



XVIII PAN AMERICAN SANITARY CONFERENCE

XXII REGIONAL COMMITTEE MEETING

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FINANCING OF THE PROGRAM OF TEXTBOOKS FOR MEDICAL STUDENTS PAN AMERICAN HEALTH AND EDUCATION FOUNDATION

INTRODUCTION

In accordance with Resolution XXXVI approved by the Directing Council at its XIX Meeting the Director has taken action to:

1. Continue negotiations with the Inter-American Development Bank for a loan to finance the textbook program;
2. Activate the Pan American Health and Education Foundation; and
3. Continue interim financing of the textbook program on a limited scale.

The latest information on these activities is presented in this document for the consideration and action of the Pan American Sanitary Conference.

Gradual Implementation of the Textbook Program

A description of the textbook program has been given wide circulation in a recent issue of the Gazette. The interest and enthusiasm among medical schools has continued at a high level. The Organization is gradually implementing the textbook program, pending larger scale financing, as authorized by the Directing Council at its XVII Meeting, using existing funds in the Special Fund for Health Promotion, as well as income from the sale of books. Of the 22 titles projected for full operation, four books (pathology, biochemistry, physiology and pharmacology) have been purchased and distributed. A fifth book (pediatrics) has been purchased for distribution starting in

November. Of 137 medical schools, 103 have signed agreements and 102 are participating in the program. Of the first distribution of four books, two thirds have been sold. Eighty per cent of the sales have been for cash, and the total cash received as of 22 September is \$160,000. The pathology and biochemistry books have been re-ordered and partially distributed.

Three more books (internal medicine, anatomy and histology) have been selected. Selections will soon be made on four additional books (microbiology, parasitology, gynecology and obstetrics, and general surgery). The purchase and distribution of these seven titles depend on additional financing.

Cooperation with the Inter-American Development Bank - Financing Textbooks

Cooperation between the Pan American Health Organization and the Inter-American Development Bank (IADB) covers a broad range of activities, recognizing the mutual interdependence between health and economic and social welfare of the peoples of the Americas. In addition to specific fields for investment, such as water supply, foot-and-mouth disease and zoonoses, production of biologicals, hospital construction, and the textbook program, the health aspects of a broad range of economic development projects are being studied. For this purpose a high level technical staff member of PAHO has been assigned to the IADB to analyze health aspects of investment proposals under consideration by the Bank.

With respect to the textbook program, the proposed loan to be made to the Pan American Health and Education Foundation has passed the various required stages of consideration and is now before the Board of Directors. Information has been provided by the Organization to clarify all points raised in the informal board review, and the loan proposal is on the schedule for formal action at the first meeting of the Board in early October of this year. The loan, when approved, will be subject to certain agreements and guarantees discussed later in this document.

Pan American Health and Education Foundation (PAHEF)

As explained to the Directing Council at its XIX Meeting, the loan from the Inter-American Development Bank for the textbook program will be made to the Pan American Health and Education Foundation. Bearing this in mind, the Directing Council, in Resolution XXXVI, gave its support and approval to the activation of the Foundation.

Early in 1970 the incorporators of the Foundation named the Board of Trustees, (nine members) who elected as President Dr. Abel Wolman, Professor Emeritus, Department of Environmental Engineering Science, Johns Hopkins University. Obviously, the immediate need was to have trustees readily available for meetings. It is planned, however, to enlarge the Board on a gradual basis to about 25, to include members from countries throughout the Americas.

The objectives of the Foundation in promoting and assisting in programs to improve health, to educate and train health workers, and to advance research are identical with those of the Pan American Health Organization. Consequently, it is expected that most of the programs of PAHEF will be carried out jointly with PAHO. This cooperative relationship has been set forth in a general agreement which provides the following two essential points:

1. PAHEF will consider the financing of projects proposed by PAHO, and will seek the technical advice and approval of PAHO on all projects.
2. PAHO and PAHEF will undertake joint projects, as mutually agreed in joint plans of operation.

The Textbook Loan

The Textbook Program will be a joint PAHO/PAHEF project. The joint plan and the respective commitments are set forth in an agreement as shown in Annex I. The content and presentation of this agreement has been approved by officials of the Inter-American Development Bank and fulfills one of the requirements for the proposed loan by the Bank to the Foundation. Following are the essential elements of the agreement:

1. PAHEF shall establish a capital revolving fund on a gradual basis to reach approximately \$2,000,000 in 5 years. To establish this fund, PAHEF shall contract a loan with the Inter-American Development Bank. At the end of the repayment period (20 years) there will be a revolving fund of approximately \$2,000,000 to carry on the textbook program indefinitely.
2. PAHO shall contribute \$120,000 annually during the first five years, primarily in terms of cost of personnel and consultants. In years 6 through 25 PAHO shall contribute \$100,000 annually from the Special Fund for Health Promotion. (The amounts mentioned in this paragraph already are provided in the PAHO budget for the textbook program under project AMRO-6000).
3. PAHEF will purchase the selected books and order their delivery to the schools as needed.
4. PAHO, on behalf of PAHEF, in cooperation with the respective schools, will be responsible for operation of the program at local level and shall transmit the income from sales to PAHEF.

