

directing council



PAN AMERICAN
HEALTH
ORGANIZATION

XXXI Meeting

regional committee

WORLD
HEALTH
ORGANIZATION



XXXVII Meeting

Washington, D.C.
September-October 1985

INDEXED

Provisional Agenda Item 13

CD31/9 (Eng.)
Corrigendum
23 September 1985
ENGLISH ONLY

PAHO BUILDING FUND

Corrigendum

On page 2 of annexed Document CE95/22, Rev. 1 the amount appearing in the paragraph on the CFNI Building should read \$112,000, instead of \$110,000.



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Washington, D.C.
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Provisional Agenda Item 13

CD31/9 (Eng.)

15 July 1985

ORIGINAL: ENGLISH

PAHO BUILDING FUND

The Executive Committee, at its 95th Meeting, reviewed several matters concerning the PAHO Building Fund, as presented in Document CE95/22, Rev. 1, which is attached as an annex.

First, the Executive Committee considered the request of the Director of the Pan American Health Organization for \$915,000 as a one-time expense in order to provide modern office systems for PAHO in the new building to be erected on the Governor Shepherd site. In adopting the following resolution (Resolution XXIV), the Executive Committee is recommending that the Directing Council approve this expense and the means proposed by the Director for the Building Fund's capitalization for this purpose:

PAHO BUILDING FUND

New Headquarters Annex

THE 95th MEETING OF THE EXECUTIVE COMMITTEE,

Having seen Document CE95/22, Rev. 1 relating to the PAHO Building Fund and the recommendations of the Director contained therein,

RESOLVES:

To recommend to the XXXI Meeting of the Directing Council the adoption of a resolution along the following lines:

THE XXXI MEETING OF THE DIRECTING COUNCIL,

Considering that there is a one-time need to capitalize the PAHO Building Fund to meet office space requirements for PASB staff in the the new building to be constructed on the Governor Shepherd building site;

Bearing in mind Resolution XVI of the XXVI Meeting of the Directing Council which authorized the transfer of funds into the Building Fund to purchase a building for the Area II Office and that there is currently \$128,220 in the Building Fund reserved for that purpose; and

Noting the availability of land rent from the Governor Shepherd site and the need to pay operational/rental costs for temporary office space awaiting completion of the new building and for the PAHO office space in the new building,

RESOLVES:

1. To approve the capitalization of the PAHO Building Fund to meet requirements relating to PAHO office space in the new building to be constructed on the Governor Shepherd building site.

2. To approve the Director's recommendations for the utilization of the following funds for capitalization of the Building Fund for the requirements indicated in operative paragraph 1 above:

- a) \$200,000 in land rent to be paid to PAHO in 1986 by the developer of the new building on the Governor Shepherd building site;
- b) \$128,220 currently reserved from the PAHO Building Fund for purchase of an Area II office building;
- c) \$197,000 in other estimated available balances in the PAHO Building Fund;
- d) Up to \$390,000 in potential savings in the 1984-1985 PAHO Regular Budget.

3. To report to the Executive Committee in June 1986 on the implementation of operative paragraphs 1 and 2 above.

Furthermore, the Executive Committee reviewed the need to capitalize and replenish, on a recurring basis, the PAHO Building Fund in order to meet future, anticipated expenditures for major maintenance and repair projects (over \$20,000) in PAHO-owned buildings. This plan would evenly distribute the impact of these facility maintenance and repair

costs over future budgets. In this regard, the Executive Committee is presenting the following resolution (Resolution XXV) to the Directing Council for its consideration:

PAHO BUILDING FUND

Maintenance and Repair of PAHO-Owned Buildings

THE 95th MEETING OF THE EXECUTIVE COMMITTEE,

Having seen Document CE95/22, Rev. 1 relating to the PAHO Building Fund and the recommendations of the Director contained therein,

RESOLVES:

To recommend to the XXXI Meeting of the Directing Council the adoption of a resolution along the following lines:

THE XXXI MEETING OF THE DIRECTING COUNCIL,

Considering that the PAHO Headquarters building is 20 years old and has started to require major maintenance and repairs;

