World Health Organization

SIXTIETH WORLD HEALTH ASSEMBLY — **A60/5**
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Real estate: draft capital master plan

Report by the Director-General

BACKGROUND

1. It has become increasingly difficult for the Organization, through the Real Estate Fund, to maintain buildings appropriately at all its principal locations. Considerable additional investment would be required over time to ensure adequate security for staff and rehabilitate some of the Organization's buildings.

2. Traditionally, each application for support from the Real Estate Fund has been judged on its merits alone, without comparing priorities across locations. In periods of austerity, maintenance is frequently targeted for cuts because substantive programme activities are accorded higher priority. However, problems arise when periods of reduced or deferred expenditure on facilities are not followed by phases of higher-than-normal expenditure.

3. This reactive approach disrupts the work of the Organization and may expose people to unacceptable risks in buildings where equipment and systems no longer meet modern security, safety and environmental standards.

4. WHO's draft capital master plan 2008–2017 offers a strategic and integrated approach to managing and maintaining the Organization's physical infrastructure. It sets out the Organization's global infrastructure needs for the period 2008–2017 in respect of renovation, major maintenance, construction and security. The plan will help to manage the rescheduling of real-estate projects in line with budgetary priorities. Local requirements will be assessed in the light of global needs, priorities set, and potential surges in demand avoided, thus enhancing response to changing requirements. The plan will also help to ensure that the projects concerned meet operational needs and organizational objectives while remaining cost effective.

5. WHO accommodates its staff in property that is owned, occupied on a cost-shared basis, rented commercially or provided rent free by Member States. The conditions of accommodation vary greatly and often do not match the Organization's needs in terms of space, safety, security and environmental standards.

6. Of a total of 188 WHO locations, the buildings and/or land of only 15 are owned by the Organization, including headquarters and five of the regional offices. Of the other offices, including those in United Nations houses and other United Nations common premises, 73 are provided free of charge by the host government concerned and 100 are in premises that are rented or occupied on a cost-shared basis.

GUIDING PRINCIPLES GOVERNING ACCOMMODATION ARRANGEMENTS

7. Where feasible, the Organization uses United Nations common premises arrangements, which encourage a consolidated country presence and a simpler provision of logistics and security. In some locations, such arrangements also permit the outsourcing of management and support services to partner agencies on a cost-shared basis, thus reducing initial capital investment and staffing requirements.

8. If United Nations common premises are not available, premises provided by the host country are the best alternative; with this option there is no liability for maintenance and major repair, and rental inflation and management of the premises in general are avoided.

9. Renting premises does not entail any repair and renewal cost or any capital expenditure; it also makes it easier to expand, contract or relocate as and when necessary. However, renting exposes the Organization to rental inflation, making it the most expensive option over a 10-year period. In addition, restrictions on altering rented premises may prejudice the security and safety of staff and assets.

10. The Organization has built or bought premises only when this has been cost effective or justified for reasons of safety and security. This option allows premises to be designed or altered, taking security and specific needs into account. However, it entails purchase, maintenance and repair costs, and there is also the risk that buildings may be lost or heavily damaged during civil unrest or natural disasters.

11. Security of staff and premises – a priority for the Organization – calls for sizeable additional investment. The draft capital master plan 2008–2017 takes account of real-estate needs in respect of security, based on local risk and threat assessments and in compliance with the United Nations Minimum Operating Security Standards.

ORGANIZATION-WIDE REAL-ESTATE INVENTORY

12. In order to provide a baseline for the plan in respect of the Organization's principal locations, an Organization-wide real-estate survey was conducted in 2006. The results are set out in the Organization-wide real-estate inventory,[1] which now contains, for the sites and buildings at all the Organization's locations, general facts and figures on the extent and nature of real-estate holdings, the status of maintenance, situational factors and health and safety indicators, together with basic information on compliance with the United Nations Minimum Operating Security Standards.

13. Of its 188 locations, a total of 80 offices, including headquarters and the six regional offices, are wholly or partly maintained at the Organization's cost. Most offices rate the state of maintenance of their buildings as good or better than good.

14. None the less, almost half the locations indicate that within the next two years major repairs and/or renovation will be needed. The work involved ranges from painting and maintenance to major

[1] Available on request.

security-related enhancements (installation of perimeter walls and fences, shatter-resistant glass, alarm systems and security rooms).

DEFINITION OF INDICATORS

15. In order to assess the current maintenance conditions of any given property and to help to prioritize the projects requiring investment, a mechanism using indicators has been devised. Each project is assessed on the basis of six indicators of priority: security, health and safety, economy and efficiency measures, environmental concerns, introduction of new technology and innovation, and miscellaneous factors. The combination of these indicators is then used to identify the facilities in greatest need of investment and to help to set priorities, especially when resources are limited. The draft capital master plan 2008–2017 includes these self-assessed priority indicators, as established by the regional offices and headquarters. Projects included in the draft plan will be reviewed by an independent party before implementation; contracts will be awarded using the Organization’s standard bidding procedures.

CAPITAL MASTER PLAN 2008–2017

16. The draft capital master plan gives an Organization-wide overview of projects for the period 2008–2017 and lists all areas concerned: security, health and safety, efficiency, energy conservation and the environment, and new technology and innovation. It also includes a summary of the estimated recurrent infrastructure cost (in respect of routine maintenance and repair, utilities and building rental), together with capital expenditure costs. The term “capital expenditure” is defined as the cost of major renovation, upgrading and construction and of large information technology projects, which add value to a given facility. Maintenance is not usually encompassed by this term, since such work does not change the book value of the buildings concerned.

