.

29. The Delegate of Chile affirmed that letters of agreement clearly specified the results expected, the resources being transferred, and the individuals accountable for their use, both legally and technically, both within the ministry of health and PAHO. The same applied to courses and seminars.

30. The Subcommittee noted the report.

Use of Surplus Financial Resources from the 2006-2007 Biennial Program Budget: Preliminary Report and Criteria (Document SPBA2/4)

31. Ms. Sharon Frahler (Area Manager, Financial Resources Management, PAHO) noted that PAHO currently found itself in a rare situation, indeed one that had not occurred for some 20 years: income in the 2006-2007 biennium had significantly surpassed expenditure, leaving the Organization with a substantial surplus. Three main factors had accounted for the increase in income: a rise in the collection of quota assessments from prior biennia; miscellaneous income of US\$ 26 million, exceeding the budgeted figure of \$14.5 million; and implementation of the new policy concerning the recognition of expenditure, approved by the 47th Directing Council (Resolution CD47.R13). Of the surplus, \$5.8 million had been transferred into the Working Capital Fund; to take it up to its authorized ceiling of \$20 million; approximately \$8 million had been set aside in order to fully capitalize the newly established Master Capital Investment

Fund, and the balance had been transferred to a holding account, pending a decision on its use by the 48th Directing Council in September 2008.

32. Mr. Román Sotela (Planning, Budget, and Resource Coordination, PAHO) informed that the Director was recommending that the surplus should be spent in line with two broad criteria: (1) activities that would enhance the Secretariat's focus on supporting priority public health projects in the Region or (2) projects that would contribute to strengthening the Organization itself. Examples of possible activities that might be funded under the two criteria were found in Document SPBA2/4.

33. Members of the Subcommittee pointed out that choosing how to spend the surplus related closely to the topic of programmatic prioritization and resource allocation, also discussed during the session. Of the proposed potential spending areas, the Subcommittee considered that "Improving the ability of the Organization and of ministries of health to continue technical activities and operations during emergencies" would be a high priority and would benefit a number of countries. The same applied to "Strengthening information systems in support of public health projects." Support was also expressed for the projects aimed at "Relocating and modernizing the Emergency Operations Center" and "Meeting the requirements for alignment with the WHO Global Management System." Some delegates voiced support for "Accelerating the pace for achieving the Millennium Development Goals," as it appeared that some countries in the Region would have difficulty meeting the Goals.

34. It was suggested that the surplus should be expended on well-defined one-time occurrences, rather than on recurring events. Some of the proposed projects did indeed fall into that category, such as the introduction of the International Public Sector Accounting Standards or the alignment with WHO's Global Management System. Taking that approach would in the long term create efficiencies for PAHO. It was also suggested that noncommunicable diseases – an area that was currently seriously underfunded – might be added to the list of possible areas to be funded from the surplus. Another possibility might be to create a reserve fund for the future.

35. Members pointed out that in order for the Subcommittee to make recommendations to the Executive Committee, it would need detailed costings of the various options put forward under the two broad criteria, together with at least an estimate of the amount of the surplus.

36. Ms. Frahler said that the anticipated surplus, after the transfers to the Working Capital Fund and the Master Capital Investment Fund, was of the order of \$25 million, but emphasized that she was giving an extremely approximate figure because all of the income amounts had yet to be verified by the External Auditor.

37. Mr. Sotela said that specific costings for most of the proposals would be ready by the time of the June session of the Executive Committee, and all cost estimates would be available by the next Directing Council.

38. The Director pointed out that having a budgetary surplus was an unexpected occurrence, and one which entailed a duty to spend the windfall as prudently as possible. The opportunity would probably not come again any time soon. Interest rates were falling, which would reduce miscellaneous income, and with the loss in value of the dollar, all of the Organization's expenditures outside the United States would become more costly. Additionally, the steady rise in oil prices was increasing the cost of operations. It was thus necessary to take a very cautious, and strategic approach. It was certainly not necessary to rush into spending all the money within one biennium.

39. One obvious course of action would be to increase the capitalization of funds such as the Revolving Fund for Vaccine Procurement, particularly since the level of expenditure on vaccines had increased considerably. However, it was felt that since those funds generally attracted significant donor contributions, it would be wiser to use the surplus in areas that were less interesting to donors. In her view, however, the surplus should not be used to cover the unfunded portion of the 2008-2009 budget. All Member States agreed that it was their joint responsibility to mobilize resources from donors and the international community in order to cover that shortfall.

40. Making recommendations on how to spend the budgetary surplus was a fundamental part of the role of the SPBA. It would be beneficial if the Subcommittee could express a consensus view on the broad criteria set forth, in order to allow the Secretariat to present specific costed projects to the Executive Committee for its approval in June. She suggested that the matter be left open for 30 days in order to enable the auditors to conclude their work of verifying the amount of the surplus.

41. The Subcommittee agreed that within the coming 30 days, PAHO would clarify the exact amount of the surplus and would also produce figures on the specific costs of the projects suggested as areas in which the excess funds could be invested. Within the two weeks thereafter, the Subcommittee would hold an electronic consultation and would make recommendations to the Secretariat regarding the projects to be submitted to the Executive Committee.

***Biennial Program Budget 2006-2007 of the Pan American Health Organization:
Performance Assessment Report (Document SPBA2/5)***

42. Dr. Daniel Gutiérrez (Area Manager, Planning, Budget, and Resource Coordination, PAHO) introduced the report contained in Document SPBA2/5, noting that it was a work in progress, as information on a number of the indicators was still being

compiled. The report provided a comprehensive analysis of the extent to which the targets set out in the 2006-2007 program budget had been achieved. The budget had originally comprised 38 areas of work, but two areas had been combined, and the assessment had therefore examined 37 areas of work. In 23 areas, the achievement level had been 90% or higher; in 4 it had been 85%-89%; in 3 it had been 80%-84%; in 4 it had been 75%-79%; and in the remaining 3 it had been 70%-74%. The Secretariat considered a performance level of 75% or more to be satisfactory; hence, the level was less than satisfactory in three areas: Country Cooperation Leadership and Coordination; Planning, Resource Coordination, and Oversight; and Infrastructure and Logistics. The reasons for those unsatisfactory performances were outlined in the annex to the report.

43. Of the 551 regionwide expected results (RERs), 414 had been 100% achieved and 48 had been 75% achieved. Performance was satisfactory for a total of 462 RERs, based on the information available thus far. Data on 29 RERs were not yet available. The implementation rate for the budget (i.e., expenditures versus budgeted amounts) had been 98% overall - 97% for the regular portion and 99% for funds from other sources.

