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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).

Status of the Master Capital Investment Fund

2. The Master Capital Investment Fund (MCIF) 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.

3. The balance of the Master Capital Investment Fund was US\$ 15,863,717¹ as of 31 December 2019 and \$19,746,027 as of 31 December 2020 (Table 1).

Table 1. Master Capital Investment Fund - Summary of Fund Balance
(in US\$)

MCIF Subfund	Balance 31 December 2019	Revenue 2020	Expense 2020	Balance 31 December 2020
Real Estate Maintenance and Improvements	14,414,626	3,771,198	678,373	17,507,451
Information Technology	485,017		91,316	393,701
Vehicle Replacement	179,875	1,113,699	98,898	1,194,676
Revolving Strategic Real Estate	246,442		134,000	112,442
Human Resources Strategy	537,757			537,757
TOTAL	15,863,717	4,884,897	1,002,587	19,746,027

4. In addition, the Reserve for the Master Capital Investment Fund, established in 2007, had a balance of \$2,000,000 as of 31 December 2020. The Director may allocate up to \$2,000,000 from this Reserve during each biennium to one or more of the MCIF subfunds.

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

5. The information presented in this report includes unaudited preliminary figures, the final report will be available once the External Auditors complete and sign the audit of the Organization's financial statements for 2020.

Utilization of the Master Capital Investment Fund

6. Table 2 shows the utilization of the MCIF in 2020 by each subfund for Headquarters and Country offices.

Table 2. Master Capital Investment Fund Utilization in 2020, as of 31 December 2020
(in US\$)

Location	Description	Total
Real Estate Maintenance and Improvement Subfund		
Headquarters, Washington, DC	1st floor renovation (security upgrades). Building systems/electromechanical systems renovation. Digitization of legacy archives (in progress). Legal fees related to acquisition of PAHO property.	562,597
Dominican Republic	Repairs and renovation of the reception area, terrace, and façade of the building.*	46,026
Guatemala	Digitization of legacy archives, final phase.**	25,309
Guyana	Design phase for renovation of PWR-Guyana Country Office.†	44,441
Subtotal		678,373
Information Technology Subfund		
Headquarters, Washington, DC	Multimedia Asset Management (MAM) Services; acquisition of Electronic Medical record System, including software, subscription, and licenses.	91,316
Subtotal		91,316
Vehicle Replacement Subfund		
Suriname	Vehicle replacement (two).	73,447
Trinidad and Tobago	Vehicle replacement (one).	25,451
Subtotal		98,898
Revolving Strategic Real Estate Subfund		
Headquarters, Washington, DC, and PWR Offices	Appraisal of PAHO properties (Land and Building): Argentina, Barbados, Brazil, Guatemala, Guyana, Haiti, Headquarters, Jamaica, Paraguay, Peru, and Venezuela.	134,000 ^{††}
Subtotal		134,000
Human Resources Strategy Subfund		
Headquarters, Washington, DC	None.	0
Subtotal		0
Total 2020 MCIF Utilization		1,002,587

* Ad hoc request approved by the PAHO Infrastructure and Investment Committee (PIIC) on 6 December 2019.

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

† Approved by the PIIC per ad hoc request of the PWR Office on 1 June 2019.

†† 2020 Accrued Expense.

Revenue

7. Table 3 shows the revenue credited to the MCIF in 2020. This includes an allocation of \$4,650,520.21 from the 2018-2019 biennium surplus, approved by the 58th Directing Council (Document CD58/12) as follow: \$3,650,520 to the Real Estate Maintenance and Improvement Subfund and \$1,000,000 to the Vehicle Replacement Subfund.

**Table 3. Revenue credited to the Master Capital Investment Fund in 2020,
as of 31 December 2020
(in US\$)**

Location	Description	Total
Real Estate Maintenance and Improvement Subfund		
Headquarters, Washington, DC	2018-2019 Revenue Surplus	3,650,520
	Fees - Parking space at 2121 Virginia Ave. (January), and property leasing	120,678
Subtotal		3,771,198
Vehicle Replacement Subfund		
Headquarters, Washington, DC	2018-2019 Revenue Surplus	1,000,000
Argentina	Sale of Obsolete Vehicles (one)	5,124
Cuba	Sale of Obsolete Vehicles (two)	9,500
Haiti	Sale of Obsolete Vehicles (five)	35,448
Mexico	Sale of Obsolete Vehicles (one)	3,894
Suriname	Sale of Obsolete Vehicles (two)	33,904
Trinidad and Tobago	Sale of Obsolete Vehicles (one)	13,729
Uruguay	Sale of Obsolete Vehicles (one)	12,100
Subtotal		1,113,699
Total		4,884,897

Update of the Master Capital Investment Plan for PAHO Headquarters

8. Table 4 shows the updated figures presented in 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) and the estimated Capital Investment requirements for the building at 2121 Virginia Avenue, acquired in 2019.

