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Strategic heritage plan of the United Nations Office at Geneva

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

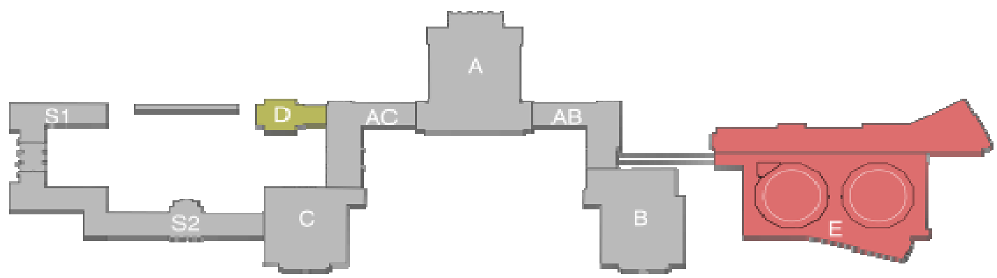
1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the strategic heritage plan of the United Nations Office at Geneva (A/68/372). During its consideration of the report, the Advisory Committee met with the Under-Secretary-General for Management and other representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses on 9 October 2013.

2. The report of the Secretary-General was submitted pursuant to General Assembly resolution 66/247, in which the Assembly requested the Secretary-General to submit at its sixty-eighth session, in the context of the proposed programme budget for the biennium 2014-2015, a detailed implementation plan and cost analysis based on the medium-term (eight-year) option, with fully developed explanations of the composition and calculation of the costs (further to a conceptual engineering and architectural study approved for the biennium 2010-2011). In the same resolution, the Assembly decided to approve, for the biennium 2012-2013, general temporary assistance ($810,600) under section 29E, Administration, Geneva, to provide for one P-4 Architect and one P-4 Engineer, as well as the additional requirement ($2.8 million) under section 34 for contractual services in relation to the development of the detailed project implementation and phasing plan. The actions requested of the General Assembly in connection with the strategic heritage plan are set out in paragraph 138 (a) to (i) of the report of the Secretary-General. The recommendations of the Advisory Committee are contained in sections II to VI in the present report.

3. The United Nations Office at Geneva is located at the Palais des Nations, which was originally built for the League of Nations and comprises a historic building complex completed in 1937 and expanded in the 1950s. A conference facility and office tower, referred to as the E building, was added in 1973 (see A/68/372, para. 9). An overview of the complex is illustrated in figure I of the report of the Secretary-General, which is reproduced below.

Schematic overview of Palais des Nations building complex

(Buildings A to E and S)



II. Comprehensive study of the medium-term implementation option

4. In section III of his report, the Secretary-General provided a summary of the key results of the comprehensive study to develop a detailed implementation plan and cost analysis for the strategic heritage plan based on the medium-term option. According to the Secretary-General, the comprehensive study not only confirmed known major building deficiencies and associated health and safety risks, but also revealed a number of additional risks related to, inter alia, structure, fire, asbestos and business continuity (A/68/372, para. 17).

Major risks and project scope

5. On structural risks, the Secretary-General indicates that the study has brought to light previously undetected structural weaknesses of the E building tower and the S building, for which significant remedial works are deemed necessary as a matter of some urgency. In this context, additional in-depth studies, such as geotechnical surveys and structural tests, are proposed for the next phase of the project in order to assess the exact nature of the remedial actions required (A/68/372, para. 18). The Advisory Committee notes from the report that the inadequate structural stability (most prevalent in the E and S office buildings) were confirmed, following the recent evolution of seismic codes which were updated subsequent to recorded earthquake activity in the area (A/68/372, para. 17 (a)). Upon enquiry, the Committee was informed that, as the Swiss codes for earthquake safety, which date from 2003, are currently under revision, the more recent French codes (updated in October 2010) for the areas adjacent to the Palais des Nations have been consulted as a matter of best practice for the purpose of the safety evaluation of the complex. **The Advisory**

Committee recommends that the Secretary-General follow up with the relevant authorities in the host country on the revision of the earthquake safety codes and inform the General Assembly of any development in this regard.

