



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



152nd SESSION OF THE EXECUTIVE COMMITTEE

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Provisional Agenda Item 3.1

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ALLOCATION OF FUNDS BY WHO TO THE REGION OF THE AMERICAS

Introduction

1. During its special session, held on 17 April 2013 via virtual meeting platform, the Seventh Session of the Subcommittee on Program, Budget, and Administration considered: (a) background information provided by the Pan American Sanitary Bureau (PASB) regarding World Health Organization (WHO)'s funding of the Regional Office for the Americas (AMRO) portion of the PAHO Program and Budget, and (b) a proposal by Mexico for a joint declaration of Member States of the Americas on this topic, to be presented to the WHO Eighteenth meeting of the Programme, Budget and Administration Committee of the Executive Board (PBAC) and the Sixty-sixth World Health Assembly (WHA). The Subcommittee determined that further deliberation on these matters was required, and that a special session of the Executive Committee be called to carry out such deliberation. PASB was tasked with preparing this document for consideration by this special session of the Executive Committee, which contains relevant legal, financial, and historical information for Member States, and also proposes a resolution with a draft joint statement that Member States of the Americas would bring to the PBAC and WHA.

Legal Framework and Budgetary Considerations

2. PAHO was established in 1902, preceding WHO, and is governed by its own Constitution. PAHO is an independent international organization with a separate legal personality from WHO and it has an independent governance and financial structure. Through an agreement signed in 1949 between PAHO and WHO, PASB serves as the Regional Office of the World Health Organization for the Americas; PAHO is also recognized as the Inter-American Specialized Organization in health by virtue of an Agreement signed in 1950 between the Council of the Organization of American States and the Directing Council of PAHO. This dual function of PAHO, and the corresponding separate legal personalities of WHO and PAHO, informs the budgetary relationship between

PAHO and WHO. The Pan American Sanitary Conference and PAHO's Directing Council, the ultimate governing authority for PAHO, approve its budget. Although the World Health Assembly approves the AMRO budget as part of the overall WHO budget, it does not have the authority to approve the PAHO budget. The approved PAHO budget is publically available for review by WHO and all interested parties.

3. As a result of PAHO's independent legal personality reflected in its Constitution and the 1949 Agreement between PAHO and WHO, Member States from the Americas, unlike other WHO regions, pay two assessed contributions: one to WHO and one to PAHO. Likewise, PAHO receives two distinct lines of budget sources derived from assessed contributions: one directly from PAHO Member States and the other from WHO, as the portion of WHO's assessed contributions that pertain to AMRO. Similarly, PAHO receives voluntary contributions from two distinct sources: one from WHO representing the portion that relates to AMRO and another directly from donors with whom PAHO has established binding legal agreements.

4. With more stringent budget development and strategic resource allocation processes underway at WHO, the need for better understanding of both parts of the AMRO and PAHO budgets has become more evident. At the WHO Executive Board meeting in January 2013, AMRO Member States requested information to explain the discrepancies in the voluntary contributions received from WHO as compared to the other regional offices, where the levels of voluntary contributions actually received from WHO are much higher (81% of budgeted amounts in all segments were funded on average for other regions versus 46% for AMRO in 2012-2013¹.

5. Like WHO, PAHO uses a results-based framework for the development and management of an integrated biennial Program and Budget. The PAHO 2012-2013 Program and Budget includes 16 Strategic Objectives with Region-specific results, in addition to global results. PAHO's Program and Budget is funded from four main sources: (a) the PAHO Regular Budget (PAHO assessed contributions and miscellaneous income), (b) PAHO voluntary contributions, (c) the AMRO share of WHO assessed contributions, and (d) WHO voluntary contributions that are allocated to AMRO.

6. PAHO Member States consider the WHO voluntary contribution portion for AMRO to be a committed source of funding for the "one Program Budget". Programmatically, PAHO has one Program and Budget and one set of corporate objectives and results which include both global and Region-specific results that are funded with various sources, WHO being one of those sources (through both assessed contributions and voluntary contributions). Voluntary contributions mobilized by PAHO cannot legally be accounted for within WHO/AMRO, as this would result in a breach of PAHO's fiduciary duty to its donors.