In addition to the agreement explained above, the textbook loan requires a guarantor. For this purpose, arrangements have been made with The Riggs National Bank of Washington to issue a Letter of Credit in favor of the IADB on behalf of PAHEF in the amount of \$2,040,000, to be drawn upon in case of any default in loan payments.

The XVII Pan American Sanitary Conference, in 1966 approved Resolution XV authorizing the financing of the textbook program by a loan. Instead of contracting a loan, the guarantee arrangement described above requires the Organization to deposit collateral for the Letter of Credit. For this purpose the Organization intends to deposit collateral on a gradually increasing basis over a five-year period to match the increasing level of the loan. In future years, the collateral will be decreased as the principal of the loan is reduced. The collateral will be provided in the form of a mortgage on the Governor Shepherd Building, together with securities as needed. Since the textbook program will have assets in the form of cash or unsold books equal to, or greater than, the size of the loan, the Director believes that the risk is minimal and that it is financially sound to deposit this collateral.

Although the financial liability of the Organization in depositing collateral would be essentially the same as contracting a loan, according to the legal requirements of The Riggs National Bank, a new resolution is needed to authorize the deposit of collateral. Accordingly, the draft resolution to fulfill this requirement is presented as Annex II.

Annexes

AGREEMENT BETWEEN THE PAN AMERICAN HEALTH AND EDUCATION
FOUNDATION AND THE PAN AMERICAN HEALTH ORGANIZATION
FOR A PROGRAM OF TEXTBOOKS FOR MEDICAL STUDENTS

THE PAN AMERICAN HEALTH AND EDUCATION FOUNDATION, a non-profit organization located in the District of Columbia of the United States of America, hereafter referred to as "the Foundation", and

THE PAN AMERICAN HEALTH ORGANIZATION, hereafter referred to as "the Organization",

DESIRING to plan and carry out a joint program of textbooks for medical students in the Americas,

AGREE to this Plan of Operations containing the objectives, plan of action, and respective functions and obligations of the parties.

PART I

Objectives

The objective of the textbook program is to improve the quality and quantity of medical education by promoting the use in all medical schools of the best available textbooks in the respective disciplines. This activity is part of a larger program of medical education to improve the health and welfare of the peoples of the Americas. This joint project is one of the means by which the two parties hope to achieve these broad objectives, and consists of a plan for selection of the best available medical textbook in each subject and for mass purchase and sale of these books.

PART II

Plan of Action

The program will be developed in progressive stages with the goal of reaching full operation within a period of six years. Flexibility will be maintained to permit readjustments as may be necessary or desirable as a result of periodic evaluations of the project. The plan of action is presented in greater detail below:

1. The goal of the plan is to provide textbooks for approximately 22 disciplines. The number of books to be acquired will be increased each year until the goal is reached at the end of the sixth year.
2. The project will be carried out with schools of medicine whose participation will be the subject of a written agreement under which the schools, in addition to accepting the objectives of the program, undertake to nominate outstanding medical educators to serve on committees to select books and to administer the program within their respective schools for ordering, receiving, safekeeping, and selling the textbooks and for transmitting the proceeds.
3. Selection committees will be composed of outstanding medical educators in the respective disciplines to review the number and quality of textbooks in relation to medical education requirements in the respective schools. The committees are responsible for recommending textbooks which meet the requirements. They are also responsible for making recommendations on ways of meeting the need in relation to disciplines where adequate textbooks do not exist. Among books recommended by the Selection Committee, a final selection will be made by the Director of the Pan American Sanitary Bureau, taking into account the economic factors reflected by quotations from publishing houses for the respective books.
4. Selected books will be purchased from publishing houses in quantities necessary to meet the requirements for one to three years, depending on prices quoted for mass purchases. Supplies of books will not be purchased for more than three years, since it may reasonably be expected that a revision of the book would occur by the end of that time. The contract with the publisher will include provision for warehousing and for shipping to the respective schools. The distribution will be based on orders from schools.
5. The textbooks remain the property of the Foundation until sold; the school will be responsible for their receipt, safekeeping, and sale to students. The proceeds from the sales will be transmitted to the Organization, together with corresponding reports. Sales will be made at prices established by the Foundation on a cash basis or time payment plan. Provision may also be made for rental of books. Book prices will be expressed in the local currency of each country, but will be based on costs

in dollars. Consequently, the price schedules in local currency will be readjusted as necessary according to variations in exchange rates. The Organization will use its "book" rate of exchange for the purpose of making payments in U.S. dollars as required in Part IV, Paragraph 5.

