

156th SESSION OF THE EXECUTIVE COMMITTEE

Washington, D.C., USA, 22-26 June 2015

Provisional Agenda Item 5.3

CE156/21
1 April 2015
Original: English

PROPOSAL FOR THE USE OF THE BALANCE OF THE IPSAS AND BUDGETARY SURPLUSES

Background

1. The 27th Pan American Sanitary Conference in Resolution CSP27.R18 (2007) resolved to adopt the International Public Sector Accounting Standards (IPSAS) for recording and reporting the financial activities of the Pan American Health Organization (PAHO), beginning with the 2010-2011 biennium. As part of the requirements of the transition to IPSAS, the opening balance sheet (Statement of Financial Position) as of 1 January 2010 was adjusted to provide comprehensive information regarding the assets and liabilities under the Organization's administration. The adjustments, totaling US\$ 33,881,684,¹ were reflected in the IPSAS Surplus Account, which forms part of the Regular Budget Fund Balance.
2. The Financial Regulations and Financial Rules of PAHO were revised to reflect the implementation of IPSAS, including regulations and rules stipulating the disposition of any budgetary or revenue surpluses. Although there is no specific financial regulation that applies to the disposition of a one-time surplus, Financial Regulation 4.4 stipulates that any unexpended balance of the Regular Budget Appropriation shall be available for subsequent use in accordance with the resolutions adopted by the Pan American Sanitary Conference or the Directing Council. Therefore, the Director was able to propose the disposition of these funds in support of specific activities of the Organization. The balance of the IPSAS surplus remaining to be programmed is \$2,281,684.
3. In 2014, the Director authorized the repayment of the \$10 million loan made to the Revolving Fund for Vaccine Procurement. In accordance with Financial Regulation 4.4, these funds were first used to replenish the Working Capital Fund to its authorized level of \$20 million (\$4,136,469). The balance (\$5,863,531) represents budgetary (\$773,494) and revenue (\$5,090,037) surpluses under IPSAS. Financial Regulation 4.4 stipulates that any budgetary surplus shall be available for subsequent use in accordance with resolutions adopted by the Pan American Sanitary Conference or the Directing

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

Council. The budgetary surplus is available to be programmed in 2015. The revenue surplus, which is governed under Financial Regulation 4.6, will be addressed under a separate agenda item.

4. As a result, the total amount available for programming in 2015 from the balance of the IPSAS and budgetary surpluses is \$3,055,178.

5. Following the decision of the Directing Council 2014 regarding IPSAS and budgetary surpluses, Executive Management analyzed significant corporate risk areas against the available remaining unallocated surplus with a view to identifying an appropriate allocation of surpluses among the highest-priority risk areas. This analysis was informed by the strategies developed for the major risk areas in the enabling functions (IT Strategy, Human Resources Strategy, and Master Capital Strategy), the experience from PAHO's Ebola response, and the recommendations of the working group on the Revolving and Strategic Funds established by the Director. Based on an assessment of the identified risks and the available funds, the prioritization outlined in the Annex was elaborated. In the case of each of the items included in the Annex, the amount allocated does not fully mitigate all identified risks. Each of the identified areas will continue to require funding from recurring funding from various sources. However, the amounts allocated are calculated to provide the capability to respond to the highest-priority expected requirements in each area.

Proposal

6. The IPSAS surplus has been utilized to invest in longer-term, higher-cost strategic and administrative initiatives that have been otherwise difficult to fund within the constraints of typical biennial budgetary exercises. Following this same objective, the Director proposes the following areas for investment (see Annex A):

Implementation of the Information Technology Strategy - \$2,000,000

7. The Draft PASB Information Technology Strategy (Document CE156/26) provides a framework for developing holistic IT resource requirements for the Organization, including both the enabling areas and the technical cooperation areas.

8. The IT Strategy calls for allocation of IT resources as follows:

- a) 65% "Run" – routine operations;
- b) 20% "Grow" – expansion and optimization of operations in response to evolving expected results;
- c) 15% "Transform" – new projects to boost the quality of technical cooperation.

9. Allocation of available IT resources during 2014-2015 is 93% to Run, 1% to Grow, and 6% to Transform.

10. PASB proposes that \$2 million of the IPSAS and budgetary surpluses be allocated to fund the highest-priority Grow and Transform projects, which cannot be accommodated within available funding in the current biennium:

- a) Grow:
 - i. Start-up and first-year operations of redundant (“back-up”) Internet service providers (ISPs) for all country offices and centers to ensure enhancement of Internet connectivity quality and full benefits from the PMIS project implementation: \$900,000. In subsequent biennia, annual maintenance costs for the ISPs will be included in the Program and Budget administrative costs.
 - ii. Launch of managed firewall and Internet load balancing services to ensure protection from evolving cyber-security threats and to protect the availability of Internet bandwidth for official business: \$550,000.
- b) Transform:
 - i. Start up of outsourced cloud-based email management services during the current biennium: \$550,000. In future biennia, these services will replace services currently provided by staff.

Implementation of the Human Resources Strategy - \$1,055,178

11. As detailed in the Report on the Development of the Human Resource Strategy (Document CE156/31), additional resources will be required to enhance the skill level of PASB staff members in order to keep pace with evolving technological changes and expected technical cooperation results.

