



Twentieth session

BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1965 AND 1966

Construction of the United Nations Building in Santiago, Chile

First report of the Advisory Committee on Administrative and Budgetary Questions to the General Assembly at its twentieth session

1. The Advisory Committee on Administrative and Budgetary Questions has considered the provisional report of the Secretary-General,^{1/} on the construction of the United Nations Building in Santiago, Chile.
2. In presenting his report, the Secretary-General states that certain construction factors and substantial price increases in materials and labour have resulted in the following situation:
 - (a) Further delays in the construction have been experienced, and the present anticipation is that the building will be completed towards the end of 1965 or early 1966;
 - (b) The present cost estimate for the construction is \$4,075,000, compared with the amount of \$2,819,000 approved by the General Assembly at its eighteenth session. After taking into account certain income anticipated from the sale of equipment and from exchange gains, the net deficit is \$1 million.
3. In this connexion it may be recalled that under the terms of General Assembly resolution 1407 (XIV) of 1 December 1959, the Secretary-General was authorized to proceed, at a total cost of \$1,550,000, with the preparation of plans and the construction of a United Nations Building in Santiago, Chile, to accommodate the secretariat of the Economic Commission for Latin America (ECLA) and the local offices of the United Nations and the specialized agencies.

^{1/} To be issued as document A/C.5/1025.

4. In reports to the General Assembly at its seventeenth and eighteenth sessions,^{2/} the Secretary-General indicated that, as a result of a number of developments in 1962 and 1963, the approved amount of \$1,550,000 would not be sufficient and that an estimated additional amount of \$1,084,000 would be required. In the light of this information, the Secretary-General was authorized^{3/} to proceed with the construction of the building at the estimated additional cost. An amount of \$500,000 was appropriated in 1964 for work to be performed during that year, it being understood that the balance of the funds required within the limit of a further \$584,000, would be included in the initial estimates for 1965. The actual amount of this final appropriation was to be determined on the basis of a review by the Assembly at its nineteenth session of the circumstances then prevailing, including the results of the gift programme.
5. The cost estimates for the building submitted to the General Assembly at its eighteenth session were based on the wage and price levels of July/August of 1963. Those estimates totalled \$2,819,000, including a provision of \$370,000 for contingencies. The delays experienced during late 1963 and 1964, and the rising construction costs made it clear towards the middle of 1964 that expenditures could not be contained within the authorized amount of \$2,819,000.
6. A complete re-examination of the various economic factors and revision of the estimates was undertaken by the ECLA secretariat and Headquarters representatives of the Office of General Services and Office of the Controller in December 1964. This review was based on October 1964 wage and price levels and revealed that the cost of materials had increased some 90 per cent and labour costs approximately 95 per cent as compared to the July 1963 indices. This situation portends an over-all deficit of \$1 million for the construction of the building. In determining the revised requirement the Secretary-General decided to eliminate or reduce certain approved items and facilities in order to provide a substantial contingency reserve in the amount of \$464,100 against possible future adverse economic factors. It is his intention to use any uncommitted balance of these funds

^{2/} Official Records of the General Assembly, Seventeenth Session, Annexes, agenda item 62, A/C.5/923 and Add.1; and ibid., Eighteenth Session, Annexes, agenda item 58, document A/C.5/990.

^{3/} Ibid., document A/5681, para. 73.

towards reinstatement of as many of those items as possible, giving priority to construction of the second conference room (Diamante).

7. In view of these findings, negotiations were initiated with the host Government to see what additional financial support it might be able to offer. The Government of Chile responded to the Secretary-General's request and indicated its willingness to make a further contribution^{4/} towards the construction of the building under the following conditions:

(a) The donation would be made in Chilean currency in an amount equivalent to \$1.2 million to be paid to the United Nations in not more than ten annual instalments;

(b) The United Nations would undertake to finance the uninterrupted execution of the work of the building subject to the required funds being made available by the General Assembly;

(c) Clause 4 of the deed of 16 August 1960^{5/} would be amended to the effect that should the United Nations decide to remove permanently its offices and services from Chilean territory, the ownership of the land shall revert to the Chilean Government upon payment of a fair price for any buildings and installations thereon, less a percentage equivalent to that represented by the contributions of Chile in relation to the total cost of the said buildings and installations. The said contributions shall include those already made by the Chilean Government and those that the Government would undertake to make by virtue of this new offer.

8. The Government of Chile further declared that the obligations it would undertake by virtue of this new offer would constitute its final contribution to the construction of the United Nations building in Santiago. The Government of Chile also stated that the offer was made on the understanding that the Latin American Institute for Economic and Social Planning would be accommodated free of rent in the new building.

^{4/} Apart from the gift of the site for the building, the Government of Chile in 1963 pledged a voluntary contribution of 465,000 escudos. That amount was paid in 1964 and credited to the building account in the amount of \$145,312.

^{5/} Official Records of the General Assembly, Fifteenth Session, Annexes, agenda item 57, document A/4535, para. 4.

9. The Secretary-General advises that, should the General Assembly authorize acceptance of the offer by the Government of Chile, the funds provided for the completion of the building would be as follows:

	\$
(a) Funds provided under the regular budget	2,634,000
(b) Results of the gift programme at 31 December 1964	180,300
(c) Estimates of other revenues:	
(i) sale of surplus items of equipment	\$40,700
(ii) gain on exchange	<u>20,000</u>
	60,700
(d) Additional contribution by the Government of Chile	1,200,000
	<u>4,075,000</u>

The actual timing of the need for the additional funds would depend on the progress of construction. As efforts are being directed to completing the building as soon as possible, a substantial portion of the amount might be required in the course of the latter months of 1965.