Recognizing that so long as PAHO owns office buildings in Buenos Aires, Guatemala, Brasilia, Lima and Caracas, PAHO is responsible for major maintenance and repair of these five buildings;

Noting that there is a need for further capitalization of the PAHO Building Fund to meet future requirements for major maintenance and repair of PAHO-owned buildings;

Noting that during the negotiations between PAHO and WHO to develop a cost-sharing formula for financing real estate operations in the AMRO Region, PAHO proposed a reimbursement percentage in the range of 29-34%;

Bearing in mind that the WHO Director General has decided that PAHO will receive a 25% reimbursement for all PAHO/WHO major construction and repair projects (over \$20,000) which are deemed qualified for cost-sharing by the WHO Building Programme Committee; and

Noting that PAHO will be returning to the WHO Real Estate Fund the allocation of \$250,000 which was authorized by the World Health Assembly towards the construction of a building for the joint WHO/PAHO Publications and Documentation Service (SEPU) and Office of the PAHO Representative for Area II in Mexico,

RESOLVES:

1. To approve the recommendations of the Director for further capitalization of the PAHO Building Fund to meet future requirements for major maintenance and repair of PAHO-owned buildings.

2. To authorize the Director to utilize the following funds for capitalization of the Building Fund as indicated in operative paragraph 1 above:

- a) Up to \$100,000 per year of excess miscellaneous income earned over the amount of miscellaneous income appropriated by the PAHO Governing Bodies;
- b) Up to \$150,000 per year of revenues received from land and space rentals, other sales and services and program support costs.

3. To establish a policy that the money for the PAHO Building Fund as indicated in operative paragraph 2 above be used to finance major maintenance and repair projects of \$20,000 and over.

4. To request the Director to negotiate with the WHO Director General a level of reimbursement consistent with WHO's percentage participation in AMRO's program budget for all PAHO/WHO major construction and repair projects (over \$20,000) which are deemed qualified for cost-sharing by the WHO Building Programme Committee.

5. To establish a ceiling of \$500,000 in the PAHO Building Fund for the maintenance and repair of PAHO-owned buildings.

6. To request the Director to present annually to the Executive Committee for approval a proposed maintenance and repair program for the succeeding year, and to report yearly to the Executive Committee for its approval all expenditures charged to the PAHO Building Fund during the preceding year.

*executive committee of
the directing council*

PAN AMERICAN
HEALTH
ORGANIZATION



*working party of
the regional committee*

WORLD
HEALTH
ORGANIZATION



95th Meeting
Washington, D.C.
June-July 1985

Provisional Agenda Item 27

CE95/22, Rev. 1 (Eng.)
19 June 1985
ORIGINAL: ENGLISH

BUILDING FUND

Current PAHO office space requirements relating to the new building to be constructed on the site of the Governor Shepherd Building as well as anticipated expenditures for major maintenance and repairs of the PAHO Headquarters building and other PAHO-owned buildings require recapitalization of the PAHO Building Fund. This document presents the background information and details funding requirements and potential sources of financing for these purposes. The Director is submitting recommendations on this matter for the consideration of the Executive Committee.

I. BACKGROUND AND USE OF PAHO BUILDING FUND

The PAHO Building Fund was established as the "Building Reserve Fund" by Resolution XIV of the VIII Meeting of the Directing Council in September 1955. Since that time the Building Fund has been used intermittently, mainly for special projects such as the construction of the building in Brasilia in 1974, the reconstruction of INCAP after the 1976 earthquake, the renovation of the basement of the Headquarters building in 1979, the renovation of the Headquarters Council Chamber in 1980, the construction of the new CFNI building, and the operations of the Governor Shepherd Building. Since 1979, except for special projects, such as the renovation of the Headquarters Council Chamber and the Governor Shepherd Building operations, no funds from the Regular Budgets have been placed in or expended from the Building Fund for maintenance and repairs of PAHO-owned buildings. Since that time, maintenance and repairs costs for these buildings have been charged to General Operating Expense provisions within the Organization's annual or biennial budgets.

