



# WORLD HEALTH ORGANIZATION

**EXECUTIVE BOARD**  
**109th Session**  
**Provisional agenda item 5.2**

**EB109/22**  
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## **Revolving and other long-term funds**

### **Report by the Director-General**

#### **BACKGROUND**

1. The Fifty-fourth World Health Assembly was advised that WHO expected to face significant requirements in respect of both real estate and information technology. More detailed reports on plans for both these areas of capital expenditure would be presented to the Executive Board at its 109th session in January 2002.<sup>1</sup>
2. Developments in the United Nations system in respect of security of staff will require expenditure by WHO and a consequent need to establish a fund to record this.
3. As part of the implementation of the revised Financial Regulations<sup>2</sup> and Financial Rules,<sup>3</sup> the Revolving Sales Fund, established under resolution WHA22.8, has been reviewed in order to ensure that its presentation is transparent and consistent with other funds.
4. The following report therefore provides information on the Real Estate Fund, the Information Technology Fund, the creation of a security fund, and the Revolving Sales Fund.

#### **Real Estate Fund**

5. Funding from the Real Estate Fund is used for the principal purposes of acquisition of land and construction of buildings or building extensions, as well as major repairs of and alterations to the Organization's existing office buildings. Under resolution WHA23.14, establishing the Fund, decisions on replenishment or increases in the Fund are made by appropriations by the Health Assembly from miscellaneous income.<sup>4</sup> Specific Health Assembly authorization is required for acquisition of land and construction of buildings or building extensions.

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<sup>1</sup> See document A54/6, Annex 2.

<sup>2</sup> Adopted by resolution WHA53.6.

<sup>3</sup> Confirmed by resolution EB107.R6.

<sup>4</sup> The Health Assembly by resolution WHA54.20 appropriated US\$ 3 million for the Real Estate Fund in 2002-2003.

6. The Annex sets out the estimated costs over the next five years of planned maintenance, repair, and extension of existing buildings, as well as construction of new buildings. Additional information is provided below.

7. Resolution WHA54.7 authorized the Director-General to proceed with negotiations with the Swiss authorities on the project for construction of a WHO/UNAIDS building,<sup>1</sup> and requested her to report further on the project to the Fifty-fifth World Health Assembly.

8. The Regional Office for Africa has started to move back to Brazzaville from its temporary location in Harare. It is therefore premature for the Office to compile a meaningful five-year maintenance and repair plan, although such a plan will be prepared and included in future reports. There exist, however, immediate needs as the return to Brazzaville requires funds in 2002 to reinforce security around the compound, enhance its infrastructure, and purchase two houses situated within the compound to render it self-contained.

9. The Regional Office for the Americas/Pan American Sanitary Bureau plans to remodel the Council Chamber and two meeting rooms, including interpretation facilities, to repair garage slabs, and to renovate a number of bathrooms. In accordance with past practice, whereby a quarter of the office staff costs are financed by WHO, 25% of the estimated cost is included in the Annex.

10. The Regional Office for South-East Asia plans to replace two heavy generators, a lift, transformers and cabling, to extend air conditioning to the annex, and to install a standby air conditioning plant. Office remodelling is necessary to enable the registry service to be relocated to create additional office space.

11. The Regional Office for Europe has carried out jointly with the Government of Denmark a survey of the premises, now over 30 years old. An overall repair liability of US\$ 2.3 million has been estimated. The modernization of the buildings includes upgrading the fire alarm system, controls and fire doors, renewing light fixtures and the emergency power system, refurbishing the ventilation system and cafeteria, and installing a building-management system. Discussions are in progress with the Government regarding the apportionment of cost. The cost indicated in the Annex represents approximately half the overall estimated cost.

12. The Regional Office for the Eastern Mediterranean has only recently moved into the new office in Cairo and therefore does not envisage any significant capital expenditure over the next five years. However, the security of both the Regional Office and country offices requires upgrading. Further, the Juba compound building requires significant renovation.

13. The Regional Office for the Western Pacific is suffering from overcrowded office accommodation that does not meet international standards. A phased approach has been planned to tackle this problem: (a) extension of Building 2 to provide an additional 1032 m<sup>2</sup> of office space; (b) improvement and upgrading of existing facilities in Buildings 1, 2, and 3; and (c) construction of a four-storey building for offices and to provide additional parking space.

14. Headquarters plans to carry out four major projects over the next five years: (a) renovation of the Executive Board room and the four main meeting rooms; (b) installation of a new security system; (c) installation of a cooling system for the offices in the annexes L and M, and (d) replacement of four central-heating boilers.

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<sup>1</sup> Document EB107/2001/REC/1, Annex 1, Section II.

15. In light of the pressing need for office accommodation for headquarters and UNAIDS, negotiations have continued over the past year between representatives of the Swiss Federal and State Governments, and of UNAIDS and WHO for the construction of a new building.<sup>1</sup>

16. The Federal and 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. Negotiations are continuing in order to seek a reduction of that amount through the compensation to be provided by the Swiss authorities for the demolition of the V Building** (currently housing UNAIDS) in order to allow for the building of a new road accessing a neighbouring highway. The repayment of the WHO share of the Swiss loan will be in fixed annual instalments, the first of which will be due at the end of the first year of completion of the building, currently expected to be in 2005.

