

**REVIEW OF THE IMPLEMENTATION  
OF RESULTS-BASED MANAGEMENT IN  
THE PAN AMERICAN HEALTH ORGANIZATION (PAHO)**

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In accordance with Article 11.2 of the JIU Statute, this note has been “finalized after consultation among the Inspectors so as to test recommendations being made against the collective wisdom of the Unit”.

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**ABBREVIATIONS and ACRONYMS**

<b>AMPES</b>	American Planning, Programming, Monitoring and Evaluation System
<b>AoW</b>	Areas of Work
<b>BPB</b>	biennial programme budget
<b>CEPIS</b>	Pan American Center for Sanitary Engineering and Environmental Sciences
<b>CLAP</b>	Latin American Center for Perinatology and Human Development
<b>CCS</b>	Country Cooperation Strategies
<b>DPM</b>	Office of the Director of Program Management
<b>IAO</b>	WHO Internal Audit and Oversight
<b>ICSC</b>	International Civil Service Commission
<b>IKM</b>	information and knowledge management
<b>IT</b>	information technology
<b>NGOs</b>	non-governmental organizations
<b>PAHO/AMRO</b>	Pan American Health Organization/Regional Office for the Americas of the World Health Organization
<b>PAHEF</b>	Pan American Health and Education Foundation
<b>PPB</b>	proposed program budget
<b>PPES</b>	performance planning and evaluation system
<b>PSC</b>	programme support costs
<b>RBM</b>	results-based management
<b>SMART</b>	specific, measurable, attainable, relevant and time-bound
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization
<b>UNFPA</b>	United Nations Population Fund
<b>UNICEF</b>	United Nations Children's Fund
<b>WHO</b>	World Health Organization

## INTRODUCTION

1. The current review of the Pan American Health Organization and Regional Office for the Americas of the World Health Organization (PAHO/AMRO) has been undertaken at the request of its Director. It focuses on the assessment of its results-based management (RBM) system against the benchmarks presented in the Joint Inspection Unit's (JIU) "Overview of the series of reports on managing for results in the United Nations system"<sup>1</sup> and covers several aspects of the administration and management of the Organization.
2. After taking up office in February 2003, the current Director of PAHO/AMRO initiated a process of management and programmatic changes, as summarized in the document entitled "Update on the process of Institutional Change within the Pan American Sanitary Bureau" submitted to the Executive Committee in June 2005.<sup>2</sup> In September 2003, the Member States of PAHO, cognisant of their role in the renewal of the Organization, set up a Working Group of the Executive Committee on PAHO in the 21<sup>st</sup> Century<sup>3</sup> to review critical aspects of the Organization's operations. This Working Group will submit a final report with recommendations to the 46<sup>th</sup> Directing Council in 2005.
3. In general, the Organization is undergoing a positive change that will lead to more efficient use of resources to meet its agreed strategic and programmatic goals. The Inspectors found that PAHO has introduced results-based budgeting, and some elements of RBM are in place or in the process of development. However, PAHO has to move one step forward to fully implement results-based management. A far-reaching and interrelated strategic approach is needed to integrate the already existing elements into a comprehensive strategy.
4. The Inspectors are aware that the changes required to implement an effective RBM culture cannot be introduced overnight. They require not only the sustained and full commitment of managers and staff but also the tools and resources to bring about the necessary changes. Since these resources can only be made available by the decision of Member States, the Inspectors call on the Director of PAHO/AMRO to implement the recommendations contained in this note in close collaboration with Member States.
5. The note has been prepared in full consultation and cooperation with PAHO management. The Inspectors wish to express their sincere appreciation to PAHO officials and staff for their contribution.

## I. PROGRAMME PLANNING, BUDGETING, MONITORING AND EVALUATION

### A. Defining a clear conceptual framework

6. In September 2004, the 45<sup>th</sup> Directing Council approved a revised PAHO Regional Program Budget Policy.<sup>4</sup> The review was prompted by the requirement to define a framework for a more equitable distribution of resources among countries with needs-based criteria. It increases the indicative figure for resource allocation at country level and establishes a new level of allocation at the sub-regional level to facilitate the integration process. The policy has played a critical role in the implementation of the Strategic Plan for 2003-2007 and in defining the Agenda for Change.
7. The policy itself does not provide a conceptual framework for the implementation of RBM, although it does contain elements of the results-based approach to planning. In fact, most PAHO staff members interviewed have no clear understanding of the concept<sup>5</sup> and techniques<sup>6</sup> of RBM and often associate it

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<sup>1</sup> JIU/REP/2004/5.

<sup>2</sup> CE/136/14 of 28 May 2005.

<sup>3</sup> Resolution CD44.R14 of the 44th Directing Council, September 2003.

<sup>4</sup> CD45/7 and Resolution CD45.R6, September 2004. The original policy dated back to 1985.

<sup>5</sup> RBM as defined in the report of the Joint Inspection Unit, "Implementation of Results-Based Management in the United Nations organizations", JIU/REP/2004/6, Part I, page 2, is a "management approach focused on achieving

with the more limited definition of results-based budgeting. Defining a clear conceptual framework is indeed a first and crucial step in the implementation of RBM. It should not only provide clear definitions of the process, adapting it to the particular business requirements at all levels of operations, but also serve as a vehicle to disseminate the concept and promote a clear understanding of it among managers and staff. It should set up the time boundaries for the implementation of the RBM strategy and delineate the division of responsibilities between Member States, the secretariat and oversight bodies in establishing goals and objectives, translating them into activities, and monitoring, overseeing and advising, as appropriate.<sup>7</sup>

8. In reviewing the governance role exercised by Member States with respect to the planning, programming, budgeting, monitoring and evaluation process, the Inspectors noted that the Subcommittee on Planning and Programming (SPP) meets for three days every March to review policy proposals, programmes and resource allocation. A review of the agenda and summary notes of these meetings disclosed that a number of substantive issues that have no financial or programmatic implications are presented for information purposes, and further, are included in the agenda of the Executive Committee or the Directing Council. Therefore, other than for the consideration of a few budgetary issues, the value added versus the cost of organizing such meetings is questionable. In the Inspectors' view the role of the SPP could be enhanced by assigning further advisory and oversight responsibilities to it, as discussed further in paragraph 78.

9. As for the role of the secretariat, the newly created Office of the Director of Programme Management (DPM) manages the programme planning process. However, the development, implementation and monitoring of an RBM strategy is not included in its functional description.

#### **Recommendation 1**

**The Director of PAHO should develop an RBM corporate conceptual framework and a time-bound implementation strategy for consideration and approval by the Directing Council in 2006. In formulating its conceptual framework, PAHO may wish to refer to the JIU benchmarking framework for RBM.**

#### **Recommendation 2**

**In order to internalize the concept and practice of RBM within the Organization, the Director of PAHO should:**

- (a) Define a locus, at the overall policy-making level, for the institutional responsibility of ensuring the coherent implementation of RBM across the Organization;**
- (b) Develop and implement a communications and training strategy to acquaint managers and staff with the RBM concept, requirements and impact on their day-to-day work;**
- (c) Survey periodically the level of understanding and risks/opportunities of the implementation of RBM, at all levels of the Organization, with emphasis at the country level; and**
- (d) Propose a clear division of responsibilities for all actors involved in the implementation of RBM, namely Member States, the PAHO secretariat and oversight bodies, both internal and external. In so doing, the Directing Council's**

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results, a broad management strategy aimed at changing the way agencies operate, with improving performance (achieving results) as the central orientation”.

<sup>6</sup> RBM techniques as defined in JIU/REP/2004/6, Part I, page 2, are: formulating objectives (results); selecting indicators to measure progress towards each objective; setting explicit targets for each indicator to judge performance; regularly collecting data on results to monitor performance; reviewing, analyzing and reporting actual results vis-à-vis the targets; integrating evaluations to provide complementary performance information; and using performance information for purposes of accountability, learning and decision making.

<sup>7</sup> JIU/REP/2004/5, op. cit., paras. 22-29.

**approval should be sought to assign further advisory and oversight responsibilities to the Subcommittee on Planning and Programming, as per recommendation 12(b).**

**B. Formulating long-term objectives clearly**

10. PAHO does not have a long-term instrument that identifies those goals related to its mission and mandate as well as the objectives that would contribute to the attainment of such goals. WHO, the parent organization, does not have such an instrument either.

