

# I

## INTRODUCTION

## Overview

1. Official Document No. 317 (OD 317) presents the proposal of the combined PAHO/WHO Biennial Program Budget (BPB) for 2006-2007 for approval by PAHO's Member States. A first version of this document was discussed by the 39th Session of the Subcommittee on Planning and Programming of the Executive Committee in March of 2005. The Subcommittee's views and recommendations have been incorporated into this current version.
2. The proposed BPB 2006-2007 builds on the WHO organization-wide results-based approach, and is the result of a participatory and iterative process, involving dialogue with national counterparts and all levels of the Secretariat (country, regional, and global). Lessons learned from implementing the PAHO/WHO biennial program in 2002-2003, as captured in the performance assessment report for that biennium, were also important inputs into the process. The 2002-2003 performance assessment report is available as Information Document CE136/INF/3.
3. The PAHO/WHO technical cooperation program is presented in three sections: II. Area of Work Statements, III. Subregional Programs, and IV. Country Programs. Section II contains, for each of the 38 thematic Areas of Work, the Issues and Challenges, Objectives, Strategies, Region-wide Expected Results and Indicators, and is representative of the work across the entire Organization. While the Issues and Challenges outline the principle concerns of what needs to be addressed, the PAHO/WHO Objectives and region-wide expected results incorporate the combined commitments of Member States and the Secretariat (country offices, regional units, and centers). Furthermore, the region-wide expected results form the basis for costing and estimating resource requirements over the two-year period. Performance indicators are made explicit, and baselines and targets have been added to allow measurement of achievements in implementing the program budget.
4. Section III, which describes the subregional program, is introduced for the first time as predicated by the PAHO Regional Program Budget Policy approved by the 45th Directing Council in 2005. This section represents the first iteration for the work of the Organization in support of the health agenda of the various subregional integration processes of the Americas. These plans will be refined in conjunction with CARICOM in the Caribbean, SICA in Central America, MERCOSUR in the Southern Cone, and CAN in the Andean Region. This section also includes resources devoted to the three subregional centers—INCAP, CFNI, CAREC—and to the United States/Mexico Border Health Office in El Paso. A more detailed explanation on the nature and criteria for the subregional program is included in Information Document CE136/INF/1.
5. Section IV is dedicated to the Country Programs. This section includes, for each country of the Region, a summary of the National Priorities for PAHO Technical Cooperation as well as the proposed response at country level. The technical cooperation program is presented in a project format, including purpose and expected results. Additional information, including the full situation analysis, technical cooperation strategy, and specific activities for each expected result, are contained in the individual work plans of each of the PAHO country offices.
6. An Annex (section V) is included at the end with the detailed program budget information by appropriation section, by areas of work, by functional level, and by country allocation.

## Policy Framework

7. The formulation of the BPB 2006-2007 is based on relevant global and regional policy frameworks. The Strategic Plan of the Pan American Sanitary Bureau for 2003-2007 continues to guide the direction of technical work and priority setting. Given the centrality of health in the Millennium Development Goals (MDGs), appropriate technical cooperation is being strengthened throughout the Organization to support countries in their pursuit of the health-related MDGs. The program budget proposal also seeks to continue and strengthen efforts in reducing the inequities within and among countries by placing greater emphasis on the special population groups (poor populations, indigenous peoples, women and children, elderly) and Key Countries (Bolivia, Guyana, Haiti, Honduras, and Nicaragua) identified in the Strategic Plan.

8. This is the first program budget whereby resources are guided by the application of the Regional Program Budget Policy approved by the 45th Directing Council in September 2004. Accordingly, resources have been shifted to country programs, as well as to support country needs within subregional frameworks and integration processes (see Table 1 below). These shifts will occur gradually over a period of three biennia, beginning with 2006-2007, as stipulated in the budget policy. Additionally, an amount equal to 5% of the total country program allocation (referred to as the 'variable allocation') is being set aside in accordance with the approved budget policy. A separate information document (CE136/INF/1) is available that provides a summary of the program budget policy, along with the proposed criteria for the use of the 5% variable allocation of the country budget.

