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Financial Report of the Director

AND

Report of the External Auditor

1 January – 31 December 2023

PAHO Pan American Health Organization
World Health Organization REGIONAL OFFICE FOR THE Americas

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Washington, D.C., 2024

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Director's comments

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In accordance with Financial Regulation 14.9 of the Pan American Health Organization (PAHO), I have the honor to present the Financial Report of the Pan American Health Organization for the financial reporting period 1 January 2023 through 31 December 2023.

The Financial Statements and Notes to the Financial Statements have been prepared in compliance with International Public Sector Accounting Standards (IPSAS) and PAHO's Financial Regulations and Financial Rules.

Although PAHO has adopted an annual financial reporting period as stipulated in Financial Regulation 2.2, the budgetary period remains a biennium (Financial Regulation 2.1). Therefore, for the purposes of actual vs. budget comparisons in the Director's Comments, the annual budget figures represent one-half of the 2022–2023 Biennial Program Budget as an approximation of annual budgetary figures.

1. Selected achievements in 2023

At just over midway through its Strategic Plan 2020–2025, the Pan American Health Organization (PAHO) has continued to spearhead innovative initiatives in the Region of the Americas to scale up health action.[1] At the same time, it has helped countries to **protect** public health gains, **recover** better from the impact of the COVID-19 pandemic, and **build stronger**, in line with the Program Budget 2022–2023. In 2023, PAHO also sought to foster commitment, enable cooperation, shed light on solutions, and focus efforts on reducing inequality gaps across the Region.

Primary health care and resilient Health Systems

PAHO provided technical cooperation that accelerated efforts to **strengthen primary health care**. In particular, 2023 saw PAHO, the Inter-American Development Bank, and the World Bank launch the Alliance for Primary Health Care, a significant step toward enhancing health service delivery across the Americas.

Alliance for Primary Health Care launched

The year also saw growth in hospital and critical care capacities in the Region, including an increase in intensive care unit beds. In addition, PAHO continued to push the Zero Maternal Deaths: Prevent the Preventable campaign. PAHO also contributed to strengthening both the quality of neonatal care and service networks in the Dominican Republic, Ecuador, Guyana, Honduras, Paraguay, and Peru as well as integrated care for older people in eight countries (Argentina, Brazil, Chile, Colombia, Costa Rica, Cuba, Mexico, and Peru).

The strengthening of essential public health functions was supported through gap analysis in 14 countries and the development of road maps in 10 countries. Moreover, PAHO assisted the integration of social determinants and equity in health reforms in Chile, Colombia, and Mexico.

PAHO provided technical cooperation that increased the resilience and preparedness of the Region's health systems. Of note is the fact that for the first time since 2015, all 35 Member States complied with the mandatory report to the 76th World Health Assembly. In addition, 20 countries launched the Resilient Hospitals to Emergencies and Disasters Initiative, while laboratories from 30 countries and territories now actively participate in genomic surveillance of epidemic-prone pathogens.

1 Further information on PAHO's achievements in 2023 may be found in the Program Budget 2022–2023 End-of-Biennium Assessment Report (to be presented to the PAHO Governing Bodies in 2024) and in: Pan American Health Organization. Annual Report of the Director of the Pan American Sanitary Bureau 2023: Toward sustainable postpandemic recovery for the Region of the Americas. 60th Directing Council, 75th Session of the Regional Committee of WHO for the Americas, Washington, D.C., USA, 25–29 September 2023. Washington, D.C.: PAHO; 2023. Available from: https://www.paho.org/en/documents/od368-annual-report-director-pan-american-sanitary-bureau.

Furthermore, in terms of strengthening human resources for health, PAHO's Virtual Campus for Public Health reached more than 2.5 million registered users. Also in 2023, the Regional Healthy Municipalities, Cities and Communities Movement expanded to eight networks, with new networks launched in Chile, Honduras, and Peru with PAHO support.

Emergencies and disasters

PAHO continued to provide timely and predictable support to **respond to health emergencies and disasters**, maintaining its 24/7 alert and response coverage. In 2023, incident management was successfully undertaken for emergencies relating to cholera, COVID-19, mpox, dengue, and polio.

Communicable diseases

PAHO provided technical cooperation to tackle **preventable communicable diseases and their root causes**. In particular, to hasten the elimination of serious infectious diseases like tuberculosis, malaria, and HIV/AIDS, PAHO relaunched its Elimination Initiative. In addition, PAHO and partners launched the Communities Empowered to Tackle Antimicrobial Resistance, a platform for multisectoral, multidisciplinary, open dialogue on antimicrobial resistance.

With support from PAHO, Belize was certified malaria-free in 2023, and Suriname neared completion of a second consecutive year without reporting indigenous transmission of malaria. In addition, with PAHO support, cost-effective sanitation technologies were delivered for 3.7 million people, mainly in rural communities in the Plurinational State of Bolivia, Colombia, Haiti, Honduras, and Peru. Moreover, with regard to optimized antiretroviral treatment, 2023 saw an increase in uptake to generic dolutegravir-based antiretroviral therapy thanks to expanded use of the Strategic Fund.

Belize certified malaria-free

Noncommunicable diseases

PAHO provided technical cooperation to address the **growing burden of noncommunicable diseases, injuries, and violence**. This included the expansion of HEARTS to seven new countries, bringing to 33 the countries committed to implementing the approach to improve hypertension control. In addition, 2023 saw the strengthening of childhood cancer services in 18 countries participating in the regional implementation of the Global Initiative for Childhood Cancer, known as CureALL Americas. Other achievements in this area were: nine countries have now adopted PAHO/WHO best practices for elimination of industrially produced trans-fatty acids; four countries approved policies on tobacco control; and health services for women migrants and refugees were strengthened in Argentina, Brazil, Colombia, and Peru.

Mental health

In 2023, as part of its efforts to raise the flag for **mental health**, PAHO launched the Report of the PAHO High-Level Commission on Mental Health and COVID-19. It also developed the new Strategy for Improving Mental Health and Suicide Prevention in the Region of the Americas, which was approved by the 60th Directing Council. Moreover, with PAHO training, 25 countries increased mental health capacities at the level of primary health care (144 790 health personnel).

Immunization and vaccines

PAHO rallied efforts to **bring immunization rates back on track** and reduce countries' dependence on external imports of **vaccines and medical supplies**. In 2023, the scope of Vaccination Week in the Americas was expanded to reach 92 million people with 144 million vaccine doses. Moreover, the Region reached more than 70% COVID-19 vaccination coverage for the basic schedule, prioritizing the most vulnerable groups. Overall, advances in vaccine acquisition yielded 9% ($18 million) savings for Revolving Fund participant countries.

Vaccination Week in the Americas reached 92 million people with 144 million vaccine doses

Digital transformation

PAHO provided technical cooperation to accelerate the **digital transformation** of public health. In this connection, PAHO assessed the maturity of Information Systems for Health in all countries, with actions ongoing to strengthen them further.

In the Region, over 15 countries were implementing digital transformation with a focus on strengthening the first level of care. At the same time, analytical and health equity monitoring capacity was boosted to inform pro-equity policies in 16 countries. In addition, PAHO helped foster digital literacy through the Research4Life Program.

Partner engagement and PAHO Forward

In positioning PAHO as a leader in health at global, regional, subregional, and national levels, the Organization leveraged and influenced policy decisions and engagement with partners on key priorities. Health development at country level was enhanced through the implementation of South-South Cooperation and the development of 16 PAHO/WHO Country Cooperation Strategies by the end of 2023. Through the implementation of **PAHO Forward**, an initiative to strengthen efficiency, transparency and accountability systems and processes are being streamlined. Teams across PAHO are becoming stronger and more cohesive through strengthened staff engagement.

16 PAHO/WHO Country Cooperation Strategies developed

Looking ahead

PAHO will continue to work with its Member States, partners, and communities to drive impact in countries toward improving the health and well-being of all people in the Region.

2. Financial performance in 2023

In 2023, PAHO reported total revenue of $1 279 million and total expenses of $1 232 million. These figures represent a decrease of $299 million in revenue and a decrease of $320 million in expenses when compared to the figures from 2022. As a result, PAHO realized a net surplus of $47.6 million for the year, marking a $20.8 million increase from the surplus recorded in 2022.

Net surplus: $47.6 million

Revenue

Of the total revenue of $1 279 million, $746 million (58%) was generated from the procurement of public health supplies, $234 million (18%) from voluntary contributions, $133 million (11%) from World Health Organization (WHO) allocations, $105 million (8%) from assessed contributions, and the remaining $61 million from various other sources. The share of flexible financing, crucial for the efficient execution of programmatic activities across the Organization, shifted from $410 million (representing 26% of total revenue) in 2022 to $402 million (32% of total revenue) in 2023. Despite the increase in the proportion of flexible financing, there remains a challenge in meeting the Member States' goal for a more flexibly funded base segment of the Program Budget.

Total revenue: $1 279 million

Assessed contributions

Assessed contributions enable PAHO to carry out essential public health functions in the Americas. Member States provide these flexible funds to align programming with the priorities established in the Program Budget. In 2023, assessed contributions held steady at $105 million.

Predictable assessed funding allows PAHO to fulfill its normative role, seed voluntary contributions, and supply vital services. As shown in Figure 1, balances due over the last decade reflect an uneven payment pattern. While assessed contributions are payable at the start of each year, the 2023 collection rate rose to 87% as more countries made timely payments.

The total volume of outstanding assessed contributions fell to $30 million (from $64 million in 2022). Still, further improvements in payment timeliness and arrears reduction remain important to strengthen PAHO's financial sustainability.

WHO Assessed Contributions and other WHO funds

In 2023, the Region of the Americas received WHO funding totaling $132.9 million (Table 1). This funding included $50.5 million in Assessed Contributions and Miscellaneous Revenue; $25.5 million in Voluntary Contributions – Emergencies; $29.2 million in Voluntary Contributions – Specified; $21.9 million in Voluntary Contributions – Core. In addition, the Organization received $5.8 million in WHO Program Support Costs.

FIGURE 1

Assessed contributions balance due at year-end, 2011–2023

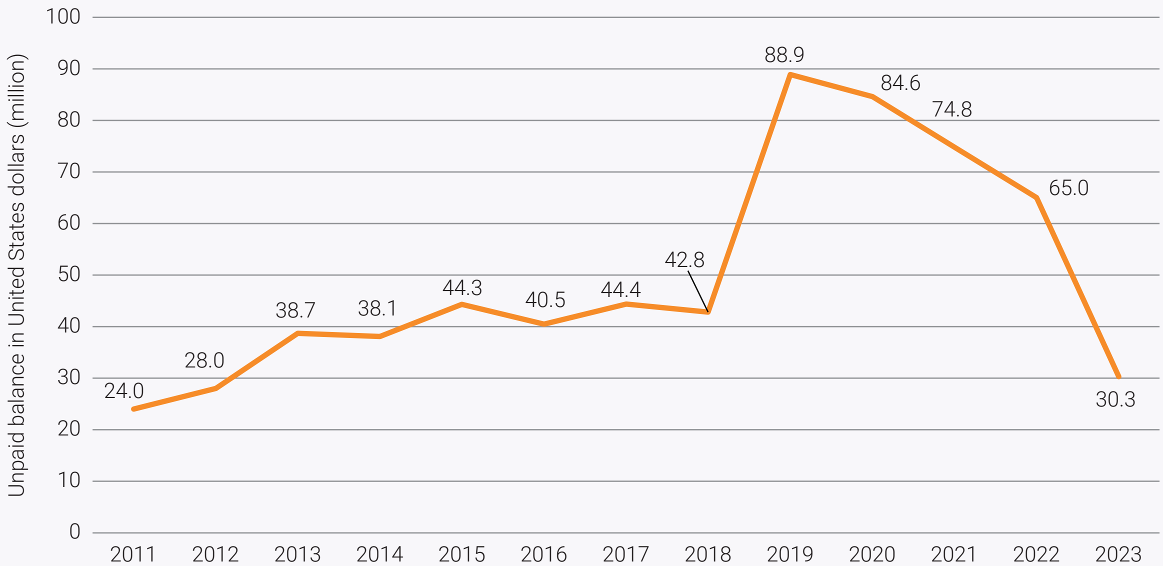


TABLE 1

WHO allocation, 2022 and 2023

	2023	**2022**
	United States dollars (million)	
WHO Assessed Contributions and Miscellaneous Revenue	50.5	39.8
WHO Voluntary Contributions – Core	21.9	0.2
WHO Voluntary Contributions – Specified	29.2	21.3
WHO Voluntary Contributions – Emergencies	25.5	49.8
WHO Program Support Costs	5.8	4.7
Total	**132.9**	**115.8**

PAHO Voluntary Contributions

Voluntary Contributions are pivotal in enabling PAHO to respond to both routine public health needs and emergency situations across Member States. They are categorized into three main streams: PAHO Non-Emergency Voluntary Contributions, PAHO Emergency Preparedness and Disaster Relief, and National Voluntary Contributions, with the first two being integral components of the Program Budget.

PAHO Non-Emergency Voluntary Contributions revenue was $80.1 million in 2023, a 4% increase from 2022 (Figure 2). PAHO Emergency Preparedness and Disaster Relief revenue was $61.4 million, a decrease of 49% from 2022. Together, these funds contributed $141.5 million to the 2023 Program Budget, a decrease of 28% from 2022.

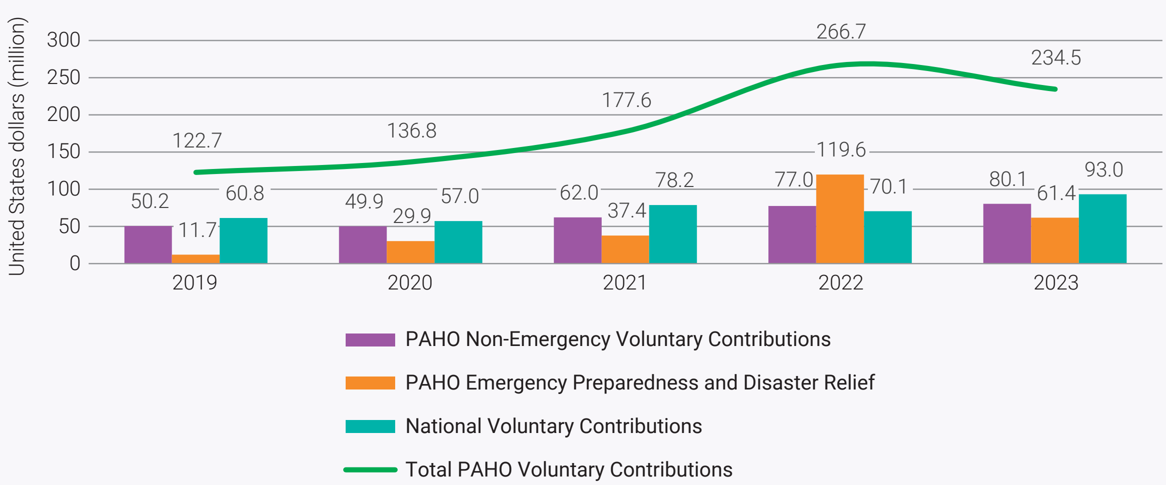
The National Voluntary Contributions are earmarked funds from Member States for projects specifically benefiting their own countries. In 2023, these contributions experienced a substantial increase of 33%, totaling $93.0 million. A significant portion of these funds, 94%, relates to projects financed by the Government of Brazil.

In 2023, 81% of Voluntary Contributions came from Member States, 8% from non-PAHO Member States (i.e., the European Union and others), 7% from United Nations entities and other international organizations, 2% from foundations, and the remaining 2% from nongovernmental organizations, for-profit organizations, and others.

National Voluntary Contributions up 33% to $93 million

FIGURE 2

PAHO Voluntary Contributions, revenue by fund, 2019–2023



Sustainable financing depends on a broad donor base. In 2023, the top 10 donors financed $129.2 million (91%) of PAHO Non-Emergency Voluntary Contributions and PAHO Emergency Preparedness and Disaster Relief, down from 94% in 2022. The top 10 donors provided 88% of PAHO Non-Emergency Voluntary Contributions, and 95% of PAHO Emergency Preparedness and Disaster Relief.

Top 10 donors financed 91% of PAHO Non-Emergency Voluntary Contributions

Procurement on behalf of Member States

PAHO has been instrumental in securing essential health supplies at lower costs for its Member States. In 2023, the total value of procurement on behalf of Member States was $745.5 million (Figure 3); a decrease from 2022 due to reduced COVID-19-related supplies procurement.

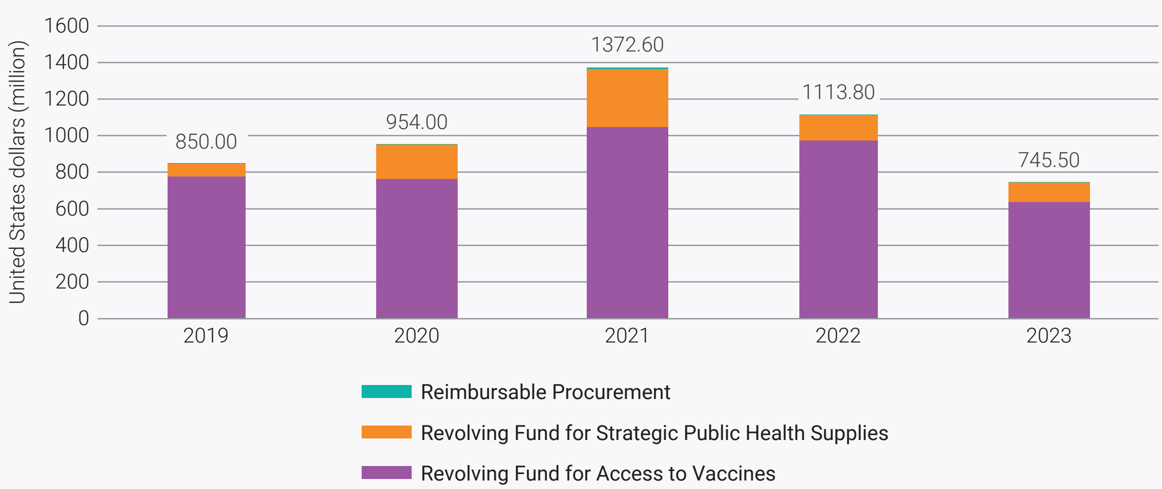
A landmark development in 2023 was the merging of the Strategic Fund and the Revolving Fund under the new Special Program of Regional Revolving Funds. This strategic move aims to streamline processes enhancing support for Member States.

Procurement on behalf of Member States: $745.5 million

For more than 46 years, the Revolving Fund for Access to Vaccines (Revolving Fund) has supported countries and territories in accessing quality, affordable, and safe vaccines. In 2023, 42 countries and territories participated in the Revolving Fund. It negotiated more affordable options for high-cost vaccines, i.e., pneumococcal

FIGURE 3

Procurement activities on behalf of Member States, 2019–2023



and human papillomavirus vaccines, and coordinated technical guidance for countries. It also helped to strengthen demand-planning capacities, conducted operations to timely fulfill vaccine demand, and with Gavi and UNICEF participated in the development of the C-19 program to support low-income countries accessing COVID-19 vaccines. With the support of the Government of Canada, and in collaboration with the technical program, the Revolving Fund mapped the needs of, and procured solar-powered refrigerators with health center kits for, 75 remote sites in the Caribbean.

Other revenue

On top of the revenue from exchange and non-exchange transactions, PAHO generated additional revenue that amounted to $61 million for 2023. The main components of other revenue are: $38.5 million from interest earned, $17.9 million from valuations gains and losses, $2.5 million from the decrease in the allowance for doubtful accounts, and $2.5 million from all other revenue.

Expenses

In 2023, PAHO's total expenses, encompassing disbursements and accrued liabilities, saw a 21% reduction, amounting to $1 232 million, down from $1 552 million in 2022.

Total expenses down 21% to $1 232 million

The main expense categories for PAHO are summarized in the following sections.

Staff costs

In 2023, staff costs accounted for 12.7% of PAHO's total expenses, amounting to $156.4 million. This represents a marginal increase from the $156.2 million recorded in 2022. Staff costs were the third largest expense category, following supplies, commodities, and materials, and contract services.

Procurement of medical supplies

Supplies, commodities, and materials saw a significant drop of 33% to $781.1 million in 2023 from $1 159.3 million in 2022. Medical supplies had the largest drop, by 56% to $38.1 million in 2023 from $86.8 million in 2022, while freight and insurance fell by 48% to $41.4 million in 2023 from $80.2 million in 2022. Medicines saw a 30% drop to $640.6 million in 2023 from $920.3 million in 2022.

Medical supplies down 56% to $38.1 million

The 2023 demand decline was primarily due to surplus stocks from the pandemic era and a strategic pivot by one country toward a cheaper vaccine, significantly influencing expenditures. Despite reduced immunization rates during the pandemic, supply requests remained steady until stockpile pressures forced reductions in 2023, with the rotavirus vaccine as a case in point.

Contractual services
In 2023, contractual services constituted the second largest expense category for PAHO, amounting to $201.7 million and accounting for 16.4% of the Organization's total expenses. This represents a 13.4% increase compared to 2022. The $26.7 million variance from the previous year can be attributed to increases in specific areas: meeting facilities and professional services had increases of $22.9 million and $19.9 million, respectively, mainly because of new resources received from Voluntary Contributions agreements implemented largely in Brazil. National and international PAHO consultant payments to contingent workers went up by $2.9 million. Conversely, there were notable reductions in expenses for technical writing, which decreased by $17.6 million, and specialized building construction, which fell by $4.3 million.

Contractual services: $201.7 million
16.4% of total expenses

Transfers and grants
Transfers and grants amounted to $11.4 million, experiencing a decrease from $13.9 million in 2022. This decline is primarily attributed to a reduction in PAHO Emergency Preparedness and Disaster Relief Fund – Letters of Agreement personnel/labor.

Travel
In 2023, travel expenses rose by $23.2 million to $56.0 million, up from $32.8 million in 2022. This increase was primarily due to an increase in fares and per diem for event participants, PAHO personnel, and temporary advisers. The most significant increases by funding source were observed in national voluntary contribution ($9.1 million), followed by PAHO and WHO Voluntary Contributions ($8.9 million), and PAHO assessed contributions ($5.3 million).

General operating and other direct expenses
General operating and other direct expenses increased by $9.6 million to $22.5 million in 2023 from $12.9 million in 2022. A significant factor contributing to this variance between the two years is the absence of provisions in 2023, whereas 2022 saw a reduction of $10.3 million due to such provisions.

Financial position
The financial position of the Organization is summarized in Table 2.

Net assets experienced a $15 million increase, reaching $563 million, primarily due to a significant change of $63 million in accounts receivable, with a detailed breakdown as follows: a $96 million increase from activities related to voluntary contributions, offset by a $35 million decrease in assessed contributions and a $2 million decrease in the allowance for doubtful accounts receivable.

Net assets: $563 million

TABLE 2

Summarized financial position of PAHO as of 31 December 2023

	2023	2022	Change
	USD dollars (million)		
ASSETS			
Financial assets and cash	1 217	1 211	6
Receivables	448	385	63
Property, plant, and equipment	164	147	17
Other assets	15	19	(4)
Total assets	**1 844**	**1 762**	**82**
LIABILITIES			
Accrued liabilities	24	34	(10)
Accounts payable	62	99	(37)
Employee benefits	187	140	47
Deferred revenue	1 008	941	67
Total liabilities	**1 281**	**1 214**	**67**
NET ASSETS	**563**	**548**	**15**

Activities related to voluntary contributions up $96 million

Property, plant, and equipment saw a $17 million increase, which included a $13 million rise in the value of assets under construction.

Accrued liabilities decreased by $10 million due to a $3 million reduction in voluntary contributions, a $4 million reduction in procurement of public health supplies, and a $3 million decrease in other categories.

Accounts payable saw a $37 million decrease, resulting from a $16 million decrease in procurement of public health of supplies, a $65 million decrease in sponsor refunds, offset by a $13 million increase in assessed contributions paid in advance, and a $1 million decrease in other payables.

Employee benefits, including after-service health insurance (ASHI) and terminal benefit payments, increased by $47 million as determined by independent actuarial valuation. The $47 million increase in staff-related liabilities represents a total actuarial loss. Of this total, $14 million was reflected in the Statement of Financial Performance, with the remaining $33 million directly affecting net assets. PAHO maintains its strategic funding approach to manage after-service liabilities over the long term.

Employee benefits up $47 million

Deferred revenue rose by $67 million, attributed to a $90 million increase from voluntary contributions counterbalanced by a $23 million decrease related to the procurement of public health supplies.

Reserves

At 31 December 2023, PAHO had total net assets of $563 million, as set out in Table 3.

TABLE 3

Summarized financial position of PAHO as of 31 December 2023

	United States dollars (million)
Fund balances	
Procurement of public health supplies	321
Flexible funds	68
Services	9
Staff entitlements*	(158)
Total fund balances	**240**
Reserves	
Core activities	85
Partnership activities	16
Enterprise activities	170
Special activities	52
Total reserves	**323**
Total net assets	**563**

* After-service health insurance, provision for staff entitlements, provision for termination and repatriation entitlements, and post occupancy charges.

Investments

PAHO's investment portfolio is comprised of short-term funds, long-term externally managed funds, and the Termination and Repatriation Entitlements (TAREP) portfolio. These investments are managed prudently, in accordance with the Organization's Investment Policy. The PAHO Treasury team works with investment managers to ensure high standards of credit quality, security, and liquidity so that funds are readily available to finance PAHO's public health objectives across the Americas.

In 2023, PAHO increased its short-term investments by $175 million, from $51 million to $226 million, in order to capitalize on favorable market conditions in the United States of America, where short-dated instruments outperformed their long-term counterparts. These funds are invested conservatively in 45–90-day certificates of deposit and a reputable money market fund. Meanwhile, long-term externally managed funds decreased by $159 million, from $982 million to $823 million, as part of a strategic rebalancing toward shorter-duration securities considering the rising interest rate environment. The TAREP portfolio grew modestly by $1 million, from $17 million to $18 million, through income and market appreciation.

Short-term investments up $175 million

Foreign exchange risk management

PAHO manages foreign exchange with a cash policy to minimize the risk of exchange rate movements, keeping only 30 days of disbursements in local currencies across the Region. No exceptions to this policy have been granted by the Investment Committee.

Cash policy: 30 days of disbursements in local currency

Financing employee liabilities

PAHO Staff Health Insurance (SHI) manages a health insurance program for active and retired staff, and this program carries a liability for future health costs payable calculated from actuarial projections. This fund is part of the WHO Staff Health Insurance Fund administered by the Global Oversight Committee, which advises the Director-General of WHO.

The revenue for this plan is from contributions collected from participating entities and from both active and former staff of these entities to the SHI. Contributions are generally financed in the ratio of two-thirds by the participating entities to one-third by the participants. In addition, the plan receives finance revenue from income on externally managed investments, and interest on excess cash invested.

The SHI pursues three strategies to improve the funding of ASHI liabilities: ensure contributions are sufficient to build up assets to help cover the defined benefit obligation; contain costs through regular negotiations with healthcare providers to limit the impact of medical inflation, case management, and a review of plan design;

and achieve an expected average rate of return of 3.7% on investments over a long-term time horizon.

In 2023, the defined benefit obligation for ASHI experienced an increase, moving from $208.1 million in 2022 to $265.3 million (Figure 4). This rise can be attributed to several key factors: an $18.8 million increase resulting from the adjustment of the discount rate from 5.6% to 5.1%, a $19.8 million increase due to revised capital claims assumptions, and a $17.3 million increase following the update of healthcare cost trend assumptions.

