

162nd SESSION OF THE EXECUTIVE COMMITTEE

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Provisional Agenda Item 5.5

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UPDATE ON THE MASTER CAPITAL INVESTMENT FUND AND ON THE MASTER CAPITAL INVESTMENT PLAN IMPLEMENTATION

Introduction

1. In June 2015, the Director presented the Report on the Master Capital Investment Fund and Reassessment of Real Estate Projects in the Master Capital Investment Plan (Document CE156/24, Rev.1) to the 156th Session of the Executive Committee. The report identified repair and renovation liabilities in buildings owned by the Pan American Health Organization (PAHO) and estimated the cost of the needed repairs and renovations at approximately US\$ 10.0 million¹ for the Centers and Country Offices and approximately \$50.0 million for the Headquarters building. The report also outlined options available to the Organization for addressing the liabilities identified and potential strategies for implementing the recommended options. In October 2015, the 54th Directing Council approved the allocation of a portion of the balance of the International Public Sector Accounting Standards (IPSAS) and Budgetary Surpluses to increase the Master Capital Investment Fund (MCIF) in support of this strategy.

2. Based on the discussion held during the 156th Session of the Executive Committee regarding the options listed in the report in relation to the Headquarters building, the Pan American Sanitary Bureau (PASB) engaged the services of an expert real estate consultant to provide advice on the Headquarters area real estate market and develop a proposal to implement the necessary major repairs to the Headquarters building listed in the report, taking into account all the properties currently owned and rented by PASB, as well as a range of potential funding sources. In 2017, the 11th Session of the Subcommittee on Program, Budget and Administration (SPBA), as a step toward mobilizing the funds required to cover future major repairs to the Headquarters building, concurred with the Director's proposal to allocate the balance of the revenue surplus of \$7,863,887.91 from the 2014-2015 biennium to the Real Estate Maintenance and Improvement Subfund of the Master Capital Investment Fund (see Document SPBA11/9, Rev. 1).

¹ Unless otherwise indicated, all monetary figures in this document are expressed in United States dollars.

Status of the Master Capital Investment Fund

3. The MCIF comprises five subfunds created to provide distinct funding sources for:
- Real estate maintenance and improvements;
 - Information technology needs;
 - Vehicle replacement;
 - Purchase of new premises or real estate; and
 - Human resources strategy.
4. As of 31 December 2017, the available budgetary fund balances in these subfunds were as follows:

a) Real Estate Maintenance and Improvement Subfund	\$11,852,521 ²
b) Information Technology Subfund	\$577,751
c) Vehicle Replacement Subfund	\$637,058 ³
d) Revolving Strategic Real Estate Subfund	\$95,058
e) Human Resources Strategy Subfund	\$555,566

5. In addition, the reserve for the MCIF, established in 2007 in accordance with Resolution CSP27.R19, has a fund balance of \$4.0 million as of 31 December 2017, of which the Director may allocate up to \$2.0 during the 2018-2019 biennium to one or more of the MCIF subfunds.

Situation Analysis

6. During 2017, PAHO used funds from the MCIF to implement several projects in PAHO country office owned and rented properties. The Vehicle Replacement Plan was implemented using the Vehicle Replacement Subfund. The Annex to this document reports total funds expended for these projects during 2017.

7. The expert real estate consultant hired by the Organization is working with PASB to complete an updated Strategic Real Estate Plan with a set of options that will include architectural planning and programming analyses to update the estimated costs of the necessary repairs to the Headquarters building. The expert is also working to provide a

² Includes 2016 accrued expenses in the amount of \$12,006.62; revenue from PAHO real estate leases in the amount of \$984,367.61; and the revenue surplus for the 2014-2015 biennium in the amount of \$7,863,887.91 (Document SPBA11/9, Rev. 1).

³ Includes revenue from the sale of PAHO vehicles in the amount of \$62,124.66 as follows: Cuba, \$5,400; Pan American Foot and Mouth Disease Center (PANAFTOSA), \$3,384.66; Panama, \$4,500; Peru, \$22,175; and Nicaragua, \$26,665.

design and construction budget with options for any future renovations. The plan will include information on *a)* the completion of all essential safety and security requirements; *b)* proposals on energy efficiency and modernization measures; and *c)* renovation of the Headquarters Rotunda building and the main Governing Bodies Meeting Room (Room A).

8. In order to maximize the share of costs for any future renovation covered by the MCIF, the Director recommends that \$4.1 million of the Revenue Surplus balance for the 2016-2017 biennium be allocated to the MCIF Real Estate Maintenance and Improvement Subfund (see Document CE162/20 on the Revenue Surplus).