44. The Subcommittee applauded the report, acknowledging that producing such a lengthy and detailed assessment required a great deal of time and hard work. Members felt that the report provided a good summary of the results achieved in the previous biennium. It also gave a clear idea of what was attempted and which activities were successful and unsuccessful. The Subcommittee suggested, however, that the report could be improved through the addition of further information on the challenges encountered and the lessons learned in each area of work and on the methodology used to assess the percentages of achievement. More in-depth analysis of the reasons why expected budget and program results had not been achieved in some areas would also be useful, and an assessment of the results achieved under the subregional component of the budget should be added. Noting that the report indicated in a number of areas that information was not available at the regional level, a delegate inquired whether that information would eventually be provided.

45. In general, the Subcommittee found the overall level of achievement excellent. Members noted, however, that the levels in some areas of great importance to the Organization and its Member States, such as HIV/AIDS, were relatively low, and sought an explanation for those results. Clarification was also sought regarding the discrepancy between the budget implementation rate of 97% mentioned in paragraph 8 of the document and the overall achievement rate of 89% mentioned in paragraph 18. It was pointed out that in some areas there appeared to have been a serious shortfall in funds from other sources (i.e., non-regular-budget funds), while other areas seemed to have been substantially "over-funded." The fact that the shortfalls occurred in areas that were essential to the achievement of the Millennium Development Goals was especially worrying. The whole issue of other resources was seen as a concern, particularly given

PAHO's heavy reliance on such funds in the current biennium. A delegate inquired about the strategies which the Organization intended to use to ensure sufficient funding from other sources to carry out the cooperation program in 2008-2009.

46. Several delegates indicated that their governments would submit detailed comments and questions in writing.

47. Dr. Gutiérrez said that the version of the report to be presented to the Executive Committee in June would include a chapter on the subregional program and budget. He clarified that the budget implementation rate of 97% referred to the proportion of the budget that had been expended, while the 89% achievement rate referred to the programmatic results that had been achieved in the various areas of work.

48. Many of the inconsistencies in the results reported were due to the fact that planning instruments had not been aligned in the previous biennium. Consequently, the indicators in the 2006-2007 program budget and in the biennial workplans were not the same as those set out in the Strategic Plan for 2003-2007, which made it difficult to aggregate results. That situation would not occur in the current biennium because all planning instruments were now fully aligned with the Strategic Plan for 2008-2012. Similarly, the Organization did not have a good resource coordination mechanism in 2006-2007, which made it difficult to monitor the flow of funds from other sources and to identify the areas with shortfalls. Such a mechanism was now in place.

49. Relatively low budget implementation and achievement levels were due to the late or non receipt of expected donor funding. Dr. Gina Tambini (Area Manager, Family and Community Health, PAHO) affirmed that the level of achievement in the area of HIV/AIDS was a direct result of the fact that a large proportion of the total voluntary funding mobilized for that area was received very late in the biennium. She also noted that the implementation and achievement levels for Family and Community Health activities funded from the regular budget were near 100%. Dr. Pedro Brito (Area Manager, Health Systems and Services, PAHO) explained that the high level of expenditure in the area of Human Resources for Health was the result of a large contribution from the Government of Brazil for human resources development activities carried out in Brazil.

50. The Director, responding to a follow-up question from a delegate, said that there was a growing trend towards the provision of funding by governments for technical cooperation activities to be carried out in their countries. The Secretariat saw that trend as both positive and natural, given that most of the countries in the Region were now classified as middle-income countries and were thus no longer eligible for funding from many multilateral sources. It was a sign that countries had developed, and health budgets increased, to the extent that governments were now able to supplement their PAHO

regular budget allocations with resources from their national treasuries. There was also a growing trend towards long-term program funding, rather than project funding, which was also welcome. She stressed that Organization accepted voluntary funding only if the activities to be financed were in accord with the priorities and objectives approved by Member States. All activities financed with voluntary contributions were subject to the same review and approval process.

51. Responding to the question concerning missing information, she said that the Secretariat expected to complete the collection of data prior to the June session of the Executive Committee.

52. The President asked those governments that intended to submit comments in writing to do so as soon as possible.

***Status of PAHO's Engagement with the WHO Global Management System (GSM)
(Document SPBA2/6)***

53. Mr. Michael Boorstein (Director of Administration, PAHO) explained that the WHO Global Management System (GSM) was intended to harmonize its global work and improve the timeliness and accuracy of information. The system was being developed for about six years, and was currently in user acceptance testing. It was intended to go into actual operation in June 2008, starting at WHO Headquarters and at the Western Pacific Regional Office in Manila. By the end of 2009, it would be extended to all the regional offices except PAHO.

54. In the case of PAHO, the intention is to implement a separate but closely related process, although the degree of actual integration with the GSM had not yet been decided. PAHO was currently endeavoring to detect any functional gaps that might exist between its own systems and the Global Management System, as well as evaluating the latter's flexibility in accommodating PAHO's unique requirements as an independent legal entity. If PAHO was to be integrated fully into the new system, the estimate of costs ranged from \$16.5 million to \$38 million, including staff costs. The transition to a GSM alignment, at whatever level PAHO believed to be appropriate and in its interests, was likely to be disruptive, but would result in more advanced and integrated systems.

55. The Subcommittee felt that the document did not clearly state the advantages and disadvantages of PAHO's joining or remaining outside the Global Management System. Also, while the presentation showed how much it would cost to install the system, there was no information on how much it would cost PAHO to keep its existing systems while still meeting its reporting obligations to WHO. Noting that one option under consideration was for PAHO to implement an independent copy of the Global Management System, a delegate asked whether that approach would be more cost-

effective than full integration into the system and questioned whether it would comply with system integration principles. Another delegate sought clarification of the relationship between the GSM and the International Public Sector Accounting Standards.

56. A delegate asked whether it was mandatory for PAHO to join the Global Management System, or whether, for example, WHO was making the provision of its portion of PAHO's budget contingent upon its doing so. Another inquired whether WHO would contribute to the cost of implementing the system and over how many years the cost would be spread. Questions were raised as to why there were variations in the cost estimates, with the high figure being more than twice the low one, and whether the benefits of aligning with the WHO system would definitely outweigh the costs. The feasibility of the timetable for implementation of the system in all regional offices, except PAHO, by 2009 was also questioned.

