United Nations A/C.5/65/SR.29

General Assembly
Sixty-fifth session

Official Records

Distr.: General
16 May 2011

Original: English

Fifth Committee

Summary record of the 29th meeting
Held at Headquarters, New York, on Tuesday, 8 March 2011, at 10 a.m.

Chair: Mr. Rosenthal . . . . (Guatemala)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Kelapile

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11-25537 (E)

The meeting was called to order at 10.10 a.m.

Agenda item 129: Programme budget for the biennium 2010-2011 (*continued*)

Capital master plan (A/65/5 (Vol. V), A/65/271 (Part 1) and Add.1, A/65/296, A/65/511 and Add.1 and A/65/725)

1. **Mr. Adlerstein** (Assistant Secretary-General for the Capital Master Plan), accompanying his statement with a computerized slide presentation, introduced the eighth annual progress report on the implementation of the capital master plan (A/65/511). He said that the capital master plan was on track for completion within reach of the approved budget. Six thousand staff members had been relocated to swing space. In addition to the Office of the Capital Master Plan, the Office of Central Support Services had also leased office space; the two offices had worked closely to coordinate the relocation during the capital master plan and the occupancy of office space needed to meet the Organization's expanding space requirements. Staff had responded positively to the layout and convenience of the swing space at 380 Madison Avenue. The moves had been accomplished with minimal disruption.

2. The office space of the Department for General Assembly and Conference Management was located in the Albano Building on 46th Street near the Headquarters compound. The landlord had been directed to modernize the air conditioning, elevators and heating system to resolve problems in the building and the situation would be monitored to ensure that conditions did not deteriorate.

3. The North Lawn Building, which had opened in January 2010, hosted the functions of the Conference Building as well as the offices of the Secretary-General, the President of the General Assembly and the Advisory Committee on Administrative and Budgetary Questions, and other important functions. A new permanent electrical vault had been installed at the North Lawn.

4. Scaffolding systems had been installed on the Secretariat Building for removal of the glass curtain wall. The replacement wall was being assembled in Mexico with components sourced from many Member States, including India, the Philippines, the Republic of Korea, Thailand and the United States. External freight elevators had been installed on the Secretariat and Conference Buildings to remove demolition material and deliver new building materials.

5. Extensive work had been completed on the technical support systems in the basement of the compound. The installation of infrastructure was made more complicated by the need to maintain the old systems to service the buildings still in use. It was also necessary to renovate in phases to minimize the impact on hundreds of staff who continued to work in the basements and to reduce the loss of parking spaces. To date, contracts had been signed for three quarters of the work on heating, air conditioning, electrical, plumbing, security, telephone and other central services.

6. A group of staff from the Office of Information and Communications Technology had remained on a protected floor of the Secretariat Building until October 2010, when they had completed the migration of data centre equipment and programmes to the basements. The new state-of-the-art primary data centre was fully operational. The Secretariat Building was vacant and demolition of internal walls, ceilings and obsolete systems was substantially complete.

7. Renovation of the Conference Building had commenced in March 2010. Asbestos abatement was under way and replacement of the curtain wall would start soon. Work on the building had been interrupted for additional design and studies and while awaiting funding to incorporate higher levels of blast protection.

8. The Security Council had been temporarily relocated to a suite created in conference rooms 4, 5, 6 and 7. The Council table had been removed, relocated and rewired. The Per Krogh painting from the east wall of the Security Council Chamber had been removed for restoration and storage; a reproduction had been installed in the interim chamber to echo the Council's former environment.

9. With respect to procurement, there had been excellent coordination between the construction manager, Skanska, and the Procurement Division of the Office of Central Support Services. Extensive efforts had been made to increase the opportunities for international procurement, with some success, and would continue throughout the life of the project. However, host country vendors tended to be the low bidders.

10. Artwork from the Conference and Secretariat Buildings had been relocated to the North Lawn

Building or off site for storage or restoration. A few works, such as murals painted directly on plaster and heavy mosaics, would be protected in situ. The Member States had determined that the original donor was responsible for the preservation of artworks. Many donors had already coordinated with the Department of Management to retrieve their gifts for off-site conservation during the capital master plan.