11. Instead, PAHO has a medium-term Strategic Plan of five years with key areas of work derived from the Global Program of Work approved by WHO and adapted to the needs and opportunities of the region. Other sources of mandate are the decisions of PAHO governing bodies, the Millennium Development Goals,<sup>8</sup> the Summits of the Americas and other global conferences. Formulating the Strategic Plan involves consultation across the Organization, with Government counterparts, particularly Ministries of Health, and a review of past performance.

12. The current Strategic Plan 2003-2007<sup>9</sup> identifies eight technical cooperation priority areas, five countries for special attention,<sup>10</sup> and a number of critical organizational issues to add effectiveness and efficiency to the work of the secretariat. It contains a total of 45 technical objectives and 15 organizational objectives. It is a 45-page document that first describes the planning process and assumptions, further analyses the context and responses to it, and ends with details of the implementation, monitoring and evaluation process. In the Inspectors' opinion, for greater impact, the document should be reduced to a manageable size, and focused on a few core strategic goals and objectives, which are the critical results to be attained at the end of the period.

13. Our review disclosed that: 1) the presentation of the issues/challenges under each priority should be reformulated as goals to be attained, and 2) the formulation of the objectives does not always fulfil the specific, measurable, attainable, relevant and time-bound (SMART) requirements.

**C. Aligning programmes and long-term objectives**

14. Once the Pan American Sanitary Conference approves the Strategic Plan, the senior management team is responsible for translating these broad orientations into concrete programmes and actions, and establishing priorities among them through biennial programme budgets (BPB) for each country, regional and administrative unit. In line with the results-based management approach, the BPB should link organizational goals, objectives, expected results, indicators and resources.

15. The five-year cycle of the Strategic Plan, e.g. 2003-2007, does not coincide with the BPB cycle; e.g. 2002-2003, 2004-2005, 2006-2007. In the Inspectors' view, it would be more appropriate to have a long-term corporate framework of twelve years, a six-year business plan and a "rolling" biennial budget. The business plan should state the goals and objectives to be attained at the end of the six-year period with incremental targets for each biennium and include an estimation of resources for indicative purposes. The biennial budget with "rolling" objectives and targets would be the tool for appropriating the required resources every two years. Annual reviews could be conducted to adjust the "rolling" biennial budget as necessary and adapt it to new mandates and requirements of legislative bodies, whenever unforeseen priorities arise.

16. The focus would then be shifted to overseeing the implementation (monitoring, evaluation and reporting) of the approved expected results, with less time invested in planning (every twelve years) and programming (every six years). This will address the perception of PAHO officials, particularly at the

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<sup>8</sup> Three of the eight Millennium Development Goals are health related, see "Millennium Development Goals and Health Targets", SPP38/4, February 2004, and, CE134/10, 24 May 2004.

<sup>9</sup> CE130/12, May 2002.

<sup>10</sup> Bolivia, Guyana, Haiti, Honduras and Nicaragua.



field level, about the burden of work implied in the repetitive planning, programming, budgeting, monitoring and evaluation process.

17. In their comments on the draft note, PAHO officials called the attention of the Inspectors to a document entitled “Guiding principles for Strategic Resources Allocations across WHO” that has been recently published for consultation with Member States through the Regional Committees and which will be considered at the forthcoming 46<sup>th</sup> Directing Council of PAHO.<sup>11</sup> The Inspectors are pleased to note that WHO proposals for a renewed results-based management framework go along the same line of action proposed above.

18. The streamlining of the Areas of Work (AoW) in the programme budgets (from 65 in 2002-2003 to 38 in 2006-2007) for total convergence with WHO’s Areas of Work is a positive development. In addition, the grouping of the AoW into appropriation sections has been modified over the last three biennia. Still, the five technical areas in the Proposed Program Budget (PPB) 2006-2007 still do not directly cascade from the eight technical areas defined in the Strategic Plan and the structure of the budget does not reflect the structure of the secretariat. The result is that at first glance it is unclear which organizational area is responsible for each expected result. PAHO officials explained that the WHO Programme of Work likewise does not correspond to the organizational structure of the secretariat. They argued that AoW are the basic building blocks, which can be implemented by many organizational units at regional, subregional and country level and stated that there is clarity about which organizational unit is or are responsible for each expected result. There is, in their opinion, full alignment and total linkage. However, since this linkage is achieved through the computerized planning and monitoring system, American Planning, Programming, Monitoring and Evaluation System (AMPES), it is not evident in the relevant programmatic documents.

19. The presentation of indicators as contained in the PPB for 2006-2007 presented to the Executive Committee in June 2005 has been fine-tuned. According to PAHO officials further fine-tuning has been done in the areas pointed out by the Inspectors (planning, oversight, human resources and financial management) in the revised version for the Directing Council in September 2005.

20. At the country and subregional levels, the relationship between long/medium-term objectives and related goals and expected results, indicators and resources in the BPB is less evident.

21. In order to prevent the intended country focus from becoming blurred in the attempt to apply the multiple Areas of Work, which are defined globally, to country objectives and national priorities, the Inspectors suggested that the planning process should start with bottom-up proposals. These proposals should be built on dialogue at the national level. They should then be consolidated, through the subregional and regional levels, with the overall mandated objectives of the Organization and adjusted top-down, as necessary. PAHO officials provided assurance that this was what actually happened. In addition, managers at all levels participated in peer reviews of the BPB 2006-2007.

22. Concerted efforts have been made with Governments and local partners to design a medium term planning framework for technical cooperation for each country, that brings together country needs and opportunities with global and regional priorities. Following the report by the Director General of WHO to the Executive Board in 2003, “Improving the performance of WHO at country level: the Country Focus Initiative”, as well as the subsequent design of the Country Cooperation Strategy methodology, seven Country Cooperation Strategies (CCS) have been completed at PAHO and seven others are in preparation. The Inspectors note that the target is to complete 80 per cent of them by the end of the current biennium.

23. Instead, no strategy has been developed for the eight regional and subregional centres. The 136th Executive Committee in June 2005 considered and approved the course of action proposed in a document

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<sup>11</sup> CD46/6, August 2005.

prepared by the Secretariat entitled “Strategy for the future of the Pan American Centers”.<sup>12</sup> The document as such is not a planning instrument. It provides a general overview of the operations of the centres and a more detailed assessment of three of them, with concrete proposals to reorganize two (the Pan American Center for Sanitary Engineering and Environmental Sciences (CEPIS) and the Latin American Center for Perinatology and Human Development (CLAP)) and close the third (Pan American Institute for Food Protection and Zoonoses (INPPAZ)). The same analysis is due for the five remaining centres by June 2006. Once the process of reorganization is completed, each individual centre should develop its own Strategy.

### **Recommendation 3**

**In connection with the current review of strategic resource allocation across WHO, the Director of PAHO should bring to the attention of WHO and PAHO governing bodies for approval, as appropriate, the need to:**

- (a) Devise a long-term corporate strategic instrument of twelve years that identifies those agreed objectives related to its mission and mandate as well as the goals that would contribute to the attainment of such objectives in the form of priority areas for technical cooperation;**
- (b) Align the cycle of the long-term, medium-term and biennial programmatic and budgetary instruments of the Organization;**
- (c) Establish a six year medium-term plan for the first phase of implementation of the long-term objectives, which estimates the overall resources required for the six-year period, both regular and extrabudgetary;**
- (d) Prepare biennial operational “rolling” budgets to appropriate resources linked to specific activities (expected results) and conduct annual reviews to adjust the biennial budget and adapt it to new mandates and requirements of legislative bodies; and**
- (e) Align the current five-year term of office of PAHO elected officials and calendar of meetings of the Pan American Sanitary Conference with the planning, programming, budgetary, monitoring, evaluation and reporting cycle.**

### **Recommendation 4**

**In implementing Recommendation 3, the Director of PAHO should:**

- (a) Align the objectives and goals of the medium-term Strategic Plan and the biennial program budgets to long-term organizational goals and objectives;**
- (b) Correlate objectives and goals at all levels of the Organization in a several-tiered bottom-up/top-down approach;**
- (c) Ensure that the objectives and goals and their related indicators at all levels are SMART compliant to allow measurement of results;**
- (d) Define clear criteria for grouping Areas of Work into appropriations categories and the organizational units responsible for implementation;**
- (e) Ensure that Country Cooperation Strategies (CCS) for all countries are developed within the same Strategic Plan cycle, applying the relevant guidelines and standard format;**
- (f) Make sure that Country Cooperation Strategies are tailored to national needs and articulated with the CCA/UNDAF of concerned countries; and**
- (g) Develop strategic plans for each regional and subregional centre.**

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<sup>12</sup> CE/136/12/Rev.1, June 2005, and Resolution CE136.R8, June 2005.

