

*executive committee of  
the directing council*



PAN AMERICAN  
HEALTH  
ORGANIZATION

*working party of  
the regional committee*

WORLD  
HEALTH  
ORGANIZATION



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Topic 10: WORKING CAPITAL FUND

The Financial Regulations of the Pan American Sanitary Bureau provide, in Article 6.2, that "there shall be established a Working Capital Fund in an amount and for purposes to be determined from time to time by the Directing Council". The Regulations also state:

"6.4 The Working Capital Fund shall be used to finance budgetary appropriations during a financial year and the Fund shall be reimbursed as soon as and to the extent that income is available for that purpose".

The Directing Council at its X Meeting in Washington, September 1957, after "recognizing the need for maintaining the Working Capital Fund at a level sufficient to provide resources to the Pan American Sanitary Bureau to carry on its operations until quota contributions assessed on Member Countries in any one fiscal year are received," resolved (Resolution VI):

"1. To authorize the establishment of the Working Capital Fund at the level of 60 per cent of the approved budget of the Organization for 1957 and subsequent years.

2. To authorize the Director of the Bureau to meet the necessary increases by the transfer of surplus funds that may result in 1957 and subsequent fiscal years."

Notwithstanding the authorization to increase the Working Capital Fund up to 60 per cent of the approved budget, the financial needs of the expanding programs of the Bureau have made it impossible to reach this goal. On the contrary, the percentage relationship between the Working Capital Fund and the budget has shown the following decline:

1955	-	57.1%
1956	-	54.6%
1957	-	44.8%
1958	-	40.8%

The balance in the Working Capital Fund as of 1 January 1959 is estimated at \$985,000, or \$1,175,000 below its authorized balance of \$2,160,000. There is, therefore, a strong possibility that given the current rate of expenditure the Fund will be exhausted by 30 June 1959.

Experience has shown that during the first six months of the year disbursements are far in excess of quota payments and the extent of this difference determines the amount which has to be withdrawn from the Working Capital Fund to meet current operating expenses. In recent years these withdrawals (from January to June) have been as follows: 1956, \$842,000; 1957, \$701,000; and 1958, \$863,000. The Working Capital Fund is not replenished until the quota contribution from the largest contributor is received. This payment is usually received in July or August, but in 1950 it was not received until 4 October and in 1953 until 17 September.

The governing bodies of the PAHO have, on several occasions, expressed concern about the status of the Working Capital Fund and have urged Member Governments to pay current quotas and arrears promptly.

Resolution X of the XIV Pan American Sanitary Conference, Resolution V of the X Meeting of the Directing Council, and Resolution IX of the XV Pan American Sanitary Conference, all deal with this problem. Despite these resolutions urging prompt payment of current quotas and arrears, and despite the authorization to transfer all surplus funds into the Working Capital Fund, the problem has grown more acute.

Since 1955, the External Auditor has drawn attention to the fact that he considers the PAHO collection of quota contributions to be too low for any international organization. In addition, he has commented on the high percentage of uncollected arrears of contributions for each of the years 1952 to 1957. The External Auditor, in commenting on the action taken by the Directing Council in Resolution VI of its X Meeting stated: "As it seems improbable that the action set on in the resolution of the Directing Council will raise the total of the Working Capital Fund to 60 per cent of the effective budget as quickly as is necessary, it is my recommendation that further study be given the matter by the Directing Council with a view to establishing means of increasing the Fund to a safe operating level at the earliest possible date".

The collection of currently outstanding arrears during the first six months of 1959 would add \$864,000 to the Working Capital Fund. This would leave a balance of only \$311,000 needed to reach \$2,160,000 (60 per cent of the \$3,600,000 approved budget). For the past five years, however, there has always been an arrears of at least \$400,000. Thus, assuming a collection of \$464,000 in the first six months of 1959, the Working Capital Fund will equal \$1,449,000, or \$711,000 short of 60 per cent of the approved budget.

There is an imperative requirement for the solution of this problem at the earliest possible date if the Pan American Sanitary Bureau is to be financially in a position to undertake the program which the governing bodies have assigned to it in the current year. The Director trusts that the Executive Committee will take action at its 37th Meeting to assure the solvency of the Bureau and permit the continuation of its services to the Member Governments.