



WORLD HEALTH ORGANIZATION

EXECUTIVE BOARD
111th Session
Provisional agenda item 4

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Proposed programme budget for the financial period 2004-2005

Real Estate Fund and Information Technology Fund

Report by the Secretariat

1. The Proposed programme budget 2004-2005 includes under the section Miscellaneous the proposals of the Director-General regarding, *inter alia*, the Real Estate Fund and the Information Technology Fund, which amount to US\$ 6 million and US\$ 45 million, respectively.
2. The present document provides more detailed information about these two activities, namely the proposed plans of action for 2004-2005 and longer term planning to cover the biennium 2006-2007, and updates information already submitted to the Executive Board at its 109th session.¹

REAL ESTATE FUND

3. In accordance with resolution WHA23.14 establishing the Fund, financing from the Real Estate Fund is to be used for acquisition of land and construction of buildings or building extensions, major repairs of and alterations to the Organization's existing office buildings, and housing for staff. Under that resolution, decisions on replenishment or increases in the Fund are made by appropriation by the Health Assembly from casual (now miscellaneous) income and specific Health Assembly authorization is required for acquisition of land and construction of buildings or building extensions.
4. Over the past few bienniums, it has become increasingly difficult for the Organization, within the level of funding that has been made available through the Real Estate Fund, to maintain appropriately buildings in all its principal locations. At this juncture, it is estimated that sizeable additional investment will be required over time to ensure the provision of an adequate level of security for staff working in country and regional offices and to remedy the gradual ageing of some of the Organization's buildings.
5. It is therefore intended to prepare over the next two years capital master plans for all main locations that would reflect the need, not only for current, routine maintenance, but also for major

¹ Document EB109/22.

work that will be required to maintain the overall viability and security of the Organization's office buildings and staff accommodation in Brazzaville.

6. Preliminary plans have been drawn up taking account of both currently existing and tentative requirements over the next two bienniums. The Annex sets out the latest estimated costs for planned maintenance, repair and extension of existing buildings, and construction of new buildings in 2004-2005 and 2006-2007.

7. With regard to a new construction at headquarters, the Swiss Federal and Geneva State Governments have indicated their willingness to finance a WHO/UNAIDS building, the cost of which to be repaid through an interest-free, 50-year reimbursable loan up to an estimated amount of CHF 55 million. Since the building is to be shared equally between UNAIDS and WHO, WHO's share of the costs is estimated at CHF 27.5 million, repayable over 50 years.¹ Accordingly, resolution WHA55.8 authorized

the Director-General to proceed with the construction of a new building at headquarters at a cost currently estimated at CHF 55 000 000, of which WHO's share is estimated at CHF 27 500 000, on the understanding that if WHO's share were likely to exceed by more than 10% the aforementioned amount, further authority would be sought from the Health Assembly.

8. The project for the new construction and its architect have been selected. Plans have been drawn up and final costs have been estimated at some CHF 66 million, instead of the CHF 55 million originally calculated. Of that amount, the Swiss authorities are presenting to their parliament for approval, a proposal consisting of an interest-free 50-year reimbursable loan of CHF 61 million. WHO's share of the latter – CHF 30.5 million – will amount to a yearly reimbursement of CHF 610 000 (or some US\$ 400 000), as compared to CHF 550 000 based on the previously estimated share of CHF 27.5 million.

9. As regards the remainder of the difference in costs, namely CHF 5 million (CHF 66 million total estimated costs, less CHF 61 million expected to be financed by the Swiss authorities), assurances have been secured from UNAIDS that it will be able to finance its share, which represents one half of this amount. WHO's share of CHF 2.5 million is expected to be more than covered by the compensation to be provided by the Swiss authorities for demolition of the V building in order to allow for the construction of a new road accessing the highway to Geneva's airport. The V building currently houses UNAIDS; its value has been estimated at some CHF 3 million.