II. CURRENT STATUS OF PAHO BUILDING FUND

The current available balances of the PAHO Building Fund are as follows:

Governor Shepherd Building	\$ 85,000
Mexico Building	128,220
CFNI Building	<u>112,000</u>
TOTAL	\$325,220 =====

Additional explanations of these balances are as follows:

Governor Shepherd Building

These funds (\$85,000) represent the net results of the operations of the Governor Shepherd Building after payment of expenditures and mortgage plus a small residual amount of funds originally allocated for maintenance and repair of the Headquarters Building.

Mexico Office Building

Resolution XVI of the XXVI Meeting of the Directing Council (1 October 1979) authorized "the Director to transfer \$130,846 from the Holding Account to the Building Fund for use in purchasing a building for the Area II Office." This resolution also stated "If this amount is not needed for the purchase of the building, it should be transferred to the Revolving Fund for the Expanded Program on Immunization." Since 1979, these funds have been reserved within the Building Fund for the purpose indicated and are not available for other Building Fund activities. An amount of \$2,626 was expended in 1981 for architectural services related to a new Area II building, leaving a current balance of \$128,220.

CFNI Building

The amount of \$110,000 represents the uncommitted balance of the funds for construction of the CFNI Building which were provided from the PAHO Regular Budget, WHO Real Estate Fund, and the Government of Jamaica.

Construction started in 1983 and was completed in May 1985.

III. WHO REAL ESTATE FUND

In May 1970, the World Health Assembly (in Resolution WHA15.15) established a WHO Real Estate Fund. Among the purposes of the Real Estate Fund were the financing of major repairs and alterations to existing WHO office buildings, the acquisition of land, and the construction of buildings or building extensions.

This resolution also indicated that "replenishments of, or increases in the Fund shall be made by appropriations by the Health Assembly from casual income; these appropriations shall be voted separately from the appropriation for the relevant budget year."

PAHO's participation in the WHO Real Estate Fund has been limited to the construction of the then Zone Office in Brasilia, the use of WHO contributions for the construction of the building for the Caribbean Food and Nutrition Institute (CFNI) in Jamaica, and the joint PAHO/WHO Publications and Documentation Center (SEPU) in Mexico. The CFNI project has been completed, while the SEPU project has since been abandoned because of local difficulties and a subsequent decision to transfer the work of that office to Washington.

Resolution WHA34.12 (May 1981) authorized the financing from the Real Estate Fund of a contribution of \$250,000 towards the construction of a building for the joint WHO/PAHO Publications and Documentation Service and the Office of the PAHO Representative for Area II in Mexico. Since this project has been abandoned, PAHO has advised WHO that the allocation of \$250,000 authorized by the World Health Assembly is no longer needed for the intended purpose and can be released to the Real Estate Fund.

In 1984 there were exploratory discussions between the AMRO Regional Director and the Director-General of WHO about possible increased support to AMRO/PAHO through the WHO Real Estate Fund. These were followed by preliminary discussions at the administrative level. In January 1985, at the WHO Executive Board, the AMRO Regional Director and the WHO Assistant Director-General for Administration reviewed AMRO/PAHO's limited participation, and the subject was presented to the Board. The WHO Assistant Director-General noted that in the past WHO had rarely made financial contributions to AMRO/PAHO from the Real Estate Fund, and that each time it had done so, it had been on an ad hoc basis. The rationale for that course of action has apparently been that title to the office buildings in the Region of the Americas belonged to PAHO, not WHO as is the case in the other Regions.

The WHO Director-General had indicated that it would be only fair and appropriate for WHO, through its Real Estate Fund, to participate to some extent in the extraordinary costs of real estate operations in the Region of the Americas. Negotiations were initiated with WHO to develop a cost-sharing formula for financing real estate operations in the AMRO Region, if and when the need arose. The WHO Director-General has decided that PAHO will receive 25% reimbursement for all PAHO/AMRO major construction and repair projects (over \$20,000) which are deemed qualified for cost-sharing by the WHO Building Programme Committee.

IV. CURRENT PAHO BUILDING FUND REQUIREMENTS

The demolition of the Governor Shepherd Building and the construction of a new building on the Governor Shepherd site has been previously approved by the PAHO Governing Bodies. Demolition has started and construction will begin in late 1985 and will be completed in 1987. The demolition and construction work will be performed by the developer with no cost to PAHO.