57. While recognizing that there were system differences and that the issue of PAHO's special legal status required careful review, one delegate, was strongly in favor of PAHO's joining the global system at the earliest reasonable date, particularly given the acknowledged reality that PAHO's current systems were already, or would become, outdated and increasingly costly to maintain. The delegate pointed out that Document SPBA2/6 seemed to reflect a "wait-and-see" attitude that was not in harmony with information provided in the report of the WHO Program, Budget, and Administration Committee to the WHO Executive Board (Document EB122/3), which stated that PAHO would complete implementation of the GSM by 2013. She also noted that PAHO's integration into the system would have benefits both for PAHO and for the rest of WHO, which could learn from some of PAHO's experiences.

58. Mr. Boorstein said that WHO believed that the implementation of the Global Management System would be highly advantageous, because it would allow a large number of routine clerical functions to be automated. The majority of such functions would be performed in a global service center in Kuala Lumpur. The intention was to free people from such routine work, enabling them to be more engaged in service to countries and intellectual contributions to the Organization. The GSM architecture would reflect the fact that the IPSAS were going to be a core part of the accounting framework.

59. Whether the benefits for PAHO were worth the cost was currently being evaluated, along with the cost of upgrading PAHO's existing systems in order to enable the Organization to achieve a level of benefit equivalent to the Global Management System without actually joining it. The variations in the estimates of costs related to the issue of whether systems development would be done in a relatively inexpensive location such as India or the Philippines, or in the United States. WHO would not be contributing to PAHO's costs, except that it would pay any software license fees. All the costs of systems integration and of personnel needed to implement the system would have to be borne by PAHO.

60. Because of the significant projected costs, PAHO was envisaging implementation of the GSM, or of some similar structure, on a phased basis, taking into account how well the system functioned in the rest of WHO. At the WHO Program, Budget, and Administration Committee meeting, PAHO officials stated their intention of implementing the system module by module over four or five years, provided the necessary funding could be found. PAHO was working closely with WHO to determine how PAHO could be part of the system on terms that were essential to PAHO. There were some challenging issues to be resolved, but WHO did recognize that PAHO had a status different from the other regions that needed to be accommodated.

61. The Director said that it was not mandatory for PAHO to join the Global Management System and that WHO could not make its budget contribution contingent on PAHO's doing so because the Member States of WHO, which were also PAHO Member States, had not set any such condition. PAHO was committed to joining the system, as was evidenced by the fact that it had already expended \$1 million in order to be involved in its development and to understand its features – money which could readily have been used for other purposes, such as filling vacant posts. PAHO was simply taking a cautious approach, bearing in mind the need to customize the system to PAHO's needs and the cost of doing so.

62. While PAHO is the Regional Office of WHO for the Americas, it is also a legal entity in its own right and is autonomous from WHO in several respects. It has, for example, its own staff rules and regulations, approved by its Member States, and its own external auditor, appointed by its Member States. Moreover, two thirds of its budget comes directly from Member States, not from WHO. Those differences had to be accommodated, unless Member States wished PAHO to give up its separate status and become an integral part of WHO like the other regional offices, in which case PAHO, in its present form, would cease to exist.

63. Another consideration was languages. The GSM would probably eventually offer functionality in Spanish, but it certainly would not in Portuguese. PAHO's current management systems, on the other hand, incorporated all four of the Region's official languages.

64. She noted that the discussion about the Global Management System was focusing primarily on technological aspects, which was secondary to content. PAHO's current systems were very advanced in terms of content. The most important issue was ensuring that PAHO could report on how it was using the resources it received from WHO and how it was contributing to global results. At present, the Region of the Americas was the only one able to report such information every night. In addition, the Americas was the Region that most contributed to the achievement of global results, because it had its own budget from its Member States, which meant that it could do more than the other regions.

65. The Subcommittee then raised some further questions. For example, if PAHO was able to report its required information every night, what was the advantage of an online real-time system? Members also inquired whether integrating PAHO into the Global Management System might not lead to greater centralization, thereby increasing bureaucracy and lengthening processing time, particularly if administrative functions were being carried out as far away as Kuala Lumpur. Delegates also asked whether individual countries would be able to access the information in the system, or whether it was planned as a closed system simply linking the regional offices with WHO Headquarters. Delegates expressed surprise that WHO would consider implementing a system that did not provide for Spanish, which was one of the official WHO languages.

66. Mr. Boorstein explained that the GSM system would not only link the regional offices with Geneva; the country offices would also be online. With regard to languages, he pointed out that because the Region of the Americas was not involved in the initial startup; Spanish capability in the system was not yet an issue. Whether or not the center in Kuala Lumpur would eventually have Spanish-language capability was one of the issues that PAHO was examining. The global service center would be staffed long enough each day so that there would be real-time interaction with all the regions except the Americas, and therefore another issue being examined was whether PAHO's needs could best be addressed by having a service center in the Americas.

67. The Director observed that PAHO would have to upgrade and integrate many of its legacy systems, regardless of whether the Global Management System was introduced or not. The decision had been made that any such modernization would be done in a way that would preserve potential compatibility with the GSM. The Secretariat was currently undertaking a study and would have more detailed information on the costs of such modernization, as well as on the technical details of the various options for integrating or aligning with the GSM, by the time of the June session of the Executive Committee.

68. The Subcommittee took note of the report and looked forward to receiving further information on the matter.

Programmatic Prioritization and Resource Allocation Criteria (Document SPBA2/7)

69. Dr. Hernán Rosenberg (Planning, Budget, and Resource Coordination, PAHO) introduced this item, noting that the Governing Bodies had already discussed and approved the prioritization of the strategic objectives contained in the Strategic Plan 2008-2012. The aim of Document SPBA2/7 was to elicit discussion and suggestions for improvement of the prioritization method, which was described in the document. He noted that over the previous two bienniums, the Organization's approach to prioritization had become more strategic and programmatic and less based on historical allocations to managerial units. In addition, prioritization was now done on the basis of the total budget, including the unfunded portion for which voluntary contributions would be sought.

70. Several interesting lessons were learned from the prioritization exercise. One was that there was a natural reluctance in public health to engage in prioritization because all the issues were considered important. Another was that managers tended to prioritize the objectives that were most closely related to their areas of work. That too was natural. A third lesson was that even when a ranking of priorities was obtained, because of the nature of PAHO's budget – a very large proportion of which was allocated to personnel – it was impossible to make any major changes in the distribution of resources. Shifting resources to align funding with priorities was a gradual, long-term process.

71. The Subcommittee was asked to comment on how the prioritization process might be improved, whether the pool of participants involved in the prioritization exercise should be expanded to include people from outside PAHO, and, if so, how those participants should be selected.

