



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



28th PAN AMERICAN SANITARY CONFERENCE

64th SESSION OF THE REGIONAL COMMITTEE

Washington, D.C., USA, 17-21 September 2012

Provisional Agenda Item 5.5

CSP28/22 (Eng.)
6 August 2012
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SURPLUS FROM THE IMPLEMENTATION OF IPSAS IN 2010

Introduction

1. The 27th Pan American Sanitary Conference (PASC) in Resolution CSP27.R18 resolved to adopt International Public Sector Accounting Standards (IPSAS) for recording and reporting the financial activities of the Pan American Health Organization (PAHO) beginning with the 2010-2011 biennium. Effective 1 January 2010, PAHO transitioned from the United Nations System Accounting Standards (UNSAS) to IPSAS. The first audited financial report under IPSAS, corresponding to 2010, was presented at the 149th session of the Executive Committee in June 2011.

Background

2. As part of the requirements of the transition to IPSAS, the opening balance sheet (Statement of Financial Position) as of 1 January 2010 was adjusted to provide comprehensive information regarding the assets and liabilities under the administration of the Organization. The adjustments to the balance sheet were recorded in the Fund Balance of the fund to which they pertained.

3. Those adjustments that pertained to the PAHO Regular Budget were reflected in the IPSAS Surplus Account, which forms part of the Regular Budget Fund Balance. The adjustments consisted of recognition of the outstanding accounts receivable for assessed contributions, valuation and recognition of land and buildings, results of the market valuation of the investment portfolio, and accrual of investment income. However, not all of the adjustments are “cash” items available for use by the Organization. “Cash items include the adjustments for recognition of outstanding accounts receivable for assessed contributions and accrual of investment income, which are a direct result of unexpended budgetary appropriations.

4. Although there is no specific financial regulation for the disposition of a one-time surplus, Financial Regulation 4.4 states the following:

Any balance of the Regular Budget appropriation not committed by the end of the *current* budgetary period, shall be used to replenish the Working Capital Fund to its authorized level, after which any balance will be available for subsequent use in accordance with the resolutions adopted by the Conference or Directing Council.

5. As a result of the establishment of opening balances under IPSAS as of 1 January 2010, the Organization recorded previously unreported income from assessed contributions of \$32,400,733,¹ and accrual of investment income of \$1,480,951, for a total of \$33,881,684 in the IPSAS Surplus Account. These resources, which pertain to prior budgetary periods, have been received in full, meaning that the underlying receivables have been fully collected. Furthermore, as these resources pertain to budgetary periods prior to the 2010-2011 biennium, the Director is able to propose the disposition of these funds in support of specific activities of the Organization.

Proposal

6. Similar to the surplus generated at the end of the 2006-2007 biennium, which is currently being implemented through the PAHO Holding Account mechanism, the 2010 IPSAS surplus of \$33.9 million affords a unique opportunity for the Organization to invest in its future by securing needed funding for longer-term, higher-cost strategic and administrative initiatives that are otherwise difficult to fund within the constraints of typical biennial budgetary exercises.

7. The following areas are proposed for investment:

- (a) *PASB Management Information System (PMIS)*—\$9,000,000: This proposal would eliminate the portion of the Post Occupancy Charge (POC) contemplated in the 2012-2013 Program and Budget for the PMIS project. The proposal to use surplus funds instead of assessing the POC has the added benefit of restoring scarce regular budget funding back to non-FTP activities in consonance with concerns expressed by Member States during the 2012-2013 budget discussions.
- (b) *After-Service Health Insurance (ASHI)*—\$10,000,000: In addition to the recognition of a surplus, the changeover to IPSAS has also created a recognized long-term liability related to the health insurance costs of retirees. This liability, as mentioned in IPSAS report Document CD51/INF/6-A, ranges between

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

\$250 million and \$275 million. Common practice for these types of liabilities allows for the funding of the liability over a period of 30 to 40 years.

- (c) *A Reserve for the Master Capital Investment Fund (MCIF)—\$8,000,000*: The MCIF is funded only from residual excess of Regular Budget income over expenditure at the end of a given biennium, limited to \$2 million, with an option of an additional \$2 million with Governing Body approval. The proposal is intended to provide a safeguard in the event that an excess of Regular Budget income over expenditure does not materialize in any given biennium. The drawdown would be the same: up to \$2 million with an option of an additional \$2 million with Governing Body approval. A re-drafting of the Master Capital Investment Fund (MCIF) mechanism is being submitted concurrently to the 150th Session of the Executive Committee to allow for strategic Real Estate investment opportunities.
- (d) *Special Fund for Health Promotion—\$1,000,000*: The Organization's Special Fund Health Promotion is used by the Director for special, one-time public health initiatives during a biennium that typically do not fall under any one management entity. This can include, for example, World Health Day, World Immunization Week, the Partner's Forum for Action on Non-Communicable Diseases. This proposal is in line with Resolution CD19.R33 (1969), which permits the PASB Director to propose additional transfers to the Special Fund for Health Promotion arising from any surplus that may occur in a given biennium. This investment can secure a modest level of funding for strategic health promotion activities until such time that additional resources can be identified to replenish the Fund.
- (e) *Epidemic Emergency Fund—\$1,000,000*: The Epidemic Emergency Fund will be used as a revolving fund to advance monies to affected countries in the advent of an epidemic outbreak or public health emergency. Advanced funds would be recovered from appeals and other forms of voluntary contributions received in response to the emergency. This initiative dovetails with the Contingency Fund for Outbreaks contemplated within the WHO Reform (reference document EB130/5 Add.6).
- (f) *Food Safety Five-Year Plan—\$500,000*: In 2005, the government of Argentina repaid its debt to the Organization of a little over \$500,000 for back dues for operating the Pan American Institute for Food Protection and Zoonoses (INPPAZ). However, PAHO's Financial Regulations required that the funds be classified as miscellaneous income, which helps to finance the Regular Budget approved for the current biennium, and therefore could not be used as additional funding for food safety (FOS) activities at that time. This proposal aims to restore a similar amount to the re-paid debt to be used for food safety initiatives.

