

Introduction

1. The Biennium Program Budget (BPB) for 2004-2005 is the first to be submitted under the new directorship of the Pan American Sanitary Bureau. It begins the process of strategic budgeting that must accompany the new managerial strategy which has been designed to transform the Secretariat into a responsive and flexible organization, working continuously to improve its effectiveness and efficiency. Changes have been introduced to streamline the Areas of Work and to make them more convergent with WHO's Areas of Work. The revised Areas of Work have been grouped into a new set of appropriation categories grounded in conceptual underpinnings relevant for PAHO's work. Shifts in the allocation of resources towards priority programs and countries have been introduced. Whenever possible, economies in management structures have been made.

2. This iteration of the proposal of the BPB for 2004-2005 takes into consideration the comments and observations made during the 37th session of the Subcommittee on Planning and Programming and those formulated during the 132nd session of the Executive Committee. This document also considers the WHO Program Budget for 2004-2005 finally approved at the 56th World Health Assembly, as well as the allocation that will be made-to the Regional Office for the Americas, which has been subsequently indicated by WHO Headquarters.

3. This Program Budget Proposal is presented in four sections. In Section 1, the Policy guiding the Program Budget is described and overall resource context is discussed. In Section II, for each of the Areas of Work, the related issues and challenges are summarized and in keeping with the Results Based Management Approach, a Goal and Objective are defined and measurable Expected Results (ER) formulated. The budget resources for each Area of Work is presented by organizational level and compared with that for the previous biennium. Section III provides further details of the country programs, while section IV contains the Annexes.

Challenges, Mandates and Secretariat's Response

4. This BPB constitutes the first opportunity to translate the Strategic Plan for the Pan American Sanitary Bureau for 2003-2007(SP) into specific regional and country projects with clearly defined expected results and indicators. In addition, the formulation of the BPB for 2004-2005 has taken into consideration other relevant global and regional policy frameworks; evaluations of the achievements of the expected results of the BPB for 2000-2001 and of PAHO's contribution to the achievement of the WHO Global Expected Results for the same period; and the program commitments emanating from the resolutions approved by PAHO's and WHO's Governing Bodies.

5. This BPB also responds to the WHO Corporate Strategy and priorities. This is reflected in the fact that the 11 WHO priorities for the period 2004-2005 are easily discernible in the budget structure among the Areas of Work. All of the WHO priorities are reflected among the projects, at both regional and national levels. Where relevant, the Expected Results in the BPB have been linked to the Global Expected Results (GERs) and this will enable PAHO to improve the quality of the report on its contribution towards the achievement of the GERs and WHO Objectives.

6. The proposal also seeks to assist in reducing the inequities within and among countries by placing emphasis on special population groups and key countries as described in the SP. Appropriate technical support is planned for countries in their pursuit of the health-related Millennium Development Goals (MDGs), and the monitoring of progress towards the MDGs in the Americas has been integrated into the ongoing analysis of health and health systems.

7. National health development challenges are made more difficult with the emergence of new diseases in already complex epidemiological mosaics and in populations that are aging and becoming more urban. Reform of the

health systems need to be reoriented to address these challenges, with more attention being given to the essential public health functions and the extension of social protection in health.

Organization of the Program Budget

8. The new structure of the BPB for 2004-2005 is independent of the structure of the Secretariat. The emphasis on an integrated approach to our technical cooperation work is reflected in the changes introduced to streamline the Areas of Work. Effort was also made to make them more convergent with WHO's Areas of Work. The revised Areas of Work have been grouped into a new set of appropriation categories grounded in conceptual underpinnings relevant for PAHO's work.

9. The Strategic Plan calls for the Bureau to focus on priorities in three areas: among population groups, countries, and technical areas. In most instances, the population groups are explicit at the AOW level. The five key countries have been identified for priority attention in Areas of Work relevant to their national health priorities and I have ensured that the ceilings for these countries be increased over 2002-2003 levels despite the decrease in overall program resources being proposed for 2004-2005. All of the objectives for the Priority Technical Areas are identifiable in the AOW Goals or Objectives or among the Expected Results.

