

**14th SESSION OF THE SUBCOMMITTEE
ON PROGRAM, BUDGET, AND ADMINISTRATION
OF THE EXECUTIVE COMMITTEE**

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Provisional Agenda Item 4.8

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UPDATE ON THE MASTER CAPITAL INVESTMENT FUND

Introduction

1. The purpose of this report is to inform Member States on the status of the Master Capital Investment Fund of the Pan American Health Organization (PAHO).
2. As of 31 December 2019, the Master Capital Investment Fund (MCIF) had a balance of US\$ 15,863,717.¹

Status of the Master Capital Investment Fund

3. The Master Capital Investment Fund comprises five subfunds created to provide distinct funding sources for:
 - a) Real estate maintenance and improvements;
 - b) Information technology needs;
 - c) Vehicle replacement;
 - d) Purchase of new premises or real estate; and
 - e) Human resources strategy.
4. As of 31 December 2019, the available balances in these subfunds were:

a) Real Estate Maintenance and Improvement Subfund	\$14,414,626 ²
b) Information Technology Subfund	\$485,017

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

² Includes revenue from PAHO real estate leases in the amount of \$1,009,655.82 and disbursements detailed in Table 1 of the Annex.

c) Vehicle Replacement Subfund	\$179,875 ³
d) Revolving Strategic Real Estate Subfund	\$246,442 ⁴
e) Human Resources Strategy Subfund	\$537,757

5. In addition, the Reserve for the Master Capital Investment Fund, established in 2007, had a balance of \$2,000,000 as of 31 December 2019. The Director may allocate up to \$2,000,000 from this Reserve during each biennium to one or more of the MCIF subfunds.

Situation Analysis

6. During 2019, PAHO allocated funds from the Real Estate Maintenance and Improvement Subfund to implement several projects at Headquarters and in PAHO/WHO Representative (PWR) Offices. Table 1 of the Annex reports total funds expended for these projects guided by Document CE156/24, Rev. 1.

7. Table 2 of the Annex lists the projects implemented in 2019 under the Information Technology Subfund. These include: *a)* Webtrends, which provides intranet analytics to the Organization (set up and service); *b)* a cloud-based solution to improve the performance of the PAHO Institutional Repository for Information Sharing (IRIS); and *c)* a Multimedia Asset Management (MAM) system, which is a cloud-based service to manage videos, photographs, and other graphic content (implementation and training).

8. Table 3 of the Annex shows the purchases financed by the Vehicle Replacement Subfund in 2019. The Pan American Sanitary Bureau (PASB) schedules replacement of vehicles on a systematic basis to ensure that all vehicles meet safety standards and to minimize maintenance costs. PASB also reduces vehicle acquisition costs by leveraging bulk vehicle procurement; standardizes vehicle specifications; manages the vehicle replacement cycle so that low-mileage vehicles are not replaced until later in the cycle; and provides for strategic reviews of replacement needs. During the period 2016-2019, PAHO acquired, through purchase or trade, a total of 50 vehicles and sold 46 obsolete vehicles, recovering proceeds in the amount of \$431,498.96.

9. In 2019, using the Revolving Strategic Real Estate Subfund, PAHO acquired the building located at 2121 Virginia Avenue NW, Washington, DC. PAHO has owned the land at 2121 Virginia Avenue since 1969. In 1985 PAHO entered into a series of

³ Includes disbursements detailed in Table 3 of the Annex as well as revenue from the sale of PAHO vehicles and settlement of PAHO vehicle insurance in the amount of \$131,456.07, as follows: Pan American Foot-and-Mouth Disease Center (PANAFTOSA), \$17,283.87; Colombia, \$9,931.86; El Salvador, \$2,750.00; Guyana, \$17,377.20; Nicaragua, \$45,657.00; Panama, \$4,600.00; and Paraguay, \$33,856.14.

⁴ Includes disbursement for amount of \$5,048,620.83 as detailed in Table 4 of the Annex; revenue of \$600,005.00 from the sale of the former office in PWR Guatemala; a transfer of \$2,600,000 from the PALTEX fund, which was closed on 31 December 2019; and a transfer of \$2,000,000 from the Reserve for the Master Capital Investment Fund.

agreements with a local real estate development company under which the company demolished the preexisting building and constructed a new one (the current eight-story office building) on the PAHO-owned land. Beginning in 1986, the company paid rent to PAHO for use of the land and PAHO paid rent to the company for use of two floors of the office building. From 1986 to 2018, the remaining six floors of the building were rented by the US General Services Administration (GSA). After the GSA lease expired in 2018, the company that owned the building put it up for sale on the commercial market and received an offer of \$5,000,000 from a prospective buyer. After considering the advantages to the Organization to be derived from acquisition of the property, PAHO exercised its right to purchase the building by matching the \$5,000,000 offer. Table 4 of the Annex shows activities under the Revolving Strategic Real Estate Subfund.

10. Under the Human Resources Strategy Subfund, shown in Table 5 of the Annex, PAHO implemented the rotational learning program for PWR Office administrators with the participation of Belize, Guyana, and Jamaica.

