



Chairman: Mr. E. Olu SANU (Nigeria).

AGENDA ITEM 76

Budget estimates for the financial year 1972 (continued)
(for the documentation, see the 1464th meeting)

First reading (continued) (A/C.5/XXVI/CRP.3 and Corr.1)

SECTION 7. CONSTRUCTION, ALTERATION, IMPROVEMENT AND MAJOR MAINTENANCE OF PREMISES (continued)* (A/8406 AND CORR.1 AND 3, A/8408 AND CORR. 1 AND 2 AND ADD.7, ADD.8, ADD.10 AND ADD.11, A/C.5/1381, A/C.5/1389 AND CORR.1 AND 2, A/C.5/1390 AND CORR.1, A/C.5/1391, A/C.5/1392, A/C.5/1396, A/C.5/L.1063, A/C.5/L.1064/REV.1, A/C.5/L.1071)

**ADDITIONAL SEATING FACILITIES IN PRINCIPAL
MEETING AREAS (A/8407, A/C.5/1391)**

1. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the Advisory Committee endorsed the proposal in paragraph 15 of the Secretary-General's related report (A/C.5/1391) to expand to 142 the number of seats available for delegations in principal meeting areas, a project whose cost was estimated at approximately \$249,500. With regard to the suggestion contained in paragraph 16 of the Secretary-General's report, that enough furniture should be purchased at the present time to provide eventually for 150 delegations, the Advisory Committee considered that the likely savings in unit costs did not justify such an investment in items which might not be required for many years and whose storage would entail additional costs for the United Nations. The Advisory Committee therefore recommended that the latter suggestion should not be adopted.

2. The CHAIRMAN said that, if there were no objections, he would take it that the Committee approved the recommendations of the Advisory Committee (A/8408/Add.7, paras. 6 to 8).

It was so decided.

EXTENSION OF THE PALAIS DES NATIONS, GENEVA
(A/8408/ADD.10, A/C.5/1389 AND CORR.1 AND 2)

3. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that in its related report (A/8408/Add.10), the Advisory Committee had expressed concern at the steady rise in the cost of the

project for extending the Palais des Nations which had occurred since that project had first been approved. In spring 1971, the construction cost for the extension to the Palais had been estimated at \$27.5 million, rather than the \$22 million which had originally been approved by the General Assembly in resolution 2488 (XXIII), and the latest estimate amounted to \$29.4 million—an increase of \$7.4 million in three years. That figure would rise still higher as a result of the revaluation of the Swiss franc, which, as could be seen from paragraphs 28-34 of the Secretary-General's related report (A/C.5/1389 and Corr.1 and 2), would lead to a substantial increase in costs quoted in dollars. Furthermore, the figure of \$29.4 million covered only the cost of construction as such and did not include the interest to be paid on the loan. In paragraph 20 of its report, the Advisory Committee recognized that certain circumstances which added to the cost of the project were wholly beyond the control of the Secretary-General and that it was not unusual, in a time of rising prices, for building costs to overrun the initial estimates. Nevertheless, it was convinced that certain of the cost increases now foreseen might have been avoided or minimized had greater vigilance been exercised in the execution of the project and contracts, and that, when unavoidable cost increases arose, greater efforts might have been made to seek compensating economies in other areas, taking into account the budgetary limitations set for the project by the General Assembly. The Advisory Committee wondered whether the latest target date for the completion of the project and the latest cost estimate could be regarded as final and whether the new estimate would not, once again, be exceeded. Experience suggested that the possibility of further delays and, consequently, further cost increases could not be ruled out. Accordingly, the Advisory Committee, in paragraph 23 of its report, suggested to the General Assembly the creation in Geneva of a small *ad hoc* committee to review the progress of work and to advise the Secretary-General.

4. In the light of the increase in the estimated cost, the Advisory Committee recommended acceptance of the Secretary-General's proposal that the budgetary appropriation for 1972 for the Palais project be increased from \$1.5 million to \$2.5 million. With regard to financing arrangements, the Advisory Committee had concluded that it would be in the interest of Member States if the necessary repayments—and the consequent budgetary appropriations—were spread over 10 years instead of five. Accordingly, it recommended that amortization should begin in 1975, rather than 1973, and continue until 1984. Finally, bearing in mind the reservations in paragraph 19 (b) of its report concerning the propriety of increasing the fees payable to the architects and engineers, the Advisory Committee recommended that the General Assembly approve the continuation of the construction project within

* Resumed from the 1459th meeting.

the total of the new revised estimates as proposed by the Secretary-General.

