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Proposed programme budget for the biennium 2012-2013

Construction of additional office facilities at the United Nations Office at Nairobi and the Economic Commission for Africa in Addis Ababa; strategic heritage plan of the United Nations Office at Geneva; and feasibility study on the United Nations Headquarters accommodation needs 2014-2034

Fourth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for the biennium 2012-2013

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the following reports of the Secretary-General:

- (a) Construction of additional office facilities at the United Nations Office at Nairobi (A/66/336);
- (b) Progress in the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa (A/66/351);
- (c) Strategic heritage plan of the United Nations Office at Geneva (A/66/279);
- (d) Feasibility study on the United Nations Headquarters accommodation needs 2014-2034 (A/66/349).

During its consideration of the reports, the Committee met with the representatives of the Secretary-General who provided additional information and clarifications.



II. Construction of additional office facilities at the United Nations Office at Nairobi

2. The report of the Secretary-General (A/66/336) is submitted pursuant to General Assembly resolution 63/263, in which the Assembly endorsed the recommendation of the Advisory Committee that the Secretary-General submit annual progress reports for all ongoing construction projects. In paragraphs 1 to 7 of his report, the Secretary-General provides information on the completion of the construction project. He indicates that the construction of the new office facility at the United Nations Office at Nairobi, which commenced on 4 May 2009, was substantially completed, in line with the schedule, in December 2010. Internal partitioning started ahead of schedule in September 2010 and was completed by March 2011, allowing occupancy of the building earlier than the anticipated date of June 2011. The two main tenants, the United Nations Environment Programme (UNEP) and the United Nations Human Settlements Programme (UN-Habitat) moved into the new facility from January to March 2011, and the building was inaugurated in March 2011. The Secretary-General expects the project to be completed below the approved budget and a part of the contingency to be released. However, the final cost of the project will be determined after the final payments are made in June 2012 and will be reported in the next annual progress report (A/66/336, para. 11). **The Advisory Committee welcomes the successful completion of the new office facility at the United Nations Office at Nairobi.**

3. The Secretary-General indicates that reallocation of office space vacated by UNEP and UN-Habitat in the United Nations Office at Nairobi Gigiri complex to other United Nations agencies, funds and programmes that had insufficient office space or were renting commercial office space, began in early 2011, and that by the end of June 2011 a significant number of moves had been completed. Upon request, the Committee was provided with a list of United Nations offices, field missions, agencies, funds and programmes that moved into the Gigiri complex during 2011, as well as those that continue to be housed outside of the complex (see annex I). The Committee was informed that the United Nations Support Office for the African Union Mission in Somalia (UNSOA) and the United Nations Political Office for Somalia (UNPOS), which were not included in the initial plan, had established their offices within the complex, with some 300 staff.

4. In this connection, the Advisory Committee recalls that in his report of 9 April 2008 (A/62/794), the Secretary-General indicated that the proposal for further expansion of the United Nations premises at Nairobi arose from the General Assembly's call, in its resolution 44/211, on all organizations of the United Nations system to make the necessary arrangements for the implementation of the United Nations common house concept for establishing common premises at the country level. In line with that resolution, and taking into account the complex security situation in Nairobi, the Secretary-General proposed to relocate to the Gigiri complex, the regional, subregional and country offices of the United Nations specialized agencies, funds and programmes present in Nairobi. In the same report, the Secretary-General indicated that, based on a survey conducted in August 2007, the office space requirements of the existing tenants in the complex and their projected growth over the subsequent three years, as well as of the United Nations offices located outside the Gigiri complex, could be met through the construction of

a new three-storey office building and some further rationalization of overall office space.

5. **The Committee considers that the Secretary-General should carry out a post-completion review to assess the implementation of the project. The review should include a comparison between actual and forecasted costs and benefits, an analysis of planned versus actual space utilization of the additional office facilities, a review of the assumptions formulated at the start of the project and the adaptations made over the implementation period and an assessment of the procedures used to ensure successful completion of the project. The Secretary-General should also provide the reasons that prevented some United Nations offices present in Nairobi from relocating to the United Nations Gigiri compound as envisaged. In the Committee's view, such a review would provide the Organization with useful lessons and inputs as it plans expansion of office facilities at other duty stations in the context of current construction/renovation projects.**

6. **The Advisory Committee looks forward to receiving, in the context of the Secretary-General's next progress report, information on the outcome of the post-completion review and details on the final implementation costs of the project.**

7. The Advisory Committee requested additional information on the borrowing costs of \$163,045 shown under the project cost estimates in table 2 of the report of the Secretary-General (A/66/336). It was informed that in 2002 an advance of \$1,416,750 was made by UNEP towards the costs of the design phase of the construction project (see A/62/794, para. 43) and that the loan amount was reduced through subsequent remissions of rent collected from UNEP (\$748,328 in 2004; \$774,299 in 2005; and \$57,168 in 2006). The amount of \$163,045 reflected the total interest accrued for the loan at an annual rate of 6 per cent.

8. Upon enquiry, the Advisory Committee was informed that the additional provision of \$110,000 proposed under architects' fees (A/66/336, table 2) had been omitted in the previous progress report due to an oversight, and that the increase was related to higher construction costs. The Committee was further informed that, consistent with standard industry practice, the architect's fees were calculated as a percentage of the total construction costs. **The Committee expects that due attention will be paid in the future to ensuring full and accurate reporting of project costs.**

9. **The Advisory Committee recommends that the General Assembly take note of the Secretary-General's report on the construction of additional office facilities at the United Nations Office in Nairobi, taking into account the views and recommendations expressed above.**

III. Progress in the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa

10. The report of the Secretary-General (A/66/351) is submitted pursuant to General Assembly resolution 63/263, in which the Assembly endorsed the recommendation of the Advisory Committee that the Secretary-General submit annual progress reports for all ongoing construction projects. It provides an update

on construction of additional office facilities at the Economic Commission for Africa (ECA) in Addis Ababa and the renovation of the Africa Hall.