#### D. Linking resources to objectives

24. PAHO strategic plans give no indication of the target of overall resources necessary to implement the approved objectives and goals. Resources are estimated solely for appropriation at the biennial cycle level at time of preparation of the BPBs.<sup>13</sup> In this connection, the Inspectors noted with appreciation that Principle 4 of the newly-proposed strategic resource allocation across PAHO foresees a broad and flexible resource allocation for the full strategic planning period of six years.

25. In preparing the BPBs, until recently, indicative budgets were provided to each Unit at PAHO. The criteria used in establishing these indicative budgets were not clear, nor was the basis for further increase/decrease of funds and adjustments to the initial plan. Despite a participatory approach, the preparation of the budget was not needs-based but resources-driven. There has been a gradual evolution towards results-based budgeting during the last biennia, but the first attempt at true results-based budgeting was made during the preparation of the PPB for 2006-2007. Offices were requested to present a single programme including any targeted un-funded part to be financed by voluntary contributions.

26. The BPBs presentation includes staff costs<sup>14</sup> and non-staff costs. However, at the detailed level, there is no direct link between each expected result and staff resources employed to achieve them. A cost-accounting system linking expenditures for all costs (staff and non-staff) to results is to be developed. In improving the existing system to account for staff costs, PAHO may refer to the experience of other organizations such as UNDP. In order to relate the level of staff resources needed to the accomplishment of each objective, a desk-to-desk workload review should be conducted.

27. Over the years the allocations have remained fairly consistent, except for some adjustments to address emerging programmes, priority countries or the reallocation of the AoW from one section of the budget to another.

28. The recently approved PAHO budget policy, however, has made a substantive contribution towards a needs-based redistribution of resources at the country level. It has set up progressive targets to achieve a shift from 37 to 40 per cent of resources to the countries and from 6 to 7 per cent to the subregions by 2010-2011. Some countries will see their resources cut by up to 40 per cent while for others the allocation will increase by more than 200 per cent. Overall, the rationale for the 40 per cent and 7 per cent targets at the country and subregional levels is neither documented nor spelled out. In the Inspectors' view this is a positive but modest increase.

29. At the regional level, the criteria for distributing the 53 per cent of resources among the AoW is not clear, except for the need to prioritize areas related to the Millennium Development Goals.<sup>15</sup> The priorities for allocating resources to the subregional programme have been identified, but the criteria for distributing resources at this level still have to be developed. In connection with the preparation of its PPB for 2006-2007, WHO is taking a number of measures to maintain the integrity of normative and statutory functions of the Organization.<sup>16</sup> Among the measures proposed are an inventory of how normative work is implemented and costed; and a review of strategic direction and competencies in each AoW to ensure that planned activities and products correspond and staff have the competencies to achieve expected results.

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<sup>13</sup> CD46/6, August 2005.

<sup>14</sup> According to the disclosure made in the PPB for 2006-2007, 65 per cent of the total costs are post- related.

<sup>15</sup> "PAHO Regional Program Budget Policy", CD45/7, 1 September 2004, page 9, paras. 25 and 26.

<sup>16</sup> "Proposed programme budget 2006-2007, Implementing the normative and statutory functions of WHO", A.58/INF.DOC./3, April 2005.

## Recommendation 5

In line with the above WHO measures, the Director of PAHO should:

- (a) Hire an external consultancy to conduct a comprehensive Organization-wide desk-to-desk workload needs assessment;
- (b) Develop an effective cost-accounting system that links all expenditures, including staff costs, to expected results; and
- (c) Establish clear criteria for the distribution of resources at the subregional and regional levels.

### E. Resourcing

30. The table in Annex 1 shows total resources available for the current and coming biennia by appropriation section. In accordance with the new budget policy, the 2006-2007 budget is presented as one programme budget financed by different sources: regular budget resources (PAHO Member States contributions), the WHO share (both regular and voluntary) and other sources (voluntary contributions to PAHO). For the first time, the budget includes a target for voluntary contributions of US\$ 265.5 million. This represents a 20 per cent increase from the previous biennium and a 50 per cent increase of all resources.<sup>17</sup> This not only represents a change from the previous PAHO approach of presenting only those resources already committed at the time of presentation of the budget, but also a concrete step to identify funding gaps to achieve expected results.

31. There is, however, no clear strategy for the mobilization of such resources. The process for mobilizing resources is complex and lengthy. Projects are prepared by technical units, approved by area managers, passed to the Executive Director and then forwarded to the Project Support Unit (PSU) for technical review. Once approved by the PSU, they go to the Strategic Alliances and Partnership for initiating dialogue with potential partners for funding. The internal approval process may last one to two months and the fundraising much longer. There is no annual appeals conference; resources are mobilized on a bilateral basis, which is more time-consuming. Like WHO PAHO is presently moving from a project driven resource mobilization approach to a programme support resource mobilization modality, seeking more unarmarked funding that provides more flexibility to meet priorities and is easier to administer.

32. Three contributors account for about 70 per cent of the total funding (Annex 2). The potential “vulnerability” that this “dependence” entails can be mitigated through:

- The diversification of funding sources;
- The establishment of clear guidelines and targets to avoid being driven by individual donor priorities; and
- Proactive fundraising for programmes a priori identified by PAHO in line with strategic objectives, goals and priorities.

33. Likewise, among the measures to maintain the integrity of normative and statutory functions, WHO has proposed the drafting of a long-term financing strategy, and mechanisms to deal with the risk of conflict of interests and undue influence when external parties are involved in activities of the Organization. At PAHO, according to the Roadmap for Institutional Transformation, a resource mobilization strategy was to be completed together with an action plan by July 2005 and approved by the governing bodies by September 2005. Pending the completion of the WHO financing strategy, presentation of PAHO’s strategy to its governing bodies has been re-scheduled for June 2006.

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<sup>17</sup> “Proposed Program Budget for the Pan American Health Organization for the Financial Period 2006-2007”, SPP/39/3, February 2005, Tables 3 and 4.

### *The regular budget*

34. Though in real terms PAHO's regular budget has decreased by 21 per cent since 1986,<sup>18</sup> for the first time in 2004-2005, the budget decreased in nominal terms by 0.4 per cent. The proposed level of regular resources for 2006-2007 represents however an increase of 2.3 per cent.<sup>19</sup> Three budget scenarios were considered and the most modest chosen. Even this modest increase will entail significant adjustments and rationalization (including a cut of 34 fixed posts) to accommodate the rise in the cost of international staffing and other country offices' costs resulting from the decline of the US dollar.

35. The PAHO portion (72 per cent), funded basically by assessed contributions and by miscellaneous income, has steadily increased over the years (except for 1988-1989). In 2006-2007, it will increase by 0.5 per cent but assessed contributions will remain at the same level. The main quota contributors are the United States of America, Canada, Brazil, Mexico, Argentina and Venezuela. Despite the initiatives put in place to increase quota collection, including the acceptance of payments in currencies other than US dollars, the collection rate did not improve in 2004.<sup>20</sup> As of May 2005, the arrears accounted for about half of the regular budget resources of the current biennia, one Member State owing half of it. Financial constraints may compromise the attainment of key programmatic goals.

36. The WHO contribution represented 28 per cent of the total WHO/PAHO combined regular budget in 2004-2005. The region of the Americas has experienced the most significant decrease in comparison with other WHO regions (minus 12.3 per cent). During the last three biennia it suffered a cumulative reduction of almost 10 million dollars due to the implementation of resolution WHA 51.31. This resolution was suspended in 2004, and an increase of 6.9 per cent from WHO has been approved for 2006-2007.<sup>21</sup>

### *Other sources*

37. Most extrabudgetary resources come from bilateral donors, the USA being the largest contributor followed by Sweden. Contributions from international sources represent 6 per cent and from civil society 11 per cent; mainly the Bill and Melinda Gates Foundation, the American Red Cross, the Rockefeller Foundation and several NGOs.