12. The allocation of \$1,055,178 will provide resources to fund:

- a) The integration of the new recruitment component of the PMIS software, not included in the original PMIS budget because it was released on the market in 2014; this component will replace a software product previously acquired through WHO that is being phased out in September 2015 (cost estimate pending completion of procurement process).
- b) The deployment within PAHO headquarters, country offices, and centers of the *i-Learn* training and capacity-building software module, which has been partially deployed by WHO. (Cost estimate pending completion of procurement process.) Costs associated with the initial upload to *i-Learn* of course materials for the highest-priority skill-building initiatives identified during the elaboration of the strategy.

13. The remaining unallocated balance of the IPSAS surplus (\$281,684) and the budgetary surplus (\$773,494), totaling \$1,055,178, will be held in reserve for the implementation of one-time initiatives in support of this Strategy.

Conclusion

14. In accordance with Financial Regulation 4.4, the Directing Council must decide on the disposition of the balance of \$3,055,178 from the IPSAS and budgetary surpluses.

Action by the Executive Committee

15. The Committee is requested to review the proposal and provide its feedback to the Pan American Sanitary Bureau, and consider approval of the proposed resolution presented in Annex B.

Annexes

Annex A
Funding Requirements and Proposed Sources of Funds

Fund	Funding Status	Funding Requirements	Proposed Source(s) of Funding	Funding Proposed
Master Capital Investment Fund (MCIF) – Information Technology (IT) Subfund	MCIF is primarily funded through the appropriation of budgetary surpluses. The available balance in the IT Subfund as of 31 December 2014 was US\$ 306,849. ¹	PASB’s Report on the IT Strategy (Document CE156/26) indicates that the Bureau requires significant additional investment in IT infrastructure and support.	IPSAS surplus	\$2,000,000
Human Resources Strategy reserve	This is a new funding recommendation.	PASB’s Report on the Development of the Human Resources Strategy (Document CE156/31) indicates that one-time funding will be required to achieve the recommended transformation.	Unallocated IPSAS surplus (\$281,684) and unallocated budgetary surplus (\$773,494)	\$1,055,178
MCIF – Real Estate Maintenance and Improvement Subfund	The balance of this existing MCIF Subfund as of 31 December 2014 was \$1,804,810.	The Report on the Master Capital Investment Fund (Document CE156/24) sets forth the results of a Region-wide assessment of PAHO-owned real estate, identifying approximately \$2 million of needed major repairs to country office buildings per biennium for the coming decade.	Revenue surplus	\$2,000,000
MCIF – Vehicle Replacement Subfund	The balance of this existing MCIF Subfund as of 31 December 2014 was \$378,520.	The Vehicle Replacement Subfund lacks sufficient resources to launch a Region-wide, self-financing vehicle replacement program needed for country office operations.	Revenue surplus	\$1,000,000

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Funding Requirements and Proposed Sources of Funds (cont.)

Fund	Funding Status	Funding Requirements	Proposed Source(s) of Funding	Funding Proposed
Epidemic Emergency Fund - special reserve for infectious disease response	The balance of this existing fund is \$464,550.	Additional funds are required to ensure that PASB can advance funds so that Member States can procure needed supplies to respond to Ebola and other emergent outbreaks.	Revenue surplus	\$1,000,000
Revolving Fund for Strategic Public Health Supplies - capitalization	The capitalization balance stood at \$7.6 million as of 31 December 2014, less outstanding advances of \$1.6 million, for an available cash balance of \$6.0 million.	The trend toward increasing utilization of the Strategic Fund by Member States requires strengthening of the capitalization level.	Revenue surplus	\$1,000,000
TOTAL proposed for allocation				\$8,055,178
AVAILABLE SOURCES				
		Unappropriated IPSAS surplus		\$2,281,684
		Unappropriated budgetary surplus		\$773,494
		Revenue surplus		\$5,090,037
TOTAL AVAILABLE SOURCES				\$8,145,215
REMAINING UNALLOCATED AMOUNT				\$90,037

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Annex B
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PROPOSED RESOLUTION

USE OF THE BALANCE OF THE IPSAS AND BUDGETARY SURPLUSES

THE 156th SESSION OF THE EXECUTIVE COMMITTEE,

Having considered the report of the Director on the *Proposal for the Use of the Balance of the IPSAS and Budgetary Surpluses* (Document CE156/21);

Noting that the provisions of Financial Regulation 4.4 stipulate that any unexpended balance of the Regular Budget Appropriation (budgetary surplus) shall be available for subsequent use in accordance with the resolutions adopted as decided by the Pan American Sanitary Conference or the Directing Council;

Noting that the IPSAS surplus has been utilized to invest in longer-term, higher-cost strategic and administrative initiatives that have been otherwise difficult to fund within the constraints of typical biennial budgetary exercises,

RESOLVES:

To recommend to the 54th Directing Council the adoption of a resolution along the following lines:

USE OF THE BALANCE OF THE IPSAS AND BUDGETARY SURPLUSES

THE 54th DIRECTING COUNCIL,

Having considered the report of the Director on the *Proposal for the Use of the Balance of the IPSAS and Budgetary Surpluses* (Document CD54/___);

Having considered the recommendation of the Executive Committee concerning the funding proposals recommended in Annex A of Document CD54/___,

Funding Requirements and Proposed Sources of Funds, and noting that these critical strategic and administrative initiatives have been difficult to fund within the constraints of typical biennial budgetary exercises,

RESOLVES:

To approve the allocation of the balance of the IPSAS and budgetary surpluses totaling US\$ 3,055,178,¹ as follows:

- a) implementation of the Information Technology Strategy: \$2,000,000;
- b) implementation of the Human Resources Strategy: \$1,055,178.

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