

*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 5

CE66/13 (Eng.)
17 June 1971
ORIGINAL: ENGLISH

FINANCING OPERATIONS PENDING COLLECTION OF QUOTAS

Under the Financial Regulations of PAHO, the Working Capital Fund is available to finance budgetary appropriations pending receipt of quota contributions. This document deals with the problems which arise if in any year the level of the Fund proves insufficient, and proposes a solution.

Disbursement requirements under the PAHO Regular Budget are fairly uniform throughout the year. Member Countries' quota contributions which support the budget are due and payable as of 1 January each year. Understandably, the Member Countries do not in fact all pay their quotas in January. Internal budgetary procedures of the countries and other difficulties typically result in payment of only a small part of the quota payments during the first half of the year. Since the fiscal year of the largest contributor starts on 1 July, the critical financial period for the Organization is the last two months of the first half of the calendar year.

Over the last ten years, quota receipts during the first six months averaged only 15.7 per cent of the assessed budget, but with a wide variation from 4.9 to 28.6 per cent. Since disbursements during this period ordinarily will approach 50 per cent of the budget, the Working Capital Fund level should, on the average, be at least equal to 35 per cent of the budget and in some years reach a level of 45 per cent.

Due to the unusual deficit which occurred in 1969 arising from delayed quota payments, the level of the Working Capital Fund sank from 41.93 to 25 per cent of the budget. Last year it rose to 28.31 per cent; however, additional budgetary allocations as well as careful financial management will be required to build up the Working Capital Fund to the minimum desirable level of 35 per cent.

Recognizing that increasing the Working Capital Fund is necessarily a gradual process, and facing the fact that in a particular year the income during the first six months may be far below the average, it is desirable to create an additional resource. It is proposed to do this by establishing

a standby banking loan arrangement. It is possible to obtain a standby loan agreement, with interest payable only on the monies actually borrowed. With such a loan, the Organization could finance operations when the income is unusually low in the first six months, pending receipt of the contribution of the largest contributor.

The Financial Regulations of PAHO (Article 6.9) provide:

The Director with the prior and written concurrence of a majority of the members of the Executive Committee shall have the power to borrow funds.

Since the contingency described above would occur before the usual meeting date of the Executive Committee, it would be desirable to have a standby authorization to borrow within prescribed limits.

To meet the problem outlined above, the Executive Committee may wish to approve a resolution along the following lines:

PROPOSED RESOLUTION

THE EXECUTIVE COMMITTEE,

Recognizing that in years when the payment of quota contributions in the first six months is unusually low the Working Capital Fund may be insufficient to finance operations; and

Bearing in mind the importance of orderly financing of the work of the Organization,

RESOLVES:

1. To authorize the Director to borrow funds from a bank or other institution, including standby loan arrangements, when necessary to finance normal operations of the Organization pending receipt of quota contributions and to waive immunity from suit and judicial processes, which PAHO enjoys under the International Organizations Immunities Act of 2 February, 1966 of the Congress of the United States of America, as may be required to negotiate such loans.
2. To instruct the Director to limit drawings on loans or standby loan arrangements so that the amount drawn at any time will not exceed an amount equal to 50 per cent of the PAHO appropriation for the current year less the balance in the Working Capital Fund on 31 December of the immediately preceding year.