SIXTY-THIRD WORLD HEALTH ASSEMBLY **A63/36**
Provisional agenda item 15.7 **7 May 2010**

Safety and security of staff and premises and the Capital Master Plan

The Capital Master Plan

Report by the Director-General

1. In January 2010 the Programme, Budget and Administration Committee of the Executive Board at its eleventh meeting considered the Director-General's report on safety and security of staff and premises and the Capital Master Plan.[1] That report outlined the current situation and the vulnerability of the Organization with regard to staff safety and security in the field, premises security and the application of the Capital Master Plan, as linked to business continuity.

2. During the Committee's debate, a proposal was made for two financial mechanisms instead of the centralized trust fund proposed in the Director-General's report: a security fund and a continuation of the current Real Estate Fund. The Committee noted that staff security and the maintenance of the premises at headquarters were interrelated issues of equal importance. It was suggested that a phased approach should be adopted to identify and respond to the urgent and immediate requirements, as well as considering the sustainable financing mechanisms, especially the two proposed by the Secretariat. In view of the urgency of the situation for field staff security and for the premises at headquarters, it was emphasized that the need for further discussion should not prevent the immediate action required.[2]

3. The Committee requested that financing options for capital expenditure and recurrent costs should be further elaborated to include detailed assessments of possible mechanisms and their respective implications. Two topics of particular interest were the integration of the proposed mechanisms into the Programme budget and the consequent potential impact on technical programme delivery.

4. When the item was discussed by the Executive Board at its 126th session,[3] the Director-General noted that WHO was operating in about 150 countries, in some of which the exposure of staff members to risk was high. WHO was providing essential humanitarian assistance in critical situations and she intended to maintain WHO's presence at country level, as she believed that to be the wish of Member States. Nevertheless, in her view, Member States must balance that wish with WHO's duty to protect staff adequately and to cover the cost of that protection, bearing in mind that relocation or evacuation of staff in emergencies also entailed significant expense. There was an immediate shortfall in funding, which includes an increase in contributions to the United Nations Security Management

[1] Document EB126/24.

[2] Document EB126/3.

[3] See document EB126/2010/REC/2, summary record of the tenth meeting, section 3.

System and the costs of serious maintenance that WHO's buildings needed. The Secretariat would continue to examine different options for establishing longer-term, sustainable and transparent financing mechanisms, and for separating capital costs from those for security and safety, and would report to the Health Assembly. Assessed contributions were limited and, if additional calls were made on them, there would have to be reductions in allocations to other activities.

5. This and a separate report on safety and security of staff and premises[1] respond to the Board's endorsement of the Committee's request for further elaboration.

THE CAPITAL MASTER PLAN

6. In January 2005, the Executive Board at its 115th session considered a report[2] which outlined the Secretariat's intention to draw up a 10-year Capital Master Plan for all main locations. The plan would reflect the need, not only for current, routine maintenance, but also for major work that would be required to maintain the overall viability and security of the Organization's office buildings. The Board adopted decision EB115(10), requesting the Director-General to report to the Board at its 117th session on progress made in elaborating the plan and in developing a long-term mechanism for its financing. The subsequent report[3] indicated that a 10-year Capital Master Plan would provide a strategic approach to the management of the Organization's physical infrastructure.

7. The Board at its 120th, 124th and 126th sessions[4] considered appropriation of the required funding from within the Programme budget, however, no sustainable financing mechanism was agreed.

8. A 10-year plan is therefore continually kept up-to-date and presents a clear picture of the Organization's global needs for major renovation to existing office buildings and staff housing, land acquisition and infrastructure-related works for the period 2010–2019.[5] The plan also helps to manage the rescheduling of real-estate projects, especially when budgetary priorities are such that the necessary funding cannot be guaranteed, thereby creating a backlog of ever-increasing importance.

9. The plan focuses on capital expenditure, namely the cost of major renovation, upgrading and construction and technological improvement projects that add value to a given facility. The underlying reasons for including capital investment projects are: security, health and safety, efficiency, energy conservation and the environment, new technology and innovation. Routine maintenance is not usually encompassed by the term of capital expenditure, since it is usually included in current operational activities in biennial budgets.