11. The project had an outstanding safety record. With over 2.6 million person-hours of work completed, there had been only a few minor injuries to construction workers, three of which had involved an overnight loss of time. One staff member had recently suffered a broken elbow while moving into the basement after the completion of construction work; steps had been taken to avoid a recurrence. No other injuries to delegates, visitors or staff had been reported.

12. The capital master plan would result in the permanent elimination of 350 parking spaces. While spaces had already been cut back to accommodate the construction activities, parking shortages had been avoided.

13. Several Member States had expressed a willingness to assist in the decoration and furnishing of a specific room or space under the donations programme approved by the General Assembly. Agreements had been signed with China, Denmark and the Russian Federation, and others were under discussion. Some Member States that had originally contributed to the design of specific rooms in the Conference Building, including Denmark, Norway and Sweden, had also agreed to update their gifts. The architects were supervising the preservation of the character-defining aspects of the Secretariat, Conference and General Assembly Buildings. The goal was to preserve and restore pin-mounted lettering, terrazzo flooring, stone lobbies, wood doors and trim, elegant conference tables and furniture, and other features that retained the 1950s environment of the United Nations.

14. With respect to environmental performance, a 50 per cent reduction of energy consumption was projected. Greenhouse gas emissions would be reduced by 45 per cent and water consumption by 40 per cent. Almost 90 per cent of the construction debris had been recycled. The project was on track to achieve very high ratings in the systems of Member States that measured the environmental performance of construction.

15. The Advisory Board of the Capital Master Plan had been established by the Secretary-General and had held three meetings to date. To reduce travel costs and environmental impact, the most recent meeting had taken place by videoconference.

16. A number of additional security requirements had been incorporated into the project design subsequent to the issuance of the eighth annual report. Prompted by a recent increase in the number and severity of terrorist incidents around the world, the Department of Safety and Security and the Office of the Capital Master Plan had held discussions with the host country and host city regarding the security of the Headquarters, particularly at the perimeter. A study of the required levels of blast protection had led to agreement that higher-level blast criteria should be incorporated into the capital master plan. The most pressing vulnerability was on the east side of the compound, in the Conference Building above Franklin D. Roosevelt Drive. Funding for the required upgrade had been identified in cooperation with the host country and implementation was under way. The western perimeter of the Headquarters compound also required better protection: the host country had expressed support for a scope change for First Avenue to include bollards, anti-ram devices and other measures.

17. The design changes to the Conference Building would have a significant positive long-term impact by further strengthening the compound. There had been a negative short-term impact in the form of a delay in the capital master plan. Work had paused to finalize the funding arrangements and design the enhancements. Construction activity was now under way; the additional structural work for blast protection would require additional time. The net delay in the schedule was not yet known. The start and completion of work in the General Assembly Building would also be delayed, as it was directly related to completion of the Conference Building. Work in the Secretariat Building would be unaffected by the change and reoccupation of the building would be completed on schedule by the end of 2012.

18. Turning to the financial status of the project, he said that the fifth and last assessment had been sent to Member States in January 2011. There had been no need to establish a letter of credit, as authorized by the

General Assembly, but the authority would be critical to the construction manager in the event that such a letter was needed. Financial commitments of $1.5 billion had been made, representing over 75 per cent of the project. The projected cost overrun had been reduced from 10 per cent over budget during the first year of the project to less than 4 per cent — $80 million — over budget currently. Costs continued to decrease. Because much of the project had been committed, the risk of major adverse surprises was lower, making it possible to reduce the contingency and escalation provision.

19. He remained confident that the capital master plan would be completed close to or on the original budget; it would not be possible, however, to absorb any of the associated costs or the costs of the secondary data centre. Given the approved budget level of $1.876 billion, the cash flow would be sound until 2012, at which time full funding of the associated costs would be required.

