

*executive committee of  
the directing council*

PAN AMERICAN  
HEALTH  
ORGANIZATION



*working party of  
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WORLD  
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TEXTBOOKS AND INSTRUCTIONAL MATERIALS. INTER-AMERICAN DEVELOPMENT BANK  
LOAN PROPOSAL

I. Introduction

A progress report (Document CE80/19) was submitted to the Executive Committee at its 80th Meeting in June 1978 concerning the status of negotiations with the Inter-American Development Bank (IDB). The loan proposal has now been approved by the Middle Management Committee of IDB, and loan conditions are not usually changed substantially after this stage. The loan still requires approval by the IDB Loan Committee and the Board of Directors, both of which have previously given approval in principle to consider a loan for this program. Information concerning background, objectives, organization, operation and program scope was given to the Executive Committee at its 80th Meeting.

II. Background

The XIX Pan American Sanitary Conference (1974) approved Resolution XXXIII instructing the Director to negotiate with the IDB. The resolution authorized the Executive Committee "to approve the loan plan if it is satisfied that the terms are the best available, including the pledging of PAHO assets as necessary to guarantee such loan." The Executive Committee at its 77th Meeting (October 1976) authorized the Director to approve the loan, subject to submission of the plan. The Executive Committee at its 80th Meeting reconfirmed its authorization to the Director. The conditions are submitted under items IV and V.

III. Program Scope

The program, as previously reported, is planned to be self-financing and non-profit, essentially the same as the present program with the participation of PAHO, PAHEF, governments and educational institutions. It will include: 1) textbooks for professional and technical personnel; 2) manuals and instructional modules for health workers at community level; 3) audiovisual materials in limited amounts; and 4) basic diagnostic instruments.

IV. Financing

1. The IDB Loan

The amount of the loan will be \$5,000,000, approximately 20% or \$1,000,000 in U.S. dollars and 80% or \$4,000,000 in currencies of those countries where books and educational materials will be purchased. The portion of the loan in national currencies will be made available, as needed, calculated at the U.S. dollar equivalent at the time of disbursement. Repayment of principal in national currencies also will be calculated at the dollar equivalent at the time of repayment.

Most of the loan, \$3,900,000, will be for purchase of textbooks and instructional materials. The technical support portion will be \$550,000. These funds are for consultants, workshops, materials, field trials, and other activities related primarily to the development of instructional materials. Finally, the cost of IDB inspection and supervision will be \$50,000, and the balance of \$500,000 is for contingencies.

The period of the loan will be 40 years with a grace period of 10 years before beginning repayment of the principal. The rate of interest during the grace period will be 1% per year for the portion drawn and a commitment fee of 0.5% per year on the undrawn balance of the U.S. dollar portion of the loan. The rate of interest after the grace period will be 2% per annum. (The interest rate on the current medical textbook loan is 3%.)

2. Matching Contribution by PAHO

Repayment of Loan Capital: None

Whereas for the medical textbook program PAHO undertook to repay the loan principal total of \$2,000,000, in this loan the principal will be repaid by PAHEF from income.

Administration: \$400,000 at the rate of \$80,000 per year for the first five years. Under the medical textbook program PAHO contributed \$600,000, or \$120,000 per year for five years.

Technical Cooperation: \$600,000 at the rate of \$120,000 per year for the first five years.

Because much of the instructional materials such as manuals, instructional modules and audiovisual items for auxiliaries, community health workers and similar level must be developed, the technical cooperation element in the expanded program requires a substantial amount of funds for consultants, workshops, materials, field trials and related activities. As noted under item 1 above, \$550,000 of the loan is designated for this purpose. Thus from the IDB loan and PAHO contribution a total of \$1,150,000 is planned for development of instructional materials, an activity which is

consistent with PAHO's objective of assisting governments in training personnel for primary health care. The medical textbook program did not require this type of development work, consequently no PAHO contribution was required for that program under this heading.

Manuals: \$1,000,000, maximum, over a period of the first 10 years

Within the IDB the interest in the whole proposal and willingness to approve a loan centers chiefly on the instructional materials for auxiliaries and community health workers. In their analysis some of the IDB team members and the higher level officers whom they consulted, preparatory to submission of the proposal to the Middle Management Committee, have become concerned at the projected cost of manuals: \$5.00 cost and \$6.80 sale price, plus yearly increases for inflation. They have concluded that this price is too high for the health workers who will use this material and that a subsidy should be provided from some source to permit lowering the sale price. They do not want to risk that the governments may not subsidize manuals.

