



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



146th SESSION OF THE EXECUTIVE COMMITTEE

Washington, D.C., USA, 21-25 June 2010

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REPORT ON THE FOURTH SESSION OF THE SUBCOMMITTEE ON PROGRAM, BUDGET, AND ADMINISTRATION

1. The Subcommittee on Program, Budget, and Administration held its Fourth Session at the Organization's Headquarters in Washington, D.C., on 17 and 18 March 2010.
2. The meeting was attended by representatives of the following members of the Subcommittee elected by the Executive Committee or designated by the Director: Barbados, Bolivia, Cuba, Guatemala, Mexico, Saint Vincent and the Grenadines, and the United States of America. Representatives of Brazil, Canada, Honduras, and Suriname attended in an observer capacity.
3. Elected as officers were the Delegates of Saint Vincent and the Grenadines (President), Bolivia (Vice President), and Mexico (Rapporteur).
4. The Subcommittee discussed the following agenda items:
 - Program and Budget 2008-2009 End-of-Biennium Assessment/Interim Strategic Plan 2008-2012 Progress Report,
 - Evaluation of the Regional Program Budget Policy,
 - Nongovernmental Organizations in Official Relations with PAHO,
 - PAHO Results-based Management Framework,
 - Modernization of the PASB Corporate Management System,

- Appointment of Members to the Audit Committee of the Pan American Health Organization,
 - Overview of the Financial Report of the Director for 2008-2009,
 - Status of Implementation of the International Public Sector Accounting Standards (IPSAS),
 - Update: Use of Holding Account Funds,
 - Amendments to the PASB Staff Rules and Regulations,
 - Contract Reform in PAHO,
 - Draft Provisional Agenda for the 146th Session of the Executive Committee,
 - Master Capital Investment Fund, and
 - PAHO's Integrity and Conflict Management System.
5. Under "Other Matters" the Director announced that Vaccination Week in the Americas would start on 22 April and described the launch events being planned in several countries of the Region.
6. The final report of the Session is attached.

Annex



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**FOURTH SESSION OF THE SUBCOMMITTEE ON
PROGRAM, BUDGET, AND ADMINISTRATION OF THE
EXECUTIVE COMMITTEE**

Washington, D.C., USA, 17-19 March 2010

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FINAL REPORT

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FINAL REPORT

1. The Fourth Session of the Subcommittee on Program, Budget, and Administration of the Executive Committee of the Pan American Health Organization (PAHO) was held at the Organization's Headquarters in Washington, D.C., on 17 and 18 March 2010.

2. The meeting was attended by representatives of the following members of the Subcommittee elected by the Executive Committee or designated by the Director: Barbados, Bolivia, Cuba, Guatemala, Mexico, Saint Vincent and the Grenadines, and the United States of America. Representatives of Brazil, Canada, Honduras, and Suriname attended in an observer capacity.

Opening of the Session

3. The Director opened the session and welcomed the participants. She noted that the Subcommittee would be examining a number of administrative, financial, and programmatic items of great importance for the Organization. The sessions of the Subcommittee provided an opportunity for relatively informal discussion of matters that would subsequently be taken up by the Executive Committee and the Directing Council, and she looked forward to a frank and lively exchange of views.

4. She also noted with concern that two PAHO Member States, Chile and Haiti, had recently suffered devastating earthquakes, which had claimed many lives, including those of colleagues from the international cooperation system. PAHO had been working closely with the Governments of both countries in the aftermath of the disasters and would continue to support them through the reconstruction phase.

Procedural Matters

Election of Officers

5. The following Member States were elected to serve as officers of the Subcommittee for the Fourth Session:

President: Saint Vincent and the Grenadines (Dr. Douglas Slater)

Vice President: Bolivia (Mr. Fernando Rivera)

Rapporteur: Mexico (Ms. Ana María Sánchez)

6. Dr. Mirta Roses Periago (Director, Pan American Sanitary Bureau – PASB) served as Secretary ex officio, and Dr. Jon Kim Andrus (Deputy Director, PASB) served as Technical Secretary.

Adoption of the Agenda (Document SPBA4/1, Rev. 2)

7. The President informed the Subcommittee that an item concerning the end-of-biennium assessment of the WHO Program Budget for 2008-2009 had been deleted from the agenda because the World Health Organization had indicated that the assessment report would not be ready until April 2010.

8. The Subcommittee adopted the provisional agenda submitted by the Director (Document SPBA4/1, Rev. 2) without change. The Subcommittee also adopted a program of meetings (Document SPBA4/WP/1).

Program Policy Matters

Program and Budget 2008-2009 End-of-Biennium Assessment/Interim Strategic Plan 2008-2012 Progress Report (Document SPBA4/2, Rev. 1)

9. Dr. Isaías Daniel Gutiérrez (Area Manager, Planning, Budget and Resource Coordination, PASB) described the methodology for assessing the implementation of the Program and Budget 2008-2009 and the Strategic Plan 2008-2012 and outlined some preliminary assessment results, noting that the full assessment report would be submitted to the 146th Session of the Executive Committee in June 2010. He began by reviewing the PAHO/WHO planning instruments that had guided the Organization's work during the 2008-2009 biennium and would continue to guide it until the end of 2012. Those instruments included, on the PAHO side, the Health Agenda for the Americas 2008-2017, adopted by the Governments of the Region in 2007; the Strategic Plan for PASB 2008-2012, adopted by the 27th Pan American Sanitary Conference in 2007; and the PAHO Program and Budget for the bienniums 2008-2009, 2010-2011, and 2012-2013. The Program and Budget were implemented through biennial workplans, which were carried out by the 69 entities that made up the Organization at the regional, subregional, and country levels. On the WHO side, the chief planning instruments were the Global Program of Work, the Medium-term Strategic Plan 2009-2013, and the biennial program budgets. All of PAHO's planning instruments were fully aligned with those of WHO.

10. The results of the Organization's work were measured by means of indicators established at various levels of a chain of results in which each level contributed to the achievement of results at the next higher level in the chain: Office Specific Expected Results (OSERs) contributed to the achievement of Region-wide Expected Results (RERs), which in turn contributed to the achievement of organization-wide expected results (OWERs) and strategic objectives at the global level. Performance monitoring and assessment reporting were done at both the corporate and entity levels. Monitoring

was a continuous process, whereas performance assessment occurred every six months. All biennial workplans were evaluated to determine the extent to which region-wide expected results and strategic objectives had been achieved. The assessments looked at programmatic implementation, budgetary implementation, and mobilization of resources to fill the funding gaps in the biennial program and budget. It was that exercise that had yielded the preliminary results contained in Document SPBA4/2, Rev. 1 and that would eventually provide the end-of-biennium results to be presented to the Executive Committee and the Directing Council.

11. The preliminary results indicated that 82% of a total of 308 RERs had been achieved at the end of 2009 and that 11 of the 16 strategic objectives (69%) were on track for achievement by the final year of the Strategic Plan (2012); 5% of the strategic objectives were considered to be “at risk”—i.e., they might not be achieved by 2012.

12. The Subcommittee was invited to comment on the proposed outline for the combined end-of-biennium assessment report and interim progress report on implementation of the Strategic Plan.

13. The Subcommittee welcomed the proposal for a full and transparent assessment of the end-of-biennium results, emphasizing the importance of such assessments for results-based management. Members made a number of suggestions regarding the content and format of the report. With respect to content, several delegates suggested that, in addition to specific quantitative information on the achievement of indicator targets, the report should include information on challenges to implementation and lessons learned, measures taken to improve effectiveness and efficiency in program implementation, improvements made within the Bureau, and also improvements achieved in health status in Member States as a result of the activities carried out during the biennium. It was also suggested that the objectives of the end-of-biennium assessment should be clarified and that the report should indicate how the Bureau would use the results for future budget and program planning.

14. Some delegates found the information presented in Table 1 in the annex to the document, which showed progress towards achievement of the strategic objectives by semester, to be confusing and felt that more explanation should be provided, particularly as to why the percentage of objectives “on track” had fluctuated from one biennium to the next and why little or no progress seemed to have been made on some objectives. One delegate, noting that Document SPBA4/2, Rev. 1 identified the global financial crisis and the Pandemic (H1N1) as the major challenges that had affected performance during the biennium, pointed out that more detailed information was needed on how those challenges had affected the achievement of the various strategic objectives and why some objectives seemed to have been more affected than others. In particular, he wondered why Strategic Objectives 3, 6, 9 and 11 had been at risk throughout the biennium. Another delegate, noting that the Pandemic (H1N1) pandemic had constituted the first

real test of the International Health Regulations (2005), suggested that the report should include information on the extent to which the countries of the Region had implemented the Regulations and an analysis of how the activities undertaken in that connection had contributed to the achievement of the various region-wide expected results and strategic objectives.

15. Delegates also noted several apparent contradictions in the preliminary results and highlighted the need for further explanation. For example, it was pointed out that Table 2 in the annex to the document, indicated that the budget implementation rate for Strategic Objective 4 had been relatively low, but Figure 1 indicated that that objective had been fully achieved. One delegate wondered whether that situation might reflect an overfunding of some objectives. Delegates also sought clarification of the reasons for the shifting of resources from Strategic Objectives 15 and 16 to the other objectives, mentioned in paragraph 5 of the annex, and of the possible explanations for the steady rise in extrabudgetary resources, shown in table 5, despite the economic and financial crisis.

16. With regard to the format of the report, the Subcommittee found the proposed outline generally acceptable and welcomed the use of tables and figures as a means of presenting data in a manner that was visually interesting and easily understandable. It was suggested that all the information on budget implementation should be grouped together in the same section of the report; that the PAHO report should be clearly linked with and comparable to the forthcoming WHO end-of-biennium assessment report; that the titles of the strategic objectives should be written out, not just listed by number; and that information on the achievement of the strategic objectives should be presented not just by strategic objective in numerical order but also by strategic objective in order of priority. In relation to the latter suggestion, the Delegate of Mexico offered to share the findings of an analysis undertaken by her Government of the preliminary assessment results for the strategic objectives in the order of priority agreed by Member States under the Strategic Plan. She reported that the analysis had shown that there was some degree of risk with regard to achievement of the first four priority objectives and underscored the importance of such information for future decision-making.