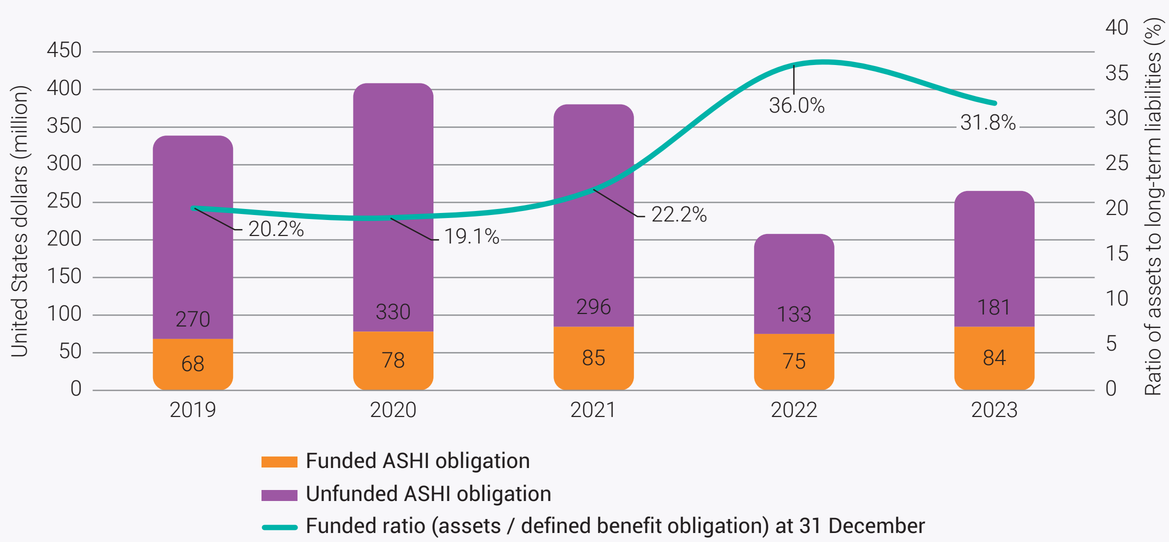
Defined benefit obligation rose to $265.3 million

In 2023 the market value of the ASHI assets experienced a net increase of $9.4 million, reaching a total value of $84.8 million. This growth was primarily due to $9.98 million in interest and gains. Additionally, the year saw contributions from participants and the Organization amounting to $25.5 million. However, the overall increase was moderated by deductions totaling $26.1 million, which covered administrative expenses and reimbursements for claims. Essentially the next increase in asset value reflects the balance of interest and gains, alongside contributions, against the costs of claims and administrative expenses.

As a result of the increase in the valuation of the future liabilities, the funded ratio of the SHI fund's assets to its long-term liabilities decreased from 36.0% in 2022 to 31.8% in 2023.

FIGURE 4

After-service health insurance (ASHI) funding, 2019–2023



Preparation of the Financial Statements

The Financial Statements of the Pan American Health Organization have been prepared on the accrual basis of accounting in accordance with the IPSAS,[2] using the historical cost convention except for land and buildings, which are shown at fair value. Where an IPSAS does not address a particular issue, the appropriate International Financial Reporting Standard has been applied.

The Financial Statements of the Organization were certified and approved for publication by the Director of the Organization under the authority vested in him by the Pan American Sanitary Conference, as stated in Resolution CSP30.R7 of September 2022. The issuance approval is the date of the External Auditor's Report. No other authority has the power to amend the Financial Statements after issuance.

Jarbas Barbosa da Silva Jr.

Jarbas Barbosa da Silva Jr.
Director
Pan American Sanitary Bureau

2 International Public Sector Accounting Standards Board. Standards & pronouncements. Toronto: IPSASB; 2024 [cited 19 April 2024]. Available from: https://www.ipsasb.org/publications/2019-handbook-international-public-sector-accounting-pronouncements.

Certification of the Financial Statements for the year ended 31 December 2023.

In accordance with the provisions of Regulation XIII of the Financial Regulations, attached are the Financial Statements for the year ended 31 December 2023. The financial statements, accounting policies and notes to the financial statements have been prepared in compliance with International Public Sector Accounting Standards (IPSAS). The Financial Statements and notes have been audited by the Organization's External Auditor, the National Audit Office whose opinion is included in this report.

The Financial Statements for the year ended 31 December 2023, together with the supporting notes to the statements have been reviewed and approved.

Christos Kasapantoniou

Christos Kasapantoniou
Director
Financial Resources Management

Jarbas Barbosa da Silva Jr.

Jarbas Barbosa da Silva Jr.
Director
Pan American Sanitary Bureau

17 May, 2024

PAHO's 2023 Statement on Internal Control

Scope of responsibility

As Director of the Pan American Sanitary Bureau (PASB), I am accountable for the administration of the Pan American Health Organization (PAHO) and the implementation of its technical programmes. Under Financial Regulations I and XII, I have the ultimate responsibility for establishing and maintaining a sound system of internal controls, including an internal oversight function, to ensure the effective and efficient use of the Organization's resources and the safeguarding of its assets.

Pursuant to Financial Regulation I, I have delegated authority and accountability to the Deputy Director, Assistant Director, Director of Administration, Heads of Country Offices, Heads of Subregional Offices, and certain other Heads of Offices (Cost Center Managers). In turn, the Deputy Director, Assistant Director, and Director of Administration have also delegated their authority to Heads of Offices. In signing this statement, I have relied upon the assurances provided to me by these senior staff members, as well as the Organization's assurance functions and management information systems.

Purpose of the system of internal controls

PAHO's internal control's structure, defined by Regulation XII, is supported by an internal control process, effected by our Governing Bodies, the Director of the Organization, senior management, and other personnel, designed to provide reasonable assurance regarding the achievement of the Organization's objectives relating to operations, reporting, and compliance. Limitations exist in all systems of internal control, and uncertainties and risks may continue to arise. The objective of our system of internal controls is to manage risk at an acceptable level, rather than to eliminate it entirely.[1]

PAHO's operating environment

PASB operates at its Washington, D.C. headquarters, 27 country offices, and three specialized centers in the Region. February 2023 marked the beginning of my mandate as the Director of the PASB. As part of my vision for the future of PAHO, we need to further strengthen the capacity of the Organization to support Member States. By strengthening its country focus, PAHO can help countries overcome persistent inequities, build health systems that can respond to emerging threats, recover from the COVID-19 pandemic, and achieve universal health. To support the achievement of this vision, I have launched PAHO Forward, an organization-wide approach to guide the implementation of initiatives that aim to increase efficiency, transparency, and accountability.

In 2023, as part of PAHO Forward, PASB has conducted a study of the number and volume of administrative operations in country offices and, as a result, decided to review and increase the delegation of authority for Heads of Country Offices. This increase in delegated authority creates efficiencies, moving control activities closer to operations. Building on this momentum, I have ordered the strengthening of compliance and risk management as part of PAHO Forward initiatives, reinforcing the function and ensuring that the levels of residual risk remain at an acceptable level in the Organization. As part of these efforts, PAHO has created a compliance dashboard, made available to country offices, which extracts data from PAHO's ERP and outputs compliance information with key policy requirements. PAHO has also reviewed its compliance certification exercise, surveying cost centers on key areas of compliance. These and other initiatives are further detailed in the sections that follow.

[1] Committee of Sponsoring Organizations of the Treadway Commission. *Internal Control - Integrated Framework*. New York: COSO, 2013.

PAHO's risk management system

The following table summarizes the risks approved in the framework of the Program and Budget 2022-2023 biennium.[2]

Risk Area	Scope
Dependence upon and need to ensure Member States' funding of their financial commitments	1. Failure of some Member States to comply with financial commitments (assessed contributions) 2. Insufficient resources or decline in investment to implement and achieve the PAHO Strategic Plan, including funds through voluntary contribution mechanisms 3. Governance collapse or crisis that may delay compliance with financial obligations or derail programmatic development
Ability to support Member States' needs through mobilization of resources, leveraging of partners and donors, and speed of response	1. Failure to respond rapidly to Member States' needs in emergencies (outbreaks and natural disasters) 2. Lack of diversification of partners and donors 3. Failure to develop and implement resource mobilization plans
Ability to attract and retain talent with skills and competencies to meet new work modes	1. Time or resource constraints that make it difficult to continuously maintain and update required skills and competencies of existing staff 2. Inability to attract and retain staff with competencies and skills required to support programmatic commitments
Competing national priorities that reduce attention to health priorities	1. Increasing scale of the COVID-19 emergency and new humanitarian crises that may affect health outcomes 2. Information systems with limited disaggregated data and scarce data on the social determinants of health
System/technology infrastructure readiness to support digital transformation	1. Insufficient resources for applications development for workplace modernization and business continuity 2. Increase of cyberattacks affect the normal functioning of PAHO's operations. 3. Increase in demand of technological requests and lack of compliance with IT governance
Staff security and PAHO operations may be affected by social events or/and natural disasters	1. Failure to follow workplace s implement safety protocols to ensure health, and well-being and/or security of personnel 2. Lack of updated business continuity plans in PAHO duty stations 3. Lack of updated of emergencies plans in place
PASB reputation	1. Potential for fraud/conflict of interest/misbehavior 2. Misinformation may affect PAHO's reputation and/or certain public health programs 3. Lack of due diligence in the engagement with external partners

To manage these risks, several mitigation actions are integrated into the regular program of work of the risk owners and regularly monitored by Enterprise Risk Management and Compliance Standing Committee, Executive Management, and other entities. The range of mitigation actions with different levels and dimensions include the development or review of policies and procedures, regular confirmation of compliance with specific processes, monitoring of implementation of donor agreements, training to build internal capacity, regular and ad hoc consultations with Member States, maintaining communications with internal and external stakeholders regarding PASB progress and challenges, monitoring of implementation of PASB response during health emergencies, exercising duty of care, and conducting risk assessments and audits.

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[2] OD363. Program Budget of the Pan American Health Organization 2022-2023. Virtual Session, 20-24 September 2021

PAHO's internal control system

PAHO's internal control system is based on COSO's Internal Control Framework[3] and on the Three Lines Model.[4] The three lines model allocates responsibilities to protect an organization against the failure to achieve its objectives. The first line is composed of Directors, Heads of Country Office, Heads of Offices, and other personnel, who lead and direct actions (including managing risk) and assign resources to achieve the objectives of the Organization. The second line includes risk management, compliance, ethics and other enabling functions that provide guidance on internal control requirements and evaluate adherence to defined standards. Lastly, the third line is constituted by the internal audit and evaluation functions, which assesses and reports on internal controls and recommends corrective actions or enhancements for management to consider.

In January 2023, the Office of Internal Audit (OIA) completed an internal audit of PAHO's second line of defense. This audit found opportunities for improvement in two priority areas: (i) linking compliance activities more closely to Organizational risks and widening their scope; and (ii) ensuring adequate follow-up of the monthly checklist. The results of the audit are being addressed and recommendations are planned to be fully addressed in 2024, together with pending recommendations from previous external audits. As part of these efforts, the Organization's compliance function, temporarily managed by the Enterprise Risk Management Senior Advisor, regained a dedicated staff member in June 2023. Since then, PAHO has been revamping its efforts in internal controls and compliance. A significant measure in this direction was the launch of a compliance dashboard, a report that extracts data from PAHO's ERP related to compliance with certain policies and outputs remediation action needed for personnel. To bring together risk management, compliance, and enabling functions, PAHO also reintroduced in 2023 a revised compliance certification exercise. This exercise periodically surveys cost centers regarding their compliance with a subset of the components of the Organization's assurance map. Results are then shared with enabling functions for follow-up and resolution and with the Enterprise Risk Management and Compliance Standing Committee for information. Following previous audit recommendations, the areas that are surveyed under the certification exercise are under review for better alignment with Organizational risks.

Part of the third line, the Office of Internal Audit (OIA) also plays an important role in guiding PAHO's internal control system. OIA undertakes internal audits and, occasionally, advisory assignments. OIA's mission is to advise the Bureau on the economy, effectiveness, and efficiency of administrative and operational matters in order to facilitate the achievement of organizational objectives. In 2023, OIA undertook 11 internal audits, covering diverse operations and activities. Three assignments had a cross-organizational thematic focus, and eight addressed country-level operations. The Report of the Office of Internal Audit for 2023 contains detailed information on OIA's work, including a list of the assignments undertaken and their ratings. For the sixth consecutive year, no individual internal audit was rated "unsatisfactory." For country-level audits, 2023 was the seventh consecutive year without an "unsatisfactory" rating.

Looking forward, to continue addressing PAHO's ever-evolving inherent risks, PAHO's will promote collaboration in between the first, second and third lines in the review of existing processes, policies, and associated compliance monitoring activities, with particular emphasis in areas where non-compliance could result in significant financial or reputational damage to the Organization. Our forward-looking efforts will include fostering a culture of compliance through enhanced training, communications, and outreach. Finally, an important step for PAHO's internal control strategy will be the establishment of a formal accountability framework, which will aim to harmonize the multiple accountability mechanisms that currently exist throughout the Organization.

Review of effectiveness

My review of the effectiveness of PAHO's system of internal controls is based on the following:

(a) An annual certification of cost center financial accounts and internal controls (letter of representation.) This is reviewed and signed by all Cost Center Managers and confirms compliance with both the spirit and the letter of PAHO's Constitution, the Financial Regulations and Financial Rules of PAHO, and PAHO's e-Manual's Policies and SOPs, along with other assurances.

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[3] Id.

[4] The Institute of Internal Auditors. The IIA'S Three Lines Model*: An update of the Three Lines of Defense.* Florida: IIA, 2020.

(b) An annual certification from Heads of Office under the Director of Administration, which states whether these offices are aware of any major deficiencies in PAHO's internal controls related to the policies under their areas of responsibility.

(c) A quarterly compliance certification exercise, used by each administrator in all PAHO's cost centers to review compliance with a subset of the components of the Organization's assurance map. Issues reported in this certification exercise are shared with process owners for follow-up and resolution, and with the Enterprise Risk Management and Compliance Standing Committee for information.

(d) PAHO's Office of Internal Audit. The reports of internal audits, conducted under the 2023 audit workplan, provide objective information on compliance and control effectiveness, together with recommendations for improvement. The findings from these reports are summarized in the Annual Report of the Office of Internal Audit to the Executive Committee. Even as areas for improvement have been identified and are under Management's action, OIA did not identify any significant weaknesses in internal controls that would seriously compromise the achievement of PAHO's strategic and operational objectives. Individual audit reports are available for review by Member States.

(e) Reports issued by the External Auditor. The external audit provides independent oversight and reporting on PAHO's compliance with the Financial Regulations and Financial Rules. The external auditors submit their key findings, observations and recommendations to the governing bodies.

(f) The work of the Audit Committee. The work of the Audit Committee is conducted in accordance with internationally accepted best practices. The Audit Committee reviews documents and policies, receives briefings and presentations, and holds private sessions with senior staff. Although the Audit Committee is not responsible for the implementation or effectiveness of PAHO's internal controls, its reports, submitted to the Executive Committee, identify areas for potential improvement and contain recommendations on how to remedy weaknesses regarding risk management, and financial and internal control matters.

Statement

Internal controls, even when operating effectively, have certain inherent limitations, including the possibility of circumvention and therefore can provide only reasonable assurance. With that in mind, I am not aware, to the best of my knowledge and based on reasonable inquiries, of any major deficiency in PAHO's internal controls system. I am confident that the Organization's system of internal controls was reasonably effective throughout the financial reporting period from 1 January 2023 to 31 December 2023 and remains effective as of the date of signature of this certification.[5]

Looking forward, I am committed to further strengthening PAHO's internal control system and fostering a culture of compliance and accountability within the Organization.

Jarbas Barbosa da Silva Jr.

Jarbas Barbosa da Silva Jr.
Director
Pan American Sanitary Bureau

[5] The Director's term initiated on January 31st, 2023. For the period between 1 and 31 January 2023, the Director's Administrative Transfer included a statement of confidence from PAHO's prior Director affirming that the system of internal control was effective throughout her term.

INDEPENDENT AUDITOR’S REPORT TO THE PAN AMERICAN HEALTH ORGANIZATION

Opinion on financial statements

I have audited the financial statements of the Pan American Health Organization for the year ended 31 December 2023, which comprise the

- Statement of Financial Position as at 31 December 2023,
- Statement of Financial Performance, Statement of Changes in Net Assets, Statement of Cash Flow for the year then ended,
- Statement of Comparison of Budget and Actual Amounts for the year and biennium then ended, and
- the related notes, including the significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Pan American Health Organization as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Opinion on regularity

In my opinion, in all material respects, the revenue and expenses have been applied to the purposes intended by the Pan American Sanitary Conference and the financial transactions conform to the Pan American Health Organization’s Financial Regulations.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) and the Pan American Health Organization’s Financial Regulations. My audit of regularity was undertaken using the principles set out within the ISAs. My responsibilities under these standards are further described in the Auditor’s responsibilities for the Audit of the Financial Statements section of my report.

I am independent of the Pan American Health Organization in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

Management is responsible for the other information. The other information comprises information included in the Director’s Report and Pan American Health Organization’s 2023 Statement on Internal Control, but does not include the financial statements and my auditor’s report thereon.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of Management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Pan American Health Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Pan American Health Organization or to cease operations, or has no realistic alternative but to do so.
Management and those charged with governance are responsible for overseeing Pan American Health Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs,

I exercise professional judgment and maintain professional scepticism throughout the audit.

- I exercise professional judgment and maintain professional scepticism throughout the audit.
- I identify the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pan American Health Organization's internal control.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- I conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pan American Health Organization's

ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Pan American Health Organization to cease to continue as a going concern.

- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the revenue and expenses reported in the financial statements have been applied to the purposes intended by the Pan American Sanitary Conference and the financial transactions confirm to the Financial Regulations which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have also issued a long-form audit report on the results of my audit.

Gareth Davies **Date: 20 May 2024**
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London
SW1W 9SP
United Kingdom

Financial Statements

Pan American Health Organization

Statement of Financial Position

As at 31 December 2023
(In thousands of US dollars)

Description	Reference	31 December 2023	31 December 2022
ASSETS			
Current Assets			
Cash and Cash Equivalents	Note 3	168 371	178 929
Short Term Investments	Note 4.1	226 426	50 959
Accounts Receivable	Note 6	235 683	261 960
Inventories	Note 7	13 566	17 604
Total Current Assets		**644 046**	**509 452**
Non-Current Assets			
Long Term Investments	Note 4.2	822 659	981 684
Accounts Receivable	Note 6	212 396	123 388
Property, Plant and Equipment	Note 8	163 573	146 648
Intangible Assets	Note 9	865	1 050
Total Non-Current Assets		**1 199 493**	**1 252 770**
TOTAL ASSETS		**1 843 539**	**1 762 222**
LIABILITIES			
Current Liabilities			
Accrued Liabilities	Note 10	23 734	34 262
Accounts payable	Note 11	54 039	90 503
Employee Benefits	Note 12.4	3 209	3 033
Deferred Revenue	Note 13	735 384	741 507
Total Current Liabilities		**816 366**	**869 305**
Non-Current Liabilities			
Accounts payable	Note 11	8 659	8 659
Employee Benefits	Note 12.4	183 796	136 904
Deferred Revenue	Note 13	272 580	199 529
Total Non-Current Liabilities		**465 035**	**345 092**
TOTAL LIABILITIES		**1 281 401**	**1 214 397**
NET ASSETS / EQUITY			
Fund Balances	Note 14	239 593	256 289
Reserves	Note 14	322 545	291 536
TOTAL NET ASSETS / EQUITY		**562 138**	**547 825**
TOTAL LIABILITIES AND NET ASSETS / EQUITY		**1 843 539**	**1 762 222**

Pan American Health Organization
Statement of Financial Performance

For the year ended 31 December 2023
(In thousands of US dollars)

Description	Reference	31 December 2023	31 December 2022
REVENUE			
Revenue from Non-Exchange Transactions			
Assessed Contributions	Note 15	105 275	105 275
Voluntary Contributions	Note 15	234 462	266 709
WHO Allocations	Note 15	132 932	115 915
Revenue from Exchange Transactions			
Procurement of Public Health Supplies	Note 15	745 504	1 113 729
Other Revenue	Note 15	61 281	(23 254)
TOTAL REVENUE		**1 279 454**	**1 578 374**
EXPENSES			
Staff and Other Personnel Costs	Note 16	156 439	156 212
Supplies, Commodities, Materials	Note 16	781 080	1 159 303
Depreciation, Amortization, and Revaluation	Note 16	2 721	1 778
Contract Services	Note 16	201 729	174 745
Travel	Note 16	56 030	32 827
Transfers and Grants to Counterparts	Note 16	11 371	13 851
General Operating Costs	Note 16	22 462	12 875
TOTAL EXPENSES		**1 231 832**	**1 551 591**
NET SURPLUS / (DEFICIT)		**47 622**	**26 783**

Note: For improved transparency, some amounts have been reclassified to better reflect the underlying nature of the item.

Pan American Health Organization

Statement of Changes in Net Assets

For the year ended 31 December 2023
(In thousands of US dollars)

Description	Reference	31 December 2023	31 December 2022
Net assets at the beginning of the year		**547 825**	**340 248**
Actuarial gain / (losses) on employee benefits liabilities	Note 12.7	(33 309)	180 794
Total of items (revenue/expenses) recognized directly in Net Assets		**(33 309)**	**180 794**
Surplus/(deficit) for the Financial Period		**47 622**	**26 783**
Total recognized revenue and expenses for the year		**14 313**	**207 577**
Net assets at the end of the year	**Note 14**	**562 138**	**547 825**

Pan American Health Organization

Cash Flow Statement

For the year ended 31 December 2023
(In thousands of US dollars)

Description	Reference	31 December 2023	31 December 2022
Cash Flows from Operating Activities:			
Surplus / (Deficit) for the period		47 622	26 783
Adjustments to reconcile surplus for the year to net cash flows:			
Unrealized (gain)/loss on investments recognized in surplus	Note 4.2	(24 476)	39 801
Depreciation	Note 8	2 407	1 450
Amortization	Note 9	314	328
Interest revenue *	Note 15	(38 454)	(20 376)
Changes in assets			
(Increase) / Decrease in Accounts Receivable	Note 6	(65 221)	(37 781)
(Increase) / Decrease in Inventories	Note 7	4 038	(8 630)
(Increase) / Decrease in Allowance for Doubtful Accounts Receivable	Note 6.2	2 490	2 692
Changes in liabilities and net asset			
Increase / (Decrease) in Accrued Liabilities	Note 10	(10 528)	6 535
Increase / (Decrease) in Accounts Payable	Note 11	(36 464)	49 055
Increase/(decrease) in employee benefits liabilities	Note 12.7	47 068	(158 922)
Actuarial (loss)/gain on employee benefits liabilities	Note 12.7	(33 309)	180 793
Increase / (Decrease) in Deferred Revenue	Note 13	66 928	(127 884)
Increase / (Decrease) in Short Term Provision	Note 23		(10 290)
Net Cash Flows from Operating Activities		**(37 585)**	**(56 446)**
Cash Flows from Investment and Financing Activities			
Purchases of investment	Note 4	(1 343 813)	(1 025 216)
Maturities and sales of investment	Note 4	1 348 910	1 083 059
Interest received *	Note 4	36 767	17 840
Gain on sale of investments	Note 4	4 624	2 107
Purchase of/adjustments to property, plant, and equipment and intangible assets	Note 8 / 9	(19 461)	(9 724)
Proceeds from sale of property, plant, and equipment			(17)
Net Cash Flows from Investing Activities		**27 027**	**68 049**
Net Increase / (Decrease) in Cash and Cash Equivalents		**(10 558)**	**11 603**
Cash and Cash Equivalents at the beginning of the Year		**178 929**	**167 326**
		168 371	**178 929**

* Change in presentation to improve transparency of interest cashflows.

Pan American Health Organization

Statement of Comparison of Budget and Actual Amounts

For the year and biennium ended 31 December 2023

(In thousands of US dollars)

Outcome No	Outcome short title	Approved Program Budget 2022-2023	Variations	Amended Program Budget 2022-2023	FY 2022	FY 2023				Total 22-23 Expenditures as % of Approved Program Budget
					Expenditures (With Accruals)	Apportioned Budget	Expenditures (With Accruals)	Total 2023 Expenditures as % of Apportioned Budget	Total 22-23 Expenditures	
	Base Programs									
Outcome 1	Access to comprehensive and quality health services	25 500	1 400	26 900	7 927	13 450	12 547	93%	20 474	76%
Outcome 2	Health throughout the life course	35 000		35 000	9 788	17 500	12 930	74%	22 718	65%
Outcome 3	Quality care for older people	4 000		4 000	849	2 000	1 882	94%	2 731	68%
Outcome 4	Response capacity for communicable diseases	70 000	1 000	71 000	30 115	35 500	37 847	107%	67 962	96%
Outcome 5	Access to services for NCDs and mental health conditions	20 300	800	21 100	11 799	10 550	11 191	106%	22 990	109%
Outcome 6	Response capacity for violence and injuries	3 000		3 000	962	1 500	1 359	91%	2 321	77%
Outcome 7	Health workforce	12 500	300	12 800	3 992	6 400	6 475	101%	10 467	82%
Outcome 8	Access to health technologies	36 400	1 600	38 000	12 148	19 000	19 477	103%	31 625	83%
Outcome 9	Strengthened stewardship and governance	10 100	750	10 850	3 784	5 425	3 686	68%	7 470	69%
Outcome 10	Increased public financing for health	4 400	950	5 350	1 730	2 675	1 829	68%	3 559	67%
Outcome 11	Strengthened financial protection	4 100		4 100	636	2 050	813	40%	1 448	35%
Outcome 12	Risk factors for communicable diseases	26 000	800	26 800	8 141	13 400	11 709	87%	19 851	74%
Outcome 13	Risk factors for NCDs	27 000	600	27 600	5 020	13 800	8 709	63%	13 728	50%
Outcome 14	Malnutrition	6 000	300	6 300	2 826	3 150	2 383	76%	5 209	83%
Outcome 15	Intersectoral response to violence and injuries	3 000		3 000	1 117	1 500	1 781	119%	2 898	97%
Outcome 16	Intersectoral action on mental health	5 000	500	5 500	1 671	2 750	2 029	74%	3 700	67%
Outcome 17	Elimination of communicable diseases	26 000	300	26 300	8 037	13 150	13 224	101%	21 262	81%
Outcome 18	Social and environmental determinants	17 000	600	17 600	5 975	8 800	9 727	111%	15 702	89%
Outcome 19	Health promotion and intersectoral action	6 000	500	6 500	1 304	3 250	3 115	96%	4 418	68%
Outcome 20	Integrated information systems for health	16 400	300	16 700	7 450	8 350	8 576	103%	16 026	96%
Outcome 21	Data, information, knowledge, and evidence	16 500		16 500	6 666	8 250	9 737	118%	16 403	99%
Outcome 22	Research, ethics, and innovation for health	3 800		3 800	1 342	1 900	1 757	92%	3 099	82%
Outcome 23	Health emergencies preparedness and risk reduction	27 000	11 600	38 600	7 946	19 300	14 247	74%	22 193	57%
Outcome 24	Epidemic and pandemic prevention and control	26 000	11 600	37 600	6 913	18 800	13 570	72%	20 483	54%
Outcome 25	Health Emergencies Detection and Response	25 000	2 500	27 500	18 083	13 750	15 633	114%	33 716	123%
Outcome26	Cross-Cutting Themes: Equity, Ethnicity, Gender, and Human Rights	7 000	200	7 200	2 202	3 600	3 376	94%	5 579	77%
Outcome 27	Leadership and governance	78 500	2 900	81 400	38 539	40 700	44 425	109%	82 964	102%
Outcome 28	Management and administration	98 500		98 500	47 173	49 250	62 637	127%	109 810	111%
Subtotal - Base Programs		**640 000**	**39 500**	**679 500**	**254 134**	**339 750**	**336 673**	**99%**	**590 806**	**87%**

	Foot and mouth disease elimination program	11 000		11 000	6 062	5 500	6 480	118%	12 542	114%
	Smart hospitals	5 000	5 000	10 000	9 695	5 000	1 872	37%	11 568	116%
	Outbreak and crisis response	31 000	149 000	180 000	148 941	90 000	77 383	86%	226 323	126%
	Polio eradication maintenance	1 000		1 000	127	500	29	6%	156	16%
Subtotal - Special Programs		**48 000**	**154 000**	**202 000**	**164 825**	**101 000**	**85 765**	**85%**	**250 590**	**124%**
TOTAL - Program Budget		**688 000**	**193 500**	**881 500**	**418 959**	**440 750**	**422 437**	**96%**	**841 396**	**95%**

The Approved PAHO Program Budget 2022-2023 (PB22-23) amounts to $881.5 million, $679.5 million in Base programs and $202 million in Special Programs.

