
**REPORT ON THE CHARGE ASSESSED ON THE PROCUREMENT
OF PUBLIC HEALTH SUPPLIES FOR MEMBER STATES****Background**

1. As an integral component of its technical cooperation, the Pan American Health Organization (PAHO) facilitates access by Member States to critical public health supplies through the Revolving Fund for Access to Vaccines (Revolving Fund), the Regional Revolving Fund for Strategic Public Health Supplies (Strategic Fund), and reimbursable procurement on behalf of Member States (collectively known as “the Regional Revolving Funds”). The Revolving Fund was established in 1977 pursuant to Resolution CD25.R27 to facilitate the timely availability of quality vaccines at the lowest prices. The Strategic Fund was established in 1999 following requests from Member States for assistance in the procurement of strategic public health supplies focused on combating HIV/AIDs, tuberculosis, malaria, and neglected diseases. Since 2013, the Strategic Fund has incorporated medicines to prevent and treat noncommunicable diseases. The reimbursable procurement mechanism was established in 1951 pursuant to Resolution CD5.R29 to support the procurement of health program items that are unobtainable or difficult to procure by Member States.
2. In 2013, the 52nd Directing Council adopted Resolution CD52.R12, Review of the Charge Assessed on the Procurement of Public Health Supplies for Member States (1). This resolution called for an increase in the charge assessed on procuring all public health supplies from 3.50% to 4.25%, effective 1 January 2014. Of the 4.25%, 3% of the net cost of the products procured through the Revolving Fund and Strategic Fund is deposited into the Capital Account of the respective Fund to provide Member States with a line of credit. The remaining 1.25% is deposited into the Special Fund for Program Support to help defray overall costs to the Pan American Sanitary Bureau (PASB or the Bureau)—administrative, operating, and staffing costs—to manage the Regional Revolving Funds. The resolution also requested the Director to review the charge assessed and report on its use at the end of each biennium.
3. In 2020, the 58th Directing Council adopted Resolution CD58.R4, Review of the Charge Assessed on the Procurement of Public Health Supplies for Member States (2). This resolution called for an increase in the administrative component from 1.25% to 1.75% and a compensating decrease in the Capital Account component from 3% to 2.5%, effective 1 January 2021. This change aimed to respond to the increasing costs of managing the Regional Revolving Funds, while maintaining the overall 4.25% charge unaffected.

4. This document is the first report on Resolution CD58.R4. It provides an update on the progress made by PASB during the 2022–2023 biennium on the use of the financial resources collected from the 1.75% administrative component of the charge and the efforts made toward ensuring the financial sustainability of the Regional Revolving Funds.

Situation Analysis

5. The financial resources collected from the 1.75% administrative component of the charge are available for use in subsequent bienniums. At the end of 2021, a total of US\$ 34.2 million¹ collected from the 1.75% administrative component of the charge assessed on procurement through the Regional Revolving Funds in the 2020–2021 biennium was made available for use in the 2022–2023 biennium. An additional \$13.4 million became available as a balance from allocated resources from previous bienniums, bringing the total available resources for allocation to \$47.6 million, as shown in Table 1.

Table 1. 2022–2023 Financial Implementation of Financial Resources Collected through 2021 (US\$)

Biennium	Available for allocation (A)	Approved for the biennium	Expenditure (B)	Remaining balance (A) - (B)
2022–2023	47 642 056	37 679 850	26 049 911	21 592 145

Note: Balance does not include financial resources collected in the 2022–2023 biennium, as these will be made available for use in the 2024–2025 biennium.

6. For the 2022–2023 biennium, the Organization reported expenditure² on operations and activities related to the Regional Revolving Funds of \$26 million, as shown in Table 2. Compared with the 2020–2021 biennium, total expenditures increased by \$6.3 million, with half of this increase owing to payroll-related expenses (\$3.1 million). As in previous bienniums, payroll expenses represented the main cost component, accounting for 71% of total expenditure in the 2022–2023 biennium.