17. Dr. Gutiérrez said that he would welcome information on the analysis conducted by the Government of Mexico and agreed that it would be useful to include such an analysis in the assessment report. He emphasized that the information presented in the annex to Document SPBA4/2, Rev. 1, was preliminary. The Organization's planning, monitoring, and evaluation system (AMPES) had undergone a number of changes following the introduction of results-based management, as a consequence of which some of the data it was producing might be erroneous or misleading. The Bureau was therefore reviewing all the information to ensure its accuracy. In any case, the aim of the document had been to provide an outline of the content of the report, not to present an analysis of the information itself. He assured the Subcommittee that the Bureau would extract and

analyze lessons learned and would use the findings of the assessment report to inform future planning and budgeting. He had taken careful note of the Subcommittee's comments and suggestions and would ensure that they were reflected in the final draft of the report to be submitted for discussion by the Executive Committee.

18. The Director observed that the end-of-biennium assessment, like the implementation of results-based management, was a work in progress. The Bureau was in the process of reviewing the information submitted by the 69 entities and ensuring that the data were consistent. The seeming lack of progress in some areas might be a result of differences in reporting criteria among the various entities. It might also be due to the fact that some key action had not been taken at the national level—ratification of the Framework Convention on Tobacco Control, for example—or to insufficient mobilization or a delay in the receipt of extrabudgetary resources. None of that meant that no progress at all had been made in those areas. It simply meant that because some indicator targets had not been met, the Bureau could not report 100% success with respect to some objectives and expected results. Additionally, work in some areas might have begun in a previous biennium, and the targets in those areas had therefore been achieved earlier than in other areas.

19. The Pandemic (H1N1) influenza pandemic might have caused delays in some areas, although it had also spurred progress, for example in the supply of medicines, and facilitated the mobilization of resources for some purposes. In the assessment report, the Bureau would endeavor to examine the impact of the pandemic and other events and developments on its work during the biennium and on public health in general, obstacles and successes in the implementation of activities and the mobilization of resources, and the challenges that remained to be overcome in the 2010-2011 biennium.

20. The Subcommittee took note of the report.

Evaluation of the Regional Program Budget Policy (Document SPBA4/3, Rev. 1)

21. Mr. Román Sotela (Senior Advisor, Program and Budget Management, PASB) introduced this item by providing background on the Regional Program Budget Policy, adopted by the 45th Directing Council in 2004 (Resolution CD45.R6). He recalled that, at that time, the Organization's budget policy had not been revised since 1985. The World Health Assembly had recently adopted a resolution that had cut the Region's allocation significantly. The Strategic Plan in effect at the time had identified five priority countries, several special population groups, and eight technical areas to be given priority in the allocation of resources. In addition, both PAHO and WHO had adopted a country-focused approach, with a corresponding shift in resources to the country level, and the 44th Directing Council in 2003 had called for needs-based criteria for resource allocation. A consultative group had therefore been formed in 2004 to formulate a regional program

budget policy and the proposed policy had subsequently been submitted to and approved by the 45th Directing Council.

22. The major issues and developments that had shaped the policy had included the Millennium Development Goals, regional and subregional integration processes; and the core functions, values, and principles of PAHO, especially equity and solidarity. The policy provided for three functional levels—country, subregional, and regional—and called for a progressive shift of resources from the regional level to the other two levels over three bienniums, of which the 2010-2011 biennium was the last. The resource allocation targets established—40% to the country level, 7% to the subregional level, and 53% to the regional level—had been achieved and surpassed.

23. The policy's resource allocation model provided for a two-tier approach comprising a core allocation and a variable allocation. The core allocation consisted of a floor portion, which was a set amount to ensure a minimum level of technical cooperation, and a needs-based portion, which was driven by the relative health and economic needs of countries. The variable allocation was a percentage of the total country allocation targeted to accelerate the achievement of collective mandates, such as the Millennium Development Goals, and mitigate the impact of reductions in allocations for some countries as a result of the policy's implementation. The policy also provided for progressive distribution of resources based on relative need and for population smoothing in order to take account of the wide variations in population size among the countries of the Region. The five key countries (Bolivia, Guyana, Haiti, Honduras, and Nicaragua) had been protected from any reduction of their proportional share of the core budget with respect to the Biennial Program Budget for 2004-2005.

24. Mr. David O'Regan (Auditor General, Office of Internal Oversight and Evaluation Services, PASB) then summarized the terms of reference and procedure for the evaluation of the budget policy, set out in Document SPBA4/3, Rev. 1. The evaluation would look at whether key provisions of the policy, such as the protection of key countries from reductions, had been respected. It would also examine the statistical methodology and the assumptions underlying the formula used to establish allocations and would identify achievements, problems, and constraints in the policy's application. The Bureau would seek expert advice from statisticians for the evaluation of the allocation model.

25. The Subcommittee welcomed the plans for evaluation of the Regional Program Budget Policy, which members felt would enhance transparency and results-based management. A number of questions were asked regarding the content and intended outcome of the evaluation—for example, whether it would examine the use of the country variable allocation and of funds for technical cooperation among countries (TCC), whether the resource allocation methodology would be assessed, what "related issues" (alluded to in paragraph 3 of Document SPBA4/3, Rev. 1) would be evaluated,

how the criteria for achieving a more equitable allocation of resources among countries would be updated, whether the evaluation would be linked to the wider end-of-biennium performance assessment (see paragraphs 9 to 20 above), and whether new policy recommendations and proposals would be made on the basis of the evaluation findings. With regard to the criteria for resource allocation, it was pointed out that factors other than income or economic need, such as disease burden, should be taken into account.

26. One delegate inquired whether the evaluation report would be ready when the Executive Committee met in June. Another delegate, noting that Resolution CD45.R6 called on the Director to ensure that the health information systems of all countries were improved in order to provide reliable data that could be used for refining the model for allocation of resources among countries, asked about possible links between implementation of the budget policy and one of the projects being funded from the Holding Account, which sought to strengthen PAHO's information systems (Project 2.A, see Document SPBA4/10 and paragraphs 107 to 119 below). Several delegates emphasized that as part of the evaluation the views of national authorities on the policy should be sought.

27. Mr. O'Regan said that the Bureau intended to consult ministry of health officials and other national authorities as part of the evaluation. Indeed, they were among the "other interested parties" mentioned in paragraph 6 of the terms of reference for the evaluation. Assessment of the methodology for allocation of resources would be one of the central features of the evaluation. As part of that assessment, the assumptions underlying the resource allocation model would be reexamined and the use of the country variable allocation would be appraised. As to the criteria for ensuring more equitable budgetary allocation among countries, the evaluation would look first at whether any change in the criteria was needed and then, if so, at what changes needed to be made in order to achieve greater equity. The final evaluation report would probably not be ready by June, but the Bureau intended to present the preliminary findings to the Executive Committee. It would indeed be making policy recommendations based on the findings.

28. Regarding the link between the budget policy evaluation and the end-of-biennium performance assessment, it was his understanding that the policy was not programmatic in focus. It was a method for allocating regular budget resources among Member States. Accordingly, the evaluation would focus mainly on how the allocation model had worked. It was unlikely that it would reveal much about technical cooperation outcomes.

29. Mr. Sotela confirmed that policy was not meant to guide the Organization's technical work. That guidance was provided by the Strategic Plan and the various regional strategies and plans of action approved by Member States. There was one element in the policy that had a programmatic orientation, however: one of the criteria for accessing the country variable allocation funds was the preparation of a plan for accelerating progress towards the achievement of the Millennium Development Goals.

Nevertheless, the main focus of the policy was ensuring an equitable distribution of resources. The policy did not dictate how the resources were to be programmed.

30. The Director said that the aim of the evaluation was to examine how the policy had been applied in practice and assess what its impact had been in terms of the distribution of resources among the three levels of the Organization—regional, subregional, and country—and among Member States. Internal evaluation of the policy would be the first step in a process leading to the formulation of a proposal for a new or revised budget policy to be submitted to the Governing Bodies in 2011. The Bureau would convene a group of budget experts from Member States to assist it in formulating the proposal. Depending on the findings of the internal evaluation, the expert group might decide to maintain the existing policy or to revise it or to develop a new policy. Certain new mandates would need to be borne in mind in drawing up the proposal—for example, recent United Nations resolutions concerning the special needs of small island developing States and landlocked States. Assessments of progress towards the Millennium Development Goals at country level would also be important inputs for the next budget policy.

31. Among the related issues to be looked at in conjunction with the evaluation were the mobilization and application of voluntary contributions and the use of compensatory mechanisms—i.e., mechanisms such as the location of a regional post or program in a particular subregion or country in order to offset the effect of reducing funding for countries that had seen their allocations decline as a result of the implementation of the budget policy. Those mechanisms and the criteria for allocation of voluntary funds would be examined with an eye to ensuring that they were contributing to equity and solidarity in the distribution of resources.

32. There was no real link between the budget policy and project 2.A, which concerned PAHO's information system. The policy was linked, although indirectly, to the Regional Plan of Action for Strengthening Vital and Health Statistics, approved by the 48th Directing Council in 2008 (Resolution CD48.R6). Improvements in vital and health information systems would enable countries to provide more reliable data to be fed into the resource allocation model under the budget policy, which in turn would help to ensure that resources were being distributed equitably and according to need.

33. The Bureau would prepare reports for the Executive Committee on the use of the country variable allocation and TCC funds and would also include information on those matters in the end-of-biennium assessment report.

34. The Subcommittee took note of the report.

Nongovernmental Organizations in Official Relations with PAHO (Document SPBA4/4)

35. In accordance with the procedure outlined in the Principles Governing Relations between the Pan American Health Organization and Nongovernmental Organizations (NGOs), the Subcommittee reviewed the status of two NGOs in official relations with PAHO and considered the application of another to enter into official relations.

36. Ms. Marcela Gaitán (National Alliance for Hispanic Health) made a statement on behalf of her organization, which was seeking to continue its relationship with PAHO. She noted that the National Alliance for Hispanic Health had initially been established to provide mental health services to Hispanic people living in the United States, but had gradually become more comprehensive and now provided a wide variety of public health services through a network of local organizations, such as community clinics and community centers, primarily serving Hispanics who were uninsured. The Alliance worked with those organizations in providing health promotion and health education services, focusing on issues ranging from management and control of diabetes to education of Hispanics about Medicare, a public health insurance program for older adults. The Alliance had worked with PAHO in previous years in the area of workers' health, specifically by providing information to Hispanic communities on issues having to do with health and safety in the workplace. Recently, it had joined PAHO's Partners' Forum for Chronic Disease Prevention and Control, and was using its wide network of community-based organizations to disseminate related information.