11. Information on progress in the construction of additional office facilities at ECA is contained in paragraphs 4 to 10 of the report. The Secretary-General indicates that a storm drainage line crossing the new ECA compound was diverted in September 2010 by the local government and is no longer an obstacle to the construction of the new building (*ibid.*, para. 12). The Secretary-General also indicates that construction commenced on 1 May 2010 and was planned to be substantially completed by the end of February 2012, but that the construction period had to be extended by six months because cement had to be imported owing to its lack of availability on the local market. Completion of the construction is now scheduled for August 2012, followed by six months of interior set-up by the agencies that will occupy the building. The Advisory Committee notes that the importation of cement was facilitated through close collaboration between ECA and the host Government, and that the ongoing support of the Ministry of Foreign Affairs will be crucial in ensuring timely importation of many of the finishing materials, equipment and fixtures in the next phase of construction. **The Advisory Committee welcomes the support provided by the Government of Ethiopia and reiterates that the Secretary-General should continue to pursue his efforts for close collaboration with host Government authorities to ensure that all issues related to the delivery of construction materials are addressed in a timely manner in order to avoid further delays and risks of cost escalation.**

12. In paragraph 13 of the report, the Secretary-General indicates that additional funding was obtained for the construction of an additional floor, and that the construction contract was amended accordingly. The Advisory Committee recalls that the addition of a seventh floor had previously been excluded from the scope of the project owing to insufficient funding, but that a provision had been included in the contract for the construction of an additional floor should the need arise and funding be obtained (A/65/518, para. 17). Upon enquiry, the Committee was informed that the funding requirement for the additional floor, amounting to \$1,000,145 was to be provided from the budgets of the United Nations Office to the African Union (UNOAU) and the African Union-United Nations Hybrid Operation in Darfur (UNAMID) in return for office space within the new building, when completed. Of this amount, \$850,000 was funded from the support account for peacekeeping operations to cover the requirements for UNOAU, comprising \$600,000 in the 2010/11 financial period and \$250,000 in 2011/12. The remaining amount of \$150,145 was provided under the UNAMID budget for the period 2011/12. **The Advisory Committee notes this development and requests that further information be provided in future progress reports.**

13. The Advisory Committee notes from paragraph 22 of the report that the Office of Central Support Services recently deployed two separate missions, with senior-level representatives from the Facilities Management Service and Procurement Division, to support the Economic Commission for Africa in the overall management of the project. The Committee was informed that the ECA project team was currently engaged in a value engineering exercise to reduce costs, in coordination with the Office of Central Support Services, and was also cooperating with the construction project team at the United Nations Office at Nairobi to ensure that the lessons learned at Nairobi were properly reviewed and applied at ECA. **The Committee stresses once again the essential central leadership and the support**

role of the Office of Central Support Services in ensuring the efficient and effective overall management of United Nations overseas properties and construction projects (see A/65/518, para. 13). It encourages the Office to continue to provide ECA with the necessary coordination, support and guidance on project management and technical matters.

14. In relation to efficiency and security measures being incorporated into the ECA construction project, the Advisory Committee was informed that the window units envisaged for the new facility were designed for energy efficiency, with tinting to reduce both solar heat gain and glare. The units would also comprise two layers of laminated glass and blast-resistant film.

15. The Advisory Committee notes from paragraphs 29 to 31 of the report of the Secretary-General that discrepancies, resulting from an error on the part of the architecture and construction management consultant, were found in the execution of the contract. The Secretary-General indicates that the costs of the discrepancies, provisionally estimated at \$734,000, will impact construction costs and will be funded from the budgetary contingency of \$925,186. **The Advisory Committee notes with concern that the discrepancies have resulted in increased costs and substantial depletion of the budgeted contingency, thereby increasing the risk to the project. It urges the Secretary-General to continue to closely monitor project expenditures and ensure that the project is delivered within the approved budget.**

16. The Advisory Committee was further informed that the facts relevant to the above contractual discrepancies were submitted to the Office of Legal Affairs on 11 April 2011, and that the Office of Legal Affairs was in the process of reviewing the matter in close consultation with the Office of Central Support Services and ECA. Pending further action, construction work was continuing. **The Advisory Committee recommends that the Secretary-General be requested to report on the outcome of the review by the Office of Legal Affairs in his next progress report.**

17. Concerning the renovation of the Africa Hall, the Advisory Committee notes that the Facilities Management Section at ECA has finalized the terms of reference for a consultancy to produce a design to achieve the required quality of renovation. The Section is currently engaged in the procurement process for the selection of a consultant (A/66/351, para. 35).

18. **The Advisory Committee recommends that the General Assembly take note of the report of the Secretary-General on progress in the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa, taking into account the views and recommendations expressed above.**

IV. Strategic heritage plan of the United Nations Office at Geneva

19. The report of the Secretary-General (A/66/279) is submitted pursuant to General Assembly resolution 64/243, in which the Assembly requested the Secretary-General to submit a report on the outcome of the conceptual engineering study of the strategic heritage plan, including an estimate of the overall costs and timeline of the project. In the same resolution, the Assembly called upon the

Secretary-General to ensure that the study identified all viable alternatives in the most cost-effective and efficient manner. The Assembly also stressed that the renovation phase of the strategic heritage plan should not start before it had taken a decision on that matter and the capital master plan had been completed.

