

168th SESSION OF THE EXECUTIVE COMMITTEE

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UPDATE ON THE WORKING CAPITAL FUND

Introduction

1. In accordance with Financial Regulation VIII, the Working Capital Fund was established by the Directing Council of the Pan American Health Organization (PAHO) for the primary purpose of providing funds as required to finance activities and other exigencies pending receipt of assessed contributions from Member States.

Background

2. Over time, the Directing Council has approved increases in the authorized level of the Working Capital Fund, from US\$ 11.0 million¹ to its present authorized level of \$50.0 million. The most recent increase to the current authorized level was approved by Member States through Resolution CD58.R1 during the 58th Directing Council in 2020.

3. Although its authorized level is \$50.0 million, the Working Capital Fund was only funded to \$28.7 million as of 31 December 2020. In accordance with Resolution CD58.R1, the Working Capital Fund is to be financed from any surplus of revenue over expense as a result of efficiencies realized in the implementation of the Program Budget (budget surplus).

Current Situation

4. While the PAHO Assessed Contributions and Miscellaneous Revenue Budget has remained relatively stable since 2012, the rate of receipt of assessed contributions has declined. As of 31 December 2020, \$84.6 million of assessed contributions remained unpaid compared to \$88.9 million as of 31 December 2019, \$42.8 million as of 31 December 2018, and \$44.4 million as of 31 December 2017.

5. As a result of the delay in the receipt of assessed contributions, the Organization had a net cash deficit of \$42.9 million at the end of 2020 (in November the net deficit was \$46 million). This was funded by the Working Capital Fund balance of \$28.7 million and

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

an additional \$14.2 million of unrestricted resources (i.e., Special Fund for Program Support) in order to meet budgetary requirements. The information presented in this report includes unaudited preliminary figures, the final figures will be available once the External Auditors complete and sign the audit of the Organization's financial statements for 2020.

6. As noted by the External Auditor, during those periods when the Working Capital Fund is fully utilized, there is risk of a negative impact on the sustainability of program implementation.

7. The Working Capital Fund is not used to fund specific programmatic activities of the Pan American Sanitary Bureau. Rather, as described above, it is used to cover cash shortfalls in the receipt of assessed contributions. Assessed contributions are used to fund virtually all activities of the Organization, as set out in the respective biennial Program Budget.

8. Future updates on the status of the Working Capital Fund will be reported under the agenda item for the Financial Report of the Director.

Action by the Executive Committee

9. The Executive Committee is invited to take note of this report and make any recommendations it deems pertinent.

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