37. In accordance with the procedure outlined in the Principles Governing Relations between the Pan American Health Organization and Nongovernmental Organizations (NGOs), the Subcommittee then continued its work in a closed meeting, following which the President announced that the Subcommittee had decided to recommend that the Executive Committee approve the continuation of official relations between PAHO and the Latin American Confederation of Clinical Biochemistry (COLABIOCLI) and the National Alliance for Hispanic Health, and that it admit the World Resource Institute Center for Sustainable Transport (EMBARQ) into official relations with PAHO. Those recommendations would be presented to the 146th Executive Committee in a draft resolution for its consideration.

PAHO Results-based Management Framework (Document SPBA4/5, Rev. 2)

38. Dr. Isaias Daniel Gutiérrez (Area Manager, Planning, Budget, and Resource Coordination, PASB) reported on the Bureau's progress in implementing results-based management (RBM). He began by reviewing the definition of results-based management and the four components of PAHO's results-based management framework: planning, implementation and performance monitoring and assessment, independent evaluation and learning, and accountability, all of which were described in detail in Annex A of

Document SPBA4/5, Rev. 2. He noted that the first two components had been discussed extensively by the Subcommittee under the item on the end-of-biennium assessment and interim progress report on the Strategic Plan 2008-2012 (see paragraphs 9 to 20 above). He also reviewed some of the instruments and related policies developed by PASB to facilitate the implementation of the Strategic Plan, namely: the voluntary contributions policy, the letters of agreement policy, and the resource coordination policy, which were described, respectively, in Annexes B, C, and D of the document.

39. PAHO's Internal Oversight and Evaluation Services Office, which was now fully staffed and operational, was responsible for the independent evaluation and learning component of the framework. With regard to the accountability component, the various entities comprising the Organization at the regional, subregional, and country levels were accountable to the Director, who in turn was accountable to Member States through the Governing Bodies and to the Director-General of WHO. Annex E of the document described the Director's delegation of authority policy, which delineated the responsibility and accountability of personnel across the Organization.

40. In the discussion that followed Dr. Gutiérrez's presentation, Subcommittee members made comments of a general nature and then offered some specific comments relating to the various annexes to the document. Members thanked the Bureau for the extensive and detailed information contained in Document SPBA4/5, Rev. 2, and welcomed the opportunity to learn more about PAHO's results-based management framework. They commended the Bureau on the progress made thus far in implementing results-based management, especially in the area of planning, and encouraged it to continue working to strengthen the other aspects of the framework, in particular accountability. The Bureau was asked to present a timeline of activities to be undertaken in 2010-2011 in order to consolidate the accountability component. The Director and her staff were urged to ensure that results-based management became more than simply a paperwork exercise and that emphasis on achieving results was always taken into account in resource allocation and programmatic decision-making.

41. The importance of ongoing monitoring and evaluation to strengthen both results-based management and overall organizational performance was underscored, and the Director's decision to ask the Internal Oversight and Evaluation Services Office to carry out a review of the lessons learned to date in the results-based management process was applauded. One delegate, emphasizing the importance of suitable indicators for measuring results, inquired whether the quality and measurability of the indicators and targets being used to assess results had been evaluated. The same delegate welcomed the shift in focus (described in paragraph 4 of Document SPBA4/5, Rev. 2) from achieving short-term results within the manageable interests of managers to achieving medium-term results that would directly benefit the people of the Region. He also pointed out that implementing such an approach would require strong coordination and integrated effort among the various entities and managers.

42. Another delegate, noting that paragraph 25 in the document indicated that performance and monitoring assessments were conducted every six months and that the last (i.e., fourth) such assessment became the end-of-biennium assessment, pointed out that it was important for Member States to receive information on the other three assessment exercises for purposes of comparison and so that they could clearly see where progress had and had not been made. She also highlighted the value of conducting thematic and country-level evaluations (mentioned in paragraph 28 of the document), which would enable Member States to identify opportunities for cooperation between national institutions and PAHO.

43. With regard specifically to Annex B of the document (voluntary contributions policy), it was suggested that definitions of the terms “project coordinator,” “entity manager” and “Strategic Objective facilitator” should be added to the glossary, along with descriptions of their responsibilities.

44. Concerning Annex C (letters of agreement policy), delegates inquired whether there were arrangements other than letters of agreement for cooperation with countries, whether there was a protocol for the negotiation of letters of agreement, and how the policy set out in Annex C differed from previous practice, and whether it responded to the recommendations of the External Auditor with respect to letters of agreement.

45. With respect to Annex D (resource coordination policy), clarification was sought regarding how countries could access unearmarked voluntary contributions and how historical implementation rates were taken into account in determining the allocation of resources. Information was also requested on the procedure for accessing TCC funds.

46. Dr. Gutiérrez observed that the implementation of results-based management in the Organization was an ongoing process of learning and cultural change. With regard to the quality of the indicators being used to measure results, the Bureau was working from two perspectives. In the first place, it was reviewing the indicators to ensure that they were methodologically correct, which meant checking to see, for example, that all the variables were measurable and that the targets were in fact related to the indicators. In the second place, it was looking at whether the indicators were suitable from the standpoint of both the regional level (i.e., for measuring the achievement of region-wide expected results) and at level of each office (office-specific expected results). The review had resulted in the enhancement of some of the indicators identified under the current Strategic Plan and would doubtless help to improve the quality of the indicators defined for future plans.

47. Mr. David O’Regan (Auditor General, Office of Internal Oversight and Evaluation Services, PASB) said that, as part of the review of the lessons learned from the RBM process to date, his office had conducted interviews, meetings, and surveys involving more than 100 staff members and had examined the methodology for

implementation of results-based management, the soundness of the indicators, and the level of support given to managers in defining and monitoring their targets. The findings of the review would be made available shortly.

48. Turning to the specific questions on the various annexes, Dr. Gutiérrez explained that the historical implementation rate referred to the percentage of allocated funds that was actually implemented. It was calculated by averaging data on the proportion of budget implementation from the previous two bienniums. The historical implementation rate, together with the Regional Program Budget Policy and the agreed prioritization of the strategic objectives in the Strategic Plan, provided useful information for determining the budget allocation to each entity and/or strategic objective. It was also used, along with estimation of the resource gap—i.e., the resources needed to achieve the targets identified under the Strategic Plan—as a basis for the allocation of voluntary contributions.

49. Responding to the suggestion concerning additional terms to be included in the glossary in Annex B, he noted that the terms in question did appear in the policy on delegation of authority in Annex E. As to the letters of agreement policy, he explained that letters of agreement were administrative instruments for transferring resources to a beneficiary institution that was carrying out an activity that would contribute to the implementation of the Organization's Strategic Plan. There was no protocol per se for negotiating letters of agreement. PAHO entered into such agreements with national institutions on the basis of its biennial workplans. In response to a request from a Subcommittee member, he said that information on other arrangements for cooperation with countries would be included in the document to be submitted to the Executive Committee.

50. Mr. Hernán Rosenberg (Senior Advisor, Resource Coordination and Program Development, PASB) added that the letter of agreement was an instrument that complemented other instruments, such as contracts and purchase orders, through which PAHO cooperated with countries. It was a means of transferring resources to national institutions and also served to empower and build the capacity of such institutions to carry out parts of the Strategic Plan. The new policy laid out the terms and conditions applicable to letters of agreement and delineated a procedure for establishing the eligibility of national institutions to be beneficiaries of such agreements.

51. The Director said that letters of agreement had come about in the mid-1990s because the External Auditor had pointed out that PASB did not have an appropriate instrument for transferring resources to government agencies and ensuring the necessary accountability. Governments were the Bureau's counterparts and could not be treated as contractors. Letters of agreement had first been used in conjunction with the poliomyelitis eradication campaign, when the Organization had needed to transfer resources to governments for eradication efforts at country level. They had been used for many years, but there had been no formal policy governing their use. The aim of the

procedure set out in Annex C was to ensure greater transparency and accountability on the part of all concerned. It incorporated lessons learned through the years and reflected the recommendations of the External Auditors. The policy represented a major step forward, but the Organization also needed a policy and procedure for identifying national institutions that were qualified to participate in implementing its technical cooperation program through letters of agreement. The Bureau intended to submit such a policy for consideration by the Governing Bodies during 2010 (see the discussion of the agenda for the 146th Session of the Executive Committee, paragraphs 127 to 137 below.)

52. With regard to the procedure for accessing unearmarked voluntary contributions, she clarified that the Organization did not have a pool of unearmarked funds for which countries could apply. Despite the Bureau's efforts to encourage donors to provide support for general program areas rather than for specific projects or countries, the vast majority of voluntary contributions continued to be earmarked. Those that were not earmarked were allocated to fill the resource gaps in PAHO's budget in specific program areas identified by the donors. Countries could tap those resources by submitting a proposal demonstrating a funding gap in a particular area that was identified as a priority under the biennial workplan agreed with the respective country office.

53. As to the procedure for accessing funds for technical cooperation among countries, she recalled that until 2008 the Organization's practice had been to set aside a proportion of the regular budget funds allocated to each country to be used exclusively for TCC projects. However, it had been found that while some countries routinely used up their entire TCC allocation and would have welcomed additional funding, others always had funds left over at the end of a biennium. In order to rectify that situation, the Bureau had proposed that technical cooperation among countries should be funded out of the country variable allocation under the Regional Program Budget Policy. The Subcommittee had endorsed that proposal at its second session in 2008 (see Document SPBA2/FR, paragraphs 82 to 89).