10. In 15 of the 188 WHO locations, buildings and/or land 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

[1] Document A63/35.

[2] Document EB115/41.

[3] Document EB117/18.

[4] Documents EB120/18, EB124/3 and EB126/24.

[5] Available on request.

government concerned and 100 are in premises that are rented or occupied on a cost-shared basis. In addition to the 15 sites already mentioned, 65 offices are wholly or partly maintained at the Organization's cost and are, as a consequence, an integral part of the Capital Master Plan.

11. Conditions offered by various host countries for the acquisition, provision or refurbishment of premises for use by WHO differ widely. In some cases, the host provides land free but the buildings are at WHO's expense; in others the premises are leased from either the host country or commercial entities at market prices. Some countries may provide interest-free loans for the construction of buildings, while a few host countries offer free use or leasing of premises at a nominal rent, and even offer to share the cost for major repairs and refurbishments. As host governments are responsible for provision of infrastructure through the host agreements, in all circumstances host agreements are explored before projects are undertaken.

12. For some years, infrastructure project applications submitted for consideration for support from the Real Estate Fund have been judged on their individual merits alone, without comparison of priorities across locations.

13. A mechanism has been established for assessing the current maintenance conditions of a given property and helping to prioritize the projects requiring investment across the Organization. The mechanism is managed through a building programme committee, whose main objective is to ensure that building and maintenance projects are carefully examined to ensure that they are indispensable, sound and justifiable under existing policy, financial and staffing constraints, before any funds are obligated or any work is undertaken. All planned projects need to be reviewed from a global perspective and independently assessed, as well as adjusted and re-prioritized in the light of local needs and resource constraints. The Committee will, therefore, consider the appropriateness of all new projects for inclusion in the Capital Master Plan, paying due consideration to the prevailing conditions.

14. Much of WHO's building stock is old and some of it no longer meets acceptable standards of security and cost–effectiveness, largely as a result of chronic underinvestment. WHO's ability to deliver its health programmes depends also on the quality of its infrastructure, including provision of safe and adequate office space for its employees. For many years maintenance and capital investment projects have been cut, as substantive programme activities have been accorded higher priority. The periods of reduced or deferred expenditure on facilities have not been followed by phases of higher-than-normal expenditure. Although certain kinds of maintenance may be neglected in the short term, this approach inevitably leads to breakdowns that require expensive emergency repairs; it also disrupts the work of the Organization and may expose users to unacceptable risks in buildings.

15. It is noteworthy that, in the Region of the Americas and on the basis of WHO's preparation process for the capital master plan, the 27th Pan American Sanitary Conference (fifty-ninth session of the Regional Committee of the Americas) in 2007 adopted resolution CSP27.R19. In that resolution, the Conference decided to establish a Master Capital Investment Fund and adopt guidelines for the Fund. The guidelines included provision for the funding by the Real Estate and Equipment sub-fund of building renovations and repairs costing more than US$ 15 000 at the locations provided by the Member States where PAHO bears the responsibility under the bilateral agreement for major renovations and repairs; the office spaces rented by PAHO; and PAHO-owned office spaces or buildings.

ACTIONS TAKEN BY OTHER ORGANIZATIONS IN THE UNITED NATIONS SYSTEM

16. As other international organizations have had similar problems in financing major renovations, construction and acquisitions, their solutions have been reviewed. In 2004 IMO, which was faced with financing the major refurbishment of its headquarters building in London, collected information from a sample of organizations in the United Nations system concerning their real-estate financing mechanisms. In most of the organizations surveyed, regular maintenance and repair work was funded through the regular budget, but several mechanisms were used to finance capital expenditure, including the following:

- special fund financing on a 50:50 basis between the organization concerned and the host government (United Nations Office in Vienna);
- special account arrangements funded and replenished by various mixtures of regular budget, rental incomes, "reserves", casual income and surpluses (UNESCO, WMO and WIPO);
- full financing by the host government (FAO);
- interest-free loans from the host government for construction and extensions (Geneva-based international organizations);
- interest-bearing loans from the host government (United Nations headquarters in New York);
- interest-bearing loans for which the host government covers the interest and acts as guarantor (UNESCO);
- grants from Member States other than the host country (UNHCR).