¹ WHO's Global Management System (GSM), consulted in April 2013.

7. Complete information regarding PAHO's budgets, program implementation, and financial expenditure are available on PAHO's Web site at the disposal of all WHO Member States and the public. However, for the reasons noted above, PAHO's budget is not submitted for consideration by WHO's Governing Bodies, as WHO cannot deliberate over the program budget of another international organization such as PAHO. It is the responsibility of PAHO's Governing Bodies to review and approve its entire budget as a key element of the accountability and transparency components of the results-based framework. Moreover, PAHO's Program and Budget has always considered the full resource envelope (all funding sources mentioned above for PAHO and AMRO). There is also a monthly interface between PAHO and WHO's GSM whereby PAHO submits all AMRO expenditures to WHO in order to provide a global picture of where and how WHO funds are expended. This interface, however, only displays AMRO funds (WHO assessed contributions and voluntary contributions), not PAHO's own funds (PAHO assessed contributions and voluntary contributions) which are not part of the WHO approved resource envelope for the reasons explained above.

8. In WHO, resource mobilization takes place across the three levels of the Organization (globally, regionally, and at the country level). WHO's technical programs play a key role in global project-specific resource mobilization with regional and country offices actively and successfully raising significant proportions of their voluntary funds locally. All this information is taken into account in WHO's financial risk analysis. However, PAHO voluntary contributions cannot substitute WHO's commitment. In fact, these should complement one another so that PAHO can achieve its stated and approved objectives.

Overview of WHO/AMRO Budgeted Versus Received Amounts by Biennium

9. Figure 1 below shows the total budgeted and received amounts for PAHO's Program and Budget during the last three biennia, detailed by funding source: PAHO and WHO/AMRO assessed contributions, and PAHO and WHO/AMRO voluntary contributions. There is little change in the total of assessed contributions over the three biennia. However, the focus on voluntary contributions shows that in 2008-2009, while PAHO mobilized US\$ 61 million² more than its budgeted amount, WHO/AMRO voluntary contributions received were only 34% of the budgeted amount. The resulting funding gap in 2008-2009 was \$53 million. The same analysis holds for 2010-2011, when PAHO mobilized \$39 million over its budgeted voluntary contribution amount while WHO/AMRO voluntary contributions reached 25% of its commitment, leaving a funding gap of \$85 million. As of the end of 2012, PAHO had received 37% of WHO's commitment to AMRO for the biennium.

² Unless otherwise indicated, all monetary figures in this report are expressed in United States dollars.

Figure 1. Comparison of base budget envelopes and received funds in PAHO's Program and Budgets, in millions, 2008-2013*



*2012-2013 data as of 31 December 2012.

10. While the total WHO/AMRO voluntary contribution envelope was reduced from \$173 million in 2008-2009 to \$164 million in 2010-2011, the percentage of the budget that was funded was even lower (from 34% in 2008-2009 to 25% in 2010-2011).

11. Based on historical evidence, for 2010-2011 PAHO anticipated that WHO would not fund the full amount of the AMRO voluntary contribution budget allocation (\$164 million, as illustrated in Table 1 below). Accordingly, in order not to inflate its overall voluntary contribution envelope, PAHO had to artificially reduce its own voluntary contribution budget (\$191.5 million) even though PAHO was aware of the potential to raise funds beyond this amount. While PAHO's voluntary contributions budget was "over-financed" for 2010-2011 by \$63.5 million, the WHO/AMRO portion was under-funded by \$123.5 million, resulting in an overall voluntary contribution deficit for PAHO of \$60 million.

12. Table 1 also shows that, for 2012-2013, the WHO Program Budget was somewhat more realistic in terms of budgeted voluntary contribution funding for AMRO (as well as other regional offices). In the case of AMRO, the voluntary contribution budget envelope was cut by 51% from 2011 to 2012. As of 31 December 2012, the reduced AMRO ceiling was 37% funded while PAHO's voluntary contribution ceiling was 44% funded, a more balanced situation if one assumes the initial budget allocations were "fair", a questionable assumption given that AMRO's base allocation was only 6.1% of the global total.