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

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

9. The Secretariat has also been involved in the renewal of the WHO Managerial Framework and, consequently, additional measures have been taken to further align the global and regional planning processes for the different time frames. PAHO/AMRO was the first WHO Regional Office to hold consultations with Member States on the 11th General Program of Work of WHO for the period 2006-2015. There is work in progress with respect to the strategic resource allocation framework and midterm strategic planning for the period 2008-2009 and beyond as discussed at the 116<sup>th</sup> session of the Executive Board of WHO. And in the formulation of the BPB 2006-2007, improvements have been made in the coordination of both resource and program requirements with the global process. The greater convergence with WHO will facilitate dialogue across all areas of the Organization, and in all stages of planning, implementation, monitoring, and reporting. As a result, greater harmonization in the dialogue with Member States on global and regional health issues should be attained.

10. In this cycle, a true results-based, 'one program budget' approach was taken. Offices were asked to propose a single program funded by multiple sources, including an unfunded portion for targeting voluntary contributions required for the achievement of the expected results of the overall program. Office-specific expected results are linked to the region-wide expected results, which, in turn, are linked to the organization-wide (global) expected results identified in the WHO program budget 2006-2007. In this manner, contributions from all PAHO offices to the achievement of region-wide expected results can be

monitored in terms of progress and funding, as can the PAHO region-wide contributions toward the achievement of global expected results.

11. In keeping with the Managerial Strategy 2003-2007, and in particular with a country-focused approach, a more robust review process of office-specific program budget proposals was introduced for 2006-2007 in order to achieve a closer relationship between the national, subregional, regional, and corporate planning processes. Several interdisciplinary review panels were formed and tasked with the in-depth review of country program budget proposals, including the review of the Situation Analysis and Technical Cooperation Strategy, along with the proposed projects, expected results, and indicators to achieve the work. Although the same intensity was also applied to regional units and centers, the corporate review of country program proposals occurred first, so as to allow regional units and centers to adjust their own programming in support of country needs. As a result, areas of increased collaboration among regional units and centers in support of country programs were identified. All panel reviews and recommendations were subsequently analyzed by Executive Management and further direction for program adjustment was provided.

12. The BPB 2006-2007 is also influenced by the ongoing process of institutional change within the Organization aimed at improving the Bureau's ability to serve the countries of the Region. A series of interrelated, strategic initiatives have been launched that will lead the Organization in its transformation. As a result, greater alignment and effectiveness is expected in management structures, processes, and delivery mechanisms of technical cooperation that will improve the Organization's ability to meet the expectations of Member States in the 21st century. A separate, detailed document (CE136/14) on the ongoing institutional change process of PAHO is available for the Executive Committee.

## **Program Orientation**

13. The Areas of Work are the health themes that the Secretariat has selected to focus its work on and therefore form the building blocks for programmatic planning and budgeting. The revised Areas of Work for 2006-2007 are the result of an extensive consultative process worldwide led by WHO. The PAHO Area of Work statements provided our Region's input into the global process of organization-wide peer review of WHO Areas of Work, held in Geneva, in March 2004. Consequently, the PAHO Areas of Work have been streamlined from the existing 42 to 38, allowing for total convergence with the 36 organization-wide Areas of Work defined by WHO for 2006-2007, along with two added Areas of Work for greater specificity of the work carried out at the country level. The complete scope of the 38 Areas of Work is available to the Executive Committee as Information Document CE136/INF/2.

14. The revised PAHO 38 Areas of Work have been grouped into a set of appropriation categories that reflect the conceptual underpinnings relevant for PAHO's work. This gives the program structure of the BPB 2006-2007 a slightly different look than that of 2004-2005, although many of the Areas of Work are still common to both biennia. The program structure continues to be independent of the structure of the Secretariat, and this allows for a continued emphasis on an integrated approach to PAHO's technical cooperation.

15. The Strategic Plan 2003-2007 calls for the Bureau to focus on priorities in three areas: population groups, countries, and technical areas. In most instances, the population groups are explicit at the Area of Work level; the five Key Countries have been identified for priority attention in Areas of Work relevant to their national health priorities; and all of the objectives for the Priority Technical Areas are identifiable in the Area of Work Goals or Objectives or among the Expected Results.