- (g) *Reserve—\$4,381,684*: Although there are many opportunities for investment, it is considered prudent management of resources to leave a modest amount of unallocated surplus funds in reserve to meet future unforeseen strategic and/or administrative initiatives. Future proposals for the use of this reserve may also include increases to any of the items listed above, if necessary.

Conclusion

8. In accordance with Financial Regulation 4.4, the Pan American Sanitary Conference must decide on the disposition of the one-time surplus of \$33,881,684 as a result of the adoption of IPSAS as of 1 January 2010.

Action by the Pan American Sanitary Conference

9. The Conference is invited to review the information in this document and consider adopting the proposed resolution in Annex A.

Annexes



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Annex A

PROPOSED RESOLUTION

USE OF THE SURPLUS RESULTING FROM THE IMPLEMENTATION OF IPSAS IN 2010

THE 28th PAN AMERICAN SANITARY CONFERENCE,

Having considered the document on the proposed use of the surplus that resulted from implementation of International Public Sector Accounting Standards (IPSAS) in 2010 (Document CSP28/22),

RESOLVES:

1. To endorse the criteria used in identifying the proposed projects to be funded from the surplus resulting from the implementation of IPSAS in 2010.
2. To approve, with immediate effect, investment of the IPSAS 2010 surplus in the following areas, as presented in Document CSP28/22:
 - (a) PASB Management Information System – US\$ 9,000,000;
 - (b) provision for the After-service Health Insurance Liability - US\$ 10,000,000;
 - (c) reserve for the Master Capital Investment Fund – US\$ 8,000,000 (including US\$ 1,000,000 for the creation of the Revolving Strategic Real Estate Subfund);
 - (d) increase to the Special Fund for Health Promotion – US\$ 1,000,000;
 - (e) establishment of the Epidemic Emergency Fund – US\$ 1,000,000;
 - (f) food safety five-year plan – US\$ 500,000;
 - (g) contingency reserve – US\$ 4,381,684.

3. To delegate to the Executive Committee the authority for monitoring and approval of all future submissions and re-submissions of proposals for the use of these surplus funds.
4. To request the Bureau to submit to the Subcommittee on Program, Budget and Administration, at appropriate intervals, a status report on each of the projects listed in paragraph 2, to include an updated scope, budget, and timetable, for subsequent review by the Executive Committee.



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Annex B

**Report on the Financial and Administrative Implications for the
Secretariat of the Proposed Resolution**

1. Agenda item: 5.5: Surplus from the Implementation of IPSAS in 2010
2. Linkage to Program and Budget: (a) Strategic objective: SOs 1, 6, 9 and 16 (b) Expected result: RERs 1.6; 1.7; 1.8; 1.9; 6.1; 9.1; 16.1; 16.2; 16.3; 16.4; 16.5; 16.6
3. Financial implications (a) Total estimated cost for implementation over the lifecycle of the resolution (estimated to the nearest US\$ 10,000, including staff and activities): The implementation of the Resolution has no additional cost itself. It will use the funds in the surplus identified for this purpose of US\$ 33.9 million. (b) Estimated cost for the biennium 2012-2013 (estimated to the nearest US\$ 10,000, including staff and activities): Approximately US\$ 23.5 million of the surplus is expected to be implemented in the 2012-2013 biennium. (c) Of the estimated cost noted in (b), what can be subsumed under existing programmed activities? None.
4. Administrative implications (a) Indicate the levels of the Organization at which the work will be undertaken: All levels: regional; subregional and country. (b) Additional staffing requirements (indicate additional required staff full-time equivalents, noting necessary skills profile): Existing staff from all areas of the Organization will be involved in implementing this resolution. (c) Time frames (indicate broad time frames for the implementation and evaluation): Most uses of the surplus will take place over the next four years (2012-2015).



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Annex C

ANALYTICAL FORM TO LINK AGENDA ITEM WITH ORGANIZATIONAL MANDATES	
1. Agenda item:	5.5: Surplus from Implementation of IPSAS in 2010
2. Responsible unit:	Planning, Budget, and Resource Coordination/Program and Budget (PBR/PB)
3. Preparing officer:	Roman Sotela, Senior Advisor, Program and Budget Management, PASB
4. List of collaborating centers and national institutions linked to this Agenda item:	Institutions in the areas of health promotion, epidemic emergencies, and food safety are likely to be involved with the implementation of some of the initiatives considered in this item.
5. Link between Agenda item and Health Agenda for the Americas 2008-2017:	This item has linkage to sections B, E and H of the Health Agenda for the Americas.
6. Link between Agenda item and Strategic Plan 2008-2012:	Three initiatives of the Agenda item have clear linkages to Strategic Objectives 1, 6 and 9. However, depending on other initiatives implemented through the Special Fund for Health Promotion, there is a potential for linkage with all other technical Strategic Objectives in the Strategic Plan (SOs 1-14).
7. Best practices in this area and examples from countries within the Region of the Americas:	The implementation of the Holding Account and related projects.
8. Financial implications of this Agenda item:	There are no additional PAHO resources required other than the surplus funds which are the purpose of this item.