

INTRODUCTION

1. PAHO, along with WHO, pursues a results-based budgeting approach to determine the resource requirements to carry out its work. The cost of achieving PAHO's region-wide expected results over a given period of time is expressed through an integrated budget that includes all funding sources.
2. PAHO receives funding from three main sources:
 - (a) the **PAHO Regular Budget**, which comprises assessed contributions (quotas) from PAHO Member States plus estimated miscellaneous income;
 - (b) the **AMRO Share**, which is the portion of the WHO regular budget approved for the Region of the Americas by the World Health Assembly;
 - (c) **Other Sources**, which mainly comprises voluntary contributions mobilized by PAHO or through WHO, program support-generated funds, and funding from the Master Capital Investment Fund; among other categories.
3. While funding sources (a) and (b) above are considered unearmarked, voluntary contributions (included in (c)) can be categorized as either earmarked or unearmarked. Effective financing of the Strategic Plan 2008-2012 and associated Programs and Budgets will require careful management of the different sources and types of income to ensure complete funding of planned activities. Unearmarked funding provides a predictable and flexible resource base that facilitates financing the core work of the Organization. Earmarked funding—which accounts for the majority of voluntary contributions currently negotiated—is less flexible and, thus, may not be available for use in under-funded programmatic areas.
4. Earmarked voluntary contributions continue to pose a challenge for ensuring alignment between the Organization's planned activities and actual resources mobilized. To the extent that donor partners can be persuaded to provide increased levels of unearmarked voluntary contributions—also being referred to as *core voluntary contributions* (CVC) by WHO—the Organization will become more successful in fully financing its Strategic Plan and Programs and Budgets, thereby increasing the probability of achieving its expected results. To this end, the Bureau fully supports WHO's efforts in actively seeking to increase the proportion of the program and budget financed with core voluntary contributions and will similarly continue its own efforts in this area.
5. The proposed resource levels by strategic objective (refer to Annexes 2 and 3) incorporate comments and guidance received from Member States, internal discussions with strategic objective facilitators, as well as analysis that stems from the regional prioritization model that has been previously discussed with Member States. As a result, increases are proposed in Strategic Objectives 1 and 3, addressing communicable as well as chronic diseases, and in Strategic Objectives 7 and 10, addressing the social and economic determinants in health as well as the strengthening health services with a focus on primary health care. An increase is also proposed in strategic objective 11 to better reflect all costs associated with the production of quality data, information and knowledge for planning and decision-making. Part of these costs was previously budgeted in strategic objective 15. In turn, reductions are proposed in strategic objectives 12, 13 and 14. A reduction is also proposed in strategic objective 16 with a compensatory increase in strategic objective 15 to reflect a re-categorization of costs related to supporting PAHO/WHO country presence. It is worth noting that there is no proposed increase for strategic objective 4 eventhough it is considered the highest programmatic priority. This is because actual and expected levels of funding are still well below current budget targets, and it is considered unlikely to increase resource mobilization to the stated level.

6. A key step in accurately projecting future budget requirements is being able to estimate the cost of the fixed-term workforce required to carry out the program of work. Increases in the cost of fixed-term posts (FTPs) are based on current data and foreseeable trends. At this writing, the estimated costs for the 2010-2011 budget period are expected to increase compared to those in 2008-2009, but to a lesser degree than was the case going into 2008-2009. For the 2008-2009 exercise, an internal analysis signaled a US dollar-based increase of between 13%-15%, particularly as a result of the devaluation trend of the US dollar at that time. However, the final approval granted by Member States was based on a more optimistic scenario of 10%, that when combined with continued reductions in the workforce, resulted in a net increase of 8.3% to the FTP budget component compared to the previous budget period.

7. In determining the costs for 2010-2011 regular budget, a recent analysis performed for actual costs incurred for FTPs during 2008 reveals an increase of 6.3% over the cost of FTPs already budgeted for 2008. This brings the actual cost factor for 2008-2009 to approximately 15% compared with the prior biennium, and is consistent with the original 2008-2009 analysis. For the current biennium, a transfer of approximately US\$ 11.5¹ million from non-FTP funds to the FTP budget will be required to fully fund all fixed-term posts for 2008-2009. This is the starting point for the FTP cost estimate considered in the proposed 2010-2011 budget.

