

# SPECIAL SESSION OF THE EXECUTIVE COMMITTEE

*Virtual Session, 29 May 2020*

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*Provisional Agenda Item 4.1*

CESS1/3\*  
18 May 2020  
Original: English

## **EMERGENCY LOAN FROM THE REVOLVING FUND FOR ACCESS TO VACCINES TO THE REGIONAL REVOLVING FUND FOR STRATEGIC PUBLIC HEALTH SUPPLIES**

### **Background**

1. Technical cooperation provided to Member States by the Pan American Sanitary (PASB or the Bureau) is supported by two principal procurement mechanisms, the Revolving Fund for Access to Vaccines (the Revolving Fund) and the Regional Revolving Fund for Strategic Public Health Supplies (the Strategic Fund).
2. The Revolving Fund was established in 1977 pursuant to Directing Council Resolution CD25.R27 to facilitate the timely availability of quality vaccines at the lowest prices. In 1978, pursuant to Resolution CSP20.R16, a Capital Account was established into which 3 percent of the net cost of the vaccines and supplies procured through the Revolving Fund is deposited. This Capital Account provides Member States of the Pan American Health Organization (PAHO) with a line of credit to purchase vaccines and related supplies. Member States subsequently reimburse the Capital Account upon delivery of the goods. Since the inception of the Revolving Fund, the funding level of its Capital Account has increased and provides much-needed advance funding that allows Member States to procure vaccines for their national programs.
3. The Strategic Fund was established in 1999 by the Director of PASB following requests from Member States for technical cooperation in the procurement of strategic public health supplies to combat HIV/AIDS, tuberculosis, malaria, and neglected infectious diseases. The Strategic Fund has been an important mechanism for securing public health supplies for communicable and noncommunicable diseases, including strategic public health supplies now required to support the Organization's response to the COVID-19 pandemic. As with the Revolving Fund, 3 percent of the net cost of supplies procured by the Bureau on behalf of Member States through the Strategic Fund is deposited

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\* This version contains minor editorial changes.

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into a Capital Account. The Strategic Fund Capital Account provides Member States of PAHO with a line of credit to purchase strategic public health supplies, which Member States reimburse upon receipt of the supplies.

4. Since the establishment of the Revolving Fund and Strategic Fund, PASB has continued to deposit 3 percent of the net value of vaccines and strategic public health supplies procured on behalf of Member States into the funds' respective Capital Accounts. These Capital Accounts are central to the technical support provided by PASB to Member States in the areas of immunization and communicable and noncommunicable diseases.

### **Situation Analysis**

5. As of 30 April 2020, the Capital Account of the Revolving Fund has a total balance of approximately US \$219 million,<sup>1</sup> with an available balance of \$23 million. This level of capital is sufficient to ensure availability of short-term credit to accommodate Member States' vaccine requirements in the current environment (in advance of the availability of an effective COVID-19 vaccine).

6. As of the same date, the Capital Account of the Strategic Fund has a total balance of approximately \$20 million, with an available balance of only \$2 million. This level of capitalization, and particularly the available cash balance, is insufficient to meet the needs of Member States during the current COVID-19 pandemic (see Annex A). Given current market conditions, with many large governments and institutions competing in the marketplace for limited supplies, it is essential that the Bureau have the capacity to act quickly and make advance payments to suppliers on behalf of Member States, when needed, in order to secure vital COVID-19 emergency-related supplies through the Strategic Fund.

### **Proposal**

7. In order to meet the urgent needs of PAHO Member States and enable the procurement of vital COVID-19 emergency supplies through the Strategic Fund, PASB proposes an internal emergency loan of up to \$50 million to be effected through a transfer of funds on a rotating basis from the Capital Account of the Revolving Fund to the Capital Account of the Strategic Fund. The Director will have the discretionary authority to determine the amounts and timing of transfers within this ceiling, based on the availability of funds in the Capital Account of the Revolving Fund and on the programmatic needs of Member States for vaccines, syringes, and cold chain equipment and for access to the credit line of the Strategic Fund. The funds transferred from the Revolving Fund will be reimbursed by the Strategic Fund on a rotating basis during the biennium 2020-2021, and the status of the emergency loan will be reported to the Executive Committee.

