

**16th SESSION OF THE SUBCOMMITTEE  
ON PROGRAM, BUDGET, AND ADMINISTRATION  
OF THE EXECUTIVE COMMITTEE**

*Virtual Session, 23-25 March 2022*

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*Provisional Agenda Item 4.8*

SPBA16/14  
28 February 2022  
Original: English

**REPORT ON THE STATUS OF THE EMERGENCY LOAN FROM THE  
REVOLVING FUND FOR ACCESS TO VACCINES TO THE REGIONAL  
REVOLVING FUND FOR STRATEGIC PUBLIC HEALTH SUPPLIES**

**Introduction**

1. The COVID-19 pandemic has resulted in a significant impact on health, the economy, and social sectors across the Region of the Americas. As part of the COVID-19 response, Member States of the Pan American Health Organization (PAHO) have sought increased support through the Regional Revolving Fund for Strategic Public Health Supplies to access critical COVID-19 public health supplies, including emergency-related medicines and supplies.

2. In June 2021, the Executive Committee of PAHO adopted Resolution CE168.R10, Emergency Loan from the Revolving Fund for Access to Vaccines to the Regional Revolving Fund for Strategic Public Health Supplies. This Resolution extended the emergency loan previously approved by the Special Session of the Executive Committee in May 2020 (Resolution CESS1.R1) that had called for a short-term internal emergency loan up to a maximum of US\$50 million<sup>1</sup> through a transfer of funds on a rolling basis from the Capital Account of the Revolving Fund for Access to Vaccines (Revolving Fund) to the Capital Account of the Regional Revolving Fund for Strategic Public Health Supplies (Strategic Fund), through 31 December 2023 or the date when the World Health Organization (WHO) declares the end of the pandemic, whichever comes first. The main reasons for the internal loan were the increased projected needs for COVID-19 health supplies being requested by Member States that participate in the Strategic Fund and the limited balance available in the Capital Account of the Strategic Fund to support advanced procurement of those needs.

3. The purpose of this document is to report to the Executive Committee, through its Subcommittee on Program, Budget, and Administration, on the actions taken by the

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

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Strategic Fund to support Member States' efforts to facilitate access to critical COVID-19 health supplies and on the status of an emergency loan from the Capital Account of the Revolving Fund to the Capital Account of the Strategic Fund to support the COVID-19 response, in accordance with Resolution CE168.R10.

### **Situation Analysis**

4. The COVID-19 pandemic resulted in a significant increase in the regional demand for essential public health supplies. At the same time, constrained supply chains impacted production capacity at the global level and in the Region of the Americas, including for critical raw materials, resulting in shortages of medicines and other public health supplies required for both responding to the COVID-19 pandemic and maintaining priority public health programs.

5. Requests for technical support through the Strategic Fund increased significantly during the COVID-19 pandemic. In 2021 alone, the Strategic Fund procured \$318 million of medicines and other public health supplies on behalf of 30 participating countries and entities, constituting a four-fold increase in the utilization of the mechanism as compared to the same period in 2019. Medicines included treatments for critical care of COVID-19 patients as well as other essential medicines to maintain essential health services across other priority health programs. Supplies provided through the Strategic Fund included personal protective equipment, in vitro diagnostics—in particular, Polymerase Chain Reaction and Antigen Rapid Diagnostics Tests—and biomedical equipment. An estimated 70 million people throughout the Region of the Americas benefitted from the medicines and health products supplied through the Strategic Fund.

6. Approximately 80% of requests for support through the PAHO Strategic Fund are pre-paid by participating Member States. The balance comes from the Capital Account of the Strategic Fund, often to expedite processes in the context of an emergency or budgetary constraint. The Capital Account of the Strategic Fund receives funding from the capitalization component of the service fee, in accordance with PAHO Directing Council Resolution CD58.R4 (2020), and provides PAHO Member States with a line of credit (LoC) to purchase strategic public health supplies that Member States reimburse upon receipt of the products. When there are insufficient funds available in the Capital Account of the Strategic Fund, an internal emergency loan from the Capital Account of the Revolving Fund can be requested pursuant to Resolution CE168.R10.

