



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

Washington, D.C., USA, 18-20 March 2015

Provisional Agenda Item 4.2

SPBA9/7, Rev. 1
4 February 2015
Original: English

**PROPOSAL FOR THE USE OF THE BALANCE OF THE IPSAS AND
BUDGETARY SURPLUSES**

Background

1. The 27th Pan American Sanitary Conference in Resolution CSP27.R18 (2007) resolved to adopt the 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. 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 Organization's administration. The adjustments, totaling US\$ 33,881,684,¹ were reflected in the IPSAS Surplus Account, which forms part of the Regular Budget Fund Balance.

2. The Financial Regulations and Financial Rules of PAHO were revised to reflect the implementation of IPSAS, including regulations and rules stipulating the disposition of any budgetary or revenue surpluses. Although there is no specific financial regulation that applies to the disposition of a one-time surplus, Financial Regulation 4.4 stipulates that any unexpended balance of the Regular Budget Appropriation shall be available for subsequent use in accordance with the resolutions adopted by the Pan American Sanitary Conference or the Directing Council. Therefore, the Director was able to propose the disposition of these funds in support of specific activities of the Organization. The balance of the IPSAS surplus remaining to be programmed is \$2,281,684.

3. In 2014, the Director authorized the repayment of the \$10 million loan made to the Revolving Fund for Vaccine Procurement. In accordance with Financial Regulation 4.4, these funds were first used to replenish the Working Capital Fund to its authorized level of \$20 million (\$4,136,469). The balance (\$5,863,531) represents budgetary (\$773,494) and revenue (\$5,090,037) surpluses under IPSAS. Financial Regulation 4.4 stipulates that any budgetary surplus shall be available for subsequent use in accordance

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

with resolutions adopted by the Pan American Sanitary Conference or the Directing Council. The budgetary surplus is available to be programmed in 2015. The revenue surplus, which is governed under Financial Regulation 4.6, will be addressed under a separate agenda item.

4. As a result, the total amount available for programming in 2015 from the balance of the IPSAS and budgetary surpluses is \$3,055,178.

Proposal

5. The IPSAS surplus has been utilized to invest in longer-term, higher-cost strategic and administrative initiatives that have been otherwise difficult to fund within the constraints of typical biennial budgetary exercises. Following this same objective, the Director proposes the following areas for investment (see Annex A):

- a) *Implementation of the Information Technology Strategy - \$2,000,000.* The Draft PASB Information Technology Strategy will be presented in Agenda item 4.10 (Document SPBA9/15). In order to support current and future needs of PAHO's technical programs, the Information Technology Services (ITS) Department must be able to improve the performance, reliability, and management of IT services and capabilities available to the Bureau, through agreed investments in the required IT infrastructure, platforms, and commercial services.
- b) *Implementation of the Human Resources Strategy - \$1,055,178.* The Report on the development of the Human Resource Strategy will be presented in Agenda Item 4.8 (Document SPBA9/13). The remaining unallocated balance of the IPSAS surplus (\$281,684) and the budgetary surplus (\$773,494), totaling \$1,055,178, will be held in reserve for the implementation of one-time initiatives in support of this Strategy.

Conclusion

6. In accordance with Financial Regulation 4.4, the Directing Council must decide on the disposition of the balance of \$3,055,178 from the IPSAS and budgetary surpluses.

Action by the Subcommittee on Program, Budget, and Administration

7. The Subcommittee is requested to consider the proposal and provide its feedback to the Pan American Sanitary Bureau. The Subcommittee may wish to take note of the proposed resolution in Annex B which will be presented to the 156th Session of the Executive Committee.

