



WORLD HEALTH ORGANIZATION

EXECUTIVE BOARD
117th Session
Provisional agenda item 5.3

EB117/18
16 January 2006

Real Estate Fund: progress report

Report by the Director-General

INTRODUCTION

1. After discussion of the item Real Estate Fund at its 115th Session,¹ the Executive Board requested the Director-General to report on progress made on elaboration of a 10-year capital master plan and development of a long-term mechanism for the financing of this plan at its 117th session.²

2. Traditionally, submissions for projects to be financed by the Real Estate Fund have been based on the immediate requirements of each location individually, without consideration of relative priorities across locations and have been reviewed independently of overall needs. A 10-year capital master plan will help to establish an integrated, collaborative and coordinated approach to managing and maintaining the Organization's physical infrastructure. With such a plan, local requirements would be assessed in the light of global needs, priorities would be set, and potential surges in the need for budgetary appropriations would be avoided, enabling the Secretariat to respond better to changing requirements. It would also help to ensure that the projects proposed are consistent with operational needs, are in line with organizational objectives, and that financial resources are used in the most effective way.

3. In a study of building-management practices,³ the Joint Inspection Unit (JIU) surveyed financing modalities in a selection of international organizations. The survey indicated a pattern in the financing of building-management projects based on the distinction between maintenance and repair on the one hand, and capital expenditure on the other. The term "capital expenditure" is defined as the cost of major renovation, upgrading and construction projects and of larger information technology projects, which add value to a given facility. Costs of ongoing maintenance work are usually not encompassed by this term, since such maintenance work does not entail a change in the book value of the buildings concerned. The pattern of financing modalities indicated that maintenance and repair

¹ See document EB115/2005/REC/2, summary record of the tenth meeting, section 1.

² Decision EB115(10).

³ Joint Inspection Unit. Management of buildings: practices of selected United Nations system organizations relevant to the renovation of the United Nations headquarters. (Document JIU/REP/2001/1).

work is financed by cash payment, principally through the regular budget, and occasionally through special account arrangements. Capital expenditure for major improvements and construction is financed either by cash payment based on special account arrangements, by deferred payment (i.e., loans from quasi-governmental organizations or commercial borrowing repaid from the regular budget), or by a combination of the two methods.

4. Although the JIU report describes WHO's Real Estate Fund as an illustration of good practice, experience shows that this mechanism would not allow for the level of funding required to implement a capital master plan. Its financing is currently established in the context of the overall biennial budget, in which technical priorities take precedence. Other financing modalities need to be explored, as it has become increasingly difficult for the Organization to maintain appropriately buildings at all its locations through this mechanism.

5. During periods of severe financial constraint, maintenance is frequently one of the first areas identified for budgetary cuts. This is understandable, as substantive programme activities are accorded higher priority during periods of austerity than facilities management programmes. However, serious problems arise when periods of reduced or deferred expenditure in facilities are not followed by periods of higher-than-normal expenditure. Some aspects of the maintenance programme may become permanently deferred; lack of maintenance will inevitably lead to breakdowns, which in turn increase the overall need for resources to undertake emergency repairs at a later date.

6. This reactive approach has several other disadvantages. One is the disruption to planned maintenance work which is superseded by emergencies. In addition, there is the disruption that technical breakdowns cause to the work of the Organization. Further, users are exposed to a possibly unacceptable high degree of risk in buildings where equipment and systems no longer respond to modern security, safety and environmental standards and norms.

7. In his report on the capital master plan for the United Nations Headquarters complex in New York,¹ the Secretary-General illustrates the point that a "reactive approach" to maintenance – one where required alterations are undertaken as and when the need arises – is much more costly. Over a 25-year period, it was estimated that this approach would cost US\$ 1644 million, and the Headquarters complex would not have been fundamentally upgraded or improved, but merely repaired. Application of a capital master plan, however, was estimated at US\$ 1290 million, and buildings and technical installations would have been upgraded and improved.

8. The 10-year capital master plan for WHO will address the need for a more strategic approach. It will present a complete and integrated picture of the Organization's infrastructure needs and provide an indication of the level of renovation, major maintenance, construction and security that is needed for the period 2008-2017. The plan will also help to manage rescheduling of real-estate projects, especially when budgetary priorities are such that the necessary funding cannot be guaranteed.

9. To provide a baseline for the 10-year capital master plan for WHO's principal locations, an Organization-wide infrastructure survey is being conducted to establish an inventory of all properties and buildings owned or occupied at all duty stations. This survey will reveal, among other information, the precise extent and nature of real estate holdings, gross building floor areas, and an initial appreciation of the state of building maintenance at all locations.

¹ Document A/55/117.

10. On the basis of the infrastructure survey and further work on financing modalities, a sustainable capital master plan for real-estate operations would be submitted to the Executive Board at its 119th session in January 2007. As projects to be financed from the Real Estate Fund for the biennium 2006-2007 have already been approved by the Health Assembly,¹ it is proposed to align the capital master plan with the medium-term strategic plan for the period 2008-2013. A plan of action is annexed for consideration.

ACTION BY THE EXECUTIVE BOARD

11. The Executive Board is invited to note the above report and to consider the plan of action.

¹ Resolution WHA58.21.

ANNEX

PLAN OF ACTION

1. Establish an Organization-wide real-estate inventory

The Organization-wide infrastructure survey will make it possible to compile a database of all properties and buildings owned or occupied by WHO at all duty stations and will serve as the baseline for the 10-year capital master plan. This survey will reveal the precise extent and nature of WHO's real-estate holdings, gross building floor areas and a baseline appreciation of the state of infrastructure maintenance at all locations.

2. Assess needs

A rolling capital master plan will be drawn up for all main locations. It will reflect the current status, routine maintenance needs and major work required to maintain the overall viability and security of the Organization's office buildings and of staff accommodation in Brazzaville. The plan will be aligned with the medium-term strategic plan for the period 2008-2013.

3. Define indicators

Indicators will be defined, by which current maintenance conditions of the property will be assessed and the needs identified in the capital master plan prioritized. Criteria that ensure a healthy, productive and safe work environment will be taken into account when establishing the indicators.

4. Explore financing options

All possible financing options for meeting the cost of the 10-year capital master plan, including, but not limited to, interest-free loans, commercial borrowing, voluntary contributions and the application of a one-time or multiple-year special assessment, will be explored and evaluated.

5. Implementation timeline

2006

January-April	Preparation of an Organization-wide real-estate inventory
January-April	Elaboration of a draft capital master plan
January-June	Design of indicators
July-September	Prioritization of needs on the basis of indicators and refinement of the draft capital master plan for real estate, including identification of financing options
September-October	Consideration of the draft capital master plan for real estate by the WHO regional committees

2007

- January Review by the Programme, Budget and Administration Committee of the Executive Board and the Executive Board of the draft capital master plan for real estate (including changes to reflect comments made by the regional committees)
- January-April Further refinement of draft capital master plan for real estate in the light of comments made by the Executive Board
- May Further review of the capital master plan for real estate by the Programme, Budget and Administration Committee of the Executive Board and submission to the Health Assembly

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