11. In order to finance any future infrastructure needs covered by the MCIF, the Director recommends that \$4,650,520 of the revenue surplus balance for the 2018-2019 biennium be allocated to the Master Capital Investment Fund, as follows: \$3,650,520 to the Real Estate Maintenance and Improvement Subfund and \$1,000,000 to the Vehicle Replacement Subfund. For further information, please see Document SPBA14/9 Programming of the Revenue Surplus. The final figures from the Revenue Surplus will be available once the External Auditor complete and sign the audit of the Organization's financial statements for 2019, which will occur on or before 15 April 2020.⁵

Action by the Subcommittee on Program, Budget, and Administration

12. The Subcommittee is invited to take note of this report and provide any recommendations it deems appropriate.

⁵ In accordance with Financial Regulation 14.9.

Annex

Table 1
Master Capital Investment Fund
Real Estate Maintenance and Improvement Subfund
Projects Implemented in 2019
(as of 31 December 2019)
(in US dollars)

Location	Description	Total
Headquarters, Washington, DC	1st floor renovation (security upgrades) Building systems/electromechanical systems renovation Property leasing Digitization of human resources archives Management of Headquarters real estate	1,298,802
Argentina	Renovation and repairs on 3rd and 4th floors (consultancy fees during the design phase)	7,504
Costa Rica	Upgrade of office space, including painting, flooring, and doors ¹	46,356
El Salvador	Retrofitting of office space and purchase of furniture	86,947
Guatemala	Digitization of office archives, initial phase ²	14,282
Guyana	Maintenance and repair of office air conditioning units	2,120
Honduras	Relocation of the PWR Office ³	551,068
Jamaica	Repair of roof and replacement of existing roof rainwater drainage system Replacement of uninterruptible power supply (UPS) batteries Repair of fissures in reinforced concrete outdoor walls, interior walls, girders, pillars, and concrete floor Renovation of electrical system and replacement of fluorescent lighting Renovation of plumbing piping	106,120
Office of Eastern Caribbean Countries	Upgrade of closed-circuit television (CCTV) system	20,851
Peru	Roof and railing repairs	44,835

¹ Approved by the PAHO Infrastructure and Investment Committee (PIIC) per ad hoc request of the PWR Office on 22 March 2019.

² Approved by the PIIC per ad hoc request of the PWR Office on 13 July 2019.

³ Approved by the PIIC per ad hoc request of the PWR Office on 17 September 2018, 13 November 2018, and 27 December 2018.

Location	Description	Total
Uruguay	Renovation of the conference room, restrooms, and lighting system ⁴	37,036
Venezuela	Waterproofing repairs to roofs Electrical repairs and replacement of air conditioner in server room and CCTV system Replacement of façade	24,715
Total		2,240,636⁵

Table 2
Master Capital Investment Fund
Information Technology Subfund
Projects Implemented in 2019
 (as of 31 December 2019)
 (in US dollars)

Location	Description	Total
Headquarters, Washington, DC	Implementation of the Information Technology Strategy: intranet analytics set up and service, strengthening of the PAHO Institutional Repository for Information Sharing (IRIS), and implementation of PAHO Multimedia Asset Management (MAM) system	92,492

Table 3
Master Capital Investment Fund
Vehicle Replacement Subfund
Projects Implemented in 2019
 (as of 31 December 2019)
 (in US dollars)

Location	Description	Total
Argentina	Vehicle replacement (one)	39,167
El Salvador	Vehicle replacement (one)	38,545
Honduras	Vehicle replacement (one)	39,607
Nicaragua	Vehicle replacement (one)	30,200 ⁶
Office of Eastern Caribbean Countries	Vehicle replacement (two)	0 ⁷
Paraguay	Vehicle replacement (three)	113,466 ⁸
Total	Vehicle replacements (nine)	260,985.09

⁴ Approved by the PIIC per ad hoc request of the PWR Office on 11 June 2018 and 13 February 2019.

⁵ Includes accrual expense in the amount of \$160,595.35.

⁶ A microbus was purchased locally.

⁷ The Office of Eastern Caribbean Countries, headquartered in Barbados, received two new vehicles through a local trade-in program at no cost to PAHO.

⁸ The cost per vehicle in Paraguay is \$37,822.16.

Table 4
Master Capital Investment Fund
Revolving Strategic Real Estate Subfund
Projects Implemented in 2019
 (as of 31 December 2019)
 (in US dollars)

Location	Description	Total
Headquarters, Washington, DC	Purchase of the property at 2121 Virginia Avenue NW, Washington, DC	5,000,000
Guatemala	Payment of fees associated with the sale of PAHO property in Guatemala	48,621
Total		5,048,621

Table 5
Master Capital Investment Fund
Human Resources Strategy Subfund
Projects Implemented in 2019
 (as of 31 December 2019)
 (in US dollars)

Location	Description	Total
Headquarters, Washington, DC	Implementation of the Human Resources Strategy: PWR Office administrators learning program through rotation	17,809

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