10. During the biennium 2004-2005, special attention will be given to the strategic objective of increasing the use of networking and sharing of knowledge. A new Area of Work - Research and Knowledge Sharing, complements the other well established one for health situation analysis in keeping our different publics informed.

11. 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 has been defined to better identify the activities and resources allocated for ensuring PAHO/WHO presence in Countries and for contributing to general processes aimed at strengthening national health development over and above the work at country level in each AOW.

12. There are now 9 Appropriation Sections and the following summarizes the relationship between the current and former appropriation sections and indicates where major modifications have been made to the constituent parts.

Section 1: Executive Direction

13. Like its predecessor, General Direction, the essence of this appropriation is executive management and directly related support functions. However, the function of public information, which was formerly under General Direction, has been relocated to Governance and Partnerships, and the Regional Director's Development Program is now grouped with the new appropriation of Country Program Support.

Section 2: Governance and Partnerships

14. Support to Governing Bodies and the external relations functions, which were previously under Governing Bodies and Coordination, are grouped here. Country program support functions, including activities for technical cooperation coordination among countries, PAHO's country presence, and country program analysts—previously grouped with Governing Bodies and Coordination—are now highlighted in their own appropriation. As mentioned above, Public Information is now included in this new appropriation section because of its role with partnerships. Retirees' Health Insurance is included here as the preferred location.

Section 3: Country Program Support

15. This new appropriation section, similar to the new WHO section of WHO's Presence in Countries, brings together programs directly and intimately supporting the country programs. This includes country program analysis, emergency and humanitarian action (formerly in Health Systems and Services Development), technical cooperation among countries, and the Regional Director's Development Program (both formerly under General Direction). The former classified program of Support to the Development, Management and Coordination of Country Programs is being broken down into two program areas with the objective of distinguishing between direct support provided by the country office to national health development from the costs of maintaining a country presence.

Section 4: Intersectoral Action and Sustainable Development

16. This new section comprises those areas of work in which the success of the technical cooperation relies heavily on complementary and sometimes critical actions of other sectors, as well as the area of work of Health and Human Security, whose primary objectives are to place health in the center of the development agenda, to foster greater investment in health and to address the challenges of mainstreaming health and health related aspects of the Millennium Development Goals in the development policies of the Member States. This appropriation section brings together various programs from other sections in the previous budget structure.

Section 5: Health Information and Technology

17. This appropriation section encompasses programs related to the generation and dissemination of health information and related technologies, all formerly under Health and Human Development. It includes programs in essential medicines and clinical technology, including blood safety and laboratories, which had formerly been grouped with Health Systems and Services Development.

Section 6: Universal Access to Health Services

18. The equity principle underlies this section in which the strengthening of health systems and services will be addressed within an orientation to reducing exclusion based on gender, age, race or ethnicity. The development of public health infrastructure, the support to the formulation of health policies and targets at national and subregional levels, the efforts aimed at building capacities for the improvement of the performance of essential public health functions, the work related to the extension of social protection in health, the monitoring and evaluation of health sector reform processes and the technical cooperation in the fields of management and development of human resources in health are contained in this appropriation category. While maintaining considerable convergence with the former appropriation, Health Systems and Services Development and Emergency and Humanitarian Action have been located elsewhere, while program areas relating to inclusion of special groups have in some cases been moved here from the former section of Health Promotion and Protection.

Section 7: Disease Control and Risk Management

19. Communicable and non-communicable diseases, previously grouped under Disease Prevention and Control, are included here. In addition, the associated major risks relating to smoking and the environment are now integrated here; these were formerly grouped with Health Promotion and Protection and Environmental Protection and Development respectively. At the same time, some health conditions formerly included under Disease prevention and Control, which are related closely to family and community health, like children's health and HIV/AIDS, have been grouped with Section 8, Family and Community Health.

Section 8: *Family and Community Health*

20. This appropriation section groups together areas of work for which social and community participation and behavior change in families and communities are fundamental to improvements in the health situation. Many of the program areas, such as Women's and Maternal Health, Child and Adolescent Health, and Mental Health and Substance Abuse, were previously grouped under Health Promotion and Protection. New here is inclusion of programs on immunization and vaccine development and HIV/AIDS and sexually transmitted infections, formerly grouped under Disease Prevention and Control.