54. The Subcommittee took note of the report.

Modernization of the PASB Corporate Management System (Document SPBA4/6, Rev. 1)

55. Dr. Isaias Daniel Gutiérrez (Area Manager, Planning, Budget, and Resource Coordination, PASB) recalled that the 48th Directing Council had authorized (through Resolution CD48.R1) the use of funds from the Holding Account for a project on modernization of the PASB Corporate Management System (CMS). The Director had created a committee to steer the project and to present recommendations to the Governing Bodies in 2010. The committee had started its work with an examination of the experiences of WHO in establishing its Global Management System (GSM), as PAHO was committed to responding to the requirements of the GSM. Further work had led to

the conclusion that modernization was feasible and would bring a number of benefits—such as enhanced accountability, closer collaboration between PAHO and WHO, and increased availability of information—that would justify the investment required. Further details were presented in Document SPBA4/6, Rev. 1.

56. As the CMS committee had continued its work, it had become evident that PAHO had three fundamental options. The first was to adopt the Global Management System entirely, which would entail ensuring consistency between it and the CMS Guiding Principles and also ensuring that PAHO's unique needs as a separate legal entity could be accommodated. The second option would be for PAHO to continue operating under its own model, which would require modernization of some components. The third option would be to adopt a hybrid solution using some GSM components but also keeping some components of the current system that had been developed in-house. In any event, all options presented to the Governing Bodies would respond to GSM requirements. The options would be presented in detail to the Executive Committee in June and a final report, including a specific recommendation, would be submitted to the Directing Council in September.

57. The Subcommittee welcomed the update, although some members felt that more information was needed on the investment that would be required to implement each of the three options. It was also felt that in order for a selection to be made, more details would be needed on timelines, cost considerations, and the implications for the Organization in terms of execution of its programs. It was suggested that the document to be presented to the Executive Committee should include a matrix summarizing the features of the various options in a format that would permit easy comparison. Most delegates who spoke favored adoption of the GSM, although support was also voiced for a hybrid solution.

58. One delegate expressed concern that PAHO might not be aligning itself closely enough with the Global Management System. Recalling the meeting of the WHO Program, Budget, and Administration Committee in January 2008, at which PAHO had made a commitment to be fully integrated with the GSM by the year 2013, he noted that Document SPBA4/6, Rev. 1, did not mention "integration," but instead referred more tentatively to "responding" to GSM requirements. He inquired whether the CMS Guiding Principles were derived from the GSM and included the same core functions. Although he acknowledged PAHO's need to preserve the key aspects of its business model, including its unique legal status and governance structure, he felt that the Bureau should draw up a plan for modernization and alignment that clearly recognized the needs of both WHO and PAHO and included a robust and costed set of options. He pointed out that maintaining a system separate from the GSM would eventually entail maintenance and upgrade costs, which would be borne solely by PAHO, and said that to avoid such additional costs, PAHO should leverage the work done by WHO. Recalling that WHO had introduced the GSM all at once, which had made the subsequent implementation

problems all the more striking, he asked whether PAHO had given consideration to introducing its new management system one module at a time.

59. Dr. Gutiérrez said that he had taken note of the Subcommittee's request for a detailed comparison of the advantages and disadvantages and the costs and benefit of the three options and assured members that the document being prepared for the Executive Committee would contain detailed information, including cost information, on all the options under consideration.

60. Mr. Timothy Brown (Advisor, Corporate Management System, Planning, Budget, and Resource Coordination, PASB) said that while the Guiding Principles were very similar to WHO's, there were some differences. He explained that the CMS committee had been working on business processes and laying the necessary foundation for changing how the Organization worked in the areas of institutional development and technical cooperation and, in particular, enhancing its ability to respond to new technical cooperation requirements and take on a greater quantity of work.

61. The Deputy Director observed that by undertaking the analysis of its Corporate Management System, the Bureau was taking ownership and responsibility for better understanding all of its options. If the evidence produced by that analysis indicated that the GSM was the best option, then PAHO would adopt it. However, PAHO might be able to put in place a system that would be compatible with, but work better than, the GSM.

62. Mr. Lorne Murdoch (Area Manager, Information Technology Services, PASB) explained that some of PAHO's concerns about the GSM arose from the problems with which WHO Headquarters and other WHO regions were currently grappling. WHO's costs related to the GSM were spiraling, and the system was not yet providing all the functionality needed by the various regions, some of which were running their legacy systems in parallel with the GSM because the latter lacked some essential features. A further problem arose from the centralization of processes in Kuala Lumpur, Malaysia, which meant that the response time when problems were reported was at least two days. Thus, the GSM was not only soaking up resources; it was causing processes to becoming less efficient.

63. Mr. Román Sotela (Senior Advisor, Program Budget Management, Planning, Budget, and Resource Coordination, PASB) stressed that while PAHO had not adopted the GSM, its program budget data were fully aligned with those of WHO and it was complying fully with its global reporting requirements. That had been the situation since 2007, and would continue to be the situation regardless of which option was selected.

64. The Director affirmed that PAHO was producing and reporting all the information required by WHO. It remained to be seen whether, after such a huge investment by WHO, the information generated by the GSM was really going to serve the

Organization's purposes. For that and other reasons, she had decided to adopt a cautious approach to the GSM.

65. One of the major problems that the Bureau saw with regard to adoption of the GSM related to PAHO's procurement of vaccines and other public health supplies, since neither the Strategic Fund nor the Revolving Fund would be covered in the GSM and there was no provision for tailoring the system to the specific needs of the regions. Additionally, PAHO's budget policy, which provided for a subregional level and a model for allocating resources among countries, could not be accommodated under the GSM. Another major drawback related to language. PAHO was committed to operating as a multilingual organization, but the GSM currently functioned only in English. The African Region had called for the development of a French version of the GSM, but WHO lacked the budget for such work. Certainly, the system would not be available in Spanish or Portuguese.

66. She stressed that no one in PASB had ever said that the Organization would be fully integrated into the GSM by 2013. For that to happen, a decision would have to be taken to change the governance and the legal nature of PAHO. Indeed, PAHO as a separate entity would disappear and all that would be left would be the Regional Office of WHO for the Americas. That was not a decision that she as Director could take. It would have to be taken by Member States. What had been said at the WHO Program, Budget, and Administration Committee and elsewhere was that PAHO would "come on board" by 2013, which meant that the Bureau would be providing information in accordance with GSM requirements.

67. Following the Director's comments, a member of the Subcommittee remarked that the issue was a difficult one because there were legitimate views on all sides. While the implementation difficulties that WHO had experienced were troubling, and there seemed to be many challenges ahead in bringing the regions on board, it was important to take a long-term perspective. PAHO needed to modernize its systems. It could not continue to rely on improvisations indefinitely. Whatever degree of incorporation into the GSM was finally decided upon, because of the commitment to be on board by 2013, a timeline for meeting that deadline should be developed and, in the interests of transparency, presented to Member States.

68. Dr. Gutiérrez said that the Bureau intended to meet the 2013 deadline, although from a technical standpoint it would make more sense for the new system to begin functioning in 2014, which would mark the start of a new biennium and a new Strategic Plan. The technical experts on the CMS committee favored a phased, module-by-module approach to the adoption of the GSM. PAHO was genuinely committed to working with WHO, not only through the provision of information in a format compatible with the GSM, but also through the sharing of PAHO's experiences with its own system. He was hopeful that WHO would dispatch a small group of GSM technicians to work with the

staff of the Bureau in order to jointly assess the benefits and advantages that the GSM might bring to PAHO. The outcome of such an assessment would help to inform the proposal to be submitted to Member States.

69. The President expressed confidence that the Bureau would rise to the challenge of integrating its system with that of WHO, while preserving PAHO's unique legal status and its leadership in the area of results-based management.

70. The Subcommittee took note of the report.

Appointment of Members to the Audit Committee of the Pan American Health Organization (Document SPBA4/7)

71. Dr. Heidi Jiménez (Legal Counsel, PASB) recalled that in 2009 the 49th Directing Council had established an Audit Committee to serve as an independent advisory body, providing advice on the operation of the Organization's financial controls and reporting structure, risk management processes, and other audit-related controls. The Terms of Reference for the Committee were set out in Resolution CD49.R2, which was reproduced in an annex to Document SPBA4/7. The Committee was to be composed of three members appointed by the Executive Committee.

72. In accordance with the Terms of Reference, the Director had been required to draw up a list of candidates to be submitted to the Subcommittee on Program, Budget, and Administration prior to the June session of the Executive Committee. The Director had therefore retained the services of an executive search firm to assist in identifying qualified candidates. A detailed advertising strategy had been developed, including a sourcing list of 76 individuals who were contacted in order to obtain names of potential candidates. Advertisements had been placed in leading print and online publications throughout world. A timeline had been established in order to meet the deadlines established for the recruitment process. The closing date for submission of applications had been 25 January 2010. The search firm had received and screened 118 applications, out of which it had identified 32 candidates who met the requirements. The Director had selected six candidates from among the 32 to present for consideration by the Subcommittee. Detailed curricula vitae of the six candidates had been sent to Subcommittee members around 1 March 2010.

73. The Subcommittee was invited to take note of the report contained in Document SPBA4/7 and to consider the list of proposed candidates and supporting documentation, undertake a full assessment of the candidates, and submit a ranked list of candidates to the Executive Committee in June.

74. The Subcommittee commended the Director and her staff for the rigor and transparency of the process of identifying qualified candidates. At the suggestion of the

President, the Subcommittee formed a Working Group consisting of the representatives of Barbados, Bolivia, and Guatemala to review the candidates' qualifications and draw up a ranked list. It was emphasized that, in the interests of gender equity, at least one of the top three candidates on the list should be a woman.

75. The Working Group held two meetings, one on 17 March and the other on 18 March, and established a ranked list of four candidates. The Chair of the Working Group (Barbados, represented by Dr. Joy St. John) explained that the Working Group recommended that the first three candidates on the list be appointed, but had decided to include four candidates on the list in order to give the Executive Committee a choice. The ranked list and a description of the procedure followed by the Working Group in evaluating and ranking the candidates appeared in its report.

76. The Director, clarifying the procedure for appointment of the Audit Committee, said that the Subcommittee's recommendation would be forwarded to the Executive Committee for decision, together with information on all six candidates. As a sovereign body, the Committee could decide to accept the Subcommittee's recommendation or it could decide to appoint candidates not included on the Working Group's recommended list. She also noted that the members of the Audit Committee would serve without remuneration.

