

*executive committee of  
the directing council*



PAN AMERICAN  
HEALTH  
ORGANIZATION

*working party of  
the regional committee*

WORLD  
HEALTH  
ORGANIZATION



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Provisional Agenda Item 4

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MEDICAL TEXTBOOK PROGRAM

INDEXED

1. Summary

The purpose of this document, as explained below, is to present for consideration and approval by the Executive Committee a resolution intended to provide the legal basis and authority for replacing the loan guarantee mechanism for the Medical Textbook Program. The current guarantee consists of a Letter of Credit from Riggs National Bank through which PAHO guarantees repayment to the Inter-American Development Bank (IDB) of the loan made to the Pan American Health and Education Foundation (PAHEF) to provide a capital revolving fund for the joint PAHO-PAHEF Medical Textbook Program.

It is proposed to replace the Letter of Credit with a guaranty contract between PAHO and IDB. The proposal is made on the initiative of PAHO to save the cost of the fee for the Letter of Credit. This change would neither increase nor decrease any obligation of PAHO except that it would save the fee for the Letter of Credit.

2. Background of Program and Letter of Credit

The Medical Textbook Program was the first stage in a program to improve and expand the training of health personnel, in cooperation with Governments and educational institutions, by encouraging the use of textbooks and instructional materials and making them available on a non-profit basis. The policy to establish this program, including seeking IDB loans, was decided by the Pan American Sanitary Conference (a) in Resolution CSP17.R9 (1966), for medical textbooks, and (b) in Resolution CSP19.R33 (1974), in respect of expansion to cover all other disciplines and community health workers.

In 1970 IDB approved Loan No. 279/SF-RG to PAHEF in an amount of \$2 million for the joint PAHO-PAHEF Medical Textbook Program. The XVIII Pan American Sanitary Conference (1970) in Resolution XXIX authorized the Director to pledge PAHO assets and to take other measures as necessary to guarantee the loan by means of a Letter of Credit. The proposal presented in this document seeks no change in the authority given by the XVIII Pan American Sanitary Conference or the amount of the assets pledged; it merely seeks to express the commitment of PAHO through the mechanism of a guaranty contract instead of a Letter of Credit.

The Letter of Credit was established initially in an amount of \$2,040,000, subject to reduction every six months under the heading of amortization of the loan. It currently stands at \$1,591,083. During the remainder of the amortization period (until 1996), the fee for the Letter of Credit will reach a total of \$65,000. This cost to PAHO will be saved by use of a guaranty contract.

### 3. Guaranty Contract

For the Expanded Program of Textbooks and Instructional Materials (loan No. 560/SF-RG), IDB accepted a guaranty contract instead of a Letter of Credit, as required in the first loan. The IDB Direction, recognizing the adequacy of this mechanism and its economic advantage to PAHO, has agreed to consider replacement of the Letter of Credit for the earlier loan with a guaranty contract. Authorization by the Executive Committee of PAHO is a prerequisite for further consideration by IDB.

If the Executive Committee concurs with the proposal of the Director to achieve a financial saving for PAHO by replacing the Letter of Credit with a guaranty contract, with no alteration of the level of commitments or obligations of the Organization, it is invited to adopt a resolution along the following lines:

#### Proposed Resolution

##### MEDICAL TEXTBOOK LOAN GUARANTEE

THE EXECUTIVE COMMITTEE,

Having studied Document CE87/2 and the proposal for replacing the Letter of Credit guarantee for IDB Loan No. 279/SF-RG by a guaranty contract;

Recalling that Resolution CSP18.R29 authorized the Director to pledge PAHO assets and take other measures as necessary to guarantee IDB Loan No. 279/SF-RG to the Pan American Health and Education Foundation (PAHEF); and

Recognizing that replacement of the Letter of Credit by a guaranty contract will save money for PAHO and involves a change only in the guarantee mechanism, with no increase, decrease or alteration in the level of obligations or commitments of PAHO,

RESOLVES:

1. To authorize the Director to replace the current Letter of Credit guaranteeing IDB Loan No. 279/SF-RG by entering into a guaranty contract between PAHO and IDB.

2. To authorize the Director to grant the joint and several guarantee of PAHO for all the financial and non-financial obligations undertaken by PAHEF with IDB, including the obligation to pay the amount of Loan No. 279/SF-RG signed on 5 February 1971 by PAHEF and IDB, to substitute for the Letter of Credit issued by Riggs National Bank of Washington, D.C., the joint and several guarantee of PAHO as a guarantee for such loan, and to undertake any other commitments which may be required for this purpose.