Section 9 *Administrative Support*

21. This is the only section which remains completely unchanged in composition from its predecessor, Administrative Services. It continues to represent critical support provided to the technical programs in personnel and financial management, support services, procurement and security.

Overall Resource Context

22. The first version of OD-307 published in May 2003 and presented to the 132nd Executive Committee in June included a PAHO/WHO regular budget proposal for 2004-2005 of \$264,773,000. This budget level included a proposed WHO regular budget portion of \$75,399,000, the amount endorsed by the 111th Executive Board for the Region of the Americas and presented to the 56th World Health Assembly; the proposed PAHO share of the regular budget was \$189,374,000. In June of 2003, based on resolution WHA56.32, that approved a program budget for WHO lower than the one submitted to the World Health Assembly, the WHO secretariat informed the Regional Director that the total regular budget allocation for the Region of the Americas for 2004-2005 would be \$73,230,000, a reduction of \$2,169,000 from the amount presented at WHA56.

23. This information was then used to present to the 132nd Executive Committee in June of 2003 a revised PAHO/WHO program budget proposal for a total of \$262,604,000 which was presented as Addendum I to OD-307. This implied a reduction of the proposed PAHO/WHO regular budget proposal in the amount of \$2,169,000 from the amount presented to the 37th session of the Subcommittee of Planning and Programming and included in the first version of OD-307 published in May 2003. The net result was a proposed 0.4% increase in the proposed PAHO/WHO regular budget for 2004-2005 with respect to the budget level approved for the biennium 2002-2003, instead of the initially proposed increase of 1.3%.

24. During the deliberations of the 132nd Executive Committee, as a result of multiple consultations with Member States and in consideration to the financial strains faced by several member States, a further reduction of the level of the overall PAHO/WHO regular program budget was agreed, in addition to the reduction experienced as a consequence of the shortfall in the WHO allocation to the Region of the Americas. Therefore, the proposed PAHO share of the regular budget was reduced from \$189,374,000 to \$188,655,000, a reduction of \$719,000. Thus, the combined PAHO/WHO regular budget proposal endorsed by the 132nd Executive Committee for consideration by the 44th Directing Council was \$261,885,000 (\$73,230,000 plus \$188,655,000).

25. The level of the proposed PAHO/WHO regular budget included in the current version of OD-307, \$261,385,000, is even lower than the one recommended in Resolution CE132.R6. This amount is \$500,000 less than the budget level endorsed by the 132nd Executive Committee. The adjustment was made to the WHO portion of the budget based on a clarification received at the end of July 2003 from the WHO secretariat, with respect to the approved regular budget allocation of \$73,230,000 for 2004-2005. The amount of \$73,230,000 approved by the

Director-General includes a specific allocation of \$500,000 for the revision of the International Health Regulations. This amount, however, has not been considered part of the approved regular budget base for 2004-2005; it has been indicated by the WHO secretariat that it will be handled administratively as a transfer from the WHO global budget to the region during implementation of 2004-2005. Thus, the official WHO portion of the regular budget approved for the Region of the Americas for 2004-2005 is \$72,730,000. The proposed PAHO portion of the regular budget remains at \$188,655,000. Therefore, the total PAHO/WHO regular budget proposal included in the revised OD-307 is US\$ 261,385,000, which represents a decrease of \$97,000, or 0.04% less than the 2002-2003 approved PAHO/WHO budget of \$261,482,000.

26. The WHO portion of \$72,730,000 represents a decrease of \$1,952,000, or 2.6% less than the WHO portion approved for 2002-2003 of \$74,682,000. The decrease, as communicated by the WHO secretariat, represents a combination of two factors: 1) the regional reallocation reduction of \$1,389,000 applied for 2004-2005, as part of resolution WHA 51.31, and 2) a negative cost increase of \$563,000 applied for 2004-2005, despite of the real mandatory cost increase of 1.3% that we have to face in the Region.