PAHO retains legal title to the land upon which the Governor Shepherd is located. The developer purchased the gasoline station next door and certain development rights from the drug store on the other side of the Governor Shepherd. During the next 60 years, PAHO will continue to own the Governor Shepherd site, and at the end of this period, upon payment of one dollar, the new building itself, the extra land and development rights become PAHO's property.

PAHO will receive \$600,000 a year land rent and in turn pays the Lenkin Company rent for approximately 30,000 square feet of office space. The land rent received by PAHO and the office rent to be paid to Lenkin are indexed in the same manner. The result is that PAHO obtains the office space it needs at a reduced cost and avoids the heavy budget impact of a major renovation or construction project. It is intended to use the land rent towards temporary office space rental awaiting completion of the new building, towards one-time occupancy costs and rent of PAHO office space in the new building and towards major maintenance and repair of all PAHO-owned buildings.

To assist in the planning of the relocation to the new building to be constructed on the Governor Shepherd site, the Organization retained a space planning/architectural firm to provide programming, space planning, interior construction supervision and move-in coordination.

The construction requirements for office buildings, which developers follow, provide for certain building standards in relation to carpet, lighting, acoustics, wall coverings and power requirements.

Since this office space will be occupied by PAHO on a permanent basis, we were advised by our consultants that it would be to our long-term advantage and that it is more economical to effect certain interior modifications and space improvements or changes while the building is being constructed. There might be a need to increase the lighting, to ensure that the ceiling and the wall coverings contribute to the proper acoustic levels and that the carpeting will be long-lasting, and to provide for special environmental requirements for the planned Computer Center.

Since office space in the Washington area is very expensive, it is essential to make optimum use of PAHO office space to be rented in the new building. Our consultants have recommended the use of modular office systems in addition to the modifications described above.

Most organizations in Washington are moving towards modular office systems, especially in new construction. This concept of office design affords a more efficient use of space, principally by accommodating a larger population in a smaller amount of space, thus providing annual savings by reducing recurring costs over the long run. In addition, modular office systems make it possible to tailor each work station to organizational structure and departmental requirements, thus creating an efficient and pleasant work environment. As a result, departmental and staff productivity are increased.

The estimated cost of these modern office systems is \$915,000. This amount, proposed for allocation, represents the Organization's best estimate at this time and is supported by calculations by our consultants on the basis of their experience in similar office buildings in the Washington area. They estimate on a conservative basis that the use of non-modular furniture systems would, according to industry standards, require about 10,000 extra square feet of office space at a cost of \$257,500 a year in additional rent.

The amount of \$915,000 represents a one-time cost to the Organization which can be financed through an increase in capitalization of the PAHO Building Fund. It is anticipated that these funds can be made available without any increase in the 1984-1985 Regular Budget appropriations or without any significant impact on budgetary allocations within the 1986-1987 Regular Budget. Sources of these funds would be as follows:

1. 1986 Land Rent for the Governor Shepherd Site \$200,000

The developer has agreed to pay \$600,000 per year in land rent. This land rent will become available starting on 1 January 1986. It is estimated that four months' land rent at \$50,000 per month could be made available for the Building Fund in 1986.

2. Current PAHO Building Fund \$325,000

The current funds in the PAHO Building Fund include \$128,220 reserved for the Mexico Office Building. At the time of the adoption of Resolution XVI of the XXVI Meeting of the Directing Council which placed these funds in the PAHO Building Fund, the Revolving Fund for the Expanded Program on Immunization was under-capitalized and funds were being sought for this Revolving Fund. For this reason, Resolution XVI indicated that if this amount was not needed for the purchase of the Area II building, it should be transferred to the Revolving Fund for the Expanded Program on Immunization. Currently, this Revolving Fund is satisfactorily capitalized and additional funds are not required now or in the foreseeable future. Since it has been decided not to build an office for the PAHO representation in Mexico, the funds are not needed for that purpose and, with the authorization of the Directing Council, could be made available for use for the requirements of the new office building. In addition, it is estimated that other uncommitted balances in the Building Fund totaling approximately \$197,000 will also be available.