Notes to the Financial Statements

1. Mission of the Pan American Health Organization

The mission of the Organization is "To lead strategic collaborative efforts among Member States and other partners to promote equity in health, to combat disease, and to improve the quality of, and lengthen, the lives of the peoples of the Americas."

The Pan American Health Organization (the Organization) is an international public health agency with more than 120 years of experience in working to improve health and living standards in the countries of the Americas. It serves as the specialized organization for health of the Inter-American System. It also serves as the Regional Office for the Americas of the World Health Organization and enjoys international recognition as part of the United Nations system.

The Pan American Sanitary Bureau (PASB) is the Secretariat of the Organization. The Bureau is committed to providing technical support and leadership to the Organization's Member States as they pursue their goal of Health for All and the values therein.

The headquarters of the Organization is located in Washington, D.C. In addition, the Organization has Representative Offices throughout the Americas, which are in charge of implementing its values, mission, and vision.

2. Accounting policies

2.1 Basis of preparation

The financial statements of the Pan American Health Organization have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS), using the historical cost convention except for land and buildings which are shown at fair value. Where an IPSAS does not address a particular issue, the appropriate International Financial Reporting Standard (IFRS) has been applied.

The Financial Statements of the Organization were certified and approved for issue by the Director of the Organization under the authority vested in him by the Pan American Sanitary Conference, as stated in Resolution CSP30.R7 of September 2022.

The issuance approval is the date of the External Auditor's Report. No other authority has the power to amend the Financial Statements after issuance.

The functional and reporting currency of the Organization is the United States dollar (US$). Disclosed amounts in the Financial Statements and charts for the Explanatory Notes are rounded in order to be expressed in thousands. The rounding practices may result in tables that may not sum precisely to the rounded totals or the supporting notes.

These financial statements were prepared based on the assumption that the Organization is a going concern and will continue in operation to fulfill its mandate for the foreseeable future. Management has an established risk management system to identify and evaluate risks and views no significant risk that would jeopardize the Organization as a going concern. The Organization has a robust overall financial position, a stable 2024-2025 biennium budget and a system in place to forecast and monitor future funding streams.

In accordance with IPSAS 1, a complete set of financial statements has been prepared as follows:

a. Statement of Financial Position
b. Statement of Financial Performance
c. Statement of Changes in Net Assets
d. Cash Flow Statement
e. Statement of Comparison of Budget and Actual Amounts
f. Notes, comprising a summary of significant accounting policies and other relevant information.

2.2 Cash and cash equivalents

Cash and cash equivalents, which are financial assets, comprise cash on hand, cash at banks and money market funds. For an investment to qualify as a cash equivalent, it must be convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

Cash and cash equivalents are held for purposes of meeting short-term cash commitments rather than for investment purposes. No loss allowance over cash and cash equivalents has been recognized because the estimated loss allowance for credit losses is non-material.

2.3 Investments

Investments are financial assets recognized when the Organization becomes a party to the contractual provisions of the investment. Investments are classified as measured at amortized cost, at fair value through net assets, or at fair value through surplus or deficit. Investments measured at fair value through surplus or deficit are accounted for on a purchase date basis while investment measured at amortized cost investments are recognized on settlement date.

Investments classified as amortized cost are financial assets which give rise to cash flows that are solely payments of principal and interest, and which are held only for collecting contractual cash flows. Investments measured at amortized cost are comprised of certificate of deposits, which are stated at amortized cost using the effective interest method with interest income recognized on an effective yield basis.

Investments classified as fair value through surplus or deficit are financial assets held for trading or held within a business model that is managed on a fair value basis. Investments measured at fair value though surplus or deficit are comprised of externally managed portfolios and the long-term fixed income notes within the (TAREP) which are managed on a fair value basis. The valuation of these assets is determined by price quotes on the open market for identical financial instruments.

There is currently no asset classified as fair value through net assets.

Certificates of deposit are held to collect cash flows and are therefore valued at amortized cost through surplus and deficit. Externally managed funds and TAREP funds are managed on a fair value basis and are therefore classified at fair through surplus and deficit. Implementation of IPSAS 41 had therefore no impact on the classification and carrying amounts of investments.

At initial recognition, a loss allowance is recognized at an amount equal to 12-month expected credit losses in the Statement of Financial Performance and shall not reduce the carrying amount of the investment in the Statement of Financial Position. Subsequent impairment losses are recognized when the credit risk on a financial instrument has increased significantly.

PAHO monitors the fair market value of its investments periodically and investigates the underlying cause of a decline in value. The investment policy specifies credit rating limitations. If the impairment is the result of a credit downgrade below investment policy guidelines, the Investment Committee will take action. Given the credit rating range of investments (see Note 5.3), no loss allowance for expected credit losses has been recognized because the estimated 12-month expected loss allowance for credit losses is non-material.

Revenue interest for all investments are calculated using the effective interest method and recognized in the Statement of Financial Performance.

2.4 Loans and receivables

Loans and other receivables that have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. Loans and other receivables are stated at amortized cost calculated using the effective interest method, less any impairment.

Interest income is recognized on an effective interest basis, other than for short-term receivables where the recognition of interest would be immaterial.

2.5 Risk management policies

The Organization holds funds not required for immediate operating needs as investments in order to earn revenue on surplus liquidity, which, in accordance with Financial Regulations X and XI and Financial Rules X and XI of the Pan American Health Organization, funds a portion of the Program Budget. Investments are made subject to the Organization's Investment Policy, which prescribes guidelines intended to protect invested principal, maintain adequate liquidity, and realize a return commensurate with investment risk constraints. Policy guidelines define duration, diversification, and credit quality, which are consistent with limiting credit, market, and interest rate risk exposures. The Organization's credit risk is mitigated by Investment Policies that impose limits on the amount of credit exposure to limiting investments in a single non-government issuer to no more than 25%.

In accordance with the Investment Policy requirements, internally managed investments are restricted to A1/P1 and AAA/Aaa rated financial instruments. Fixed income notes consist primarily of U.S. Agency Paper which carries the implicit guarantee of the U.S. Government.

Funds placed with external investment managers are restricted to instruments rated A2/P2 or BBB- credit quality or higher in accordance with their mandates. Mechanisms are in place to divest the portfolio of an investment that falls below the minimum requirements. In the event a security's rating falls below the minimum requirements for credit quality, the external manager immediately notifies PAHO.

Depository accounts are held at financial institutions with investment grade ratings by primary rating agencies, where such ratings exist. In instances in which no rating is available, the overall financial strength of the institution is evaluated prior to depositing funds in the institution. Non-U.S. dollar accounts are monitored daily to ensure that balances are kept at minimum operating requirements levels.

The PAHO Investment Committee approves financial instruments, as well as partner financial institutions, in accordance with the Investment Policy guidelines noted above in order to mitigate credit risk.

2.6 Accounts receivable

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Current receivables are for amounts due within 12 months of the reporting date, while non-current receivables are those that are due more than 12 months from the reporting date of the financial statements. Receivables are stated at amortized cost calculated using the effective interest method, less any impairment losses (which are recognized in the Statement of Financial Performance). However, for current receivables there is no material difference between the amortized costs; thus, these receivables have been recognized at cost less any impairment losses. The decision to impair a receivable is based upon an analysis of the age of the receivable and the circumstances surrounding the third-party relationship. The calculation of the impairment will be based on a percentage of the total receivable at risk.

The Directing Council resolution CD58.R7 approved in September 2020 allows the Director to establish a reserve for doubtful accounts for Assessed Contributions considered to be at risk. The Financial Regulations and Rules do not include Allowance for Doubtful Accounts within Miscellaneous Revenue for PAHO Assessed Contributions and Miscellaneous Revenue. Therefore, the Decrease/(Increase) in Allowance for Doubtful Accounts has been moved from Miscellaneous Revenue to Other Revenue. This change will allow consistency among all funds.

Receivables from exchange transactions are recognized when the Organization is owed assets or services (usually in the form of cash) arising from a transaction that directly gives approximately equal value to another entity in exchange.

Receivables from non-exchange transactions are established when the Organization is owed assets or services (usually in the form of cash) that arise from a transaction that does not directly give approximately equal value in exchange; or the Organization has given value to another entity without directly receiving approximately equal value in exchange.

The Organization records write-offs for uncollectable receivables based on the delegation of authority regarding the amounts to be written off.

The main types of receivables are:

- **Assessed Contributions (non-exchange transactions):** These are formal commitments from Member and Participating States and Associate Members for the biennial budget period. Assessed contributions are recognized as receivables when they fall due and payable on 1 January of each year, to be paid in annual installments. Financial Regulation 13.6 permits the Director to establish a reserve for doubtful accounts when such accounts are not expected to be settled within 12 months of the date of the annual financial report, and no payment plan has been established for such accounts.

- **Tax Equalization Fund (non-exchange transactions) Receivables under the Tax Equalization Fund:** These are due from Member States that levy income tax on emoluments received from the Organization by their nationals or others liable to such taxes and are included in the Assessed Contributions of the Member State. The estimated amounts to be levied by those Member States are used by the Organization to reimburse income tax paid by the staff concerned.

- **Voluntary Contributions (non-exchange transactions):** The Organization records receivables upon entering into Voluntary Contributions agreements with donors, including states, governments, international bodies, and various entities. These receivables, arising from non-exchange transactions, are earmarked for: Non-Emergency Initiatives, Emergency Preparedness and Disaster Relief, and National Contributions. Upon signature of the agreement, the full value of the contribution is recognized as a receivable, reflecting the Organization's right to future economic benefits, along with the corresponding deferred revenue reflecting an obligation to use the funds as specified.

- **Current Receivables:** the classification includes the total balance in agreements expiring within one fiscal year, as well as the corresponding portion of the balance in agreements expiring in future years, using the straight-line method of allocation. Non-Current Receivables: includes the portion of the balance in agreements expiring in future years, corresponding to periods beyond one fiscal year, using the straight-line method of allocation.

- **Procurement of Public Health Supplies (exchange transactions):** The procurement of public health supplies is critical to the Organization to achieve its mission of supporting Member States through technical cooperation for public health programs, including the procurement of vaccines and syringes, medical supplies, diagnostic kits, medications, and equipment.

  The accounts receivable from the Member States in the Procurement of Public Health Supplies is comprised of two funds: The Revolving Fund for Access to Vaccines, and the Regional Revolving Fund for Strategic Public Health Supplies. Receivables are established for each participating Member State upon notification that goods were delivered by the supplier and the acceptance of goods has been approved. This triggers the issuance of an invoice addressed to the relevant Member State.

- **Inter-organization Funding Activities:** The Inter-organization accounts receivable represent the amount due to/from the World Health Organization as the net result of inter-agency transactions.

- **Advances to Staff:** Advances are made to individuals in accordance with the Financial Regulations and Rules of the Organization for entitlements (i.e., education grants, travel, income tax settlements, health insurance claims, etc.) and are recognized as receivables, until they are charged to expense upon receipt of the required claim or supporting documentation.

2.7 Inventories

Medicines, medical supplies, and other materials owned and controlled by the Organization are recorded as inventories with the intention that they be held for distribution in the ordinary course of operations. They are valued at the lower of cost or net realizable value at the end of the financial period. The Organization-owned medications and medical supplies, which are held in the Organization's tracking systems, are validated by physical stock counts. These medicines, medical supplies, and other materials are expensed when the government or non-government institutions take possession.

2.8 Property, plant, and equipment

Property, plant, and equipment assets with a value greater than the $20 000 threshold are recognized as non-current assets in the Statement of Financial Position. They are initially recognized at cost, unless acquired through a non-exchange transaction, in which case they are recognized at fair value as of the date of acquisition. The Organization applies the cost model to its property and equipment, the items are carried at cost, less accumulated depreciation, and any impairment losses when applicable. The Organization applies the revaluation model to land and buildings only.

The Organization considers all its property, plant, and equipment to be non-cash generating assets.

Depreciation is charged on property, plant, and equipment (except for land) to write down the cost/fair value of the asset to its residual value over the estimated useful life, using the straight-line method with a half year's depreciation charged in the year of acquisition. The estimated useful lives for fixed asset classes are as follows:

Assets Class and Description	Estimated Useful Life
Buildings	40 years
Mobile Buildings	5 years
Computer Equipment	3 years
Office Equipment	3 years
Motor Vehicle	5 years
Audio Visual Equipment	3 years
Lease-hold Improvements	3 years
Office Fixtures and Fitting	3 years

Property, plant, or equipment procured with Voluntary Contributions on behalf of a project are not the Organization's assets and are meant solely for the use of the project beneficiary. The Organization is the implementing agent and is responsible simply for the disposition of the items within the terms of the agreement. The Organization does not retain ownership of these items; therefore, these items are expensed at the time of purchase. If the items are not consumed within the project period, the final disposition is determined by the donor.

The Organization periodically revalues its land and buildings. External experts are utilized to determine updated market value directly by reference to observable prices in an active market or recent market transactions on arm's length terms. All improvements, renovations, etc. made to the buildings since the prior appraisal, whether expensed or capitalized in the year they occur, will be included in the future revaluation and adjusted accordingly.

Leasehold improvements are recognized as assets and valued at cost and depreciated over the lesser of the remaining useful life of the improvements or the lease term.

Donated land and buildings are valued at fair market value and recognized as non-current assets.

2.9 Leases

The Organization leases various office premises for the Representative Offices throughout the Americas. These are all cancelable agreements.

2.10 Intangible assets

Intangible assets, which are above the pre-established thresholds of $30 000 for intangible assets purchased externally and $100 000 for intangible assets developed in-house, are stated at historical cost less accumulated amortization and any impairment losses. Amortization is determined for intangible assets over their estimated useful life using the straight-line method.

Amortization is charged to write down the cost/fair value of the intangible asset to its residual value over the estimated useful life, using the straight-line method with a half year's amortization charged in the year of acquisition. The estimated useful lives for Intangibles classes are as follows:

Assets Class and Description	Estimated useful life
Software acquired externally	7 years
Internally developed software	5 years
Licenses and rights, copyrights and other intangible assets	3 years

2.11 Accounts payable

Accounts payables are financial liabilities in respect of goods or services that have been received by the Organization and are recognized at amortized cost, which for payables are equal to cost. Accounts payable include the following:

- Amounts due to donors, partners, and stakeholders representing the unspent Voluntary Contributions for expired agreements.
- The inter-organization Accounts payable represent the amount due from the Organization to the World Health Organization as the net result of inter-agency transactions.
- Invoices received and approved for payment but not yet paid.

2.12 Accrued liabilities

Accrued liabilities are financial liabilities in respect of goods or services that have been received or provided to the Organization during the reporting period and that have not yet been invoiced, or invoices that have been received but not approved for payment. They are recognized at amortized cost, which for accruals are equal to cost.

2.13 Deferred revenue

Deferred revenue derives from legally binding agreements between the Organization and partners, such as governments (PAHO Member States and non-PAHO Member States), international organizations (United Nations and non-United Nations), non-governmental organizations, foundations, for-profit organizations, and others, where the partners provide funding to the Organization to support technical cooperation initiatives (Voluntary Contributions).

Deferred revenue is recognized when (1) a contractual agreement is confirmed in writing by both parties, i.e., the Organization and the donors, partners, or stakeholders, and (2) the funds are conditional and determined by factors like:

- The agreement has a stated purpose.
- The agreement has a budget.
- The agreement has an effective date and an end date.
- The agreement requires technical and financial reporting.

- Funds provided under the agreement must be used for activities as required/described in the agreement or be returned to the donor.
- Upon completion, any unused funds will be returned to the donor, partner, or stakeholder.

Revenue is recognized in the Statement of Financial Performance based on the level of funds implemented during the financial period.

Funds received from governments and institutions participating in the procurement of public health supplies, in advance of the procurement of the goods, are treated as deferred revenue. Once confirmation is received that goods were delivered by the supplier and payment to the supplier has been approved, the revenue is recognized in the Statement of Financial Performance. Deferred revenue that is in the accounts for longer than a year is reclassified as long-term.

To determine the current portion of deferred revenue from Voluntary Contributions as of 31 December 2023 the Organization classified all the deferred revenue balances of Voluntary Contributions expiring prior to 31 December 2024 as well as those grants with an indefinite status, as current deferred revenue. In addition, deferred revenue balances of Voluntary Contributions agreements extending beyond 2024 were allocated between current and non-current deferred revenue using a straight-line calculation based on the number of years remaining. The non-current portion of deferred revenue will reflect the balance of the total deferred revenue amount for Voluntary Contributions, less the calculation of the current deferred revenue.

2.14 Employee benefits

The Organization recognizes expenses and liabilities in respect of the following employee benefits:

1) Employee benefits earned in the current financial period are current liabilities recognized at an undiscounted cost.
2) Post-employment benefits – e.g., ASHI – are recognized at present value of the liability.
3) Other separation-related employee benefits are recognized at present value of the liability.

The Organization contracts the actuarial services of external experts to determine the appropriate level of liability for financial reporting purposes (i.e. the present value of the defined benefit obligations) as well as the service cost and interest cost for the current fiscal period. This information is also used to calculate different contribution percentages to be applied for staff costs.

In addition, the Organization uses this information for investment purposes to ensure that the TAREP Plan's investments meet the liquidity requirements of the respective liabilities.

2.15 Provisions and contingent liabilities

Provisions are made for future liabilities and expenses where the Organization has a present legal or constructive obligation as a result of past events, and it is probable that the Organization will be required to settle the obligation, and the value can be reliably measured.

Other commitments that do not meet the recognition criteria for liabilities are disclosed in the Notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the Organization or the value cannot be reliably estimated.

2.16 Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the Organization during the year that represent an increase in net assets. The Organization recognizes revenue following the criteria established by IPSAS 9, "Revenue from Exchange Transactions," and IPSAS 23, "Revenue from Non-Exchange Transactions."

Exchange transactions are transactions in which the Organization receives assets or services, or has liabilities extinguished, and directly gives approximately equal value primarily in the form of cash, goods, services, or use of assets to another entity in exchange.

In a non-exchange transaction, the Organization either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

The main sources of revenue for the Organization include but are not limited to: Assessed Contributions, Voluntary Contributions, Procurement of Public Health Supplies, Other Revenue, and Miscellaneous Revenue.

- **Revenue from Assessed Contributions (non-exchange transactions).** Revenue from assessed contributions is recognized as of 1 January of each year when the Member States' assessed contribution commitment to the Organization becomes due and payable.

- **Revenue from Voluntary Contributions (non-exchange transactions).** Voluntary Contributions, confirmed in writing by both parties, are recognized as receivables and deferred revenue (liabilities) because these funding agreements are conditional. As the Voluntary Contribution projects are implemented, the deferred revenue is then recognized as revenue. Voluntary Contributions categories are explained in Note 2.6.

- **Revenue from the Procurement of Public Health Supplies (exchange transactions).** Revenue is recognized in respect of the procurement of public health supplies because the Organization bears the risks and rewards of the purchased goods. Revenue on these transactions is recognized when the government or non-government institutions take possession. The Procurement of Public Health Supplies is comprised of three funds: the Revolving Fund for Access to Vaccines; Reimbursable Procurement on Behalf of Member States; and the Regional Revolving Fund for Strategic Public Health Supplies. (See Note 2.6 Accounts Receivables, in respect of the Revolving Funds, and Note 2.13 Deferred Revenue, in respect of Reimbursable Procurement).

- **WHO Allocations (non-exchange transactions).** As the Regional Office of the Americas (AMRO) of the World Health Organization, the Organization receives funding allocations from WHO for the implementation of technical cooperation activities.

  Funds received by the Organization from WHO include the following allocations:

  - Allocation of WHO Assessed Contributions;
  - Allocations of WHO Voluntary Contributions;
  - Allocations of other WHO funds.

- **Other revenue (exchange transactions).** The Organization, under its specific mandates, carries out other technical cooperation activities for which revenue is separately disclosed. These activities include, but are not limited to, sales of services, program support costs, master capital investment, statutory entitlement, SHI servicing costs, including the after service health insurance, post occupancy charge, the allowance for doubtful debts, etc.

  Other revenue also includes interests earned, valuation gains and losses (i.e., foreign currency revaluations, exchange rate gains and losses, and realized and unrealized gains and losses), and gains and losses from the sale of property, plant and equipment.

2.17 Foreign currency transactions and balances

The functional and reporting currency of the Organization is the United States dollar (US$). Transactions in currencies other than US$ are converted to US$ at the prevailing market rate at the time of the transaction. The Organization has determined that the United Nations Operational Rates of Exchange (UNORE) are aligned closely with the prevailing market rates due to frequent analysis and adjustments and thus function as an approximation of the market rate at the time of the transaction. At the end of each reporting period, the Organization analyzes the performance of the UNORE in comparison with the prevailing market rate in order to determine the alignment and make any required adjustments. Assets and liabilities in currencies other than US$ are converted to US$ at the prevailing market rate at the end of the reporting period. Resulting gains or losses are accounted for in the Statement of Financial Performance.

2.18 Segment reporting

A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and to make decisions about the future allocation of resources.

The following segments were identified to provide a better understanding of the different activities of the Organization:

Core Activities Segment—Activities critical to the Organization's Strategic Plan that are mandated and appropriated by the Organization's Governing Bodies (i.e., activities funded with assessed contributions and other revenue for Program Budget activities).

Partnership Activities Segment—Activities aligned with the Organization's Strategic Plan and supported by partners, donors, and stakeholders (i.e., activities developed in partnership with external donors who provide the voluntary contributions and to whom the technical and financial reports are provided).

Enterprise Activities Segment—Activities performed by the Organization to strengthen technical cooperation with the ministries of health and facilitate their access to essential public health supplies (i.e., procurement activities funded by the Member States for the access to essential public health supplies).

Special Activities Segment—Special Activities are activities approved by the Organization's Governing Bodies for specific objectives and entitlements (i.e., staff entitlements, terminal entitlements, and after-service health insurance). Therefore, all employee benefits liabilities have been included in this segment.

Intra-Party Segment—In every financial period, the Organization processes internal transactions not involving the use of cash (transfers) within any given segment and between different segments (i.e., program support cost, provision for termination and repatriation entitlements, after-service health insurance fund, master capital investment fund, etc.). The effect of these transfers is an over-statement (duplication) of both revenue and expense by the same amount, which are valued at the cost incurred at the time of the original transaction. The Inter-Party Transactions column in the Statement of Financial Performance allows for the elimination of such duplication.

2.19 Budget comparison

The Organization's Governing Bodies approve the Biennial Program Budget Plan, which includes assessed contributions, projected voluntary funds, and estimated miscellaneous revenue. The Biennial Program Budget Plan may subsequently be amended by the Governing Bodies.

The Organization prepares the budget on an accrual basis excluding depreciation and amortization.

The PAHO Program Budget, (PB) was revised and approved during the year 2022 by the Pan American Sanitary Conference (Official Document CSP30/6 of 1 July 2022) as an integrated budget without subsequent revisions during 2023.

The PB sets out the corporate results and targets for the Pan American Health Organization (PAHO) for the next two years. It presents the budget that the Pan American Sanitary Bureau (PASB or the Bureau) will require to deliver on biennial results and support Member States in improving health outcomes while contributing to the achievement of health targets set out in existing regional and global frameworks.

Although the PAHO PB is approved by Governing Bodies on a biennial basis, for practical and reporting purposes only and following IPSAS, the PB has been apportioned at 50% for each fiscal year.

The annual expenses represent actual and accrued expenditures from all PB's funding sources: assessed contributions and miscellaneous revenue, PAHO voluntary contributions, BIREME sales and services, CLAP sundry sales and services, PROMESS vaccines and medication sales, and sales of PAHO publications among others, Revolving Fund for Vaccine Procurement

Administrative Costs, Regional Revolving Fund for Strategic Public Health Supplies Administrative Costs, and the Master Capital Investment sub-funds (MCIF).

2.20 In-kind contributions

In-kind contributions of services that support approved operations and activities, including the use of premises, utilities, personnel, transportation services, etc., are identified by categories of services under the respective Member State providing the in-kind contribution during the reporting accounting period. These are not recognized in the financial statements because the fair value of the services or assets cannot be reliably measured.

Donated land and buildings are recognized on the Statement of Financial Position at fair market value.

Donated inventories are recognized subject to the materiality and conditions of the goods. The Organization will only accept donated goods in alignment with its core activities.

2.21 Potential impact of IPSAS to be adopted in future periods

The International Public Sector Accounting Standards Board (IPSASB) has published the following new IPSAS Pronouncements:

IPSAS 43: Leases. (1 January 2025). Introduces a right-of-use model that replaces the risks and rewards incidental to ownership model in IPSAS13, Leases. For lessors, IPSAS 43 substantially carries forward the risks and rewards incidental to ownership model in IPSAS 13. IPSAS 43 enhances the accounting for leases by lessees because: it no longer requires the classification between finance and operating leases; and requires the recognition of assets and liabilities related to the rights and obligations created by leases. PAHO does hold operating leases and therefore this standard will impact PAHO's financial statements.

The IPSASB is continuing its consideration of public sector specific leasing issues, such as concessionary leases, in its Other Lease-Type Arrangements project. This will impact PAHO.

IPSAS 44: Non-current assets held for sale and discontinued operations. (1 January 2025). Specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. It requires assets that meet the criteria to be classified as held for sale to be: Measured at the lower of carrying amount and fair value less costs to sell and depreciation on such assets to cease; and presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. There may be relevance to PAHO, if for example, a future decision was taken to sell 2121 Virginia Avenue.

IPSAS 45: Property, Plant and Equipment. (1 January 2025). This pronouncement replaces IPSAS 17, Property, and adds public sector guidance on heritage and infrastructure assets and aligns with the new measurement principles. This standard may impact PAHO.

IPSAS 46: Measurement. (1 January 2025). This pronouncement finalizes the underlying concepts and guidance that will underpin the IPSASB's approach to measurement for many years. This pronouncement brings measurement guidance together in a single standard, introducing a public sector specific current value measurement basis for assets held for their operational capacity and brings in generic guidance on fair value for the first time. This standard will impact PAHO.

IPSAS 47: Revenue. (1 January 2026). It is a single standard to account for revenue transactions in the public sector. IPSAS 47 replaces the existing revenue standards and presents accounting models which will improve financial reporting and support effective public sector financial management. This standard will significantly impact PAHO.

IPSAS 48: Transfer expenses. (1 January 2026). Provides guidance on a major area of expenditure for governments and other public sector entities. IPSAS 48 fills a gap which had previously led to ambiguity and inconsistency of accounting policies in the public sector. This standard may impact PAHO.

3. Cash and cash equivalents

	31 December 2023	31 December 2022
Cash on Hand, US$	115 959	170 826
Cash on Hand, Other Currencies	42 240	8 103
Money Market Funds	13 635	2 902
Less: Plan Assets	(3 462)	(2 902)
Total	**168 371**	**178 929**

The Organization reduced the US$ cash balance in 2023 as it continued increasing the investments in short-term maturities in order to maximize the yield on excess liquidity. As of December 31, of 2023, there is an increase in cash on hand, other currencies due to high inflows in Brazilian Reais during the last week of the year. These funds were repatriated to HQ in early 2024.

4. Investments

PAHO's investment policy mitigates risk by stipulating high-quality assets aimed at preserving principal. The PAHO Investment Committee has worked closely with the portfolio managers to assess the risk and take advantage of the opportunity presented by the continuous increase in short-term interest rates.

There has been an overall increase in investment income of $19 832 million as a result of higher interest rates and a favorable landscape for short-term fixed income as explained in Note 3. There have been no impairments of investment assets held during this period in any of the pooled cash resources invested.

4.1 Short-term investments

Short-term investments are those with final maturities at purchase below 365 days. They consisted only of certificates of deposit which were classified at amortized cost.

	31 December 2023	31 December 2022
Certificates of Deposit	226 426	50 959
Total	**226 426**	**50 959**

4.2 Long-term investments

Valuation of Long-term Investments	31 December 2023		31 December 2022	
	Cost	Market	Cost	Market
Fixed Income Notes	19 543	14 559	19 542	14 115
Managed Portfolios	841 256	822 659	1 024 758	981 684
Less: Plan Assets	(19 543)	(14 559)	(19 542)	(14 115)
Total	**841 256**	**822 659**	**1 024 758**	**981 684**

Long-term investments are made of externally managed fixed-income portfolios and long-term fixed income notes within TAREP portfolio. Both are classified as fair value through surplus or deficit.