7. During the 2022–2023 biennium, PASB implemented activities related to the operations of the Regional Revolving Funds and the delivery of technical cooperation in core areas, including immunization, quality assurance, demand planning for vaccines and medicines, and supply chain management. Total expenditures for these activities amounted to \$5.9 million. Additionally, PASB has implemented investment projects to create efficiencies and improve support to Member States, including by developing digital tools such as the Regional Revolving Funds Portal for Member States. Total expenditures on investment projects amounted to \$1.7 million.

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

² Reported amounts include budget-related disbursements only. The financial figures for 2023 contained in this report are unaudited. The final figures will not be available until the External Auditor completes and signs the audit of the Pan American Health Organization's financial statements for 2023, which must occur on or before 15 April 2024 in accordance with PAHO Financial Regulation 14.9.

Table 2. Financial Implementation by Category, in 2022 and 2023
(US\$)

	2022	2023	Total expenses in 2022–2023
Payroll disbursements: fixed and non-fixed positions	8 098 380	10 351 108	18 449 488
Activities	1 650 794	4 240 288	5 891 082
Investment projects	500 638	1 208 703	1 709 341
Total	10 249 812	15 800 099	26 049 911

Note: 2023 unaudited figures.

8. During the 2022–2023 biennium, PASB successfully strengthened access to quality assured life-saving vaccines and achieved significant cost savings by consolidating demand, leveraging economies of scale, and using more transparent procurement processes with innovative acquisition strategies. An internal analysis showed that Member States have achieved at least 50% in savings on the overall cost of vaccines by participating in the Revolving Fund. Additionally, PASB continued to improve access to strategic public health supplies for Member States through the Strategic Fund. For example, PASB supported Member States in the migration to dolutegravir-based treatments for HIV/AIDS, in accordance with World Health Organization recommendations. Through consolidation of demand from the Region and joint negotiations with partners, the average price of dolutegravir-based treatments available through the Strategic Fund has decreased by 40% since 2018, resulting in cost savings for Member States that have switched to those treatment regimes.

9. In collaboration with Member States, PASB initiated and processed more than 4200 purchase orders during the 2022–2023 biennium, and coordinated the corresponding logistics for each shipment. These purchase orders consisted of more than \$1.7 billion for *a)* the cost of goods, including biologicals and injection ancillaries, cold chain equipment, and vaccines; *b)* public health supplies and medicines for HIV/AIDs, tuberculosis, malaria, neglected tropical diseases, and noncommunicable diseases; *c)* in vitro diagnostics, vector control, and medical supplies; and *d)* the cost of freight, insurance, and administrative charges for the delivery of these supplies. It is estimated that, during the biennium, Member States protected more than 130 million people through vaccines and 37 million people through access to medicines and other public health supplies.

10. During the 2022–2023 biennium, PASB continued the implementation of the digital transformation agenda by digitalizing the demand quantification and planning process, thereby allowing participating countries and territories to gain timely access to information through the Regional Revolving Funds Portal for Member States, which was launched in 2023. In addition, a digital supplier collaboration portal was established to facilitate the more efficient, rapid, and secure transmission of shipping documents to national authorities. The goals of the digital transformation agenda include developing more efficient and accurate ways of conducting demand planning and consolidation and improving efficiencies for Member States by digitalizing processes and providing operational performance metrics, reports, and data dashboards.

11. As part of the technical cooperation activities offered to Member States through the Regional Revolving Funds in the 2022–2023 biennium, PASB implemented the following activities:

- a) Advanced immunization efforts in the Region of the Americas by supporting and strengthening the work of National Immunization Technical Advisory Groups.
- b) Bolstered the safety of vaccines and medicines, disease surveillance, and strategies for the elimination of diseases such as measles, rubella, congenital rubella syndrome, HIV/AIDS, hepatitis B and C, and cervical cancer.
- c) Strengthened regulatory systems and policy implementation by promoting the adoption of globally recognized regulatory bodies and updating eligibility criteria for product procurement through the Regional Revolving Funds.
- d) Provided guidance to Member States on selecting optimal product portfolios for national programs to make the best use of limited resources.
- e) Strengthened national supply chain management capacities through improved demand planning and forecasting, system characterizations, and sharing of best practices.