20. The Advisory Committee notes that the conceptual engineering and architectural study¹ was conducted by a consultant over a period of six months starting in August 2010, building upon the results of the preliminary study conducted in 2009 (A/66/279, para. 5). In paragraph 7 of the report, the Secretary-General sets out the key performance objectives of the strategic heritage plan. These include optimizing available interior space and conference facilities; complying with prevailing health, safety and accessibility codes; updating the building exterior and electromechanical systems so as to reduce energy consumption; upgrading and expanding the information and communications networks, broadcast facilities and conference systems; preventing irreversible physical and structural damage; and ensuring business and operational continuity throughout the renovation process.

21. The major findings of the conceptual engineering and architectural study and recommended remedial actions with respect to each of the performance objectives are outlined in paragraphs 10 and 11 of the report. It is indicated that the study determined, inter alia, that available office space was underutilized by 25 to 30 per cent; conference rooms could be reconfigured to permit a more flexible utilization; the compound did not fully comply with international, local and United Nations fire, safety and security standards; energy consumption could be reduced by approximately 25 per cent; there was a need to replace the cabling and obsolete broadcasting facilities and conference systems; and the information and communications technology systems, videoconference systems and optical fibre network needed to be updated.

22. An analysis of options for executing the restoration and renovation works is set out in paragraphs 12 to 20 of the Secretary-General's report. As indicated, three options were developed, which differ mainly in terms of swing space requirements and the duration of the implementation period, as follows: (a) a fast-track implementation over a five-year period at a cost of CHF 684 million (equivalent to \$654 million²), requiring relocation of all the activities of the United Nations and rental space outside the compound for all staff during the entire implementation period; (b) a phased, medium-term implementation over an eight-year period at a cost of CHF 618 million (equivalent to \$591 million), requiring relocation of some activities and sufficient swing space to accommodate an estimated 1,000 staff members at any given time, which is proposed to be provided through the construction of temporary facilities within the compound itself; and (c) a phased, long-term implementation over a 13-year period at a cost of CHF 651 million (equivalent to \$622 million), under which the buildings would be refurbished in

¹ To facilitate its consideration of the Secretary-General's proposals, the Advisory Committee was provided with the final report of the consultant on the conceptual engineering and architectural study. The Committee also requested a considerable amount of additional information, which has been incorporated, where relevant, in the context of its observations on the proposals on the strategic heritage plan.

² In paragraph 14 of the report of the Secretary-General (A/66/279), it is indicated that all costs, which were originally developed in Swiss francs (CHF) and converted using a current operational exchange rate of \$1 = 1.046 CHF, would need to be recalculated based on the updated exchange rate at the time the project is executed.

segments, with a reduced requirement for swing space, which could be provided through internal relocation and the rental of a limited number of offices and conference facilities.

23. On the basis of the consultant's findings, the Secretary-General is recommending the medium-term option, with a phased implementation over an eight-year period. He states that this option would entail the lowest projected cost, accommodate requirements for swing space within the compound, be the least disruptive and meet all the key performance objectives and operational goals of the United Nations Office at Geneva. The advantages of the option are enumerated in paragraphs 21 and 22 of the report.

24. The Secretary-General further indicates that an analysis of the cost of maintaining the current approach to building upkeep and maintenance, with only immediate and urgent work being carried out as the need arises, would amount to approximately \$1.4 billion over the next 25 years, representing the costliest option. In comparison, based on assumptions as regards maintenance, energy and required rental costs, he estimates that total costs for the 8-year medium-term or 13-year long-term phased implementation options over the same period of 25 years would be in the range of \$1.2 billion to \$1.3 billion (A/66/279, para. 19). Upon enquiry, the Advisory Committee was provided with a breakdown of the requirements for each of the three options, and the projected requirements of the medium-term option by biennium, which are provided in annexes II and III to the present report. The Committee was also provided with additional information on the calculation of the total costs of over \$1.4 billion over a 25-year period for the reactive maintenance approach, as compared to the estimates of the total costs of each of the three options for planned restoration and renovation works, which is provided in annex IV to the present report. **The Committee is not in a position to ascertain the extent to which the methodology for estimating the costs for each option and underlying assumptions are valid or constitute a firm basis to protect the Organization against future cost overruns. It recommends that the Secretary-General be requested to provide in his next report more fully developed explanations on the composition and calculation of the costs, as well as the basis of the assumptions that underpin the estimates, and relevant supporting data.**

25. The Advisory Committee notes that, as part of the conceptual engineering and architectural study, the consultant, accompanied by the United Nations Office at Geneva project team, met with senior management from the Office of Central Support Services and the Office of the Capital Master Plan, in order to benefit first-hand from the lessons learned during the planning phases of the capital master plan and to incorporate recommended best practices into the project planning process of the strategic heritage plan (A/66/279, para. 5). The Committee was informed that the United Nations Office at Geneva continued to consult extensively with the Office of Central Support Services and the capital master plan team in this regard. Some of the key lessons learned, which have been incorporated into the planning of the strategic heritage plan project, are: (a) the need to obtain agreement from Member States, senior officials and other constituents on the goals and scope of the project early in the process; (b) the need for specialized technical staff with experience in large-scale renovation and construction projects to manage and oversee the architecture and engineering firm, as well as the building contractor; and (c) the need to identify and establish estimates of all costs, including indirect costs, at the

start of the project, so as to avoid issues arising from associated costs, as was the case with the capital master plan project (see A/62/799).