77. The Subcommittee thanked the working group for its careful review of the candidates and decided to recommend the following four candidates for consideration by the Executive Committee, in order of preference: (1) Mr. Alain Gillette, (2) Mr. Peter Maertens, (3) Mrs. Carman La Pointe, and (4) Mrs. Amalia Lo Faso.

Administrative and Financial Matters

Overview of the Financial Report of the Director for 2008-2009 (Document SPBA4/8, Rev. 1)

78. Ms. Sharon Frahler (Area Manager, Financial Resources Management, PASB) presented an overview of the Director's financial report for the 2008-2009 biennium, stressing that the figures she would present had not yet been audited and should therefore be considered preliminary. The audited figures would be presented to the Executive Committee in June.

79. The Organization had received \$94 million¹ in quota assessments in 2009, as against \$100 million in 2008 and \$113 million in 2007. Miscellaneous income had totaled \$16.1 million in 2008 and \$7.4 million in 2009, for a total over the biennium of \$23.5 million, exceeding the \$17.5 million budgeted figure. During 2008-2009 PAHO had received just over \$50 million and \$29 million, respectively, for the purchase of public

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

health supplies on behalf of the Member States through the Revolving Fund for Vaccine Procurement and the Regional Revolving Fund for Strategic Public Health Supplies (the “Strategic Fund”). Financial resources for the purchase of vaccines and syringes through the Revolving Fund had continued to increase in 2008-2009, reaching a total of \$666 million, which was almost 50% more than in the previous biennium. The Organization’s trust funds had received a total of \$325 million in 2008-2009, 10% more than in the previous biennium. Funding for externally financed projects was over \$125 million, that for internal government projects a little over \$175 million. During 2008-2009 the Organization had implemented \$80.7 million of its WHO allocation, as well as almost \$64 million of WHO funds from other sources.

80. Quota assessments for 2008-2009 had totaled \$159 million. In all, 26 Member States had paid their 2009 assessment in full, seven had made partial payments, and six had made no payments. With total miscellaneous income for the biennium of \$23.5 million, the Organization’s regular program budget for the biennium had been fully funded. The Working Capital Fund was also fully funded at \$20 million, its authorized ceiling.

81. In the discussion that followed Ms. Frahler’s report, the Subcommittee expressed satisfaction that the Organization had ended the biennium with a fully funded regular program budget for the biennium, despite the global economic and financial difficulties of recent years. It was suggested that notes or comments should be appended to the financial report highlighting any potential negative trends in income, so that necessary corrections could be made.

82. One delegate asked what level of surplus income was expected and pointed out that if the surplus was going to be small or non-existent, that would serve as a reminder that the Organization needed to be as prudent as possible regarding the use of the 2006-2007 surplus funds in the Holding Account (see paragraphs 107 to 119 below). She also asked whether the financial statements would differentiate among the types of voluntary contributions received by the Organization. Another delegate asked how funds received by the Revolving Fund impacted the regular budget, given that they, like many voluntary contributions, were earmarked for specific purposes. A third delegate inquired whether the adoption of the International Public Sector Accounting Standards (IPSAS) would make it possible to complete the auditing of the Organization’s accounts more quickly, so that in the future the Subcommittee might examine the audited financial report.

83. Ms. Frahler said that the Bureau hoped to be able to provide audited financial reports to the Subcommittee in the future. As audits would now be conducted every year, not every two years, it should be possible to complete them more quickly and thus have the audited report ready in time for the Subcommittee to examine it in March. It had not been possible to do so in 2010 because of the timing of the external auditors’ visit to PAHO.

84. Her office would be pleased to add comments to the financial statements about upwards or downwards trends in the Organization's resources. With regard to the surplus, she could not provide a firm figure until the auditors completed their work, but she could say that the amount would be far less than the surplus received at the end of the 2006-2007 biennium. Recalling that Member States had approved a Financial Regulation permitting the Director to transfer up to \$2 million of surplus at the end of each biennium into the Master Capital Investment Fund on her own authority and to request authorization to transfer an additional \$2 million, she said it appeared that there would be enough of a surplus to permit both of those transfers.

85. Regarding the different types of voluntary contribution and how they would be reflected in the financial statement: PAHO had four categories, the first relating to external projects, in which a government gave money to PAHO to implement a project in another country. The second category covered internal projects, in which a government gave funds to PAHO to implement a project within its own country. The third comprised funds received from other international organizations for technical cooperation activities, and the fourth, funds received from private and public entities. All voluntary contributions would be delineated in the financial statements by category, donor, and project.

86. As to the impact of the various funds and contributions on the regular budget, she explained that in the case of the procurement funds, PASB levied an administrative fee of 3%, but all of it was added to the capitalization of the respective funds; none was used to pay for administration. Consequently, the administrative and staff costs associated with those funds sometimes had to be covered out of the regular budget. However, the fees that PASB charged for the administration of internal and external projects helped to defray those costs, thus reducing the impact of the procurement funds on the regular budget.

87. The Director observed that the presentation had elicited some very valuable comments and raised some issues for serious consideration. One was the fact that the Master Capital Investment Fund did not have its own budget; rather, it was replenished only from surplus balances, if any, that occurred at the end of a biennium. That situation entailed a risk: if a biennium ended without a surplus, the Fund might be depleted, leaving no way of paying for essential infrastructure projects and the purchase of technology resources.

88. Even though Member States had consistently approved at least a small increase in quota assessments at the beginning of each biennium, in real terms the Organization's income from quota contributions had remained virtually constant for many years, while its costs had risen steadily. In order to deal with that situation, PASB had cut about 20% of its posts in the past 15 years and had constantly sought greater efficiencies and carefully monitored and controlled costs. It had been able to "do more with less" partly

through greater use of information and communication technology, but that in turn meant that it had to have the resources needed to make appropriate investments in such technology, and such investments were financed out of the Master Capital Investment Fund.

89. As had been the case in recent years, the Organization's resources had increased significantly in two major areas during the biennium. The first area was that of procurement. Assisting countries to obtain vaccines and other essential supplies was a core part of PAHO's mission, but administering the procurement funds did come with a cost to the Organization, and with the tremendous growth in procurement activities in recent years, that cost was becoming unsustainable. In effect, PAHO's procurement activities were being subsidized with regular budget funds allocated for technical cooperation activities. The Bureau was therefore studying the possibility of raising its administrative fee from 3% to 3.5%, with the extra half point being used to defray some of the procurement-related costs.

90. The second area of growth was in voluntary contributions, which reflected donors' confidence in PAHO's work. However, as the Region consisted mainly of middle-income countries, it was not a priority target for donors, and indeed some long-time donors had recently withdrawn their support. It was likely that voluntary contributions for internal projects would also decline and the administrative fees from which PAHO drew some of its operating revenue would therefore also be reduced. It was important to remain alert to such trends in order to be able to respond in a timely manner and make the necessary adjustments in the Organization's budget and policies.

91. The Subcommittee took note of the report.

Status of the Implementation of the International Public Sector Accounting Standards (IPSAS) (Document SPBA4/9)

92. Ms. Sharon Frahler (Area Manager, Financial Resources Management, PASB) recalled that the 48th Directing Council had approved the initial phase of the transition to the implementation of the International Public Sector Accounting Standards (IPSAS) in 2008 (Resolution CD48.R1) and reviewed the milestones reached between that point and the end of 2009. She then reported that during 2009 the proposed changes in the Financial Regulations and Rules (relating to income accrual, recognition of long-term liabilities, fixed asset capitalization and depreciation, and annual external audits) had been approved by the Governing Bodies; professional actuarial valuations of long-term liabilities (relating to terminal entitlements and after-service health insurance) had been completed; the procedures for applying the IPSAS to the Organization's accounts had been established; an accounting manual had been drafted; relevant improvisations in the computer systems (relating to income accrual, expenditure accrual, and fixed asset capitalization and depreciation) had been introduced; the expenditure recognition policy

had been applied to all PAHO funds; organization-wide IPSAS training had been completed; PAHO's inventories held for sale had been identified; and "fair value" valuations for its land and buildings had been received from experts.

93. Work to be completed in 2010 would include finalizing the accounting manual; analyzing the legal relationships with the various Pan American centers to determine whether they met the IPSAS definition of a "PAHO-controlled" entity; preparing pro forma financial statements as of 30 June and 30 September 2010; recognizing actuarial valuations in the financial statements for long-term liabilities; and coordinating PASB's interpretation of the new standards with that of the External Auditor.

94. She also reviewed the terminological and substantive changes to the financial statements that would result from IPSAS implementation, explaining that they reflected the overriding purpose of the IPSAS, namely, to provide a meaningful indication of the overall financial health of an organization, as exemplified in the change of name from "balance sheet" to "Statement of Financial Position". Further details on the changes could be found in Document SPBA4/9.

95. The Subcommittee welcomed the progress report, which gave a clear picture of where the Organization stood in relation to implementing some major accounting changes. One delegate, noting that the deadline for PAHO's transition to the IPSAS had been 1 January 2010, asked why it had not been possible to complete all of the activities needed, and what impact that delay might have on full implementation of the new accounting standards. He also asked when the new accounting manual would be available.

96. Another delegate inquired what PAHO's accrual period was and whether the provision of six-month and nine-month performance statements would be an ongoing requirement or applied only in the transitional year of 2010. She also asked for more clarification of how the accounts of CAREC and CFNI would be handled. Another delegate, noting that the change would entail various recurrent costs, wondered how they might impact the Organization's financial position and whether such charges should be regarded as being part of the IPSAS implementation costs.

97. A third delegate asked whether it was likely that the various PAHO centers would be found to be IPSAS-compliant in their reporting. He also wished to know whether the ongoing discussion with the External Auditor, referred to in the document, was likely to result in a requirement for any additional auditing work that had not yet been identified. He asked what approximate proportion of the original \$300,000 budget for IPSAS implementation remained to cover the cost of the work still to be done in 2010 and whether that amount would be sufficient.

98. Questions were also asked about any plans for a new computerized financial system, in light of the discussion regarding the need for compatibility with the WHO's Global Management System (see paragraphs 55 to 70 above).