3. 1984-1985 Budget Savings \$390,000

There may be savings available within the 1984-1985 Effective Working Budget. Since PAHO Financial Regulations provide that the 1984-1985 Regular Budget appropriations are only available for obligation during 1984-1985, action to transfer any such savings up to \$390,000 to the Building Fund for use in meeting the new office building requirements must be taken before the end of 1985.

TOTAL (Items 1, 2 and 3 above) \$915,000
=====

V. FUTURE PAHO BUILDING FUND REQUIREMENTS AND SOURCES OF FINANCING

1. Headquarters Building

The current Headquarters Building was completed and occupied in 1965. During the early years of our occupancy, the building needed only routine maintenance and repairs. However, during 1981-1984, major maintenance and repair expenditures totaling \$850,000 were required. These expenditures were charged to PAHO Regular funds, since no allocations for these purposes were available in the Building Fund.

The Headquarters Building is now 20 years old. Its unusual construction and design for the Washington area of using metal-supported marble facing for the building is now showing signs of deterioration under local climatic conditions. The heating, electrical, air conditioning and elevator systems of the building have an average estimated life of 25 years. Major maintenance, restoration and replacement expenditures are therefore anticipated. It is considered essential that funds be available in the Building Fund on a regular basis to meet anticipated expenditures.

2. Other PAHO Buildings

In addition to the Headquarters Building, PAHO owns buildings in Buenos Aires, Brasíia, Guatemala, Lima and Caracas, which house the Country Representatives' Offices. PAHO has the ultimate responsibility for major maintenance and repair of these five buildings.

Upon elimination of the Area Offices in 1984, new Basic Agreements between PAHO and the Governments of Argentina, Guatemala, Mexico, Peru and Venezuela have been presented to these Governments. Although all of these new agreements have not yet been completely finalized, the Director is negotiating with the Governments for contributions towards office space and operating costs for the new

Country Representatives' Offices in these five countries. In Buenos Aires, the Government of Argentina has already contributed towards modification of the office space of the PAHO Country Representative's Office. Considering the economic conditions in the Member Countries, it is doubtful that any major maintenance or repairs required for these five buildings in the future would be paid through voluntary contributions by the Governments. Any major maintenance and repairs to these buildings while under PAHO ownership would be charged against the Building Fund, subject to availability of funds therein.

3. Sources of Financing

Considering the future PAHO Building Fund requirements indicated above, it is essential that the Building Fund be capitalized and replenished on a regular basis in a similar manner as is done with the WHO Real Estate Fund. This capitalization and replenishment would shelter any one biennial budget from the impact of major or unexpected maintenance or repair expenses.

The funding so provided would only be available for major maintenance and repair projects with estimated costs of \$20,000 or more. This \$20,000 limitation would be similar to the WHO policy for the WHO Real Estate Fund. A maximum capitalization ceiling of \$500,000 would be placed upon the Building Fund for major maintenance and repair expenditures. Based upon the cost-sharing formula under development between AMRO/PAHO and WHO, major maintenance and repair projects would be submitted to WHO for partial financing from the WHO Real Estate Fund. Any new construction projects would be excluded from this ceiling and would be submitted to the PAHO Governing Bodies and WHO for special funding.

Sources for periodic capitalization of the Building Fund to meet the above-mentioned requirements would be as follows:

1. Miscellaneous Income (excess earned over amounts appropriated by the PAHO Governing Bodies) Up to \$100,000 per year
2. Revenues received from land and space rentals, other sales and services and program support costs. Up to \$150,000 per year

It should be noted that the WHO Real Estate Fund is financed by WHO "Casual Income" which is analogous to PAHO "Miscellaneous Income."

Additional capitalization sources could be from the interest income on available balances in the Building Fund plus approved allocations from the WHO Real Estate Fund for specific projects.

VI. SUMMARY AND RECOMMENDATIONS

It is essential to capitalize the PAHO Building Fund to meet current and future requirements for PAHO buildings and office space, thus distributing major building repair and replacement costs evenly over future budget periods.