20. **Mr. Yamazaki** (Controller), introducing the report of the Secretary-General on proposals for financing the associated costs required for the year 2011 from within the approved budget for the capital master plan (A/65/511/Add.1), said that, in accordance with General Assembly resolution 64/228, a Steering Committee had been established in early 2010 to analyse the associated costs. Departments were held accountable for explaining significant variances against budgets and had been requested to revise their projections where actual performance was not in line with expected utilization rates. Linkages between departmental requirements and the schedule for the capital master plan were also discussed. The review mechanism had strengthened coordination and departments' planning, monitoring and use of associated costs.

21. The General Assembly had approved associated costs in the amount of $72.34 million for 2009 and 2010. Further, in its decision 65/543, the Assembly had approved the rollover of the unspent balance into 2011 pending consideration of the present report. The report provided an analysis of the actual expenditure of $18.4 million for 2009 and revised the projected expenditure for 2010 to $14.86 million. Actual expenditure in 2010 amounted to $14.77 million, or 99 per cent of the projection.

22. The estimated resource requirements for 2011 were $110.98 million. Taking into account the balance of $39.11 million available at the end of 2010, a net additional amount of $71.87 million was proposed to enable the continuation of core activities, many of which would enter the implementation phase in 2011.

23. The best estimates for requirements after 2011 were $14.7 million for 2012 and $3.6 million for 2013, on the assumption that there would be no significant delay in relocating staff to the Headquarters buildings in 2012.

24. The relocation of data services to the North Lawn Building was near completion, a proof-of-concept version of the media asset management system would be operational in the first half of 2011 and the procurement of the permanent broadcast facility was expected to be completed in 2011. The procurement of furniture was well under way: the selection of successful vendors was scheduled for June 2011 and the first deliveries of furniture for the Secretariat Building were expected in November 2011.

25. **Mr. Liu** Yu (Chair of the Audit Operations Committee of the Board of Auditors), introducing the report of the Board of Auditors on the capital master plan for the year ended 31 December 2009 (A/65/5 (Vol. V)), said that no audit opinion was attached to the report, as the accounts for the capital master plan were included in the financial statements of the United Nations; the Board's report on those accounts (A/65/5 (Vol. I)) had been submitted to the General Assembly in October 2010. His statement would therefore be confined to the principal management observations contained in the present report, which was based on a review of contracts for the project.

26. Recalling that in March 2009 the Board had expressed concern at the easing of controls in the procurement process, he said that, at the time of the audit, the Administration had not yet taken remedial action by setting up a post-award review committee. The problems highlighted earlier therefore remained; the Board urged the Administration to make the ex post facto review process operational as quickly as possible. In addition, the Board had noted that in some cases change orders bore little relationship with the initial contracts.

27. The project was nine months to one year behind schedule, compared to the six months previously reported. The delay in the Secretariat Building had

been caused by a failure to vacate the premises on time. The growing number of requests for programme changes and lack of decision-making in office space planning were possible causes of further delays in the future.

28. At the time of the audit, the total project cost was estimated to be 5 per cent over the approved budget. Judging from some expenditure patterns, such as those for consultants, it would be a challenge to reduce costs and remain within the budget. In that connection, the Administration had not produced evidence that the value engineering exercise had generated any significant savings.

29. Lastly, he noted that, as set out in the report of the Secretary-General on the implementation of the recommendations of the Board contained in its report on the capital master plan for the year ended 31 December 2009 (A/65/296), the Administration considered that 14 of the 20 recommendations issued had already been implemented and that 6 were in progress, compared to 7 and 1, respectively, for 2008. Tracking the implementation of the Board's recommendations was an integral part of its analysis of the rapidly changing situation of the capital master plan.

30. **Mr. Kelapile** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee on the capital master plan (A/65/725), said that the requirement for better protection of the perimeter from vehicle-borne threats would affect the completion date and overall cost of the capital master plan. The Office of the Capital Master Plan had developed a revised concept for enhanced protection of occupants of the Conference Building. Since the security installations would delay the completion of the General Assembly Building from late 2013 to 2014, the Advisory Committee had requested the Office to provide the General Assembly with updated details on the envisaged changes and their impact on the schedule when it considered the present report.