Long-term fixed income instruments held in the TAREP portfolio are issued by the U.S. Government.

Managed portfolios are used for operating and strategic cash purposes and provide a second layer of liquidity on top of bank balances, balances in money market funds, and certificates of deposit.

5. Financial instruments

5.1 Nature of financial instruments

Investments are categorized as either operating cash, strategic cash, or long-term investments. Operating and strategic investments are placed in cash and high-quality short-dated and medium-dated government, agency, and corporate bonds as defined in the Investment Policy. Long-term investments comprise funds managed for the terminal payments (TAREP) as defined in the Investment Policy and currently consist in long-dated government bonds.

Exposure to credit, liquidity, currency, and interest rate risk arises in the normal course of PAHO's operations. The following presents information about PAHO's exposure to each of the above risks, policies, and processes for measuring and managing risk.

The Investment Policy, the investment guidelines, and the cash management guidelines provide a risk framework which intends to align the risk taking on the investments to the risk appetite of the Organization. PAHO has an Investment Committee, which meets regularly to review the performance and risks related to cash and investment management and which approves policies and procedure on investment and risk management.

5.2 Fair value and fair value hierarchy

PAHO uses the following valuation technique hierarchy for determining and disclosing the fair value of financial instruments:
- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; or
- Level 3: Techniques which used inputs that have a significant effect on the reordered fair value that are not based on observable market data.

All investments were classified as Level 1 except for certificates of deposit, which are classified as Level 2.

Description	Level 1	Level 2	Total
Cash and Cash Equivalents	168 371		168 371
Short-term investments		226 426	226 426
Long-term investments	822 659		822 659
Total	**991 030**	**226 426**	**1 217 456**

5.3 Interest Rate

Interest rate risk arises from the effects of market interest rate fluctuations on the fair value of financial assets and liabilities and/or on future cash flows. The Organization is mainly exposed to interest rate risk on its financial interest-bearing assets.

	Effective Maturity	Effective Interest Rate	Fixed Interest	Floating Interest	Non-Interest Bearing
Total Cash and Cash Equivalents	<90 days	1.37%			
Plan Assets				3 462	
PAHO Cash and Cash Equivalents			99 806	10 172	58 392
Short-term Investment					
Certificates of Deposit	36 days	5.59%	226 426		
Long-term Investments					
Plan Assets	Immediate	1.96%	14 559		
Managed Portfolios	4.72 years	4.62%	822 659		
Total			**1 163 450**	**13 635**	**58 392**

Changes in market interest rate impact on the fair value and future cash flows of investment instruments. This impact is non-material for investments measured at amortized cost and floating rate instruments, which mostly face a reinvestment risk. However, interest rate changes impact the value of investments with fixed rates measured at fair value.

A change in USD interest rates of 100 basis points would have the following impact on the value of fixed rate investments measured at fair value:

Fair Market Value of fixed rate investments at 12-31-23	Increase of 100 basis points	Change in Fair Market Value	Decrease of 100 basis points	Change in Fair Market Value
822 818	807 267	(15 551)	839 052	16 234

5.4 Credit risk

Credit risk is the risk of financial loss to the Organization if customers or counterparties to financial instruments fail to meet their contractual obligations. It mainly arises from PAHO's cash and cash equivalents, investments, and receivables.

In accordance with its Investment Policy, PAHO applies diversification rules and limits on investment counterparty exposures to mitigate credit risk. This applies to both internally and externally managed funds. Credit ratings of the investment counterparties are closely monitored and prompt action is taken whenever an issuer no longer complies with the Investment Policy.

Credit Rating	2023		2022	
Cash and Cash Equivalents	30 463	3.6%	83 792	8.4%
AAA	605 192	71.6%	656 217	66.0%
AA	56 118	6.6%	64 825	6.5%
A	118 379	14.0%	145 789	14.7%
BBB	35 455	4.2%	43 602	4.4%
Total	**845 608**	100%	**994 226**	100%

The concentration risk to the banking sector mostly comes from bank balances and certificates of deposit but it is limited by holdings from external mandates. PAHO's long-term investments and managed portfolios are held as follows:

Investment Type	2023	2022
Money Market Funds	22 306	7 193
Government & U.S. Agency Issues	557 827	587 736
Mortgage-backed and Asset-backed Securities	45 251	61 594
Corporate Notes	210 191	290 529
Bank Deposits	6 558	37 454
Municipal Bonds	3 475	9 722
Total Long-term Investments	**845 608**	**994 226**

The majority of accounts receivables are due to PAHO Member States for Assessed Contributions, Voluntary Contributions, and Procurement Funds. All receivables have been reviewed to determine any counterparty risk and impairments decreased by \$2 490 million in 2023 resulting in total impairments of \$33 482 million. (see Note 6).

5.5 Exchange rate risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuates due to changes in foreign exchange rates. PAHO can be exposed to foreign exchange risk on revenues and expenses denominated in foreign currencies. There was no significant exposure to exchange rate risk during 2023. A small percentage of the expenditure (17%) is disbursed in currencies other than the United States dollar but this is funded either by local currency receipts or by purchases of local currency at the time of disbursement.

Contributions and receivables are set and should be received in dollars but may be received in foreign currency upon the agreement of the Organization if the amount can be absorbed by country offices within a thirty-day window.

Local currency bank balances are also minimized to limit the revaluation losses that large balances could generate.

Exchange risk associated with accounts receivables are mitigated through individual fund policy governing the acceptance of local currency. Exchange differences are either absorbed by the Member State or donor or, in exceptional cases, absorbed by the Organization as an administrative expense. Exchange risk associated with material accounts payables is managed on a case-by-case basis to mitigate any negative impact on the Organization.

5.6 Liquidity risk

Liquidity risk is the risk that PAHO might not have adequate funds to meet its obligations as they fall due. The Organization ensures on the basis of cash flow forecasts that it has sufficient cash on demand to meet expected operating expenses. Budgetary controls also ensure that implementation of awards is supported by availability of cash.

United States dollar bank balances held in Cuba are subject to restrictions as it is difficult to transfer these funds outside Cuba. As of December 31, a balance of $4 761 remains in Cuba for operational purposes. PAHO has taken the necessary steps to mitigate this risk and has identified transfer mechanisms to facilitate the repatriation of funds. In January 2024, $1 300 were successfully repatriated to headquarters.

6. Accounts receivable

	Total 31 December 2023	Total 31 December 2022
Current		
Assessed Contributions [1]	30 325	64 992
Voluntary Contributions	139 309	133 672
Procurement of Public Health Supplies	84 003	82 983
Other receivables	15 528	16 286
Allowance for Doubtful Accounts Receivable [2]	(33 482)	(35 972)
TOTAL	**235 683**	**261 961**
Non-Current		
Voluntary Contributions	199 220	108 992
Procurement of Public Health Supplies	13 149	13 119
Other receivables	27	1 278
TOTAL	**212 396**	**123 389**

[1] See Note 6.1.
[2] See Note 6.2.
Note: For improved transparency, some amounts have been reclassified to better reflect the underlying nature of the item. The following items were reclassified as "Other Receivables": Tax Equalization Fund, the Balance due from World Health Organization, Advances to Staff, Prepaid Expenses, and Miscellaneous Receivables.

6.1 Accounts receivable from assessed contributions

	Arrears	2023	Total 2023	Total 2022
Antigua and Barbuda	36	43	79	36
Argentina	3 361	3 584	6 945	6 500
Aruba	64	43	107	64
Bahamas	7	56	63	7
Bolivia		83	83	79
Brazil				19 468
Chile		990	990	529
Curacao	128	43	171	128
Dominica	36	43	79	36
El Salvador				86
France				5
Grenada	36	43	79	36
Netherlands				36
Panama		74	74	
Paraguay	188	104	292	188
Peru		59	59	
Puerto Rico	359	56	415	358
Saint Kitts and Nevis				36
Saint Lucia		43	43	43
Saint Vincent and the Grenadines		5	5	36
Sint Maarten	57	43	100	57
Suriname		43	43	
United Kingdom		1	1	
United States		6 221	6 221	25 140
Venezuela	12 124	2 352	14 476	12 124
TOTAL	**16 396**	**13 929**	**30 325**	**64 992**

6.2 Movement in the allowance for doubtful accounts receivables

Description	31 December 2022	Increase / (Decrease)	31 December 2023
Assessed Contributions	20 507	(3 303)	17 204
Voluntary Contributions	20	(20)	
Procurement of Public Health Supplies	13 117	59	13 176
Others	2 328	774	3 102
TOTAL	**35 972**	**(2 490)**	**33 482**

Note: For improved transparency, some amounts have been reclassified to better reflect the underlying nature of the item. The following are the impaired items that are now included under Others: Value Added Tax, Promess, Panaftosa, Letters of Agreement.

7. Inventories

In 2023, PAHO oversaw the management of inventory comprising of goods designated for donation or potential sale. This inventory is distributed across various locations within the Region of the Americas and categorized based on the nature of the items, encompassing medicines, associated medical supplies, and other relevant materials.

	31 December 2023	31 December 2022
Medicines	2 042	2 650
Health Supplies	10 220	13 262
Others	1 304	1 692
Ending Balance of inventory	**13 566**	**17 604**

Note: For improved transparency, some amounts have been reclassified to better reflect the underlying nature of the item. Inventory balances used to be disclosed by cost center and fund. These balances were reclassified to be disclosed by nature (i.e., Medicines, Health Supplies, and Others).

8. Property, plant, and equipment

2023	Land	Buildings	Assets Under Construction	Other	Total
Cost as of 1 January	107 494	31 394	8 343	4 504	151 735
Additions			12 638	6 694	19 332
Disposals				(527)	(527)
Impairments					
Adjustments		16 230	(16 230)		
Net Revaluations					
Cost as of 31 December	**107 494**	**47 624**	**4 751**	**10 671**	**170 540**
Depreciation as of 1 January		1 840		3 247	5 087
Charged in current period		920		1 487	2 407
Disposals				(527)	(527)
Adjustments					
Net Revaluations					
Depreciation as of 31 December		**2 760**		**4 207**	**6 967**
Net book value as of 31 December 2023	**107 494**	**44 864**	**4 751**	**6 464**	**163 573**

2022	Land	Buildings	Assets Under Construction	Other	Total
Cost as of 1 January	107 494	31 394		3 995	142 883
Additions			8 343	663	9 006
Disposals				(154)	(154)
Impairments					
Adjustments					
Net Revaluations					
Cost as of 31 December	**107 494**	**31 394**	8 343	**4 504**	**151 735**
Depreciation as of 1 January		920		2 872	3 792
Charged in current period		920		530	1 450
Disposals				(155)	(155)
Adjustments					
Net Revaluations					
Depreciation as of 31 December		**1 840**		3 247	**5 087**
Net book value as of 31 December 2022	**107 494**	**29 554**	8 343	**1 257**	**146 648**

8.1 Transferred assets with conditions

In accordance with the donation document filed in Public Record, the Government of Brazil Development Company for the New Capital of Brazil, Successors and Assigns granted PAHO ownership of the land on which the PAHO/WHO Representative Office buildings in Brazil are located. The document further stipulates that PAHO may not transfer, rent, or lend the donated land under penalty of revocation of the donation. In the event that the land is sold for the same purpose (i.e., establishment of a headquarters facility), PAHO must obtain written consent from the Government and pay the Government the present value of the land. This does not include the buildings and other immovable property thereon. Because of the restriction on the sale of the land and the requirement to pay the Government of Brazil the present value of the land, the Organization recognized such property in the Statement of Financial Position as both an asset and a liability (Note 11).

8.2 Revaluation of land and buildings

Following the Organization's Accounting Policies (Note 2.8), a revaluation exercise is performed every five years. A full revaluation was performed in 2020 by an independent valuer with experience in valuation, assessment, advisory, and consulting services and affiliations with the Royal Institution of Chartered Surveyors (RICS), the Appraisal Institute of Canada, and Urban Land Institute (ULI).

The appraisal amounts for each property of the Organization according to the December 2020 appraisal are as follows:

Buildings	Reference	Fund *	31 December 2020
Argentina		ACP	760
Barbados		ACP	2 350
Brazil		ACP	3 175
Jamaica		ACP	1 700
Guatemala		MCIF	2 450
Guyana		ACP	413
Haiti		ACP	1 050
Washington DC - 2121 Virginia Ave. NW		MCIF	18 500
Paraguay		ACP	685
Venezuela		ACP	311
Sub-total Buildings	Note 8		**31 394**
Land			
Brazil		ACP	8 659
Haiti		ACP	200
Washington DC - 525 23rd St. NW		ACP	57 000
Washington DC - 2121 Virginia Ave. NW		ACP	37 500
Peru		ACP	3 770
Venezuela		ACP	365
Sub-total Land	Note 8	ACP	**107 494**
Total			**138 888**

*ACP: PAHO Assessed Contributions and Miscellaneous.
MCIF: Master Capital Investment Fund.

	Land	Building
Effective date of the revaluation	**December 2020**	**December 2020**
Independent valuer was involved	Yes	Yes
Methods and significant assumptions applied in estimating the assets' fair values	Fair value in conformity with the Uniform Standards of Professional Appraisal Practice, Global Edition of the RICS Valuation-Professional Standards 2017 (Red Book), and International Public Sector Accounting Standards IPSAS. Valuation has been performed after identifying market data and trends in the regional and local economy, neighborhood land uses, supply and demand of competitive space, comparable rental and sale transactions, and market capitalization rates for income producing properties. Washington DC HQ 23rd Street Building and Peru buildings are valued at zero based on the market and neighborhood analysis, concluding that the highest and best use of the properties would be the development of new buildings by an investor (land speculation) or a developer. The valuation of the PAHO Headquarters building on 23rd Street NW, Washington DC included an assumption that the building is not legally protected as a historical landmark. No such determination has been made as of the date of approval of the financial statements, and it is therefore reasonable to value the building under its current status.	
The extent to which the assets' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques.	In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available. For some individual properties more than one of the following three valuations approaches were applied and an average taken. The cost approach was used for Barbados, Brazil, Jamaica, Guyana and Haiti. It is based on the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when it is improved with relatively unique or specialized improvements for which there exist few sales or leases of comparable properties. The sales comparison approach was used for Guatemala, Guyana, Paraguay, Peru, and Venezuela, and Washington DC. This approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square meter/foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons. The income capitalization approach was used for Argentina, Barbados, Jamaica, Guatemala, Guyana, Haiti, Paraguay, Peru, and Washington, DC. This approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time.	
Indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.	There have been no significant changes taken place during the period, in the technological, market, economic, or legal environment in which the entity operates or in the market to which the assets are used.	

9. Intangible assets

The Organization separately discloses intangible assets that are: (a) available for use and subject to amortization; and (b) under development and have not been completed.

	31 December 2023	31 December 2022
Intangible Assets Available for use		
Cost as of 1 January	5 459	4 724
Additions		735
Disposals		
Cost as of 31 December	**5 459**	**5 459**
Amortization as of 1 January	4 409	4 081
Charged in current period	314	328
Disposals		
Amortization as of 31 December	**4 723**	**4 409**
Intangible Assets under Development	**129**	
Total Intangible Assets	**865**	**1 050**

10. Accrued liabilities

	Total 31 December 2023	Total 31 December 2022
Supplies	15 000	21 805
Other	8 734	12 457
Total	**23 734**	**34 262**

Note: For improved transparency, some amounts have been reclassified to better reflect the underlying nature of the item.

11. Accounts payable

	31 December 2023	31 December 2022
Current		
Supplies	23 398	7 295
Refunds to Donors	1 902	66 867
Assessed Contributions paid in advance	13 413	
Other	15 326	16 341
Total	**54 039**	**90 503**
Non-Current		
Liability Restricted Assets-Land in Brasilia, Brazil (Note 8.2)	8 659	8 659
Total	**8 659**	**8 659**

Note: For improved transparency, some amounts have been reclassified to better reflect the underlying nature of the item.

12. Employee benefits

Under the Staff Rules of the Pan American Health Organization, the Organization provides employee benefits that can be categorized as short-term liabilities and others that can be categorized as long-term liabilities. The employee benefits categorized as short-term liabilities are the education grant, education grant travel, and the assignment grant. The employee benefits that can be categorized as long-term liabilities include certain terminal payments, such as payment for annual leave, the repatriation grant, repatriation travel, or other separation indemnities, as appropriate.

In order to accrue the funds required for these short-term and long-term liabilities, the Organization has established three funds:

12.1 The Staff Entitlements Fund

Established in January 2008, it funds the short-term liabilities of the education grant, education grant travel, and assignment grant. This fund receives monthly apportionments from organizational contributions calculated from payroll.

12.2 The After-Service Health Insurance Fund (ASHI)

Established in 2010, this multi-employer plan reflects the financing and liability of the Organization for current and prior staff members' health insurance for future years. This fund is part of the Staff Health Insurance Fund of the World Health Organization (WHO) administered by the Global Oversight Committee (GOC), which advises the Director General of WHO. The GOC reviews the operations and the financial status of the SHI, including levels of benefits and contributions, reviews the financial stability and the adequacy of the financial reserve, reviews the annual report and overall performance, organizes periodic actuarial studies, and approves the underlying assumptions, reviews the actuarial reports, and recommends any required changes to the SHI, and reviews the external and internal auditors' reports. PAHO management has a permanent member and PAHO staff has a rotating representation.

The revenue for this plan is from contributions collected from participating entities and from both active and former staff of these entities to the SHI. Contributions are generally financed in the ratio of two-thirds by the participating entities to one-third by the participants. In addition, the plan receives Finance revenue from income on externally managed investments, and interest on excess cash invested.

The SHI pursues three strategies to improve the funding of ASHI liabilities: ensure contributions are sufficient to build up assets to help cover the defined benefit obligation; contain cost through regular negotiations with healthcare providers to limit the impact of medical inflation, case management, and a review of plan design; and achieve an expected average rate of return of 3.7% on investments over a long-term time horizon.

The GOC decides on medical claims referred to it in accordance with the SHI rules. The GOC also recommends amendments to the SHI rules and practices. PAHO has a representative in this committee.

Activity related to the defined benefit obligation is obtained through an annual global actuarial report prepared for the SHI Secretariat by an independent actuary. The report discloses segregated activity for each of the participating organizations of the SHI, including PAHO. The actuarial report for this year covers several mandatory disclosures in accordance with paragraphs 141 and 149 from IPSAS 39 as follows:

141(a) (i) The SHI reimburses expenses related to health care and associated administrative costs for eligible staff members, retirees, and their dependents/survivors. The ASHI is the portion of the SHI that covers retirees and their dependents/survivors.

(ii) The ASHI is not subject to any outside regulatory or statutory framework. However, WHO's overall financing is governed by input from its member nations.

(iii) The Global Oversight Committee (GOC) governs the overall SHI, including the ASHI. The GOC holds periodic meetings, which include monitoring of the historical experience and analysis of potential changes to the plan design and administration.

141(b) The principal economic financial risks faced by the plan are changes to discount rates, rates of future general inflation and medical cost increases, and asset returns.

141(c) There are no plan amendments, or any curtailments or settlements, occurring in the plan for the 2023 plan year.

141(d) The discount rate is based on the yields on high-grade corporate bonds at the measurement date and the expected cash flows and assumed currency exposure for each grouping of offices. The actuary recommended the discount rate methodology; PAHO reviewed and approved that methodology.

142–143 There are no forward-looking reimbursement rights related to the plan.

144–145 PAHO, as a member organization of the WHO Staff Health Insurance, is subject to the policies implemented by the WHO Advisory Investment Committee. The committee periodically reviews the investment portfolios to ensure that the level of returns and the level of investment risk are appropriate for the Fund. The long-term funds are managed by external fund managers who invest primarily in government and corporate bonds, and in equities. The fixed income portfolio of investments is hedged in the proportions of 50% US$, 30% CHF, 20% EUR to match the currencies of the Fund's liabilities.

146 Please see the Assumptions and Methods provided in section 12.6 of this report for details.

147 Please see the sensitivity analyses to the discount rate and the rates of future medical cost increases, provided in section 12.8 of this report.

The SHI historically has not disclosed sensitivity analysis to the general inflation assumption.

The actuary explicitly determined financial results, using the alternative assumptions modeled. The main limitation of this approach is that it only illustrates potential results, without quantifying the probable range of future discount rates or medical cost increases.

There are no changes since the prior period in the scope of sensitivity analysis disclosed.

148 The SHI investment portfolios are periodically reviewed by the WHO Advisory Investment Committee to ensure that the level of returns and the level of investment risk are appropriate for the Fund. The long-term funds are managed by external fund managers that invest primarily in government and corporate bonds, and in equities. The fixed income portfolio of investments is hedged in the proportions of 50% US$, 30% CHF, 20% EUR to match the currencies of the Fund's liabilities.

149(a) As a participating organization of the SHI, PAHO is not legally obligated to set aside funds in advance for the plan. The GOC's has expressed the intention to eventually accumulate funds to approximately fully fund the accounting liability. The primary mechanism for achieving this goal is making steady increases to contributions to the overall SHI Fund, building up assets. The GOC continues to monitor this strategy and reserves the right to make future changes to it.

149(b) Please see the information on expected contribution for next year in section 12.7 below.

149(c) Please see the sensitivity analysis table in section 12.8 below.

12.3 The Termination and Repatriation Entitlements Fund (TAREP)

Established in April 1972, this PAHO defined benefit plan reflects the financing and liability of the Organization for terminal entitlements, including annual leave, repatriation grant, repatriation travel, and household removal. The activity of the Defined Benefit Obligation is obtained through an annual actuarial report prepared by an independent actuary. The actuarial report for this year contains the following mandatory disclosures in accordance with paragraphs 141 and 149 from IPSAS 39 as follows:

141(a) (i) The TAREP provides certain benefits upon separation, including: accrued leave payments; repatriation, disability, and death benefits; and termination indemnities.

(ii) The TAREP is not subject to any outside regulatory framework, but PAHO's overall financing is governed by input from its Member States.

(iii) There is no formal governance committee for the TAREP. PAHO's management oversees the operations of the TAREP, in accordance with the staff rules.

141(b) The principal economic financial risks faced by the plans are changes to discount rates and asset returns.

141(c) There are no plan amendments, curtailments, or settlements occurring in the plan for the 2023 plan year.

141(d) The discount rate is developed for benefits other than accrued leave. That rate is based on the market yields on high-grade corporate bonds at the measurement date and the expected cash flows and assumed currency exposure for those benefits. The actuary recommended the discount rate methodology; PAHO reviewed and approved that methodology.

144 The TAREP holds the following financial instruments: cash and cash equivalents in a money market account totaling $3 462 (details in Note 3), and debt Instruments in long-term US federal agency notes with AAA rating and total market value of $14 559 as of December 31, 2023 (details in Note 5.3) .

145 The TAREP has no transferable financial instruments.

146 See the "Actuarial Assumptions and Methods" (Note 12.6) of this report for more details about the discount rate selection process.

147 A sensitivity analysis is provided later in Note 12.8. The table may include hypothetical scenarios in which discount rates are negative. The discount rates can become negative, if warranted based on corporate bond yields at the measurement date.

The actuary explicitly determined financial results using the alternative assumptions modeled. The main limitation of this approach is that it only illustrates potential results, without quantifying the probable range of future discount rates.

There are no changes since the prior period in the scope of sensitivity analysis.

148 The TAREP has no asset-liability hedging.

149(a) PAHO is not legally obligated to set aside funds in advance for the plan.

However, PAHO's current intention is to hold assets to approximately fully fund the accounting liability over time. The primary mechanism for achieving this goal is making contributions to cover part or all of each year's benefit payments as they come due, rather than drawing upon plan assets to pay benefits.

The TAREP fund has a balance of $18 022 million in assets. In addition, the Organization has a balance of $3 012 million in the Provision for Terminal Payments Fund, which is available to cover current and future termination indemnities.

149(b) For benefits other than accrued leave and their expected contributions, please see the table in section 12.7. For accrued leave, the expected contributions are not actuarially projected.

149(c) Please see the sensitivity analysis table in section 12.8.

12.4 Net defined benefit obligation

As of 31 December 2023, the status of the current and non-current defined benefit obligations per calculations of the actuarial consultants are as follows:

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total 2023	Total 2022
Current Liability		3 209	3 209	3 033 [1]
Non-current Liability	180 886	2 910	183 796	136 904
Total	**180 886**	**6 119**	**187 005**	**139 938**

[1] PAHO has $3 012 in the Provision for Terminal Entitlements Fund to cover current and future terminal indemnities, which can be applied to reduce this net defined benefit obligation. (2022: $2 218)

- Gains and losses (unexpected changes in surplus or deficit) are recognized immediately on the balance sheet and do not impact past or future expenses.
- There is no reimbursement right.
- The expected Organization's contributions during 2023 are estimated at $12 931 for the ASHI Fund and $1 787 for the TAREP.

12.5 Actuarial valuations of post-employment and other separation-related benefits

During 2023, the rates of contribution to these two long-term funds were 5% of net base pay plus post adjustment being credited to the TAREP, and 6% of the base pay credited to the ASHI Fund.

12.6 Actuarial assumptions and methods

Other long-term employee benefits consist of home leave travel, which is accrued on a monthly basis. Employees entitled to this benefit are meant to earn it and take it every two years.

Assumption	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund
Accounting Standard	International Public Sector Accounting Standard 39	
Measurement Date	31 December 2023	
Discount Rate	5.1 % (2022: 5.6%)	4.9 % (2022: 5.1%)
General Inflation	2.3% (2022: 2.4%)	2.1% (2022: 2.3%)
Medical Costs Increases	U.S.— in 6.0% in 2024, (2023: 4.5%) decreasing gradually to 3.50% in 2030 (2022: 3.85% in 2034) and later years. Non-U.S. Americas—8.8% in 2024, (2023: 7.3%) decreasing gradually to 3.5% in 2031 (2022: 3.9% in 2034) and later years.	Not Applicable
Future Participant Contribution Rate Changes	The participants contribution rates (as a percentage of the pay/pension) are not scheduled to change after 2023. Any changes in these rates will be treated as plan amendments and reflected in Past Service Cost for accounting purposes.	Not Applicable
Life Expectancy	Mortality rates match the rates recommended by the U.N. Task Force via harmonization guidance.	
Average Medical Costs	U.S. and non-U.S. costs projected from recent experience, adjusted for market trends and for SHI cost savings measures	Not Applicable
Uptake of coverage at retirement	Participants with less than 9 years of service at the time of retirement are anticipated to opt out of ASHI coverage. 2022: 94% of participants with more than 9 years of service at the time of retirement are anticipated to elect the ASHI coverage.	Not Applicable

The following tables provide additional information and analysis on employee benefits liabilities calculated by actuaries.