Action by the Executive Committee

9. The Executive Committee is invited to take note of this report and provide any recommendations it deems pertinent.

Annex

Annex
Master Capital Investment Fund
Real Estate Maintenance and Improvement Subfund
Projects implemented in 2017
(as of 31 December 2017, in US\$)

Location	Description	Total
Headquarters, Washington, D.C.	1st-floor renovation (security upgrades) Basement renovations (showers and TV studio) Plaza and site renovations (security upgrades and flagpoles installation) Property leasing	1,556,599.39
Argentina	Replacement of uninterruptible power system (UPS)	5,599.54
Brazil	Repairs to electrical system Replacement of uninterrupted power supply (UPS) Upgrading of closed-circuit television (CCTV) system Waterproofing of roof (repair)	181,026.61
Colombia	Access security upgrade ¹	7,315.18
Costa Rica	Renovation of bathrooms	37,232.07
Cuba	Security access and CCTV upgrade ²	15,544.60
Dominican Republic	Purchase and installation of HVAC system	4,024.33
Ecuador	Relocation of PWR-ECU and upgrade of the furniture ³	191,845.16
El Salvador	CCTV upgrade ⁴ Electrical repairs Exterior repairs Installation of electric fence for exterior of office Remodeling of conference rooms, including audiovisual equipment	42,175.77
Guyana	Repair and cleaning of roof Upgrade of perimeter and entrance security/refurbishment of generator room	7,383.28
Haiti	Installation of solar panels (solar engineering study, site electrical assessment for upgrades and photovoltaic system design)	22,957.50

¹ Approved by the Standing Committee on PAHO Infrastructure and Investment Committee (PIIC) per ad-hoc request of the country office on 31 July 2017.

² Approved by PIIC per ad-hoc request of the country office on 26 June 2017.

³ Ibid.

⁴ Ibid.

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Location	Description	Total
Jamaica	Installation of a standby-reserve water pump/installation of water treatment unit (storage tank)/renovation of plumbing piping/installation of water-saving taps/acquisition of waste segregation containers Renovation of electrical system/installation of smoke detector and startup detection system start-up/installation of movement (presence) detectors for lighting control/replacement of fluorescent lighting Replacement of air conditioning units/installation of roof toilet extraction fan box	106,427.39
Office of the Eastern Caribbean Countries and Barbados	Feasibility study for implementation of a photovoltaic system Substitution and protection of roof air conditioning pipe coating/installation of exhaust pipe for standby generator	4,320.14
Paraguay	Replacement of uninterruptible power system (UPS) Replacement of uninterruptible power system (UPS) battery	10,459.95
Peru	Installation of environmental and maintenance management system Replacement of auditorium air conditioning system Replacement of external irrigation pump and pipework and control systems/installation of water meter Replacement of uninterruptible power system (UPS) equipment and interior lighting and installation of movement detectors	62,795.93
Suriname	Repainting and repair of office building Replacement of furniture ⁵	55,155.42
Venezuela	Electrical repairs and replacement of air conditioner in server room and closed-circuit television (CCTV) system Façade repairs Installation of emergency generator and replacement of fire detection system Replacement of internal lighting Upgrade of air conditioning system Waterproofing repairs to roofs	118,603.75
Total		2,429,466.01⁶

⁵ Ibid.

⁶ Includes accrued expenses of 2017 in the amount of \$81,487.17.

Master Capital Investment Fund
Information Technology Subfund
Projects implemented in 2017
(as of 31 December 2017, in US\$)

Location	Description	Total
Headquarters, Washington D.C.	Implementation of the Information Technology Strategy: maintenance of Internet connectivity in Country Offices, implementation of new enterprise firewall across PAHO, and implementation of new PAHO e-mail platform	1,000,754.33⁷

Master Capital Investment Fund
Vehicle Replacement Subfund
Projects implemented in 2017
(as of 31 December 2017, in US\$)

Location	Description	Total
Headquarters, Washington, D.C.	Vehicle replacement (one)	36,251.58 ⁸
Bolivia	Vehicle replacement (one)	41,196.00
Colombia	Vehicle replacement (one)	15,691.78 ⁹
Cuba	Vehicle replacement (one)	48,200.00
Dominican Republic	Procurement of a new vehicle (one)	43,351.68
Guyana	Vehicle replacement (one)	23,557.85
Haiti	Vehicle replacement (13)	420,043.11
Jamaica	Vehicle replacement (one)	38,969.70
Nicaragua	Vehicle replacement (one)	43,469.57
PANAFTOSA	Vehicle replacement (two)	41,824.70
Peru	Vehicle replacement (one)	26,260.00
Total disbursement		778,815.97

Master Capital Investment Fund
Revolving Strategic Real Estate Subfund
Projects implemented during in 2017
(as of 31 December 2017, in US dollars)

Location	Description	Total
Headquarters, and Country Offices	No activity	-

⁷ Includes accrued expenses of 2017 in the amount of \$5,115.11.

⁸ The trade-in amount for Headquarters vehicle was \$7,000.00.

⁹ The trade-in amount for Colombia vehicle was \$8,891.92.

Master Capital Investment Fund
Human Resources Strategy Subfund
Projects implemented in 2017
(as of 31 December 2017, in US\$)

Location	Description	Total
Headquarters, Washington, D.C.	Implementation of the Human Resources Strategy: maintenance of the new recruitment software	322,347.95

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