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**PRESENTATION TO THE 26TH MEETING OF
THE SUBCOMMITTEE ON PLANNING AND PROGRAMMING
(Washington, D.C.)**

Purposes

- a) Follow on Mr. Lamarche's presentation on the WHO portion of the PAHO budget.
- b) Fulfill a verbal commitment made at the last Executive Committee — inform the SPP of the possible impact of budget changes and cuts on the work of PAHO.
- c) Invite comments from the SPP on the measures I am proposing to take.

A. WHO budget

ABU has presented the raw figures and has stressed that this has been straightlined from 1994/1995 biennium. But the situation is more complex than this.

The WHA approved the 1996/1997 budget at a 2.5% increase and there was intense discussion as to how this was to be apportioned — much of that increase went to satisfy currency exchange differentials at Headquarters. AMRO was apportioned \$79.8 million the same as in 1994/1995 — none of the 7.6% cost increase was approved for this region.

In addition, the Director-General has subsequently reduced that amount by 10%, or \$7,979,000.

* **Pan American Health Organization, Pan American Sanitary Bureau, Regional Office for the Americas of the World Health Organization.**

Thus in effect our 1996/1997 budget from WHO will have to absorb 7.6% cost reduction plus DG's 10% reduction. This will amount to about a 20% reduction with the inclusion of 1994/1995 costs which had to be absorbed. If there are no cost increases allocated then this figure of \$79,794,000y for 1998/1999 is in real terms significantly less than that of 1994/1995.

B. The budget situation of PAHO for 1996/1997 should be looked at in the following light.

- 1) The tremendous effort made by the countries in 1995 to pay their quotas and the expectation that this will continue.
- 2) The approval of a budget for 1996/1997 with only a 2.5% increase in PAHO meant that the budget approved was not in fact absorbing the predicted cost increase of 7.6%. This will have to imply reductions.
- 3) The reduction of \$8.0 million from WHO already mentioned.
- 4) The difficulty in two large contributors, USA and Venezuela, in meeting their quota contributions.

I obviously cannot predict what will happen, but in order not to spend more than we receive I have to take some precautions so as not to end the biennium in deficit as occurred in 1994/1995.

For a start I suspect that the reductions from WHO will be more than 10%: Then there are unbudgeted items such as staff salary increases that will have to be met.

I cannot give precise estimates of a likely shortfall at this time.

There are three possibilities:

- (a) We can proceed on the expectation that there will be no budget shortfall — wait and see.
- (b) We can estimate a possible shortfall and simply cut the budget across the board to reach some determined level.
- (c) We can take this opportunity to make some major adjustments and changes in the Secretariat.

I think (a) would be irresponsible; (b) would leave PAHO open to the possibility that some Member Governments would simply say that having cut X% , there is no valid reason not to cut more.

I believe that (c) is the right course to take and I wish to outline for you the process I intend to follow. I have said to our staff that our motto in these times must be "Do things differently and do different things." I held a retreat of senior staff to analyze the situation and have invited comments from all the Representatives and the Headquarters Divisions — including the Centers as well as from the Staff Association. I am in the process of reviewing these but can outline some of the general directions we will take.

Establish clearly the different roles of the regional and country programs.

Eliminate those activities that are not regional.

Review our use of STC's with staff doing more of the work currently contracted out.

Establish the principle of sharing of staff across units; eg. representations.

Rationalize some aspects of the technical program structure; eg. fuse DSI and HSP with consequent saving in staff posts.

Streamline our administrative practices and structure; eg. I have fused the budget and finance offices into one Department of Budget and Finance.

Eliminate some functions that are not critical to what are our core responsibilities.

Review some program areas to determine how they might be streamlined. I have started with HEP.

Review those program areas that do not need to have PAHO staff, but technical cooperation can be given through other means such as national institutions with possible savings on staff posts.

In response to my requests staff have suggested many of our practices that may be carried out more efficiently and, of course, I intend to apply those immediately.

It is too early to be more specific than this and I would welcome your comments mainly on the approach I have presented. I have also not been more specific at this time because some of the changes will involve staff and it is essential that we follow an open, logical and transparent process if there are staff reductions. Some of the changes may be effected through freezing or eliminating of vacant posts, transfer of personnel or accepting early retirement of staff.

I will report in more detail to the Executive Committee on the steps taken.

I would not like you to believe that the modifications proposed deal only with adjusting to a budget shortfall. We are proposing a more aggressive approach to those groups I have described as the key social partners, the public sector, private sector, NGO's, trade unions and the press. I will not go into these in detail.

- Public sector
- Private sector
- Non Governmental Organization
- Trade unions

➤ Press

I am sure that as a result of these and other approaches we will have a Secretariat that is more vibrant, more efficient and is structured to survive and prosper well into the next century.

•*Conclusions*

All of the PAHO Member States are themselves having to adjust and reform and we in the Secretariat cannot be immune to this global phenomenon. However, these actions that I am proposing to take to change the Secretariat are based on the premise that the countries of the Americas do value the work of this Secretariat and believe that the Pan American Health Organization has an important role to play in enhancing the health of the Americas. If this is not so, then all that I have proposed will have been useless.

I welcome your comments.

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