17. In a study of building-management practices, the United Nations Joint Inspection Unit conducted a survey in a number of international organizations.[1] 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.

18. The pattern of financing methods shows that maintenance and repair work is financed by cash payments, 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 payments based on special account arrangements; deferred payment (that is, loans from quasi-governmental organizations); or commercial borrowing, repaid from the regular budget. In the intergovernmental mechanisms, some Member States have been suggesting that an amount of 1% of the fire insurance value of the capital stock should be regularly set aside in a centralized fund for capital investment needs.

[1] Document JIU/REP/2001/1.

FINANCING THE WHO CAPITAL MASTER PLAN: THE REAL ESTATE FUND

19. In 2010, following the eleventh meeting of the Programme, Budget and Administration Committee, the Secretariat reported to the Executive Board that over preceding bienniums it had 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. The Board requested the Secretariat to elaborate financing options for capital expenditure and recurrent costs.[1]

20. WHO's Real Estate Fund was established by the Twenty-third World Health Assembly[2] to meet the costs of:

- maintenance and repairs of, and alterations to, houses for staff
- major repairs of, and alterations to, the Organization's existing office buildings
- the construction of buildings or extensions to existing buildings
- the acquisition of any land that may be required.

The Health Assembly decided that replenishment of, or increases in, the Fund should be made by appropriations from casual (now miscellaneous) income; these appropriations shall be voted separately from the appropriation for the relevant budget year.

21. The JIU report referred to above describes the Real Estate Fund as an illustration of good practice, but experience shows that having the financing of the Fund established in the context of the overall biennial budget, in which technical priorities take precedence, results in the required level of funding not being made available. During the Executive Board's 126th session in January 2010 it was suggested that an amount corresponding to 1% of the fire insurance value should be regularly set aside in a centralized fund. It was, however, also noted that establishing a centralized trust fund and a sustainable financing mechanism would not solve the problem of funding urgent capital needs, nor would it clear the backlog of capital investment projects that has built up over the years as a result of insufficient funding.

OPTIONS FOR FINANCING THE CAPITAL MASTER PLAN

22. The current Capital Master Plan reveals an estimated total cost of US$ 156 million over 10 years. This figure includes an amount of US$ 145 million for the first six years, of which US$ 39 million are required for the biennium 2010–2011 and which has not been included in the Programme budget for that period. The table attached at Annex summarizes the financing requirements; it includes the cost of significant renovations that have been perpetually deferred.

[1] See document EB126/2010/REC/2, summary record of the tenth meeting, section 3.

[2] Resolution WHA23.14.

23. Taking advantage of the benefits of the existing Real Estate Fund, the following three options have been outlined as potential mechanisms for providing sustainable long-term financing for the Capital Master Plan. Secure and consistent funding will allow the fluctuating needs of the Capital Master Plan to be met over time in a sustainable way.

Option 1: The amounts foreseen in the Capital Master Plan could be covered by means of a post occupancy charge. Under this option all positions would be charged a percentage of their cost and the proceeds thus generated would go into the Real Estate Fund.

In this mechanism, there is a direct association between the infrastructure and the needs, both for building and maintenance.

This option would place a higher staff cost on technical programmes. Furthermore, the reserves generated would depend on posts being filled, yet infrastructure and maintenance costs remain the same, even when a post is not filled.

Alternatively, if the suggested levy of 1% of the fire insurance value of the capital stock of the Organization were applied, an estimated US$ 6 million annually would need to be charged, corresponding to an estimated 0.7% post occupancy charge.

Option 2: A depreciation charge would be applied in the form of a percentage on all income (regardless of funding source). The proceeds of this charge would be deposited in the Real Estate Fund.

