

*executive committee of  
the directing council*



PAN AMERICAN  
HEALTH  
ORGANIZATION

*working party of  
the regional committee*

WORLD  
HEALTH  
ORGANIZATION



66th Meeting  
Washington, D.C.  
July 1971

Draft Agenda Item 21

CE66/9 (Eng.)  
26 May 1971  
ORIGINAL: ENGLISH

FINANCING OF THE TEXTBOOK PROGRAM

The negotiations of the Director for a loan to finance the medical textbook program, first authorized in 1966 by the XVII Pan American Sanitary Conference, came to fruition when on 19 November 1970 the Board of Directors of the Inter-American Development Bank (IADB) approved a loan for this purpose. The loan was made to the Pan American Health and Education Foundation (PAHEF) in an amount up to \$2,000,000. A copy of the approval resolution is attached as Annex I.

On 5 February 1971 the Loan Contract was signed by Dr. Abel Wolman, President of the Foundation, and Dr. Felipe Herrera, President of the Bank. The Loan Contract establishes a number of prerequisites to disbursement of the loan funds. One of these is the signature of amendments to the PAHO textbook agreements with Governments and universities to reflect the role of the Foundation. These amendments have been sent to all participating Governments for signature.

One of the prior conditions to signature of the Loan Contract was the issuance by the Riggs National Bank of a Letter of Credit to guarantee the loan. As authorized by the XVIII Pan American Sanitary Conference in Resolution XXIX, the Director has deposited with the Riggs National Bank collateral for the Letter of Credit in the form of securities in the amount of \$600,000 and a second trust mortgage deed for \$1,040,000 on the property of PAHO known as the Governor Shepherd Apartments. This deposit does not in any way affect the income of the Organization from the interest on securities. The only requirement is that if the securities mature or are sold by PAHO, other securities of equal value must be deposited with Riggs Bank.

Disbursement under the loan will be made over a period of five years. Interest payments at the rate of 3 per cent per annum will start six months after signature of the Loan Contract. Repayment of the principal will be made over a period of 20 years, starting the sixth year of the loan.

As reported to and endorsed by the XVIII Pan American Sanitary Conference, an agreement has been signed between PAHO and PAHEF for operation of the medical textbook program as a joint activity. As stipulated by the IADB in the conditions of the loan, the agreement between PAHO and PAHEF provides for a contribution by PAHO from the Special Fund for Health Promotion of \$120,000 per year during the first five years, and \$100,000 per year for the 20-year period required for repayment of the loan. Budgetary provision has been made under the Special Fund for Health Promotion. To meet an additional requirement of IADB (see paragraph 8(b)(iii) of the Resolution presented as Annex I), an amendment has been signed under which PAHO undertakes to protect the textbook revolving fund against losses due to devaluation. This does not entail a significant additional financial commitment, since the risk is primarily related to the value in dollars of unpaid installments and only about 20 per cent of the textbooks are sold on the installment payment plan. About 80 per cent of the books are sold for cash and the book prices in local currency are adjusted immediately to protect the revolving fund.

The present textbook program, under which five books have been distributed for sale, is progressing. A plan for expansion is in preparation and will become effective in the near future upon fulfillment of the prerequisites for drawing funds under the loan.

Annex

CE66/9 (Eng.)  
ANNEX

INTER-AMERICAN DEVELOPMENT BANK  
Washington, D.C. 20577

The Secretariat of the Inter-American Development Bank presents its compliments and is pleased to send you the Resolution DE-121/70, approved on November 19, 1970, which authorizes the loan 279/SF-RG to Pan American Health and Education Foundation (Medical Textbook Program).

January 4, 1971

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
FOR OFFICIAL USE ONLY

RESOLUTION DE-121/70

REGIONAL. LOAN 279/SF-RG TO PAN AMERICAN HEALTH AND  
EDUCATION FOUNDATION  
(Medical Textbook Program)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Pan American Health and Education Foundation, for the purpose of granting it a loan to cooperate in the financing of a program consisting of the selection, purchase, translation, publication, distribution and sale of medical textbooks, at prices lower than otherwise available, to students in medical schools in member countries of the Bank. This loan shall be subject substantially to the following conditions:

1. Amount and Currencies: Up to US\$2,000,000 in dollars. Payment of amortization and interest shall be made in such currency.
2. Source of Funds: The Fund for Special Operations.
3. Guarantee: Irrevocable letter of credit opened by a commercial bank in the United States on terms which shall have been previously approved by the Bank.
4. Commitment Fee: 1/2 of 1% per annum, payable semiannually in dollars on the undisbursed portion of the loan. The fee shall begin to accrue 60 days after the date of the contract and the first payment shall be made 6 months after such date.
5. Amortization: The debtor shall amortize the loan in a period of 25 years from the date of the contract, by means of 40 consecutive, semiannual, and so far as possible, equal installments. The first installment shall be paid 5-1/2 years after such date.

6. Interest: 3% per annum, payable semiannually on principal amounts outstanding. The first payment shall be made 6 months after the date of the contract.
7. Disbursement: Total disbursement of the loan shall be made within a period of 5 years after the date of the contract.
8. Special Conditions:
  - (a) The resources of the loan shall be utilized in their entirety by the debtor. If modification of the articles of incorporation of the debtor or the basic agreements between it and the Pan American Health Organization (PAHO) are approved, which, in the opinion of the Bank, may substantially affect the program, the Bank may take such measures as it deems appropriate in accordance with provisions to be set forth in the loan contract.
  - (b) Prior to the first disbursement, the debtor shall have entered into an agreement with PAHO satisfactory to the Bank, covering, among other matters, the following:
    - (i) The obligation of PAHO to contribute annually during the first 5 years of the program at least US\$120,000 to the debtor to cover administrative expenses of the program. Part of this contribution may be made by the provision of services.
    - (ii) The obligation of PAHO to contribute to the debtor at least US\$100,000 per year, on dates to be established in the agreement, starting the sixth year from the date of the contract and continuing during the life of the loan. Such contribution shall be derived from funds made available to PAHO by the Kellogg Foundation and shall be used by the borrower to pay the amortization of the loan.
    - (iii) The obligation of PAHO to assume any monetary exchange risk in relation to the U.S. dollar which might adversely affect the resources available for the program during the life of the loan.
  - (c) The resources of the loan shall be utilized solely for the execution of the program in member countries of the Bank which have entered into agreements with PAHO satisfactory to the Bank.

- (d) The Bank shall establish such inspection procedures as it deems necessary to assure the satisfactory execution of the program, and the debtor shall extend all cooperation which is required for the most effective accomplishment of this purpose. The contract shall establish the respective contribution to the appropriate Fund for Inspection and Supervision from the resources of the loan.

(Approved November 19, 1970)