12.7 Actuarial summary for the After-Service Health Insurance Fund and the Termination and Repatriation Entitlements Fund

Description	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total 2023	Total 2022
Reconciliation of Defined Benefit Obligation				
Defined Benefit Obligation (beginning balance)	208 130	23 816	231 946	404 886
Service Cost	3 887	1 590	5 477	12 506
Interest on Defined Benefit Obligation	10 944	1 170	12 114	12 422
Actual After Service Gross Benefit Payments and Medicare Reimbursements	(15 356)	(3 133)	(18 489)	(14 268)
Actual After Service Administrative Expenses	(981)		(981)	(805)
Actual Contributions by After Service Participants	2 888		2 888	2 676
Plan Amendments Adopted				
Changes in Accounting Methods				
(Gain)/Loss on DBO due to Financial Assumption Changes	55 743	5	55 748	(127 935)
(Gain)/Loss on DBO due to Other Assumption Changes	(790)	693	(97)	(59 486)
Interests on Incurred But-Not-Paid Reserve	440		440	189
(Gain)/Loss on DBO on Incurred But-Not-Paid Reserve	389		389	1 760
Defined Benefit Obligation as of 31 December 2023	**265 294**	**24 141**	**289 435**	**231 945**
Reconciliation of Plan Assets				
Market Value of Plan Assets (beginning balance)	74 991	17 017	92 008	106 027
Gross Benefit Payments and Medicare Reimbursements	(24 422)	(3 132)	(27 554)	(23 970)
SHI Administrative Expenses	(1 641)		(1 641)	(1 578)
SHI Contributions by Participants	7 215		7 215	8 720
Organization Contributions, excluding 4% of Pay Contributions	14 882		14 882	13 886
Organization Additional Contributions	3 404	3 132	6 536	5 806
Interest on Net Assets	4 028	868	4 896	3 165
Gain/(Loss) on Plan Assets	5 951	137	6 088	(20 047)
Plan Assets as of 31 December 2023	**84 408**	**18 022**	**102 430**	**92 009**
Reconciliation of Funded Status				
Defined Benefit Obligation				
Active	109 234	24 141	133 375	106 948
Incurred but not paid	8 688		8 688	117 138

Inactive	147 372		147 372	7 859
Total Defined Benefit Obligation	**265 294**	**24 141**	**289 435**	**231 945**
Plan Assets				
Gross Plan Assets	84 408	18 022	102 430	92 009
Total Plan Assets	**84 408**	**18 022**		**92 009**
Net Liability (Asset) Recognized in Statement of Financial Position				
Current		3 209	3 209	3 033
Non-current	180 886	2 910	183 796	136 904
Total Net Liability (Asset) Recognized in Statement of Financial Position	**180 886**	**6 119**	**187 005**	**139 938**
Expenses for 2023				
Service Cost	3 887	1 590	5 477	12 506
Interest Cost	7 356	302	7 658	9 447
Plan Amendments Adopted				
Total Expense Recognized in Statement of Financial Performance	**11 243**	**1 892**	**13 135**	**21 953**

Expected Contributions during 2024				
Contributions by / for Active Staff, Net of Claims / Admin Costs	7 155		7 155	5 385
Contributions by PAHO for Inactives	5 776	1 788	7 564	7 242
Total Expected Contributions for 2024	**12 931**	**1 788**	**14 719**	**12 627**

Note: From the total annual actuarial activity totaling $47 068 (2022: $-158 921), $33 308 (2022: $-180 794) is disclosed in the Statement of Changes in Net Assets, and $13 759 (2022: $21 872) is disclosed in the Statement of Financial Performance.

In addition to the Plan Assets held in the TAREP trust, the Organization has a balance of $3 011 (2022: $2 218) in the Provision for Terminal Payments Fund, which is available to cover current and future termination indemnities.

The ASHI DBO changed from $208 130 million in 2022 to $265 294 million in 2023. The main changes were: $18 842 increase due to the discount rate from 5.6% to 5.1%; $19 771 increase due to the update of the per capita claims assumptions; and $17 321 increase due to the update of the health care cost trend assumptions.

The TAREP DBO changed from $23 816 million in 2022 to $24 141 million in 2023 due to changes in the discount rate from 5.1% to 4.9%. Although the decrease is immaterial, it is due primarily to changes in economic assumptions (general inflation and the discount rate), partially offset by the net impact of other factors.

12.8 Medical sensitivity analysis and discount rate sensitivity analysis

Three of the principal assumptions in the valuation of the After-Service Medical Plan are: 1) the rate at which medical costs are expected to change in the future; 2) the return on the assets; and 3) the discount rate used to determine the present value of benefits that will be paid from the plan in the future. Because the medical inflation rate and the discount rate have a very significant impact on the determination of the Organization's long-term valuation, it is helpful to conduct sensitivity analysis on them. The sensitivity analysis identifies the impact that the medical inflation rate and the discount rate variables will have on the total valuation. The independent actuary study determined the impact of increasing or decreasing assumptions on the valuation.

The following charts present the respective sensitivity analysis for each of the reported funds. Medical sensitivity does not apply to the TAREP data.

	ASHI Defined Benefit Obligation as of 31 December 2023	ASHI Defined Benefit Obligation as of 31 December 2022
Medical Sensitivity Analysis		
Current Medical Inflation Assumption Minus 1%	225 193	163 738
Current Medical Inflation Assumption	256 606	200 271
Current Medical Inflation Assumption Plus 1%	309 439	241 642
Discount Rate Sensitivity Analysis		
Current Discount Rate Assumption Minus 1%	309 930	232 053
Current Discount Rate Assumption:	256 606	200 271
Current Discount Rate Assumption Plus 1%	225 441	172 125

	TAREP Defined Benefit Obligation as of 31 December 2023	TAREP Defined Benefit Obligation as of 31 December 2022
Discount Rate Sensitivity Analysis		
Current Discount Rate Assumption Minus 1%	24 674	24 344
Current Discount Rate Assumption	24 141	23 816
Current Discount Rate Assumption Plus 1%	23 666	23 343

The approximate duration of the defined benefit obligation is 2.1 years for the TAREP and 17 years for the ASHI.

12.9 United Nations Joint Staff Pension Fund

PAHO is a member organization participating in the United Nations Joint Staff Pension Fund (the "Fund"), which was established by the United Nations General Assembly to provide retirement, death, disability, and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances, and other conditions of service of the United Nations and the specialized agencies.

The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the Fund. PAHO and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify PAHO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, PAHO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee benefits. PAHO's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

PAHO's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The latest actuarial valuation for the Fund was completed as of 31 December 2021, and the valuation as of 31 December 2023 is currently being performed. A roll forward of the participation data as of 31 December 2021 to 31 December 2022 was used by the Fund for its 2022 financial statements.

The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0%. The funded ratio was 158.2% when the current system of pension adjustments was not taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2021, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions (PAHO and employees' share) paid to the Fund during the preceding three years (2020, 2021, and 2022) amounted to $79 006 million. Total contributions paid to the Fund by all participating entities during this period were $8 937 683 million. The resulting liability under Article 26 for PAHO would be 0.88% of any actuarial deficiency.

During 2023, contributions paid to the Fund amounted to $29 108 million (2022 $27 005 million). Expected contributions due in 2024 are approximately $30 564 million.

Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, and these can be viewed by visiting the Fund at **www.unjspf.org.**

13. Deferred revenue

	31 December 2023	31 December 2022
Current		
Voluntary Contributions		
Voluntary Contributions - Emergency Preparedness and Disaster Relief	41 071	74 292
Voluntary Contributions	86 310	96 159
Voluntary Contributions - National Voluntary Contributions	159 818	99 947
Procurement of Public Health Supplies		
Revolving Fund for Access to Vaccines	314 068	375 319
Regional Revolving Fund for Strategic Public Health Supplies	133 083	94 678
Reimbursable Procurement	596	674
Other	438	438
Total	**735 384**	**741 507**
Non-Current		
Voluntary Contributions		
Voluntary Contributions - Emergency Preparedness and Disaster Relief	1 934	21 391
Voluntary Contributions	36 711	27 337
Voluntary Contributions - National Voluntary Contributions	233 935	150 801
Total	**272 580**	**199 529**

14. Fund balances and reserves

Fund balances represent the unexpended portion of contributions that are intended to be utilized in future operational requirements of the programs or projects.

Reserves are established by the Governing Bodies as facilities for funding and/or financing the Organization’s programs and projects. They currently are:

- Working Capital Fund
- Tax Equalization Fund
- Master Capital Investment Fund
- Special Fund for Program Support Costs
- Voluntary Contributions – Emergency Preparedness and Disaster Relief
- Special Fund for Health Promotion
- Budgetary Surplus Fund
- Epidemic Emergency Fund
- Revenue Surplus Fund

Summary of fund balances and reserves

	Balance as of 31 December 2022	Revenue	Expenses	Transfers	Actuarial Valuation	Balance as of 31 December 2023
Fund Balances:						
Strategic Public Health Supplies-Capitalization	34 469	106 884	(104 600)			36 753
After-Service Health Insurance	(133 139)		(11 867)		(35 880)	(180 886)
Voluntary Contributions	38	72 808	(72 807)			39
Voluntary Contributions - National Voluntary Contributions	(20)	88 474	(88 458)			(4)
Income from Services	9 219	2 655	(3 145)			8 729
Provision for Staff Entitlements	8 764		1 239			10 003
Revolving Fund for Access to Vaccines	270 306	626 062	(612 101)			284 267
Reimbursable Procurement		122	(122)			
PAHO Assessed Contributions and Miscellaneous Revenue	57 609	154 979	(108 889)	(35 246)		68 453
Provision for Termination and Repatriation Entitlements	(1 950)		(1 469)		2 571	(848)
PAHO Post Occupancy Charge	10 993		2 094			13 087
SHI Servicing Costs		435	(435)			
AMRO Regular Budget		50 505	(50 505)			
AMRO Voluntary Funds for Health Promotion		76 623	(76 623)			
AMRO Special Account for Servicing Costs		5 804	(5 804)			
Subtotal	**256 289**	**1 185 351**	**(1 133 492)**	**(35 246)**	**(33 309)**	**239 593**
Reserves:						
Working Capital Fund	50 000					50 000
Tax Equalization Fund	5 635	8 075	(7 802)			5 908
Master Capital Investment Fund	45 198	272	(44)			45 426
Special Fund for Program Support	170 137	28 252	(28 847)			169 542
Voluntary Contributions - Emergency Preparedness and Disaster Relief	18 825	57 480	(61 250)			15 055
Special Fund for Health Promotion	827	24	(1)			850
Budgetary Surplus Fund				4 443		4 443
Epidemic Emergency Fund	914		(396)			518
Revenue Surplus Fund				30 803		30 803
Subtotal	**291 536**	**94 103**	**(98 340)**	**35 246**		**322 545**
Total	**547 825**	**1 279 454**	**(1 231 832)**		**(33 309)**	**562 138**

14.1 Working Capital Fund and internal borrowing

The Working Capital Fund was established for the primary purpose of providing funds as required to finance the Program Budget pending receipt of contributions from Member and Participating States and Associate Members.

In accordance with Financial Regulation 4.5, any deficit of revenue over expenses of the Program Budget appropriation at the end of the current budgetary period shall be funded first by the Working Capital Fund to the extent possible, and then by borrowing or by other authorized means. Non-budgetary items, such as depreciation, amortization, and contributions in-kind, do not constitute part of the Program Budget and are therefore excluded from revenue and expense for the purposes of calculating the Program Budget Appropriation surplus or deficit.

	Total as of 31 December Interim 2022	Total as of 31 December 2023	Total as of 31 December Biennium 2022-2023	Total as of 31 December Biennium 2020-2021
Balance as of 1 January - Biennium	50 000		**50 000**	**25 000**
2022 Surplus / (Deficit)	(26 827)		(26 827)	
2023 Surplus / (Deficit)		46 091	46 091	
2020 Surplus / (Deficit)				(29 142)
2021 Surplus / (Deficit)				
Surplus / (Deficit)	**(26 827)**	**46 091**	**19 264**	**(29 142)**
2022 Non-budgetary Items [1]	43 029		**43 029**	
2023 Non-budgetary Items [1]		(27 047)	**(27 047)**	
2020 Non-budgetary Items [1]				**45 342**
2021 Non-budgetary Items [1]				**8 270**
Non-budgetary items [1]	43 029	(27 047)	**15 982**	**53 612**
2023 Transfer from Budgetary Surplus Fund			**(30 803)**	
2023 Transfer from Budgetary Surplus Fund			**(4 443)**	
2020 Transfer from Budgetary Surplus Fund - CD 58/11				**2 455**
2020 Transfer from Revenue Surplus Fund - CD 58/12				**1 254**
2021 Transfer to Budgetary Surplus Fund				
2022 Transfer to Budgetary Surplus Fund				**(3 179)**
Total Transfers			**(35 246)**	**530**
Program Budget Appropriation Surplus/(Deficit)	**16 202**	**19 044**	**35 246**	**24 470**
Balance as of 31 December [2]		**19 044**	**50 000**	**50 000**

[1] Non-budgetary items are comprised of but not limited to, depreciation, amortization, and in-kind contributions.
[2] 2022 is an interim closure; therefore, budgetary surplus and revenue surplus will be recognized at the end of biennium 2022-2023.

Regarding the 2023 assessed contributions, 22 Member States, Participating States, and Associate Members paid their assessments in full, 11 Members made partial payments, and 9 Members made no payments. The total assessed contributions due as of 31 December 2023 was $30 325, compared to $64 992 pending at the end of 2022. Even though the current balance of Assessed Contributions is improving the decade average, the Organization has utilized $14 115 of the Working Capital Fund to enable the implementation of the 2023–2024 Program Budget.

14.2 Tax Equalization Fund

The Tax Equalization Fund, as established by Resolution CD18.R7 of the 18th Directing Council (1968), is credited with the revenue derived from the staff assessment plan. The credits to the fund are recorded in the name of each Member State in proportion to its assessment for the financial period concerned and reduced by the amount needed to reimburse income taxes levied by the Member State on Organization staff. Adjustments are made in the next financial period to take account of the actual charges in respect of amounts reimbursed to staff members who are subject to national taxes.

Member States participating in the Tax Equalization Fund had the following balances at the end of the reporting period.

Member States	Balance 1 January 2023	Credits from the Tax Equalization Fund	Apportionment to Member States	Available to Cover Tax Reimbursements to Staff	Taxes Reimbursed to Staff	Balance 31 December 2023
Canada	14	903	863	40	61	(7)
Colombia	16	151	151			16
United States	5 505	3 750	(4 250)	8 000	7 722	5 783
Venezuela	100	179	144	35	18	116
Other		2 517	2 517			
Total	**5 635**	**7 500**	**(575)**	**8 075**	**7 801**	**5 908**

There is no outstanding accounts receivable for the Tax Equalization Fund because the liabilities for the reimbursement of income taxes are included in the accounts receivable for assessed contributions due from the relevant Member States.

14.3 Master Capital Investment Fund

The Organization's Master Capital Investment Fund (MCIF) was established by Resolution CSP27. R19 of the 27th Pan American Sanitary Conference, 59th Session of the Regional Committee, in October 2007. This fund was initially created with two sub-funds, Real Estate and Equipment, and Information Technology, in lieu of the Organization's Building Fund and the Capital Equipment Fund, effective 1 January 2008. The purpose of the MCIF is to finance the repairs of the Organization's office buildings and the systematic replacement of computer and telecommunications equipment software and systems to support the Organization's information technology infrastructure.

In 2012, under Resolution CSP28.R17 of the 28th Pan American Sanitary Conference, 64th Session of the Regional Committee of WHO for the Americas, the establishment of three additional sub-funds was authorized: Real Estate Maintenance and Improvement, Revolving Strategic Real Estate, and Vehicle Replacement. In 2020, the properties held in the MCIF were revalued. The revaluation impact of $14.6 million along with a transfer of $4.6 million from the Revenue Surplus Fund is attributed to the $18.4 million increase in the fund balance. For more details on the status of the fund and its utilization, revenue, and investment plan and operational expense in Headquarters please see document SPBA16/13.

14.4 Special Fund for Program Support Costs

The Special Fund for Program Support Costs was established in 1976 by the Director under the authority of Financial Regulation 9.3 (originally 6.7) and subsequently reaffirmed by Resolution CSP20.R32 of the 20th Pan American Sanitary Conference (1978).

The fund is used to cover indirect costs associated with the management of voluntary contributions. Considering the strategic needs of the Organization and at the discretion of the Director, part of the income credited during a biennium plus balances available from previous periods are made available to finance the Program Budget. Remaining balances are reserved for any contingencies.

Reimbursable Procurement is charged a service charge based on the value of procurement, and this income is credited to this fund.

14.5 Voluntary Contributions – Emergency Preparedness and Disaster Relief

In accordance with Resolution CD24.R10 of the 24th Directing Council (1976), the Special Fund for Natural Disaster Relief was created to provide funds that can be used promptly by the Organization's Health Emergencies Department (PHE). During periods of an officially declared emergency, the Director of PHE, in coordination with the Department of Planning, Budget and Evaluation (PBE), Financial Resource Management (FRM), and under the general supervision of the Director, authorizes the advance of funds to be used temporarily while agreements are authorized and signed. These advances are totally recovered through transfer of expenses done once the agreements are properly registered in the accounts.

14.6 Special Fund for Health Promotion

At its 13th Meeting in 1961, the Directing Council established the Special Fund for Health Promotion, with the objective of strengthening the health program of the Americas.

14.7 Epidemic Emergency Fund

The Epidemic Emergency Fund was established by Resolution CSP28.R16 of the 28th Pan American Sanitary Conference, 64th Session of the Regional Committee. This fund is used as a revolving fund to advance monies to affected countries in the event of an epidemic outbreak or public health emergency. Advanced funds would be recovered from appeals and other forms of voluntary contributions received in response to the emergency.

In case the fund is depleted and with concurrence of PAHO Governing Bodies, the Director may allocate part of the Organization's revenue surplus (if any) to replenish the fund.

14.8 Budgetary surplus

The Financial Regulations, approved by Resolution CD49.R1 of the 49th Directing Council, 61st Session of the Regional Committee, stipulate that "Any balance of the Regular Budget appropriation not committed by the end of the current budgetary period, shall be used to replenish the Working Capital Fund to its authorized level, after which any balance will be available for subsequent use in accordance with the resolutions adopted by the Conference or Directing Council."

14.9 Revenue surplus

The Financial Regulations approved by Resolution CD49.R1 of the 49th Directing Council, 61st Session of the Regional Committee, stipulate that "Any excess of revenue over the Regular Budget appropriation at the end of a budgetary period shall be considered a revenue surplus and shall be available for use in subsequent periods to cover the unfunded portion of the Strategic Plan, as determined by the Director and with the concurrence of the Subcommittee on Program, Budget, and Administration."

15. Revenue

	Total 2023	Total 2022
Revenue from Non-Exchange Transactions		
Assessed Contributions		
PAHO Assessed Contributions and Miscellaneous	97 200	97 200
Tax Equalization Fund	8 075	8 075
Subtotal	**105 275**	**105 275**
Voluntary Contributions		
Voluntary Contributions	80 082	76 996
Voluntary Contributions - National Voluntary Contributions	92 963	70 077
Voluntary Contributions - Emergency Preparedness and Disaster Relief	61 417	119 636
Subtotal	**234 462**	**266 709**
WHO Allocations	**132 932**	**115 915**
Revenue from Exchange Transactions		
Procurement of Public Health Supplies [1]		
Revolving Fund for Access to Vaccines	636 688	975 065
Reimbursable Procurement on Behalf of Member States	126	169
Regional Revolving Fund for Strategic Public Health Supplies	108 690	138 495
Subtotal	**745 504**	**1 113 729**
Other Revenue		
Interest Earned	38 454	20 376
Valuation Gains and Losses	17 869	(44 176)
Decrease/(Increase) in allowance for doubtful accounts [2]	2 490	(2 692)
All Other Revenue	2 468	3 238
Subtotal	**61 281**	**(23 254)**
Total	**1 279 454**	**1 578 374**

[1] The Organization is returning to pre-COVID-19 levels.
[2] See Note 6.2.
Note: For improved transparency, all immaterial balances of the following categories were reclassified to reflect the underlaying nature of the item. (1) Miscellaneous Revenue, which is no longer a Revenue Hierarchy. (2) Interest earned, Valuation Gains and Losses, and the Allowance for doubtful accounts are now specifically reflected as Other Revenue. (3) Immaterial revenue activity for different PAHO funds is part of line item "All Other Revenue".

16. Expenses

	Total 2023	Total 2022
Staff and Other Personnel Costs		
International and National Staff	145 290	147 002
Temporary Staff	11 149	9 210
Subtotal	**156 439**	**156 212**
Supplies, Commodities, Materials [1]		
Medicines	640 579	927 317
Health Supplies	38 094	87 411
Freight and Insurance	41 444	80 793
Other	60 963	63 782
Subtotal	**781 080**	**1 159 303**
Depreciation, Amortization, and Revaluation	**2 721**	**1 778**
Contract Services	**201 729**	**174 745**
Travel [1]	**56 030**	**32 827**
Transfers and Grants to Counterparts	**11 371**	**13 851**
General Operating Costs and Other Direct Costs		
Maintenance, Security and Insurance	22 462	23 165
Decrease in Provisions		(10 290)
Subtotal	**22 462**	**12 875**
Total	**1 231 832**	**1 551 591**

[1] The Organization is returning to pre-COVID-19 levels.

Note: For improved transparency the following categories were reclassified to reflect the underlaying nature of the item: (1) Donated goods were reclassified to Supplies, Commodities, and Materials. Originally it was disclosed under Transfer and Grants to Counterparts. (2) Statutory Travel was reclassified to Travel. Originally it was disclosed under Staff and Other Personnel Costs.

17. Comparison of budget and actual amounts

In accordance with IPSAS 24, variances between budget and actual amounts must be reconciled. Explanations should be provided in accordance with the following categories:

Basis Differences: Occur when the budget and the financial statements are prepared on a different basis (i.e. budget prepared in cash basis and financial statements prepared in accrual basis). For the case of PAHO although the budget is prepared on an accrual basis some expenses are not included (e.g. depreciation, amortization, and cost of goods sold).

Timing Differences: Occur when the budget period differs from the period reflected in the financial statements. PAHO's budget is prepared on a biennial basis although its financial statements are prepared on an annual basis.

Presentation Differences: Occur from format and classification schemes used in the presentation of the cash flow and the comparison of budget and actual amounts (i.e. investing and financing activities shown in the Statement of Cash Flow but not budgeted).

Entity Differences include actual expenses for programs not reflected in the budget. These programs are classified as Non-Program Budget. Programs under the Non-Program Budget classification include but are not limited to: National Voluntary Contributions, Revolving Fund for Access to Vaccines, PAHO After-Service Health Insurance Fund, Post Occupancy Charge Fund and the Expanded Textbook and Instructional Materials Program.

17.1 Reconciliation between cash flow activity and actual expenses reported in the Statement of Budget and Actual Amounts

The reconciliation between the actual amounts on a comparable basis in the Comparison of Budget and Actual Amounts and the actual amounts in the Cash Flow Statement for the year ended 31 December 2022 is presented below:

Activity	Operating	Investing and Financing	Total
Actual Amount on comparable basis from Statement of Budget and Actual Amounts	(422 437)		**(422 437)**
Basis Differences	192 149		**192 149**
Timing Differences			
Presentation Differences		(11 427)	**(11 427)**
Entity Differences	231 157		**231 157**
TOTAL	**869**	**(11 427)**	**(10 558)**

17.2 Reconciliation between total expenses (net) reported in the Statement of Financial Performance and the expenses reported in the Comparison Budget and Actual Amounts (Program Budget)

Activity	Total
Actual Amount on comparable basis from Statement of Budget and Actual Amounts	422 437
Basis Differences	62 903
Timing Differences	
Presentation Differences	
Entity Differences	746 492
TOTAL	**1 231 832**

17.3 2023 Expenses vs. funding

Outcome No	Outcome short title	Funds Available as of 31 Dec 2023	FY 2022 Expenditures (with accruals)	FY 2023 Expenditures (with accruals)	Total 22-23 Expenditures	Total 22-23 Expenditures as % of Funds Available
Base Programs						
OUTCOME 1	Access to comprehensive and quality health services	20 680	7 927	12 547	20 474	99%
OUTCOME 2	Health throughout the life course	22 869	9 788	12 930	22 718	99%
OUTCOME 3	Quality care for older people	2 731	849	1 882	2 731	100%
OUTCOME 4	Response capacity for communicable diseases	74 734	30 115	37 847	67 962	91%
OUTCOME 5	Access to services for NCDs and mental health conditions	23 242	11 799	11 191	22 990	99%
OUTCOME 6	Response capacity for violence and injuries	2 359	962	1 359	2 321	98%
OUTCOME 7	Health workforce	11 043	3 992	6 475	10 467	95%
OUTCOME 8	Access to health technologies	36 403	12 148	19 477	31 625	87%
OUTCOME 9	Strengthened stewardship and governance	7 489	3 784	3 686	7 470	100%
OUTCOME 10	Increased public financing for health	3 501	1 730	1 829	3 559	102%
OUTCOME 11	Strengthened financial protection	1 452	636	813	1 448	100%
OUTCOME 12	Risk factors for communicable diseases	20 062	8 141	11 709	19 851	99%
OUTCOME 13	Risk factors for NCDs	14 078	5 020	8 709	13 728	98%
OUTCOME 14	Malnutrition	5 322	2 826	2 383	5 209	98%
OUTCOME 15	Intersectoral response to violence and injuries	2 917	1 117	1 781	2 898	99%
OUTCOME 16	Intersectoral action on mental health	3 751	1 671	2 029	3 700	99%
OUTCOME 17	Elimination of communicable diseases	21 758	8 037	13 224	21 262	98%
OUTCOME 18	Social and environmental determinants	15 952	5 975	9 727	15 702	98%
OUTCOME 19	Health promotion and intersectoral action	4 431	1 304	3 115	4 418	100%
OUTCOME 20	Integrated information systems for health	17 140	7 450	8 576	16 026	94%
OUTCOME 21	Data, information, knowledge, and evidence	16 882	6 666	9 737	16 403	97%
OUTCOME 22	Research, ethics, and innovation for health	3 121	1 342	1 757	3 099	99%
OUTCOME 23	Health emergencies preparedness and risk reduction	23 364	7 946	14 247	22 193	95%
OUTCOME 24	Epidemic and pandemic prevention and control	20 863	6 913	13 570	20 483	98%
OUTCOME 25	Health Emergencies Detection and Response	34 916	18 083	15 633	33 716	97%
OUTCOME 26	Cross-Cutting Themes: Equity, Ethnicity, Gender, and Human Rights	5 591	2 202	3 376	5 579	100%
OUTCOME 27	Leadership and governance	84 298	38 539	44 425	82 964	98%
OUTCOME 28	Management and administration	113 907	47 173	62 637	109 810	96%
Subtotal - Base Programs		**614 856**	**254 134**	**336 673**	**590 806**	**96%**
	Foot and mouth disease elimination program	13 921	6 062	6 480	12 542	90%
	Smart hospitals	11 568	9 695	1 872	11 568	100%
	Outbreak and crisis response	231 632	148 941	77 383	226 323	98%
	Polio eradication maintenance	156	127	29	156	100%
Subtotal - Special programs		**257 277**	**164 825**	**85 765**	**250 590**	**97%**
TOTAL - Program Budget		**872 133**	**418 959**	**422 437**	**841 396**	**96%**

This Note serves as a supplement to the standardized information presented in the Statement of Comparison of Budget and Actual Amounts to reflect funds available as of 31 December 2023. Given that the approved Program Budget is typically not fully funded, especially during the first year of the biennium, it is useful to compare expenses and accrued amounts to funding figures ("Funds Available") as shown in the table above, in addition to the comparison to the approved budget (envelopes or ceilings) included in Statement of Comparison of Budget and Actual Amounts.

As shown in the table, the expenditures, including accruals for the Program Budget 2022-2023 was in overall 96% of available funds as of 31 December 2023, explained by 96% expenditures in Base Programs and 97% in Special Programs.