10. The total cost of the initial plans submitted by the regions and headquarters for the financial period 2004-2005 amounts to US\$ 13 105 000,² which exceeds the appropriation in the Proposed programme budget 2004-2005 for the Real Estate Fund by slightly over US\$ 7 million. The difference stems mainly from the incorporation of estimated figures for the African Region amounting to US\$ 5 760 000 which were not included in the previous estimates.¹

11. In accordance with resolution WHA55.8, paragraphs 2, 3 and 6, the cost of the new buildings at headquarters (US\$ 400 000 for 2005), and the construction of an extension to Building 2 and a new four-storey building and car park in the Regional Office for the Western Pacific (US\$ 1.7 million for the biennium 2004-2005), totalling US\$ 2.1 million, will be financed from the Real Estate Fund as a

¹ See document EB109/22.

² See Annex.

priority. The remaining proposals will be carefully analysed and prioritized so that the total amount utilized remains within the provision of US\$ 6 million requested for the Real Estate Fund for the 2004-2005 biennium.

INFORMATION TECHNOLOGY FUND

12. WHO's existing administrative information technology systems (budget and finance, human resources, payroll, and procurement) were developed over the past 25 years. Although some ad hoc improvements have been made over the years, these systems have, at this juncture, more than exceeded their projected operational life expectancy and cannot be adapted in an efficient and effective manner to meet the current and future programme-management requirements of WHO.

13. A total overhaul is therefore essential in order progressively to replace each of the existing systems over the next five years. In so doing, it is vital for the proper and timely functioning of the Organization to expand the operability of all these systems to the country level. The aim is to have all these new systems encapsulated in a global management system and fully operational at all levels of the Organization by the end of the biennium 2006–2007.

14. A project has been put in place for the global management system and a new team is being assembled to expand on initial work that has already started in the areas of budget and finance, human resources and procurement. It is envisaged that a core of seven or eight professionals will be selected to work full time under a project director who will be in place in early January 2003. The project would be implemented in a phased manner, with separate global systems for each function, a single global data bank, and necessary interfaces between functionalities. During the development and implementation phases of a system for a given function it is intended to reinforce the core team with technical staff from all main locations of the Organization familiar with that function. It is therefore expected that such staff will actively participate in the project by joining the core team for three or four one-month periods, which will allow the necessary interface between the conceptual, practical and operational aspects of each of these systems.

15. The cost of the system replacement represents an investment for WHO. As such it is a one-off capital cost, which should be funded through the Information Technology Fund established under Financial Regulation 9.3. It is proposed that this Fund should be financed by way of appropriation from both the regular budget and other sources. Such financing would reflect the fact that the systems will support the management of programmes funded by both the regular budget and other sources of funds.

16. The overall project cost is estimated at some US\$ 55 million, spanning a period of five years. During 2003 the estimated costs of US\$ 3 million will be met from existing regular budget appropriations and other sources of funding. It is expected that the major funding requirement to meet the cost of software and hardware will be needed in the biennium 2004-2005 (US\$ 45 million), with some costs (US\$ 7 million) occurring during the biennium 2006-2007 in order to complete the project. In the Proposed programme budget 2004-2005, provisions have been made for US\$ 45 million: US\$ 15 million to be financed by appropriation from the regular budget and US\$ 30 million from other sources, which may include funds from the Special Account for Servicing Costs and voluntary contributions both in kind and in cash.

17. Full information will be provided to the Executive Board on progress achieved regarding the global management system, including detailed cost estimates and a precise timeline for the entire project.