31. The Advisory Committee was concerned that it might be difficult to absorb the associated costs within the approved budget of the capital master plan, as mandated by the General Assembly. It recommended that the Assembly should request the Secretary-General to make proposals, by no later than the second quarter of 2011, on how best to deal with those costs without placing an additional financial burden on the Member States.

32. He drew attention to the report of the Board of Auditors (A/65/5 (Vol. V)), which raised issues relating to cost overruns, procurement and contract management. The Advisory Committee welcomed the fact that modular furniture in good condition would be reused to the extent possible. It further expected that the procurement process would fully comply with the Financial Regulations and Rules of the United Nations. The Advisory Committee's recommendations were set out in paragraph 29 of its report.

33. **The Chair** recalled that the annual report of the Office of Internal Oversight Services (OIOS) (A/65/271 (Part I) and Corr.1 and Add.1 and Add.1/Corr.1), which contained a section on the capital master plan, had been introduced at the Committee's 5th meeting, and that the report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its reports on the United Nations for the biennium ended 31 December 2009 and on the capital master plan for the year ended 31 December 2009 (A/65/296) had been introduced at the Committee's 7th meeting.

34. **Mr. Di Luca** (Argentina), speaking on behalf of the Group of 77 and China, said that the Group wished to know why the Secretary-General's eighth annual progress report on the implementation of the capital master plan (A/65/511) had not been considered at the main part of the sixty-fifth session of the General Assembly, pursuant to the relevant legislative mandate, and trusted that future reports would be considered at the main part of the Assembly's sessions, in accordance with the Committee's practice. It concurred with the recommendations contained in the report of the Board of Auditors (A/65/5 (Vol. V)), which should be implemented expeditiously, and with the Advisory Committee's related observations and recommendations.

35. The Group, noting the likely six-month delay in completion of the capital master plan project owing to additional structural work related to security enhancements, at a cost of approximately $100 million, was concerned that those security enhancements had led the Office of the Capital Master Plan to develop a revised concept, constituting a scope change. Pursuant to General Assembly resolution 62/87, any scope options in addition to those already approved should be

submitted by the Secretary-General to the Assembly for its consideration and approval. The Group was also concerned that the delays could lead to further cost escalation and emphasized the need to avoid delays, cost overruns and alterations to the approved design. It noted with interest doubts expressed by the Board of Auditors about the benefits of value engineering and its recommendation that the merits of that process should be reassessed. It was to be hoped that the project would remain within the approved budget and that quality would not be sacrificed for cost savings.

36. The Group reaffirmed that all procurement activities relating to the capital master plan must comply with United Nations rules, regulations and procedures, as well as with the relevant General Assembly resolutions. In that connection, it was concerned at the Board's observation that some contract amendments represented significant amounts concerning services without a direct link to the initial scope of services contained in the original contracts. The Secretary-General should also take further specific measures to increase procurement opportunities for vendors from developing countries and countries with economies in transition, and provide Member States with information on the measures taken.

37. While the Group appreciated the oversight function of the Advisory Board of the Capital Master Plan and was convinced that it would play a central role in assisting the Office of the Capital Master Plan to meet its goals, it concurred with the Advisory Committee that information on the Advisory Board's activities should be provided on a routine basis to the General Assembly in the context of future progress reports on the capital master plan. It also believed that the Advisory Board could play an important role in assisting the General Assembly with its assessment of the capital master plan project.