18. Segment reporting

18.1 Statement of financial position by segments

	Total Core Activities Segment	Total Partnership Activities Segment	Total Enterprise Activities Segment	Total Special Activities Segment	Intra-Party Segment	Total 2023	Total 2022
ASSETS							
Current Assets							
Cash and Cash Equivalents	168 371					168 371	178 929
Short Term Investments	226 426					226 426	50 959
Owed From Other Segments *		241 746	880 437	44 392	(1 166 575)		
Accounts Receivable	20 114	139 473	74 158	1 938		235 683	261 960
Inventories		12 133	1 433			13 566	17 604
Total Current Assets	**414 911**	**393 352**	**956 028**	**46 330**	**(1 166 575)**	**644 046**	**509 452**
Non-Current Assets							
LongTerm Investments	822 659					822 659	981 684
Accounts Receivable	28	199 220	13 148			212 396	123 388
Net Fixed Assets	117 372		4 589	41 612		163 573	146 648
Intangible Assets	89		776			865	1 050
Total Non-Current Assets	**940 148**	**199 220**	**18 513**	**41 612**		**1 199 493**	**1 252 770**
TOTAL ASSETS	**1 355 059**	**592 572**	**974 541**	**87 942**	**(1 166 575)**	**1 843 539**	**1 762 222**
LIABILITIES							
Current Liabilities							
Accrued Liabilities	900	15 215	1 091	6 528		23 734	34 262
Owed To Other Segments *	1 166 575				(1 166 575)		
Accounts payable	25 226	1 970	25 974	869		54 039	90 503
Employee Benefits				3 209		3 209	3 033
Deferred Revenue		287 199	448 185			735 384	741 507
Total Current Liabilities	**1 192 701**	**304 384**	**475 250**	**10 606**	**(1 166 575)**	**816 366**	**869 305**
Non-Current Liabilities							
Accounts payable	8 659					8 659	8 659
Employee Benefits				183 796		183 796	136 904
Deferred Revenue		272 580				272 580	199 529
Total Non-Current Liabilities	**8 659**	**272 580**		**183 796**		**465 035**	**345 092**
TOTAL LIABILITIES	**1 201 360**	**576 964**	**475 250**	**194 402**	**(1 166 575)**	**1 281 401**	**1 214 397**
Fund Balances and Reserves							
Fund Balances	68 453	35	329 749	(158 644)		**239 593**	**256 289**
Reserves	85 246	15 573	169 542	52 184		**322 545**	**291 536**
TOTAL NET FUND BALANCES and RESERVES	**153 699**	**15 608**	**499 291**	**(106 460)**		**562 138**	**547 825**
TOTAL LIABILITIES AND FUND BALANCES / RESERVES	**1 355 059**	**592 572**	**974 541**	**87 942**	**(1 166 575)**	**1 843 539**	**1 762 222**

* Owed to/from Other Segments is due to PAHO holding pooled cash on behalf of other segments. This cannot be allocated directly to a cash segment. These are eliminated on consolidation.

18.2 Statement of financial performance by segments

	Total Core Activities Segment	Total Partnership Activities Segment	Total Enterprise Activities Segment	Total Special Activities Segment	Intra-Party Segment	Total 2023	Total 2022
REVENUE							
Revenue from Non-Exchange Transactions							
Assessed Contributions	97 200			8 075		**105 275**	**105 275**
Voluntary Contributions		234 462				**234 462**	**266 709**
WHO Allocations	50 505	76 623	5 804			**132 932**	**115 915**
Revenue from Exchange Transactions							
Procurement of Public Health Supplies			745 504			**745 504**	**1 113 729**
Other Revenue	57 780	2 780	32 672	34 620	(66 571)	**61 281**	**(23 254)**
TOTAL REVENUE	**205 485**	**313 865**	**783 980**	**42 695**	**(66 571)**	**1 279 454**	**1 578 374**
EXPENSES							
Staff and Other Personnel Costs	101 281	32 915	17 940	36 948	(32 645)	**156 439**	**156 212**
Supplies, Commodities, Materials	6 452	54 229	719 114	4 890	(3 605)	**781 080**	**1 159 303**
Depreciation, Amortization, and Revaluation	512		1 175	1 034		**2 721**	**1 778**
Contract Services	31 484	153 404	11 040	5 801		**201 729**	**174 745**
Travel	8 595	44 502	2 690	243		**56 030**	**32 827**
Transfers and Grants to Counterparts	827	10 489	55			**11 371**	**13 851**
General Operating Costs	10 243	6 675	4 394	3 258	(2 108)	**22 462**	**12 875**
Indirect Support Costs		15 801	12 412		(28 213)		
TOTAL EXPENSES	**159 394**	**318 015**	**768 820**	**52 174**	**(66 571)**	**1 231 832**	**1 551 591**
NET SURPLUS/ (DEFICIT)	**46 091**	**(4 150)**	**15 160**	**(9 479)**		**47 622**	**26 783**

Note: For improved transparency, some amounts have been reclassified to better reflect the underlying nature of the item.

19. Losses, ex-gratia payments, and write-offs

In 2023 the Organization recorded the following:

- No amount was recorded as a write-off from receivables from former staff (2022: $7).
- $0.3 were recorded as fraudulent transactions (loss) in commercial payments (2022: $0).
- $20 were recorded as a write-off from an uncollectable debt from a Voluntary Contribution sponsor (2022:$0).
- $48 were recorded as ex-gratia payments (bonus compensation) (2022: $0).

20. Cases of fraud and presumptive fraud

In 2023, a total of 20 cases related to fraud, theft, damage, or loss of property valued at $9 were reported. PAHO recovered $5 of this amount, leaving a net loss of $4 to the Organization. The 20 cases reported are described below.

a. There were 17 cases involving fraud, damage, loss, or theft of PAHO property in the country offices and Headquarters. The total net loss to the Organization of this lost or stolen property was $4.

b. One case involved alleged occupational fraud resulting in an investigation by the Investigations Office. The amount of the loss to the Organization due to this fraud was $4, which was recovered in full leaving a net loss of zero to the Organization.

c. There were two cases involving the misuse of PAHO corporate travel credit cards committed by people outside the Organization. In these cases, the fraudulent charges for immaterial amounts were reimbursed by the financial institutions concerned.

21. Related-party and other senior management disclosure

As stated in Note 1, the Organization serves as the Regional Office for the Americas of the World Health Organization. The relationship between both organizations is detailed in the Agreement between the World Health Organization and the Pan American Health Organization duly signed on 24 May 1949. This agreement provides for the allocation of funds from the WHO budget for implementation by PAHO. The financial management of the funding received by the Organization from WHO is governed by Regulation IV, "Financing the Program and Budget" of PAHO's Financial Regulations.

The Agreement between the World Health Organization and the Pan American Health Organization and the PAHO Financial Regulations can be found in the Basic Documents of the Pan American Health Organization at the following link: https://www.paho.org/hq/dmdocuments/2017/basic-documents-paho-2017.pdf

Details of the transactions with WHO are set out in Note 14, AMRO Regular Budget, AMRO Voluntary Funds for Health Promotion, and AMRO Special Account for Servicing Costs.

Key management personnel are the Director, Deputy Director, Assistant Director, and Director of Administration, as they have the authority and responsibility for planning, directing, and controlling the activities of the Organization.

The aggregate remuneration paid to key management personnel, as established by the United Nations International Civil Service Commission (ICSC), includes gross salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effects shipment costs, income tax reimbursement, and employer pension and current health insurance contributions. These remunerations are provided in conformity with the standards established by the ICSC and are applicable to all United Nations personnel.

Key management personnel are also qualified for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified.

Key management personnel are ordinary members of the United Nations Joint Staff Pension Fund (UNJSPF).

21.1 Key management personnel

As of 31 December 2023, the number of key management personnel totaled four, on a full-time equivalent basis (2022: four).

Key Management Personnel	2023	2022
Compensation and Post Adjustment	947	895
Entitlements	501	334
Pension and Health Plans	319	342
Total Remuneration	**1 767**	**1 571**

22. Events after reporting date

The Organization's reporting date is 31 December of each year. On the date of signature of these accounts by the External Auditor, no material events, favorable or unfavorable, have occurred between the date of the Statement of Financial Position and the date when the financial statements have been authorized for issue that would have impacted these statements.

23. Contingent liability

In the normal course of business PAHO faces lawsuits which are at various stages of action. Having undertaken a review, PAHO does not consider these legal cases to have any significant impact on the financial statements, given the balance of probabilities. PAHO is unable to quantify the potential costs of defending these actions, but do not consider them to be significant or reliably estimable.

24. In-kind contributions

Host governments and cooperating partners at the country level provide different in-kind contributions, which are utilized by the Organization's Country Offices for their general and daily operations. These contributions are not recognized in the Organization's financial statements due to the complexity of standardizing a fair value throughout all the Organization's Country Offices. In-kind contributions received by the Organization include personnel, office premises, and office services.

Country Office or Center	Services Received In-Kind		
	Personnel	Office Premises	Office Services
Bahamas	X	X	X
Barbados	X	X	X
Belize	X		X
Chile	X	X	
Costa Rica	X	X	X
Cuba	X		
Dominican Republic	X	X	
Ecuador	X		
El Salvador	X		
Guatemala	X		
Guyana	X	X	X
Honduras	X		
Jamaica	X		
Nicaragua	X	X	X
Panama	X	X	X
Paraguay	X		
Suriname	X	X	X
Trinidad and Tobago	X	X	X
Uruguay	X		X
PANAFTOSA		X	
CLAP	X		

Report of the External Auditor

National Audit Office

MAY 2024

PAHO

External Auditor's Report on the 2023 PAHO Financial Statements

The aim of the audit is to provide independent assurance to Member States; to add value to the PAHO's financial management and governance; and to support your objectives through the external audit process.

The Comptroller and Auditor General is the head of the National Audit Office (NAO), the United Kingdom's Supreme Audit Institution. The Comptroller and Auditor General and the NAO are independent of the United Kingdom Government and ensure the proper and efficient spending of public funds and accountability to the United Kingdom's Parliament. The NAO provides external audit services to a number of international organizations, working independently of its role as the Supreme Audit Institution of the United Kingdom.

Contents

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Executive summary

Background

1 The Pan American Health Organization (PAHO) is the specialized international health agency for the Americas. It works with countries throughout the region of the Americas, to improve and protect people's health. PAHO engages in technical cooperation with its member countries to fight communicable and noncommunicable diseases and their causes, to strengthen health systems, and to respond to emergencies and disasters. PAHO is committed to ensuring that all people have access to the health care they need, when they need it, with quality and without fear of falling into poverty. Through its work, PAHO promotes and supports the right of everyone to good health.

2 To advance these goals, PAHO promotes technical cooperation between countries and works in partnership with ministries of health and other government agencies, civil society organisations, other international agencies, universities, social security agencies, community groups, and other partners. PAHO promotes the inclusion of health in all public policies and the engagement of all sectors in efforts to ensure that people live longer, healthier lives, with good health as their most valuable resource.

3 In addition to our opinions on PAHO's financial statements, this report presents the key findings and recommendations arising from our work, including our observations on governance and internal control and opportunities to transform the way PAHO operates. We have also followed up on the progress made implementing our previous recommendations.

4 This year marks the final year of our mandate for the External Audit of PAHO. We have focused on drawing on the key themes we have explored during our mandate and in providing observations based on our time as PAHO’s auditors. We have also reflected on the trends and overall financial health of PAHO. Our observations are intended to feed into the organizational initiatives currently being advanced through the PAHO Forward programme, on which we have also provided our observations.

5 Our findings and recommendations have been discussed with management. In line with good practice, the results of our financial audit were communicated to the Audit Committee prior to finalising our work.

6 The original drafting language of this report is English. The English version is the authoritative text.

Key observations

Audit opinion on financial statements

7 Our audit comprised the examination of the 2023 financial statements and the associated transactions and events for that year. It was conducted in accordance with International Standards on Auditing and the Financial Regulations. We provided an unqualified audit opinion, without modification, on the financial statements. The financial statements remain of sound quality, supported by systems of internal controls and reporting. Throughout our mandate PAHO has achieved unqualified audit opinions and it has sought to refine the disclosures it presents.

Financial management

8 PAHO reported an overall surplus of $47.6 million (2022: surplus $26.8 million), with total revenues of $1,279 million (2022: $1,578 million) and expenses of $1,232 million (2022: $1,562 million). The reduction in revenues is attributable to a decline in procurement as activity stabilised post pandemic. During our mandate PAHO has withstood significant challenges, with the closure of its most significant project in 2019, cashflow pressures and the impacts of the pandemic. PAHO remains heavily dependent upon a small number of Member States for the majority of its assessed and voluntary funding. While there have been improvements in the timeliness of contributions, a significant balance of $33.5 million remains outstanding primarily from two Member States. It remains important for PAHO to continue to focus its efforts on seeking efficiency and to demonstrate its effectiveness to new donors to mitigate the risks of external shocks and challenges to its funding model.

9 PAHO's actual budget expenditure for the 2022-2023 biennium was $841.4 million, against an approved budget of $881.5 million. This gave an overall budget implementation rate of 95 per cent. Base Programme budget implementation was 87 per cent, largely impacted by the change in focus in delivering the Special Programmes. These programmes expended $250.6 million exceeding the budget by 124 per cent. PAHO's recent evaluation work has made recommendations to review the focus on implementation rates as a key performance measure, and we would endorse this.

10 Net assets at 31 December were $562.1 million (2022: $547.8 million). Within net assets there have been some changes, with investments being made in the renovations to Headquarters, increases in deferred revenues and growth in the staff benefit liabilities arising from market changes. We have continued to note the significant investment activities of PAHO, and that important recommendations we made to improve the management and oversight of the investment strategy are to be operationalised in the coming months. Given the scale of investment it is important that PAHO pays sufficient attention to the effectiveness of the oversight of Treasury activities, reviewing these periodically.

11 Staff benefit obligations remain one of the significant financial risks for PAHO and we continue to recommend that steps are taken to mitigate these risks. Over our mandate PAHO has taken steps to improve and refine its approach to the valuation of the liability. During 2023 the liability increased due to changes in market yield rates, medical cost trends and claims costs, reflecting the underlying data and market circumstances. It remains important for Member States to regularly review the cost impact of these benefits to ensure they remain affordable and for management to provide transparent reporting to highlight the costs and risks.

Governance and internal control

12 Member States take assurance from the sound operation of PAHO's internal control environment. We continue to report that PAHO has a solid basis for exercising internal control through PMIS functionality. Our audit has not identified any significant or material internal control weaknesses although we continue to highlight areas for improvement to management. In seeking to improve and enhance the governance and internal control mechanism we continue to reiterate the importance of looking to develop a clear and systematic Accountability Framework, we understand that PAHO has begun work in this area. Overall, PAHO now has plans in place that, if delivered effectively, should enable it to significantly improve the accountability and transparency of its internal control framework.

13 Over our mandate we have highlighted opportunities to enhance and improve internal control and governance. Our recommendations have focused upon building an effective approach to the three lines of defence model, within an overall accountability framework, which can better underpin an evidenced based Statement on Internal Control. PAHO has opportunities to further develop the first line by looking at process improvement and efficiency as part of PAHO Forward.

14 PAHO has been evolving its approach to the second line compliance function but is yet to fully operationalise systematic compliance activity. There is now a clear roadmap to introduce systematic compliance, but we believe this will require a significant cultural shift. Process owners will need to take more direct ownership of compliance with the processes they own, and greater responsibility for providing assurance over the underlying transaction data using the new compliance tools. The second line activity is not yet sufficiently focused and operational to provide the degree of assurance to conclude on its effectiveness.

15 Similarly, PAHO continues to refine its approach to risk management. We have regularly reported that risk management is not embedded in PAHO's decision making processes. Our visits to Country Offices have continued to identify risk management as a corporate activity, used only for planning and corporate reporting, and not used to inform risk-based decision making locally. In line with our recommendations last year to review the effectiveness of risk management, an external review has been undertaken. We understand that there is a proposed roadmap to further develop and embed risk management which will extend through to 2027. It is important for PAHO to adopt the findings to ensure the risk management process delivers value and benefit.

16 On the third line assurance functions we have noted opportunities to better focus on material and strategic risks. The use of expertise to support a review of cyber risks was a good example of this. There is scope to extend the work of the Office of Internal Audit, and the use of external expertise, to cover strategic risks such as PAHO Forward and other significant change programmes. As changes are made within the internal audit and investigation teams, we believe there is merit in considering how these functions work collectively with ethics and the Ombuds roles to provide a coherent and complementary role in oversight of third line activities.

PAHO forward

17 During 2023, the Director launched the PAHO Forward Initiative. The initiative aims to deliver efficiency, transparency and accountability, aligned with improved country focus and capacity to deliver, supported by improved performance and innovation. PAHO Forward is a package of useful measures, but we consider these would be best framed within a clear articulation of the ultimate outcome. Greater visibility of the interrelationships between each initiative, for example the potential move to shared services, and more specific prioritization of initiatives would help inform the critical path for change. Improvement in these areas will enable PAHO to better assess the realisation of benefits.

18 PAHO is now moving to the second phase, PAHO Forward 2.0, and we have highlighted some observations for management to consider. In our view, there are risks that staff may feel fatigued by the scale of change over a long timescale, and that it would be beneficial to prioritise and focus on the initiatives which will create the greatest beneficial change. We have also noted that the focus has been on internal challenge and innovation. While this is important, there are opportunities to engage external perspectives which could help validate the approach, ensure opportunities are explored and provide greater assurance to the Director on the achievement of his objectives.

19 It is important that, as the second phase commences, that sufficient attention and resources are dedicated to managing the challenges of the cultural changes. Across all our work we have repeatedly highlighted the need for cultural change, and key elements of PAHO Forward, such as shared services, will require cultural and organisational change. In respect of the future model for enabling functions, it is important that PAHO makes an informed decision so that this can be reflected in the change plans and that any estimated benefits and savings can be secured.

Looking back over our mandate

20 In 2019, we considered the work of the **Human Resources Management** Department (HRM) and made a series of recommendations for enhancing HR activities. We reviewed PAHO’s progress in implementing its People Strategy 2015-2019 and its focus on its aims to "attract, retain and motivate the best talent". At the time HRM reported that it had only completed 41 per cent of the planned activities. With the subsequent impact of the pandemic, HRM decided to extend that strategy as the People Strategy 2.0. In our follow up on progress we have noted improvements in the focus on attracting new talent, although noting the continued complexities and timescales required to recruit and hire.

21 In our report we had highlighted that more objectivity, consistency and equity was needed in the performance management system. The 2024 performance reporting cycle will introduce new rating scales to reflect actual performance, establish an expected profile of ratings, and introduce moderation to ensure consistency. These changes reflect a significant cultural shift but will require support for managers and staff to ensure they are successful. The importance of training and continuous development has also now been recognised, with increased investment in learning tools and a focus on training and development as part of performance discussions.

22 Following our recommendations PAHO has continued to assess the effectiveness of its engagement with staff through surveys. It will be important for these surveys to track employee engagement as PAHO Forward is delivered, so that this data can help refine the approach to managing the wellbeing and cultural change issues which may emerge. Collectively these changes offer opportunities for PAHO to create a more agile and adaptive workforce and to enhance the competencies of staff to deliver effectively.

23 PAHO's **Procurement Fund** activity has grown and evolved during our mandate, reflecting the unprecedented levels of activity arising resulting from the Pandemic. In 2020 we undertook a review of the Funds, identifying several areas for improvement. The Funds lacked an overall strategy, and that opportunities for growth and better meeting the expectations of users were not being exploited. Since our report and a change of leadership, the Funds have begun to embrace a more holistic and strategic approach. Initiatives are being considered to gain greater visibility of demand plans and from this explore opportunities for regional stockpiling, bulk procurement and to facilitate improvements in capacity and resilience in vaccine production. These changes should offer users greater value and benefits.

24 Developments are also being initiated to improve the tools used to administer the funds, providing greater visibility to users to manage their demand plans and user accounts. This will also support improvements in the utilisation of lines of credit available to Members of the Funds, enabling them to make better use of the facility to plan their procurements cost effectively. PAHO charges a fee for the use of the Funds, which is intended to recover costs of administering them. Based on the significant surplus as at 31 December 2023 we consider it important to assess whether these fee rates remain appropriate, and that reported performance should clearly reflect the actual surplus available. Overall, the investments being made in the tools should provide for a better user experience and to reduce administrative costs and PAHO's planned initiatives will constitute an effectively responded to our observations and provide better value to users.

25 In 2021, we reported on PAHO's approach to **Results Based Management** (RBM). We noted that PAHO expended significant effort in underpinning its planning process with Member State consultation and the use of health prioritisation methodologies. Overall, we highlighted the approach to RBM was process heavy and resulted in significant organizational effort. We further noted that the joint planning and reporting of health outcomes made it difficult to directly identify the impact of the Secretariat's work. We considered it would enhance accountability and provide a closer alignment between outcomes and the use of resources if the Secretariat's contribution was more visible and if the non-core activities were better integrated within the performance reporting mechanisms.

26 A key element of assessing PAHO's performance is evaluation. Over much of our mandate PAHO has had an absence of evaluation activity, which has been a significant weakness in oversight. Over the last year, activity has begun, and several significant evaluations have been performed, providing useful data to effect positive change. In line with our recommendations, one of these evaluations assessed the RBM process. Many of its observations echoed those we made in our report, and an action plan is being developed to ensure these findings are integrated into future planning and in the development of RBM.

27 Overall PAHO is recognising the need to strengthen RBM and to develop a theory of change model, to better identify how the Secretariat adds value, which was a key recommendation we made. There is also recognition of the need to improve consistency and definition of the outcomes and outputs, supported by focused training. Along with our own recommendations, the results of the evaluation will help to evolve PAHO's performance reporting, enhancing the efficiency and effectiveness of the process. A clearer and smaller set of measures to reflect the Secretariat's performance will better position PAHO to measure and demonstrate its value to stakeholders and donors, we welcome the positive commitments to change.

28 We have reviewed PAHOs' approach to its estate over the course of our mandate. While PAHO undertook a condition survey in 2014 to inform its capital investment plans, it has not undertaken that within the context of an overall **Estates Strategy,** identifying the Organization's accommodation needs. With changes to working practices and from the PAHO Forward initiatives it remains important to align the strategy with key objectives and to maximise the value of the estate. Improvements should consider a more strategic approach to capital investments, reflecting the differences in the importance and characteristics of the properties used by PAHO, and the increased commitment to sustainability. We note that PAHO has not yet committed to developing a new strategy nor has it updated its investment plans, we consider this an important outstanding action.

29 As PAHO considers further redevelopment of the Headquarters site it has implemented our recommendations to further explore the utilisation of 2121 Virginia Avenue. These accommodation surveys identify the potential to rationalize to a single site, and decisions such as shared services may further reinforce this. A rationalization of the estate provides opportunities to release capital to fund investment in the further modernization of the Headquarter site and in demonstrating a commitment to sustainability.

Previous recommendations

30 Of the 24 recommendations raised for 2022 and those from earlier years that remained in progress, PAHO has implemented or partially implemented 14 recommendations, we have closed a further two recommendations on the basis that PAHO has not accepted the recommendation. Eight recommendations remain open or are in progress.

Part One

Financial management

Overall audit results

1.1 Our audit of PAHO's 2023 financial statements revealed no weaknesses or errors which we considered material to their accuracy, completeness or validity. The audit opinion confirms that these financial statements present fairly, in all material respects, the financial position of PAHO and of its financial performance and cash flows for the year then ended. It also confirms their preparation in accordance with International Public Sector Accounting Standards (IPSAS). The audit also confirmed that, in all material respects, the transactions underlying the financial statements have been made in accordance with the Financial Regulations and applied to the purposes intended by the governing bodies.

1.2 The audit included a general review of PAHO's accounting procedures, an assessment of internal controls that impact on our audit opinions; and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. Our audit procedures were designed primarily for the purpose of forming those opinions. The audit did not involve a detailed review of all aspects of the budgetary and financial information systems, and the results should not be regarded as a comprehensive statement on them. Finally, an examination was carried out to ensure that the financial statements accurately reflected the accounting records and were fairly presented.

1.3 Over the period of our audit PAHO has maintained financial statements which have been materially compliant with IPSAS and which have fairly stated its financial performance. During our time we have made observations to enhance the presentation of the statements and of the associated financial reports and there remain further opportunities for improvement that management should explore.

Financial commentary

Financial performance

1.4 PAHO reported an overall surplus of $47.6 million (2022: surplus $26.8 million), with total revenues of $1,279 million (2022: $1,578 million) and expenses of $1,232 million (2022: $1,562 million). The reduction in revenues and expenses compared to 2022 was primarily due to reduced activities through the Procurement Funds as Members procured fewer vaccines and supplies. While Procurement Fund activity reduced, PAHO continued to receive additional funding via the World Health Organization (WHO), as well as voluntary contributions from other countries for the procurement of public health supplies and to fund Outbreak and Crisis Response special programs. Figure 1 shows our analysis of the component elements of revenue and expenses during 2023.

Figure 1: Key revenue and expense streams: PAHO's activities remain increasingly dominated by the procurement services it provides directly to individual national governments.

Revenue streams	**2023**	**Percentage of total revenue** (2022 equivalent in brackets)
Procurement activities on behalf of Member States	745.5	58.3 (70.5)
Voluntary (including National) contributions	234.5	18.3 (16.9)
WHO revenue	132.9	10.4 (7.3)
Assessed contributions	105.3	8.2 (6.7)
Other and Miscellaneous revenue	61.3	4.8 (-1.4)
Total revenue	**1,279.5**	

Expense streams	**2023**	**Percentage of total expenses** (2022 equivalent in brackets)
Procurement activities on behalf of Member States	781.1	63.4 (74.3)
Contract services	201.7	16.4 (11.2)
Staff and other personnel costs	156.4	12.7 (10.1)
Transfers and grants	11.4	0.9 (1.5)
Other expenditure	81.2	6.6 (2.9)
Total expenses	**1,231.8**	

Source: NAO analysis of PAHO financial statements

Budget performance

1.5 The Statement of Comparison of Budget and Actual Amounts (Statement V), shows expenditure against the approved biennial budget, as revised[1], with actual expenditure for the 2022-2023 biennium of $841.4 million, against an approved budget of $881.5 million. This gave an overall budget implementation rate of 95 per cent. For the base programmes, PAHO reported expenditure of $590.8 million against a budget of $679.5 million (87 per cent implementation) and for the special programmes, it reported expenditure of $250.6 million against a budget of $202.0 million (124 per cent). In the recent evaluation of results based management, one of the significant findings related to PAHO’s focus on the importance of budget utilisation rather than performance as a measure of success and delivery. We comment further on this evaluation in Part 3.

1.6 The special programme expenditure predominantly related to the outbreak and crisis response programme with reported expenditures of $226.3 million. In addition, the SMART hospitals project expenditure was $11.6 million and expenditure on the foot and mouth programme was $12.5 million.

[1] The revised budget was approved by the Pan American Sanitary Conference (CSP30/6 of 1 July 2022)

Financial position

1.7 In 2023 there was a modest increase in net assets to $562.1 million (2022: $547.8 million). Total assets increased by $81.3 million to $ 1,843.5 million. The most significant element of change in assets was the increase in receivables, which increased to $448.1 million (2022: $385.3 million) after impairment of $33.5 million, of which $24.8 million related to a single Member State and a further $5.8 million related to a second Member State. We continue to note that, despite Member States in arrears being subject to Article 6B voting restrictions, there are no processes to consider and approve whether a state can access PAHO to utilise the procurement funds or to participate in the national voluntary contribution programme.

1.8 Total liabilities increased by $67.0 million to $1,281.4 million, the most significant changes resulted from increases in deferred revenue which rose to $1,008.0 million (2022: $941.0 million) and the increases in the net actuarial valuation of the staff benefit liabilities to $187.0 million (2022: $139.9 million).

1.9 In assessing financial health on all our international audits we use ratio analysis to show how financial positions change over time. They express the relationship of one item of account against another. For example, there are only $0.80 of current assets for every $1 of current liabilities, demonstrating that current liabilities continue to exceed current assets. We have undertaken a review of the indicators of PAHO's financial health, using key financial ratios (Figure 2).

Figure 2: Analysis of key financial health ratios for PAHO (core activities shown in brackets): The ratios show that core activities are under greater pressure than those funded by voluntary funds and PAHO does not have sufficient liquid assets to meet its current liabilities.

Ratio	2023	2022	2021	2020	2019	2018
Current ratio Current assets: Current liabilities	0.8 (0.3)	0.6 (0.2)	0.6 (0.3)	1.1 (0.6)	1.1 (0.6)	1.2 (0.6)
Total assets: Total liabilities Assets: Liabilities	1.4 (1.1)	1.5 (1.1)	1.2 (1.1)	1.2 (1.2)	1.2 (1.1)	1.4 (1.1)
Cash ratio: Cash and short-term investments: Current liabilities	0.5 (0.04)	0.3 (-0.03)	0.4 (-0.02)	0.7 (0.00)	0.7 (-0.05)	0.8 (-0.02)
Investment ratio: Cash and investments: Total assets	0.7 (0.04)	0.7 (-0.03)	0.7 (-0.01)	0.7 (0.00)	0.7 (-0.04)	0.7 (-0.02)

1.10 Our analysis of overall and core activities shows that financial pressures have been more intense, with current assets relating to core activities matching 30 per cent of current liabilities, meaning that PAHO cannot meet its immediate obligations from core[2] resources alone. To mitigate this risk, PAHO does have the ability to liquidate non-current investments with short notice periods if needed. PAHO's overall financial health has stayed broadly consistent over the past six years. Pressures on activities funded through the core funds have improved due to the increased payment of Assessed Contribution arrears by Member States, coupled with payments of $13.4 million (2022: nil) received in advance.