38. Most contributions are charged with 13 per cent programme support costs (PSC), except locally executed projects financed by Governments or national agencies that pay 6 per cent overheads and US Government grants and contracts (not USAID) charged with 21 per cent. United Nations organizations are exempted from paying PSC (UNICEF, UNESCO, UNDP, UNFPA).<sup>22</sup> PSC income is mainly used to finance administrative staffing needs basically at headquarters and activities under the discretionary authority of the Director. Three per cent may be retained by countries where all projects are executed locally. Given the increasing trend of extrabudgetary resources and related PSC income, the use of the latter should be mainstreamed in the programming, planning and budgetary process. Also, in order to promote the generation of extrabudgetary resources, the new PAHO resource mobilization strategy should include "incentives" for programmes and managers.

39. Private sector fundraising is partially carried out on behalf of PAHO by the Pan American Health and Education Foundation (PAHEF). Since most contributions come from individual donors and are earmarked, the Foundation decides about the use of funds raised. The Foundation is housed in PAHO premises and receives secretariat and administrative support. In the Inspectors' opinion, the relationship

<sup>18</sup> "Final Report", 37<sup>th</sup> Session of the Subcommittee on Planning and Programming, SPP37/FR, March 2003, para. 25.

<sup>19</sup> "Proposed Program Budget of the Pan American Health Organization for the Financial Period 2006-2007", September 2005, para. 56.

<sup>20</sup> "Interim Financial Report of the Director", OD No. 320, 2004, Part I, page 3.

<sup>21</sup> "Proposed Program Budget of the Pan American Health Organization for the Financial Period 2006-2007", September 2005, para. 56.

<sup>22</sup> "Program Support Costs", Directive HQ/FO-96-17, November 1996.

between PAHO and PAHEF should be formalized in a Memorandum of Understanding whose implementation should be reviewed regularly. Certain aspects of this relationship deserve close examination, such as the return on investment from the PAHO contribution to the running expenditures of PAHEF; the potential for conflict of interests of PAHO staff working with PAHEF; and the duplication of efforts with PAHO fundraising units and convergence with PAHO programme priorities. In its comments, PAHO management indicated that all these issues were addressed by the internal auditors a couple of years ago and a number of measures have been taken to resolve them. However, from our interview with the Director of PAHEF, some appeared to be outstanding.

### **Recommendation 6**

**The Director of PAHO should ensure that the fundraising strategy is completed without further delay for approval by the Directing Council no later than in 2006. The strategy should address the risks of relying on few funding sources; provide guidelines for long-term funding of well-designed, sellable packages of programmes and projects; and define the role of the Pan American Health and Education Foundation and the use of programme support costs income.**

#### F. Fine-tuning the performance monitoring system

40. Monitoring, reporting and evaluating on performance are key to the concept of managing for results. For an effective performance monitoring/evaluation/reporting system, structures, tools, plans and guidelines are needed. Some of these elements are present at PAHO but need refinement. In general a coherent and coordinated approach is lacking.

41. For instance, currently, there is no evaluation strategy. There are a number of basic documents prepared by PAHO and WHO that are used in the evaluation of the BPB, the annual evaluations of country offices and the Strategic Plan but comprehensive guidelines for selecting, planning, conducting, following-up and reporting on all types of evaluations are missing.

42. Until recently, the evaluation function was located, although not staffed, within the Office of the DPM, and did not enjoy full independence. With the new agreement signed in 2004 between PAHO and WHO Internal Audit and Oversight (IAO), the evaluation function has become part of oversight. Although this is a positive step, there is still no evaluation unit within the PAHO structure. Notwithstanding the fact that self-evaluation is the responsibility of each manager, the advantages of a dedicated and independent evaluation unit are many: coordination of the evaluation work across PAHO; central and independent assessment and reporting to top management on variations between planned and actual output, between current and previous year results, reasons for targets not having been met and remedial actions taken; overview of major developments; collection and dissemination of findings and follow-up on implementation of recommendations resulting from evaluations; making sure that findings and recommendations are fed back into planning, programming and budgeting; and ensuring an adequate mix of the different types of evaluations, and consistency and conciseness of evaluations and reports.

43. PAHO management indicated that an array of evaluations, dissimilar in nature, has been conducted. However, other than self-evaluations conducted for reporting on the implementation of the Strategic Plan, the BPBs and the annual evaluation of country offices pursued by the Country Support Unit, there is no comprehensive information on the types of evaluation undertaken, on how results are disseminated and evaluation costs absorbed. No evaluation plan exists indicating all types of evaluation to be conducted (self-evaluation, internal evaluation and external evaluations), the responsible office and timetable; and no report is prepared to account for the implementation of the evaluation plan.

44. The first experience in reporting to Member States on the BPB was the evaluation for 2000-2001 conducted in April 2002<sup>23</sup> followed by the mid-term and the final evaluation of the Strategic Plan 1999-2002.

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<sup>23</sup> "Biennial Evaluation: BPB 2000-2001", CE130/INF/2, May 2002.

45. The most relevant achievement of PAHO in this area, representing the commitment of management to improve the planning, programming and evaluation system, is called AMPES (American Planning, Programming, Monitoring and Evaluation System). AMPES is a highly developed computerized system that links budgetary/financial planning and technical programming. It was launched in 1988 and its running costs are estimated at US\$ 5 million per year, or 2 per cent of total PAHO/WHO regular funds. It is notable that staff members interviewed were concerned by the investment made in planning, but considered it necessary, and well used.

46. The External Auditor conducted a review of AMPES in April 2000<sup>24</sup> and qualified it as exceeding best practices elsewhere in the United Nations system in some key aspects. Its strong features are a clear link between the budgetary and the programming process and the computerization of much of the planning and outputs. He considered, however, that there was scope for further refinement and formulated a number of key recommendations. PAHO management, in its comments on the External Auditor's report,<sup>25</sup> accepted all the recommendations made and indicated that it had initiated steps to implement them. Progress reports have, however, not been produced and the Inspectors found that many audit recommendations are still valid.

47. More recently, at the request of the Pan American Sanitary Conference, PAHO has prepared a Framework for Monitoring and Evaluating the Strategic Plan for 2003-2007. In preparing the framework a number of important implementation challenges were identified. A major one that needs to be addressed promptly is that "PAHO management culture does not yet encourage the systematic use of monitoring and evaluation products for decision making".<sup>26</sup> In fact, half of the managers interviewed felt that the system of monitoring progress towards meeting objectives is not adequate, that guidance is missing and the results of evaluations are only occasionally fed back into future programmes.

### **Recommendation 7**

#### **The Director of PAHO should:**

- (a) Issue evaluation guidelines that define the different types, level and timing of evaluations;**
- (b) Create an independent evaluation unit, integrated within the current oversight structure, with direct and regular reporting to the executive management team;**
- (c) Ensure that resources are clearly allocated for evaluation purposes;**
- (d) Approve biennial evaluation plans that combine self-evaluations with internal and external evaluations and report on their implementation;**
- (e) Align the evaluation plans with the planning, programming, budgeting, monitoring, and reporting cycle;**
- (f) Set up a follow-up system to ensure implementation of the evaluation findings;**
- (g) Establish a mechanism to ensure that evaluation findings and lessons learned are fed back into the planning, programming and budgeting process;**
- (h) Periodically assess the impact of such mechanisms; and**
- (i) Follow up and report on the implementation of the recommendations of the External Auditor concerning AMPES.**

<sup>24</sup> "External Auditor's Report on Strategic Planning, Monitoring and Evaluation in the Pan American Health Organization", CE126/26, May 2000, Annex.

<sup>25</sup> Ibid.

<sup>26</sup> "Strategic Plan for the Pan American Sanitary Bureau, 2003-2007", Resolution CSP26.R18, September 2002.