17. The total package Organization-wide for the 10-year period 2008–2017 is estimated at US$ 289.5 million, of which US$ 91.6 million represent capital expenditure costs.

18. A number of projects have been deferred in recent years and the draft capital master plan reveals the need for initial “catch-up” investments in the biennium 2008–2009. The total infrastructure cost Organization-wide for 2008–2009 is estimated at US$ 57 million, of which US$ 34.1 million represent recurring infrastructure costs, and US$ 22.9 million represent capital expenditure costs (broken down into US$ 10.3 million for major renovation and alterations to existing office buildings and staff housing, US$ 11.4 million for capital acquisition and construction, and US$ 1.2 million for security-related projects). In the remaining four bienniums of the 10-year period of the plan, capital expenditure is likely to fluctuate according to the priorities set and the availability of adequate financing.

19. With budgets increasing and decentralization being implemented, accommodation at many locations is no longer sufficient to house the growing number of staff, which is having a negative impact on coordination and effectiveness in many cases. The two regional offices concerned (those for South-East Asia and for the Western Pacific) propose to construct new offices or to add floors. The Regional Office for Africa proposes construction of additional staff houses and apartments.

20. At headquarters, the 40-year-old heating system in the main building is in urgent need of replacement. There have been several emergency replacements of pipes, and further leaks may occur if replacement of the system is deferred. In 2004 asbestos was found in the dividers between offices of

the main building. Since the replacement of the heating ducts will necessitate opening these dividers, the asbestos will be removed at the same time. The main meeting rooms and the Executive Board room at headquarters are also in urgent need of refurbishment in order to meet safety requirements and to upgrade the sound and interpretation system.

21. A building programme committee has been established at headquarters in order to ensure that projects are reviewed, assessed, adjusted and re-prioritized on a continuing basis, in the light of local needs and resource constraints. The committee will also consider the appropriateness of submitting any new project as part of the capital master plan 2008–2017, endeavour to spread expenditure more evenly over the period of the plan, and propose other sources of financing.

FINANCING

22. In a study of building-management practices,[1] the Joint Inspection Unit conducted a survey in a number of international organizations. The results 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.

23. The pattern of financing modalities shows that maintenance and repair work is financed by cash payment, principally through the regular budget and occasionally through special account arrangements. On the other hand, capital expenditure for major improvements and construction tends to be financed by cash payment based on special account arrangements, by deferred payment (i.e. loans from quasi-governmental organizations), or by commercial borrowing repaid from the regular budget.

24. As indicated in paragraph 18 above, the total cost of appropriately maintaining the buildings of the Organization, including the need for capital expenditure, is estimated at US$ 57 million for 2008–2009. More than half this amount relates to recurrent infrastructure costs, which are traditionally covered by regular budget appropriations. The remainder consists of those capital expenditure projects that would normally be financed through the Real Estate Fund. However, over the years the Fund has been underfinanced in the context of the overall biennial budget in which technical priorities take precedence.

25. At its 120th session, the Executive Board recommended that the resource requirements in support of the draft capital master plan should be considered as an integral part of the Proposed programme budget in general, and of strategic objectives 12 and 13 in particular. The Board requested that expenditure should be spread more evenly over the period of the plan.[2]

26. Although an effort has been made to reprioritize projects, the Health Assembly may wish to note that the remaining imbalance in the spread of expenditure over the period of the plan derives from urgent projects in the Regional Office for Africa and at headquarters that cannot be deferred. The projects in the African Region pertain to the closing of the Regional Office in Harare and the

[1] 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).

[2] See document EB119–EB120/2007/REC/2, summary record of the eighth meeting of the 120th session of the Board, section 1.

subsequent relocation of staff to Brazzaville. The work at headquarters pertains to the urgent projects referred to in paragraph 18. Serious problems may arise when expenditure on facilities is deferred, as lack of maintenance could lead to breakdowns, which in turn increases the need for resources in order to undertake emergency repairs at a later date and at a higher cost because of inflation and exchange rate fluctuations.

27. The table attached at Annex summarizes the financing requirements of the draft capital master plan for the period 2008–2017, with details by principal location for the biennium 2008–2009. As a result of efforts to spread expenditure more evenly over the period covered by the plan, the amount that will need to be appropriated from the Proposed programme budget 2008–2009 is US$ 22.9 million.

ACTION BY THE HEALTH ASSEMBLY

28. The Health Assembly is invited to note the above report and approve the appropriation of US$ 22.9 million from the Proposed programme budget 2008–2009 for capital expenditure. If approved this would be reflected in the appropriation resolution.

ANNEX

CAPITAL MASTER PLAN 2008–2017
FINANCING REQUIREMENTS (US$ thousand)

Location	Capital expenditure 10 years	Maintenance repairs 10 years	Total 10 years	Capital expenditure 2008–2009	Maintenance repairs 2008–2009	Total 2008–2009
Africa	18 942	30 837	49 779	7 700	4 746	12 446
The Americas	1 702	9 466	11 168	200	1 606	1 806
South-East Asia	8 110	9 490	17 600	890	1 725	2 615
Europe	6 155	17 393	23 548	595	3 276	3 871
Eastern Mediterranean	10 693	35 864	46 557	3 727	5 874	9 602
Western Pacific	2 062	7 935	9 997	1 214	1 408	2 622
Headquarters	43 891	86 917	130 808	8 581	15 436	24 017
Total	91 554	197 902	289 457	22 907	34 072	56 979

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