To establish the percentage to be charged, the calculation would be the cost of the Capital Master Plan against the forecast for the total income of the Organization for the next 10 years.

Alternatively, if the levy is based on the figure of 1% of the fire insurance value of the capital stock of the Organization, an estimated US$ 6 million annually would need to be charged, for a corresponding depreciation charge of 0.32%.

These alternatives would have an equal impact on all programmes, as it would be calculated against income and not expenditure, and it would provide a basis for planning and implementation. The amount would be allocated to the Real Estate Fund. A report on the Fund and the Capital Master Plan could be submitted for consideration to the Health Assembly at the same time as the programme budget and financial report.

Option 3: The total cost of the 10-year Capital Master Plan would be used to establish a separate scale of assessments. Payment of this assessed contribution would be made directly by Member States into the Real Estate Fund.

A separate assessment for the Capital Master Plan would provide a long-term sustainable mechanism with no impact on technical programmes. However, an additional assessed contribution would not take into account the demand that programmes funded through voluntary contributions have on the Organization’s Real Estate Fund and facilities.

24. The different funding mechanisms proposed represent a possible solution for future needs that could be introduced into the process of preparing the Proposed programme budget 2012–2013.

URGENT NEEDS

25. In view of the fact that the poor condition of the premises at headquarters needs to be rectified as a matter of urgency, and that offices in certain field stations as well as regional offices need to be upgraded in order to comply with the United Nations Minimum Operating Security Standards, the Programme, Budget and Administration Committee in its report to the Executive Board at its 126th session in January 2010[1] emphasized that the need for further discussion should not prevent the immediate action required.

26. Regional offices have identified those projects that require urgent funding from the Capital Master Plan for security and safety reasons, or for reasons of business continuity.

27. The headquarters complex contains about 3000 individual workspaces, 1200 of which are located in the main building and the remainder in the immediate annexes. A sizeable number of conference rooms and a significant part of the technological infrastructure are also located in the main building. The state of the main building, now 43 years old, is worrisome, particularly its non-compliance with modern fire norms and standards. In addition, the heating and plumbing systems are nearing the end of their working life. This poor condition presents a serious challenge for business continuity, as contingency plans advise the mass evacuation of the main building in the event of an emergency. The disruption caused to work (including to the information technology infrastructure) and the ensuing cost implications would be very significant. The presence of about 32 m^3 of asbestos, although it does not present an immediate health hazard, nevertheless makes any repair or reconstruction work even more problematic as it requires special precautions and the mandatory relocation of staff. Contingency plans are being made, but for reference purposes, it is estimated that it would cost CHF 200 million to construct a replacement building in Geneva notwithstanding the difficulties of finding a location.

28. Preliminary estimates put the cost of renovation in 2010 at CHF 87 million, with completion at least three years after finalization of the relevant technical studies and issuance of the necessary authorizations (the latter process alone taking up to 18 months). The process could take even longer if it were decided to undertake the renovation in a phased manner, tackling no more than two floors of the main building at a time. This would have the advantage of requiring relocation of only a part of the staff, with alternative workspace being needed for a maximum of 300 staff members. Both these options would incur additional costs because of the need to find alternative workspace, possibly including rented offices off site; the decision would be determined by factors such as budgets and staffing levels at headquarters.

29. The Secretariat needs to take measures, subject to funding, immediately to protect against fire and flooding. Such actions do not need relocation of staff members.

30. The other priority projects identified that urgently need funding are related to compliance with Minimum Operating Security Standards and the improvements to buildings in the different locations where either the Organization owns the facilities or no alternative accommodation is available. These projects include construction of the headquarters perimeter; thanks to a large grant from the Swiss Government control of access to headquarters will be improved. The work will require constructing

[1] Document EB126/3.

accommodation for the accreditation services, which is not covered by the Swiss grant. The new facility will also serve as the base for a pumping station linked to a clean energy project.

31. Notwithstanding the different options for sustainable funding set out in paragraph 23, it should be noted that they do not offer a remedy for the critical state of much of the Organization's capital stock, particularly the main building at headquarters.