### **Information Technology Fund**

17. The existing WHO administrative information technology systems (budget and finance, human resources, payroll, and procurement) were developed over the past 25 years. During this time the funding of WHO has moved from that of an organization financed largely from the regular budget, to one that currently depends for more than half its financial resources on voluntary contributions. Results-based budgeting has been introduced, reform of human resources is in progress, the financial framework has been revised, the procurement process for goods and services is being modernized, and a greater focus is being placed on operations in countries.

18. Although some *ad hoc* improvements have been made over the years to the existing systems, they cannot be adapted in an efficient and effective manner to meet the current and future programme management requirements of WHO. It is therefore necessary to replace the core systems for budget and finance, human resources, payroll and procurement progressively over the next two bienniums, aiming to have new systems operational at all levels of the Organization, including at country level. The implementation of such systems will require a sizeable financial and human investment.

19. In 1999 an information technology strategy was developed which recommended that these core systems should be replaced by a global integrated system known as an enterprise resource package. The feasibility of implementing such a system has been evaluated and reviewed since then. The experience of other organizations of the United Nations system which are at varying stages of similar projects to replace systems has been of great value in determining the manner in which to progress. Options such as assembling a selection of other software packages, implementing systems developed for other organizations, and the customization and development of some systems currently operating in WHO's regions or at headquarters has also been evaluated. The conclusion has been reached that it may be more appropriate to have separate systems for each function with the necessary interfaces rather than one global, all-encompassing system.

20. The process is now entering into the operational phase. Teams of staff are being assembled to begin detailed work, including workflow analysis, in order to determine specific requirements so that a formal bidding process can be launched to select one or more systems. At this juncture the overall project cost is estimated at some US\$ 50 million over a three- to four-year period. A more detailed and accurate cost estimate will be established.

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<sup>1</sup> See document EB107/2001/REC/1 Annex 1, Section II.

21. The cost of system replacement represents an investment for WHO and as such is a one-off capital cost, which may be funded through an Information Technology Fund to be established under Financial Regulation 9.3. It is proposed that this fund should be financed by way of appropriation from the regular budget and from other sources (the Special Account for Servicing Costs). This financing will reflect the fact that the systems will support management of programmes funded by both the regular budget and extrabudgetary contributions. It is currently intended to propose that regular budget funding of the order of US\$ 20 million for 2004-2005, to be supplemented by funding from the Special Account for Servicing Costs. Voluntary contributions both in kind and in cash will also be sought.

### **Security fund**

22. United Nations General Assembly resolution 55/238 (II) of 23 December 2000 *inter alia* requested the Secretary-General “to develop, in coordination with the executive heads of the United Nations specialized agencies, funds and programmes, an effective mechanism for cost-sharing arrangements” for the proposals set forth in the Secretary-General’s report on the safety and security of United Nations personnel.

23. Based on results of a census of the field workforce, ACC approved a cost-sharing formula for the biennium 2002-2003 in respect of a total budget of US\$ 53.2 million as follows:

- executive direction and management costs (US\$ 4.2 million) would be borne by the United Nations
- field-related expenditures would be shared by all other organizations as a proportion of their overall field presence.

24. Under the formula, WHO’s contribution would be US\$ 5 161 200 (based on 10.27% of the total field workforce), to which should be added some US\$ 139 000 for insurance cost, for a total of some US\$ 5 300 000 for the biennium 2002-2003.

25. The Director-General decided to establish a post of Director, Security Coordination, together with a general services post, in order to support security management in the Organization. The cost of this office, including related security-training funds, for the biennium 2002-2003 is estimated at some US\$ 700 000.

26. The total cost of security for the biennium 2002-2003 is therefore estimated at US\$ 6 million. This cost pertains to the provision of security services for staff in all locations who are engaged in work that is funded by both the regular budget and other sources. In view of the increased importance attached to the provision of security for WHO staff, in accordance with Financial Regulation 9.3, the Director-General has decided to establish a security fund to record the income and expenditure related to provision of security coordination both through reimbursement of WHO’s share of the United Nations system’s costs and those pertaining to the Secretariat. The security fund will be financed by a transfer from regular budget allocations for the regions and headquarters and from other sources (the Special Account for Servicing Costs). Thus it does not require any further appropriation for the biennium 2002-2003.

## Revolving Sales Fund

27. By resolution WHA22.8, the Twenty-second World Health Assembly confirmed “the decision of the Twelfth World Health Assembly in operative paragraph 1 of resolution WHA12.6 that the Revolving Sales Fund shall consist of proceeds of the sale of publications, films, filmstrips, other visual media and any other items which the Organization may produce for sale”. Accordingly, all such sale proceeds are credited to the Fund.