27. The proposed PAHO portion of the regular budget of \$188,655,000 represents an increase of \$1,855,000, or 0.99 % over the 2002-2003 approved amount of \$186,800,000. Funding of the PAHO portion of \$188,655,000 is proposed as follows: \$13,500,000 in projected miscellaneous income and \$175,155,000 from assessments to Member States. The miscellaneous income projection is \$3,000,000 less than the amount budgeted for 2002-2003 and reflects the deterioration in the external investment climate. The portion funded from assessments to Member States represents an increase of 2.85% over 2002-2003.

28. The budget level proposed shows great restraint given that PAHO's non-staff core budget had to be reduced with respect to 2002-2003. But despite this net reduction in the resources available for technical cooperation and in order to ensure an appropriate level of response to Member States, I have made budgetary shifts both to protect the level of resources allocated to the five key countries and to concentrate efforts in priority groups and technical areas. I have identified all possible opportunities to absorb real cost increases while striving for efficiencies by streamlining operations and realigning program areas where possible.

29. The proposed decrease of 0.04% in the overall PAHO/WHO proposal for 2004-2005 represents the first budget with a nominal decrease ever put forth by a PASB Director. Although the proposal provides for the unavoidable rise in post costs and the significant and mandatory increases in funding for the retirees' health insurance, both mandated by the United Nations system, inflationary cost increases for non-post elements of the budget are not included in the proposal, thus resulting in a lower resource base available for programs than for 2002-2003 in real terms. Indeed, change will be essential for the Organization to be successful in reaching its objectives with such modest resources, and our challenge will continue to be finding ways to achieve more with less.

30. Several Tables and Charts have been included in order to illustrate the program budget from different perspectives and to provide additional detailed information. Tables 1-3 present summarized views of the program budget, while Annexes 1-3 provide additional information including a 30-year funding history of the PAHO/WHO regular budget, a description of the Areas of Work, and a comparative breakdown of the budget by Area of Work.

31. It is worth noting that the estimate of Other Sources for 2004-2005 shown throughout this document is relatively low as compared with 2002-2003. This is because the 2002-2003 figures reflect the current level of funding from Other Sources, while the estimate for 2004-2005 includes only the level of Other Sources for firm commitments known at this time. It is a conservative approach, but we are hopeful that actual funding received during 2004-2005

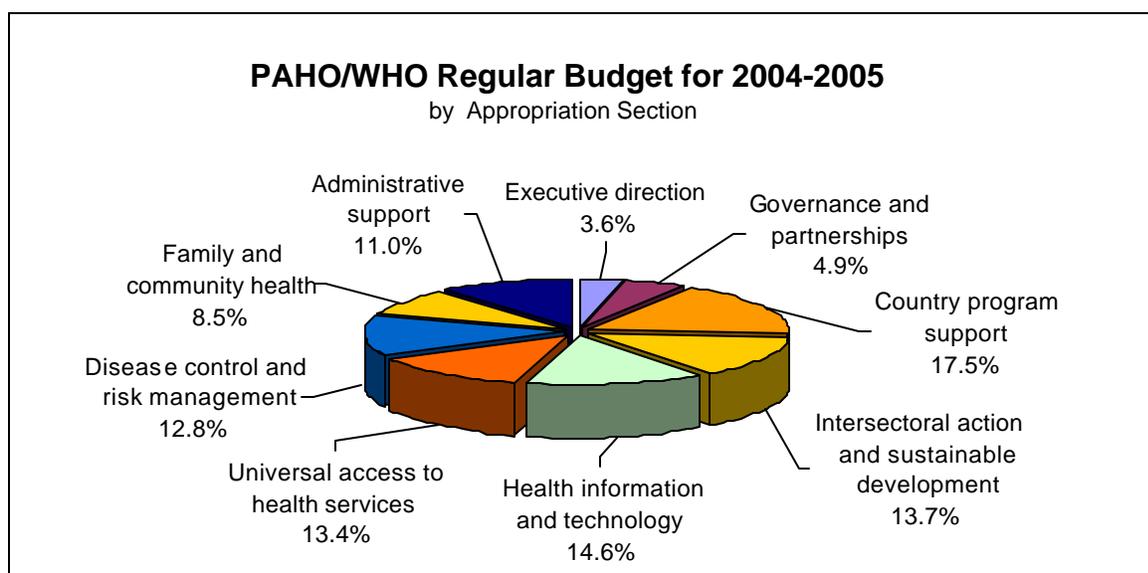
from Other Sources at least matches the level for 2002-2003, and we will make every attempt possible in our resource mobilization efforts in this regard.