72. The Subcommittee acknowledged that setting priorities was a difficult and complex process and commended the Secretariat on its efforts to improve its approach to prioritization. It was pointed out that countries might be able to apply some of the lessons learned from the Organization's prioritization work in order to improve their own management of resources. At the same time, PAHO might benefit from examining the prioritization methods used by national institutions and by other international organizations.

73. The criteria applied in the prioritization exercise, which appeared in the annex to Document SPBA2/7, were considered generally good. However, it was pointed out that, while they took account of regional mandates such as the Health Agenda for the Americas, they did not incorporate any global mandates. Also lacking was a criterion addressing risk factors that contributed to the burden of disease in the Region. Several delegates sought clarification of the cost-effectiveness criterion ("PAHO technical cooperation is a cost-effective means to improve health outcomes"), pointing out that, whereas interventions could be cost-effective, strategic objectives could not. The weight assigned to that criterion (1) was considered low, as were the weights assigned to two other criteria: "Supports achievement of the health-related Millennium Development Goals" (2) and "Supports vulnerable population groups or key countries, promoting equity" (3). Members mentioned several additional criteria that might have a bearing on priority-setting, including expected outcomes and impacts and the timeframe for achieving them, the political context, and the level at which work was to be undertaken (regional, subregional, or country). It was stressed that priorities should be reexamined each biennium and revised as needed in light of changing circumstances.

74. The Subcommittee agreed unanimously that future prioritization exercises should involve external participants, especially representatives of Member Governments. Such broadened participation was seen as essential in order to offset the inevitable biases

arising from managers' natural tendency to prioritize the areas in which they were most involved. Regarding the criteria for selecting external participants, members emphasized that they should be experts knowledgeable about both public health and management issues. It was suggested that such experts should serve in an individual capacity, not as representatives of their countries, in order to avoid any biases related to nationality. The possibility of consulting the public in order to obtain the views of ordinary people was also raised. It was pointed out that the process by which the Health Agenda for the Americas had been drafted might serve as a useful model for consulting a broader range of stakeholders. It was also pointed out that the cost of consulting external participants could be minimized through the use of electronic communication technologies.

75. The Delegate of Canada outlined some of the findings of a detailed analysis by her Government of the ranking of the strategic objectives in relation to the regular budget, the portion of the budget funded by voluntary contributions, and the total combined budget. The purpose of the analysis had been to understand the logic of the ranking process and the resulting allocation of resources. It showed, for example, that Strategic Objective 2 (Combat HIV/AIDS, tuberculosis, and malaria), which ranked third in the hierarchy of priorities, ranked eighth in terms of the regular budget allocation, but first in terms of the voluntary budget allocation and second in terms of the total budget allocation. Canada's chart summarizing the results of the analysis was distributed to the Subcommittee.

76. Dr. Rosenberg thanked the Subcommittee for its comments and suggestions and expressed appreciation to the Government of Canada for sharing its analysis. He pointed out that some of the differences in priority revealed by the analysis had to do with anticipated amounts of voluntary funding. In an area such as HIV/AIDS that attracted significant donor funds, the regular budget allocation would be lower. Conversely, areas such as chronic diseases that were generally less attractive to donors were allocated more regular budget funding. He also noted that countries had been involved in the prioritization exercise, both through consultations with the Governing Bodies and through the country cooperation strategy (CCS) exercises carried out at country level. He took note, however, of the Subcommittee's recommendation that Member States and other stakeholders should be involved in the process from the outset and undertook to implement it. Regarding the cost-effectiveness criterion, he clarified that it referred to the cost-effectiveness of PAHO's technical cooperation in the areas covered by the various strategic objectives, not to the cost-effectiveness of the objectives themselves.

77. Referring to the same criterion, the Director said that it had to do with the added value of the Organization as an institution with respect to the various strategic objectives. In the area of immunization, for example, the existence of the Revolving Fund for Vaccine Procurement added value and increased the cost-effectiveness of PAHO's technical cooperation.

78. It was important to understand that the prioritization exercise had not sought to prioritize individual issues or areas of work, but rather broad strategic objectives which encompassed an array of possible approaches to complex public health problems. As the Subcommittee had rightly pointed out, priority-setting had to take account of political and social factors, including the principles and values of society. It also involved an ethical dimension, which meant that priorities could not be set solely on the basis of criteria such as the burden of disease. Filariasis, for example, accounted for only a small proportion of the global burden of disease, but was it ethically acceptable that people should continue to suffer from the disease when the means of treating and preventing it existed?

79. It was also important to understand that, while allocations for several areas had gone up as a result of the prioritization exercise, it was not possible for a large institution such as PAHO to make huge changes from one biennium to the next. And while gradual budget increases would not bring about dramatic change in the health situation, a sustained trend of increased funding over time would eventually yield progress.

80. The President, summarizing the discussion, said that the consensus of the Subcommittee was that the prioritization methodology was sound, but that PAHO might improve it by examining the methods used by other organizations. The Subcommittee also agreed that external participants should definitely be involved in future prioritization exercises. He requested that delegates submit their various suggestions in writing so that a document outlining the Subcommittee's opinions and recommendations could be drawn up.

Program Policy Matters

Nongovernmental Organizations in Official Relations with PAHO (Document SPBA2/8)

81. In accordance with the procedure outlined in the Principles Governing Relations between the Pan American Health Organization and Nongovernmental Organizations, the Subcommittee held a private meeting to review the status of several NGOs in official relations with PAHO. However, it was concluded that insufficient information was available on the views of the PAHO technical departments with regard to the activities of those NGOs, and the Subcommittee decided to reexamine the item in about six weeks' time via a virtual meeting when the disposition of the budget surplus would be discussed.

Update on the Implementation of the Regional Program Budget Policy (Document SPBA2/9)

82. Mr. Román Sotela (Planning, Budget, and Resource Coordination, PAHO) introduced Document SPBA2/9, noting that it focused specifically on one aspect of the Regional Program Budget Policy adopted in 2004: the country variable allocation (CVA).

Resolution CD45.R6 gave the Subcommittee the authority to approve the criteria for use of CVA funds for each biennial program budget. The Secretariat considered the criteria approved for 2006-2007, which appeared in Document SPBA2/9, to be valid and well-conceived. However, in order to increase the use of CVA funds – which had been accessed by fewer than half of countries in the Region in the previous biennium – and to expand the availability of funds for technical cooperation among countries (TCC), it recommended that the Subcommittee add a fourth criterion whereby countries could use funds from the country variable allocation for TCC projects. Countries wishing to participate in such projects would thus not be constrained by the ceiling on TCC funds.