Table 1. PAHO and AMRO Budget Summary, in millions, 2010-2013 – Base segment

	2010-2011			2012-2013*		
	PAHO	AMRO	TOTAL	PAHO	AMRO	TOTAL
Budget envelope						
RB	206,400	80,700	287,100	206,400	80,700	287,100
VC	180,000	164,300	344,300	247,000	80,783	327,783
TOTAL	386,400	245,000	631,400	453,400	161,483	614,883
Funding						
RB	201,600	80,297	281,897	206,400	78,279	284,679
VC	255,100	40,800	295,900	114,124	29,576	143,700
TOTAL	456,700	121,097	577,797	320,524	107,855	428,379
% Budget funded						
RB	98%	100%	98%	100%	97%	99%
VC	142%	25%	86%	46%	37%	44%
TOTAL	118%	49%	92%	71%	67%	70%

RB: Regular Budget, comprised of Assessed Contribution plus Miscellaneous Income

VC: voluntary contributions

*2012-2013 amounts are as of 31 December 2012.

13. The Strategic Resource Allocation validation mechanism approved in 2006³ to guide allocations across all WHO regions set the average percentage of resources for AMRO at 7%, with variance between 6.3% and 7.7%. Throughout the last three biennia the level of funds that PAHO has actually received from WHO has not reached the minimum allocation, but has varied between 4.9% and 5.9%.

Proposed WHO Program Budget 2014-2015

14. The Proposed WHO Program Budget 2014-2015 recommends that assessed contributions remain at their 2012-2013 level, representing zero nominal growth. WHO's assessed contribution allocation for AMRO has remained constant in the last three biennia, at approximately \$80.5 million. It is notable that almost 70% of these funds covers core posts in the Region of the Americas, which constitutes an ongoing financial liability for PAHO. Any reduction in assessed contributions will severely compromise the viability of the 2014-2015 PAHO Program and Budget.

15. The total 2014-2015 WHO/AMRO budget is \$176 million, which includes \$11.1 million for Crisis and Outbreak Response (only to be allocated in the case of natural disasters or outbreaks). The resulting budget for AMRO base programs is \$164.9 million, which represents 5.4% of the total WHO envelope for base programs.

³ WHO Document EB118/7.

Moving Forward - Resource Mobilization

16. While maintaining separate financial accounting and reporting mechanisms, PAHO will continue to uphold full transparency in all parts of its budget implementation and provide tailored financial reports to WHO as and when requested. If resource mobilization efforts between the two organizations can be coordinated, this may provide a bridge for further exchange of information on funding gaps and resource allocation. An avenue to foster this coordination is the recently WHO-appointed Task Force on Resource Mobilization in which AMRO participates, along with the other WHO regions.

Action by the Executive Committee

17. The Executive Committee is requested to consider the proposed resolution (Annex) in which Member States of the Americas offer a statement regarding WHO budgetary allocations.

Annex



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PROPOSED RESOLUTION

ALLOCATION OF FUNDS BY WHO TO THE REGION OF THE AMERICAS

SPECIAL SESSION OF THE 152nd SESSION OF THE EXECUTIVE COMMITTEE

Having considered the background document *Allocation of Funds by WHO to the Region of the Americas* (Document CE152/SS/2);

Mindful of the fact that the Directing Council of the Pan American Health Organization's (PAHO) does not meet until September 2013 and that input is urgently needed for the Sixty-sixth World Health Assembly of May 2013, and

Noting the need for an open and interactive discussion of the allocation of budget envelopes and resources at both global and regional levels,

RESOLVES:

To request that the following statement be presented to the Eighteenth Meeting of the WHO Programme, Budget and Administration Committee of the Executive Board (PBAC) and to the Sixty-sixth World Health Assembly.

STATEMENT BY THE MEMBER STATES OF THE AMERICAS REGARDING WHO BUDGETARY ALLOCATIONS TO THE REGION OF THE AMERICAS

1. For several biennia the Member States of the Americas have noted a disturbing trend in which the allocation of both budget envelopes and financial resources to the Region of the Americas is continually reduced. Concern was expressed at the Sixty-fourth World Health

Assembly in 2011 through a Manifesto presented by the Member States of the Americas advocating for a fair share of budget allocation to the Region. Unfortunately, the situation has only worsened.