G. An information and knowledge management strategy supporting RBM

48. Information and knowledge sharing is a support function, critical for the implementation of any results-based management system. One of the eleven initiatives of PAHO's Roadmap for Institutional Transformation is becoming a learning, knowledge-based organization. In this connection, a Task Force on Knowledge Sharing was established in December 2003. A paper identifying challenges faced by the Organization in this area<sup>27</sup> was prepared in March 2004, and an information and knowledge management (IKM) strategy was approved in December 2004, together with an implementation plan. Training on IKM was provided, an IKM unit was created and its staffing is almost complete. Share points have been created for discussion purposes, the most challenging task now being how to motivate staff to share knowledge. The inclusion of IKM related goals in the individual performance planning and evaluation system (PPES) may serve to encourage staff and managers to share innovations and best practices.

49. In the area of information technology, PAHO has no integrated information management system and no plans to implement one. In addition to the aforementioned AMPES for planning, monitoring and reporting, several applications coexist at headquarters for finance, procurement, payroll and personnel, as well as a number of stand-alone systems with the inherent risk of data duplication and inconsistency. Basic work processes, such as personal actions approval, travel claims processing and performance appraisal, are not automated.

50. It is estimated that more than 125 personnel and about US\$ 50 million are allocated to information technology (IT) across the Organization every biennium. There are a large number of IT-related initiatives and projects pipelined or requested, which exceed the funds available. Prioritization is apparently done in coordination with individual managers since there is no corporate approach to this issue. A draft IT strategy has been prepared and is pending approval by the executive management team. A major decision to be taken is whether to migrate to Global Management System (GMS) with WHO.

51. In his "Special Report into anonymous allegations of misuse of funds and conflict of interest" the External Auditor referred, inter alia, to the need to review the Organization's IT security policy and practices.<sup>28</sup> The creation of a post of IT security officer was subsequently authorized and recruitment is ongoing.

### **Recommendation 8**

**The Director of PAHO should:**

- (a) Ensure that the IT strategy is completed without delay. The Strategy should define and cost IT priorities, in line with relevant WHO strategy;**
- (b) Seek funding, as appropriate, and set up a calendar for the implementation of the IT strategy from 2006;**
- (c) Give priority to further automate work processes and decision making for efficiency gains;**
- (d) Review periodically progress made in the implementation of the information and knowledge management strategy throughout the Organization; and**
- (e) Include goals and related incentives/rewards for knowledge sharing in the individual performance planning and evaluation system.**

<sup>27</sup> "PAHO IT Strategy and Governance", PAHO/WHO Interoffice Memorandum, ITS04-D0063, March 2004.

<sup>28</sup> CD45/29, September 2004, para. 3.26



## II. DELEGATION OF AUTHORITY AND ACCOUNTABILITY

### A. Delegation of authority to be clearly defined in administrative instruments

52. The major challenge for PAHO is to implement an effective system of delegation of authority and accountability to enhance the overall performance of the Organization and to respond to the requirements of increased country support and presence.

53. The Inspectors found that at PAHO the chain of command is highly centralized in the hands of the Executive Director. Decision-making involves several layers of approval. Individual delegation orders are issued for each manager (Area Managers, Unit Chiefs, Country Representatives and Directors of Centers) in the areas of financial management, human resources management and programme management. There is no single document compiling all delegation orders issued and cases of failure to comply with authority delegated. A review of the individual delegation orders showed that line-managers have limited delegated authority, particularly for the administration of human resources. This concern was conveyed to the Inspectors by officials interviewed at all levels of the Organization, both at headquarters and in the field. The Inspectors noted also that in many cases, there was confusion between delegation of authority and delegation of signature. Even the delegation of signature is so limited at PAHO that Country Office Representatives are allowed to spend up to only US\$ 15,000 on the "Letters of Agreement" signed with local partners and on local procurement, otherwise the approval of headquarters is required.

### B. Standards for accountability to be put in place

54. The individual delegation orders are not accompanied by an accountability statement. Failure to comply with authority delegated does not necessarily and systematically result in disciplinary action. There are no provisions for enforcing individual responsibility, liability, monitoring and reporting on insufficient performance or wrongdoing. Neither are performance agreements reached with senior managers to ensure that accountability is applicable top-down. Subordinates and peers are not involved in the evaluation of managers. Staff members surveyed were of the opinion that accountability is not evenly applied at all levels. The accountability system is compliance-based instead of performance-oriented.

### C. Competent managers to be empowered to exercise their leadership role

55. Key to RBM implementation is also the quality of management. In this connection the Inspectors found that at PAHO not only are managers not empowered to exercise their leadership role, but also many actually lack the competencies required to exercise adequate leadership. There are no provisions in the recruitment and promotion procedures to ensure that these competencies are possessed by managers. The Inspectors noted positively that an external consultant has been hired to support the change management process, improve the effectiveness of the executive management team and coach individual managers; a mapping of competencies has been made; and a leadership development programme put in place which all heads of country offices and regional units are required to attend by the end of 2006. Several steps have been taken towards a more participatory style of management.

56. There is still no requirement to fill P-6 (managerial) posts through a competitive process, though since 2003 selection has been made through a Committee composed of the executive management team and the head of human resources. It is critical that standard competencies for Country Office Representatives are developed and complied with.

### D. The existing system of administration of justice to be enhanced

57. The Organization has in recent years put in place most of the elements of a system of administration of justice. PAHO has a Board of Appeal<sup>29</sup> with recourse to the International Labour Organization Administrative Tribunal (ILOAT) in Geneva. In response to an important staff concern, a policy on

<sup>29</sup> The BOA received 12 appeals in the period 2002-2004.

harassment in the workplace was issued in 2004, accompanied by mandatory training, and a Grievance Panel was established.<sup>30</sup>

58. A post of Ombudsman was also created in 2003. Since no suitable candidate was found during the first recruitment process, the post has been reclassified and re-advertised and filled on a temporary basis.

59. The survey conducted in June 2004 showed a poor perception of leadership and a lack of trust in a fair system of administration of justice among staff. The recurrent themes were: the desire to understand the rationale for changes, for greater clarity in strategies, for quality leadership, effective management, transparent processes and effective communication; the need for efficient operational practices and procedures, and for fair, equitable and predictable human resources practices; the demand for clear accountability with rewards and sanctions, and the wish to see the harassment cases resolved and sanctions imposed; the need for decentralized decision-making, team work and better coordination and integration between headquarters, countries and centres. In interviewing the staff, the Inspectors found some of these concerns repeated. Though many actions have since been taken to address these concerns, it would be desirable to monitor progress towards a positive change in management culture and staff perception. The change management team within the Director's Office should take stock of progress made to address these issues and report to the executive management team.

#### E. Internal controls and ethical standards to be improved

60. A review of the biennial reports of the External Auditor disclosed a high standard of control of operations in the field. In his report for 2002-2003, however, he referred to eight cases of fraud detected during this period and the Director of PAHO refers to six cases of fraud in her annual report for 2004. The External Auditor has also recently investigated an allegation of conflict of interests and impropriety in the use of PAHO resources to benefit the financial interests of third parties. In his report of September 2004, he identifies a number of issues of concern in the areas of ethical standards and code of conduct; recruitment of employees; complaints procedures; investigation and reporting; management of external relationships; and IT security. He concludes "the impact of these shortcomings is such that senior management actions are sometimes poorly understood by at least some staff and therefore may lack transparency. We noted a climate of mistrust in some parts of the Organization which, in an environment without adequate mechanisms to investigate and deal with allegations ... is debilitating for the Organization internally, and ultimately will detract from its ability to achieve its objective effectively".<sup>31</sup>

61. At the time the Inspectors initiated their review, the revised International Civil Service Commission (ICSC) Standards of Conduct of 2001 -- more comprehensive in terms of the conduct of business of international organizations and in providing guidance to staff -- had not yet been adopted and no procedure was in place for staff members to abide by them. The ethical principles drawn up in the staff regulations were quite narrow. Pursuant to the External Auditor's findings and recommendations, a plan of action had been put forward for implementation and reporting to legislative bodies.<sup>32</sup> In January 2005, the Ethics Resource Centre of Washington was contracted to assist in developing a Framework for Ethical Principles and a PAHO-specific code of conduct is being completed in close consultation with staff representatives for submission to the Directing Council in September 2005.<sup>33</sup>

62. In May 2005, a project was launched within the Roadmap for Institutional Transformation to develop standards of accountability and transparency for detecting and addressing unethical behaviour. A proposal to modify the staff rules was submitted to the Executive Committee in June to include a reference to the 2001 ICSC Standards of Conduct, amend rules concerning conflict of interest, expand the definition of

<sup>30</sup> The Panel has so far dealt with three cases, not yet completed.