83. The Subcommittee was generally receptive to the proposal to add a fourth criterion, which one delegate characterized as a “win-win” situation because it would increase the availability of funds for cooperation among countries and would also give Member States greater flexibility in the use of their regular budget allocations. Further clarification was sought, however, regarding the rationale for the proposal and how the new criterion, if approved, would be operationalized. Specifically, delegates wished to know how countries would access CVA funds for TCC projects and whether such projects would continue to be subject to the same review and approval process as current TCC projects. Observing that the main aim of the proposal seemed to increase funding for technical cooperation among countries, one delegate suggested that some of the surplus from the 2006-2007 budget might be used for that purpose.

84. Delegates inquired whether any assessment was done to determine why more countries had not accessed of CVA funds and whether the existing criteria had facilitated or impeded their use. It was suggested that lack of familiarity with the CVA mechanism and with the procedures for accessing the funds might have been a factor. The Subcommittee urged the Secretariat to take a more proactive role in making countries aware of the availability of the variable funds and encouraged their use.

85. Mr. Sotela reiterated that, in the Secretariat’s view, the three existing criteria remained valid. Some countries had applied for and received CVA funds in accordance with those criteria during the 2006-2007 biennium. However, not all countries were eligible for CVA funds under the current criteria. That was one reason why the funds had not been fully used. The addition of the proposed fourth criterion would provide greater opportunity for more countries to access the variable funds, thereby fostering greater equity.

86. Regarding the rationale for the proposal to finance TCC activities out of the pool of CVA funds, he explained that under the current TCC funding mechanism, countries wishing to participate in TCC projects were required to set aside a certain percentage of their fixed regular budget allocation for that purpose. They could not use any more than the earmarked amount, and if they did not use a portion of their TCC funds, that money

could not be reallocated to other activities. Furthermore, all the countries participating in a project had to have sufficient funds available. In the 2006-2007 biennium, some projects were postponed because one of the countries involved had reached its TCC ceiling. Allowing countries to apply for CVA funds to finance joint technical cooperation activities would solve that problem and would also free up resources in countries' budget allocations which could be used for other activities at country level.

87. The Director observed that the budget policy approved by Member States in 2004 had many innovative features, one of them being the country variable allocation. The CVA allowed, for example, small countries with limited resources, or middle-income countries that did not qualify for financing from sources such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria, to access additional funds to enable them to deal with contingencies. She felt that the previous biennium had demonstrated that the principles and values underlying the policy were valid because it had served to promote solidarity, Pan Americanism, and greater equity in the allocation of resources. The addition of the proposed fourth criterion would further enhance the policy from an equity standpoint and would increase Member States' opportunities for participating in TCC projects.

88. Any proposal for the use of CVA funds would continue to be reviewed to ensure that it met the criteria and was in accord with the programmatic priorities approved by Member States. The criteria for approval of TCC projects would indeed remain the same.

89. The Subcommittee endorsed the proposal to add to the criteria for use of CVA funds the criterion "countries wishing to participate in the mechanism of technical cooperation among countries."

Staffing Matters

Amendments to the PASB Staff Rules and Regulation (Document SPBA2/10)

90. Ms. Dianne Arnold (Area Manager, Human Resources Management, PAHO), introducing the item, said that the amendments to the PAHO Staff Rules and Regulation contained in Document SPBA2/10 were based on recommendations made by the International Civil Service Commission and adopted by the United Nations General Assembly at its 62nd Session and on past experience and best practices in human resources management. The financial implications of those amendments in the 2008-2009 biennium would be negligible.

91. Many of the amendments to the Staff Rules were simply editorial changes aimed at ensuring greater clarity, but some were substantive, notably those concerning meritorious within-grade increases, leave for military training or service, completion of appointments, and staff in posts subject to local recruitment. Staff Rule 555.1

(Meritorious Within-Grade Increase) was being amended to discontinue the practice of awarding an extra step above the salary scale ceiling to staff members who had achieved a meritorious performance award. Staff Rule 660 (Leave for Military Training or Service) currently allowed leave for military service or training to be charged either as annual leave or as leave without pay. Under the amended rule, it could be charged only as leave without pay. The amendment to Rule 1040.2 (Completion of Appointments) clarified that a staff member's appointment would not be terminated while he or she was on scheduled maternity, paternity, or adoption leave. Staff Rule 1310.2 (Staff in Posts Subject to Local Recruitment) was being amended to clarify that locally recruited general service staff must, at the time of recruitment, have legal permission to work for the Organization at the location of the duty station.

92. One amendment to the Staff Regulation was proposed. That change would allow the Bureau to fill vacant posts through lateral transfer of staff, without a competitive selection process. In June 2008, the Executive Committee would be requested to recommend to the 48th Directing Council that it approve that amendment and set the salary for the post of Director. The Committee would also be asked to confirm all the substantive and editorial amendments to the PAHO Staff Rules, together with the salary changes for the posts of Deputy Director and Assistant Director.

93. The Subcommittee expressed general satisfaction with the amendments to the Staff Rules and Regulation, but proposed two changes: in Staff Rule 1040.2 (Completion of Appointments), it was suggested that the words "a period that coincides with the end date of the staff member's leave" should be replaced with a "period no later than the end date of the staff member's leave," and in Staff Regulation 4.3 (Appointment and Promotion), it was suggested that the words "appointments shall be based on a full assessment of applicable skills and experience" should be added. Regarding Staff Rule 555.1 (Meritorious Within-Grade Increase), a member pointed out that the increased compensation associated with an additional step in the salary scale could serve as an incentive to greater productivity and better performance and sought clarification as to why the Secretariat was proposing to eliminate that incentive.

94. Ms. Arnold said that the Secretariat would modify the proposed amendments in accordance with the Subcommittee's suggestions. With regard to Staff Rule 555.1, she explained that the proposed change was intended to bring PAHO practice into line with that of other organizations in the United Nations system, none of which allowed salaries to be paid at levels beyond the established scale. Nevertheless, PAHO was firmly committed to recognizing and rewarding outstanding staff performance and would continue to do so through, inter alia, training and travel opportunities.

95. The Director added that all the proposed amendments had been discussed and agreed with the Staff Association. Staff had been surveyed about what kinds of performance incentives they favored, and the consensus was that staff would prefer

public recognition and professional development opportunities to money. Those incentives were incorporated into PAHO's staff recognition program, which rewarded staff for good performance in areas that the Organization was seeking to strengthen, such as teamwork.