Considering the estimated costs of \$915,000 for the modern office systems for the new building, it is recommended that the Director be authorized to use, as capital to finance the above-mentioned requirements of the new Building, the following funds:

1. The amount of \$200,000 in land rent to be paid to PAHO in 1986 for the Governor Shepherd Site;
2. The amount of \$197,000 in estimated available funds in the PAHO Building Fund;
3. The amount of \$128,220 which had been placed in the Building Fund for the construction of an Area II building;
4. Up to an amount of \$390,000 in 1984-1985 potential Regular Budget savings to be transferred into the PAHO Building Fund before 31 December 1985.

Considering the need to capitalize and replenish on a recurring basis the PAHO Building Fund to meet future anticipated expenditures for major maintenance and repair projects for PAHO-owned buildings, it is recommended that the Director be authorized to capitalize the PAHO Building Fund from the following sources of funds:

1. Miscellaneous Income Up to \$100,000 per year
Derived from excess income earned
over amounts appropriated by the PAHO
Governing Bodies
2. Revenues received from land and space
rentals, other sales and services and
program support costs. Up to \$150,000 per year

It is further recommended that the funds indicated in 1 and 2 immediately above be utilized only for major maintenance and repair projects of \$20,000 and over and that a capitalization ceiling of \$500,000 be placed on this Fund.

The balance of land rent not allocated above nor required for periodic capitalization will be placed in the PAHO Building Fund and used to offset partially PAHO's rental costs for office space in the temporary office location and in the new building, when construction is completed.

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XXXVII Meeting

Washington, D.C.
September-October 1985

Provisional Agenda Item 13

CD31/9, ADD. I (Eng.)
10 September 1985
ORIGINAL: ENGLISH

PAHO BUILDING FUND

Document CD31/9 and its annex (Document CE95/22, Rev. 1) outlined the Director's negotiations with the Director-General of WHO to participate (through WHO's Real Estate Fund) to some extent in the extraordinary costs of real estate operations in the AMRO Region.

Subsequent to the 95th Meeting of the Executive Committee, the Director informed the WHO Director-General, Dr. Halfdan T. Mahler, that PAHO's Executive Committee had met in Washington from 24 to 29 June 1985 and had considered the question of this Region's participation in the WHO Real Estate Fund. A copy of the Committee's discussion and its resolutions were furnished to Dr. Mahler.

On 6 August 1985 the Director received a reply from Dr. Mahler outlining further details on this Region's participation in the WHO Real Estate Fund. The Director-General asked that the text of his letter be communicated to the Directing Council so as to enable it, when it examines Resolution XXIV adopted by the Executive Committee at its 95th Meeting, to make its decision in full knowledge of the alternatives offered and the considerations leading to his proposal. A copy of Dr. Mahler's letter is attached (Annex I).

Also attached (Annex II) are further details on the percentage distribution for 1986-1987 of PAHO and WHO posts, PAHO and WHO Regular Budget, and PAHO and WHO General Operating Expenses. Annex II also contains the actual expenditures for major maintenance and repair projects (over \$20,000) for the period 1981-1984 which were financed by PAHO funds.

Annexes I and II are provided to the Directing Council to facilitate its consideration and discussions of the PAHO Building Fund and Resolution XXIV of the 95th Meeting of the PAHO Executive Committee.

Annexes

(COPY)

Dr. C. Guerra de Macedo
Director
World Health Organization
Regional Office for the Americas/
Pan American Sanitary Bureau
525, 23rd Street, N.W.
Washington, D.C., 20037
USA

29 July 1985

Dear Dr. Macedo,

Thank you for your letter of 11 July 1985 AM/269/85 by which you informed me of the PAHO Executive Committee discussions relating to PAHO's participation in the WHO Real Estate Fund.

1. I have carefully examined the Summary Record of the 95th meeting of the Executive Committee (CE95/SR/11, pages 11 to 29), which you attached to your letter, and noted that the Executive Committee and you yourself are not altogether happy about the complicated and somewhat lengthy procedure which would result from the proposed agreement, and according to which PAHO would have to submit each of its real estate projects to the WHO Building Programme Committee, Executive Board and the World Health Assembly.