32. Table 1 below summarizes the 2004-2005 regular budget by appropriation section, or major programmatic grouping. Estimates of Other Sources for firm commitments are also included.

Table 1. Budget Summary by Appropriation Section

(US\$ thousands)

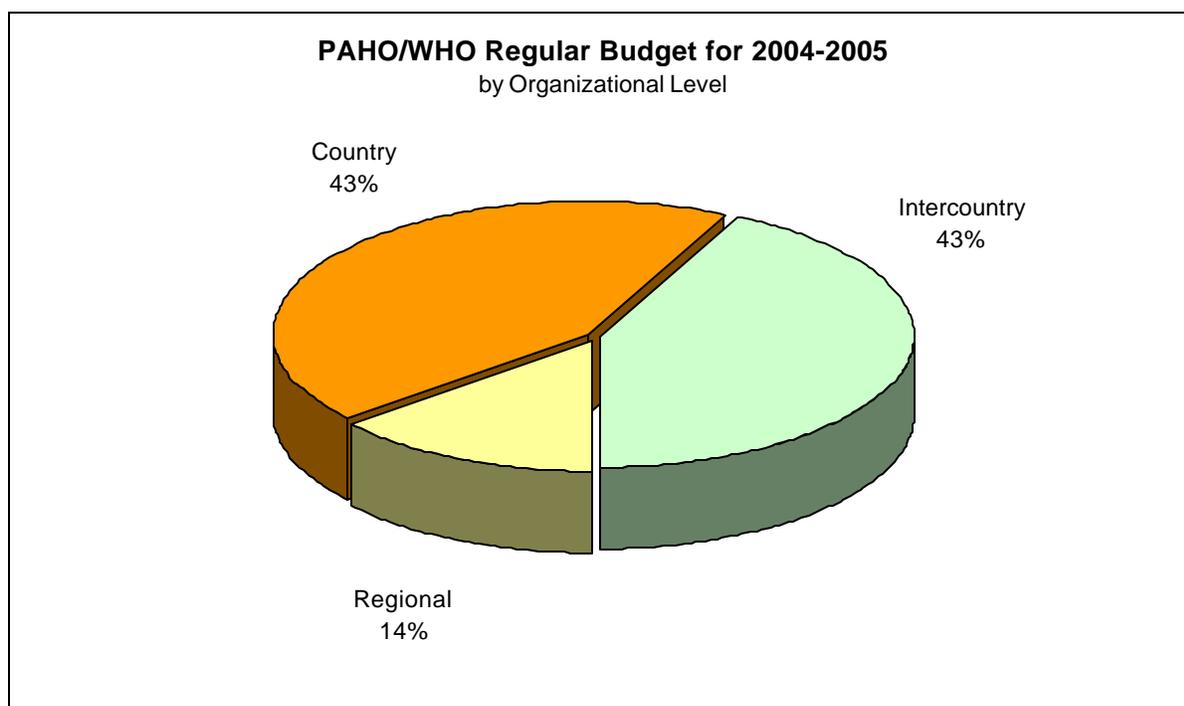
Appropriation Section	Regular Budget 2004-2005	Other Sources 2004-2005
Executive direction	9,407	576
Governance and partnerships	12,920	1,179
Country program support	45,830	2,331
Intersectoral action and sustainable development	35,852	3,331
Health information and technology	38,168	4,356
Universal access to health services	35,082	5,792
Disease control and risk management	33,173	12,570
Family and community health	22,224	19,045
Administrative support	28,729	6,707
Total	261,385	55,887



33. Table 2 summarizes the budget by Organizational level and compares it with the previous biennium.

Table 2. Budget Summary by Organizational level
(US\$ thousands)