7. Through greater utilization of the PAHO Strategic Fund, the amount of funds available in the Capital Account of the Strategic Fund increased by 70%, from \$18.4 million in January 2019 to \$31.3 million at the end of December 2021. Countries made use of the Capital Account of the Strategic Fund to rapidly access strategic public health supplies during the pandemic. The number of countries utilizing the Capital Account LoC increased from 15 countries in the 2018-2019 biennium to 17 countries in the

2020-2021 biennium. The total cumulative utilization<sup>2</sup> of the Capital Account surpassed 100% in both 2020 and 2021, demonstrating a high usage and turnover of the funds.

8. During the 2020-2021 biennium, two short-term internal emergency loans were made through a transfer of funds from the Capital Account of the Revolving Fund to the Capital Account of the Strategic Fund, in accordance with Resolution CE168.R10, to support the emergency procurement of COVID-19 supplies. The loans were subsequently repaid in a timely manner, and without impacting availability of funds for the procurement of vaccines through the Revolving Fund.

9. Continuous improvements were made to the Strategic Fund management to more effectively and efficiently support Member States. These steps included: *a)* working with Member States to strengthen supply chain management capacities through the introduction of morbidity-based forecasting models, demand planning, and regional consolidation frameworks; *b)* streamlining procurement plans throughout the year based on just-in-time principles<sup>3</sup>; *c)* introduction of more flexible shipping methods alternating between air and multi-modal transportation (i.e., land and ocean transport) to significantly offset increases in the cost of logistics, shipping, and insurance due to the pandemic; and *d)* optimization of resource utilization based on prepaid procurement, including repurposing grants and other financial resources to execute pre-payment and ensure timely repayment of credit lines as much as possible. These improvements in performance management have mitigated the need on a number of occasions for a short-term internal emergency loan through a transfer of funds from the Capital Account of the Revolving Fund to the Capital Account of the Strategic Fund.

10. The internal emergency loan provisions continue to be a critical tool for meeting the COVID-19 related needs for public health supplies of PAHO Member States. The loan boosts the short-term capacity of the Strategic Fund to enable access to vital emergency supplies for the COVID-19 emergency response. The Pan American Sanitary Bureau (PASB) has established the necessary planning and operational mechanisms to determine the amounts and timing of any transfer from the Revolving Fund to the Strategic Fund to better support the needs of Member States, as required. PASB also implemented appropriate managerial and financial controls to ensure timely reimbursements to the Revolving Fund so that there is no impact on the ability of PASB to support Member States participating in the PAHO Revolving Fund.

11. Given the evolving context of the COVID-19 pandemic, and in order to continue to meet the demands of PAHO Member States for access to essential medicines and public health supplies, the internal emergency loan mechanism from the Capital Account of the Revolving Fund to the Capital Account of the Strategic Fund will remain available for use

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<sup>2</sup> Cumulative utilization is calculated by dividing the total cumulative amount of credit extended to Member States during the fiscal year by the closing balance of the Capital Account of that fiscal year.

<sup>3</sup> Just-in-time is a supply chain management strategy to send products just when needed based on the forecast in order to avoid additional storage costs and risk of product expiration.

by PAHO Member States, if necessary, until 31 December 2023, or the date when WHO declares the end of the pandemic, whichever comes first.

**Monitoring and Evaluation**

12. The internal emergency loan will continue to be administered with established procedures and controls in place, including but not limited to: *a)* regular analysis of forecasts for support through the Strategic Fund and the Revolving Fund; *b)* financial analysis of capital utilization and reviews of available capital in each Fund; and *c)* securing of formal commitments from Member States for the timely repayment of the requested loan. In all situations, the loan request will continue to be subject to full analysis to ensure that there will be no impact on the Revolving Fund's capacity to support operations during the stated loan period.

**Action by the Subcommittee on Program, Budget, and Administration**

13. The Subcommittee is invited to take note of this report and provide any comments it deems pertinent.

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