5. Mr. PALTHEY (Deputy Director-General of the United Nations Office at Geneva) said he could well understand the Advisory Committee's concern at the increased cost of the project for extending the Palais des Nations. However, he did not share the pessimism displayed in the Advisory Committee's report. In his view, the extension of the Palais des Nations should be regarded as a stage in the development of the United Nations activities at Geneva. The Palais needed always to be prepared to accommodate conferences and to be able to provide the necessary services for such conferences, which required a constant adaptation of physical conditions to the growing needs of the Organization. To that end, long-term estimates were required, since construction work took a long time to complete and the needs of the United Nations were increasing rapidly.

6. Three factors had contributed to the increase in estimated construction costs. Changes to the original plan were responsible for \$1,884,000 of the increase. The original estimates had proved to be inadequate, particularly with regard to offices, the garage and the cafeteria, and it had seemed preferable and less costly to expand the capacity of the building during the construction period. Those changes, which accounted for \$1,238,000, had in fact been brought to the notice of the Advisory Committee and the General Assembly. It had also been thought necessary to improve the building aesthetically so that it would tone in with the old Palais des Nations. The cost of that change was \$646,000, or 2.8 per cent of the original estimate.

7. Unexpected work and inaccurate estimates were responsible for some \$2 million of the increase. The cost of the additional work was \$4 million, from which the \$2 million which had originally been provided for that purpose should be deducted. The work involved, in particular, the construction of an access road at a cost of some \$850,000.

8. Finally, \$3,557,000 of the increase—or 16 per cent of the original cost—was due to the rise in prices. That was a factor beyond the Secretary-General's control which had affected the entire Swiss building industry. According to the Office of Price Control in Zurich, the index of construction costs had risen from 103.5 to 140.4 between 1 October 1968 and 1 April 1971, an increase of 35.8 per cent. According to the Société suisse des entrepreneurs, construction costs in Geneva had increased by 38 per cent over the period 1968-1971. That increase in costs had not affected merely the United Nations: the cost of the ILO premises, originally established at \$105 million had been estimated at \$132 million in 1971, and the cost of the International Conference Centre, estimated at \$45 million when construction had begun in 1969, was now estimated at \$65 million—an increase of 40 per cent over the original figure.

9. It might be thought that those cost increases could have been avoided if project management had been better organized. However, all necessary precautions had been taken to ensure the strictest supervision of work. An office of architects and two engineering firms made plans for inviting tenders, established specifications, made project execution plans and supervised work. The Administration

approved general plans, invited tenders, concluded contracts with the technical assistance of the architects, and checked and settled invoices. The Belgian Audit Office had seconded one of its members, a specialist in the control of financial commitments with regard to public works projects who scrutinized all contracts before signature and all invoices before payment. The Secretary-General endorsed the Advisory Committee's proposal to establish a small *ad hoc* committee at Geneva, since it was always useful for the General Assembly and Member States to be able to follow the construction work. It was, however, rather late to establish a committee to deal with the planning of that work, since the planning phase had already been completed. Nevertheless, the committee could be extremely helpful to the Secretary-General in the current difficult period.

10. In conclusion, he felt that the figures quoted in the Secretary-General's report were realistic and took into account the possibility of a further increase in costs. The construction work was now drawing to a close and the Administration hoped that it could be completed by the anticipated date. There should therefore be no more unexpected work or unpleasant surprises. He shared the Advisory Committee's regret at the rise in prices; however, the difficulties which had been encountered were due to a combination of unforeseeable circumstances and all operations had been carried out in close contact with the Advisory Committee, for whose assistance and advice he was grateful.

11. Mr. SANTA CRUZ (Chile) thanked the Deputy Director-General of the United Nations Office at Geneva for his very precise, detailed and exhaustive statement. The increased building costs of the extension of the Palais des Nations appeared to be due, first, to the smallness of the initial appropriations and rising prices and, secondly, to the shortage and high cost of labour at Geneva. The construction workers were mainly foreign and they took two months' vacation in the summer, which was the best time of year for building. But none of the construction costs could be justified unless the new building was to serve the needs of all countries, particularly the developing countries and not only those of Europe, by becoming a vital centre for economic and social co-operation. In that connexion, he asked whether UNCTAD was to be housed in the new building; if it was not, the extra expenditure would be unjustifiable.