99. Ms. Frahler said that while the General Assembly had mandated that all United Nations agencies should be IPSAS-compliant by 2010, in fact only eight would be. There would be a similar number in 2011 and 2012, and the United Nations itself was not scheduled to change until 2014 or 2016. Thus, PAHO was doing comparatively well. However, some of requisite tasks could not be completed until 2010 (e.g., a 2010 valuation of property and investment holdings). The IPSAS accounting manual was about 95% completed, a draft having been sent to the External Auditor in November 2009. However, even if not yet finalized, the manual was already being used as a reference as questions arose in connection with the implementation of the new standards.

100. She clarified that the accrual period was the fiscal period of the Organization. PAHO had historically had a biennial fiscal period, but IPSAS required that it be one year, and therefore the accrual period would be one year also. The requirement to prepare pro forma financial statements at six and nine months would be a one-time event. Since the figures in the 2010 accounts would be so different from those of preceding years, it had been suggested by the World Food Program, the only United Nations agency so far to have implemented IPSAS, that PAHO should prepare such interim statements for consideration by the External Auditor in order to have his confirmation that the Organization was moving in the right direction and that there would be no surprises when it came to the audit at the end of the year.

101. With regard to the recurrent costs, some related only to the transition period, but some would continue. Changing from biennial audits to annual, for example, would cost approximately an additional \$50,000 a year, and an in-depth analysis of the value of PAHO's property, to be carried out every three years, would cost about \$20,000, with less probing analyses costing about \$10,000 in each of the intervening two years.

102. Within the coming six months, following discussions with the External Auditor and with the PASB legal department, the Organization would decide definitively how to handle the accounts of the centers. If CAREC and CFNI were found to be IPSAS-compliant, then their accounts would be consolidated with those of PAHO. If not, they would be kept separate, but would still be prepared in IPSAS format.

103. Thus far, a little under \$200,000 of the original budget for IPSAS implementation had been used up. However, PASB had not counted the additional costs of the external auditors against that budget or the costs of modifying the computer systems, which had been very high. The remainder of the budget would be spent in the coming year on the work of the experts on entitlement and property valuations, and it might be necessary to seek some additional funds, possibly of the order of \$20,000.

104. The Bureau hoped to implement a new computerized financial system to replace the system originally installed in 1993 and updated in 2003. Options were currently being studied by the relevant PASB department. The various issues involved in making the new system compatible with the Global Management System were also under examination. In the meantime, PAHO was successfully providing the information needed for the GSM, although the process was sometimes rather awkward.

105. The Director acknowledged the support that the Organization had received from Member States in the process of changing its accounting methodology and the hard work and dedication of the Organization's staff in accomplishing so much of the transition within a very tight timeframe. The change, however difficult, would yield a better understanding of the financial status of the Organization and thus greatly facilitate Member States' task of deciding on the proper use of PAHO's resources.

106. The Subcommittee took note of the report.

Update: Use of Holding Account Funds (Document SPBA4/10)

107. Mr. Román Sotela (Senior Advisor, Program Budget Management, Planning, Budget, and Resource Coordination, PASB) recalled that the Holding Account had been created to hold the income exceeding the authorized effective working Regular Budget at the end of 2006-2007. The Holding Account had originally contained about \$25 million. During 2008 a series of projects had been presented to make the best use of that windfall. He drew attention to Table 2 in Document SPBA4/10, which gave an overview of the 13 approved projects, with the original and revised budgets and the amounts spent so far.

108. The Subcommittee was asked to review the proposed changes to the funding levels authorized for 2010-2011 and to make recommendations to the Executive Committee accordingly.

109. The Subcommittee generally felt that insufficient information on the projects had been provided to enable it to make any recommendation to the Executive Committee regarding the proposed changes. For example, while the project profiles for projects 1.A, 1.B, and 3.A showed that a portion of the original approved budget had been spent, the comments box gave no information on what, concretely, had been done. In the case of project 2.A, an additional \$1.7 million was being requested for the project, but there was no indication of where that extra funding might come from. In project 3.B, none of the budget had been spent, which made it difficult to understand how the additional \$1 million being requested had been calculated.

110. The Subcommittee also felt that since there had been a rather low rate of project execution, more explanation of the delays or lack of progress was needed. It was pointed out that in some cases where projects under the Master Capital Investment Fund were

identified as needing extra financing from the Holding Account, the figures given in the reports on the Fund and the Account did not match.

111. One delegate asked whether any consideration had been given to concentrating on one particular type of project under the Holding Account and on another type under the Master Capital Investment Fund. Another delegate inquired how the project on strengthening public health information would be coordinated with very similar work being done in the Southern Cone, and stressed the importance of not duplicating effort. A third delegate suggested that Table 2 should include a brief title for each project, rather than just its number.

112. Mr. Sotela agreed that greater consistency in the level of detail given in the project profiles was needed, particularly with regard to the amount of progress made, and said that the Bureau would provide that information in the report to be submitted to the Executive Committee. With reference to the apparent delays in some projects, he pointed out that the approval to use the 2006-2007 surplus had not been given until late in 2008; hence, the biennial progress report in fact covered work primarily done in 2009.

113. In response to the question about consolidating project types under the two funds, he noted that the Master Capital Investment Fund was used for infrastructure projects that would continue to be needed on an ongoing basis, whereas the Holding Account—given that the very large surplus of 2006-2007 was likely to be a unique or at least a rare occurrence—had been set up to finance some large one-time projects for which no other funding was available. In some cases they would be multi-year projects, for which partial funding would be requested initially and the rest at a later date.

114. Mr. Edward Harkness (Manager, General Services Operations, PASB) said that any discrepancies between the documents on the Holding Account and the Master Capital Investment Fund was the result of their having been written at different times and the earlier one not having been updated to match the later one. The numbers would be reviewed prior to the June session of the Executive Committee and any needed corrections would be made.

115. Ms. Fátima Marinho (Project Coordinator, Health Information and Analysis, PASB), responding to the question concerning the project on strengthening PAHO's public health information systems (project 2.A) said that PASB had been in discussions at both country and subregional level to determine how its work on a new health information platform could contribute to health information system development efforts under way in the Southern Cone and in Central America. The Bureau was also seeking to harmonize the regional platform with those of other regions and WHO Headquarters.

116. Dr. Ramón Martínez (Technical Advisor in Health Metrics, PASB) explained that the Organization had collected much health data over the years, but it had been collected

by various programs in a fragmented way and in formats that were not always comparable. The aim of the project was to develop a platform that would address those problems, consolidate the data into a single system, and enhance access to health information. The new platform would incorporate modern and rapid analytical tools that would greatly shorten the cycle of data access, analysis, and report production. By enabling integration of PAHO's information systems with those of Member States, it would also facilitate the transmission of information between countries and the Bureau and between different administrative levels within countries.

117. The Director observed that a great deal of the money invested in information technology infrastructure in the Region had been wasted because insufficient attention had been paid to how to design effective information systems and how to produce high-quality information. Part of the problem had been lack of communication between technicians and policy-makers regarding the type of information needed. Moreover, there had been failure to adopt common definitions and parameters for data, which was essential in a globalized world in which Governments had to report health data in a standardized manner. Otherwise, it would be impossible for countries to share and compare information. Through project 2.A, PAHO was seeking to help Member States to resolve those problems and ensure that their information systems were compatible with those of other countries and that they were producing comparable health information.

118. In order to enable the Subcommittee to make recommendations to the Executive Committee concerning the proposed changes in the funding levels for the various projects, she proposed that a period of two weeks should be allowed, during which the Bureau would provide the necessary information on the reasons for the additional sums being requested, resolve any financial discrepancies between the various documents, and compile any other information that the Subcommittee required. Members could then review the information and, if necessary, consult with technical experts at national level, and the Subcommittee could subsequently hold another discussion and make a recommendation on the item by electronic means. She proposed that that discussion should take place within four weeks following the close of the Subcommittee's session.

119. The Subcommittee agreed to proceed as the Director had proposed.

120. The PASB subsequently set up a website for electronic collaboration so that Members of the Subcommittee could contribute further recommendations. The recommendations received will be reflected in a document to be submitted for consideration by the Executive Committee during its 146th Session.

Staffing Matters

Amendments to the PASB Staff Rules and Regulations (Document SPBA4/11)

121. Ms. Nancy Machado (Human Resources Advisor, PASB) explained that the proposed amendments to the Staff Rules and Regulations fell into two broad categories: amendments considered necessary in order to maintain consistency with human resources policies and practices in the United Nations common system and amendments considered necessary in the light of experience and in the interests of good human resources management. Those in the first category included amendments relating to changes in the remuneration of staff in professional and higher categories, staff in ungraded posts, and the Director; they were being proposed pursuant to recommendations by the International Civil Service Commission. The amendments in the second category related to terminal remuneration for national professional officers, changes to the rules and regulations on recruitment aimed at ensuring that principles of diversity and inclusion were considered; elimination of the “When Actually Employed” (WAE) category of appointment and related rules; paternity leave for temporary staff; and incorporation into the staff rules of a definition of what constituted a “final action” for purposes of internal appeals.

122. The Subcommittee took note of the proposed amendments to the Staff Rules and Regulations and the proposed resolution of the Executive Committee contained in Document SPBA4/11.

Contract Reform in PAHO (Document SPBA4/12)

123. Ms. Nancy Machado (Human Resources Advisor, PASB) provided an update on the implementation of contractual reform in PAHO and in the wider United Nations system. She recalled that in 2007 the Bureau had proposed a number of changes to the Staff Rules in order to implement a revised contractual framework consisting of three types of contracts: fixed-term, continuing, and temporary. The proposal had been approved, but implementation had been made contingent upon approval of a similar contractual framework for the United Nations common system. The United Nations General Assembly had approved the new framework in 2008, and temporary and fixed-term contracts had been implemented in 2009, but the General Assembly had asked United Nations organizations not to implement continuing contracts until a number of issues had been resolved. A United Nations staff-management meeting would be held during 2010 in order to examine how such contracts could be implemented in the United Nations system.

124. In the discussion that followed, it was pointed out that the report contained no information on PAHO’s progress in implementing fixed-term and temporary contracts, and the Bureau was asked to include such information in the report to be submitted to the Executive Committee.

125. Ms. Machado said that PAHO had been using fixed-term and temporary contracts for many years. Some changes had been introduced recently that had brought the Organization closer into line with the rest of the United Nations system and had also facilitated human resources planning and management. Information in that regard would be included in the document for the Executive Committee.

