

58th DIRECTING COUNCIL

72nd SESSION OF THE REGIONAL COMMITTEE OF WHO FOR THE AMERICAS

Virtual Session, 28-29 September 2020

Provisional Agenda Item 5.3

CD58/10
10 August 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 in 2018. At the end of 2019, there was a budget surplus of \$5,737,970. According to PAHO Financial Regulation 4.6, any budget surplus will first go to replenish the Working Capital Fund to its authorized level. Therefore, \$3,283,550 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 June 2020, the balance of assessed contributions due was \$160.2 million. 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 \$71.4 million have been temporarily employed to meet budgetary requirements.

6. As of 31 July 2020, the balance of assessed contributions due was \$94.2 million. The Working Capital Fund balance of \$25.0 million is fully utilized and additional unrestricted resources totaling \$19.8 million have been temporarily employed.

7. 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

8. 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.

9. 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 Directing Council

10. The Directing Council is invited to review this document and consider approving the proposed resolution in Annex A.

Annexes

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Annex A
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PROPOSED RESOLUTION

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 CD58/10);

(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.

Report on the Financial and Administrative Implications of the Proposed Resolution for PASB

<p>1. Agenda item: 5.3 Status and Authorized Level of the Working Capital Fund</p>																
<p>2. Linkage to Program Budget of the Pan American Health Organization 2020-2021: <i>Outcome 28:</i> Management and administration</p>																
<p>3. Financial implications:</p> <p>a) Total estimated cost for implementation over the lifecycle of the resolution (including staff and activities):</p> <table border="1" style="margin-left: 40px; border-collapse: collapse; width: 80%;"> <thead> <tr> <th style="background-color: #1a3d4d; color: white;">Areas</th> <th style="background-color: #1a3d4d; color: white;">Estimated cost (in US\$)</th> </tr> </thead> <tbody> <tr> <td>Human resources</td> <td>negligible</td> </tr> <tr> <td>Training</td> <td>n/a</td> </tr> <tr> <td>Consultants/service contracts</td> <td>n/a</td> </tr> <tr> <td>Travel and meetings</td> <td>n/a</td> </tr> <tr> <td>Publications</td> <td>n/a</td> </tr> <tr> <td>Supplies and other expenses</td> <td>n/a</td> </tr> <tr> <td>Total</td> <td>\$25 million</td> </tr> </tbody> </table> <p>b) Estimated cost for the 2020-2021 biennium (including staff and activities): \$2,454,421 allocated from the 2018-19 Budgetary Surplus and \$1,254,394 from the 2018-19 Revenue Surplus</p> <p>c) Of the estimated cost noted in b), what can be subsumed under existing programmed activities? n/a</p>	Areas	Estimated cost (in US\$)	Human resources	negligible	Training	n/a	Consultants/service contracts	n/a	Travel and meetings	n/a	Publications	n/a	Supplies and other expenses	n/a	Total	\$25 million
Areas	Estimated cost (in US\$)															
Human resources	negligible															
Training	n/a															
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<p>4. Administrative implications:</p> <p>a) Indicate the levels of the Organization at which the work will be undertaken: Enabling functions – Planning and Budget (PBU) and Financial Resources Management (FRM)</p> <p>b) Additional staffing requirements (indicate additional required staff full-time equivalents, noting necessary skills profile): n/a</p> <p>c) Time frames (indicate broad time frames for the implementation and evaluation): Undetermined – the Working Capital Fund will be funded incrementally to the new level as funds such as biennium surplus become available and/or are allocated.</p>																

Analytical Form to Link Agenda Item with Organizational Mandates

1. Agenda item: 5.3 Status and Authorized Level of the Working Capital Fund
2. Responsible unit: Financial Resources Management (FRM)
3. Preparing officer: Mr. Xavier Puente
4. Link between Agenda item and the Sustainable Health Agenda for the Americas 2018-2030: n/a
5. Link between Agenda item and the Strategic Plan of the Pan American Health Organization 2020-2025: <i>Outcome 28:</i> Management and administration Increasingly transparent and efficient use of funds, through improved PASB management of financial, human, and administrative resources.
6. List of collaborating centers and national institutions linked to this Agenda item: n/a
7. Best practices in this area and examples from countries within the Region of the Americas: n/a