12. Mr. MAJOLI (Italy) pointed out that if the Italian construction workers, who had a world-wide reputation for skill and conscientiousness, took a month's vacation every year, it was because the Swiss authorities did not grant them work permits for more than 11 months. He supported the Advisory Committee's recommendation in its report and expressed the hope that no effort would be spared to complete the work before there could be any fresh rise in building prices.

13. Mr. ARBOLEDA (Colombia) said that his delegation had listened with close attention to the reasons given by the Deputy Director-General of the United Nations Office at Geneva for the increased building costs there. The Deputy Director-General had said that precautions were taken to ensure the strictest supervision of work and that operations had been carried out in close contact with the Advisory

Committee. In its related report, the Advisory Committee stated that late submission of drawings by the architects and engineers had caused delays which had increased the cost of the building, and that certain of the cost increases might have been avoided or minimized had greater vigilance been exercised in the execution of the project and contracts. Those statements seemed to be somewhat contradictory. His delegation would like an explanation and also to know what actual steps were taken to exercise vigilance over the execution of the project and contracts.

14. The Chilean representative's question was most pertinent; the Colombian delegation would also like to know whether, when the new building was finished, the United Nations Office at Geneva would be of service to all the bodies concerned with development programmes, which were of capital importance to the developing countries. If the buildings currently under construction were not large enough to house UNCTAD, and if UNDP was to go on meeting in the WHO building, the heavy expenditure envisaged would not be justified. It was essential that the funds expended should produce a direct return in benefits for the developing countries.

15. Mr. PALTHEY (Deputy Director-General of the United Nations Office at Geneva) assured the Italian representative that the Swiss authorities had shown great understanding about granting work permits to the Italian construction workers. Such workers never emigrated, however, and always returned regularly to their own country; it was that which held up the construction work.

16. As to the supervision of project and contract execution, he did not feel his own statement conflicted in any way with that of the Chairman of the Advisory Committee. Indeed, however tight the technical, administrative and legal controls were, in practice a contract could hardly ever be carried out to the letter. Inasmuch as all parts of the work were closely interlinked, the entire execution of the project went out of kilter if a single contractor failed to keep to the schedule. Furthermore, he did not quite see how contracts could be carried out at the original price when they were delayed 18 months or two years in execution. It was not possible to determine exactly who was responsible for that delay and although the Administration might partly be to blame, it did not bear the entire responsibility; such things as the state of the building trade in Europe and the difficulties that were characteristic of modern times had to be borne in mind.

17. Replying to the Chilean representative, he said that the question whether the new buildings going up at Geneva and costing much more than originally estimated would really meet the needs went to the heart of the matter. From the technical point of view, the conference rooms would answer all foreseeable needs from 1973 onwards, and on the other hand the UNCTAD offices would all be in the new buildings. Nevertheless, it would be advisable to take a broader view and ask whether Geneva was to become the centre for all United Nations development activities. Such a question lay outside the competence of the Secretariat; it was for the General Assembly to decide where the different United Nations bodies should carry out their functions.

18. Mr. SANTA CRUZ (Chile) thanked the Deputy Director-General for his answer, which covered most of the

points he had had in mind. Nevertheless, the Chilean delegation was still anxious to know where the UNCTAD/GATT International Trade Centre was to be located. In its view, the Centre played a primary role in development activities and could not be separated from the UNCTAD secretariat. Conferences of all kinds could certainly be held in the new buildings but the Deputy Director-General had been a little vague about the exact location of the Centre.

19. Mr. PALTHEY (Deputy Director-General of the United Nations Office at Geneva) said that the location of the International Trade Centre was a burning question, and he shared the concern of the UNCTAD members and other delegations which attached so much importance to it. At present, the Centre's offices were scattered, which meant that working conditions were far from good. The first step, therefore, would be to locate the Centre's offices all together in one place. It would be possible to find room for a staff of between 150 and 200 in the new buildings at Geneva, and the premises currently occupied by GATT might also be used when GATT moved to its new building in 1974. It was for the General Assembly to decide how the buildings were to be used, but in any event the International Trade Centre and UNCTAD would be close together within two or three years.

20. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that, although there had been close co-operation between the Advisory Committee and the United Nations Office at Geneva in so far as the Advisory Committee had made several trips to Geneva, both before and after the start of the construction work, and had had many talks with the Deputy Director-General of the Office, it could not be said that the Advisory Committee had had any active part in supervising the execution of the work or that it had been consulted before decisions were adopted.

21. Mr. SANTA CRUZ (Chile) expressed the hope that the Deputy Director-General would bear in mind the view unanimously expressed by representatives that the International Trade Centre should not be separated from UNCTAD itself. The technical assistance process involved a whole cycle of investigation, preparation and execution, and if the UNCTAD Manufactures Division, for instance, was separated from the export promotion body, orderly progress would be utterly impossible. The Chilean delegation therefore hoped that in making its decision the Administration would bear in mind the interests of the developing countries.

22. Mr. VAN DER GOOT (Netherlands) said that the misgivings his delegation had felt on reading the relevant reports of the Secretary-General and the Advisory Committee had not been dissipated by the statement of the Deputy Director-General of the United Nations Office at Geneva or by that of the Chairman of the Advisory Committee. He recognized the complexity of the problems caused by the lag between the time when the plans were drawn up and the time when they were carried out. His delegation nevertheless had the impression that grave problems had arisen with regard to contracting, supervising the execution of the contractors' work and the modifications introduced when work was already under way, and that there had not always been close contact on those

points between the United Nations Office at Geneva and the Advisory Committee. The Advisory Committee had suggested that an *ad hoc* committee should be set up at Geneva, but the Netherlands delegation felt that, given the extremely technical character of the problems to be dealt with, the Advisory Committee itself was least qualified to advise and to supervise work in that field.

23. Mr. FAROOQ (Pakistan) said that his delegation shared the Advisory Committee's concern about the delay in the execution of the plans and about the increased cost of the work owing to shortage of labour and the revaluation of the Swiss franc. His delegation was in favour of setting up an *ad hoc* committee at Geneva like those that had been established for WHO and the ILO buildings. It also agreed with the Advisory Committee that no efforts should be spared to keep construction moving ahead according to the schedule, particularly as contracts to the estimated value of \$8 million had yet to be concluded. Lastly, it supported the recommendations in paragraphs 7 and 26 of the Advisory Committee's report.

PROGRAMME OF MAJOR MAINTENANCE OF AND IMPROVEMENTS TO THE PALAIS DES NATIONS, GENEVA (A/8408/ADD.10, A/C.5/1390 AND CORR.1)

24. The CHAIRMAN invited the Committee to take up the Secretary-General's report on the question under consideration (A/C.5/1390 and Corr.1). The Advisory Committee's report on the same subject was to be found in paragraphs 2 to 7 of its related report (A/8408/Add.10).

25. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the Secretary-General was of the opinion that the cost of the whole programme would not exceed the appropriation approved by the General Assembly, leaving aside the effects of currency parity changes. There was an increase of \$420,000 due to the revaluation of the Swiss franc and that figure would have to be revised again should there be any further parity changes. The estimated cost of maintenance of roads and car parks had risen from \$530,000 to \$610,000. The Advisory Committee hoped that the Secretary-General would be able to effect some savings in carrying out the plan for the press and public service areas at the Palais, the cost of which had been estimated at \$740,000. Finally, it recommended that the General Assembly should authorize the Secretary-General to continue with the programme of major maintenance and improvements and authorize an appropriation of \$1,238,000 (\$140,000 more than the appropriation to date), it being understood that similar appropriations would be voted for each of the financial years 1973 and 1974 to finance the balance of the programme.

26. Mr. PALAMARCHUK (Union of Soviet Socialist Republics) said that his delegation wished to make some observations on the whole question of the United Nations construction plan and proposed that the decision should be deferred to the following day.

27. Mr. ARBOLEDA (Colombia) appealed to the Soviet delegation not to insist on its proposal since the Committee was already very far behind in its work.