26. The Advisory Committee notes the efforts made to draw lessons from the capital master plan project, and expects these efforts to continue. The Committee once again stresses the importance of the central leadership and the supporting role of the Office of Central Support Services in ensuring efficient planning for United Nations properties and their effective overall management. The Advisory Committee also expects that relevant lessons learned from construction projects will be shared with other offices.

27. Upon enquiry, the Advisory Committee was provided with additional information on the annual maintenance costs of the United Nations Office at Geneva and their progression since the biennium 2000-2001, which is provided in annex V to the present report. The Committee notes that annual maintenance costs of United Nations Office at Geneva facilities progressed from some \$4.5 million per year in 2000 to \$8.2 million in 2009. It was indicated in the additional information that, on the basis of parameters established by the Swiss Society of Engineers and Architects for calculating requirements for maintenance costs of building complexes similar to that of the Palais des Nations, which range from 3 to 4 per cent per annum of the value of the complex, the required funds for the preservation and major maintenance of the premises would amount to some \$28.1 million annually.

28. During its consideration of the Secretary-General's proposals, the Advisory Committee was also provided with specific examples of technical constraints resulting from the lack of regular maintenance, which affect the capacity of the United Nations Office at Geneva to deliver its mandated conference services. These included: (a) the inability to flexibly configure available conference rooms to meet size requirements, resulting in non-acceptance of conference bookings; (b) poor sound quality in conference rooms; (c) underutilization of three 900-seat conference rooms due to a lack of digital interpretation equipment; (d) lack of capability for recording conferences in the six official languages; (e) reduced capability for distributing data and video signals due to outdated networks; and (f) lack of accessibility for disabled persons.

29. In this connection, the Advisory Committee recalls that the Secretary-General proposed, under section 34 of the proposed programme budget for the biennium 2012-2013, additional resources in the amount of \$5.8 million to address urgent health-, safety- and security-related repairs at the United Nations Office in Geneva (A/66/6 (Sect. 34), para. 34.28). Notwithstanding the future renovation envisaged in the context of the strategic heritage plan, the Committee, in its related report, recognized the need to proceed with these projects immediately in order to avoid further deterioration of buildings (A/66/7, para. XI.7). **The Advisory Committee emphasizes the need to coordinate ongoing maintenance activities with the work envisaged under the strategic heritage plan (see also A/66/7, para. VIII.87).**

30. The Secretary-General indicates that Switzerland, as host country, decided to participate in the comprehensive renovation of the Palais des Nations through a voluntary, single contribution of up to a maximum of 50 million Swiss francs, which is to be utilized for the implementation of necessary structural measures for energy saving (A/66/279, para. 28). The Advisory Committee notes that the contribution will result in a corresponding reduction in the total cost of the renovation works

which would be carried out in the context of the prospective strategic heritage plan. It was informed that the United Nations Office at Geneva had identified energy saving actions that could be undertaken independently from the full renovation work but which are within the scope of the strategic heritage plan and would not be superseded by subsequent works. **The Committee welcomes the contribution of the Government of Switzerland.**

31. The Secretary-General also proposes the establishment of a senior-level advisory committee comprising the substantive offices that would be affected by the project, as well as a dedicated team to manage the project. The team would initially prepare the documentation necessary to secure by the end of 2012 a project management firm to develop a detailed implementation plan in 2013. The Secretary-General states that the Buildings and Engineering Section of Central Support Services at the United Nations Office at Geneva was not in a position to manage this extensive project without additional dedicated staff, and emphasized the need to secure the appropriate level of dedicated technical staff capacity at the outset of the project in order to ensure its successful implementation (see A/66/279, paras. 24-28).

32. Details on the resource requirements for the next steps in the biennium 2012-2013 are provided in the annex to the Secretary-General's report. A provision of \$4,069,700 is proposed to cover the following requirements:

(a) General temporary assistance in the amount of \$1,164,600 for the biennium 2012-2013 to provide for an initial dedicated project team comprising one P-4 Architect, one P-4 Engineer and one P-3 Technical Expert to conduct the following tasks: review the consultancy findings; validate the recommended implementation; prepare the statements of work and develop the documentation for the solicitation process for securing a programme management firm; develop overall project management guidelines; and establish communication strategies with the substantive offices that would be most directly affected by the strategic heritage plan;

(b) Contractual services in the amount of \$2,800,000 to provide for the initial services of a programme management firm in developing the overall project implementation phasing plan, the multi-annual capital investment plan inclusive of financial analyses, and a detailed project schedule with key milestones.

33. The Advisory Committee takes note of the main findings of the conceptual engineering and architectural study and of the extent of the deterioration of the Palais des Nations and recognizes the need to undertake an overall renovation of the buildings in the compound. On the basis of the information available at this stage, the Committee is of the view that the medium-term implementation option recommended by the Secretary-General appears to be the most appropriate. However, owing to the magnitude of the project and the need for the General Assembly to make fully informed decisions, the Committee considers that any approval of the strategic heritage plan by the Assembly must be requested on the basis of a detailed implementation plan. Accordingly, the Advisory Committee recommends that the Secretary-General be authorized to proceed with the preparation of the detailed implementation plan and cost analysis based on the medium-term (eight-year) option, without prejudice to any decisions to be made by the General Assembly on this matter.