32. Similarly, although external borrowing could be secured to cover the funding requirements of the Capital Master Plan, including immediate needs, this approach generates an income that needs repayment. Provision would consequently have to be made for repayment of the loan (with or without interest) through a clear appropriation of secured funding (assessed or voluntary contributions) in the Proposed programme budget. In addition to repayment of the loan, a mechanism would still be required to meet ongoing needs.

33. The Real Estate Fund has a current balance of US$ 2.8 million, which is attributed to planned activities. However, in order to respond to these urgent needs while due consideration is given to the options for a sustainable financing mechanism for the Real Estate Fund, it is proposed that an initial capitalization of the Fund be made available at US$ 22 million. It is envisaged that this allocation would come from Member States' non-assessed income (formerly miscellaneous income), as reported in the Financial Statements for 2008–2009.[1]

34. In PAHO support for its capital master plan,[2] was given through an initial capitalization made from the respective balances in the existing Building Fund supplemented by an excess of income over expenditure from the Regular Program Budget funds at the conclusion of the biennium 2006–2007. It was also agreed that replenishment of the PAHO Capital Investment Fund would derive from:

- annual income from the rental of PAHO's premises and land, to be credited to the Real Estate and Equipment sub-fund;

- up to US$ 2.0 million of the excess of income over expenditure from the Regular Program Budget funds with notification to the Executive Committee.

ACTION BY THE HEALTH ASSEMBLY

35. The Health Assembly is invited to consider the following draft resolution:

The Sixty-third World Health Assembly,

Having considered the report on safety and security of staff and premises and the Capital Master Plan: the Capital Master Plan[3] and noting the related report of the Programme, Budget and Administration Committee of the Executive Board to the Sixty-third World Health Assembly;

---

[1] Document A63/32.

[2] See resolution CSP27.R19.

[3] Document A63/36.

Recalling the need for a strategic approach to the management of the Organization's physical infrastructure through the Capital Master Plan for the period 2010–2019;

Recognizing that much of WHO's building stock is old and in need of renovation, and no longer meets acceptable standards of safety, security and energy efficiency;

Having considered the actions taken by other organizations in the United Nations system to finance major renovations, construction and acquisitions;

Having also considered the Organization's immediate and continuing needs for renovations, construction and acquisitions, and the options for financing the Capital Master Plan;

Having further considered the merits of the options for establishing a sustainable mechanism for funding the Real Estate Fund,

1. RESOLVES to appropriate US$ 22 million from Member States' non-assessed income to the Real Estate Fund in order to cover the costs of urgently needed renovation;

2. AUTHORIZES the Director-General:

(1) to allocate, at the end of each financial period, up to US$ 10 million, as available, from the Member States' non-assessed income to the Real Estate Fund in order to finance the projects identified in the Capital Master Plan;

(2) to proceed with the technical studies and initiate work on the urgent projects identified in the report,[1] particularly those pertaining to the headquarters perimeter and construction of associated facilities;

3. REQUESTS the Director-General to report to the Executive Board at its 128th session in January 2011 on the implementation of projects funded through the Real Estate Fund.

[1] Document A63/36.

ANNEX

CAPITAL MASTER PLAN FUNDING NEEDS

Location	Estimated cost (US$ thousand)					Total
	2010–2011	2012–2013	2014–2015	2016–2017	2018–2019	
Africa	5 399	7 098	2 500	1 150	0	**16 147**
Americas	352	362	63	90	253	**1 119**
South-East Asia	3 825	985	985	1 095	200	**7 090**
Europe	1 580	5 125	1 520	1 115	0	**9 340**
Eastern Mediterranean	9 987	2 393	1 395	0	0	**13 775**
Western Pacific	4 863	2 250	1 938	1 995	2 193	**13 239**
Headquarters	12 950	39 550	39 120	3 340	290	**95 250**
Total	**38 956**	**57 763**	**47 521**	**8 785**	**2 935**	**155 960**

= = =