28. Resolution WHA22.8 requires different accounting treatment for different expenditure. In accordance with operative paragraph 4(i), expenditure for production may be charged directly to the Fund. Expenditure for sales promotion is treated differently. In accordance with operative paragraph 4(iii), at the end of each year “an amount corresponding to the estimated cost of sales promotion and of staff exclusively engaged in sales for the following financial year shall be transferred from the Fund to the Special Account for Servicing Costs”. In other words, part of the expenditure is shown directly in the Fund account, while another part appears in the Special Account for Servicing Costs. This practice means that the overall financial picture of neither the Revolving Sales Fund nor the Special Account for Servicing Costs is easily understandable.

29. It is proposed to change the accounting treatment for the Revolving Sales Fund so as to **credit all sale proceeds and to debit expenditure to the Fund itself**. As a result, the financial status of the Fund may be presented to Member States in one place, namely, Statement 1.1 of the Organization’s Financial Report.

## ACTION BY THE EXECUTIVE BOARD

30. The Executive Board is invited to note the report on the Revolving and other long-term funds.

31. 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 Revolving and other long-term funds;<sup>1</sup>

Noting the outline plans for the five-year period 2002-2006 and the estimated cost thereof;

Noting the status of negotiations with the Swiss authorities for the construction of a building in Geneva to provide office accommodation to UNAIDS and additional office accommodation for WHO;

Noting the proposals of the Regional Office for the Western Pacific Region to extend Building 2 and to construct a new four-storey building to provide additional office accommodation and parking,

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<sup>1</sup> Document EB109/22.

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

The Fifty-fifth World Health Assembly,

Having considered the report of the Director-General on Revolving and other long-term funds,

1. EXPRESSES appreciation to the Swiss Confederation and to the Republic and Canton of Geneva for the continued expression of their hospitality;
2. AUTHORIZES 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;
3. APPROVES the use of the Real Estate Fund for the repayment over a 50-year period of the WHO 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;
4. NOTES that negotiations are under way with the Swiss authorities with a view to reducing WHO's share of the loan to be provided by the Swiss authorities by the value of compensation for the demolition of the V building;
5. REQUESTS the Director-General to report at appropriate intervals to the Executive Board and the Health Assembly on progress in the construction of the new accommodation at headquarters and on related costs;
6. AUTHORIZES the construction of an extension to Building 2 and the construction of a new four-storey building to provide additional office accommodation and car parking in the Regional Office for the Western Pacific, to be financed from the Real Estate Fund.

32. In respect of the Revolving Sales Fund, the Executive Board may wish to consider the following draft resolution:

The Executive Board,

Having considered the report of the Director-General on Revolving and other long-term funds, and noting the proposals on the Revolving Sales Fund contained therein,<sup>1</sup>

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

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<sup>1</sup> Document EB109/22.

The Fifty-fifth World Health Assembly,

Noting the proposals on the Revolving Sales Fund contained in the report of the Director-General on revolving and other long-term funds,

1. DECIDES that operative paragraphs 4 and 5 of resolution WHA22.8 shall be superseded by the paragraphs below so that the following conditions shall govern the operations of the Revolving Sales Fund:

4. ...

(i) the Fund shall be used for the purpose of financing the cost of printing and reprinting additional copies of WHO publications for sale, of producing additional copies of WHO films, filmstrips, other visual media, of the production of any other item which the Organization may produce for sale, of sales promotion, of staff exclusively engaged in such sales, and the distribution and mailing costs;

(ii) proceeds of all such sales shall be credited to the Fund;

(iii) expenditure incurred in accordance with paragraph 4(i) shall be debited to the Fund;

(iv) the transactions during the year and the status of the Fund shall be included in each financial report of the Director-General;

5. AUTHORIZES the Director-General, at the end of each financial period, to transfer to Miscellaneous Income any surplus standing to the credit of the Revolving Sales Fund;

2. DECIDES further that the provisions of this resolution shall become effective as from the financial period 2002-2003.

## ANNEX

**FIVE-YEAR ROLLING PLAN: BUILDING ACQUISITION,  
CONSTRUCTION AND MAINTENANCE (US\$ THOUSAND)**

Office	Description	2002	2003	2004	2005	2006	Total
Africa	Reinforce security and infrastructure on premises; purchase housing for Brazzaville	1 500	-	-	-	-	1 500
The Americas	Remodel three meeting rooms; repair garage slabs; renovate bathrooms	138	105	95	102	98	538
South-East Asia	Replace cables, lift; install power generators; reinforce cooling system	100	96	127	476	550	1 349
Europe	Install and renew fire alarm and building management systems; refurbish cafeteria and ventilation; renew emergency power system; replace light fittings; fit automatic fire-door closers	253	218	290	315	78	1 154
Eastern Mediterranean	Reinforce security at Regional Office and offices of WHO Representatives; renovate buildings in Juba compound	260	50	-	-	-	310
Western Pacific	Extend building 2; upgrade and improve existing facilities; construct four-storey building	430	580	310	1 067	587	2 974
Headquarters	Maintain and renovate buildings; install cooling system in annexes L and M; renovate Executive Board room and four meeting rooms; replace central-heating boilers; install new security system; repay over 50 years Swiss loan for construction of WHO/UNAIDS building	400	2 620	1 330	1 654	1 654	7 658
<b>TOTAL</b>		3 081	3 669	2 152	3 614	2 967	15 483

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