Annexes

Annex A

Funding Requirements and Proposed Sources of Funds

Fund	Funding Status	Funding Requirements	Proposed Source(s) of Funding	Funding Proposed
Master Capital Investment Fund (MCIF) – Information Technology (IT) Subfund	MCIF is primarily funded through the appropriation of budgetary surpluses. The available balance in the IT Subfund as of 31 December 2014 was US\$ 306,849. ¹	PASB’s Draft IT Strategy (Document SPBA9/15) indicates that the Bureau requires significant additional investment in IT infrastructure and support.	IPSAS surplus	\$2,000,000
Human Resources Strategy reserve	This is a new funding recommendation.	PASB’s Report on the Development of the Human Resources Strategy (Document SPBA9/13) indicates that one-time funding will be required to achieve the recommended transformation.	Unallocated IPSAS surplus (\$281,684) and unallocated budgetary surplus (\$773,494)	\$1,055,178
MCIF – Real Estate Maintenance and Improvement Subfund	The balance of this existing MCIF Subfund as of 31 December 2014 was \$1,804,810.	The Update on the Master Capital Investment Fund (Document SPBA9/10) sets forth the results of a Region-wide assessment of PAHO-owned real estate, identifying approximately \$2 million of needed major repairs to country office buildings per biennium for the coming decade.	Revenue surplus	\$2,000,000
MCIF – Vehicle Replacement Subfund	The balance of this existing MCIF Subfund as of 31 December 2014 was \$378,520.	The Vehicle Replacement Subfund lacks sufficient resources to launch a Region-wide, self-financing vehicle replacement program needed for country office operations.	Revenue surplus	\$1,000,000

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Funding Requirements and Proposed Sources of Funds (cont.)

Fund	Funding Status	Funding Requirements	Proposed Source(s) of Funding	Funding Proposed
Epidemic Emergency Fund - special reserve for infectious disease response	The balance of this existing fund is \$464,550.	Additional funds are required to ensure that PASB can advance funds so that Member States can procure needed supplies to respond to Ebola and other emergent outbreaks.	Revenue surplus	\$1,000,000
Revolving Fund for Strategic Public Health Supplies - capitalization	The capitalization balance stood at \$7.6 million as of 31 December 2014, less outstanding advances of \$1.6 million, for an available cash balance of \$6.0 million.	The trend toward increasing utilization of the Strategic Fund by Member States requires strengthening of the capitalization level.	Revenue surplus	\$1,000,000
TOTAL proposed for allocation				\$8,055,178
AVAILABLE SOURCES				
		Unappropriated IPSAS surplus		\$2,281,684
		Unappropriated budgetary surplus		\$773,494
		Revenue surplus		\$5,090,037
TOTAL AVAILABLE SOURCES				\$8,145,215
REMAINING UNALLOCATED AMOUNT				\$90,037

156th SESSION OF THE EXECUTIVE COMMITTEE

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Annex B

CE156/____
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PROPOSED RESOLUTION

USE OF THE BALANCE OF THE IPSAS AND BUDGETARY SURPLUSES

THE 156th SESSION OF THE EXECUTIVE COMMITTEE,

Having considered the report of the Director on the *Proposal for the Use of the Balance of the IPSAS and Budgetary Surpluses* (Document CE156/____);

Noting that the provisions of Financial Regulation 4.4 stipulate that any unexpended balance of the Regular Budget Appropriation (budgetary surplus) shall be available for subsequent use in accordance with the resolutions adopted as decided by the Pan American Sanitary Conference or the Directing Council;

Noting that the IPSAS surplus has been utilized to invest in longer-term, higher-cost strategic and administrative initiatives that have been otherwise difficult to fund within the constraints of typical biennial budgetary exercises,

RESOLVES:

To recommend to the 54th Directing Council the adoption of a resolution along the following lines:

USE OF THE BALANCE OF THE IPSAS AND BUDGETARY SURPLUSES

THE 54th DIRECTING COUNCIL,

Having considered the report of the Director on the *Proposal for the Use of the Balance of the IPSAS and Budgetary Surpluses* (Document CD54/____);

Having considered the recommendation of the Executive Committee concerning the funding proposals recommended in Annex A of Document CD54/__, Funding Requirements and Proposed Sources of Funds, and noting that these critical strategic and administrative initiatives have been difficult to fund within the constraints of typical biennial budgetary exercises,

RESOLVES:

To approve the allocation of the balance of the IPSAS and budgetary surpluses totaling US\$ 3,055,178,¹ as follows:

- a) implementation of the Information Technology Strategy - \$2,000,000;
- b) implementation of the Human Resources Strategy - \$1,055,178.

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