34. The Advisory Committee further recommends that the Secretary-General be requested to thoroughly examine all alternatives for achieving greater efficiency and savings in the restoration and renovation works with a view to lowering the overall cost of the implementation of the project. In this context, the Committee points out that other construction projects are under way or in development,³ and emphasizes the need to demonstrate utmost restraint in planning for expenditures so as to limit the burden on Member States.

35. As regards the Secretary-General's proposals for resource requirements, the Advisory Committee recommends approval of general temporary assistance in the amount of \$810,600 to provide for one P-4 Architect and one P-4 Engineer to establish a dedicated project management team, as well as the requirement of \$2,800,000 under contractual services in relation to the development of the detailed project implementation and phasing plan, inclusive of all financial implications. The Committee recommends against approval of general temporary assistance resources for the proposed P-3 Technical Expert. It considers that the functions of that position can be provided from within the existing capacity of the Buildings and Engineering Section.

V. Feasibility study on the United Nations Headquarters accommodation needs 2014-2034

36. The report of the Secretary-General (A/66/349) is submitted pursuant to General Assembly resolution 60/282, in which the Assembly stressed the need for a long-term strategy for office accommodation at United Nations Headquarters and requested the Secretary-General to conduct a comprehensive study on the feasibility of constructing a building on the North Lawn of the United Nations Headquarters compound.

37. The study assesses the Organization's long-term accommodation needs over a 20-year time frame beginning in 2014, after the completion of the capital master plan and the reoccupation of the Secretariat complex. The Advisory Committee notes that another important factor in developing the schedule for a long-term strategy is the expiration of the leases of United Nations Development Corporation buildings 1 and 2 (UNDC-1 and UNDC-2) at the end of March 2018, with options to extend to the end of March 2023, but no renewal options beyond that date. The study covers the accommodation needs of United Nations Headquarters and participating funds and programmes (United Nations Joint Staff Pension Fund (UNJSPF); United Nations Development Programme (UNDP); United Nations Population Fund (UNFPA); and United Nations Office for Project Services).⁴

³ For example, the capital master plan project at Headquarters; construction of additional office facilities at UNON and ECA, and construction of new facilities at the Economic and Social Commission for Western Asia (ESCWA). See also the feasibility study on the United Nations Headquarters accommodation needs 2014-2034 (A/66/349).

⁴ The Advisory Committee was informed that the United Nations Children's Fund (UNICEF) had decided not to participate in the feasibility study because it has an existing long-term real estate solution for New York in place which includes the ownership of UNDC-3 at the end of the lease term and a commercial condominium arrangement at 633 Third Avenue. Furthermore the intention of UNICEF is to enter into leases to cover any additional space requirements over the long term.

38. Background information on the governance and the conduct of the study is provided in paragraphs 3 to 8 of the report. As indicated, the funding for the study was included in the programme budget for the biennium 2008-2009 and the contract for the study was awarded in February 2010, following a competitive solicitation process, to Skidmore, Owings and Merrill, a leading international architectural consultancy firm. Upon enquiry, the Advisory Committee was provided with additional information on the firm and some of the projects it had completed that are comparable to the United Nations feasibility study. The Committee was also informed, upon enquiry, that the consultancy firm is precluded from participating in subsequent design or construction work, either as a prime contractor or subcontractor, but may be considered for subsequent consulting services to advise the United Nations in the context of a competition for awarding design or construction work.

39. The Advisory Committee notes that a steering committee, chaired by the Under-Secretary-General for Management and comprising officials from across the Organization, including the participating funds and programmes, was established in May 2010 to provide overall guidance and direction to the consultant team on the long-term office space strategy and to consider the recommendations emanating from the study. In paragraph 7 of his report, the Secretary-General enumerates a set of vision principles, established by the feasibility study team and endorsed by the steering committee. As indicated, the principles provide a framework to guide the project and are aimed at: (a) preserving the identity of the United Nations campus as a symbol of the Organization's mission; (b) emphasizing the central role of technology in the implementation of future initiatives of United Nations Headquarters; (c) highlighting the equal importance of reflecting functionality and diplomatic decorum in the United Nations workplace; (d) consolidating United Nations Headquarters within a maximum 10-minute walking distance of the main buildings to create a sense of campus and promote efficient operations and security control; (e) providing for flexible and efficient space utilization to address fluctuating space requirements; and (f) achieving the highest goals as regards energy conservation and sustainability.

40. The key findings of the feasibility study are outlined in paragraphs 9 to 16 of the report. It is indicated that the United Nations currently owns 51 per cent of its office space needs and leases the remaining 49 per cent, whereas the participating funds and programmes lease 100 per cent of office space. The Secretary-General also states that most of the desirable and acceptable commercial properties within the vicinity of the Secretariat compound are already occupied by the Organization. The Advisory Committee notes that the study determined that, taking into account historical and projected needs, and in accordance with industry best practice, the Organization should aim to own 80 per cent of its office requirements and lease the remaining 20 per cent (see para. 44 below).