10. In this connexion the Secretary-General suggests two alternative procedures for financing the contribution of the Government of Chile:

(a) To provide for the additional expenditures by regular budget appropriations in 1965-1966, not to exceed \$1.2 million in total, and to credit the Chilean contributions to miscellaneous income as received; or

(b) To provide for the additional expenditures under a Working Capital Fund authorization as an advance to the Santiago Building Construction Account; under this arrangement, the Chilean contribution would be credited to the Construction Account for reimbursement to the Working Capital Fund.

11. Given the current cash position of the Organization and the extended period during which the contributions from the Government of Chile would be received, the Secretary-General recommends alternative (a). In the event that the General Assembly agrees to meet the additional costs in the first instance by a provision under the regular budget, it is the Secretary-General's intention, in incurring

those expenses required in 1965, to remain if at all possible within the limits laid down for that year in Assembly resolution 2004 (XIX) of 18 February 1965.

12. With regard to the gift programme, the Secretary-General reports that gifts in cash and kind have amounted to some \$240,000. However, the availability of certain of the gifts in kind have been taken into account in the construction estimates and the amount which can be considered as available to defray construction costs is \$180,300.

13. In connexion with the accommodation of the Latin American Institute in the ECLA building, the original plans included the provision of space for the Santiago offices of the specialized agencies, the United Nations Children's Fund, the Technical Assistance Board and the Special Fund. It was assumed at that time that, because of lack of sufficient space, the Institute would have to be located elsewhere in the city. With the growth of the Institute and the development of its activities, it has become increasingly evident that physical proximity of the Institute and ECLA is highly desirable. The substantive work of the two organizations is closely integrated, and the co-ordination and performance of that work requires, for optimum effectiveness, ease of consultation and discussion. Administrative advantages have also accrued from the present proximity of ECLA and the Institute, notably in the use of common services. The library and the single documents reproduction shop are given as examples, but the present arrangements for common facilities include the whole range of administrative, conference and general services.

14. In light of the above, it was the Secretary-General's intention to propose to the General Assembly at its nineteenth session that the Institute should be accommodated in the ECLA building, despite the fact that such a decision would eliminate the possibility of providing space to all of the specialized agencies and other United Nations offices located at Santiago. Cwing to the special circumstances surrounding the nineteenth session of the General Assembly, this was not possible. In March 1965 a stage of construction was reached which required an urgent decision. The needs of the Institute involved a different interior layout with related structural arrangements than would be the case for regular office occupancy, and to have delayed the decision would have impeded the progress of the work. In the circumstances, and bearing in mind that the offer of the

Government of Chile was made with the understanding that the Institute would be provided space in the building, the Secretary-General authorized construction to proceed in the manner necessary to accommodate the Institute. At the same time, every effort was to be made to accommodate one or, if possible, more of the agencies in the building. It has now become evident that not more than two, and probably only one, of the agencies with the smallest requirements can be housed.

Comments and recommendations of the Advisory Committee

15. The Advisory Committee, in its seventh report to the General Assembly at its nineteenth session,^{6/} noted that the construction of the building was proceeding on schedule, and that despite certain mandatory increases in materials and labour costs it was hoped that it would be possible to contain the total expenditures within the revised authorized estimate. Unfortunately, this hope has not materialized and the Secretary-General now advises that he anticipates a deficit of \$1.2 million. The Committee, while expressing its concern over the various factors which have contributed to this situation, appreciates that the Secretary-General is faced with a force majeure and in the circumstances feels that the interests of the Organization will best be served by the early completion of the building. It accordingly suggests that the General Assembly may wish to authorize the Secretary-General to accept the offer of \$1.2 million in the terms and conditions stated by the Government of Chile.

16. With regard the financing of the contribution from the Government of Chile, referred to in paragraphs 10 and 11 above, the Advisory Committee, taking into account the present financial situation of the Organization and as a practical measure, concurs in the Secretary-General's proposal to provide the additional expenditure of \$1.2 million by regular budget appropriation in 1965 and 1966. The Committee noted that it is the Secretary-General's intention, in so far as is possible, to provide for a part of those expenses required in 1965 within the limits authorized by the General Assembly in resolution 2004 (XIX). The Committee

^{6/} Ibid., Nineteenth Session, Supplement No. 7 (A/5807), para. 195.

is confident that the Secretary-General will continue to apply the necessary measures and controls, to contain all expenditures for completion of the buildings to the absolute minimum.

17. The Advisory Committee would wish to recall, however, that in its twenty-sixth report to the General Assembly at its eighteenth session,^{7/} it noted that the building was originally designed to house not only the ECIA secretariat but also other local offices of the United Nations and of the specialized agencies, as well as to provide common services for those occupying the building. The Committee appreciates the reasons which subsequently prompted the Secretary-General to conclude, after full consideration of all relevant factors, that it was desirable to provide accommodation for the Latin American Institute. Nevertheless, the Committee must express its regret that it has not been found possible to provide the necessary office accommodation for the agencies.

18. The General Assembly will no doubt wish to place on record its appreciation of the valuable assistance rendered by the Government of Chile. Similarly, the Assembly will wish to record its appreciation of the various donations made or promised by other Governments within the framework of the gift programme.

^{7/} Ibid., Eighteenth Session, Annexes, agenda item 58, document A/5622, paras. 3 and 6.