<sup>31</sup> CD45/29, September 2004.

<sup>32</sup> "Implementation of the Recommendations of the External Auditor's Special Report", CE135/5, September 2004, SPP39/9, February 2005, and CE/136/24, June 2005.

<sup>33</sup> CE136/24, op. cit..

misconduct, relate the appraisal of conduct and performance to contract extension, salary increase and promotion, and expand the range of disciplinary measures in case of violation of standards, among others.

### **Recommendation 9**

**The Director of PAHO should elaborate, for consideration and approval by the Directing Council in 2006 a system of delegation of authority and accountability in line with the JIU benchmarking framework for RBM. A set of regulations and rules for planning, programming, budgeting, monitoring and evaluation should be established to institutionalize the system of delegation of authority and accountability as an integral part of RBM. The current financial and staff regulations and rules should be revised.**

#### **F. Performance management to be aligned to organizational goals and staff career and development needs addressed**

63. The PPES at PAHO recognizes the impact of individual performance in programme delivery and is based on the principle of management by objectives. It is, however, not used as a managerial tool to monitor and report on performance and it is not linked to a system of administration of justice. Since there is no accountability framework for performance, the system does not serve the purposes of providing a sound basis for rewards, sanctions and recognition of staff capable of assuming higher responsibilities and best suited to a particular area. Competencies are not evaluated; consequently, staff development needs and plans resulting from the evaluation of those competencies cannot be identified and promotions are not based on assessed competencies. It is unclear whether the system is used to improve the dialogue between managers and staff, document discussion and decisions and identify managers whose decisions give rise to appeals. Half of the managers surveyed are of the opinion that supervisors are deterred by the staff rebuttal system from making an accurate assessment and the majority of them consider that under-performance is not appropriately detected and addressed. Managers are evaluated but there is no 360-degree feedback.

64. The system is not easy to administer. Ratings are assigned to each objective but no overall rating is provided. Therefore, a rating by staff and statistics on individual performance cannot be provided. The form is not even available in electronic format. In addition, there is no review panel to check the quality, consistency and fairness of the appraisal reports and provide guidance to managers in the use of ratings. An evaluation of the PPES conducted in 2003 has suggested numerous elements for improvement.

65. The Inspectors were informed that PAHO was considering adopting the new system developed by WHO. However, at the time of finalizing this note the only decision taken in respect of the PPES was to automate it as it is today and at a later stage, make the necessary changes. In the Inspectors' view it is a waste of resources to automate the current system before substantively improving it based on the results of the evaluation.

### **Recommendation 10**

**The Director of PAHO should take action to improve the individual performance planning and evaluation system for it to become an efficient management tool in line with RBM requirements. In particular, the Director should ensure that:**

- (a) All staff members and managers, including the Director, are evaluated and their overall performance rated through a 360 degree process;**
- (b) The results of the planning and programme evaluation system are at the basis of all personnel actions and related reward incentives (promotions, step increases, recognitions, etc.) or sanctions; and**
- (c) A review panel is established to ensure the quality, consistency and fairness of the appraisal reports across the Organization and to provide guidance to managers in the use of ratings.**

### G. Rewarding performance

66. In 1998 PAHO instituted an Awards and Recognition Program that has been enhanced and expanded over the years to foster a culture of recognition and reward for individual staff, managers and teams for excelling in performance. Awards are granted every year in the form of a plaque or diploma received at the annual ceremony, participation in a learning activity, administrative leave, a visit to a country office or headquarters, a one or two steps within grade increase, or personal promotion to a higher grade. The funding comes from various sources, including the HRM Staff Development approved budget, and some US\$ 70,000 per biennium held as a cautionary measure for the compliance of Member States with their contributions.

67. The merits of such innovative programmes are without contest. Though the proposals are subject to rigorous scrutiny and adherence in a participatory process, in the view of the Inspectors, the measurement of exceptional performance should originate from the PPES. Potential candidates for reward should be selected through a comparative evaluation among high performers in the PPES, which would afford the process greater legitimacy and consistency.

68. Against this background, the Inspectors cautioned against the introduction at PAHO in 2002 of a system of personal promotions to compensate those staff working with “demonstrated consistent superior performance” for at least 10 years at the same grade level, and who had “little or no chance of being promoted within the current occupational group”. Promotions to a higher grade without affecting the level of the post occupied have implications both financial and in the post structure of the Organization; they are contrary to the principle of equal pay for equal work and have implications for retirement benefits. Promotions based only on limits to seniority in grade may undermine, in the long run, the incentive for learning, development and rotation. The JIU has found that this practice of backdoor promotions has appeared in some organizations of the system to short-cut deficient human resources and career development policies, and it has systematically recommended its discontinuation, for example at UNESCO, WIPO and FAO.

69. Notwithstanding the value of pay-for-performance schemes to retain exceptional performers in the public sector, such schemes should have as prerequisites a strong performance and accountability system, the establishment of clear criteria and links to organizational results and secure funding through the approval of the legislative body. At this stage and until all these elements are in place, PAHO should explore alternative innovative ways to value and recognize exceptional performers, such as extending steps within a grade.

### **Recommendation 11**

#### **The Director of PAHO should:**

- (a) Review the current award system to establish a direct link to the individual planning and programme evaluation system; and**
- (b) Discontinue the practice of personal promotions and explore alternative incentives.**

### H. Need for strong oversight

70. The oversight and control mechanisms at PAHO were until recently insufficient to support the implementation of RBM in terms of independence, mandate, staffing, and reporting.

71. PAHO Financial Regulation 12.1 provides that internal audit is responsible for the review, evaluation and monitoring of the adequacy and effectiveness of the Organization’s overall system of internal control. The focus of the internal audit was placed, however, on financial audits; no value-for-money or

performance audits were undertaken. There is no indication that risk assessment techniques had been used in the preparation of the audit plan.

72. The office was understaffed after the retirement of the Head of the Internal Audit in July 2002 until the third quarter of 2004, when the vacant post was filled. Consequently, the audit coverage for that period was insufficient; only 78 per cent of the 15 audits planned were carried out in 2002, and 48 per cent of the 13 reviews foreseen in 2003. In 2004, the WHO IAO team in Geneva and Washington conducted three audits and an evaluation.

73. In January 2004, a new agreement between PAHO and WHO was signed whereby the internal audit team based in Washington became part of the WHO IAO but entirely dedicated to AMRO/PAHO, with WHO and PAHO each funding one auditor post. The new team intends to conduct more management audits based on an assessment of risks and opportunities of the Organization.

74. Given the reduced staffing of WHO IAO, it is unclear whether under the new agreement, WHO IAO will be able to provide to PAHO the full range of oversight services needed, namely inspections, evaluations and investigations. In fact, the evaluation and investigation functions at PAHO have traditionally been independent of the audit and oversight functions. In the Inspectors' opinion, it would be more appropriate to have a fully-fledged oversight service at PAHO.

75. As for the external audit, the Inspectors noticed that the same office has provided this service to PAHO since 1986. Without prejudice to the excellent services provided by this office, the Inspectors view as more appropriate the practice of the United Nations whereby the term of office of the Board of Auditors has recently been limited to six years,<sup>34</sup> to ensure at the same time continuity and rotation.

76. The Inspectors also noted that the PAHO and WHO have different External Auditors. Given that almost one third of the PAHO budget is funded by WHO and the programmatic lines are the same, it would be desirable to have the same external auditor within the limitation imposed by the membership of the country in both Organizations.

77. In 2005, for the first time, reporting to governing bodies on the results of both internal and external audits has been instituted (other than the Biennial Report of the External Auditor on the Financial Statements of the Organization). However, the reporting does not provide an overview of the number of recommendations made or implemented and their impact.