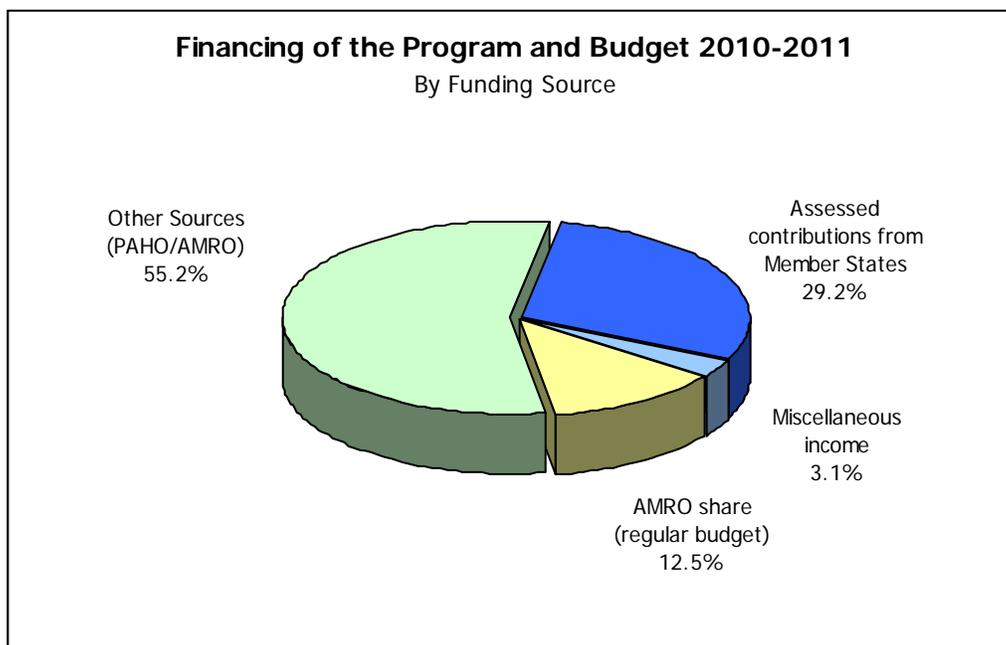
8. Table 1 compares the financing of the proposed 2010-2011 program and budget with the approved 2008-2009 budget.

Table 1. Financing of the Program and Budget 2010-2011
(PAHO/WHO Base Programs)

Source	2008-2009	2010-2011	% change
Assessed contributions from Member States	180,066,000	187,816,000	4.3%
+ Miscellaneous income	17,500,000	20,000,000	14.3%
= Total PAHO share (Regular Budget)	197,566,000	207,816,000	5.2%
+ AMRO share (from WHO)	81,501,000	80,700,000	-1.0%
= Total Regular Budget	279,067,000	288,516,000	3.4%
+ Estimated Other Sources *	347,000,000	355,851,000	2.6%
= Total Resource Requirements	626,067,000	644,367,000	2.9%

* Represents primarily the combined total estimated voluntary contributions from PAHO donor partners as well as from WHO.

¹ Unless otherwise indicated, all monetary figures in this report are expressed in United States dollars.



9. **Assessed contributions.** The analysis of 2008-2009 actual FTP costs revealed a 6.3% increase over the FTP budget for the biennium. The full cost of 6.3% applied to all regular-funded FTPs proposed for 2010-2011 equates to \$11.5 million. Of this amount, \$7.75 million represent the cost increase for FTPs funded from PAHO regular funds, or approximately 67%. The remaining 33% are funded from WHO regular budget funds (AMRO share). Therefore, the increase proposed for PAHO assessed contributions is \$7.75 million, or 4.3%, compared with the 2008-2009 biennium. The increase is expected to bring the 2010-2011 budget for FTPs only up to the level of actual costs expected for the 2008-2009 biennium.

10. **Miscellaneous income.** At this time, the projection for miscellaneous income is expected to increase by \$2.5 million compared with the amount budgeted for the 2008-2009 biennium. This figure is subject to change in future iterations of this document based on changing economic indicators.