96. The Subcommittee endorsed the proposed amendments and agreed to forward to the Executive Committee the proposed resolution contained in Document SPBA2/10, with the suggested modifications.

UN Contract Reform Implementation in PAHO: Progress Report (Document SPBA2/11)

97. Ms. Dianne Arnold (Area Manager, Human Resources Management, PAHO) recalled that a proposal for contract reform was approved by the Executive Committee during its 140th Session in June 2007, subject to review and approval of new contractual arrangements for the United Nations Common System by the United Nations General Assembly in December 2007 (Resolution CE140.R1). The General Assembly, however, postponed consideration of the matter until March 2008. In the meantime, WHO introduced changes in its staff health insurance scheme, under which PAHO staff were covered. One of those changes extended to short-term staff the same health insurance benefits as those enjoyed by longer-term staff. The aim of this was to ensure that no staff of the Organization lacked health insurance coverage. PAHO did not intend to implement that change, but after consultations with WHO, the Director now proposed to do so in order to ensure that PAHO staff would continue to be covered under the WHO health insurance system and would have the same benefits. Apart from that change, however, the contract reform proposal approved by the Executive Committee in June 2007 remained the same.

98. The Subcommittee agreed that PAHO's staff insurance benefits should be aligned with those of WHO, but noted that the proposed change would entail some cost. Members pointed out that PAHO, as a health organization, had a responsibility to ensure that all staff had health insurance coverage. Clarification was sought as to the possible legal implications of not extending insurance benefits to short-term staff. One delegate, noting that her Government had considered WHO's decision to implement contract reform hasty and inappropriate, recommended that no action should be taken on the proposal put forward in Document SPBA2/11 until the June 2008 session of the Executive Committee, by which time the United Nations General Assembly would have made a decision with respect to new contractual arrangements. She emphasized the need for consistency of staff compensation policies within the United Nations system.

99. Dr. Heidi Jiménez (Area Manager, Office of Legal Counsel, PAHO) explained that WHO, as a specialized agency of the United Nations system, had the authority to

adopt its own internal rules and regulations, including contracting mechanisms. It was not bound by decisions of the United Nations General Assembly. The same applied to PAHO, as a regional office of WHO. Moreover, PAHO was a separate legal entity within the inter-American system, and it was therefore not required to adopt any amendments that either the United Nations or WHO might make to their staff rules and regulations. However, in the interest of facilitating administration and maintaining consistency, it generally did so.

100. Ms. Arnold noted that the Director had the authority to change PAHO's insurance benefits package at any time, irrespective of any contract reform initiatives under way within WHO or the wider United Nations system. That was why Document SPBA2/11 stated that the Director proposed to "exercise her authority to broaden the health insurance benefits" for short-term staff. With respect to the cost implications, the estimated cost of \$100,000 a year was an extremely small fraction of the total cost of salaries and benefits for the Organization.

101. The Director said that, while she did have the authority to approve the proposed changes, she wished to have the Subcommittee's support and guidance. She hoped that the Subcommittee would endorse the extension of health insurance benefits to short-term staff, which she felt was in the Organization's best interests. Failure to align PAHO's health insurance rules with those of WHO would create a situation of discrimination against some PAHO staff, which would be untenable from an administrative standpoint, given that a third of PAHO's budget came from WHO and many PAHO posts were therefore funded by WHO. Furthermore, WHO indicated that it would no longer provide coverage for PAHO staff if PAHO did not adopt the amendments to the Staff Health Insurance Rules because it would be too difficult administratively to apply two different sets of rules. The financial implications of losing WHO health insurance coverage were unimaginable. There might also be a risk of legal action against the Organization if some staff were denied health insurance, which would undoubtedly prove more costly than \$100,000. Besides, from an ethical point of view, PAHO, as a health organization, could hardly justify denying health care coverage to some of its staff. For all those reasons, she strongly encouraged the Subcommittee to support her proposal to broaden health insurance benefits for short-term staff. The risks of not doing so were certainly far greater than the cost of providing the benefits.

102. In the light of the explanations and clarifications provided by Dr. Jiménez, Ms. Arnold, and the Director, the Subcommittee endorsed the proposal to broaden health insurance benefits for short-term staff.

Governing Bodies Matters

Draft Provisional Agenda for the 142nd Session of the Executive Committee (Document SPBA2/12, Rev. 1 and Add. 1)

103. Dr. Hugo Prado (External Relations, Resource Mobilization and Partnerships, PAHO) presented the provisional agenda for the 142nd Session of the Executive Committee, noting that the topics for the session were grouped under the usual six broad headings. He also drew the Subcommittee's attention to Document SPBA2/12, Add. 1, entitled "Options Proposed by the Office of the Assistant Director," which contained a proposal for reducing the very large number of program policy matters on the agenda to a more manageable number.

104. Several members of the Subcommittee suggested that the various program policy items that comprised progress reports should be combined into one multi-topic synthesis report, which would reduce the agenda and the workload for the session. Additionally, some items, under both program policy matters and administrative and financial matters, might be grouped more logically, with the links between them being made more explicit. It was suggested that the item on use of the 2006-2007 budget surplus should be taken up relatively late in the discussion of administrative and financial matters, after other items which might have a bearing on the use of the surplus had been discussed.

105. Some members questioned why there was a separate item on diabetes and obesity, which had been discussed recently in conjunction with the regional strategy and plan of action on chronic disease, diet, physical activity, and health. It was also suggested that the item "Regional Strategy on Adolescent Health" might be premature. If a strategy was to be discussed at the 142nd Session, and then an action plan at the 144th Session a year later, it might be better to wait a year and cover both together. A parallel was drawn with the topic of vital and health statistics, for which a strategy had been discussed in 2007 and now a plan of action was to be discussed at the forthcoming session. It would have been more efficient to do both at the same session. The contrary view was also expressed, however: since adolescent health was so inextricably linked to the development of chronic diseases in adulthood, it needed urgent attention.

106. Noting that the item on health of older adults was not included in Document SPBA2/12, Add. 1, members expressed broad support for its reinstatement, as the topic was a major concern in a number of countries. Disappointment was also expressed that the publications policy had not been included among the options proposed by the Assistant Director's office. It was suggested that if "Resolutions and Other Actions of the XXXVIII OAS General Assembly" (which was on the original agenda but not on the list of options from the Assistant Director's office) was to be retained, it should be focused very specifically on health-related resolutions and actions.