78. There is no follow-up system to ensure implementation of the oversight recommendations. In this connection, the creation of an Oversight Committee at PAHO could be a positive step. Building on the experience of the private sector,<sup>35</sup> several United Nations system organizations have in recent years established, or are in the process of establishing, Oversight Committees composed of representatives of Member States and experienced managers from outside the organization. These Oversight Committees follow-up on the implementation of oversight recommendations, help to ensure oversight independence from management and increase the effectiveness of the oversight function. In the Inspectors' opinion, PAHO Member States should exercise a more robust role in overseeing the oversight function without interfering in the administration of the secretariat or exercising micromanagement. As already mentioned, the SPP could exercise the role of an Oversight Committee to which the Director of PAHO should be

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<sup>34</sup> "Review of the question of the term of office of the Board of Auditors", Resolution of the General Assembly, A/RES/55/248, April 2001.

<sup>35</sup> In the private sector, Audit Committees are composed by three, five, sometimes seven elected members from a company's board of auditors and exercise responsibility generally in the areas of: financial reporting (oversee the external audit coverage, terms of engagement, performance and monitor audits results, review accounting policies and policy decisions); corporate governance (review corporate policies relating to compliance with rules and procedures, ethical behaviour, conflict of interest and investigation of fraud and misconduct) and corporate control (understanding key financial and operating risk areas and systems of internal control).

invited to report regularly on the implementation of the recommendations of the external and internal oversight bodies.

79. Also, in the Inspectors' view, the cases of fraud uncovered, and the conclusions of the External Auditor on the allegations, underscore the need for an investigation function within PAHO's oversight service. In addition, internal channels, mechanisms and procedures should be put in place to ease and ensure confidentiality in reporting instances of inadequate behaviour, abuses and fraud; and to regulate the investigation of alleged breaches of conduct.

#### **Recommendation 12**

**The Director of PAHO should:**

- (a) Consolidate the audit, monitoring, investigation and evaluation functions under a single oversight service, strengthen its capacity and establish its operational procedures; and**
- (b) Direct the Internal Audit and Oversight Service to:**
  - (i) Apply risk assessment techniques in preparing audit plans;**
  - (ii) Plan for audits of efficiency; and**
  - (iii) Report regularly to governing bodies on the number and status of implementation of audit recommendations and their impact.**

#### **Recommendation 13**

**The Director of PAHO should seek the approval of the Governing Council to:**

- (a) Limit to six years the term of office of the External Auditor in line with the practice of other United Nations system organizations; and**
- (b) Institute that the Subcommittee on Planning and Programming acts as Oversight Committee in overseeing the effectiveness of the oversight function in line with the guidelines set up in paragraph 78 above.**

### **III. HUMAN RESOURCES**

80. The objectives and goals in this area have been spelled out in various strategic planning documents such as the Strategic Plan, the managerial strategy and the BPB. Nevertheless, much still needs to be done in terms of policy development and efficiency of services provided. Managers surveyed rated human resources management as the weakest administrative support service.

81. A human resources strategy and development plan need to be put in place. Policies for recruitment, rotation, performance evaluation and training should be developed in order to meet the Organization's requirements for specific competencies and skills, ensure staff development, and address the present inequalities and distortions in human resources. According to the Roadmap for Institutional Transformation, the strategy should be completed in March 2006 and implemented by March 2007. An administrative management handbook compiling administrative and managerial practices and procedures is also to be finalized.

82. Recruitment and promotion procedures and practices need to be fine-tuned to ensure the fairness and transparency of the process through competency-based interviews and assessment centres, predefined and clear selection, and comparative and weighted evaluation of candidates. The Inspectors noted that contrary to the practice of most organizations, P-6/D-1 and D-2 level posts are generally not advertised although they represent 13 per cent of the professional posts. Also, the distinction between P-6 and D-1 (with managerial responsibilities) is not always respected, despite the relevance of managerial competencies in exercising leadership. The Inspectors were informed that from July 2005, all P6/D-1 and D-2 posts would be advertised and candidates recruited on a competitive basis.

83. Although according to PAHO management, established rules and procedures for recruitment are complied with, the majority of staff surveyed are of the opinion that the recruitment decisions are not made on clear and verifiable criteria, that the recruitment/placement system is unfair, non-transparent and ineffective and the current post structure is not rational, consistent nor based on workload standards and requirements.

84. The External Auditor has reported<sup>36</sup> shortcomings in the internal recruitment process, which may have led to the alleged abuses in the employment of consultants and short-term professionals.

85. The PAHO rotation and mobility policy also needs to be revamped in the light of the new country focus regional budget policy. Field experience is not a requirement for promotion; only a limited number of headquarters staff has it. A discussion paper on mobility and rotation prepared in 2001 by the Human Resources unit following the framework established by a management decision in 1998 has not resulted in a coherent rotation practice. Actual rotation has been traditionally from one field duty station to another. According to a report prepared by the Human Resources unit in 2003, over the years, the number of headquarters staff has increased to the detriment of field staff. Even the increasing employment of national professionals in the field did not compensate for the overall decrease. The steady growth in the staffing levels at headquarters was higher in the administrative areas than in technical areas.

86. The decrease in the regular budget during the last 10 years has entailed a reduction in the number of posts from 1,222 to 835. Further reductions to 797 posts are expected with the PPB for 2006-2007. This represents a reduction of 35 per cent of the core workforce. More personnel are, however, hired under other contracting and financing modalities, totalling about 2,000 PAHO employees.

87. A rationalization and simplification of the various existing contractual modalities<sup>37</sup> should be undertaken, which focus on performance and address the current inequalities in the conditions of service, the lack of flexibility, dynamism and delegation of authority in the management of human resources.

88. On the other hand, the vacancy rate has increased from 11 to 21 per cent for professional posts, and from 8 to 12 per cent for general services in 2001-2002 to 2003-2004. These rates are quite high. The Inspectors were informed that with the reorganization process it was decided to temporarily freeze some posts in order to be able to reassign those vacancies to understaffed priority areas. Although in recent months some of them have been advertised and filled, the vacancy rate is still high (16 per cent). However, with the PPB for 2006-2007, 38 posts are cut.

89. With regard to the reorganization process undertaken in early 2003, which involved the reassignment of some 700 staff the Inspectors believe that such important structural change should have been preceded by a desk-to-desk workload review aimed at aligning human resources, competencies and job requirements, for each of the strategic objectives of the Organization. The Inspectors are concerned about whether the revised job descriptions have been discussed and signed by the staff, and training provided to ensure a smooth switch and acceptance of new responsibilities.

90. A review of the composition of PAHO staff<sup>38</sup> disclosed:

- Two countries were overrepresented and 11 unrepresented or underrepresented, most from the Caribbean region.<sup>39</sup> Efforts have been made to improve geographical representation, such as posting vacant posts on the WHO website and requesting the countries concerned to disseminate information

<sup>36</sup> "Financial Report of the Director and Report of the External Auditor, 2002-2003", CD45/29, 24 September 2004.

<sup>37</sup> In addition to permanent and fixed term contracts, contractual services agreements, short-term consultants, staff hired through agencies, interns and volunteers, ministry staff working in field offices, national professional and support staff) and temporary advisors.

<sup>38</sup> "Statistics on PASB/WHO Staff", CD45/INF/5, September 2004.

<sup>39</sup> Pursuant to the provisions of the Constitution of PAHO "whenever possible, the widest geographical distribution should be followed in regard to the recruitment of personnel".

within the country. However, the majority of the 21 professional staff recruited in 2003 were from countries already highly represented.

- As of May 2004, there was an adequate representation of women at headquarters, with 52 per cent of total staff. However, the field ratio of 33 per cent and the overall rate of 43 per cent are below the established United Nations targets. Nevertheless, PAHO ranks high in gender balance within the United Nations. Women were less well represented at D-2 and P-6 levels with 33 per cent, and at P-4 level with 36 per cent. A positive sign is that 49 per cent of the staff recruited in 2003 were women.
- The average age of PAHO professional staff is 50 years, recruited at 41 years. This was explained by the fact that the entry level of technical professional staff is P-4. Notwithstanding the need to hire seasoned professionals to provide advice on technical cooperation, it is unacceptable that only one staff member was aged under 30 and less than 10 per cent of the staff under 40 years. The situation is worsening as compared to previous years. PAHO management should make plans to rejuvenate its workforce, within the constraints imposed by the needs of service.
- Half of the staff with more than 25 years of experience are P-2. This is the result of the promotion from G to P of a number of staff who could not grow further within the Organization without a Masters degree, or move up due to the limited number of higher-grade posts in the administrative area.
- Eighty-four, or an additional 20 per cent, of professional staff were employed as consultants in 2003 with a trend to increase the duration of contracts. Member States have pointed out that consultants should be hired in line with the overall strategic areas of work identified by Member States, and complained about a lenient policy for the determination of the qualifications of consultants.
- It is not uncommon to see retirees rehired as consultants; 19 retired staff were re-employed in 2002-2003.
- The G/P ratio of 1.02/1 is higher at PAHO than at WHO, UNESCO, ILO and FAO (426 general services and 416 professional staff as of June 2004). The proportion of general services staff is even higher in the field than at headquarters. Management has acknowledged the need to correct this situation.

