

168th SESSION OF THE EXECUTIVE COMMITTEE

Virtual Session, 21-25 June 2021

Provisional Agenda Item 5.6

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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

Background

1. In May 2020, the Special Session of the Executive Committee of the Pan American Health Organization (PAHO) adopted Resolution CESS1.R1, Emergency Loan from the Revolving Fund for Access to Vaccines to the Regional Revolving Fund for Strategic Public Health Supplies. This Resolution called for a short-term internal emergency loan up to a maximum of US\$50 million¹ 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) during the period of the approved resolution. 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.

2. The purpose of this document is to report on the status of the internal emergency loan and on the actions taken to support Member States' efforts to facilitate access to critical COVID-19 medical supplies in accordance with Resolution CESS1.R1. Furthermore, this document also proposes the extension of the internal emergency loan to 31 December 2023, or to the date of a declaration by the World Health Organization (WHO) on the end of the pandemic, whichever comes first, based on anticipated needs to support Member States through the pandemic. This will afford the Director the discretionary authority to approve the transfer of funds from the Capital Account of the Revolving Fund to the Capital Account of the Strategic Fund, when needed, up to a maximum of \$50 million during the period of the approved resolution, while ensuring that the programmatic needs and operations of the Revolving Fund are not disrupted.

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

Situation Analysis

3. The Strategic Fund continues to play an important role in supporting countries in their response to COVID-19 with respect to the provision of emergency medical supplies. As of 31 December 2020, the Strategic Fund placed purchase orders amounting to \$235.7 million in medicines and public health supplies on behalf of 25 Member States, constituting a threefold increase in the utilization of the Fund as compared to the same period in 2019. Key supplies provided through the Strategic Fund include personal protective equipment (PPE), in vitro diagnostics (IVDs), in particular, polymerase chain reaction (PCR) and antigen rapid diagnostic tests (Ag RDT), biomedical equipment, and medicines for both regular programmatic needs and critical care of COVID-19 patients. As of 31 December 2020, an estimated 29 million people throughout the Region of the Americas benefitted from medicines and health products supplied through the Strategic Fund. In addition, the Strategic Fund provided technical cooperation to address supply chain disruptions for essential medicines required by priority programs including HIV, tuberculosis, and malaria.

4. Approximately 80% of Member States' requests for support through the PAHO Strategic Fund are pre-paid by participating Member States. The balance of requests however receive support from the Capital Account of the Strategic Fund 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). The Capital Account provides PAHO Member States with a line of credit (LoC) to purchase strategic public health supplies that Member States reimburse upon receipt of the supplies. When there are insufficient funds available in the Strategic Fund Capital Account, an internal emergency loan from the Capital Account of the Revolving Fund can be requested.

5. Through increased utilization of the PAHO Strategic Fund, the Capital Account of the Strategic Fund increased to \$25.1 million as of 31 March 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 requesting use of the Capital Account LoC increased by 45%, from 11 countries in 2019 to 16 countries as of 31 December 2020. The average amount of each LoC requested increased by 25%, from an average of \$113,908 per request in 2019 to \$142,921 per request as of 31 December 2020. The total cumulative utilization² of the Capital Account increased 66%, from 92% in 2019 to 153% as of 31 December 2020.

6. During 2020, the Capital Account was managed effectively to support Member States without requiring use of the internal emergency loan from the Capital Account of the Revolving Fund to the Capital Account of Strategic Fund. This was achieved through optimal resource utilization based on prepaid procurement, improved coordination with

² 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.

Member States to support procurement and deliveries based on just-in-time principles,³ and strengthened communication with suppliers to utilize multi-modal transportation (i.e., a combination of air, land, and ocean transport) to address the increased shipping and insurance costs due to the pandemic.

7. In January 2021, a Member State requested an increase in the LoC to \$5.5 million from the PAHO Strategic Fund Capital Account to facilitate access to medicines for the critical care management of COVID-19 patients. As the requested amount exceeded the available balance in the Capital Account of the Strategic Fund at that point in time, an internal emergency loan from the Capital Account of the Revolving Fund to the Capital Account of the Strategic Fund was processed, in accordance with Resolution CESS1.R1, and was successfully repaid by end the of March 2021.

