

*directing council*



PAN AMERICAN  
HEALTH  
ORGANIZATION

XI Meeting

*regional committee*

WORLD  
HEALTH  
ORGANIZATION



XI Meeting

Washington, D. C.  
September 1959

CD11/15 (Eng.)  
13 August 1959  
ORIGINAL: ENGLISH

Topic 16: WORKING CAPITAL FUND

At the 37th Meeting of the Executive Committee the Director presented a detailed analysis of the Working Capital Fund of the Pan American Health Organization in Documents CE37/7 and CE37/16 (Annexes I and II). The report was discussed at length by the Executive Committee, which adopted the following resolution:

RESOLUTION X

The Executive Committee,

Having taken note of the status of the Working Capital Fund from 1955 to 1958, during which the Fund has shown a constant and progressive decline in relation to the budget level;

Taking into account the amount of the withdrawals from the Fund made necessary by the lack of timely collection of quota contributions of the Member Governments;

Bearing in mind that this situation has become critical during 1959; and

Considering that it is necessary to take suitable steps to ensure the normal development of the Organization's activities in the future,

RESOLVES:

1. To call to the attention of Member Governments the grave fact that for the first time, and for the reasons stated, the Organization will be unable to maintain the normal pace of its activities if it does not receive funds promptly within the next few months.

2. To request that Member Governments whose quota contributions are in arrears make every effort to pay them at the earliest possible date.

3. To request the Member Governments to take the necessary steps for the payment of their annual quotas as early as possible each year.

4. To instruct the Director to prepare a document giving a clear indication of the Organization's present financial status and to submit it as soon as possible to the Member Governments, together with this resolution.

5. To recommend to the Director that, in the preparation of the program and budget for 1961 and future years, he assign a proportion of the budget for the gradual increase of the Working Capital Fund until it has reached the established level.

The Director wishes to report that in April, and again in June 1959, he communicated with the Member Governments advising them in detail of the serious financial situation of the Organization. The June communications, issued in compliance with the above resolution, included a document giving a clear indication of the Organization's financial status as of 31 May 1959, together with a copy of the Executive Committee resolution. (see Annex III). In addition, personal discussions were held at headquarters and in the field with officials of Member Governments.

The percentage of quota contributions received as of 31 July 1959 is even lower than at a similar date in recent years. A continuation of this trend will require further measures to curtail program and limit expenditures, beyond steps already taken in this direction, to avoid another year of deficit.

In conformity with paragraph 5 of Resolution X of the 37th Meeting of the Executive Committee, the Director has included in the provisional draft of the program and budget for 1961 an amount of \$300,000, or 6.6 per cent of that budget, to be used to augment the Working Capital Fund. The method recommended by the Executive Committee will result in some improvement in the financial position of the Organization, but it is apparent that the full solution to this most critical problem is the prompt payment by the Member Governments of their quotas.

In view of the foregoing, the Directing Council may wish to consider a resolution along the following lines:

#### Proposed Resolution

Noting the serious financial condition of the Organization as reflected in the Financial Report of the Director for 1958 and the special reports on the status of the Working Capital Fund prepared by the Director;

Taking into account the comments of the External Auditor, in his report for 1958, with respect to the seriousness of the financial position of the Organization;

Considering the action taken in Resolution X of the 37th Meeting of the Executive Committee; and

Believing it essential that suitable steps be taken to ensure adequate financing of the Organization's activities in the future,

RESOLVES:

1. To call to the attention of the Member Governments the necessity of paying their annual quota contributions as early each year as possible.
2. To request the Member Governments whose quota contributions are in arrears to pay them at the earliest possible date.
3. To approve the assignment of a portion of the budget for gradually increasing the Working Capital Fund until the authorized level has been reached, and for maintaining the Fund at that level.

Annex I: Document CE37/7

Annex II: Document CE37/16

Annex III: Status of the Working Capital Fund of the Pan American Health Organization as of 31 May 1959



*executive committee of  
the directing council*

PAN AMERICAN  
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37th Meeting  
Washington, D. C.  
May 1959

CE37/7 (Eng.)  
8 April 1959  
ORIGINAL: ENGLISH

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.



