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REPORT ON THE STATUS OF THE EMERGENCY LOAN FROM THE REVOLVING FUND FOR ACCESS TO VACCINES TO THE REGIONAL REVOLVING FUND FOR STRATEGIC PUBLIC HEALTH SUPPLIES

Introduction

1. The COVID-19 pandemic has had a significant impact on population health, national economies, and social sectors across the Region of the Americas. As part of their COVID-19 response, Member States of the Pan American Health Organization (PAHO) have sought increased support through the Regional Revolving Fund for Strategic Public Health Supplies to access critical COVID-19 public health supplies, including emergency-related medicines and other health technologies.
2. In May 2020, through Resolution CESS1.R1, a Special Session of the Executive Committee approved a short-term internal emergency loan of up to a maximum of US\$50 million¹, through a transfer of funds on a rolling basis from the Capital Account of the Revolving Fund for Access to Vaccines (Revolving Fund) to the Capital Account of the Regional Revolving Fund for Strategic Public Health Supplies (Strategic Fund). In June 2021, the Executive Committee of PAHO adopted Resolution CE168.R10, Emergency Loan from the Revolving Fund for Access to Vaccines to the Regional Revolving Fund for Strategic Public Health Supplies, which extended the previously approved emergency loan through 31 December 2023 or to the World Health Organization's declaration date on the end of the pandemic, whichever comes first. The main reasons for the internal loan were the increased projected needs for COVID-19 health supplies being requested by Member States that participate in the Strategic Fund and the limited balance available in the Capital Account of the Strategic Fund to support advanced procurement of those needs.
3. The purpose of this document is to report to the Executive Committee on the actions taken by the Strategic Fund to support Member States' efforts to facilitate access to critical COVID-19 health supplies and on the status of the emergency loan from the Capital Account of the Revolving Fund to the Capital Account of the Strategic Fund to support the COVID-19 response, in accordance with Resolution CE168.R10.

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

Situation Analysis

4. The COVID-19 pandemic led to a significant increase in the regional demand for essential public health supplies. At the same time, constrained supply chains impacted production capacity at the global level and in the Region of the Americas, including for critical raw materials. The result has been shortages of medicines and other public health supplies required both for responding to the COVID-19 pandemic and for maintaining priority public health programs.

5. Requests for technical support through the Strategic Fund increased significantly during the pandemic. In 2021 alone, the Strategic Fund procured \$318 million of medicines and other public health supplies on behalf of 30 participating countries and entities, constituting a fourfold increase in the utilization of the mechanism as compared to 2019. Medicines included treatments for critical care of COVID-19 patients as well as other essential medicines needed to maintain essential health services across other priority health programs. Supplies provided through the Strategic Fund included personal protective equipment, in vitro diagnostics—in particular, polymerase chain reaction and antigen rapid diagnostic tests—and biomedical equipment. An estimated 70 million people throughout the Region of the Americas benefitted from the medicines and health products supplied through the Strategic Fund.

6. Approximately 80% of requests for support through the PAHO Strategic Fund are prepaid by participating Member States. The balance comes from the Capital Account of the Strategic Fund, often to expedite processes in the context of an emergency or budgetary constraint. The Capital Account of the Strategic Fund receives funding from the capitalization component of the service fee, in accordance with PAHO Directing Council Resolution CD58.R4 (2020), and provides PAHO Member States with a line of credit to purchase strategic public health supplies that Member States reimburse upon receipt of the products. When there are insufficient funds available in the Capital Account of the Strategic Fund, an internal emergency loan from the Capital Account of the Revolving Fund can be requested pursuant to Resolution CE168.R10.

7. Through greater utilization of the PAHO Strategic Fund, the amount of funds available in the Capital Account of the Strategic Fund increased by 70%, from \$18.4 million in January 2019 to \$31.3 million at the end of December 2021. Countries made use of the Capital Account of the Strategic Fund to rapidly access strategic public health supplies during the pandemic. The number of countries utilizing the Capital Account line of credit increased from 15 countries in the 2018-2019 biennium to 17 countries in the 2020-2021 biennium. The total cumulative utilization² of the Capital Account surpassed 100% in both 2020 and 2021, demonstrating a high usage and turnover of the funds.

² Cumulative utilization is calculated by dividing the total cumulative amount of credit extended to Member States during the fiscal year by the closing balance of the Capital Account of that fiscal year.

8. During the 2020-2021 biennium, two short-term internal emergency loans were made through a transfer of funds from the Capital Account of the Revolving Fund to the Capital Account of the Strategic Fund, in accordance with Resolution CE168.R10, to support the emergency procurement of COVID-19 supplies. The loans were subsequently repaid on time and without impacting the availability of funds for the procurement of vaccines through the Revolving Fund.

9. Continuous improvements were made to the Strategic Fund management to support Member States more effectively and efficiently. These steps included: *a)* working with Member States to strengthen supply chain management capacities through the introduction of morbidity-based forecasting models, demand planning, and regional consolidation frameworks; *b)* streamlining procurement plans throughout the year based on just-in-time principles;³ *c)* introduction of more flexible shipping methods alternating between air and multi-modal transportation (i.e., land and ocean transport) to significantly offset increases in the cost of logistics, shipping, and insurance due to the pandemic; and *d)* optimization of resource utilization based on prepaid procurement, including repurposing grants and other financial resources to execute prepayment and ensure timely repayment of credit lines as much as possible. These improvements in performance management have mitigated the need on a number of occasions for a short-term internal emergency loan through a transfer of funds from the Capital Account of the Revolving Fund to the Capital Account of the Strategic Fund.

10. The internal emergency loan provisions continue to be a critical tool for meeting the COVID-19-related needs of PAHO Member States for public health supplies. The loan boosts the short-term capacity of the Strategic Fund to enable access to vital emergency supplies for the COVID-19 emergency response. The Pan American Sanitary Bureau (PASB) has established the necessary planning and operational mechanisms to determine the amounts and timing of any transfer from the Revolving Fund to the Strategic Fund to better support the needs of Member States, as required. PASB also implemented appropriate managerial and financial controls to ensure timely reimbursements to the Revolving Fund so that there is no impact on the ability of PASB to support Member States participating in the PAHO Revolving Fund.

11. Given the evolving context of the COVID-19 pandemic, and in order to continue to meet the demands of PAHO Member States for access to essential medicines and public health supplies, the internal emergency loan mechanism from the Capital Account of the Revolving Fund to the Capital Account of the Strategic Fund will remain available for PAHO Member States, if necessary, until 31 December 2023, or until the date when WHO declares the end of the pandemic, whichever comes first.

³ Just-in-time is a supply chain management strategy to send products at the time they are needed based on the forecast in order to avoid additional storage costs and risk of product expiration.

Monitoring and Evaluation

12. The internal emergency loan will continue to be administered with established procedures and controls in place, including but not limited to: *a)* regular analysis of forecasts for support through the Strategic Fund and the Revolving Fund; *b)* financial analysis of the utilization and availability of capital in each Fund; and *c)* securing of formal commitments from Member States for the timely repayment of the amounts received under the lines of credit. In all situations, any loan request will continue to be subjected to full analysis to ensure that there will be no impact on the Revolving Fund's capacity to support operations during the stated loan period. The Strategic Fund will continue to improve the efficiency and effectiveness of the end-to-end procurement processes through collaborations to strengthen supply chain management capacity and digital transformation initiatives.

Action by the Executive Committee

13. The Executive Committee is invited to take note of this report and provide any comments it deems pertinent.

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