

166th SESSION OF THE EXECUTIVE COMMITTEE

Virtual Session, 22-23 June 2020

Provisional Agenda Item 5.3

CE166/8
15 May 2020
Original: English

STATUS AND AUTHORIZED LEVEL OF THE WORKING CAPITAL FUND

Introduction

1. In accordance with Financial Regulation VIII, the Working Capital Fund was established by the Directing Council of the Pan American Health Organization (PAHO) for the primary purpose of providing funds as required to finance activities and other exigencies pending receipt of assessed contributions from Member States.

Background

2. Over time, the Directing Council has approved increases in the authorized level of the Working Capital Fund from US\$ 11.0 million¹ to its present authorized level of \$25.0 million. The most recent increase to the current level of \$25.0 million was approved by Member States through Resolution CD53.R10 during the 53rd Directing Council in 2014.

3. Although its authorized level is \$25.0 million, the Working Capital Fund was only funded to \$21,716,450.37 in 2018. At the end of 2019, there was a budget surplus of \$5,737,970.47. According to PAHO Financial Regulation 4.6, any budget surplus will first go to replenish the Working Capital Fund to its authorized level. Therefore, \$3,283,549.63 of the budget surplus balance for the 2018-2019 biennium has been applied to fund the Working Capital to its authorized level of \$25.0 million.

Current Situation

4. While the PAHO Assessed Contributions and Miscellaneous Revenue Budget has remained relatively stable since 2012, the rate of receipt of assessed contributions has declined. As of 31 December 2019, \$88.9 million of assessed contributions remained unpaid compared to \$42.8 million as of 31 December 2018 and \$44.4 million as of 31 December 2017.

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

5. As of 30 April 2020, the balance of assessed contributions due was \$164,543,304. As a result of the delay in the receipt of assessed contributions, the Working Capital Fund balance of \$25.0 million is fully utilized and additional unrestricted resources totaling \$61.3 million have been temporarily employed to meet budgetary requirements.

6. As noted by the External Auditor, during these periods when the Working Capital Fund is fully utilized, not only is there risk of a negative impact on the sustainability of program implementation, there is no buffer available for unforeseeable, extraordinary expenses as provided for in the Financial Regulations of PAHO.

Proposal

7. The Director proposes that the authorized level of the Working Capital Fund be increased from \$25.0 million to \$50.0 million to reflect the realities and risks inherent in the current political and economic environment. The proposal for the additional Working Capital requirement is based on the historical pattern of delays in payment of assessed contributions and would position the Organization to manage the uncertainties of the cash and budgetary cycles more efficiently.

8. The increase is expected to be sufficient to cover temporary cash shortfalls and to provide some flexibility in ensuring periodic funding support for other activities as set forth in the Financial Regulations of PAHO.

Action by the Executive Committee

9. Given the extraordinary and unprecedented circumstances presented by the COVID-19 pandemic, the 14th Session of the Subcommittee on Program, Budget, and Administration (SPBA) of the Executive Committee was cancelled. Thus, the SPBA could not review and provide recommendation.

10. The Executive Committee is invited to review this document and consider approving the proposed resolution in the Annex.

Annex

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PROPOSED RESOLUTION

STATUS AND AUTHORIZED LEVEL OF THE WORKING CAPITAL FUND

THE 166th SESSION OF THE EXECUTIVE COMMITTEE,

(PP1) Having examined the *Status and Authorized Level of the Working Capital Fund* (Document CE166/8);

(PP2) Noting that the provisions of Financial Regulation VIII stipulate that the amount and purposes of the Working Capital Fund will be determined from time to time by the Pan American Sanitary Conference or the Directing Council;

(PP3) Taking into account that the rate of receipt of assessed contributions has declined, and there is risk of a negative impact on the sustainability of program implementation;

(PP4) Noting, with concern, that the Working Capital Fund is consistently fully utilized, and therefore not available as a buffer for unforeseeable, extraordinary expenses as provided for in the Financial Regulations of the Pan American Health Organization (PAHO);

(PP5) Noting the need to adequately position the Organization to manage the uncertainties of the cash and budgeting cycles,

RESOLVES:

(OP) To recommend that the Directing Council adopt a resolution in the following terms:

STATUS AND AUTHORIZED LEVEL OF THE WORKING CAPITAL FUND

THE 58th DIRECTING COUNCIL,

(PP1) Having examined the *Status and Authorized Level of the Working Capital Fund* (Document CD58/_);

(PP2) Having noted that the Director has replenished the Working Capital Fund to its current authorized level of US\$ 25.0 million;¹

(PP3) Aware of the need for a buffer for unforeseeable, extraordinary expenses as provided for in the Financial Regulations of PAHO;

(PP4) Considering the recommendation of the Executive Committee concerning an increase in the authorized level of the Working Capital Fund, in recognition of the rate of receipt of assessed contributions, as well as the need to ensure that the Program Budget is carried out in an efficient and orderly manner,

RESOLVES:

(OP)1. To approve an increase in the authorized level of the Working Capital Fund from \$25.0 million to \$50.0 million.

(OP)2. To authorize the Director to finance the increase in the Working Capital Fund from any surplus of revenue over expense as a result of efficiencies realized in the implementation of the Program Budget (Budget Surplus).

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