ACTION BY THE EXECUTIVE BOARD

18. In respect of the Real Estate Fund, the Executive Board may wish to adopt a resolution along the following lines:

The Executive Board,

Having considered the Director-General's report on the Real Estate Fund and Information Technology Fund,¹

RECOMMENDS to the Fifty-sixth World Health Assembly the adoption of the following resolution:

The Fifty-sixth World Health Assembly,

Having considered the report of the Director-General on the Real Estate Fund and Information Technology Fund;

Recalling that paragraph 2 of resolution WHA55.8 authorized the Director-General to proceed with the construction of a new building at headquarters at a cost then estimated at CHF 55 000 000, of which WHO's share was estimated at CHF 27 500 000, on the understanding that if WHO's share were likely to exceed by more than 10% the aforementioned amount, further authority would be sought from the Health Assembly;

Recalling that paragraph 3 of resolution WHA55.8 approved the use of the Real Estate Fund for the repayment over a 50-year period of WHO's share of the interest-free loan to be provided by the Swiss authorities with effect from the first year of the completion of the building;

Noting that the costs of a new building at headquarters are now estimated at some CHF 66 000 000, of which WHO's share is estimated at CHF 33 000 000;

Noting that the Swiss authorities are presenting to their parliament for approval a proposal consisting of an interest-free 50-year reimbursable loan of CHF 61 000 000 of which WHO's share is CHF 30 500 000;

Further noting that negotiations are continuing with the Swiss authorities in respect of the value of compensation for the demolition of the V building, the amount of which is expected to cover the CHF 2 500 000 difference between WHO's share of the estimated cost of the building and WHO's share of the interest-free reimbursable loan,

¹ Document EB111/13.

1. REITERATES its appreciation to the Swiss Confederation and to the Republic and Canton of Geneva for the continued expression of their hospitality;
2. CONFIRMS its authorization to the Director-General to proceed with the construction of the new building at headquarters at a cost which is now estimated at CHF 66 000 000, of which WHO's share is CHF 33 000 000;
3. ALSO CONFIRMS its approval of the use of the Real Estate Fund for the repayment over a 50-year period of WHO's share of the interest-free loan to be provided by the Swiss authorities with effect from the first year of completion of the building, on the understanding that the remainder of WHO's share of the total cost will be covered by the compensation to be provided to WHO by the Swiss authorities for the demolition of the V building.

ANNEX

**FOUR-YEAR ROLLING PLAN FOR THE REAL ESTATE FUND:
BUILDING ACQUISITION, CONSTRUCTION AND MAINTENANCE
(US\$ thousand)**

Office	Description	2004	2005	2006	2007
A. BUILDING ACQUISITIONS AND CONSTRUCTION					
Western Pacific	Extension of building 2; construction of a four-storey building at the Regional Office (resolution WHA55.8)	600	1 100	-	-
Headquarters	Reimbursement of loan for construction of WHO/UNAIDS building (resolution WHA55.8)	-	400	400	400
Africa	Construction of new housing in the Djoue premises (project not yet submitted to the Health Assembly)	550	250	700	700
	Construction of new office space and conference room at the Regional Office site (project not yet submitted to the Health Assembly)	1 700	420	210	-
	Total A of which approved	2 850 600	2 170 1 500	1 310 400	1 100 400
B. MAINTENANCE					
Africa	Overhaul of water supply, fire hydrants and elevators, renovation of roofs of the Regional Office, villas and apartments	1 660	1 180	-	160
The Americas	Remodelling of three meeting rooms, repair of garage slabs, renovation of toilets	100	100	100	100
South-East Asia	Installation of new power generator, replacement of various electrical fittings, reinforcement of the cooling system, replacement and upgrade of fire-fighting system	435	190	700	100
Europe	Refurbishing of ventilation system, replacement of light fittings, improvement of fire-fighting systems, renewal of safety glassing	530	320	95	250
Eastern Mediterranean	Reinforcement of security at Regional Office and offices of the WHO Representatives	185	185	-	-
Western Pacific	Upgrading and improvement of existing facilities	110	110	110	110
Headquarters	Maintenance and renovation of buildings, Executive Board room and four meeting rooms, replacement of central-heating boilers, renovation of cooling system and electrical circuits in the main building	1 480	1 500	1 500	250
	Total B	4 500	3 585	2 505	970
	Grand total	7 350	5 755	3 815	2 070

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