1.11 During our mandate, PAHO has faced three significant and unpresented events that have impacted on operations:

- In late 2018, the Mais Medicos programme was suspended. In 2017, revenue from this programme peaked at $466 million. While National Voluntary Contributions have not recovered to the levels when this programme was operational, they are again increasing with $92.9 million in 2023 (2022: $70.1 million). Brazil continues to be the largest contributor and recipient of this source of funding, providing some 90 per cent of this revenue.
- In 2019, PAHO faced risks from late payment of Assessed Contribution by its most dominant Member State which provides half of the overall assessed contributions. PAHO reported to the Executive Committee (CE166/7) that an unprecedented $63.7 million of 2019 assessed contributions (57 per cent of the original total) were still outstanding almost halfway into 2020. At the Special Session of the Executive Committee in May 2020, it was agreed that PAHO would review operating costs with a view to identifying additional cost savings through modifications to human resources structures and administrative processes. As a result of the subsequent payment of Contributions these cost saving measures were not fully implemented.
- The pandemic reshaped PAHO’s operations for a period, with a significant focus on pandemic and associated crisis response. Following this, WHO has significantly increased its funding to PAHO. In 2018, WHO contributed $69.3 million which has now almost doubled to $132.9 million in 2023.

1.12 PAHO financial position is highly dependent on a small number of donors and it needs to consider how it can best protect and prepare itself for sustaining any future shocks. In our view, this makes it even more important to focus resources in the most cost-efficient manner and to be well positioned to attract donor funding. Recommendations we have made during our mandate have been framed to highlight these opportunities and in Part 3 we comment on our previous observations on how PAHO can deliver its objectives more efficiently.

[2] Core activities are set out in Note 18 to the financial statements and predominantly comprise the Assessed Contributions, Miscellaneous Revenue and the WHO Regular Budget Funds

Financial reporting

Financial statements

1.13 PAHO has continued to provide and deliver financial statements which have been unqualified, and fairly present its financial position. PAHO implemented IPSAS in 2010, since then the Organization has evolved, the focus of the non-core activities has changed, and reporting standards have been revised. Since our appointment in 2018, we have encouraged the Secretariat to further enhance disclosures and financial reporting.

1.14 During 2023, the Secretariat implemented the new reporting standards on financial instruments (IPSAS 41). Following the presentation of the draft financial statements and subsequent discussions, PAHO decided to further revise its proposed accounting policy. Overall, the introduction of the new Standard has had a limited impact, and has not resulted in changes to the valuation of financial instruments. Nevertheless, PAHO has taken the opportunity to improve its accounting policy for investments (Note 2.3) and the associated financial instrument disclosures (Note 5).

1.15 The IPSAS Board has been active in approving a suite of new reporting standards that are due to be implemented in 2025 and 2026, as shown in Note 2.21 to the financial statements. To date, PAHO has not started to fully consider the impact of these standards, some of which could be significant. While it will be for our successors to agree the changes required, we would urge management to proactively engage in their impact and the information and processes which will be required to support their implementation.

Investments

1.16 PAHO hold significant investments, the value of its investment portfolio at 31 December 2023 was $1.05 billion. There are detailed disclosures in Notes 4 and 5 to the financial statements which provide more information on the nature and spread of those investments.

1.17 PAHO's investment policy establishes the investment committee. Given the scale of PAHO's investment portfolio and the heightened market instability we recommended in 2022 that the committee should have access to independent investment experts. This would enable it to understand the wider market environment and provide challenge to its investment managers to secure the best return. In response, PAHO has amended the Committee's terms of reference to allow for external member(s) who possess relevant expertise and experience to be added to the Committee. However, it has not yet operationalised this, and in our view external challenge would provide better assurance that PAHO's considerable investments were appropriately handled. Further market movements are predicted over the next 12 months, emphasising the importance of bringing these measures into effect.

Post-employment benefits

1.18 The most significant liabilities which PAHO recognises in its financial statements are the employee benefit liabilities. These liabilities comprise the staff member's after-service health insurance and their termination and repatriation entitlements. The overall liability for these staff benefits has increased to $289.4 million (2022: $231.9 million). The liabilities are offset by plan assets of $102.4 million (2022: $92.0 million), that PAHO has earmarked to partially meet those liabilities, the value of which has increased in 2023 due to improved financial market conditions. The combined changes have resulted in a net unfunded liability of $187.0 million (2022: $123.8 million).

Figure 3: Employee Benefit liabilities: with changes in the market conditions and positive changes in demographic assumptions, the net liability has reduced significantly over the last three years.

Composition of employee benefit liabilities ($'000)

	After service health insurance (ASHI)	**Termination and repatriation entitlements (TAREP)**	**Total**
1 January 2023	**208,130**	**23,816**	**231,946**
Current service cost	3,887	1,590	5,477
Interest cost	10,944	1,170	12,114
Claims, contributions and administrative costs	-13,449	-3,133	-16,582
Actuarial losses	54,953	698	55,651
Other	829		829
31 December 2023	**265,294**	**24,141**	**289,435**
Plan assets	84,408	18,022	102,430
Net liability			
31 December 2023	**180,886**	**6,119**	**187,005**

Unfunded net employee benefit liabilities over time ($'000)

	2023	**2022**	**2021**	**2020**	**2019**	**2018**
ASHI	180,886	133,139	295,795	330,330	270,249	198,792
TAREP	6,119	6,799	3,064	4,618	7,292	4,435
Total	**187,005**	**139,938**	**298,859**	**334,948**	**277,541**	**203,227**

Source: PAHO financial statements

1.19 The most significant factors that have impacted the valuation of the liability are the actuarial assumptions, which are designed to provide the best estimate of future liability costs in today's money. For 2023, these adjustments increased the liability by $55.7 million (Figure 3) and relate to a loss on financial assumption changes. These cover updates to assumptions such as discount rates, per capita claims costs and healthcare trends. The changes related primarily to:

- a 0.5 per cent decrease in the discount rate which resulted in a $18.8 million increase in the liability;
- an increase in the non-US per capita claims costs which increased the liability by $19.8 million; and
- changes in the health care trends which further increased the liability by $17.3 million.

Per capita claims cost

1.20 PAHO's actuary performed an analysis of inactive members' claims data for 2019 to 2023 to develop forward-looking claims projections for both the United States and the rest of the Americas. The actuary analysed the average per adult claim by these two groupings, adjusted for inflation and expected trends. While there is some subjectivity around the weightings to place on older experience data, we consider this approach to be robust and consistent with expected practice. The outcome of this analysis was that the claims costs in the United States remained consistent with existing assumptions. For the remainder of the Americas, the analysis indicated that actual claims were higher than previous assumptions. Following this, the associated claims cost assumptions for the remainder of the Americas have been increased by 12 per cent. We consider the change in approach to be reasonable based on the information provided.

Medical cost trend rate

1.21 The short-term medical cost trend rates have increased from 4.5 per cent to 6.0 per cent for the US plans, and from 7.3 per cent to 8.8 per cent for the non-US plans. These rates include an adjustment factor of 75 per cent to reflect assumptions that the medical cost inflation in the Staff Health Insurance Fund Plan is lower than the market in general. We have seen evidence to support this assertion, but it is one which management should regularly validate. The adjusted rate lies within our expected ranges at the reporting date.

1.22 The long-term assumptions for medical inflation are set in line with the UN harmonisation guidance, which is developed by the UN Task Force on Accounting Standards (UNTFAS) based on advice given by external actuaries. The long term trend rates of 3.5 per cent for both the US and non-US plans respectively lie outside of our expected range of between 4.5 and 5.0 per cent. These issues are similar to those reported last year but we are content that their overall impact on the financial statements is not material.

1.23 PAHO's actuary provided additional sensitivity analysis which is disclosed in Note 12.8 to the financial statements. This shows that a 1 per cent increase in medical inflation rates would increase the liability by some $41.4 million. While the estimation uncertainty has been disclosed appropriately, in line with UNTFAS guidance, it is important that PAHO considers the appropriateness of these assumptions independently.

1.24 Over the last year there has been an increase in the net liabilities of the ASHI Fund. Staff benefit obligations remain a very significant liability which PAHO needs to manage. PAHO cannot control the discount rate, which is determined by movements in interest rates, nor can it control medical inflation costs. As we have reported in previous years, it will remain important for management to continue to seek opportunities to mitigate and reduce scheme costs wherever possible.

1.25 Given the limited control over these significant liabilities, we previously recommended that PAHO regularly consult with its Governing Body on the risks and benefits of the continued participation in the WHO Staff Health Insurance Fund. Management has not accepted this recommendation and believes that WHO reporting to its Member States provides adequate transparency to PAHO's Member States. In our view, given the scale of the liabilities and the associated risks, there should be a more regular and explicit engagement and reporting of ASHI risks and options to PAHO Member States. We have closed the recommendation on the basis that the Secretariat has not accepted our observations on this issue.

UN Joint Staff Pension Fund

1.26 PAHO is affiliated as a member organisation to the United Nations Joint Staff Pension Fund (UNJSPF) through its employees. However, as the pension scheme cannot accurately determine a reliable estimate of the corresponding risk borne by each participating organisation no actuarial liabilities for the pension scheme appear in PAHO's financial statements.

1.27 The characteristics of the UN pension scheme are outlined in Note 12.9 to the financial statements and this disclosure is consistent across many participating organisations. At the latest actuarial date, 31 December 2021, UNJSPF concluded that there was no requirement for deficiency payments to be made under Article 26 of the Fund's Regulations, as its funding ratio had improved since its last actuarial report to 117 per cent (2019: 107.1 per cent). Should this situation change in the future, deficiency payments would be required from PAHO. This situation represents a potential future financial risk to the organisation which needs to continue to be tracked.

Mais Medicos lawsuit

1.28 In 2018, four Cuban doctors filed a class action lawsuit in the United States against PAHO in respect of its role in the Mais Medicos programme which ran in Brazil from 2013 to 2018. The claimants alleged PAHO acted as financial intermediary between Brazil and Cuba. They further claim that the programme effectively treated 8,300 Cuban doctors who worked in Brazil in their role as employees of the Cuban government as forced labour.

1.29 We have made further enquires of management in respect of this significant ligation. PAHO initially requested dismissal of the lawsuit on the procedural grounds that it was immune under both US law and the WHO Constitution. PAHO has informed us that several plaintiffs' claims were dismissed. However, there remain claims where PAHO will continue to face potential liability. PAHO has now submitted a factual motion to dismiss the case.

1.30 PAHO believes its disclosures in the financial statements remain appropriate and these remain consistent with previous years. It continues to believe that the lawsuit has no merit, which would mean a financial provision would be unnecessary. The case is currently covered by the generic contingent liability disclosures (Note 24), without any quantification. While a liability may be remote it remains a potential significant financial risk for PAHO. At this point we are content that the issue is sufficiently uncertain as to make an unquantifiable contingent liability disclosure appropriate.

Governance and internal control

1.31 The Director is responsible for ensuring effective financial administration of the Organization in accordance with the Financial Regulations. PAHO has established and maintains systems of internal control and delegation which are important in providing a framework of assurance for Member States to rely upon. We continue to report that PAHO has a solid basis for exercising internal control through PMIS functionality. Our audit has not identified any significant or material internal control weaknesses, although we continue to highlight areas for improvement to management.

1.32 PAHO uses the concept of the 'three lines of defence model' in its articulation of internal control within PAHO.

- The first line of defence: functions that own and manage risks. This is formed by managers and staff who are responsible for front-line operations and back-office support.
- The second line of defence: functions that oversee or who specialise in corporate compliance or the management of organisational risk.
- The third line of defence: functions that provide independent assurance. In the context of PAHO, this is provided by the Office of Internal Audit and the investigations and ethics functions.

1.33 The Director has made a clear commitment to enhancing transparency and accountability. As reported in previous years, it is important for PAHO to continuously enhance each of the lines of defence and the quality of the underlying assurances they provide. These processes need to be systematic, coherent, and fairly reflected in an enhanced and better evidenced Statement on Internal Control. While we have seen improvements during our tenure, we believe there is continued scope to enhance several areas and move beyond the design stage to active rollout and use of compliance analytics to inform the management oversight of the control framework.

Internal control

1.34 At the first line, PAHO operates a sound internal control environment. Over our mandate, our audit has not identified any significant control weaknesses within this element of the control framework, nor have any been reported to us through the work of the Office of Internal Audit (OIA). Opportunities remain to create process efficiencies within the operation of these controls.

Compliance

1.35 PAHO has made limited progress in operationalising its approach to compliance and the second line of defence. In 2023, there have been some positive developments in creating a compliance dashboard and there is a clearer vision and focus on compliance activities planned over the 2024-25 biennium. This includes process and policy reviews, internal controls systems oversight, developing a compliance culture, and residual compliance monitoring.

1.36 Alongside the roadmap, the compliance function has begun to better define and focus on key controls. There is also a growing awareness and emphasis on process owners taking responsibility for compliance, moving away from the centralised compliance monitoring. We support these changes. The central compliance function should facilitate the provision of information and tools to help support process owners in discharging their responsibilities and in holding to account. There will need to be a cultural shift, reinforced by training, to ensure that individuals are accountable for their end-to-end business processes and their proper operation and enforcement across the Organization.

Risk management

1.37 We continue to stress the importance of proportionate and effective Enterprise Risk Management (ERM) and its operational use within the Organization. While PAHO has well developed tools for reporting risk, our audit work has highlighted that the processes are underutilised to support decision making. As we have previously highlighted, management in the field are aware of risk issues and mitigate these in their day-to-day operations, but such practices were not systematic or documented. The use of the corporate systems was cursory outside of the corporate planning processes and risks were infrequently updated and did not reflect the detailed risks and their mitigations.

1.38 Over our mandate, PAHO has begun to integrate the concept of risk management within its technical cooperation activities. This primarily arose following lessons learned from the Mais Medicos programme. However, in practice PAHO has further work to ensure that the risk management discipline is fully embedded. Following our recommendation to review the effectiveness of risk management, PAHO commissioned a risk management maturity review. The report echoed our previous observations and found that PAHO was moving from the maturity Stage 2 “Developing” to Stage 3 “Defined” enterprise risk management confirming further work is needed to embed risk management. The report sets out a development roadmap to:

- integrate and enhance the visibility of ERM at senior management level to encourage more engagement by managers, and enhance the relevance and active management of fewer risks;
- improve support to enhance the quality of risk migration through training, monitoring and the development of risk indicators; and
- over the longer term, consider better integration of risk tools and embedding risk concepts within the accountability and performance measurement systems.

1.39 Since 2019, PAHO's largest technical cooperation activity was the Smart Hospitals project. In our follow-up work on this activity, we found that limited substantive attention was given to embedding risk management and using risk tools to track the quality and effectiveness of mitigations to support this project delivery. The operational project risk register was only updated sporadically, as further highlighted by the later independent project evaluation. In our view, in projects of significant scale, there should be a more proportionate approach to the application of risk management disciplines and how they influence and mitigate risks to delivery.

1.40 The key aim of risk management is that it informs good decision making, and that it does not become purely a process. While tools and processes are in place, PAHO is not yet obtaining benefits from the ERM processes and work is needed to ensure it delivers value to the Organization.

PAHO's internal oversight mechanisms

1.41 PAHO has several separate independent functions which constitute its third line of defence. Primarily these comprise the Office of Internal Audit, the Investigations Office, the Ethics Office and the Ombudsman. Collectively these functions should provide assurance to the Director over the proper functioning of the internal control environment. Over our mandate we have made observations related to these functions which have informed further developments.

1.42 On internal audit we continue to see scope for a greater risk-based approach to planning, taking greater account of financial and operational risks to PAHO. While the recent commissioning of an expert to support the audit of cyber risks is a good example of risk focused audit, we consider it important that OIA is agile to respond to future developments, and to ensure its work is focused on the most significant and business critical risks, drawing on external expertise and capacity where appropriate.

1.43 The Institute of Internal Auditors has issued new global standards effective from 2025. Taken together with changes within the OIA team, it provides a good opportunity for the Director to review the role of OIA, its focus and the extent to which it can provide objective and meaningful assurance over significant initiatives such as PAHO Forward, the implementation of shared services and changes within the regional revolving funds and PAHO's wider procurement activities. In our view, OIA should provide objective assurance over these key risks and opportunities for PAHO given their significance.

1.44 Personnel changes in OIA and investigations, and the recent recruitment of a new Ombudsman, create an opportunity to consider how, together with the Ethics Office, these functions operate collectively. There is scope to provide a more holistic approach to oversight, and to gain efficiencies in the delivery of advocacy and training. Furthermore, there are opportunities to consider ways in which the internal justice system is delivered, to encourage conflict resolution and for issues to be settled at an earlier stage, or through line management action.

1.45 With the appointment of an independent Ombudsman, which we previously recommended, the exploration of conflict resolution as a means of responding to staff concerns is a positive step, that should secure more timely redress. On investigations, it remains important to distinguish between preliminary assessments and full investigations, and to ensure that any new investigation arrangement is proportionate and focused to address risks and inform process changes. In this respect PAHO should consider the potential modalities for securing these arrangements, including partnering on the provision of service with other international organisations to ensure access to skills in a cost effective manner.

Accountability framework

1.46 PAHO's Statement on Internal Control should provide Member States with assurance over the Secretariat's internal control environment, the operation of the lines of defence and other control elements. The Statement has evolved over the past six-years, to make further progress in improving the quality of the Statement, PAHO will need deliver compliance and assurance improvements within an operationalised and assured accountability framework.

1.47 One of the Director's key pillars is to enhance accountability and in 2021 we advocated the need for a new accountability framework. Such a framework would bring together: the three lines of defence; planning; financial and performance reporting; evaluation; the schemes of delegation and authority; and ethics to provide a coherent and systematic framework for the operation of internal control and governance reporting to Member States. A working group has recently been established to begin developing this framework. This should take account of the recent report by the UN's Joint Inspection Unit and the lessons learned by other UN entities.

1.48 PAHO now has plans in place that should enable it to significantly improve the accountability and transparency of its internal control framework, addressing the substance of observations we have made during our mandate. In developing and embedding improved accountability, PAHO should not underestimate that this will represent a significant challenge and cultural shift. It will be important that people understand their roles, especially as process owners and are suitably trained to fulfil their responsibilities.

Part Two

PAHO forward

Introduction and scope

2.1 During 2023, the Director launched PAHO Forward. In our report last year, we highlighted that successful change programmes need to be carefully planned and executed, supported by sufficient resourcing and staff capabilities. These should be supported by clear accountability structures, with visibility and reporting to Member States on progress and outcomes.

2.2 The Director's aims for PAHO Forward are to modernise, innovate and streamline policies, processes and decision-making. It aims to foster a culture of efficiency, transparency and accountability to enhance the effectiveness of the Organization. In our report last year, we emphasised the importance for the modernisation of PAHO and seizing the opportunity resulting from a change of leadership. The programme sets out to achieve three overarching objectives, which we consider to be important objectives to secure the future of PAHO, namely to:

- strengthen the Secretariat's efficiency, transparency and accountability;
- bolster the Secretariat's visibility, country focus and capacity to deliver technical cooperation; and
- enhance the Secretariat's human resources performance and drive innovation to move the Organization forward.

2.3 Alongside the objectives, the Director set out an initial plan of action within PAHO Forward 1.0, which covered the period April 2023 to March 2024. The plan included both transactional issues, such as making internal audit reports available to improve transparency and more holistic ongoing change initiatives. These included synergies of working towards interoperability with WHO systems and alignment with WHO system modernisation programme to enhance integration. Member States were sensitised to the plan at the 60th Directing Council (September 2023). PAHO intends to similarly brief the Directing Council on progress later in the year.

2.4 PAHO has appointed a manager to oversee and coordinate the implementation of the action plan. The plan is overseen by the PAHO Forward Operational Group, led by the Director's Office and with participants from each of the entities leading on a specific objective. The group includes the Director of Human Resources, Chef de Cabinet, Country and Sub-Regional Coordination and the project manager. Progress against the planned actions is reported to the Executive Management, through townhall briefings to staff and through the PAHO Forward Intranet site.

2.5 PAHO Forward activities are mainstreamed into the standard planning and resourcing modalities and reported within the biennium work programme under outcomes 27 (leadership and governance) and 28 (management and administration). PAHO has not established a separate reporting framework to Member States for the initiatives, reflecting that activities are not separately budgeted or resourced.

Strategic focus

2.6 In our 2022 report, we highlighted the concept of a target operating model to articulate how it can best deploy resources to achieve strategic objectives, detailing what work will be delivered, by which staff, in which locations. Such a model helps to shape a coherent end goal, which then frames the design of the change initiatives and their outcomes. In our view, PAHO Forward is a package of useful measures which seek to address the aims the Director has set out, but that they lack a clear articulation of the ultimate outcome. This will make it difficult to evaluate the overall success and benefits realisation of the programme.

2.7 The individual actions and deliverables are sound and, as highlighted earlier, are mainstreamed into the regular Secretariat workflows. However, it is lacking visibility of the interrelationships between each initiative, which would help provide clearer prioritisation and inform the critical path for change. For example, the approach to shared services will have a material impact on decisions that may be taken on other planned initiatives.

2.8 We continue to stress the benefits of PAHO defining a target operating model, to frame the vision for PAHO's approach to the delivery of cost-effective services, with a focus on the efficiency and effectiveness of the enabling functions to support operational delivery.

PAHO Forward 2.0

2.9 PAHO Forward 1.0 was time bound with the existing plan of action extending to March 2024. As highlighted earlier, many actions within it were transactional and have been implemented, others will remain as ongoing improvement activities that will have a longer span for implementation. The intention is now to develop a second plan of action and, at the time of our audit, PAHO was collecting the results of engagement from its people on further initiatives. These will constitute a new set of actions, encompassed within PAHO Forward 2.0 which is due to be launched in June.

2.10 In considering the approach to the next phase, we believe it is important to prioritise the actions that are identified, so that the most important and value adding are given greatest prominence and attention. A complex series of change over a long time scale creates a risk of fatigue, and it is therefore important to have a clear focus on the most beneficial.

2.11 Change initiatives often facilitate greater focus on innovation, encouraging employees to explore new ideas, processes, and technologies that can streamline operations and improve efficiency. While driving change internally may have the benefit of employee buy-in, there are downside risks related to siloed and group thinking and the loss of opportunity to challenge the status quo. We believe there are opportunities to make PAHO Forward 2.0 more impactful by engaging external perspectives and facilitation. Objective and independent input to inform PAHO 2.0 will help validate the approach, ensure opportunities are explored and provide greater assurance to the Director on the achievement of his objectives. This could include expertise in change management to provide objective perspectives, challenge existing norms, and seek opportunities to streamline business process.

2.12 In our 2022 report, we highlighted the importance of ensuring PAHO Forward took account of cultural challenges. To ensure a positive shift in the culture of the Organization, we highlighted the importance of ensuring there were people with clear skills and experience in delivering a change management programme. Effective change management involves carefully planning and support for those impacted. We noted the commitment to staff communications. Alongside this, it will be important to consider the risks of change fatigue and to identify how people can be supported where necessary.

Shared services

2.13 Over our mandate, we have observed that there are areas of duplication in the tasks performed at each location. There are also significant differences in the transaction costs at different locations. Consequently, we continue to see significant opportunities for PAHO to adopt more of a shared service model for the delivery of its transactional services. We have noted a cautious approach to the exploration of shared service opportunities arising from unplanned vacancies. At the current time PAHO has not yet determined its approach in this area.

2.14 PAHO has engaged external consultants and undertaken several reviews in both 2018 and 2022. These reviews have clearly demonstrated savings and other efficiencies from adopting a shared service model. PAHO is well placed to implement such a model with its PAHO Management Information System (PMIS). During the pandemic, and continuing now with the much increased teleworking arrangements, PMIS has demonstrated that it can enable PAHO personnel to continue to operate from any location.

2.15 In late 2023, PAHO received a further report from its consultants which considered in more detail four potential shared service models. It also analysed how these might operate in 10 different locations throughout the Americas, ranking these considering location risk and attractiveness, infrastructure and workforce availability. This analysis demonstrated two potential options which the consultants identified could provide some $20million in efficiency savings over five years, after an upfront investment of circa $3million. Given the level of potential savings, in our view, the elements are now in place to enable PAHO to make a firm decision on the administrative model it considers most beneficial to the Organization.

Part Three

Compendium

3.1 Over the course of our mandate, we have reviewed how PAHO manages its resources, providing our observations and recommendations. Our reporting has focused on how PAHO manages human resources, how it operates the procurement funds, its results-based management (RBM) and reporting and the strategy for its property estate in Washington, DC. In this section, we provide an update on how PAHO has developed in these important areas, providing our final observations on progress made.

Human resources

3.2 Human resources are PAHO's most important asset, and its performance is determined largely by how well it recruits, utilises and develops its people. In 2019 we reported on PAHO's progress in implementing its People Strategy 2015-19. This strategy was designed to "attract, retain and motivate the best talent" and outlined five priorities:

- Realign staffing to better meet programmatic and Member State needs.
- Foster talent at every level.
- Drive performance of personnel.
- Achieve inspiring leadership through investment in its managerial talent pool.
- Create a world-class work environment and enabling HR function.

When we initially looked at this in February 2020, HRM reported limited progress in implementing the strategy, with only 41 per cent of activities being fully completed. Consequently, PAHO decided to refresh the existing strategy – People Strategy 2.0 – and reprioritise outstanding actions rather than to launch a new strategy. In 2022, we revisited our recommendations and reflected against progress made.

3.3 Since our report the People Strategy 2.0 has continued to guide PAHO, with a focus on attracting, retaining, and empowering top talent to fulfil the objectives outlined in the PAHO Strategic Plan 2020–2025. Despite progress in implementing the strategy's pillars—agility, functional optimization, and innovation—critical challenges persist, necessitating strategic interventions to ensure sustained success. Throughout 2023, PAHO prioritised human resources strategic planning and efficient recruitment practices to address staffing needs for the 2024–2025 biennium. The successful completion of 103 competitive selection processes for fixed-term staff appointments demonstrated a commitment to acquisition of new talent. However, persistent delays and complexities in recruitment processes remain a significant challenge, threatening operational efficiency and timely resource allocation.

3.4 Our 2022 report, continued to highlight that a significant proportion of staff received the highest performance rating and we recommended that PAHO establish an expected profile of performance ratings and implement moderation processes to ensure the consistency of appraisal ratings. PAHO has accepted this and agreed changes for implementation in the 2024 performance evaluation cycle. This has included adjustments to the rating scale to allow for more flexibility and to reflect staff performance more accurately. These changes represent a significant shift in the approach to performance management, and it is important that managers and staff are given support to enable the initiative to succeed and deliver its intended outcomes.

3.5 Efforts are progressing to enhance human resources management through technology, such as PMIS Adaptive Planning. HRM has begun to utilise these tools to streamline processes and enhance collaboration, but these will need to be supported by further system enhancements and user training to fully leverage the benefit of these tools. Additionally, it will be important to ensure equitable access to virtual learning platforms and addressing digital literacy gaps among personnel, especially where these needs are identified through the new performance management process. It will be important to get the offer to staff right if PAHO is to foster a culture of continuous learning and development following previous under investment and lack of senior management commitment in this area.

3.6 Innovation initiatives, including participation in mentoring programs and leadership development opportunities, are being introduced in line with our recommendations to identify and foster talent. Further steps are being taken to build capacity and capability and to promote knowledge sharing and collaborative working. However, as this process is beginning, PAHO has identified challenges in ensuring equitable access to these initiatives across different teams and locations and it is enhancing targeted outreach and support mechanisms to mitigate these risks.

3.7 PAHO launched its third Personnel Engagement Survey in 2023. While the modest increase in engagement levels indicates progress, sustaining and deepening this engagement. It is important, given the potential changes arising from PAHO Forward, that issues identified from the surveys are addressed with clear plans and communication to provide personnel with support during this time.