16. In support of the country focus orientation and in convergence with the WHO Area of Work "WHO's Presence in Countries," an entire appropriation section named "Core Presence in Countries" has been defined for the BPB 2006-2007. The three Areas of Work established within it provide greater specificity for the activities and resources allocated for ensuring PAHO/WHO presence in countries and for contributing to processes aimed at strengthening national health development over and above the work at country level in each of the other 35 Areas of Work.

17. The following paragraphs summarize the revised nine appropriation sections in terms of Areas of Work (please refer to Information Document CE136/INF/2 for the complete scope of the Areas of Work).

***Section 1: Communicable Diseases***

18. This section includes prevention and control as well as disease research aspects of communicable diseases, in addition to an Area of Work on Epidemic Alert and Response that deals primarily with issues surrounding disease outbreaks and the revision of International Health Regulations. This section also includes specific Areas of Work for Malaria, Tuberculosis, and HIV/AIDS. Areas dealing with no communicable diseases have been grouped in appropriation section 2.

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

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

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

20. This section comprises primarily those Areas of Work in which the success of the technical cooperation relies heavily on the complementary actions of other sectors. Included are the three areas of health promotion, health and environment, and food safety.

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

21. This section is similar to the one in the current biennium, with a few modifications. It now includes the areas of reproductive health; making pregnancy safer; gender, women, and health; child and adolescent health; and immunization and vaccine development. The area of HIV/AIDS is now located in section 1--Communicable Diseases.

***Section 5: Health Technologies***

22. This section separates out the two areas specifically related to health technology from the other areas in the group of health systems and services delivery. These are: essential medicines and essential health technologies. These areas encompass activities in clinical technology, including blood safety and laboratories.

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

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

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

24. This section consists of only one Area of Work that represents the two inter-related areas which will steer the Organization forward in its effort in becoming a knowledge-based and learning organization. The ongoing work of the KM and IT strategies are incorporated in this appropriation section.

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

25. This section groups together all of the Areas of Work needed to carry out the essential corporate management and statutory functions of the Organization, such as: planning, resource coordination and oversight; human resources management; budget and financial management; infrastructure and logistics; Governing Bodies; external relations; and direction.

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

26. This is the only point of deviation from the 36 WHO Areas of Work. PAHO has expanded the single WHO Area “WHO Core Presence in Countries” into three distinct Areas of Work for greater specificity of activities at country level. These are: country cooperation, leadership and coordination; country office operations; and technical cooperation among countries. The notion of a ‘core presence in countries’ is comprised by all three Areas of Work and remains as the title of the appropriation section.

## **Resource Requirements**

27. As requested by Member States during the 39th Subcommittee on Planning and Programming, the Director is presenting to the 136th Session of the Executive Committee different budget scenarios for the financing of the BPB 2006-2007. The details for each of the four scenarios are available in Information Document CE136/INF/4. It should be noted that all budget scenarios presented focus on the regular budget funding situation, as it is the Secretariat’s position that the level of voluntary contributions will remain at the same level in all cases.