107. Finally, it was suggested that the International Health Regulations needed more focus and a higher profile than a simple progress report, particularly as countries were currently in the process of augmenting their capacities in order to come into compliance with the new Regulations.

108. Dr. Prado thanked the delegates for their comments. He had taken note of all the suggestions, and the Secretariat would redraft the agenda accordingly. With regard to the comment on the publications policy, he acknowledged that it was a very important matter, and proposed that it be discussed in 2009.

109. The Director explained that the 141st Session of the Executive Committee had requested that obesity and diabetes should be addressed separately because of their relationship to renal health and other health issues. With diabetes on the increase, it was felt that there should be a specific focus on individual and population approaches, with an emphasis on clinical protocols and on involving families and patients' associations.

110. With regard to the comments on examining strategies and regional plans simultaneously, she stressed that there were two separate points in time at which the Secretariat needed guidance and approval from Member States. The first was when an issue was initially raised and the Secretariat presented the evidence that it had on the problem and a broad outline of how it proposed to tackle it. Once the Governing Bodies had approved a strategy for dealing with the issue, the Secretariat then set about consulting with Member States and developing an action plan, which took one to two years. That consultation process was essential to the success of the plan, which was the means by which the approved strategy would be operationalized.

111. She also pointed out that the titles of some of the program policy matters had been revised in order to convey more accurately what was really intended. The Secretariat would welcome any suggestions on how to make the titles even more meaningful.

112. A delegate suggested that the title of item 4.6 appearing in the original provisional agenda ("Contribution of the Pan American Health Organization to the Development of National Capacities in the Management of International Health Cooperation") should be retained as it conveyed the intent behind the item – namely, how PAHO could assist countries in managing international health cooperation – better than the revised title ("Health and Foreign Policy: Linkages with National Health Development").

113. It was agreed that the Secretariat would revise the provisional agenda, bearing in mind the Subcommittee's comments and suggestions.

Preliminary Daily Timetable for the 48th Directing Council (Document SPBA2/13, Rev. 1)

114. Dr. Hugo Prado (External Relations, Resource Mobilization and Partnerships, PAHO) reviewed the preliminary daily timetable for the 48th Directing Council, stressing that the Subcommittee was asked to discuss only the proposed sequence of events for each day, not the agenda. The Secretariat would bear in mind the Subcommittee's comments on the preceding item in preparing the provisional agenda to be submitted to the Executive Committee in June and in finalizing the proposed timetable, endeavoring to group the items in a logical and harmonious manner.

115. As a general principle, the Subcommittee urged that those items that were strategic or political in nature should be taken up at the beginning of the week, when ministers of health were most likely to be present. The more purely technical items could be scheduled for later in the week.

116. Specifically, it was suggested that a topic as important and complex as the WHO Global Management System, scheduled for consideration on the last day of the session, should be moved earlier in the week as attendance often declined towards the end of a session. It was also suggested that the item "Report on the OAS 2009 Scale of Contributions" should be moved from the Friday to the Tuesday morning, when several financial matters requiring the consideration of the ministers were scheduled.

117. One delegate pointed out that the timetable did not seem to provide much time for discussion of program policy matters, and questioned why the report of the Intergovernmental Working Group on Public Health, Innovation, and Intellectual Property was included in the timetable as a substantive item.

118. The Director explained that, as Member States were aware, the Intergovernmental Working Group would be releasing its final report in April 2008. It would be discussed by the World Health Assembly in May and would then go to the various regional committees for consideration. The Executive Committee would be asked to make recommendations on how and when the matter should be dealt with by PAHO's Governing Bodies. She also noted that four or five progress or status reports would be presented, in addition to the report on the Intergovernmental Working Group.

119. She noted that it was generally desired that the various awards should be presented on the first day of the Directing Council, but in the current year, as the elections had been scheduled for the Monday and the round table for the Tuesday, the presentation of the awards had been provisionally set for the Wednesday. However, the Secretariat would try to move it earlier in the week, when it was more likely that a significant number of ministers would still be present.

120. It was agreed that the Secretariat would revise the provisional agenda, bearing in mind the Subcommittee's comments and suggestions.

Matters for Information

Report on the OAS 2009 Scale of Contributions (Document SPBA2/INF/1)

121. Mr. Román Sotela (Planning, Budget, and Resource Coordination, PAHO) introduced Document SPBA2/INF/1, pointing out that, in accordance with Resolution CE140.R5, the new PAHO scale of assessments, based on the recently approved quota scale of the Organization of American States (OAS), would be developed and presented to the Member States along with the program budget proposal for the period 2010-2011.

122. The Subcommittee took note of the report.

Master Capital Investment Fund (Document SPBA2/INF/2, Rev. 1)

123. Mr. Edward Harkness (Area Manager, General Services Operations, PAHO) presented Document SPBA2/INF/2, Rev. 1, outlining the background and the current status of the Master Capital Investment Fund. Recalling that the Fund comprised two sub-funds, capitalized at \$2 million and \$6 million respectively, he reported that expenditures under the Real Estate and Equipment sub-fund, for upgrades and renovations to PAHO's owned or leased buildings, were projected to total \$9.3 million over the coming five bienniums. Expenditures under the Information Technology sub-fund, for renewals and replacements of the Organization's computer and communications equipment, were projected at almost \$27 million over the same period. Details could be found in the document.

124. In response to a question from the Subcommittee, he explained that while the expenditures under the Information Technology sub-fund were not directly related to the introduction of the WHO Global Management System, they did provide the up-to-date computer hardware needed to access that system. He also explained that the bulk of the expenditure on software (around \$1.5 million per biennium) was accounted for by license payments to companies such as Microsoft or Cisco.

125. The Director noted that the establishment of the Master Capital Investment Fund marked the first time that the Organization had a 10-year plan for its physical and technological infrastructure, allowing for advance planning and forecasting of expenditures, rather than simply responding to crises as it had in the past.

126. The Subcommittee took note of the report.

Institutional Strengthening of the Institute of Nutrition of Central America and Panama (Document SPBA2/INF/3)

127. Dr. Luiz A. Galvão (Area Manager, Sustainable Development and Environmental Health, PAHO), introducing Document CSPBA2/INF/3, said that, pursuant to discussions and decisions by the Directing Council of the Institute of Nutrition of Central America and Panama (INCAP) and the Governing Bodies of PAHO, the Institute intended to submit a study to the Executive Committee at its 142nd Session in June 2008, which would describe the institutional strengthening process under way within INCAP, the guidelines for its institutional development, and its proposed technical cooperation strategy. The study would also examine the modifications that would need to be made to INCAP's Basic Agreement in order for it to become a self-managing institution, under the coordination of the Central American Integration System (SICA).

