

**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 4.3

SPBA9/8
10 January 2015
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PROGRAMMING OF THE REVENUE SURPLUS

Background

1. In 2014, the Director of the Pan American Sanitary Bureau (PASB) authorized the repayment of the US\$ 10 million¹ loan made to the Revolving Fund for Vaccine Procurement. In accordance with Financial Regulation 4.4, an initial portion of these funds (\$4,136,469) was used to replenish the Working Capital Fund to its authorized level of \$20 million. The balance (\$5,863,531) represents a budgetary (\$773,494) and revenue (\$5,090,037) surpluses under the International Public Sector Accounting Standards (IPSAS).
2. Financial Regulation 4.4 stipulates that any budgetary surplus shall be available for subsequent use in accordance with resolutions adopted by PAHO's Pan American Sanitary Conference or Directing Council. Financial Regulation 4.6 stipulates that any revenue surplus shall be available for subsequent use to cover the unfunded portion of the Strategic Plan, as determined by the Director and with the concurrence of the Subcommittee on Program, Budget, and Administration (SPBA).
3. The total amount available for programming in 2015 from the revenue surplus is \$5,090,037. The budgetary surplus will be addressed under a separate agenda item.

Proposal

4. As has been the case with past surpluses (e.g., the 2006-2007 biennium and the one-time IPSAS surplus), the revenue surplus offers a unique opportunity for the Organization to invest in longer-term, higher-cost strategic and administrative initiatives that are otherwise difficult to fund within the constraints of typical biennial budgetary exercises.

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

5. The following areas are proposed for investment (Annex A includes more information on different funding requirements and proposed sources of funds):

- a) *Master Capital Investment Fund (MCIF): Building Maintenance - \$2,000,000:* The document, Update on the Master Capital Investment Fund and Reassessment of Real Estate Projects in the Master Capital Investment Plan (Document SPBA9/10), presented under Agenda Item 4.5 details the repair and maintenance liabilities of the Organization's real estate, established through a detailed condition assessment of the PAHO-owned buildings throughout the Region. Although a detailed strategy and implementation plan to address these repair liabilities has yet to be articulated, it is proposed that funds be allocated to the Real Estate Maintenance and Improvement Subfund to facilitate further necessary studies and to carry out the most urgent repairs.
- b) *Master Capital Investment Fund: Vehicle Purchases - \$1,000,00:* An update on the MCIF will be presented under Agenda Item 4.5. The recapitalized Vehicle Replacement Subfund will be used to support centralized planned procurement of official vehicles to leverage bulk procurement opportunities and to reduce the administrative burden of country offices.
- c) *Epidemic Emergency Fund: Special Reserve for the Infectious Disease Response - \$1,000,000:* These funds will be made available to Member States as advances toward the procurement of supplies in support of their efforts to respond to emergent infectious disease outbreaks, including current preparations in the event of an Ebola virus disease emergency.
- d) *Revolving Fund for Strategic Health Supplies Capitalization - \$1,000,000:* The Fund's capitalization stands at \$7.6 million as of 31 December 2014. However, outstanding advances totaling \$1.6 million, leave an available balance of \$6.0 million. Increasing the capitalization will further support the procurement of critical strategic health supplies by Fund members.

6. The remaining \$90,037 unallocated balance of the revenue surplus will be held in reserve for proposals to support other strategic or administrative initiatives.

Conclusion

7. In accordance with Financial Regulation 4.6, the Subcommittee on Program, Budget, and Administration must concur on the disposition of the revenue surplus of \$5,090,037.

Action by the Subcommittee on Program, Budget, and Administration

8. The Subcommittee is requested to consider the proposal and to provide its concurrence to the Pan American Sanitary Bureau.

Annex

Annex

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