6. Book prices will be established to yield a return equivalent to actual cost, including such elements as publishers' purchase price, warehousing, mailing charges, loss and damage, interest on capital revolving fund, nonpayment on time sales, exchange loss, and operating costs.

PART III

Responsibilities and Functions of the Foundation

The Foundation shall undertake the functions and responsibilities outlined below:

1. The Foundation shall establish a capital revolving fund to finance the operation of the medical textbook program. The size of the fund shall be increased according to the requirements of the textbook program, and at the end of five years should reach approximately \$2,000,000. It is understood that the Foundation, in order to establish this revolving fund, shall contract a loan with the Inter-American Development Bank (IADB), to be repaid over a twenty-year period starting with the sixth year of the loan. The Foundation shall be responsible for the payment of interest, service charge, fee, and principal on this loan. Income derived from sales of the books, from the contribution to the program from the Special Fund for Health Promotion (financed primarily by the W. K. Kellogg Foundation), and from other sources, shall be utilized to repay the principal, interest and other charges without diminishing the size of the revolving fund, in order that at the end of the repayment period there will be a revolving fund of approximately \$2,000,000 to carry on the textbook program indefinitely. The Foundation shall devote all income and resources mentioned above exclusively to the textbook program.

2. The Foundation shall be responsible for determining, in consultation with the Organization, the number of books to be provided as well as the prices and conditions under which sales will be made. The Foundation shall be responsible for entering into contracts with publishers for books to be delivered at the schools.

3. To carry out these responsibilities and functions, the Foundation shall provide the following personnel: an Executive Director; a medical officer, Chief of Textbook Program; and a secretary. Other personnel may be added if future operational requirements so indicate.

PART IV

Responsibilities and Functions of the Organization

The Organization shall undertake the following responsibilities and functions:

1. The Organization, shall contribute \$120,000 annually toward the operating cost of the first five years' program. This will be primarily in terms of cost of personnel and consultants. As a part of the contribution, the Organization will devote to this project the services of its staff and organizational structure related to policy-making, technical standards, administration, and field representation. In years 6 through 25, the Organization shall pay to the Foundation the amount of \$100,000 in cash annually as a contribution to the program from the Special Fund for Health Promotion, mentioned in Part III, Paragraph 1 above.
2. The Organization shall amend existing agreements with schools and shall provide in new agreements for recognition of the role of the Foundation in the program. The Organization will use its good offices to facilitate contacts and visits to schools by officers or representatives of the Foundation as may be desired.
3. The Organization shall, in coordination with the Foundation, select the textbooks, designate the selection committees, and arrange for the meetings and reports of such committees. The final designation of the committees and selection of the books shall be the responsibility of the Director of the Pan American Sanitary Bureau.
4. The Organization, on behalf of the Foundation in cooperation with the respective schools, shall be responsible for operation of the program at the local level. This will include advice and assistance in administration, provision of a manual of procedures, information on price schedules, and receipt of the proceeds of sale, together with the corresponding reports. The Organization shall arrange for shipment of the books in such a manner as to facilitate their entry without payment of customs.
5. The Organization, on behalf of the Foundation, shall collect the payments for the textbooks and be responsible for paying to the Foundation the income from the sales of such books in U.S. dollars. The Organization shall make every effort to require that the textbooks be sold at the U.S. dollar equivalent price established by the Foundation for such textbooks, and shall, whenever necessary, require the readjustment of the price of such textbooks in local currency to reflect revisions in exchange rates in relation to U.S. dollars. The Organization may suspend sales in a particular country if conditions are such as to make it impossible to follow the above procedure. Although the above should minimize losses through currency adjustments, any such loss will be charged to the operation of the textbook program.

6. The Organization shall maintain separate accounts for its participation in the program, which accounts shall be made available for external audit.

7. In addition to the general services of its office of Finance and Accounts, the Organization shall provide, against reimbursement by the Foundation, one administrative assistant, one accountant, one assistant accountant, and one clerk specifically assigned to this activity. The latter two posts are already provided. The other posts will be added as work load requirements develop.

8. The Organization shall provide to the Foundation such reports and information as it may require, or as may be needed to meet the reporting requirements of IADB.

PART V

General Provisions

1. The Foundation and the Organization will review the progress of the program, and at least annually will make an evaluation. Based on this evaluation and by mutual consent of the parties, this Agreement may be amended.