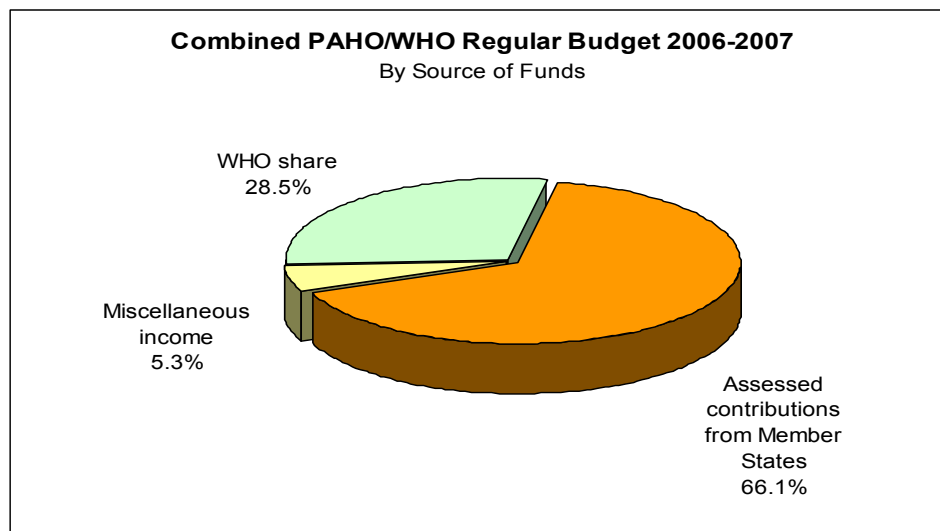
28. The rationale is that the level of voluntary contributions of \$265.5 million being presented reflects a reasonable estimate of complementary funding requirements based on the development of region wide expected results as well as a realistic external resource mobilization environment for PAHO. Thus, upward adjustments to these estimates to compensate for lesser levels in proposed regular budget funding would not be considered feasible. An explanation and summary of the rationale behind the estimates of voluntary contributions presented in the BPB 2006-2007 is available as Information Document CE136/INF/5.

29. In going forward, and after careful review of the Organization’s mandates and analysis of its current program capacity including staffing, and in consideration of funding concerns of some Member States, the **Director has chosen to recommend to the Executive Committee the following program budget proposal (corresponding to budget scenario c in information document CE136/INF/4).**

30. The proposal calls for a total budget of \$538 million; this consists of a combined PAHO/WHO regular budget of \$272.5 million and \$265.5 million in estimated voluntary contributions. The proposed level of the regular budget represents an increase of 5.0% compared with the previous biennium (this takes into account a proposed increase of 4% in assessments to Member States, an increase of 7.4% in estimated miscellaneous income, and an increase of 6.9% in the WHO share). Table 2 illustrates the financing of the proposed budget for 2006-2007 in comparison with the previous biennium.

**Table 2. Financing of the Regular Budget**

Source	2004-2005	2006-2007	% change
Assessed contributions from Member States	173,300,000	180,232,000	4.0%
+ Miscellaneous income	13,500,000	14,500,000	7.4%
= Total PAHO share	186,800,000	194,732,000	4.2%
+ WHO share	72,730,000	77,768,000	6.9%
= Total PAHO/WHO	259,530,000	272,500,000	5.0%



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

32. The proposed PAHO share, therefore, amounts to \$194.7 million and represents an increase of \$7.9 million, or 4.2% over the previous biennium of \$186.8 million. Funding of the PAHO share of \$194.7 million is proposed as follows: \$14.5 million in projected miscellaneous income and \$180.2 million from assessments to Member States. The miscellaneous income projection is \$1 million above the amount budgeted for 2004-2005, and reflects a cautious forecast in the external investment climate. The proposed increase in assessments of \$6.9 million is 4.0% over the current assessment level of \$173.3 million, even though assessed contributions as a percentage of the total regular budget have decreased slightly from the previous biennium from 66.8% to 66.1%.

33. In arriving at the proposed budget level, and in keeping with the guidance received from Member States at the 39th Subcommittee on Planning and Programming, a significant level of adjustments have been considered in order to accommodate as much program reduction as possible, while at the same time, striving to maintain a core and strategic level of program response that will safeguard the Organization's ability to effectively carry out its technical cooperation mandates. Naturally, this is not a simple exercise, nor is it totally free of risk in terms of the level of the Secretariat's response to the public health challenges of the Region.

34. Consequently, the budget reduction exercise has primarily focused on program prioritization, rationalization, and consolidation across the entire Secretariat. This analysis has led to further program decentralization and consolidation, including a series of proposed post relocations and eliminations, resulting in a net proposed program reduction of \$5.2 million affecting several program areas.