38. The Group supported a donations policy that was not restrictive and that was consistent with the provisions of General Assembly resolution 63/270. In that regard, it wished to further examine the merit of the Advisory Committee's recommendation encouraging the Secretary-General to solicit private donations, where appropriate. Furthermore, the Group urged the Secretary-General to continue to ensure that persons with disabilities had access to the Organization's facilities on an equal basis with others, pursuant to the Convention on the Rights of Persons with Disabilities. It also reiterated its concern about the permanent elimination of 350 parking spaces and, recalling that the General Assembly had the sole prerogative of deciding on any changes to the capital master plan project, budget and implementation strategy, urged the Secretary-General to ensure that the total number of spaces available to Member States did not diminish upon completion of the capital master plan, pursuant to General Assembly resolutions 57/292 and 63/270.

39. Lastly, bearing in mind that the expenditures in connection with the capital master plan and associated costs would reach a substantial level in 2011 and that no increases were so far envisaged to the overall approved budget up to 2013, the Group concurred with the Advisory Committee regarding the importance of addressing the issue of cash drawdown in a transparent and appropriate manner, without placing an additional financial burden on Member States.

40. **The Chair** said that the Bureau, which included three representatives of States members of the Group of 77 and China, had taken the decision not to consider the Secretary-General's eighth annual progress report on the implementation of the capital master plan (A/65/511) at the main part of the current session when it had become clear in early December 2010 that, owing to a lack of time, the Committee would have to defer some less pressing issues for consideration during the resumed session.

41. **Ms. Reich** (Hungary), speaking on behalf of the European Union; the candidate countries Croatia, Iceland, the former Yugoslav Republic of Macedonia and Montenegro; the stabilization and association process countries Albania and Serbia; and, in addition, Georgia, the Republic of Moldova and Ukraine, said that the European Union was pleased to see that the capital master plan project was well under way. Despite some concerns about ongoing slippage in the construction timetable, it was confident that the project would be completed by the end of 2013 as scheduled. However, it concurred with the recommendations of the Board of Auditors and, in particular, shared its concerns about cost overruns, notwithstanding the previous year's reduction in the budget deficit. Further efforts must be made to achieve savings in order to keep the project within the approved budget, ensure that associated costs were absorbed, and avoid anticipated cash flow problems over the long term, since Member States should not be expected to bear an additional financial burden above the approved budget.

The European Union would be seeking greater clarity in informal consultations on those and other related issues, such as the assessment of the merits of value engineering, the current capital master plan schedule, and the measures being taken to mitigate further delays, especially bearing in mind the possibility of cost escalations. The European Union expected the Secretariat to continue to seize the opportunities presented by the current economic climate to lower costs, while still maintaining the quality and functionality of the project. Additional information on the potential volume of donations from Member States and private donors, as well as on income development activities, would also be welcome.

42. **Mr. Ballantyne** (New Zealand), speaking also on behalf of Australia and Canada, said that the three delegations welcomed the significant progress made on the capital master plan over the reporting period. Given the importance of safety and security, they looked forward to receiving further information on the discussions between the host country and the Department of Safety and Security regarding perimeter security.

43. The three delegations shared the Advisory Committee's concern that there might be difficulty in absorbing the associated costs in the approved budget, as mandated by the General Assembly, and agreed that the issue should be addressed in a manner that did not place any additional financial burden on Member States. They would therefore be interested to receive proposals from the Secretary-General on how the associated costs could best be addressed.

44. They welcomed the efforts to comply with, and in some cases exceed, the standards for access to facilities by persons with disabilities and expressed their hope that best practice would also be followed in the provision of appropriate health and wellness facilities. Lastly, they supported the ongoing value engineering process and welcomed the significant cost savings achieved to date. They were confident that the remaining obstacles would be overcome and that the project would be brought to successful completion on time and within budget.