The suggestion that it would be fair and appropriate for WHO, through its real estate fund, to participate regularly to some extent in the financing of the cost of major real estate operations in the Americas came from me. I believe I should now clearly indicate that if this process is considered to be too complicated or restrictive of the freedom of PAHO, we can by common agreement decide not to pursue the idea at all. In that case we would simply maintain the previous practice, which was in force up till now, i.e. the Pan American Health Organization normally financed the entire cost of its buildings in the Americas and WHO's occasional financial contributions from the real estate fund have each time been made at the request of PAHO on an ad hoc basis. The rationale for this course of action has been that the title of the office buildings in the region belongs to PAHO and not, as in the other regions, to WHO, and that it has not been thought appropriate to use WHO funds for land and buildings belonging to another organization with a different membership and its own assessed budget. Following the same logic, WHO, however, regularly contributed through its budget to the total cost for the rental and maintenance of PAHO's premises. In 1986-1987 this contribution is budgeted at \$614 900, or 31% of the total estimated cost.

Since you have never asked that this practice should change, and the principle of a new agreement was suggested by me, the Directing Council and you yourself may wish to examine whether the previous arrangement should not simply be maintained instead of such an agreement, it being understood that timely requests for a participation of the WHO real estate fund in PAHO major building or maintenance projects exceeding \$20 000 would be considered by WHO on an ad hoc basis.

2. Alternatively, should you wish to maintain the new principle of an agreement for regular WHO participation, which I proposed, I should be grateful if you would inform the Directing Council that such an agreement to share in the expenditure for all major construction and repairs of PAHO buildings is additional to the amounts for rental and maintenance of PAHO premises included in the regular budget. As stated above, the amount of US\$614 900 included for this purpose in the 1986-87 budget represents 31% of the total estimated cost. It compares to 26.3% of the total AMRO/PAHO staff in the Americas being financed by WHO in September 1984, the most recent date for which we have the relevant figures of actual expenditure. The PAHO Executive Committee seems to have overlooked this significant regular contribution. Under the proposed agreement, WHO will share in the expenditure for all major construction and repairs of PAHO buildings which use WHO staff, even if the WHO staff proportion is very small. In fact, WHO will be paying for the construction, extensions and repairs of buildings which will continue to belong solely to PAHO and in which WHO will not have, nor ask for, any equity. A new building extension or improvement to existing buildings, such as for example the addition of an elevator, will show up as an increase in assets in PAHO's balance sheet, but for WHO it will be in effect a contribution to another organization with a different membership.

It is because WHO is already paying a proportionate share of the maintenance of PAHO's buildings through the regular budget, and because all buildings in the hemisphere will continue to be owned entirely by PAHO, that I consider that WHO's share in the cost of construction and repairs should be somewhat less than the proportion which WHO/PAHO staff bear to the total PAHO staff in the hemisphere.

3. I should be obliged if you would kindly communicate the text of this letter to the Directing Council, so as to enable it, when it examines the draft resolution XXV submitted by the Executive Committee, to make its decision in full knowledge of the alternatives offered and the considerations leading to my proposals.

Yours sincerely,

(signed)

H. Mahler, M.D.
Director-General

DISTRIBUTION OF PAHO AND WHO POSTS, REGULAR BUDGET
APPROPRIATIONS AND HEADQUARTERS GENERAL OPERATING EXPENSES

Percentage of Positions by Funding

	PAHO	WHO
1982-83	69%	31%
1984-85	70%	30%
1986-87	71%	29%

Percentage of Regular Budget by Source

	PAHO	WHO
1982-83	67%	33%
1984-85	67%	33%
1986-87	66%	34%

*General Operating Expenses by Fund Source

	PAHO	WHO
1982-83	70%	30%
1984-85	69%	31%
1986-87	69%	31%

*Rent, utilities, communications, cleaning
and regular maintenance and repairs.

Major Maintenance and Repair (over \$20,000)

	PAHO	WHO
1981	\$213,167	0
1982	414,296	0 *
1983	119,704	0
1984	169,000	0