41. Tables 2 and 3 of the report provide information on the long-term accommodation requirements and the projected incremental staff growth for United Nations Headquarters and the participating funds and programmes from 2014 to 2034. As indicated, the projected number of staff would increase from 10,711 in 2014 to 13,603 in 2034, resulting in long-term space requirements of an additional 1.62 million square feet above the existing capacity of the United Nations compound in 2014, increasing to 1.81 million square feet in 2023 and further to 1.88 million square feet in 2034. The Advisory Committee notes that the staff

projections and space requirements were estimated on the basis of the following assumptions:

(a) An average annual growth of 1.1 per cent from 2014 to 2034 for all New York staff. The Secretary-General indicates that this estimate is based on a compilation of historical data and interviews with organizational and departmental representatives. The Committee was also informed that an annual staff growth rate of 4 per cent was applied for the Pension Fund, which anticipates increased workload resulting from the growing number of retirees;

(b) An allowance of 250 square feet (23 square metres) per person. Upon enquiry, the Committee was informed that this allowance reflected the gross density achieved in the space guidelines approved by the Chef de Cabinet in 2004, and included the dedicated personal space per person as well as the common areas required for circulation, meeting rooms and support areas. The estimates for swing space during the capital master plan and requirements for the reoccupation of the Secretariat Building are also said to be based on these guidelines (see para. 43 below);

(c) Implementation of alternative workplace strategies between 2023 and 2034, resulting in 20 per cent efficiency gains. As indicated in paragraphs 15 and 16 of the report, these strategies relate to aspects such as mobile working, telecommuting, flextime, compressed work weeks, core hours, summer hours and job-sharing. The Advisory Committee was informed that the steering committee came to a consensus that 20 per cent of staff would participate in office hoteling⁵ or telecommuting arrangements, allowing a 10 per cent increase in space efficiency.

42. The Advisory Committee notes that the projected accommodation requirements could vary significantly depending on the factors applied for estimating staff growth and space allowance per person, as well as the alternative workplace policies implemented. **The Committee is not fully convinced of the basis for the assumptions used to establish the baseline estimates of number of staff and space requirements. While recognizing the inherent difficulty in projecting long-term office space requirements, the Committee considers that a more in-depth and comprehensive analysis of the factors affecting the requirements and their evolution under different scenarios should be carried out so as to provide the General Assembly with a more sound basis to make informed decisions. Such an analysis should not only consider historical trends and the projections of department heads, but also take into account other broader trends in the workplace for using available resources more efficiently, as well as the evolution towards a more dynamic management of office space driven by technology, flexible working arrangements such as telecommuting, outsourcing and off-shoring of activities. The Committee points out that some of the alternative workplace strategies referred to by the Secretary-General (see para. 41 (c) above) could be implemented earlier than 2023. Moreover, certain management reform initiatives already under way could also have a significant impact over the long term on the overall number and type of Headquarters-based staff. The Committee therefore recommends that the Secretary-General be requested to refine his analysis of the factors affecting**

⁵ Employees participating in office hoteling programmes typically work from home and only commute into the office when they are collaborating with other employees. They do not have their own offices or cubicles but used shared workspace.

office space requirements and the assumptions used to estimate long-term requirements.

43. The Advisory Committee was informed that the office space allowance of 250 square feet per person was based on guidelines established in 2004. In this connection, the Advisory Committee recalls that, in its report on the capital master plan for the year ended 31 December 2010 (A/66/5 (Vol. 5), paras. 83-91) the Board of Auditors had recommended that the Secretariat should consider ways in which to use space more efficiently before the final allocation of space and the scheduled moves of staff back to the Secretariat, for example through the flexible use of desk space or “hot-desking” (which allows staff to access their computers and work at any desk that is available), rather than allocating a specific desk to each individual. **The Advisory Committee recommends that the Secretary-General be requested to review and update the space allowance per person, taking the opportunity provided by the current modernization of buildings at Headquarters through the capital master plan and any future planned projects, also bearing in mind evolving industry standards.**

44. The Advisory Committee requested further justification in support of the Secretary-General’s recommendation that the Organization should aim to own 80 per cent of its office requirements and lease the remainder (A/66/349, para. 20). It was informed that other established organizations of similar size to the United Nations typically owned a larger percentage of their real estate portfolio because ownership was more cost-effective over time, and that the recommended 80/20 ratio reflected a rule of thumb intended to balance the long-term cost and operational benefits of ownership while minimizing any risk of holding surplus office space that may not be required at all times. **While acknowledging the rationale for adopting such an approach, the Advisory Committee considers that further analysis is needed to determine the optimum ratio of owned versus leased office space.**

45. Information on the primary option considered for addressing the long-term space requirements of the Organization, involving the construction on campus of a new building on the North Lawn, is provided in paragraphs 17 to 22 of the report. The Secretary-General states that the key features of this option include: (a) the maximum capacity of any new building would be no greater than 1.45 million square feet; (b) the new building could be integrated while preserving the architectural integrity and original design intent of the historic United Nations complex; (c) in comparison with other options the North Lawn presents the lowest risk and lowest cost because the United Nations owns the land the building would be built on; and (d) the unified compound would also offer operational efficiencies and allow the Organization to expand services and amenities to delegates and staff.

46. The Advisory Committee notes that the feasibility study team selected a high-low scheme and a courtyard scheme for further study (A/66/349, figures I and II). The Secretary-General highlights the advantages of constructing a new building on the North Lawn. He states that this option would satisfy the vision principles, entail the lowest costs, present the lowest risks and accommodate the highest number of staff. Upon enquiry, the Committee was informed that the United Nations would not need a separate agreement or an amendment of any existing agreement with the host country to construct a building on the land it owns on Headquarters premises. However, the United Nations and the host country would need to agree on protocols for ensuring appropriate application of building and fire safety standards in the

construction and commissioning of any such building, as is the case with the capital master plan construction.