11. **AMRO share.** This is the portion of the WHO regular budget that is approved by the World Health Assembly for the Region of the Americas. An amount of \$80.7 million was recently approved by the 62nd World Health Assembly and represents a reduction of \$800,000, or 1.0%, compared with the previous biennium.

12. **Estimated Other Sources.** This figure includes voluntary contributions mobilized by PAHO or through WHO, program support-generated funds, and funding from the Master Capital Investment Fund; among other categories. Estimates are discussed by Strategic Objective networks and subject to internal programmatic prioritization. This figure may change slightly in the final iteration of this document to be presented to the Directing Council as dictated by circumstances surrounding the availability of resources and finalization of the Operational Planning Process.

13. **Total resource requirements.** This category amounts to \$644.4 million, an increase of 2.9% compared with the total budget for the previous biennium.

14. As mentioned in paragraph 5, the current fiscal outlook for organization budgets that are based on the US dollar is not as severe as it was going into the 2008-2009 biennium. The recent trend in devaluation of the US dollar, which has played a large part in the excessive cost increases

experienced during the last few years, has started to reverse against most Latin American and Caribbean currencies. To the extent that this new trend holds, it will support the softened projections for cost increases related to fixed-term posts included in the proposal.

15. In the last biennium, the Organization benefited with a windfall generated from income received beyond the budgeted level. The resulting “surplus” has been placed in a holding account that is being used to fund several projects approved by Member States. Some of these projects include initiatives related to the International Public Sector Accounting Standards (IPSAS), Modernizing the Corporate Management Systems, and other capital investment projects. However, the Organization also has had to strengthen some important enabling functions for improved accountability and transparency, such as those related to additional internal oversight and audit, institutional and organizational development, and parts of the integrated conflict management system. These are necessary and recurrent costs that are not funded from the holding account and must be dealt with from the core budget.

16. The 2010–2011 biennium represents the last of three bienniums targeted in the Regional Program and Budget Policy. The Policy calls for a further shift of resources away from the Regional level and in favor of countries and subregions. These shifts, which have also occurred in the past two bienniums, have had a significant impact on the Regional level; consequently, the shifts have placed a strain on the ability of Regional entities to carry out the statutory and normative work and to backstop needs in the countries. In addition, some countries deemed in better relative health and economic status according to the Policy’s methodology, also have suffered significant budget reductions from within the overall share targeted for countries. In accordance with the Policy, an assessment of the Policy itself will be conducted this year and presented to the SPBA in 2010.

17. Table 2 shows the allocation schedule of regular budget resources in accordance with the Regional Program and Budget Policy.

Table 2. Application of the Regional Program and Budget Policy*

	2006-2007	2008-2009	2010-2011
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%

* A review of the Regional Program and Budget Policy is scheduled for 2009.

18. Given the regular budget situation, it becomes increasingly important for the Organization to mobilize voluntary contributions. And, since voluntary contributions from donor partners are generally earmarked for specific objectives and are less flexible and predictable, the Bureau will continue to make every effort to manage these contributions in light of the overall expected results contained in the Strategic Plan and Program and Budget. Thus, regular budget funds become increasingly essential for securing the core functions as well as the enabling functions of the Organization.

19. The three sections that follow illustrate the Program and Budget by the 16 Strategic Objectives with their Region-wide expected results (RERs) and indicators, by: Region-wide (corporate) level; the Subregional level; and the Country level.

20. Six Annexed tables are included for additional budget details: (a) Forty-year History of PAHO/AMRO regular budget funding; (b) Proposed Program and Budget 2010-2011 by funding source (base programs); (c) Proposed Program and Budget 2010-2011: comparison with 2008-2009; (d) Proposed Program and Budget: all segments. (e) Regional Program and Budget Policy: Phase-in schedule over three bienniums; and (f) Application of the Regional Program and Budget Policy at country level.

21. The table in Annex 4 (Proposed Program and Budget: all segments) is being presented for the first time. The intention is to separate the proposed budget into three segments: (a) PAHO/WHO base programs, (b) out-break, crisis and response, and (c) government-financed internal projects. This differentiation has become necessary in recognition of the different budget and management requirements associated with (b) and (c), particularly given the unpredictable nature and magnitude of these other two segments in recent years.