35. Some of the more significant proposed program adjustments include the following:

- In the area of Sustainable Development and Environmental Health, the work in Basic Sanitation is being decentralized and consolidated with CEPIS in Lima, Peru.
- In the area of Family and Community Health, the work of Reproductive Health and Making Pregnancy Safer is being decentralized and consolidated with CLAP in Montevideo, Uruguay.
- In the area of veterinary public health, INPPAZ is being disestablished and the food safety program is being redefined, enabling a number of international and local post reductions.

36. The proposed decrease of 34 fixed posts from 831 to 797 represents a reduction of \$5.2 million to the starting base. Despite this measure, the proposed regular budget level of \$272.5 million for 2006-2007 still includes a post budget increase of \$11.2 million. This is a result of the unavoidable and substantial rise in the cost of international staffing that has been a consequence of the falling U.S. dollar worldwide. When inflation of \$3.8 million on non-staff costs is added, the overall real reduction impact on 2006-2007 would amount to \$9.0 million. While the budget proposal does include a modest \$1.7 million increase in non-staff costs, this is not sufficient to cover the \$5.1 million one-time adjustment needed to introduce the 5% variable component to the country level of the budget. Although the proposed budget level results in a real program reduction of \$7.3 million from the previous biennium, other scenarios with increased budgets are not being recommended in order to keep to a minimum the proposed increase in assessments to Member States.



37. Table 3 below summarizes the different budget views of the proposed regular budget.

**Table 3. The Proposed PAHO/WHO Regular Budget 2006-2007**

In thousands of U.S. dollars				
	<u>2004-2005</u>	<u>Change</u>	<u>2006-2007</u>	<u>%</u>
<b><u>To be Financed from:</u></b>				
Assessed Contributions	173,300	6,932	180,232	4.0%
Miscellaneous Income	13,500	1,000	14,500	7.4%
WHO/AMRO	72,730	5,038	77,768	6.9%
Total	259,530	12,970	272,500	5.0%
<b><u>By Major Cost Type</u></b>				
Post	159,060	11,240	170,300	7.1%
Nonpost	94,471	2,730	97,200	2.9%
Retirees' Health Insurance	6,000	(1,000)	5,000	-16.7%
Total	259,530	12,970	272,500	5.0%
<b><u>By Functional Level</u></b>				
Country	96,323	7,227	103,550	7.5%
Subregional	15,688 *	1,752	17,440	11.2%
Regional	147,519	3,991	151,510	2.7%
Total	259,530	12,970	272,500	5.0%

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

38. The proposed program reduction in the budget is the largest in recent memory. Although it has been made with careful consideration of critical programs and priorities, a further reduction in program capacity would not be advisable and could weaken the Organization's ability to provide an effective level of technical cooperation. The Organization's operating budget for program activities has been eroding over the last several biennia given that budget approvals have only considered increases in net staffing costs. The erosion is particularly true for regional units, where the ratio of post to non-post funds is higher than in countries. This effect is augmented with the dynamics of the new Regional Program Budget Policy, whereby countries will receive the greater share of any budget increase despite the fact that regional units incur a higher level of the cost increases. In the current proposal, even with an overall regular budget increase of 5.0%, the activity budgets of regional units are still experiencing a reduction of 16% on average from the previous biennium, after taking into account fixed costs.

39. The current budget reality is that the commitment to increase funding to countries and to subregional programs in accordance with the Regional Program Budget Policy will continue to reduce the regular budget available for regional activities which focus on the normative work of the Organization and on backstopping needs of countries. As the cost of fixed-term positions continues to rise, it becomes

increasingly more difficult for the Secretariat to continue to strive for efficiencies in regional units by streamlining operations and realigning program areas to absorb added costs. Indeed, continued change will be essential for the Organization to be successful in reaching its objectives with the current budgetary situation, and our challenge will continue to be to find ways to achieve more with less.

40. Following the comments and observations of the 39th Subcommittee on Planning and Programming, the program and budget being proposed to the 136th Session of the Executive Committee has been adjusted, incorporating a net reduction of \$3.0 million, from \$275.5 million to \$272.5 million. After the deliberations of the upcoming Executive Committee, a revised document will be submitted with the Committee's recommendations to the 46th Directing Council in September 2005 for final review and approval.

**Mirta Roses Periago**  
**Director**