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**APPLICATION OF THE PAHO REGIONAL PROGRAM BUDGET POLICY
IN THE PROPOSED PAHO/WHO PROGRAM BUDGET FOR 2006-2007**

Introduction

1. The 45th Directing Council of the Pan American Health Organization approved the Regional Program Budget Policy (RPBP) in September 2004, through Resolution CD45.R6. The new framework for resource allocation agreed upon by Member States modifies some fundamental elements of the architecture of the program budget of the Organization by: (a) shifting a greater proportion of resources to the country programs; (b) creating a new level of allocation, the subregion, aimed at addressing the technical cooperation needs and demands of the health-related aspects of the subregional integration processes; and (c) establishing the basis for the allocation of resources among countries with a needs-based approach and with the criteria of equity and solidarity.

2. Resolution CD45.R6 approved the new Regional Program Budget Policy as contained in Document CD45/7 with the following amendments:

- In the reallocation of resources among countries, no country's core allocation should be reduced by more than 40% of its proportional allocation among countries as approved in the Biennial Program Budget, 2004-2005.
- The allocation to key countries (Bolivia, Guyana, Haiti, Honduras, and Nicaragua), as identified in the Strategic Plan 2003-2007 for the Pan American Sanitary Bureau, will be protected so that the countries do not experience reduction of their proportional share of the core budget with respect to the Biennial Program Budget, 2004-2005.
- The minimum level for the subregional component of the program budget is increased to 7%.
- The objectives for the use of the variable allocation among countries will be presented to the Subcommittee on Planning and Programming for approval at the time of presentation of the proposed Biennial Program Budget.

3. Resolution CD45.R6 also states that the application of the above-mentioned framework should be phased in over three biennia in consultation with Member States to ensure the least disruption to technical cooperation programs. The attached Annex illustrates the planned changes in the allocation of funds to the three functional components over the three-biennium period 2006-2007 to 2010-2011. The resolution also requests that priority be given in the allocation to areas of work that contribute to the attainment of the health-related goals of the United Nations Millennium Declaration.

Summary of the Policy

4. The recently adopted Regional Program Budget Policy of PAHO/WHO has as its main objectives the promotion of equity and solidarity in the improvement of the health status in the countries of the Americas, and an increased emphasis on the country focus in the operations of the Organization. The RPBP focuses on three components: the country, the subregion, and the Region, with the subregion being a new category of allocation.

5. The new Policy is based on the concept of one program budget financed by resources from multiple sources, i.e. regular budget resources (PAHO Member States contributions), the WHO share (both regular and voluntary), and other sources (voluntary contributions to PAHO). It also seeks to bring the operations of the Organization more into alignment with the program of WHO by having full convergence with the Areas of Work of WHO. This enables the Organization to better align its efforts with global and regional needs and mandates.

6. The RPBP also promotes the principles of equity and pan-Americanism by introducing a new model for the allocation of resources among countries. The model is based on the principle that the countries in greatest health need should receive proportionately more resources, and those countries which enjoy relatively better health status would give up some of their allocations to meet the needs of the less well-off countries.

7. The country allocation in the new RPBP is divided into two parts, a core part and a variable part. The core represents 95% of the country allocation and is made up of two components: a fixed component and a needs-based component. The needs-based component is based on the country's health status (determined by a composite health needs index), while the fixed portion is the same for all in order to maintain the principle of the Organization's cooperation with all Members regardless of their relative health status. The variable part of the country allocation, not to exceed 5% of the total country allocation, is intended to provide flexibility in the allocation process and will depend on criteria to be approved by the Subcommittee on Planning and Programming.

8. The Policy limits the extent to which a Member State would lose resources in this process to 40% of its current allocations in order to protect the integrity of PAHO's cooperation with the country. The principle of equity is further emphasized as the policy is being implemented over three biennia in order to minimize disruptions and to ensure more effective utilization of resources by those countries gaining increases.

9. The increased country focus is achieved in part by allocating a greater portion of the Organization's resources to country operations and by introducing the subregional component of the budget. The country allocations will increase over the period of three biennia with a target of 40% of all regular budget resources. Similarly, the subregional level is targeted at 7% of the total regular budget.

Criteria for the Subregional Allocation

10. The primary objective of the introduction of the subregional component of the program budget is to sharpen and increase PAHO's assistance in achieving the health agenda of the subregional integration processes of the Americas. The subregional processes initially contemplated in the Policy are those represented by CARICOM in the Caribbean, SICA in Central America, MERCOSUR in the Southern Cone, and CAN in the Andean region. The subregional allocation category includes as well the PAHO/WHO regular and extrabudgetary resources devoted to the three subregional centers, INCAP, CFNI, and CAREC, and to the United States-Mexico Border Health Office in El Paso.

11. The primary purpose is to collaborate with the official intergovernmental subregional bodies in programs focused on subregional health priorities which are congruent with PAHO's mandates and priorities. These issues would be those identified in consultation with the authorities and which will have a beneficial impact on the health status of the Member States of the subregion. Collaboration at the subregional level will not be limited to the officially designated bodies but will seek to include those subregional health institutions that are key partners for the advancement of the subregional health development processes.

12. In the initial phases of implementation of the policy, special attention will be paid to existing subregional arrangements, and changes will be introduced in a manner to broaden the scope of collaboration, while minimizing disruptions in the operations of institutions.

Criteria for the Variable Portion of the Country Allocation

13. As stated in the Policy, the variable part of the country allocation is primarily intended to provide a degree of flexibility in the allocation process to country programs. The criteria for its use will be proposed to the Subcommittee on Planning and Programming every biennial budget cycle for its consideration and approval. This mechanism will allow the PAHO Director to respond to critical challenges at the country level that cannot easily be dealt with within the context and timing of individual country planning exercises and the general framework of the RPBP for core allocations to countries.

14. In principle, the variable allocation will be targeted at those countries where a small influx of additional funding can make a significant difference in the achievement of immediate and intermediate health goals and targets. For the 2006-2007 biennium, three groups have been identified for receiving variable funding. One group of beneficiaries will be those countries that are experiencing major unexpected disruptions in their economies, such as the occurrence of natural disasters, temporary social or civil instability, or a sudden fiscal downturn. In this regard, countries who are already feeling the impact of budget reductions would receive priority over those countries that are experiencing budget increases from the core part of the country allocation.

15. A second group of beneficiary countries will be those that have shown a concerted effort in their 2006-2007 work plans in addressing critical work toward the progress of achieving Millennium Development Goals and targets. Within that group, those countries furthest away from reachable targets will be given priority. This criterion is also intended to serve as an incentive for countries to actively engage in MDG-related activities.

16. The third group will be those countries that, in addition to already having small operational budgets, are receiving further budget reductions in core funding. This criterion is intended to allow for small, but needed operational adjustments to assist the countries in achieving a smooth transition to the new budget level with minimum disruption to their technical cooperation activities.

17. Furthermore, the allocation of variable funding will be tracked and monitored separately in order to report on progress toward stated goals. It is anticipated that the total resources set aside for the variable funding will not exceed 5% of the total resources allocated at the country level.

Annex

**APPLICATION OF THE REGIONAL PROGRAM BUDGET POLICY
2006-07 TO 2010-11**

	2004-05	2006-07	2008-09	2010-11
COUNTRY	37.1%	38.0%	39.0%	40.0%
SUBREGIONAL	6.1%	6.4%	6.7%	7.0%
REGIONAL	56.8%	55.6%	54.3%	53.0%
	100.0%	100.0%	100.0%	100.0%