126. The Director said that the Bureau would also provide an update on recent changes in respect of local contracts.

127. The Subcommittee took note of the progress report.

Matters for Information

Draft Provisional Agenda for the 146th Session of the Executive Committee (Document SPBA4/INF/1, Rev. 1)

128. Ms. Piedad Huerta (Advisor, Governing Bodies Office, PAHO) presented the draft provisional agenda for the 146th Session of the Executive Committee contained in Document SPBA4/INF/1, Rev. 1). She recalled that the 145th Session of the Executive Committee had approved a list of topics for consideration by the Governing Bodies in 2010 (Document CE145/FR, Annex C). The Bureau had subsequently undertaken an internal analysis of that list and wished to recommend that the consideration of four items be postponed until 2011. Those items were: “Concept Paper on Ethnicity, Interculturalism, and Equity in Health,” “Strategy and Plan of Action on Population-based and Individual Approaches for the Prevention and Control of Cardiovascular Diseases,” “Concept Paper on South-South Cooperation,” and “PAHO Institutional and Organizational Development Framework.”

129. With regard to the first three of those items, consultations with experts in Member States were being organized in order to enrich the respective documents, and there would not be sufficient time to complete that process prior to the June session of the Executive Committee. As to the PAHO Institutional and Organizational Development Framework, the Bureau had intended only to present the terms of reference in 2010, but had decided that it would be preferable to defer consideration of the item until 2011 so that it could submit a more complete proposal for discussion by the Governing Bodies.

130. The item “Amendments to the Financial Rules” had been removed from the agenda because it had been determined that no amendments would be needed in 2010. “Update: Use of Holding Account Funds” had been moved from Matters for Information to Administrative and Financial Matters, since that item would require action by the Committee. The title of the item “National Institutions Participating in PAHO/WHO Technical Cooperation in Health and their Role in Country-focused Cooperation” had been shortened to “National Institutions Participating in PAHO/WHO Technical Cooperation” and might be further modified in the light of a review of background

information currently under way. Lastly, an item had been added, “Review of the Pan American Centers,” in fulfillment of the Bureau’s mandate to present periodic reports on the status of the centers.

131. The Subcommittee expressed general agreement with the proposed amendments to the provisional agenda. Several members expressed concern about that large number of items under Matters for Information and encouraged the Bureau to seek ways of consolidating those items and streamlining their consideration. It was suggested that the items entitled “Health, Human Security, and Well-being” (item 4.9) and “Health and Human Rights” (item 4.13) might be combined into a single item as a means of reducing the number of Program Policy items. Clarification was sought regarding the content of the item on national technical cooperation institutions (item 4.4), the strategy for reducing substance abuse (item 4.5), and the report on the Pan American centers (item 7.4). In relation to the item entitled “Health Worker Competency Development in Primary Care-based Health Systems” (item 4.8), the importance of cultural competency and the ability to deal effectively with cultural diversity was highlighted, and the Bureau was urged to ensure that the document on the item paid due attention to that aspect of health worker competency.

132. Ms. Huerta said that her office was carrying out, in collaboration with the Gender, Ethnicity, and Health Unit, a review of Governing Body documentation in order to ensure that all documents reflected an intercultural perspective. With regard to the items under Matters for Information, she noted that most were progress reports mandated by resolutions of the Governing Bodies. The reports would be presented as one item with subtitles and no oral presentations would be made during the Executive Committee’s session. As they were information items only, no resolution or other action by the Committee would be required.

133. Dr. Maristela Monteiro (Senior Advisor, Alcohol and Substance Abuse, PASB), responding to the question concerning the strategy for substance abuse reduction, explained that the strategy would be a proposal for an evidence-based public health approach to prevention and treatment of substance abuse in primary health care settings. It would provide guidelines for PAHO’s work in collaboration with other agencies, such as the United Nations Office on Drugs and Crime (UNODC) and the Inter-American Drug Abuse Control Commission (CICAD), on problems related to substance abuse.

134. The Director clarified that the strategy would not address harmful use of alcohol, which was the subject of a separate strategy currently being developed within WHO. She also noted that the issue of substance abuse had not been discussed by the PAHO Governing Bodies in more than 20 years. PAHO had long served as an advisor to CICAD on the public health aspects of the issue, and the Bureau wished to inform Member States and receive guidance from them on its activities in that regard.

135. As to the possibility of combining items 4.9 and 4.13, she explained that they dealt with two distinct matters. “Health, Human Security and Well-being,” related to the links between health, human security, and human development. The other item, “Health and Human Rights,” had to do with the relationship between human rights and health under international accords that were binding for States parties, and how PAHO reflected the human rights approach in its work in public health and in its role as the advisory agency on health matters for the Inter-American Commission on Human Rights. With regard to the item “National Institutions Participating in PAHO/WHO Technical Cooperation,” she explained that there were numerous institutions at country level, including universities and public health institutes, that were neither WHO Collaborating Centers nor national reference centers, but they were nevertheless centers of excellence that could make a valuable contribution to technical cooperation. PAHO had been working with such institutions for a number of years, but had never established criteria for formally identifying them as technical cooperation partners. It was important to do so, particularly in the framework of results-based management, because many of those institutions were carrying out cooperation activities with resources transferred from PAHO (see the discussion on letters of agreement in paragraphs 38 to 54 above).

136. Concerning the report on the Pan American centers, she recalled that when the centers had been created in the 1960s, the Governing Bodies had requested the Bureau to report periodically on their status and activities. The report to be presented to the Executive Committee in June would provide an update on the process of administrative separation of Institute of Nutrition of Central America and Panama (INCAP) from PAHO, the creation of the Caribbean Public Health Agency (CARPHA) and the resulting changes in the two Pan American centers in the Caribbean (Caribbean Food and Nutrition Institute and Caribbean Epidemiology Center), changes in the governance of the Latin American and Caribbean Center on Health Sciences Information (BIREME), and the transition of the Pan American Center for Sanitary Engineering and Environmental Sciences (CEPIS) to a regional technical unit.

137. She proposed that a period of about a month should be allowed to finalize the agenda. During that period, the Subcommittee would be invited to submit comments electronically on both the agenda and the content of the documents on the various items.

138. The Subcommittee agreed to continue discussions of the agenda and documents electronically until 15 April 2010.

139. During the electronic consultation period, Members of the Subcommittee expressed concern over the large number of items to be dealt with by the Executive Committee and recommended moving the items “Health, human security and well-being” and “Health and Human Rights” to Matters for Information, with a view to expediting consideration of the agenda.

140. The Director explained that because the documents on those items were concept papers, they could not be considered as information documents, but said that the Bureau would take the necessary steps to ensure that all progress reports were presented concisely and efficiently so that there would be ample time for the discussion of items requiring a decision or resolution.

141. The Subcommittee agreed with that proposal.

Master Capital Investment Fund (Documents SPBA4/INF/2 and SPBA4/INF/2, Add. I)

142. Mr. Michael Boorstein (Director of Administration, PASB) reviewed the history of the Master Capital Investment Fund and the process for replenishing it, both described in Document SPBA4/INF/2. The document showed that the first two years of experience with the Fund had been beneficial to the Organization, in terms of both making investments for buildings and equipment and information technology needs and providing contingency capacity for addressing unplanned occurrences such as the earthquakes in Haiti and Chile, which had caused damage to PAHO facilities. He pointed out that at some point the issue of the Fund's sustainability would have to be addressed, particularly if in future bienniums there should be no excess of income over expenditure, which would make it impossible to replenish the Fund and would have consequences for PAHO's ability to maintain and improve its facilities and information technology. As had been noted in the overview of the Financial Report of the Director for 2008-2009 (see paragraphs 78 to 91 above), the amount of the surplus potentially available to replenish the Fund in 2010 remained to be determined.

143. In the ensuing discussion, Subcommittee members affirmed that the Master Capital Investment Fund and its two sub-funds constituted a sound means of financing needed investments in infrastructure and recommended approval of the Director's request to transfer an additional \$2 million from the 2008-2009 surplus, once the amount of the surplus had been confirmed.

144. However, some delegates felt that a more detailed analysis of the work on some of the projects under the Fund was needed. In particular, in several cases there was no clear indication of how much money had been spent, as compared with what had been budgeted. It was pointed out that such information would help Member States to understand what had been done so far and to decide which projects should go forward in the future. One delegate suggested that it would be helpful to have a comprehensive view of the information technology projects funded by the Master Capital Investment Fund, those funded from the Holding Account, and the work being proposed to update the PASB Corporate Management System, rather than looking at those projects under three separate headings. Another delegate observed that there did not seem to be much work in hand to review or upgrade the physical security of PAHO's premises and sought

information on the Bureau's plans in that regard. Information about infrastructure damage from the earthquakes in Haiti and Chile was also requested.

145. A third delegate, referring to Mr. Boorstein's remark about sustainability, which echoed a similar comment by the Director during the overview of her financial report (see paragraph 87 above), asked whether the Director wished the Subcommittee or the Executive Committee to explore ways of addressing that issue.

146. Mr. Edward Harkness (Manager, General Services Operations, PASB), responding to the request for more details on projects, mentioned several projects and their costs and undertook to supply more comprehensive and detailed information later in the meeting (subsequently provided as Document SPBA4/INF/2, Add. I) and to do the same in future reports on the Master Capital Investment Fund. He reported that about half the money budgeted for the biennium had been spent. The implementation of some projects had been delayed for a variety of reasons, including personnel movements within PASB, a change of priorities in some country offices, and, in the case of projects involving relocation, the fact that the Government concerned had not yet found a suitable building. It had been decided to delay the renovation of the elevators in the Headquarters building until some roofing work was finished.

147. He explained that work to make premises compliant with the United Nations Minimum Operational Security Standards was being funded from the Holding Account, within which an amount of \$300,00 had been set aside for that purpose and was being distributed by his department as needed. In addition, some safety projects were also envisaged under the Master Capital Investment Fund sub-fund for buildings and equipment, notably structural security features such as blast film for windows.