Agenda item 129: Programme budget for the biennium 2010-2011 (*continued*)

Conditions of service and compensation for officials, other than Secretariat officials, serving the General Assembly: full-time members of the International Civil Service Commission and the Chair of the Advisory Committee on Administrative and Budgetary Questions (A/65/676 and A/65/767)

45. **Mr. Roy** (Chief, Policy and Conditions of Service Section, Office of Human Resources Management), introducing the report of the Secretary-General (A/65/676), said that the issue of the conditions of service and compensation for the two full-time members of the International Civil Service Commission (ICSC) and the Chairman of the Advisory Committee had been considered by the Committee at the sixty-third session of the General Assembly, pursuant to Assembly resolution 58/266, and had then been deferred to the sixty-fourth session, at which no action had been taken. The report currently before the Committee, which was an update of the Secretary-General's previous report on the issue (A/63/354), detailed the salaries of the three officials concerned and movements in their net compensation subsequent to January 2008, as well as the salaries of the Assistant Secretaries-General and Under-Secretaries-General, for comparison purposes. The General Assembly, in resolution 55/238, had reaffirmed that the total annual net compensation of the three officials concerned should be equivalent to 97 per cent of that of the most senior United Nations officials, which was the relationship that had existed in 1996. To restore that relationship, the annual salary of the Chair of ICSC and the Chairman of the Advisory Committee would need to be increased to $232,084, while the salary of the Vice-Chair of ICSC, who did not receive a $10,000 special allowance, should be increased to $222,084.

46. No other changes were proposed to the conditions of service of the three officials concerned, other than to increase their pensionable remuneration, which was adjusted at the same time and by the same percentage as that used to adjust their annual compensation. Should the proposed change in salary take effect, the pensionable remuneration of the Chair of ICSC and the Chairman of the Advisory Committee would be increased to $287,827 and that of the Vice-Chair of ICSC would be increased to $273,224.

47. **Mr. Torres Lépori** (Vice-Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/65/767), said that the report provided information on the methodology used to calculate the compensation of the three officials concerned and the timing of previous reviews. The Advisory Committee agreed with the Secretary-General's suggestion that the compensation of the Chair and Vice-Chair of ICSC and the Chairman of the Advisory Committee should be restored to the equivalent of 97 per cent of that of the most senior Secretariat officials and recommended that the General Assembly should approve the increases in net annual compensation and total pensionable remuneration described in paragraphs 9 and 11 of the Secretary General's report (A/65/676).

48. During its consideration of the Secretary-General's report, the Advisory Committee had expressed concerns about the efficiency of reviewing the compensation and other conditions of service of the three officials concerned at increasingly frequent intervals. In response, it had been informed that the Secretary-General would favour the introduction of an automatic adjustment mechanism. Since the Advisory Committee took the view that the introduction of such a mechanism would respond to its efficiency-related concerns, and would also establish a clear guideline for compensation relativity, it recommended that the General Assembly should consider establishing an automatic mechanism for adjusting the compensation of the three officials concerned so that it remained at 97 per cent of that of the most senior Secretariat officials. Should the Assembly decide to establish such a mechanism, there would still be a need to review, at suitable intervals, the other conditions of service of the three officials concerned.

49. **Mr. Di Luca** (Argentina), speaking on behalf of the Group of 77 and China, said that the Group welcomed the report of the Secretary-General on the conditions of service and compensation for the two full-time members of ICSC and the Chairman of the Advisory Committee (A/65/676) and was committed to reaching an acceptable outcome on the issue. It was concerned that the Committee had not taken any action on the previous report of the Secretary-General (A/63/354). Furthermore, the Group was of the view that the Secretary-General and the Secretariat were responsible for taking the initiative to inform the General Assembly that the total net annual compensation of the officials concerned had fallen below the level of the compensation of Assistant Secretaries-General. It was therefore regrettable that, when the compensation of the three officials had fallen below the specified level on 1 January 2009, the issue had not been brought to the attention of the General Assembly at its sixty-fourth session in accordance with Assembly resolution 58/266. The Group would be seeking further clarification on how that omission had affected the compensation packages of the individuals concerned.

50. The Group concurred with the Advisory Committee's observations regarding the increasing frequency with which the General Assembly had been called upon to review the compensation and conditions of service of the three officials concerned and believed that greater efficiency could be achieved by the establishment of an automatic adjustment mechanism. It would be seeking further clarification on that issue in informal consultations.

The meeting rose at 11.35 a.m.