2. This Agreement may be terminated by either of the contracting parties by means of written notice to the other party six months in advance. Should the agreement be terminated, the parties shall carry out their responsibilities with respect to books already purchased, unless modified by mutual consent.

3. Notwithstanding the provisions of Paragraphs 1 and 2 above, this Agreement shall not be amended nor terminated without the prior written approval of IADB.

4. Any dispute between the parties hereto arising out of or relating to this Agreement which cannot be settled by negotiation or other agreed mode of settlement shall be submitted to arbitration at the request of either party. Each party shall appoint one arbitrator, and the two arbitrators so appointed shall appoint the third who shall be the chairman. If within thirty days of the request for arbitration either party has not appointed an arbitrator, or if within fifteen days of the appointment of two arbitrators the third arbitrator has not been appointed, either party may request the Secretary General of the Organization of

American States to appoint an arbitrator. The procedure of the arbitration shall be fixed by the arbitrators, and the expenses of the arbitration shall be borne by the parties as assessed by the arbitrators. The arbitral award shall contain a statement of the reasons on which it is based and shall be accepted by the parties as final adjudication of the dispute.

IN WITNESS WHEREOF, the undersigned, representatives of the parties, have signed this agreement.

FOR THE PAN AMERICAN
HEALTH ORGANIZATION

FOR THE PAN AMERICAN
HEALTH AND EDUCATION FOUNDATION

Director, Pan American
Sanitary Bureau

President

At _____

At _____

On _____

On _____

Draft Resolution

FINANCING OF THE TEXTBOOK PROGRAM, PAN AMERICAN
HEALTH AND EDUCATION FOUNDATION

THE XVIII PAN AMERICAN SANITARY CONFERENCE,

Having studied the report presented by the Director in Document
CSP18/29;

Noting with pleasure that the Pan American Health and Education
Foundation has been activated under the leadership of Dr. Abel Wolman,
and that its broad and continuing cooperative relationship with the Pan
American Health Organization has been expressed in a signed agreement;

Taking note of the progress made to date in the Textbook Program
and the signature of an agreement between PAHEF and PAHO for its joint
operation;

Bearing in mind that the Inter-American Development Bank has under
consideration a loan to the Pan American Health and Education Foundation for
the Textbook Program to be carried out in cooperation with the Pan American
Health Organization, but that the loan is subject to guarantee of repayment
by means of a Letter of Credit;

Recognizing that it has been the intention of the XVII Pan American Sanitary Conference, as expressed in Resolution XV, and of the Directing Council at its XIX Meeting, as expressed in Resolution XXXVI, to promote the Textbook Program both directly and through PAHEF, including the undertaking of necessary financial obligations and support;

Believing that the loan arrangement represents the best available conditions for financing the Textbook Program,

RESOLVES:

1. To approve the form of APPLICATION AND AGREEMENT FOR COMMERCIAL LETTER OF CREDIT between the Pan American Sanitary Bureau, and The Riggs National Bank of Washington, D.C. (Riggs Form 352/Rev.'54, as amended), presented to this meeting;

2. To authorize the Director of the Pan American Sanitary Bureau or his duly designated delegate for and on behalf of the Pan American Health Organization which shall be deemed to include the Pan American Sanitary Bureau, hereinafter referred to as PAHO:

(a) To order or receive from or through The Riggs National Bank of Washington, D.C. a letter of credit for the Pan American Health and Education Foundation with the Inter-American Development Bank as beneficiary in an amount of \$2,040,000 and in the form presented to this meeting, secured by collateral provided by PAHO in an amount not to exceed \$2,040,000; and

(b) To execute, relative thereto, in the name of PAHO and to deliver, from time to time an APPLICATION AND AGREEMENT FOR COMMERCIAL LETTERS OF CREDIT in the form presented to this meeting with such modifications or changes that may seem necessary or desirable to the Director, or his delegate, and such other agreements, applications, hypothecations, pledges, assignments, indemnities, guarantees, loan agreements, notes, or other documents that may seem necessary or desirable;

(c) To execute, relative thereto, in the name of PAHO, acknowledge and deliver, a deed of trust conveying the Governor Shepherd Apartments, 2121 Virginia Avenue, N.W., to trustees to secure the obligations of PAHO under said Application and Agreement for Commercial Letter of Credit and related letter of credit and to indemnify The Riggs National Bank of Washington, D.C. against loss under said letter of credit, in the form presented to this meeting with such changes or modifications that may seem necessary or desirable to such Director; and

(d) To take any other and further action necessary to carry out and implement the authority hereby granted.

3. That The Riggs National Bank of Washington, D.C. may rely upon the authority hereby conferred until receipt by it of a certified copy of a resolution of this Conference or the Directing Council of the Pan American Health Organization revoking or modifying the same.