The Bank officials believe that PAHO should assist governments by making a contribution to reduce the sale price of manuals. The total of the two matching contributions explained above for administration and technical cooperation amounts to only 16.7% of the total, which is well below the usual matching contribution for loans from the IDB Special Fund. Consequently, the Bank considers it reasonable for PAHO to make this additional contribution. The proposed price subsidy for manuals would start at 30% and be decreased progressively to zero at the end of ten years. The maximum commitment would be \$1,000,000, this amount to be reduced proportionately by any reduction in either the projected number of manuals or unit cost of production. It is probable, therefore, that the actual requirement will be lower than the maximum figure.

Source of Funds: For Administration and Technical Cooperation the matching contribution totalling \$1,000,000 at the rate of \$200,000 per year can be met without new or additional provision in the PAHO regular budget, provided that there will be no reduction in the current level, particularly in the Special Fund for Health Promotion. Resources also will be available from the PAHO textbook fund now being used to finance some nursing and medical textbooks. The portion of the PAHO textbook program consisting of inventory of books could be merged with the expanded program; the portion consisting of liquid resources could be applied toward the above two matching contributions. For the manuals, the matching contribution of up to a maximum of \$1,000,000 at an average rate of \$100,000 per year for 10 years represents an assistance to governments, and provision should be made in the regular budget.

Percentage of Matching Funds:

The total of the IDB loan (\$5.0 million) and the PAHO matching contribution (\$2.0 million) amounts to \$7.0 million. Of this amount the loan portion is 71.43% and the PAHO portion, 28.57%, less any amount by which the requirement for manuals falls below the figures projected in the plan. For comparison, in the medical textbook program the total IDB loan (\$2.0 million) and PAHO matching contribution (\$2.6 million including repayment of principal) amounted to \$4.6 million. Of this amount the IDB loan portion was 43.48% and the PAHO matching contribution was 56.2%, which is double the percentage of the PAHO portion for the proposed loan.

V. Guarantee

The loan will be guaranteed by PAHO, as already authorized in resolutions of the PASO and the EC, provided the final plan is accepted in accordance with the procedure specified in those resolutions. The IDB financial analyst has studied the financial condition of PAHO, as reflected in the annual Financial Report, and has found the assets adequate for purposes of a guarantee. The principal liquid asset is the Working Capital Fund. There is no reason, based on the experience of the medical textbook program, to believe that there will ever be need for the IDB to exercise rights under the guarantee, but it is a standard loan requirement.

The form of the guarantee will be the standard Guarantee Contract of the IDB. It will be signed by the Director of PASB on behalf of PAHO, in accordance with the delegation of authority from the Executive Committee.

VI. PAHO/PAHEF Agreement

The present agreement between PAHO and PAHEF for the medical textbook program will be amended to include the expanded program. The respective responsibilities will remain the same, except that for the new loan PAHO will not have to repay the principal. Funds derived from the program will be used solely for its operation and continuation.

VII. Resolution

A draft resolution which has been prepared in consultation with the Legal Office of the IDB is attached for consideration of the Executive Committee.

Annex

PROPOSED RESOLUTION

PROGRAM FOR TEXTBOOKS AND INSTRUCTIONAL MATERIALS

THE EXECUTIVE COMMITTEE,

Having studied Document CE81/2 on the conditions for a new loan from the Inter-American Development Bank (IDB) to finance an expanded program for textbooks and instructional materials;

Noting that the framework of the loan proposal is essentially the same as previously reported, but that the conditions are more precisely and completely known; and

Having, at its 77th and 80th Meetings, approved the framework of the proposal and authorized the Director to approve the loan plan and to pledge PAHO assets to guarantee the loan, subject to obtaining concurrence of a majority of the individual members after having communicated the plan and terms of the guarantee to them,

RESOLVES:

1. To approve the conditions of PAHO participation as set forth in Document CE81/2.
2. To authorize the Director to grant the joint and several guarantee of PAHO for all the financial and non-financial obligations to be undertaken by PAHEF with the IDB, including to undertake the obligation to pay the amount of the loan described in Document CE81/2 and the additional resources which may be necessary for the completion of the financing of the program, which is estimated in the equivalent of US\$6,500,000, and any other commitments which may be required for this purpose. The Director is also authorized to modify the agreement between PAHO and PAHEF in order to cover the expansion of the program.
3. To express the hope and expectation that the Board of Directors of the IDB will shortly give its final approval.
4. To express its appreciation to the Director for his persistence and leadership in negotiating the loan, and to PAHEF for its cooperation.