128. In the discussion that followed, members of the Subcommittee sought clarification regarding the origin of the study and the proposal for self-management to be presented to the Governing Bodies later in the year and inquired what would be required in order for the Institute to achieve self-management. The Delegate of Costa Rica, a member of INCAP's Consultative Council, clarified that no decision had been taken within INCAP on the question of administrative self-management and no formal proposal on the matter had been formulated. Self-management was just one of a number of issues under consideration in the framework of the institutional strengthening process under way. Another crucial issue under discussion was the financial sustainability of INCAP in the event that the Institute should opt for administrative self-management.

129. Dr. Galvão explained that reports on all the Pan American centers were submitted periodically to the Governing Bodies. Because INCAP was currently engaged in a process of institutional strengthening and was reviewing its Basic Agreement, it was considered appropriate that a report on the Institute should be presented to the Governing Bodies in 2008. The possibility of administrative self-management was being considered precisely because it might lead to greater financial sustainability: with greater administrative autonomy, the Institute might be in a better position to expand its sources of income. In fact, the Institute was already administering most of its own personnel and financial affairs, and was very close to being fully self-managing. He stressed, however, that even if INCAP opted to disassociate itself administratively from PAHO, the Organization would continue to collaborate closely with it in the technical sphere.

130. Dr. Heidi Jiménez (Area Manager, Office of Legal Counsel, PAHO), providing clarification of the legal relationship between PAHO and INCAP, said that the Institute was an independent legal entity, vis-à-vis which PAHO played two separate roles, as administrator and as constituent member. Every five years, PAHO's role as administrator was reexamined as part of the review of the Basic Agreement of INCAP. Regardless of whether PAHO ceased to play its administrative role, it would remain a member of INCAP and would thus continue to be involved in the Institute's work.

131. The Director affirmed that the status of all Pan American centers was reviewed regularly, as mandated by various resolutions of the Governing Bodies. One of the purposes of those reviews was to determine whether national institutions had developed to the point that they could take over the center's technical functions.

132. The three subregional centers – INCAP, the Caribbean Epidemiology Center (CAREC), and the Caribbean Food and Nutrition Center (CFNI) – differed from other Pan American centers in that they had their own member countries and their own governing bodies. They also had their own sources of financing, notably the quota contributions of their member countries, and, except for CFNI, they had their own personnel administration rules. At the same time, they came under the authority of PAHO's Governing Bodies. That situation created some challenges, especially where PAHO served as center administrator, because the Organization imposed some constraints on centers which could limit their ability to mobilize additional resources and could also increase their costs. One example of the latter was external auditing; the centers were obliged to use PAHO's External Auditor, which was substantially more costly than contracting locally for auditing services. Hence, once centers had reached a certain level of maturity, they might derive significant gains, financially and in terms of administrative efficiency, by becoming self-managing entities.

133. Regardless of what decision was made concerning administrative self-management of INCAP, nutrition would remain a priority for PAHO, particularly given its importance in relation both to the Millennium Development Goals and to chronic diseases. Nutrition was a priority area in PAHO's Strategic Plan for 2008-2012 and in the WHO Eleventh General Program of Work for 2006-2015. The Organization's continued support for the Institute was thus assured.

134. The Subcommittee thanked the Secretariat for the report.

Other Matters

135. The Director informed the Subcommittee that Dr. Leslie Ramsammy, Minister of Health of Guyana, would serve as President of the forthcoming Sixty-First World Health Assembly.

Closure of the Session

136. Following the customary exchange of courtesies, the President declared the Second Session of the Subcommittee closed.

IN WITNESS WHEREOF, the President of the Second Session of the Subcommittee on Program, Budget, and Administration of the Executive Committee and the Secretary *ex officio*, Director of the Pan American Sanitary Bureau, sign the present Final Report in the English and Spanish languages, both texts being equally authentic.

DONE in Washington, D.C., on this eleventh day of March in the year two thousand eight. The Secretary shall deposit the original texts in the archives of the Pan American Sanitary Bureau and shall send copies thereof to the Member States of the Organization.

Oswaldo Salgado Zepeda
Delegate of Chile
President of the Second Session
of the Subcommittee on Program,
Budget, and Administration
of the Executive Committee

Mirta Roses Periago
Director of the
Pan American Sanitary Bureau
Secretary *ex officio* of the Second Session
of the Subcommittee on Program,
Budget, and Administration
of the Executive Committee

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- 2.2. Adoption of the Agenda

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- 3.1. Adoption of the Rules of Procedure for the Subcommittee on Program, Budget and Administration

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- 4.3. Biennial Program Budget 2006-2007 of the Pan American Health Organization: Performance Assessment Report
- 4.4. Status of PAHO's Engagement with the WHO Global Management System (GSM)
- 4.5. Programmatic Prioritization and Resource Allocation Criteria

5. Program Policy Matters

- 5.1. Nongovernmental Organizations in Official Relations with PAHO
- 5.2. Update on the Implementation of the Regional Program Budget Policy

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- 6.1 Amendments to the PASB Staff Rules and Regulation
- 6.2 UN Contract Reform Implementation in PAHO:
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- 7.1 Draft Provisional Agenda for 142nd Session of the
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- 7.2 Preliminary Daily Timetable for the 48th Directing Council

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- 8.1 Report on the OAS 2009 Scale of Contributions
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SPBA2/3	Report on Internal Oversight Services
SPBA2/4	Use of Surplus Financial Resources from the 2006-2007 Biennial Program Budget: Preliminary Report and Criteria
SPBA2/5	Biennial Program Budget 2006-2007 of the Pan American Health Organization: Performance Assessment Report
SPBA2/6	Status of PAHO's Engagement with the WHO Global Management System (GSM)
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SPBA2/8	Nongovernmental Organizations in Official Relations with PAHO
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Working Documents (*cont.*)

SPBA2/10	Amendments to the PASB Staff Rules and Regulation
SPBA2/11	UN Contract Reform Implementation in PAHO: Progress Report
SPBA2/12, Rev. 1 and Add. 1	Draft Provisional Agenda for 142nd Session of the Executive Committee
SPBA2/13, Rev. 1	Preliminary Daily Timetable for the 48th Directing Council

Information Documents

SPBA2/INF/1	Report on the OAS 2009 Scale of Contributions
SPBA2/INF/2, Rev. 1	Master Capital Investment Fund
SPBA2/INF/3	Institutional Strengthening of the Institute of Nutrition of Central America and Panama

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