148. Mr. Boorstein welcomed the idea of examining a comprehensive overview of the entire information technology area. With regard to the question about earthquake damage, he said that the older part of the PAHO building in Haiti had sustained some damage but could be repaired and reoccupied. The new part of the building had survived much better. However, the United Nations, in conjunction with the Government of Haiti, was carrying out a geological survey to determine the vulnerability of various areas to future earthquakes. The Government would have to decide what measures to take in the most earthquake-prone zones, and until that was clarified, PAHO would not reoccupy the building. It had removed valuable equipment such as computers and was currently working in temporary facilities in the warehouse of the Haitian Program on Essential Medicine and Supplies (PROMESS), which however was also in a high-risk zone. The situation was very complex, with cost considerations and concerns about life and safety, and would take time to resolve.

149. The premises in Chile, which were provided by the Ministry of Health, had also been damaged, but the initial engineering evaluation had indicated that it would not be

dangerous to reoccupy them. However, it was in the long-term interests of the Organization to look for alternative premises, and a possible new location was currently being evaluated.

150. The Director reported that she had visited disaster areas in both countries and had seen first-hand the damage to the PAHO facilities, the difficult working conditions of the staff, and of course the suffering of the local people. In the case of Chile, the building was not seriously damaged, but even before the earthquake it had not met all security requirements. The Government of Chile had given PAHO a site some years before, on the grounds of compound occupied by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), and some funds had been allocated for architectural studies for a new building, but construction had not yet begun, in part because of the recent change of Government. In Haiti, in addition to moving into the PROMESS facility, PAHO had also rented hotel space, both as offices and as temporary accommodation for some of the staff who had lost their homes.

151. She added that the Organization had a long-standing policy that safety aspects had to be included in the program of work of each PAHO office and center. All the premises were evaluated and many of the improvements that had to be made were incorporated into the funding needed for each of the country offices. If that funding was not sufficient, then resources were drawn from the Holding Account, as Mr. Harkness had mentioned. When PAHO agreed to carry out a project, such as an immunization campaign, in areas where there were problems of security, the resultant costs were charged to the funding entity as an element of the real costs of carrying out the project. The issue was discussed frankly with the donors, who had never raised any objection. PAHO had found that it was more transparent and ultimately less expensive to plan and budget for safety and security costs from the outset, rather than having to find a way to pay for them after an activity was already under way.

152. Turning to the issue of sustainability of funding for infrastructure projects and enabling functions, she said that some ideas would be explored in the year ahead, as part of the evaluation of the Regional Program Budget Policy. One such idea, just as an example, might be to allot a proportion of post costs in order to cover the infrastructure, security, technology, and other needs associated with each post.

153. The Subcommittee took note of the report and recommended that the Executive Committee approve the transfer of \$2 million of excess income over expenditure from the Regular Program Budget 2008-2009 to the Master Capital Investment Fund, subject to verification of the amount of that surplus by the External Auditor.

PAHO's Integrity and Conflict Management System (Document SPBA4/INF/3)

154. Mr. Philip MacMillan (Manager, Ethics Office, PASB) recalled that PASB's policies and resources in the area of ethics, integrity, and conflict management had been developed over the course of several years, and now included a Code of Ethical Principles and Conduct, a workplace harassment program, a declaration of interests program, and a confidentiality and disclosure program. Several offices and entities were involved in the area, such as the Ombudsman, the Ethics Office, the Office of the Legal Counsel, and the Staff Association. Together, all of those components constituted the Integrity and Conflict Management System. Details were provided in Document SPBA4/INF/3.

155. In October 2007 PASB had established a dedicated website for the Integrity and Conflict Management System to provide guidance to staff on how to resolve conflicts and deal with ethics issues. The site listed all the resources, their role, their level of authority, and their level of confidentiality, so that staff could know at the outset which was the most appropriate to deal with their particular situation.

156. A coordinating committee for the System met periodically to discuss issues of concern within the Organization. An example was the recently completed discussion of protection for staff members who reported wrongdoing or cooperated in an investigation or audit.

157. The Subcommittee welcomed PAHO's robust program for addressing issues relating to ethics, integrity, and conflict management and asked whether other United Nations agencies had adopted a similar approach of bringing the various diverse but related issues into a single system. One member of the Subcommittee asked whether any guidance was provided to staff members to help them choose the best point of entry into the Integrity and Conflict Management System or whether it was left to staff to make that decision on their own. Another member asked for clarification of how the System was structured and coordinated and for information on the findings of the review of the administration of justice system requested by the Director (mentioned in paragraph 10 of the document).

158. Mr. MacMillan responded that PASB appeared to be somewhat unique in combining integrity and conflict management into a single system. The assumption underlying the System was that a workplace characterized by ethical behavior would experience less conflict. Some other international organizations had contacted PASB to learn more about its approach. He was hopeful that a network of ethics offices could be established throughout the United Nations system to share information and best practices.

159. The intention of the website was to ensure that staff had the flexibility to contact any of the resources as a first option. It was considered important for the staff to be able

to access the System initially at whatever level made them feel most comfortable, although the initial contact might then, with the staff member's consent, pass the matter on to a different resource within the System. For example, if a staff member contacted the Ombudsman about a criminal act, but then decided not to take the matter further, the Ombudsman was obliged to respect the staff member's wish and to keep the matter confidential, although the staff member would be advised to report the matter to the Ethics Office. If on the other hand the staff member initially contacted the Ethics Office, it had an obligation to investigate the alleged offense, even if the staff member wished not to pursue the matter. Thus, it was important that staff should understand the role of each resource in the System and be aware of each resource's level of confidentiality, authority, and decision-making ability. Coordination of the System was the responsibility of the coordinating committee, consisting of the Legal Counsel, the Manager of Human Resources, and himself. The committee met regularly to review the System's operation.

160. With respect to the review of the system for administration of justice, there had been differences of opinion within the group that had conducted the review, notably concerning the role and composition of the Board of Appeals. A proposal would be sent to the Director for her decision on the future of the administration of justice in general and matter of the Board of Appeals in particular. A final decision was expected by the time the Executive Committee met in June.

161. The Director recalled that the Bureau's work in this area had grown out of recommendations of the Working Group on PAHO in the 21st Century and out of the United Nations Transparency and Accountability Initiative, which was concerned not only with money and property but more generally with ethical behavior within the United Nations system. The establishment of the Integrity and Conflict Management System had mostly been an internal project, using human resources from within PASB. In the face of recent staff cuts, the Bureau had accommodated these new positions by reallocating resources and changing the profile of other positions elsewhere in the Organization. With various components of the System having come into being at different points in time, it was necessary, in her view, to examine how all the components were fitting together and whether there was consistency and fairness throughout the System. It was for that reason that she had requested the administration of justice review.

162. PASB had developed a very good training course, using examples and case studies, with a view to instilling a culture of ethics and integrity in the Organization and equipping staff to deal with ethics issues. Staff were being encouraged to utilize the resources of the System and requests for guidance had been increasing, which she believed was a positive development: presumably, as the number of consultations grew, the number of ethical transgressions would fall.

163. The Subcommittee commended the Bureau on the progress made in strengthening ethics and integrity in PAHO and took note of the report.

Other Matters

164. The Director announced that Vaccination Week in the Americas would start on 22 April and described the launch events being planned in several countries of the Region.

Closure of the Session

165. Following the customary exchange of courtesies, the President declared the Fourth Session of the Subcommittee closed.

Annexes

IN WITNESS WHEREOF, the President of the Subcommittee on Program, Budget, and Administration, Delegate of Saint Vincent and the Grenadines, and the Secretary ex officio, Director of the Pan American Sanitary Bureau, sign the present Final Report in the English language.

DONE in Washington D.C., United States of America, this eighteenth day of March in the year two thousand ten. The Secretary shall deposit the original signed document in the Archives of the Pan American Sanitary Bureau.

Douglas Slater
Delegate of Saint Vincent and the Grenadines
President of the Fourth Session
of the Subcommittee on Program, Budget,
and Administration

Mirta Roses Periago
Director of the Pan American Sanitary Bureau
Secretary ex officio of the Fourth Session
of the Subcommittee on Program, Budget,
and Administration

AGENDA

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2. PROCEDURAL MATTERS

- 2.1 Election of the President, Vice President, and Rapporteur
- 2.2 Adoption of the Agenda

3. PROGRAM POLICY MATTERS

- 3.1 Program and Budget 2008-2009 End-of-Biennium Assessment/
Interim Strategic Plan 2008-2012 Progress Report
- 3.2 Evaluation of the Regional Program Budget Policy
- 3.3 Nongovernmental Organizations in Official Relations with PAHO
- 3.4 PAHO Results-based Management Framework
- 3.5 Modernization of the PASB Corporate Management System
- 3.6 Appointment of Members to the Audit Committee

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- 4.1 Overview of the Financial Report of the Director for 2008-2009
- 4.2 Status of Implementation of the International Public Sector Accounting
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- 4.3 Update: Use of Holding Account Funds

5. STAFFING MATTERS

5.1 Amendments to the PASB Staff Rules and Regulations

5.2 Contract Reform in PAHO

6. MATTERS FOR INFORMATION

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6.2 Master Capital Investment Fund

6.3 PAHO's Integrity and Conflict Management System

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LIST OF DOCUMENTS

Working Documents

SPBA4/1, Rev. 2	Adoption of the Agenda
SPBA4/2, Rev. 1	Program and Budget 2008-2009 End-of-Biennium Assessment/Interim Strategic Plan 2008-2012 Progress Report
SPBA4/3, Rev. 1	Evaluation of the Regional Program Budget Policy
SPBA4/4	Nongovernmental Organizations in Official Relations with PAHO
SPBA4/5, Rev. 2	PAHO Results-based Management Framework
SPBA4/6, Rev. 1	Modernization of the PASB Corporate Management System
SPBA4/7	Appointment of Members to the Audit Committee of the Pan American Health Organization
SPBA4/8, Rev. 1	Overview of the Financial Report of the Director for 2008-2009
SPBA4/9	Status of Implementation of the International Public Sector Accounting Standards (IPSAS)
SPBA4/10	Update: Use of Holding Account Funds
SPBA4/11	Amendments to the PASB Staff Rules and Regulations
SPBA4/12	Contract Reform in PAHO

Information Documents

SPBA4/INF/1, Rev. 1	Draft Provisional Agenda for the 146th Session of the Executive Committee
SPBA4/INF/2 and Add. I	Master Capital Investment Fund
SPBA4/INF/3	PAHO's Integrity and Conflict Management System

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