8. With the appropriate managerial controls in place, this short-term, limited, rolling transfer of funds from the Capital Account of the Revolving Fund to that of the Strategic

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<sup>1</sup> Unless otherwise indicated, all monetary figures in this document are expressed in United States dollars.

Fund is not expected to have any negative impact on the ability of PASB to support Member States and their vaccine programs over the coming 18 months. This proposed managerial arrangement will provide much-needed resources to meet the immediate needs of the Strategic Fund to procure COVID-19 emergency-related supplies for Member States.

**Action by the Executive Committee**

9. Pursuant to PAHO Financial Regulation 8.5, and in light of the emergency posed by the COVID-19 pandemic, the Director of PASB asks for the concurrence of the Executive Committee to borrow funds from the Capital Account of the Revolving Fund for use by the Strategic Fund to purchase COVID-19 emergency-related supplies. The Committee is asked to consider approving the proposed resolution attached in Annex B.

Annexes

**Annex A**

**Estimated demand of COVID19 supplies (USD/month) for procurement through the PAHO Strategic Fund**

**(updated 29 April 2020)**

	<b>Est. Cost (USD) each month</b>
IVD (In-Vitro Diagnostic)	\$ 5,219,804.63
PPE (Personal Protective Equipment)	\$ 73,170,600.91
Biomedical Equipment	\$ 26,166,666.67
<b>Total</b>	<b>\$ 104,557,072.21</b>

Note: Estimate does not take into consideration any potential major increase in freight charges or cost of medicines, nor does it reference domestic or external financing or possible bilateral procurement actions by Member States.

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CESS1/3\*  
Annex B  
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### ***PROPOSED RESOLUTION***

#### **EMERGENCY LOAN FROM THE REVOLVING FUND FOR ACCESS TO VACCINES TO THE REGIONAL REVOLVING FUND FOR STRATEGIC PUBLIC HEALTH SUPPLIES**

##### ***THE SPECIAL SESSION OF THE EXECUTIVE COMMITTEE,***

(PP1) Having considered the Report of the Director of the Pan American Sanitary Bureau (PASB) on the proposed emergency loan from the Revolving Fund for Access to Vaccines to the Regional Revolving Fund for Strategic Public Health Supplies (Document CESS1/3);

(PP2) Noting that, as of 30 April 2020, the Capital Account of the Revolving Fund for Access to Vaccines (the Revolving Fund) has an available balance of US\$ 23 million<sup>1</sup> out of a total balance of approximately \$219 million, sufficient to ensure availability of short-term credit to accommodate the vaccine requirements of Member States that participate in the Revolving Fund;

(PP3) Noting with concern that, as of 30 April 2020, the Capital Account of the Regional Revolving Fund for Strategic Public Health Supplies (the Strategic Fund) has an available balance of only \$2 million, a level of capitalization and available cash balance insufficient to meet the needs of Member States that participate in the Strategic Fund; and

(PP4) Acknowledging the projected need for health supplies related to the COVID-19 pandemic among Member States that participate in the Strategic Fund,

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<sup>1</sup> Unless otherwise indicated, all monetary figures in this document are expressed in United States dollars.

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***RESOLVES:***

(OP)1. To authorize the Director to do the following:

- a) provide to the Capital Account of the Strategic Fund an internal emergency loan consisting of a short-term, limited, rolling transfer of funds, up to a maximum of \$50 million, from the Capital Account of the Revolving Fund;
- b) determine the amounts and timing of transfers to the Capital Account of the Strategic Fund, up to the maximum total loan amount of \$50 million, based on the availability of funds in the Capital Account of the Revolving Fund and on the programmatic needs of the participating Member States for vaccines, syringes, and cold chain equipment and for COVID-19 emergency supplies;
- c) establish a 2020-2021 biennium repayment schedule for full reimbursement by the Strategic Fund to the Revolving Fund on a rotating basis for the loans extended to it;
- d) apply appropriate managerial and financial controls to ensure that there is no negative impact on the ability of PASB to support Member States participating in the Revolving Fund over the coming 18 months;
- e) report to the 167th and 168th session of the Executive Committee on the status of this emergency loan, including its effectiveness and its repayment status.

(OP)2. To urge all Member States to ensure that funds are secured and available to transfer to PASB to make advance payments to suppliers on their behalf in order to acquire the requested quantities of COVID-19 emergency supplies without delay in the current fragile market, with a view to ensuring the effective functioning and maximum benefits of the emergency loan.

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