

**14th SESSION OF THE SUBCOMMITTEE
ON PROGRAM, BUDGET, AND ADMINISTRATION
OF THE EXECUTIVE COMMITTEE**

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Provisional Agenda Item 4.2

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**STATUS AND AUTHORIZED LEVEL OF
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 \$25.0 million. The most recent increase to the current level of \$25.0 million was approved by Member States through Resolution CD53.R10 during the 53rd Directing Council in 2014.

3. Although the authorized level is \$25.0 million, the Working Capital Fund has only been funded to \$21.7 million.

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 2019, \$88.9 million of assessed contributions remained unpaid compared to \$42.8 million as of 31 December 2018 and \$44.4 million as of 31 December 2017.

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

5. As a result of the delay in the receipt of assessed contributions, the Working Capital Fund balance of \$21.7 million was fully utilized and additional unrestricted resources were accessed to meet budgetary requirements.

6. As noted by the External Auditor, during these periods when the Working Capital Fund is fully utilized, not only is there risk of a negative impact on the sustainability of program implementation, there is no buffer available for unforeseeable, extraordinary expenses as provided for in the Financial Regulations of PAHO.

Proposal

7. The Director proposes that the authorized level of the Working Capital Fund be increased from \$25.0 million to \$50.0 million to reflect the realities and risks inherent in the current political and economic environment. The proposal for the additional Working Capital requirement is based on the historical pattern of delays in payment of assessed contributions and would position the Organization to manage the uncertainties of the cash and budgetary cycles more efficiently.

8. The increase is expected to be sufficient to cover temporary cash shortfalls and to provide some flexibility in ensuring periodic funding support for other activities as set forth in the Financial Regulations of PAHO.

Action by the Subcommittee on Program, Budget, and Administration

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

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