8. The internal emergency loan provision constitutes a critical tool for meeting the COVID-19 related needs in public health supplies of PAHO Member States. The loan boosts 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 when required. PASB also implemented the 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.

Proposal

9. Given the evolving context of the COVID-19 pandemic, and in order to continue to meet the urgent demands in essential medicines and public health supplies of PAHO Member States during the COVID-19 pandemic, PASB proposes an extension of the internal emergency loan from the Capital Account of the Revolving Fund to the Capital Account of the Strategic Fund until 31 December 2023, or to the date of a WHO declaration on the end of the pandemic, whichever comes first, under the same conditions as approved by Member States in Resolution CESS1.R1.

10. 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 is analyzed to ensure that there will be no impact on the Revolving Fund's capacity to support operations during the stated loan period.

³ 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.

Action by the Executive Committee

11. Pursuant to PAHO Financial Regulation 8.5, and in light of the emergency posed by the COVID-19 pandemic, the Director of PASB asks for the concurrence of the Executive Committee to extend Resolution CESS1.R1 to permit borrowing funds from the Capital Account of the Revolving Fund for use by the Strategic Fund to purchase COVID-19 emergency-related supplies through 31 December 2023 or until the WHO has declared an end to the pandemic, whichever occurs first. The Executive Committee is invited to take note of the report and consider approving the proposed resolution in the Annex.

Annex

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PROPOSED RESOLUTION

EMERGENCY LOAN FROM THE REVOLVING FUND FOR ACCESS TO VACCINES TO THE REGIONAL REVOLVING FUND FOR STRATEGIC PUBLIC HEALTH SUPPLIES

THE 168th SESSION OF THE EXECUTIVE COMMITTEE,

(PP1) Noting Resolution CESS1.R1, *Emergency Loan from the Revolving Fund for Access to Vaccines to the Regional Revolving Fund for Strategic Public Health Supplies*, adopted during the May 2020 Special Session of the Executive Committee of the Pan American Health Organization (PAHO);

(PP2) Considering the 45% increase in requests by Member States in 2020 for support from the Capital Account of the of the Regional Revolving Fund for Strategic Public Health Supplies (Strategic Fund) resulting in a 66% increase in total cumulative usage of the Capital Account;

(PP3) Recognizing the continuing increased request for support through the PAHO Strategic Fund to facilitate access to life-saving essential medicines and health supplies to combat COVID-19;

(PP4) Noting that the capitalization level of the PAHO Strategic Fund may be insufficient to meet the future needs of Member States during the COVID-19 pandemic;

(PP5) Acknowledging the establishment by the Pan American Sanitary Bureau (PASB) of the necessary planning and operational mechanisms, as well as the appropriate managerial and financial controls to ensure that the internal emergency loan provision has no impact on the ability of PASB to support Member States participating in the PAHO Revolving Fund for Access to Vaccines (Revolving Fund),

RESOLVES:

- (OP) To authorize the Director to do the following:
- a) provide an extension of the internal emergency loan consisting of a short-term, limited, rolling transfer of funds, up to a maximum of US\$ 50 million,¹ from the Capital Account of the Revolving Fund to the Capital Account of the Strategic Fund, to 31 December 2023 or to the date of a declaration by the World Health Organization on the end of the pandemic, whichever comes first;
 - b) continue to determine the amounts and timing of transfers to the Capital Account of the Strategic Fund, up to the maximum total loan amount of \$50 million during the period of the approved resolution, based on the availability of funds in the Capital Account of the Revolving Fund and on the programmatic needs of the participating Member States for vaccines, syringes, and cold chain equipment and for emergency supplies including those for COVID-19;
 - c) continue to apply appropriate managerial, financial, and analytic controls to ensure that there is no negative impact on the ability of PASB to support Member States participating in the Revolving Fund;
 - d) report on an annual basis to the Executive Committee sessions on the status of this emergency loan, including its effectiveness and repayment status.

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