Table 4. Update of the Master Capital Investment Plan for PAHO Headquarters
(US\$ thousands)

Project Description	2015 MCIP for HQ*	Implemented 2015-2020	Balance	Balance updated to a 2019 value HQ**	MCIP for HQ Annex†	Total
	(A)	(B)	(A-B)	(C)	(D)	(C+D)
Urgent Projects Roof repairs, garage and freight elevator door replacement, granite façade panel replacement	250.0		250.0	252.5		252.5
Building systems/electromechanical systems renovation	8,515.0		8,515.0	8,600.2	4,073.0	12,673.2
Office tower Façade renovation - Marble end walls renovation	610.0		610.0	616.1	343.0	959.1
Rotunda and connector, roof and façade renovations	4,881.14		4,881.14	4,930.2		4,930.2
Façade replacement - New exterior glazing	9,548.1		9,548.1	9,643.6		9,643.6
10th floor renovation	3,768.9		3,768.9	3,806.6		3,806.6
Floor-by-floor renovation (3-9)	11,259.9		11,259.9	11,372.5	1,669.0	13,041.5
3rd floor cafeteria renovation	1,738.9		1,738.9	1,756.3		1,756.3
2nd floor renovation	5,463.6		5,463.6	5,518.2		5,518.2
1st floor renovation Security upgrades	1,045.7	450.0	595.7	601.7		601.7
Plaza and site renovations Security upgrades	1,045.7	17.2	1,028.5	1,038.8		1,038.8
Basement renovations	1,229.8	345.6	884.2	893.0		893.0
Fitness Center	1,475.8		1,475.8	1,490.6		1,490.6
TOTAL	50,832.8	812.8	50,020.0	50,520.2	6,085.0	56,605.2

* Document CE156/24, Rev.1.

** The HQ Building is located at 525 23rd St NW. These figures were indexed using the Consumer Price Index (CPI) figures derived from U.S. Bureau of Labor Statistics for 2015-2019.

† The HQ Annex is located at 2121 Virginia Ave. Figures provided by an external and independent assessment in 2019.

Operational Expenses for Headquarters Buildings

9. Table 5 shows the financial impact of the purchase of the building located at 2121 Virginia Avenue, which took place in 2019 using resources from the Master Capital Investment Fund. This purchase enabled the Pan American Sanitary Bureau (PASB) to cease the rental of office space at 2121 Virginia Avenue as of 1 January 2020, and at 1889 F Street as of 1 July 2020. Table 5 shows a reduction in annual operating expenses² as a result of the cessation of office space rental during 2020. Net operating expenses were reduced from \$4,624,609 in 2019 to \$3,946,490 in 2020. Net operating expenses are projected to be further reduced in 2021 to \$3,385,000. Compared to 2019, net savings of \$678,119 were achieved in 2020, and net savings of \$774,609 are projected for 2021.

Table 5. Operational Expenses for Buildings at PAHO Headquarters
(in US\$)

Operating Revenue	2019	2020	2021 (Projected)
Income from land lease for 2121 VA Avenue	902,453	0	0
Total Revenue	902,453	0	0
Operating Expenses			
Rental of space	2,048,145	538,947	0
Utilities	608,035	620,015	800,000
Security	634,042	577,503	650,000
Facilities Management (including maintenance)	2,236,839	2,210,025	2,400,000
Total PAHO Expenses	5,527,061	3,946,490	3,850,000
SURPLUS/(DEFICIT)	(4,624,609)	(3,946,490)	(3,850,000)

Action by the Executive Committee

10. The Executive Committee is invited to take note of this report and provide any comments it deems appropriate.

² Office space operating expenses are not charged to the MCIF; they are covered by the PASB's General Operating Costs, reported in the annual Financial Report of the Director.