12. During the 2022–2023 biennium, PASB continued to support Member States in their response to the COVID-19 pandemic. In collaboration with the COVID-19 Vaccine Global Access (COVAX) Facility, PASB facilitated access to approximately 44 million doses of COVID-19 vaccines, including by coordinating donations through the Revolving Fund. PASB also procured and distributed over 2 million diagnostic tests, \$2.5 million in personal protective equipment, and \$7 million in medical equipment and pharmaceuticals through the Strategic Fund. In 2023, PAHO's efforts focused on transitioning the Region's pandemic response toward a longer-term approach of integrating COVID-19 vaccines into routine national immunization programs. In collaboration with the World Health Organization and other external partners, PASB contributed to the design and planning of the COVID-19 Programme for 2024–2025 of Gavi, the Vaccine Alliance. PASB provided extensive technical collaboration on demand forecasting and engaged with the United Nations Children's Fund in a joint global tendering process for COVID-19 vaccines for 2024 and 2025.

13. The increased supply needs derived from the extensive country response to the COVID-19 pandemic resulted in an exceptional increase in financial resources collected from the 1.75% administrative component of the charge in 2021 and 2022, which resulted in the largest balance in the Special Fund for Program Support after implementation of the 2022–2023 work plan. As of 31 December 2023, the available balance of financial resources in 2022–2023 after expenses is \$21.6 million.³ However, the increase in financial resources collected during the COVID-19 pandemic is not expected to be sustained in the future.

14. As shown in Table 3, there was a 37% reduction in the financial resources collected in 2023 from the 1.75% administrative component of the charge compared with the amount collected in 2022, suggesting a reversal of the pandemic trend. The financial resources received from the administrative charge in 2023 totaled \$12.5 million, while expenses that year reached \$15.8 million (see Table 2). In this context, the available balance of \$21.6 million in financial resources collected

³ The balance does not include the financial resources collected in the 2022–2023 biennium, as these will be made available for use in the 2024–2025 biennium.

from the 1.75% administrative component of the charge is critical for covering future gaps and implementing essential projects to improve service and value to Member States and create efficiencies to strengthen the Regional Revolving Funds. This includes:

- a) Enhancing the technical cooperation offered to Member States to strengthen supply chain management capacities.
- b) Expanding the Regional Revolving Funds Portal for Member States to include additional modules to digitalize operational processes, financial planning, procurement, and shipment tracking.
- c) Developing opportunities for promoting regional manufacturing capacities and reducing the Region's dependency on external suppliers.
- d) Devising a comprehensive roadmap for the optimization of international transportation in order to reduce carbon emissions and the costs of transporting and distributing goods procured by the Regional Revolving Funds.
- e) Finalizing a cost analysis of the Regional Revolving Funds to identify cost drivers and potential efficiencies in order to improve the Regional Revolving Funds' sustainability. PASB expects the cost analysis to be finalized during the first quarter of 2024 and plans to share a summary of key findings with Member States in the report to be presented to the 174th Session of the Executive Committee in June.

Table 3. Revenue Reported in 2022–2023
(US\$)

	2022	2023	Total
Revenue	19 894 885	12 453 271	32 348 156

Note: The figure for 2023 is subject to change, as the financial closure and audit processes were not completed at the time of this report. Figures include realized gains and losses.

Action by the Subcommittee on Program, Budget, and Administration

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

References

1. Pan American Health Organization. Review of the charge assessed on the procurement of public health supplies for Member States [Resolution CD52.R12]. 52nd PAHO Directing Council, 65th Session of the Regional Committee of WHO for the Americas; 30 September–4 October 2013. Washington, D.C.: PAHO; 2013. Available from: https://www.paho.org/hq/index.php?option=com_docman&task=doc_download&gid=23351&Itemid=270&lang=en.
 2. Pan American Health Organization. Review of the charge assessed on the procurement of public health supplies for Member States [Resolution CD58.R4]. 58th PAHO Directing Council, 72nd Session of the Regional Committee of WHO for the Americas; 28–29 September 2020 (virtual session). Washington, D.C.: PAHO; 2012. Available from: <https://www.paho.org/en/documents/cd58r4-review-charge-assessed-procurement-public-health-supplies-member-states>.
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