3.8 Other challenges remain. In 2019, we reported on the greater use of contingent labour and consultants. We found the range of 'non-staff' personnel categories was unusually broad and the boundary between staff and non-staff work lacked clarity and consistency. We found 'contingent' personnel have been in post for a long period of time and turnover rates were broadly comparable with those for staff. We have noted these circumstances and risks across the seven PAHO Country Offices we have visited during our mandate. Limited progress has been made to remedy this balance, and we continue to believe there is scope to review the risks, value and appropriateness of these modalities and their continued utility to PAHO.

3.9 PAHO is developing a new people strategy for 2025-30. It will be important to ensure alignment between the initiatives within PAHO Forward, the results of evaluation activity and the need for ensuring continuity and retained knowledge in core activities.

Procurement funds

3.10 In 2020, we reviewed PAHO's Procurement Funds (the Funds) comprising the Revolving Fund for Access to Vaccines (RFV) and Procurement Funds and the Regional Revolving Fund for Strategic Public Health Supplies (SF). The Funds had grown to become PAHO's largest programme. While in 2023 revenue has dropped to below pre-pandemic levels to $745.5 million, it reached a peak of $1.1 billion in 2022.

3.11 The RFV was established in 1977 to facilitate the timely availability of quality-assured vaccines at prices lower than would otherwise be achieved if Member States acted unilaterally. It supports national immunisation programmes by helping assess needs and vaccine demand and by procuring WHO pre-qualified vaccines and syringes on behalf of Member States. The SF was established in 1999 to procure medicines and supplies for HIV/AIDs, tuberculosis, malaria and other infectious diseases. It provides a mechanism for pooled procurement to reduce prices for individual Member States. For both Funds, the Secretariat aims to work with Member States on assessing needs and demand and by ensuring that products purchased meet minimum international quality standards.

3.12 We found that PAHO did not have an overarching strategy for the Funds, and we felt there was an opportunity to reflect on how to optimise their use and the benefits for Member States. Since the Funds were originally established there have been considerable changes in the procurement approaches taken by other international organisations in providing vaccines and medical supplies. We considered it important for PAHO to clearly articulate the value it brings to its constituent countries. The recent change of leadership has now resulted in a more holistic view of these mechanisms and how Member States can better benefit from the opportunities they provide.

3.13 We highlighted operational issues including the need for improved engagement with Member States on stock management and demand forecasting. We reported that procurement effort needed to focus more on market influence and supplier relationship and for PAHO to look again at its pricing strategies for a better assessment of purchasing power. We found that partnership approaches had shown value, especially during the pandemic, with the Funds played a crucial role in the pandemic response. This indicated that PAHO should capitalise with an assessment of potential benefits from further partnerships.

3.14 PAHO is currently exploring how to reposition the funds to leverage greater benefit to Member States. There are several initiatives under consideration such as the regional stockpiling of consumables, to gain better prices in bulk procurement and greater visibility of high demand health supplies. Other initiatives are also being explored, such as facilitating enhanced capacity and resilience in vaccine production and other associated manufacturing in the Americas region. The initiatives being considered substantively address our previous recommendations, and while no firm changes have yet been agreed, we encourage PAHO to be ambitious in the application of its plans.

3.15 We highlighted the use of the short-term credit facilities offered to Member States, which we considered were underutilised in the case of RFV. Lines of credit give Member States a short-term (60-days) line of interest-free credit that means they can defer payment for health supplies. We discussed the current digital investments in the Member State Portal (MSP) which aimed to improve efficiency, we highlighted the need for a proper analysis and tracking of benefits. We also reported that the costs of administering the Funds needed greater transparency, with regular review and, where appropriate, adjustments in service fees.

3.16 PAHO is developing how Member States can use the line of credit offered and intend to link the facility to the routine demand planning to streamline the approval process. PAHO expects to develop the MSP to permit the credit request alongside the annual demand plan. To mitigate credit risk, PAHO is establishing a more standardised process to monitor payments and for the escalation of arrears. As a result of feedback from users other developments are planned for the MSP. These will include the ability to obtain more timely financial information, including their account statement, details of outstanding and settled invoices and payment information.

3.17 In our previous report we highlighted the importance of ensuing the costs of providing Procurement Fund services were met by the users of the service. PAHO charges a fee to Fund users and in February 2024 it reported to Member States on the assessed charges on the procurement of public health supplies[3]. This report highlighted that for 2023 cash costs expended ($15.8 million) exceeded the amount collected in year ($12.5 million). The retained balance of $21.5 million was considered critical by the Secretariat for the implementation of its service improvements. The report noted that the balance did not include the service changes earned in the 2022–2023 biennium which amounted to circa $28 million. Consequently, at 31 December 2023, it is important for Member States to have visibility that approximately $54 million remains available within the Fund.

3.18 In our view, the way the financial information was presented to the 18th Session of the Subcommittee on Program, Budget, and Administration should have been more transparent on the overall level of surplus at 31 December, and that the level of surplus indicates that service fees have over-recovered costs. Member States may wish to seek clarity from the Secretariat on how these balances will be utilised and for our recommendation to review the service fee is further considered.

[3] SPBA18/12

Results based management

3.19 In our 2021 report, we considered PAHO's planning and budget processes and how they linked to the results chain. We found that the Strategic Plan was formulated through a region-wide consultation, with national health authorities participating in the prioritization process. The Plan established the regional priorities which have guided the formation of prioritised outputs and outcomes.

3.20 We emphasised that PAHO's focus on joint reporting of health outcomes with Member States, meant that the direct link between PAHO's use of resources and the impact of the Secretariat's work, does not get full visibility. We considered it would enhance accountability and provide a closer alignment between outcomes and the use of resources if the Secretariat's contribution was more visible. The evaluation echoed our observations in this area. It highlighted that PAHO's framework is not based on a theory of change that would articulate the expected benefits. It also found that the current process does not easily differentiate and identify the Secretariat's contributions to the strategic plan outcomes. As we previously reported, greater visibility of the Secretariat's contribution would enhance accountability and provide a closer alignment between outcomes and the use of resources.

3.21 We highlighted that PAHO's non-core activities, including the procurement funds and national voluntary contributions, account for most revenues and expenditures, and that these have separate planning and reporting channels. In our view, the Strategic Plan should better encompass these other activities, linking them more closely to the Member States' overall strategic objectives. This would provide a more complete measure of the Secretariat's overall performance; better highlighting how other activities contribute to the delivery of outcomes.

3.22 PAHO's strategy is ambitious in the breadth of its objectives. Over our mandate we have emphasised the importance of the strategy identifying where the Secretariat's input can make the most beneficial contribution to health outcomes, creating the best return from the resources invested by Member States. We reported that this should be informed by a programme of targeted evaluation, which in recent years has been absent. PAHO now has an evaluation strategy and has delivered useful learning in two key areas for the Organization, namely learning from the Covid-19 Pandemic and the evaluation of results-based management. These evaluations are importantly leading to substantive changes in structures and processes, providing good evidence that the new commitment to evaluation is helping focus and challenge PAHO's ways of working for positive benefit. While positive, we remain of the view that evaluation should be separated from program budget but note PAHO has not accepted our previous recommendation on this.

3.23 In response to the evaluation's findings on results based management, PAHO has committed to incorporate learning into the planning process and enhance learning within the Organization through the establishment of communities of practice and other mechanisms. It has also committed to expanding after-action reviews. These findings echo observations we made on the Smart Hospitals project where PAHO has not maximised its learning from that project's comprehensive evaluation.

3.24 At the time of our review, the Secretariat was responsible for delivery of over 4,000 products and services that contribute to outputs under the work plan. As the key internal accountability mechanism, we reported on the intensive six-monthly Performance Monitoring and Assessment (PMA) process. Which requires cost centres to review their performance against budget and their deliverables. Our report highlighted the need for PAHO to review the process to ensure it was proportionate and delivered clear value. We also found that while the existing reporting framework provided a balanced picture of the collective performance against outcomes, it did not measure the actual performance and effectiveness of the Secretariat.

3.25 PAHO has taken some steps to simplify its approach to the PMA, however, the evaluation report highlights that the focus on the rate of budget utilisation, rather than performance, prevents performance monitoring and reporting from fulfilling its full potential. We note overall that PAHO is building its response to the evaluation findings. Early indications of the Secretariat’s response have been shared with the SPBA. These included:

- Strengthening and deepening the culture of RBM as a means of prioritising PAHO’s work;
- Reviewing the model and framework for RBM, including the development of a theory of change model;
- Improving consistency of the application of RBM, through redefining products, services, outcomes and outputs; and
- Enhancing the training available for all personnel tailored to reflect the different roles and responsibilities in the RBM process.

Together with our own previous recommendations, the findings of the evaluation provide a basis for PAHO to evolve its performance reporting. In doing this PAHO will be in a stronger position to demonstrate to its stakeholders the value the Secretariat adds.

Estates management

3.26 We considered PAHO’s estates strategy in both 2018 and more comprehensively last year. PAHO's property estate comprises a substantial asset base, valued at $157.1 million. We found there was no comprehensive estates strategy aligned to organisational needs. In 2014, a condition assessment survey was conducted, identifying repair and renovation needs across the estate. Seven options were presented to Member States at that time, but no comprehensive strategy was developed.

3.27 Operational planning continues to rely on the results of the 2014 survey, but actual investment differs from the plan, and there is a lack of visibility to reflect changing priorities. Metrics on building utilization and energy efficiency, which could help support decision making and investment decisions, are also lacking. During our mandate, we have seen PAHO’s real estate assets in eight locations. Each office has different characteristics with, for example, the office in Argentina operating in a commercial building together with other leaseholders and the office in Barbados built on Government land that would revert should PAHO cease to operate at that location. Consequently, investment decisions at each operating location and the maximisation of their utility should be individually considered and clearly articulated in strategic and operational planning. We note that the Secretariat has not developed an updated investment plan and our recommendation from last year remains in progress.

3.28 In 2022, PAHO commenced a project to upgrade its headquarters building using the previous survey results. The project includes several components including:

- the replacement of the heating and ventilation systems;
- the renovation of the conference rooms, offices, and open spaces on floors 2 and 10; and
- improvements to the lobby area.

In phase one of the project, prioritisation was given to the completion of the second floor conference rooms in time for the 60th Directing Council held in September 2023. Phase two is now underway, including a refresh of the restrooms and the replacement of the heating and ventilation systems with planned completion by mid-2025. Future plans, subject to approval, include the replacement of all the original windows in the PAHO Headquarters building with double panes that provide thermal insulation. This will further increase energy efficiency and ensure a safer working environment. At 31 December 2023, PAHO had spent $21.0 million on the renovations.

3.29 We reported in 2022 on the importance of sustainability reporting and we have noted the commitment of the Director to enhance PAHO’s approach to meeting environmental and sustainability targets, as evidenced by the commitment to sustainable procurement. With the investments being made in enhanced energy efficiency by the renovations, PAHO should consider developing a suite of metrics to measure and report its performance in meeting sustainability targets.

3.30 Following the acquisition of the residual lease interests in 2121 Virginia Avenue in 2019, we highlighted the need for a comprehensive property strategy. Despite opportunities for better utilisation or the release of capital funds by a disposal, the building remains considerably underutilised. Following our recommendations, during 2023, PAHO engaged consultants to undertake a comprehensive analysis of space utilisation in both the main Headquarters building and 2121 Virginia Avenue. The study confirmed that there was significant underutilisation and there were opportunities to meet accommodation needs for all its personnel within the headquarters building. We understand that discussions remain with the Executive Management on a final decision. We continue to see significant opportunities in rationalising the estate to provide resources to invest in bringing the headquarters building up to modern standards and ensuring the efficient use of assets.

Part Four

Prior year recommendations

4.1 Of the 24 recommendations raised for 2022 and those from earlier years that remained in progress, PAHO has implemented or partially implemented 14 recommendations, we have closed a further two recommendations on the basis that PAHO has not accepted the recommendation. Eight recommendations remain open or are in progress.

Audit handover

4.2 We look forward to engaging our successors in the handover of the external audit to the Contraloría General de la República de Chile. We have a long-standing relationship with our Chilean colleagues, and we have a proven track record of securing effective handovers with all our predecessor audits. We have already prepared for extensive discussions and knowledge sharing to enable the transition to be effective. We will ensure we provide them with our full co-operation and will follow the framework of the UN Panel of External Auditors in handing over key audit documentation. We wish our successors every success in their tenure.

Acknowledgments

4.3 We would like to thank the Director and his staff for their co-operation in facilitating our audit engagement. We are grateful to the staff of PAHO and of the Country offices we have visited during our tenure for their cooperation and engagement with our work.

4.4 I would like to take this opportunity to thank the Member States for the confidence they have shown in us during our six-year mandate. During this time, we have seen the Organization face many unprecedented challenges and we have welcomed the opportunity of providing you with observations to improve the management of PAHO and of its resources. We wish the Organization and its Members continued future success in its endeavours to further the health of the peoples of the Americas.

Gareth Davies

Gareth Davies

Comptroller and Auditor General, United Kingdom – External Auditor

20 May 2024

Appendix One Prior year recommendations

Previous reference	**Summary of recommendation**	**Administration's comments on status: February 2024**	**External Auditor's view**	**Status**
2018 Long Form Report Rec 3	Analyse costs to assess the extent to which full cost is recovered on voluntary-funded activity and develop an equitable, consistent and transparent cost recovery policy.	External consultants are being contracted in Feb 2024. Based on the findings, which would be provided by June 2024, a review of the current policy will be considered.	Based on management's commitment to review this area, we consider this addresses the substance of the recommendation.	Closed.
2019 Long Form Report Rec 7	Establish a roadmap for the development of prioritised compliance reporting and provide managers with the tools to monitor internal controls	In 2023, PAHO launched the Compliance Dashboard, a PowerBI tool that extracts compliance information from PMIS for certain policy requirements in the areas of travel, procurement, planning, letters of agreement, reconciliations, ad hoc transactions and asset allocation. This tool is accessible by all staff, including managers and administrators.	There have been positive developments in this area, but we are yet to see a clear strategy for compliance activity within PAHO. We have	Closed.

Previous reference	Summary of recommendation	Administration's comments on status: February 2024	External Auditor's view	Status
	and business processes under their responsibility.		considered this further in this year's report.	
2019 Long Form Report Rec 8	Develop a strategy for monitoring and reporting compliance with key internal controls and business processes to senior management by cost centre and budget managers, underpinned by a compliance sanctions regime to hold managers to account.	In 2023, PAHO launched a revisited compliance certification exercise, which monitors compliance through a self-assessment of cost centres. Results are shared with business owners for follow-up and with the Enterprise Risk Management and Compliance Standing Committee for information.	There have been positive developments in this area, but we are yet to see a clear strategy for compliance activity within PAHO. We have considered this further in this year's report.	Closed.
2020 Long Form Report Rec 4	Regularly consult with its Member States on the risks and benefits of continued participation in the WHO Staff Health Insurance Fund given their limited control over these significant liabilities.	Not accepted by management PAHO is actively engaged with the WHO SHI Global Oversight Committee and its subcommittees in addressing risks, liabilities and staff benefits. The Bureau regularly reports to PAHO Member States through the PAHO Audit Committee, the PAHO Subcommittee on Program, Budget and Administration (SPBA) and the PAHO Executive Committee. WHO also reports regularly to WHO Member States (including PAHO Member States) on the financial health of SHI and the challenges and benefits associated with the plan.	We note management's response, but we consider increased transparency to Member States over PAHO's most significant liability is important. We have commented further in this year's report.	Not implemented. Closed.
2020 Long Form	Conduct a comprehensive and systematic assessment of the lessons learned from its deployment of	An Internal Audit of business continuity was carried out in the 2nd quarter of 2022 (OIA Report No. 04/22). We will implement the OIA's recommendations during the next 12 months. Recommendations 2020 #7	We note the OIA recommendations were made in 2020 and that management plan to implement these within the	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: February 2024	External Auditor's view	Status
Report Rec 7	preparedness plans in response to the pandemic to inform the development of business continuity procedures.	and #8 will be covered as part of the implementation of recommendation of the OIA Audit Report. Implementation in progress.	next 12 months. We consider progress in this area to be slow.	
2020 Long Form Report Rec 8	We would expect this to include a clear incorporation of continuity plan responses within the assessment of local office risks, clear centrally enforced policies across all PAHO operations to enforce home working where necessary; to gather critical data on key posts and to ensure there is control over any staff working on site during crisis periods.	This recommendation will be addressed as part of the previous recommendation. An Internal Audit of business continuity was carried out in the 2nd quarter of 2022 (OIA Report No. 04/22). We will implement the OIA's recommendations during the next 12 months. Recommendations 2020 #7 and #8 will be covered as part of the implementation of recommendation of the OIA Audit Report. Implementation in progress.	We note the OIA recommendations were made in 2020 and that management plan to implement these within the next 12 months. We consider progress in this area to be slow.	In progress.
2020 Long Form Report Rec 12	Devise a comprehensive performance framework to enable more systematic analysis and reporting of progress against the Funds' objectives to	In 2023, the Regional Revolving Funds Special Program (RRF) was created to promote synergies across both funds. One of the key areas identified for synergies is the standardisation of KPIs to monitor and report on performance across the funds. At this moment, the Funds do not have aligned metrics. By Q1 2024, the Funds will have a framework of common KPIs to report performance for the 2024-2025 biennium.	We note management's response and intention to develop reporting metrics. On this basis we are content with the response.	Closed.

Previous reference	Summary of recommendation	Administration's comments on status: February 2024	External Auditor's view	Status
	Member States and Executive Management.			
2020 Long Form Report Rec 15	Analyse and evaluate the lessons learned through operating the Funds during the pandemic to: a) explore the potential to leverage better value or supply through co-operation more widely with partners; and b) to inform discussions on how PAHO might respond to future health emergencies. It should report its findings to Member States to inform future decision making.	Priority actions were identified to address recommendations from the external evaluation. The RRF will work on the actions identified within the agreed timelines. External support was contracted in Q1 2024 to explore and develop potential adjustments as per workplan of the evaluation.	PAHO are developing strategic approach for the future of the funds. We have discussed this further in this year's report. We consider management's response appropriate to address the recommendation.	Closed.
2020 Long Form Report Rec 19	Consider how it can utilise existing systems improve its cost information on the use of staff resources to better understand the full cost of programmes and processes.	RRF, working in coordination with PBE, FRM and PRO, contracted an external team to conduct the costing analysis, and draft results were presented in February 2024. The final report will be delivered at the end of February 2024.	We noted that management engaged consultants to support its review of costing. While this exercise remains ongoing, we consider management's response appropriate to address the recommendation.	Closed.

Previous reference	Summary of recommendation	Administration's comments on status: February 2024	External Auditor's view	Status
2020 Long Form Report Rec 20	(a) ensure that all future digital investment decisions are underpinned by a robust and documented business case which sets out the strategic, economic, financial, commercial and management case for change; (b) subject all such business cases to proper scrutiny and approval; and (c) implement a comprehensive benefits realisation plan for its current digital programme for the procurement funds; (d) seek user feedback on the value of a customer portal as part of a post-implementation review.	Regular meetings of the Member State Portal Steering Committee, including leadership from SF, RF, PRO, ITS and FRM, continue twice a month to ensure the alignment of strategic objectives, governance and progress of the programs. Post-implementation reviews will be incorporated progressively as the programs are rolled out. The Member States Portal was launched mid 2023 and Members States used it for the first time to request 2024 demand. In 2023 Q4, the RRF conducted a survey and in-depth interview with key countries to seek their feedback on the portal.	We note management's response. We comment further on the Member State's Portal in this year's report.	In progress.
2020 Long Form Report Rec 21	Ensure that the implementation of the portal is aligned with clear strategic objectives, including PAHO's	The Member State Portal Steering Committee, including leadership from SF, RF, PRO, ITS and FRM, also reviews and ensures the alignment of the initiative with PAHO's information systems strategy.	The overarching objectives for the Portal was to provide improvements to the service needs of the users of the PF and enhance efficiency of the processes. We are content	Closed.

Previous reference	Summary of recommendation	Administration's comments on status: February 2024	External Auditor's view	Status
	information systems strategy		that plans are in place to achieve this and comment further in this year's report.	
2021 Long Form Report Rec 3	a) review its approach to the Statement on Internal Control focusing on the sources of assurance; and b) consider the adoption of an overall accountability framework to bring together the various organisational accountability elements and sources of assurances.	a) PAHO has adopted a new Statement on Internal Control for 2023, focusing on the sources of assurance. b) PAHO is developing an accountability framework for the 2024-2025 biennium.	We have noted the positive changes to the 2023 Statement on Internal Control and provided comments that were incorporated in the final version. Based on management's commitment to develop an accountability framework, we consider they have addressed the substance of the recommendation.	Closed.
2022 Long Form Report Rec 1	a) take urgent steps to review the adequacy of its current policy and the oversight of investment performance; and b) ensure its investment policy is subject to objective expert input to adequately manage the risks to investment strategy.	The investment policy was reviewed and updated. Terms of Reference of the Investment Committee were created, and allow for external member(s) who possess relevant expertise and experience to be added to the Committee.	We note the response. However, PAHO has not yet brought any external challenge to its investments committee. We have commented further in this year's report.	Closed.

Previous reference	Summary of recommendation	Administration's comments on status: February 2024	External Auditor's view	Status
2022 Long Form Report Rec 2	Consider the advantages and potential disadvantages of separating strategy and planning from the management accounting and budget functions, and the merits of combining financial and budget monitoring into a single finance unit.	AM, FRM and PBE will analyse the merits of combining the budget monitoring function as part of the financial management function of the Organization, along with other options.	We note the response, but we do not consider this approach would objectively address our concerns around the structure of PAHO's financial management and reporting.	Not implemented. Open.
2022 Long Form Report Rec 3	Given the risks to objectivity, separate evaluation from the operational process of reporting and monitoring performance.	Not accepted: 1. PAHO's Evaluation Policy and handbook have safeguards to ensure objective quality independent evaluations are conducted in line with UN standards. 2. Performance monitoring and evaluation are separate processes with their respective governance mechanisms, guidelines and systems. 3. Evaluations are conducted by external experts. PBE commissions and manages the evaluation process which is separate from planning and implementing technical cooperation programs or projects.	We note management's disagreement with the recommendation but believe that there are fundamental conflicts to the perceived and actual independence of the function remain.	Not implemented. Closed.
2022 Long Form Report Rec 4	Revise its Internal Audit Charter to introduce term limits for future "Auditor General" appointments.	OIA has updated the internal audit charter in the E-manual to introduce term limits for future Auditor General appointments. See paragraph 200 of Policy 1.6.2b.	We note the change to the charter and that appointments are term limited to seven years.	Implemented. Closed.

Previous reference	**Summary of recommendation**	**Administration’s comments on status: February 2024**	**External Auditor’s view**	**Status**
2022 Long Form Report Rec 5	Take immediate steps to establish an independent ombudsperson to provide for fully confidential, neutral and impartial support outside the management chain.	A new Ombudsman joined the Organization on 1 January 2024 and is fully operational. The appointment has been announced to all PAHO personnel.	We note the action taken.	Implemented. Closed.
2022 Long Form Report Rec 6	Develop a target operating model, to articulate its approach to the delivery of cost-effective services, with a focus on the efficiency of the enabling functions to support operational delivery.	PAHO Forward is a new organization-wide approach to guide the implementation of efficiency, transparency, and accountability initiatives (ETA) in a collaborative and coordinated manner. This continuous modernization approach will also bolster PASB´s country presence and capacity to deliver technical cooperation and drive innovation to move the organization forward. The operation is led by the Director's office.	We note managements response. We have commented further on PAHO Forward in this year’s report and have reformulated our observations considering developments of the initiative.	Closed.
2022 Long Form Report Rec 7	a) Establish an overall change plan to bring together the various initiatives and proposals and for the transformation projects to be overseen and co-ordinated by a single project team to support cost centres in the realisation of identified cost benefits and in the management of change;	PAHO Forward is a new organization-wide approach to guide the implementation of efficiency, transparency, and accountability initiatives (ETA) in a collaborative and coordinated manner. This continuous modernization approach will also bolster PASB´s country presence and capacity to deliver technical cooperation and drive innovation to move the organization forward. The operation is led by the Director's office.	We note managements response. We have commented further on PAHO Forward in this year’s report and have reformulated our observations considering developments of the initiative.	Closed.

Previous reference	Summary of recommendation	Administration's comments on status: February 2024	External Auditor's view	Status
	b) Ensure adequate and sufficiently skilled resources are dedicated to change projects to ensure that the benefits of change can be fully exploited; and c) report progress and costed options to Member States to give full visibility of cost benefits.			
2022 Long Form Report Rec 8	Prepare an analysis of options identified from the shared services consultancy and engage Member States on the outcome.	AM worked with Accenture to develop the business case for Shared Services, based on the roadmap developed in 2022, with options and recommendations presented to EXM in November 2023. EXM asked for further analysis which was completed in December 2023 and will be presented to EXM in March 2024.	We note management's response. Discussions continue within Executive Management. We have commented further in this year's report.	In progress.
2022 Long Form Report Rec 9	Undertake a comprehensive assessment of its property needs to deliver its mandate, to inform the development of an organisational needs-based estates strategy.	AM & GSO worked with external real estate management consultants to develop an organizational strategy for property/real estate planning in HQ, which was presented to EXM in June 2023. The consultants are performing a second study on workplace strategy for headquarters which will be presented to EXM in the first semester of 2024.	We note management's response. Discussions continue within Executive Management. We have commented further in this year's report.	In progress.
2022 Long	Agree a clear and funded financial and management	AM GSO and PBE to coordinate and propose to EXM a plan to ensure MCIF has adequate resources for property maintenance and development.	We note management's response.	In progress.

Previous reference	Summary of recommendation	Administration's comments on status: February 2024	External Auditor's view	Status
Form Report Rec 10	plan for foreseen maintenance and development of the property estate.			
2022 Long Form Report Rec 11	Develop appropriate reporting mechanisms to track delivery against the plan, including regular revisions to reflect changes in assumptions and needs.	PAHO reports to Member States annually via the Status of the MCIF document on delivery against the existing property management plan. We have added additional human resources for GSO to support this initiative.	We note management's response. Until recommendation 10 above has been implemented, this remains in progress.	In progress.
2022 Long Form Report Rec 12	Establish an expected profile of performance ratings for each category and develop and implement moderation processes to ensure the consistency of appraisal ratings across the Organization.	The Organization convened a working group in 2023 to review the performance evaluation process. The review focused on streamlining the process, enhancing the user experience, fostering growth, and increasing compliance. On 10 January 2024, the recommendations developed by the working group were presented to and approved by EXM. The approved recommendations included calibration implementation in the 2024 performance evaluation cycle during the 4th quarter. Additionally for 2024 evaluations, the rating scale will be expanded from three ratings to five to allow for more flexibility and to reflect staff performance more accurately. Clear definitions will be provided for each rating (attached).	We note the plans and intention of HRM which are aligned with the spirit of our recommendation. It is important that HRM considers their effectiveness once implemented and evolve the process accordingly.	Closed.

This publication presents the Financial Report of the Pan American Health Organization (PAHO) for 2023. Certified and approved for publication by the Director of the Organization, the financial statements have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards.

In addition to the financial statements and notes thereto, the report presents an analysis of PAHO's financial performance in 2023. Sections on revenue, voluntary contributions, procurement, expenses, financial position, reserves, investments, foreign exchange, and employee liabilities are accompanied by figures and tables.

However, this report goes beyond the financial information to also highlight selected achievements of the Organization in 2023. These achievements relate to PAHO's ongoing efforts to spearhead innovative initiatives in the Region of the Americas to scale up health action and its work to help countries to protect public health gains, recover better from the impact of the COVID-19 pandemic, and build stronger.

In 2023, PAHO also sought to foster commitment, enable cooperation, shed light on solutions, and focus efforts on reducing inequality gaps across the Region. The selected achievements concern, for example, PAHO's efforts to strengthen primary health care, help respond to health emergencies and disasters, increase health system resilience and preparedness, tackle preventable communicable diseases, address the growing burden of noncommunicable diseases, raise the flag for mental health, bring immunization rates back on track, and accelerate the digital transformation of public health. Also mentioned is the ongoing work to streamline internal systems and processes through the initiation of PAHO Forward.

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