2. While it is laudable for the World Health Organization (WHO) to endeavor to present a “realistic” budget that reflects the needs and capabilities of the various regions, basing such a budget on expenditure is clearly unjust in the case of the Regional Office of the Americas (AMRO) since WHO has consistently failed to fund the voluntary contribution portion of AMRO’s budget envelope. Actual funds provided as a percentage of budget envelope allocated over the past few biennia in all regions except AMRO are funded at 70% to 80% of voluntary contribution budget envelopes, whereas AMRO is consistently funded at well under 50%. Future allocations cannot logically be based on expenditure of funds that were in fact never provided to AMRO in the first place.

3. For the 2014-2015 biennium, the WHO Secretariat has proposed a Program Budget allocating 5.4% of the base program budget envelope to AMRO. The next lowest portions are allocated to the Regional Office for Europe (EURO) at 7.1% and the Regional Office for the Western Pacific (WPRO) at 8.6%. While the Secretariat has declared in the *Proposed Programme Budget 2014-2015*¹ that the Strategic Resource Allocation (SRA) mechanism approved in 2006² is not being used, it is nonetheless worth remembering that this model—an objective means for budget allocation based on needs-based criteria—recommended a budget allocation to AMRO of 6.3% to 7.7%. Until a new means for global budget allocation is agreed by the Executive Board, the SRA mechanism stands as the best objective basis for discussion.

4. Some may argue that a reduction in funding to the Americas is “logical” in view of the overall level of development of many countries in the Region. While such an argument could be debated, it is clearly not applicable to the current discussion given the fact that both budget and resource allocations to other similar regions such as EURO and WPRO are proportionally higher than those to AMRO. In fact, EURO and WPRO are funded in proportions similar to those corresponding to the Regional Office for Africa (AFRO), the Regional Office for South-East Asia (SEARO), and the Regional Office for the Eastern Mediterranean (EMRO).

5. Some have also argued that PAHO is somehow less than fully transparent in the allocation and expenditure of non-AMRO funds (PAHO’s own regular budget and voluntary contributions). This is an argument that the Member States of the Americas categorically reject. PAHO is a public institution that is accountable to its Member States just as all regional offices are accountable to theirs. PAHO presents its Strategic Plan and Program and Budget to its Governing Bodies and publishes them on its web pages. PAHO reports on

¹ WHA Document A66/7.

² WHO Document EB118/7.

these through periodic assessments and financial reports that are also public information. Finally, PAHO delivers monthly financial data on AMRO funds to the WHO Global Management System (GSM) in order to enable global expenditure tracking.

6. With the above in mind, the Member States of the Americas hereby request that the Programme, Budget and Administration Committee of the Executive Board (PBAC) and the World Health Assembly agree to provide the following direction to the WHO Secretariat:

- (a) That while it is acknowledged that allocation of 5.4% of WHO's 2014-2015 base Program Budget to AMRO is less than optimal, such an allocation is acceptable for this biennium only, on the condition that actual funding to fill this envelope is given to AMRO at the same average proportion as that provided to all other regions. This includes 100% funding of the assessed contribution portion and at least 75% funding of the voluntary contribution portion. While at the current time AMRO is the main region being "neglected" from a funding perspective, this guidance should apply to all regions equally.
- (b) With regard to the allocation of assessed contribution budget envelopes, that while the Secretariat has not included assessed contribution allocations in the 2014-2015 Program Budget, Member States wish to indicate that such allocations to regions should follow precisely the allocations from 2012-2013. Any deviation from this must be presented to WHO's Governing Bodies for consideration. The Secretariat is also requested to include specific assessed contribution allocations by region and by category in future WHO Program Budgets.
- (c) That in order to determine a fair and transparent allocation of budget envelopes for future biennia starting with 2016-2017, the Secretariat convene a working group of Member States with representation from all regions to develop a new alternative to the SRA mechanism. The new mechanism, a global budget policy, should be based on objective and transparent criteria to determine a strategic needs-based (not cost-driven) allocation that allows WHO to best serve those populations across the globe that require our assistance. This working group should finish its work well in advance of the 2016-2017 budget cycle, and should present the results of its efforts to WHO's Governing Bodies for consideration in a timely manner.