47. Other potential strategies considered by the Secretary-General are outlined in paragraphs 25 to 31 of his report. The main alternatives to the preferred option discussed above for the construction on campus of a new building on the North Lawn are: (a) buying an existing building off-campus; (b) leasing office space off campus; and (c) constructing a building off-campus. In developing these options, the Secretary-General indicates that only potential sites in the United Nations Headquarters neighbourhood and within a 10-minute walking distance of the main buildings were considered, in line with the vision principles established for the project. **The Advisory Committee is of the view that this principle seems restrictive and may unduly preclude consideration of other viable options available to the Organization which could also be at a reasonable cost. The Committee recommends that the Secretary-General be requested to provide information in his next report on the availability and cost-effectiveness of potential sites located within a greater radius of the main Headquarters campus.**

48. In paragraph 32 of his report, the Secretary-General provides an update on recent developments with respect to the United Nations Development Corporation (UNDC). The Committee notes that the Governor of the State of New York signed legislation authorizing the City to transfer to the United Nations Development Corporation part of the Robert Moses playground, located on First Avenue south of 42nd Street. Such a transfer would allow UNDC to develop a new building, referred to as UNDC-5, which could be made available to the United Nations under a lease-to-own or similar arrangement that would result in the United Nations owning the building. It is stated that the building would provide a maximum of 900,000 square feet of office space. The Secretary-General also indicates that under the terms of the legislation of the State of New York, the City of New York was required to take a decision on the transfer of a part of the playground by 10 October 2011.

49. Subsequent to the issuance of the report of the Secretary-General, the Advisory Committee was informed that the City of New York had reached an agreement and signed a memorandum of understanding with the concerned parties on 6 October 2011. As a consequence of this agreement, there remains no obstacle to the transfer of a part of the Robert Moses playground to the United Nations Development Corporation. The Committee was further informed that it was stipulated in the memorandum of understanding that it will be terminated if the site is not disposed of to UNDC by 31 December 2015.

50. The Advisory Committee requested additional information on the possible reuse of the existing temporary North Lawn building to meet office space requirements. It was informed that since the building was designed and constructed as a temporary structure, a number of factors limited its conversion for future use as office space. Examples cited as part of such limitation include the fact that the building load capacity cannot be increased; the existing large conference rooms on the ground floor could only be converted to a single floor of office spaces; a maximum of 200,000 square feet of office space could be created; given the large footprint of the building, many offices would have to be created in interior spaces with no natural light; the numerous large corridors could not be reused unless demolished; and additional elevators would have to be added at a high cost.

Furthermore, the conversion of the North Lawn building would preclude the construction of a larger building covering a much larger proportion of the Organization's office space requirements.

51. The Committee was also informed that the current leases for the UNDC-1 and UNDC-2 buildings would expire in 2023, affecting approximately 2,500 staff accommodated in 668,000 square feet of rented office space. It is therefore deemed necessary to initiate a long-term strategic plan in order to allow the Organization sufficient time to determine its requirements and thoroughly evaluate all possibilities with maximum flexibility and a lower level of risk.

52. In light of the latest developments, the Advisory Committee is of the view that the analysis in the Secretary-General's report needs to be updated. The preferred option for construction on campus of a new North Lawn building must be reassessed against the possibility for the construction of a building off campus (UNDC-5), involving a lease-to-own arrangement with UNDC. The Committee therefore recommends that the Secretary-General be requested to undertake a reassessment of the issues and to present a detailed analysis of the costs, benefits and risks of each option to the General Assembly at the earliest possible date, but no later than at the second part of its resumed sixty-sixth session. In preparing the detailed cost estimates, the Secretary-General should be requested to take into account the Advisory Committee's comments in paragraphs 42 to 44 above on the underlying assumptions for the calculation of required office space.

Annex I

Occupation of the United Nations Office at Nairobi Gigiri complex

A. United Nations offices, field missions, agencies, funds and programmes that moved into the complex during 2011

Food and Agriculture Organization of the United Nations, Kenya (FAO)
FAO Emergency Centre for Transboundary Animal Diseases
FAO Subregional Office for Emergencies
International Fund for Agricultural Development
International Labour Organization, Kenya
International Labour Organization, Somalia
Office for the Coordination of Humanitarian Affairs, Integrated Regional Information Network
Office for the Coordination of Humanitarian Affairs, Subregional Office
United Nations Children's Fund, Somalia
United Nations Development Programme, Energy and Environment
United Nations Millennium Campaign
United Nations Office on Drugs and Crime
United Nations Political Office for Somalia
United Nations Population Fund Somalia Office
United Nations Support Office for the African Union Mission in Somalia
World Food Programme Regional Bureau

B. United Nations offices, field missions, agencies, funds and programmes currently located outside of the complex

The following offices have been offered space within the complex, but have either declined, deferred, or not confirmed interest in moving in:

Department of Economic and Social Affairs
Department of Safety and Security, Somalia
Food and Agriculture Organization, Somalia
International Civil Aviation Organization, Somalia
Joint United Nations Programme on HIV/AIDS, Somalia
United Nations Development Programme Somalia Office
United Nation High Commissioner for Refugees Kenya Branch Office

United Nation High Commissioner for Refugees Regional Support Hub
United Nation High Commissioner for Refugees Somalia Branch Office
United Nations Humanitarian Air Services
United Nations Office for Project Services
World Food Programme Somalia Office
World Health Organization Kenya Office
World Health Organization Somalia Office
World Health Organization Sudan Office
World Meteorological Organization Subregional Office for Eastern and Southern
Africa

