



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



SIXTH SESSION OF THE SUBCOMMITTEE ON PROGRAM, BUDGET, AND ADMINISTRATION OF THE EXECUTIVE COMMITTEE

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Provisional Agenda Item 4.2

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SURPLUS FROM THE IMPLEMENTATION OF IPSAS IN 2010

Introduction

1. The 27th Pan American Sanitary Conference (PASC) in Resolution CSP27.R18 resolved to adopt International Public Sector Accounting Standards (IPSAS) for recording and reporting the financial activities of the Pan American Health Organization (PAHO) beginning with the 2010-2011 biennium. Effective 1 January 2010, PAHO transitioned from the United Nations System Accounting Standards (UNSAS) to IPSAS. The first audited financial report under IPSAS, corresponding to 2010, was presented at the 149th session of the Executive Committee in June 2011.

Background

2. As part of the requirements of the transition to IPSAS, the opening balance sheet (Statement of Financial Position) as of 1 January 2010 was adjusted to provide comprehensive information regarding the assets and liabilities under the administration of the Organization. The adjustments to the balance sheet were recorded in the Fund Balance of the fund to which they pertained.

3. Those adjustments that pertained to the PAHO Regular Budget were reflected in the IPSAS Surplus Account, which forms part of the Regular Budget Fund Balance. The adjustments consisted of recognition of the outstanding accounts receivable for assessed contributions, valuation and recognition of land and buildings, results of the market valuation of the investment portfolio, and accrual of investment income. However, not all of the adjustments are “cash” items available for use by the Organization. “Cash items include the adjustments for recognition of outstanding accounts receivable for assessed contributions and accrual of investment income, which are a direct result of unexpended budgetary appropriations.

4. Although there is no specific financial regulation for the disposition of a one-time surplus, Financial Regulation 4.4 states the following:

Any balance of the Regular Budget appropriation not committed by the end of the *current* budgetary period, shall be used to replenish the Working Capital Fund to its authorized level, after which any balance will be available for subsequent use in accordance with the resolutions adopted by the Conference or Directing Council.

5. As a result of the establishment of opening balances under IPSAS as of 1 January 2010, the Organization recorded previously unreported income from assessed contributions of \$32,400,733,¹ and accrual of investment income of \$1,480,951, for a total of \$33,881,684 in the IPSAS Surplus Account. These resources, which pertain to prior budgetary periods, have been received in full, meaning that the underlying receivables have been fully collected. Furthermore, as these resources pertain to budgetary periods prior to the 2010-2011 biennium, the Director is able to propose the disposition of these funds in support of specific activities of the Organization.

Proposal

6. Similar to the surplus generated at the end of the 2006-2007 biennium, which is currently being implemented through the Holding Account mechanism, the 2010 IPSAS surplus of \$33.9 million affords a unique opportunity for the Organization to invest in its future by securing needed funding for longer-term, higher-cost strategic and administrative initiatives that are otherwise difficult to fund within the constraints of typical biennial budgetary exercises.

7. The following areas are proposed for investment:

- (a) *PASB Management Information System (PMIS)*—\$9,000,000: This proposal would eliminate the portion of the Post Occupancy Charge (POC) contemplated in the 2012-2013 Program and Budget for the PMIS project. The proposal to use surplus funds instead of assessing the POC has the added benefit of restoring scarce regular budget funding back to non-FTP activities in consonance with concerns expressed by Member States during the 2012-2013 budget discussions.
- (b) *After-Service Health Insurance (ASHI)*—\$10,000,000: In addition to a surplus, the changeover to IPSAS has also created a recognized long-term liability related to the health insurance costs of retirees. This liability, as mentioned in IPSAS report document CD51/INF/6-A, ranges between \$250 million and \$275 million.

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

Common practice for these types of liabilities allows for the funding of the liability over a period of 30 to 40 years.

- (c) *Reserve for the Master Capital Investment Fund (MCIF)—\$8,000,000*: The MCIF is funded only from residual excess of Regular Budget income over expenditure at the end of a given biennium, limited to \$2 million, with an option of an additional \$2 million with Governing Body approval. This proposal is intended to provide a safeguard in the event that an excess of Regular Budget income over expenditure does not materialize in any given biennium. A re-drafting of the Master Capital Investment Fund (MCIF) mechanism will be submitted to the 150th Executive Committee to allow for strategic Real Estate investment opportunities.
- (d) *Health Promotion Fund—\$1,000,000*: The Organization's Health Promotion Fund is used by the director for special, one-time public health initiatives during a biennium that typically do not fall under any one management entity. This includes, for example, World Health Day, World Immunization Week, and the Partner's Forum for Action on Non-Communicable Diseases. However, the fund does not have a replenishment mechanism other than income in excess of expenditure. This investment can secure a modest level of funding for strategic health promotion activities until such time that additional resources can be identified to replenish the Fund.
- (e) *Epidemic Emergency Fund—\$1,000,000*: The Epidemic Emergency Fund will be used as a revolving fund to advance monies to affected countries in the advent of an epidemic outbreak or public health emergency. Advanced funds would be recovered from appeals and other forms of voluntary contributions received in response to the emergency. This initiative dovetails with the Contingency Fund for Outbreaks contemplated within the WHO Reform (reference document EB130/5 Add.6).
- (f) *Food Safety Five-Year Plan—\$500,000*: In 2005, the government of Argentina repaid its debt to the Organization of a little over \$500,000 for back dues for operating the Pan American Institute for Food Protection and Zoonoses (INPPAZ). However, PAHO's Financial Regulations required that the funds be classified as miscellaneous income, which funds the Regular Budget approved for the current biennium, and therefore could not be used as additional funding for food safety (FOS) activities at that time. This proposal aims to restore a similar amount to the re-paid debt to be used for food safety initiatives.
- (g) *Reserve—\$4,381,684*: This is the unallocated balance after considering items a-f above. Future proposals for the use of these funds may include increases to any of the items listed above, or other strategic and/or administrative initiatives.

Conclusion

8. In accordance with Financial Regulation 4.4, the Pan American Sanitary Conference must decide on the disposition of the one-time surplus of \$33,881,684 as a result of the adoption of IPSAS as of 1 January 2010.

Action by the Subcommittee on Program, Budget, and Administration

9. The Subcommittee on Program, Budget and Administration is requested to consider this proposal and provide its feedback to the Pan American Sanitary Bureau.

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