



*executive committee of  
the directing council*

PAN AMERICAN  
HEALTH  
ORGANIZATION

*working party of  
the regional committee*

WORLD  
HEALTH  
ORGANIZATION



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SUPPLY SERVICES TO GOVERNMENTS

Introduction

The experience which has been acquired over the last several years of the operation of the PAHO supply service indicates that a change in the financial procedure would enable this service to operate more efficiently and give more satisfactory assistance to Member Governments.

The situation of PAHO parallels that of WHO which took corrective action in 1963. At that time the WHO documentation stated: "The provisions permitting the acceptance of documentary credits instead of cash payments have given rise to some difficulties because banks and ministries of finance are inclined to draw up these documents as if WHO itself were a commercial supplier. In almost all cases where documentary credits have been set up for reimbursable purchases, the terms of the credit have been found unworkable for one reason or another and it has been necessary to inform the Government to that effect."

The Executive Board of WHO approved a procedure which required advance deposits by check, bank draft or bank transfer, but eliminated acceptance of documentary credits (letters of credit).

The Supply Service of PAHO is operating on the basis of a Resolution XXIX approved by the Directing Council in 1951 at its V Meeting. The Executive Committee is invited to consider the financial procedures with a view to following those adopted by WHO with respect to elimination of letter of credit.

The problems inherent in the use of letters of credit requiring one or more amendments in nearly all cases are summarized in the following points:

1. Frequently quotations are no longer valid when the letters of credit are received -which may be from six months to two years after the pro formas are submitted; consequently the amount is insufficient.
2. Letters of credit are usually too short dated -some even expired before they were received.
3. Some letters of credit do not provide for collection against simple receipt.
4. Terms are usually too restrictive allowing no flexibility in changes in carrier (from air to sea or vice-versa), changes in quantity, model numbers, etc.

While none of the above difficulties are impossible to overcome, the inordinate amount of time involved, both on the part of the Government and PAHO, creates inefficiency, frustration and complaints because of the inevitable delays.

The Executive Committee is invited to approve a financial procedure as follows:

Before PAHO makes commitments on behalf of a requesting authority, funds equal to the total cost, as estimated by the Bureau, shall be deposited in U.S. dollars to the credit of the Bureau, in such a manner that the Bureau can draw freely upon the funds to make payments, including partial payments, as they become due. Such deposits shall be made by check, bank draft, or bank transfer payable to the Bureau on sight.

In substance, the foregoing proposed procedure is identical with that set out in Resolution XXIX of the V Meeting of the Directing Council, except for elimination of letters of credit.