

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

Washington, D.C., USA, 19-21 March 2014

Provisional Agenda Item 4.3

SPBA8/7
13 January 2014
Original: English

**STATUS AND AUTHORIZED LEVEL OF
THE WORKING CAPITAL FUND**

Introduction

1. In accordance with Financial Regulation VII, the Working Capital Fund was established by the Directing Council for the primary purpose of providing funds as required to finance the Regular Budget and other exigencies pending receipt of assessed contributions from Member and Participating States.

Background

2. In light of the increase in the PAHO Regular Budget, the 37th Directing Council in 1993 approved an increase in the authorized level of the Working Capital Fund from US\$ 11.0 million¹ to \$15.0 million. Subsequently, the 44th Directing Council in 2003 approved an increase in the authorized level of the Fund from \$15.0 million to \$20.0 million in light of continued increases in the PAHO Regular Budget.

3. The proposal for the additional Working Capital requirement was based on increasing requirements, along with the need to provide for unforeseeable and extraordinary expenses as stipulated in Financial Regulation 7.4.

Current Situation

4. PAHO Regular Budget expense has increased from \$171.1 million in 2002-2003 to \$194.6 million in 2012-2013. In 2012, PAHO Regular Budget disbursements averaged \$8.0 million per month. As of 1 January 2012 the Working Capital Fund balance available for Regular Budget activities was \$15.0 million, representing \$5.0 million below its authorized level of \$20.0 million, in light of a budgetary deficit in 2010-2011.

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

5. Since the 44th Directing Council, the Organization has experienced critical periods in which the unencumbered balance of the Working Capital Fund was exhausted. These instances were directly related to delays in the receipt of assessed contributions. During these periods, not only was there risk of a negative impact on the sustainability of program implementation, there was no buffer available for unforeseeable, extraordinary expenses as provided for in the Financial Regulations.

6. During the 2012-2013 biennium, it was frequently necessary to draw on Working Capital resources to cover ongoing cash requirements. Furthermore, during this period the unencumbered balance of the Fund was depleted on several occasions, resulting in the use of other unrestricted internal resources to fund the cash deficit of the Organization, potentially impacting planned programs funded from these other internal resources.

Proposal

7. The Director proposes that the authorized level of the Working Capital Fund be increased from \$20.0 million to \$25.0 million to reflect the realities and risks inherent in the current political and economic environment. The proposal for the additional Working Capital requirement is based on increasing cash needs as a result of the increase in Regular Budget expense and the delay in payment of assessed contributions. An increase of \$5.0 million will raise the authorized level of the Working Capital Fund to \$25.0 million. This increase represents approximately three months of PAHO Regular Budget disbursements, which would position the Organization to manage the uncertainties of the cash and budgetary cycles. The increase is expected to be sufficient to cover cash shortfalls and provide some flexibility in ensuring periodic funding support for other activities as set forth in the Regulations.

8. It is further proposed that the requested increase of \$5.0 million be gradually funded from any surplus of income over expense as a result of efficiencies realized in implementation of the Program and Budget. The requested increase would begin with the current biennium, or from the balance of the surplus realized during transition to the International Public Sector Accounting Standards (IPSAS) in 2010, as well as the balance of other biennial surpluses not currently programmed.

Action by the Subcommittee on Program, Budget, and Administration

9. The Subcommittee is invited to take note of this report and the proposed resolution (see Annex) and make recommendations to the Executive Committee.

Annex

154TH SESSION OF THE EXECUTIVE COMMITTEE

Washington, D.C., USA, 16-20 June 2014

SPBA8/7
Annex

PROPOSED RESOLUTION

STATUS AND AUTHORIZED LEVEL OF THE WORKING CAPITAL FUND

THE 154th SESSION OF THE EXECUTIVE COMMITTEE,

Having considered the report of the Director on the status and authorized level of the Working Capital Fund (Document CE154/___);

Noting that the provisions of Financial Regulation VII stipulate that the amount and purposes of the Working Capital Fund will be determined from time to time by the Pan American Sanitary Conference or the Directing Council;

Noting, with concern, the increasing demands placed on the Working Capital Fund as the Organization's Regular Budget activities expand; and

Noting the need to adequately position the Organization to manage the uncertainties of the cash and budgeting cycles,

RESOLVES:

To recommend to the 53rd Directing Council the adoption of a resolution along the following lines:

STATUS AND AUTHORIZED LEVEL OF THE WORKING CAPITAL FUND

THE 53rd DIRECTING COUNCIL,

Having considered the report of the Director on the status and authorized level of the Working Capital Fund (Document CD53/___);

Having considered the recommendation of the Executive Committee concerning an increase in the authorized level of the Working Capital Fund, and in recognition of increasing demands placed on the Working Capital Fund as the Organization's Regular Budget activities expand, as well as the need to ensure that that the Program is carried out in an efficient and orderly manner,

RESOLVES:

1. To approve an increase in the authorized level of the Working Capital Fund from US\$ 20.0 million to \$25.0 million.
2. To authorize the Director to finance the increase in the Working Capital Fund from any surplus of income over expense as a result of efficiencies realized in the implementation of the Program and Budget, beginning with the current biennium, or from the balance available from implementation of the International Public Sector Accounting Standards (IPSAS) in 2010 and other surpluses not currently programmed.

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