UNITED NATIONS BUILDING IN SANTIAGO, CHILE (A/8408/ADD.11, A/C.5/1396)

UNITED NATIONS BUILDINGS IN BANGKOK AND ADDIS ABABA (A/C.5/1392)

28. Mr. SANTA CRUZ (Chile) said he wished to make some remarks on certain passages of the Advisory Committee's relevant report (A/8408/Add.11) concerning the United Nations building in Santiago which seemed to him confusing. Paragraph 2 of the report stated that the revised plan provided for the construction of a 12-storey earthquake-resistant tower. He did not see the use of pointing out a fact which might discourage some Members of the United Nations from proceeding with construction work. In paragraph 9, the Advisory Committee raised two questions which did not seem to be completely warranted. The ECLA building had been built as a United Nations building. At the outset the Chilean Government had given the necessary land for its construction but had not undertaken any engagement as to the construction itself, the costs of which were to be the responsibility of the United Nations. The original building was to have housed ECLA and the local staff of certain institutions. In view of the increase in construction costs, however, it had been necessary to request an additional contribution from the Chilean Government, which had given the equivalent of \$1.2 million on the understanding that the Latin American Institute for Economic and Social Planning would be accommodated in the new building together with ECLA. That condition showed that, in the minds of the Chilean Government, the Institute was a part of ECLA and should be a permanent body. Since then the activities of ECLA had expanded and it was foreseeable that within a few years' time the Institute would not be able to remain in the building; it would not however be desirable to separate it from ECLA. It seemed logical that, since it had given the sum of \$1.2 million in order not to have to assume the costs of constructing a building for the Institute, the Chilean Government had the right to request the United Nations to provide new premises for the Institute. As for the guarantee of continued financial support for the Institute after 1974, the United Nations should provide a stable and sufficient backing until the Governments of the Latin American countries were able to finance the Institute themselves.

29. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) assured the Chilean representative that the construction of an earthquake-resistant tower had been mentioned without any ulterior motive. It was simply one of the interesting characteristics of the construction. In 1970, the Secretary-General had stated that the plan envisaged was not entirely satisfactory,¹ and the Fifth Committee had authorized him to request the drafting of a revised plan. The revised plan provided for the construction of a more modest building than that previously envisaged. The total cost of the project was \$2.5 million; that figure included a contingency provision of 10 per cent to cover the cost of changes and modifications which might be made to the plans. In paragraphs 6 and 7 of its report, the Advisory Committee had studied the present figures for staff occupying the

¹ See *Official Records of the General Assembly, Twenty-fifth Session, Annexes, agenda item 73, document A/C.5/1349.*

premises and had projected future staff figures. Based on the staff expansion assumed, there would be sufficient additional premises in 1974 to accommodate approximately 300 people and if those assumptions were projected to 1983 there would still be some surplus space. In 1974, when the new building was complete, it would be mainly used for the Institute. Two interrelated questions were raised in paragraph 9 of the Advisory Committee's report and the Chilean representative had felt that those questions were superfluous in the light of the history of the Institute. Taking into account the facts set out in the annex to the report, the Advisory Committee did not entirely share the opinion of the Chilean representative and felt that the future of the Institute and its continued backing raised a number of problems. First, the contribution of \$1.2 million from the Chilean Government was associated with both the accommodation of the Institute in the United Nations building and the increase in construction costs of the building and, second, the Institute was not guaranteed continued financial backing after 1974. The Advisory Committee had felt it right to submit those questions to the Fifth Committee although it did not wish to delay work on the project while waiting for them to be solved.

30. As for the Documents Research Centre, the construction of which would be undertaken thanks to a generous donation by the Government of the Netherlands, the Advisory Committee requested that no appropriation should be included for that item in the regular budget. The

programme of modification and improvement of existing premises had not been changed and certain savings had been achieved.

31. Concerning the execution of construction projects for the United Nations buildings in Bangkok and Addis Ababa, preparatory work was behind schedule, but the Secretary-General expected nevertheless that the two buildings would be completed as envisaged, at the end of 1973. It had been possible to spread the financing over four years instead of three. The Secretary-General had taken account of that possibility in calculating the appropriation requested for the 1972 financial year and, if the General Assembly approved those appropriations, the Advisory Committee suggested that it should also approve the new financing plan.

32. Mr. SANTA CRUZ (Chile) thanked the Chairman of the Advisory Committee for the explanations he had given in reply to the first question raised in paragraph 9 of the Committee's report. The second question should be answered by the General Assembly. He regretted that he had omitted to mention the generous donation made by the Government of the Netherlands for the Documents Research Centre. The Netherlands was a leader in positive action undertaken in the field of development and the Chilean Government was very grateful to it.

The meeting rose at 1 p.m.