

166th SESSION OF THE EXECUTIVE COMMITTEE

Virtual Session, 22-23 June 2020

Provisional Agenda Item 5.4

CE166/9*
15 May 2020
Original: English

PROGRAMMING OF THE BUDGET SURPLUS

Background

1. Financial Regulation 4.6 of the Pan American Health Organization (PAHO) stipulates that any balance of the funded Assessed Contributions and Budgeted Miscellaneous Revenue not committed by the end of the current budgetary period, or not authorized to be carried over into the subsequent budgetary period, shall be used to replenish the Working Capital Fund to its authorized level. Thereafter, any balance will be transferred to surplus and made available for subsequent use in accordance with the resolutions adopted by the Pan American Sanitary Conference or Directing Council.
2. The budget surplus for the 2018-2019 biennium is estimated at US \$5,737,970.47.¹ The balance of the Working Capital Fund as of 31 December 2019 was \$21,716,450.37.

Analysis and Rationale

3. According to PAHO Financial Regulation 4.6, any budget surplus will first go to replenish the Working Capital Fund to its authorized level of \$25.0 million. Given that the balance of this Fund as of 31 December 2019 was \$21,716,450.37, \$3,283,549.63 of the budget surplus balance will go to replenish the Working Capital Fund.
4. According to PAHO Financial Regulation 4.6, the remaining \$2,454,420.84 may be available for subsequent use in accordance with the resolutions adopted by the Conference or Directing Council.
5. Given the financial situation of the Organization, the Director proposes to leave the amount of \$2,454,420.84 unallocated until the Executive Committee meets. If the Executive Committee approves the increase of the authorized level of the Working Capital Fund, the remaining unallocated amount of \$2,454,420.84 from the budget surplus balance

* This version contains minor editorial changes.

¹ Unless otherwise indicated, all monetary figures in this report are expressed in United States dollars. This report presents estimated figures. The final figures will be available once the External Auditor completes and signs the audit of the financial statements for 2019.

would also be allocated to the Working Capital Fund. A proposal to increase the authorized level of the Working Capital Fund will be presented in Document CE166/8.

6. In the event that the Executive Committee does not endorse the increase of the authorized level of the Working Capital Fund, the Director proposes to leave the remaining amount of \$2,454,420.84 unallocated to support any future needs of the Organization, as a prudent financial management measure.

Proposed Allocation

7. The proposed allocation of the 2018-2019 budget surplus balance is presented below:

Fund	Purpose	Amount (US\$)
Working Capital Fund	To replenish the Working Capital Fund to its authorized level of \$25.0 million, in accordance with Financial Regulation 4.6. The balance of the Working Capital Fund as of 31 December 2019 is \$21,716,450.37.	\$3,283,549.63
Total Proposed for Allocation		\$3,283,549.63
Remaining Unallocated Amount		\$2,454,420.84
Total Budget Surplus		\$5,737,970.47

Action by the Executive Committee

8. Given the extraordinary and unprecedented circumstances presented by the COVID-19 pandemic, the 14th Session of the Subcommittee on Program, Budget, and Administration of the Executive Committee was cancelled. Thus, Executive Committee is invited to take note of this report, provide the recommendations it deems pertinent, and consider approving the proposed resolution presented in the Annex to this document.

Annex

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PROPOSED RESOLUTION

PROGRAMMING OF THE BUDGET SURPLUS

THE 166th SESSION OF THE EXECUTIVE COMMITTEE,

(PP1) Having considered the report of the Director on the *Programming of the Budget Surplus* (Document CE166/9);

(PP2) Noting that the provisions of Financial Regulation 4.6 of the Pan American Health Organization (PAHO) stipulate that any balance of the funded Assessed Contributions and Budgeted Miscellaneous Revenue not committed by the end of the current budgetary period, or not authorized to be carried over into the subsequent budgetary period, shall be used to replenish the Working Capital Fund to its authorized level. Thereafter, any balance will be transferred to surplus and made available for subsequent use in accordance with the resolutions adopted by the Pan American Sanitary Conference or Directing Council;

(PP3) Noting that the Executive Committee recommended the authorized level of the Working Capital Fund to be US\$ _____¹ (Resolution CE166.R_),

RESOLVES:

(OP) To recommend to the 58th Directing Council the adoption of a resolution along the following lines:

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

PROGRAMMING OF THE BUDGET SURPLUS

THE 58th DIRECTING COUNCIL,

(PP1) Having considered the report of the Director on the *Programming of the Budget Surplus* (Document CD58/___);

(PP2) Having considered the recommendation of the Executive Committee concerning the replenishment of the Working Capital Fund to its authorized level,

RESOLVES:

(OP)1. To approve the allocation of the 2018-2019 budget surplus totaling \$5,737,970.47 as follows:

- i. \$_____ to replenish the Working Capital Fund to its authorized level of \$_____, in accordance with Financial Regulation 4.6.
- ii. \$_____ to leave unallocated to support any future needs of the Organization, as a prudent financial management measure.