91. Finally, the Inspectors noted that personnel administration processes are only partially automated; the staffing table is managed through a stand-alone system and, in general, access to human resources information, statistics and trend analysis for decision-making is limited. Without effective tools, the integration of human resources planning into the overall strategic and programmatic planning of the Organization cannot be achieved and the human assets of the Organization cannot be capitalized upon.

92. A major project of the PAHO Roadmap for Institutional Transformation is to develop a strategic approach to the human capital management in achieving the business goals of the Organization. Five priority areas have been identified: 1) the evaluation of employment modalities; 2) the recruitment process; 3) enhancements to the performance evaluation process; 4) the integration of competencies in the recruitment/evaluation process; and 5) access to information for decision-making. Work on these areas should be completed by January 2006. In the Inspectors' view this is a practical but patchy approach to the development of a human resources strategy.

#### **Recommendation 14**

**The Director of PAHO should take steps to address the anomalies described above in the areas of recruitment and staff development, with a view to correcting the current imbalances in the post structure and composition of the staff.**



#### IV. DECENTRALIZATION

93. The issue of decentralization was carefully reviewed by the Inspectors, taking into consideration the decentralized nature of PAHO operations.

94. Contrary to other WHO regional offices with limited field representation, PAHO has a network of country offices located in 28 of its 35 Member States (two covering several countries), as well as eight regional and subregional centres.

95. Other than the 40 per cent funding support to countries and 7 per cent to the sub-region fixed in the new budget policy, PAHO has no coherent decentralization strategy to and within the countries and region. Currently, different modalities of decentralization are applied at the country level<sup>40</sup> with or without an administrative structure. Depending on whether the country in question has a decentralized health structure, PAHO may have a field office, a project office, a representation in a national office, or a focal point at the state, province, department, region or municipality level. The technical cooperation models in Colombia and Cuba are highly decentralized and effective. The decentralization may take the form of an interrelated approach or by theme, namely the deployment of an international consultant specialized in a particular health problem (malaria, leprosy, etc.) to cover an area within the country or region.

96. The PPB for 2006-2007 foresees the decentralization of functions in the areas of basic sanitation and reproductive health from headquarters to two regional centres (CEPIS and CLAP).

97. In the Inspectors' view, a comprehensive strategic approach is needed to define what, when, where, how and with which funding technical cooperation can be decentralized. The decentralization policy should cover programmatic and operational issues, and address the need for capacity building, monitoring and assessing the impact of the different modalities of decentralized assistance.

98. The following ongoing efforts are required to support country needs: 1) developing strategies and work plans for countries/regional/sub-regional centres based on needs and priorities; 2) allocating regular and extrabudgetary resources on the basis of needs; 3) decentralizing technical staff and resources from headquarters to the region; 4) providing efficient support services; 5) staffing adequately, and improving qualifications of staff and managers in line with needs; and 6) empowering the managers of country offices and regional/sub-regional centres with adequate financial and programmatic delegation of authority, along with increased accountability. In addition, it is necessary to:

- Multiply effect and produce economies of scale by pooling resources and being close to the problem;
- Enhance the coordinating role of country offices and regional/sub-regional centres;
- Mobilize more resources at the county/regional/sub-regional level; and
- Identify synergies and duplication with other centres and institutions.

99. The Inspectors concluded that it is neither advisable nor feasible to establish a single model of decentralization. Rather, decisions on decentralization should be taken on a case-by-case basis in the light of the peculiarities of each country, area or sub-region. The same concept applies to the centres.

#### **Recommendation 15**

**The Director of PAHO should develop a coherent strategic approach to the current decentralization process, in line with the reforms proposed by the Secretary-General.**

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<sup>40</sup> "Decentralization of Technical Cooperation at PAHO. Case studies", draft of May 2004.

**Annex 1**  
**PAHO Programme Budget (in US\$)**

APPROPRIATION SECTION	2004-2005			2006-2007*			Variation	
	RB	XB	Total	RB	XB	Total	Amount	%
Communicable diseases	24,571,000	70,595,000	<b>95,166,000</b>	24,346,900	81,151,000	<b>105,497,900</b>	10,331,900	<b>10.9%</b>
Non-Communicable diseases and reduction of risk factors	15,583,000	12,435,000	<b>28,018,000</b>	17,165,100	15,463,000	<b>32,628,100</b>	4,610,100	<b>16.5%</b>
Sustainable development and environmental health	31,472,000	13,410,000	<b>44,882,000</b>	30,236,800	15,662,000	<b>45,898,800</b>	1,016,800	<b>2.3%</b>
Family and community health	14,287,000	32,067,000	<b>46,354,000</b>	15,759,700	36,510,000	<b>52,269,700</b>	5,915,700	<b>12.8%</b>
Health technologies	4,738,000	8,481,000	<b>13,219,000</b>	5,610,800	9,764,000	<b>15,374,800</b>	2,155,800	<b>16.3%</b>
Health systems development	56,288,000	68,678,000	<b>124,966,000</b>	47,787,100	72,293,000	<b>120,080,100</b>	-4,885,900	<b>-3.9%</b>
Knowledge management and information technology	19,065,000	4,902,000	<b>23,967,000</b>	19,072,100	9,896,000	<b>28,968,100</b>	5,001,100	<b>20.9%</b>
Managerial and Administrative processes	47,216,000	4,525,000	<b>51,741,000</b>	46,378,600	14,795,000	<b>61,173,600</b>	9,432,600	<b>18.2%</b>
Core presence in Countries	40,310,000	5,732,000	<b>46,042,000</b>	47,786,600	10,010,000	<b>57,796,600</b>	11,754,600	<b>25.5%</b>
<i>Other: Country variable allocation**</i>	0	0	<b>0</b>	4,950,000	0	<b>4,950,000</b>	4,950,000	
<i>Other: Retirees' health insurance**</i>	6,000,000	0	<b>6,000,000</b>	5,000,000	0	<b>5,000,000</b>	-1,000,000	
<b>TOTAL</b>	<b>259,530,000</b>	<b>220,825,000</b>	<b>480,355,000</b>	<b>264,093,700</b>	<b>265,544,000</b>	<b>529,637,700</b>	<b>49,282,700</b>	<b>10.3%</b>

\* Proposed.

\*\* Disclosed separately since appropriated under different sections for each biennium.

**Annex 2**  
**PAHO top ten contributors in 2002-2003 (US\$)**

<b>Main Contributors</b>	<b>XB</b>	<b>RB</b>	<b>Total Amount</b>	<b>Percentage</b>
United States of America	28,384,900	101,234,182	129,619,082	46.4%
Brazil	21,219,349	14,554,430	35,773,779	12.8%
Canada	5,143,009	21,040,096	26,183,105	9.4%
<b>Subtotal</b>			<b>191,575,966</b>	<b>68.4%</b>
United Kingdom	10,443,193	102,136	10,545,329	3.8%
Mexico	-	10,349,818	10,349,818	3.7%
Argentina	134,932	8,341,138	8,476,070	3.0%
Pan American Health and Education Foundation	8,142,961		8,142,961	2.9%
Sweden	7,701,341		7,701,341	2.8%
Venezuela	-	5,447,274	5,447,274	1.9%
Norway	2,286,107		2,286,107	0.8%
<b>Subtotal</b>			<b>245,024,673</b>	<b>87.6%</b>
Others....	12,682,385	7,118,930	19,801,315	16.5%
<b>Total</b>	<b>105,964,651</b>	<b>173,551,332</b>	<b>279,515,983</b>	