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37th Meeting  
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May 1959

CE37/16 (Eng.)  
6 May 1959  
ORIGINAL: ENGLISH

USE OF WORKING CAPITAL FUND IN 1958 BY MONTHS

(Table showing to what extent the Working Capital Fund was used  
by the end of each month in 1958)

Monthly Periods	1958 Quota Collections And Other Income	1958 <sup>1/</sup> Budgetary Disbursements	Balance of Working Capital Fund
	\$	\$	\$
1 January 1958 Balance			1,225,141
LESS: Revolving Funds - Zones and Headquarters			<u>225,000<sup>2/</sup></u> 1,000,141
<u>1958</u>			
January - February	38,861	223,776	815,226
March	47,891	185,162	677,955
April	51,980	185,791	544,144
May	166,984	228,911	482,217
June	112,720	232,852	362,085
July	1,914,000	218,249	2,057,836
August	14,740	233,955	1,838,621
September	34,444	316,927	1,556,138
October	63,197	216,292	1,403,043
November	-	263,044	1,139,999
December	127,678	349,002	918,675 <sup>3/</sup>

<sup>1/</sup> Disbursements relating to previous years are not included in the table.

<sup>2/</sup> This is the level of operating funds in bank accounts controlled by Zone Offices and Headquarters.

<sup>3/</sup> This figure does not represent the level of the Working Capital Fund shown in the Financial Report, since, in arriving at the level of \$974,162 it is necessary to add the revolving funds of \$225,000 and subtract the unliquidated obligations of \$169,513.

STATUS OF THE WORKING CAPITAL FUND OF THE  
PAN AMERICAN HEALTH ORGANIZATION  
AS OF 31 MAY 1959

Introduction

Pursuant to paragraph 4, Resolution X of the 37th Meeting of the Executive Committee, there follows a statement of the present financial status of the Working Capital Fund of the Organization. It will be noted from the Resolution that the Executive Committee, at its 37th Meeting, discussed at length the serious condition of this Fund.

The purpose of the Working Capital Fund is to finance the day-to-day operations of the Pan American Sanitary Bureau during the first six or seven months of the year. The income during this period is never sufficient to meet the expenses of more than one or two months' operations. It is not until the latter part of the year, when the major contributions are received, that there are sufficient funds in hand to meet all commitments.

The action of the Directing Council at its X Meeting (Resolution VI) has not proven to be an adequate method for maintaining the Fund at its authorized level. This resolution permitted the transfer of any surplus monies to the Working Capital Fund until its authorized level of 60% of the approved budget was reached. The financial needs of the program have required, and are expected to continue to require, full utilization of available funds. Thus, little or no surplus funds are available for augmenting the Working Capital Fund.

The 37th Meeting of the Executive Committee, in addition to urging the prompt payment of annual quotas, recommended to the Director that in preparing the Program and Budget for 1961 and future years, he assign a proportion of the budget for the gradual increase of the Working Capital Fund until it has reached the established level. The Director believes that this recommendation will, if such a budget item is approved, provide a gradual and adequate long-term solution to the basic problem.

If there is prompt payment of current quota contributions and arrears, the proportion of the budget which will have to be set aside for this purpose will be relatively small.



Working Capital Fund Status in 1959

In 1959 the Working Capital Fund is insufficient to meet anticipated needs during the first six or seven months of the year. The following table shows that the requirements through 31 May 1959 were \$1,202,356, for which there was available \$1,358,567. Thus, on 1 June 1959, only \$156,211 was available to meet estimated June expenditures for salaries and other expenses of \$255,000. Unless additional quota contributions are received in June, it will be necessary to borrow in order to meet current obligations until the major 1959 quota contributions are received.

PAHO REGULAR BUDGET 1959

<u>Available Funds:</u>	\$	\$
a) Working Capital Fund balance 1 January 1959	974,162	
b) Quota contributions and other income received as of 31 May 1959	<u>384,405</u>	1,358,567
<u>Requirements:</u>		
a) Needed for Working Bank Balance	225,000	
b) Expenditures through 31 May 1959	<u>977,356</u>	<u>1,202,356</u>
Balance available 1 June 1959 to meet June expenditures for salaries and other expenses		<u>156,211</u>

The problem for 1960 will be even more serious if the 1958 quota collection rate is maintained in 1959. It will be recalled that an amount of \$250,979 was advanced from the Working Capital Fund to meet the difference between income and expenditures during 1958. This had to be restored in 1959 before any further build-up of the Working Capital Fund could take place. It is expected that program operations in 1959 will be carried out substantially as budgeted and unless 1959 quota contributions and arrearages are paid practically in full, a greater deficit of expenditures over income than that of 1958 can be anticipated during 1959. This will intensify the problem of the Working Capital Fund in financing operations during the first six or seven months of 1960.