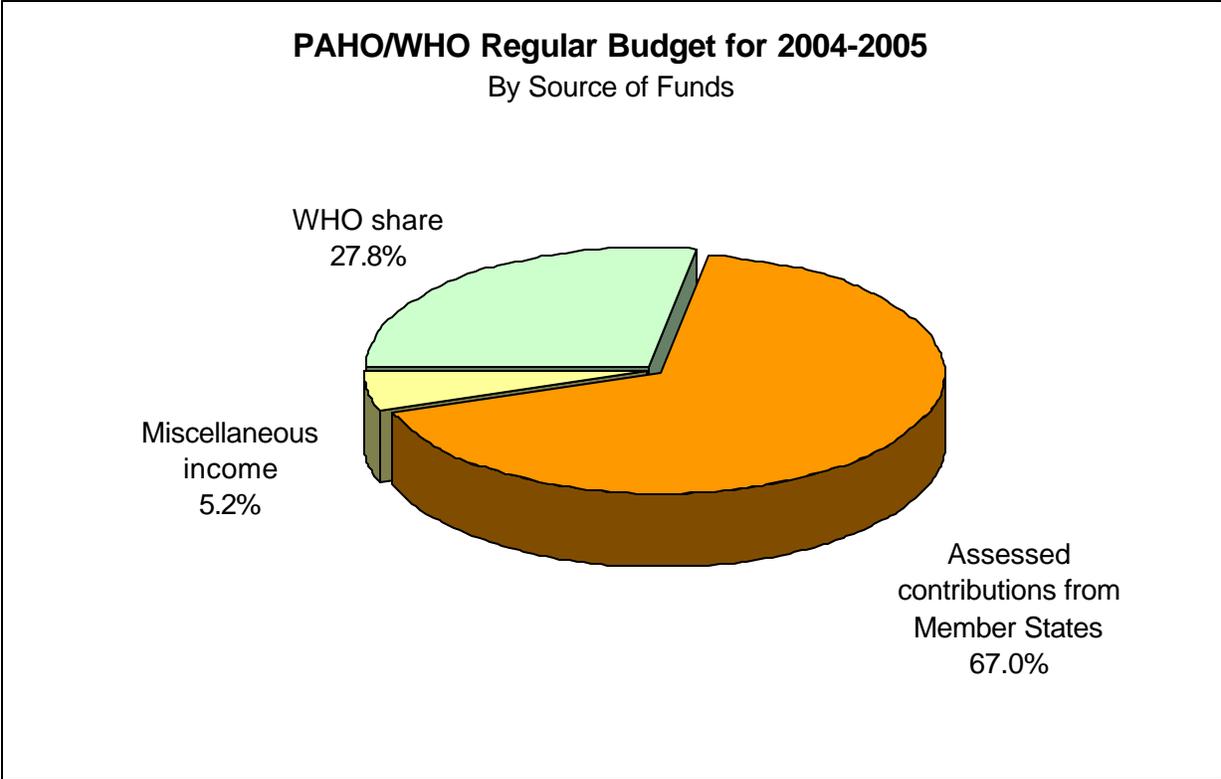
Organizational Level	Regular Budget		Other Sources	
	2002-2003	2004-2005	2002-2003	2004-2005
Country	112,671	113,190	75,382	9,663
Intercountry	112,606	112,033	71,662	38,977
Regional	36,205	36,162	7,247	7,247
Total	261,482	261,385	154,291	55,887



34. Table 3 illustrates the proposed financing of the regular budget. The WHO share is the amount approved by the Director-General of WHO based on resolution WHA 56.32. The PAHO portion is divided between the level of assessments to PAHO Member States and the amount of miscellaneous income estimated for 2004-2005.

Table 3. Financing of the Regular Budget

Source	2002-2003	2004-2005
Assessed contributions from Member States	170,300,000	175,155,000
Miscellaneous income	16,500,000	13,500,000
Total PAHO share	186,800,000	188,655,000
WHO share	74,682,000	72,730,000
Total PAHO/WHO	261,482,000	261,385,000



35. Annexes 1-3 at the end of the document provide additional information including a 30-year funding history of the PAHO/WHO regular budget, a description of the Areas of Work, and a comparative breakdown of the budget by Area of Work for 2002-2003 and 2004-2005.

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