Annex II

Breakdown of the costs for each of the three options developed for executing the restoration and renovation works under the strategic heritage plan for the United Nations Office at Geneva

(Millions of Swiss francs)

	<i>Strategic heritage plan</i>		
	<i>Short-term (5 years)</i>	<i>Medium-term (8 years)</i>	<i>Long-term (13 years)</i>
Refurbishment and construction			
Assembly building A	42	48	48
Building AB	8	9	9
Building AC	9	10	11
Library building B	24	27	28
Council building C	20	22	23
Building D	9	10	11
Building E conference area	76	84	89
Building E office tower	57	64	67
Building S	40	45	47
Archives and workshops	24	26	28
Exterior	2	3	3
Allowances for villas and other annex buildings	39	46	50
Total, refurbishment and construction costs	350	392	413
Associated costs			
Construction/rental of office swing space	125	21	5
Construction/rental of conference swing space	51	7	5
Moving expenses	4	3	3
Other miscellaneous costs	2	2	2
Total, associated costs	183	34	15
Consultancy fees, project management and related costs			
Consultancy fees (design, planning and construction documents)	37	42	44
Construction management	19	21	22
United Nations Office at Geneva project management	11	14	18
Insurance	2	2	2
Total, consultancy fees, project management and related costs	68	79	86
Contingencies, escalation and allowances			
Contingencies	62	69	73
Escalation	0	20	37
Allowances	20	25	27
Total, contingencies, escalation and allowances	82	114	137
Total cost of the project	684	618	651

Annex III

Funding requirements per biennium of the medium-term option recommended by the Secretary-General for executing the restoration and renovation works under the strategic heritage plan for the United Nations Office at Geneva

(Millions of Swiss francs)

	Strategic heritage plan						Total
	2012-2013	2014-2015	2016-2017	2018-2019	2020-2021	2022-2023	
Design	0	22	8	8	4		42
Construction management	0	6	6	6	3		21
Construction, contingency, allowances	0	145.5	172	165	24.5		507
Planning and project management	4.3	11.2	12	12	8.5		48
Total	4.3	184.7	198	191	40		618

Annex IV

Estimation of the costs of the reactive maintenance approach as compared to the estimates of the total costs of each of the three options to execute the restoration and renovation works under the strategic heritage plan for the United Nations Office at Geneva over a 25-year period

(Millions of Swiss francs)

	<i>Strategic heritage plan</i>			<i>Reactive approach (25 years)</i>
	<i>Short-term (5 years)</i>	<i>Medium-term (8 years)</i>	<i>Long-term (13 years)</i>	
Construction and associated costs	684	618	651	457
Maintenance costs under current policy (25 years)	221	248	259	299
Increase in maintenance costs to reach 3 per cent of asset (25 years)	309	347	363	419
Energy costs (25 years)	95	99	112	139
Motta building and Palais Wilson rent	26 (5 years)	31 (6 years)	26 (5 years)	143 (25 years)
Total	1 335	1 344	1 411	1 456

Annex V

Annual maintenance costs at the United Nations Office at Geneva

Maintenance costs for the bienniums 2000-2001 to 2008-2009 were covered under sections 28E, Administration, Geneva, and 33, Construction, alteration, improvement and major maintenance of the programme budget, as indicated below. The expenditures under section 28E include contracted services for electrical maintenance, elevator maintenance, masonry works, painting, etc., which are recurrent expenses. Maintenance costs under section 33 include projects such as replacement of elevators that have reached their serviceable life expectancy, major repair of roofs, refurbishment of conference rooms and offices, renovation of heating and ventilation systems and major sewerage projects.

The Swiss Society of Engineers and Architects, has established parameters for calculating required maintenance costs of buildings. The Swiss Society of Engineers and Architects is the competent authority for establishing such standards in Switzerland. Based upon those parameters, the percentage required per year for the preservation and major maintenance for building complexes considered similar to the Palais des Nations, ranges between 3 and 4 per cent per annum of the value of the complex. Taking the mid-point of 3.5 per cent, the required funds for the preservation and major maintenance of the Palais des Nations would amount to \$28.1 million annually. In addition, this assumes that the buildings are being properly maintained over the course of time, which is not the case, as available funding has consistently been below that which is required.

Based on the actual expenditures from 2000 to 2009, the average cost per year has increased gradually over time, however not nearly to the level required. The amount spent reflects the maximum maintenance-related works that could be undertaken within the resources that were approved and is not representative of actual needs. For example, an estimation of required maintenance for the biennium 2012-2013 amounts to approximately \$57 million under construction, alteration and major maintenance (sect. 34 of the proposed programme budget for the biennium 2012-2013). Considering the fiscal constraints the Organization is confronting it was not considered feasible to request the full amount required. Therefore major maintenance that is required will continue to be deferred as only those considered most critical can be undertaken.

Maintenance-related expenditures

Bienniums 2000-2001 to 2008-2009

	2000-2001	2002-2003	2004-2005	2006-2007	2008-2009
Section 28E:					
Common services/maintenance costs	3 350 374	4 474 813	5 182 095	6 479 693	7 697 068
Section 33:					
Major maintenance and improvement costs	5 713 048	7 674 881	10 276 527	9 335 852	8 651 413
Total expenditure	9 063 422	12 149 694	15 458 622	15 815 545	16 348 481
Average cost per year	4 531 711	6 074 847	7 729 311	7 907 811	8 174 240