6. As regards the envisaged project scope, the Secretary-General explains that a full renovation of the historic buildings is required in order to comply with the relevant building regulations, with priority given to health and fire safety and accessibility for persons with disabilities. Priority actions within the project scope to mitigate health and safety risks are listed in paragraph 24 (a) to (h) of his report.

7. The Secretary-General indicates that, in reconfirming the project scope, the study has taken into account (a) a preliminary building survey assessment completed in 2009; (b) a conceptual engineering and architectural study completed in 2011; (c) energy savings works carried out in 2012-2013, funded by a voluntary contribution from the host country; and (d) remedial alterations and maintenance works undertaken under the programme budget for the biennium 2012-2013 and included in the proposed programme budget for the biennium 2014-2015 (A/68/372, para. 23) (see also para. 27 below).

Implementation strategies

8. As part of the comprehensive study for the implementation of the medium-term option, alternative implementation strategies were analysed, with three strategies identified that share a common approach to the renovation of the historic buildings (full renovation of buildings A, B, C, D and S), as well as to full refurbishment of the conference space of the E building (A/68/372, paras. 34-35). A comparative overview of the three strategies is provided in table 2 of the report of the Secretary-General.

9. The three implementation strategies do, however, differ in terms of the method by which they address the structural deficiencies of the E building, as regards the upper seven floors of the office tower, and requirements for swing space, which are summarized below (A/68/372, para. 36):

Implementation strategy (a)

Full refurbishment of the office tower, construction of a 4,015 m^2 permanent office building, and construction of 13,106 m^2 of temporary office swing space to be used during construction only.

Implementation strategy (b)

Partial dismantling of the upper seven floors of the office tower and its reconstruction in the same location, and construction of a new 8,017 m^2 temporary office building to be used as swing space during renovation.

Implementation strategy (c)

Dismantling of the upper seven floors of the office tower, construction of a new permanent office building of 20,596 m^2, equal in size to the dismantled floors of the E building (to be located close to the E building), to be initially used as swing space during construction.

10. A summary of the comparisons of the three strategies, which was undertaken in terms of schedule, overall cost, feasibility and risk, is contained in paragraphs 38 to 43 of the report of the Secretary-General. The Secretary-General considers that:

- Implementation strategy (a) would need considerable heavy structural reinforcement work, including the excavation of the foundations of the building. The associated execution risks are difficult to judge with certainty, but are considered to be very high.

- Implementation strategy (b) was discarded early on because of the substantial unpredictable risks and therefore uncertainty with regard to mitigation.

- Implementation strategy (c) (CHF 837 million) would be less expensive than strategy (a) (CHF 924 million) in terms of capital investment, and the implementation timeline would be approximately one year shorter than that of strategy (a). In addition, taking into account the rental space currently available in Geneva and the related cost, the Secretary-General has determined that constructing a permanent building to be also used temporarily as swing space on the compound would entail the lowest long-term cost and would be, operationally, the most effective solution for the strategic heritage plan. Most importantly, this would be the only way to have an asbestos-free, energy-efficient building that is fully compliant with seismic, fire safety and accessibility codes.

11. The Secretary-General states that, taking due account of the results from current structural assessments, and without prejudice to findings of further in-depth technical assessments, the replacement of the E office tower in accordance with implementation strategy (c) is deemed, overall, to be the most beneficial implementation strategy (A/68/372, para. 44). A detailed implementation plan and cost plan were, therefore, further developed for this strategy. **The Advisory Committee recommends that the General Assembly approve implementation strategy (c) as proposed by the Secretary-General.**

Implementation plan and schedule of work

12. Information with respect to a detailed implementation plan and schedule of work developed for implementation strategy (c) is provided in paragraphs 45 to 59 and figure II of the report of the Secretary-General. The envisaged commencement date for the design of phase 1 is early 2014, while construction is expected to commence in early 2017 with the overall renovation projected to be completed by the end of 2023. It is envisaged that the implementation of the project would be undertaken in four phases, as illustrated in annex I to the report of the Secretary-General.

13. Compared with the earlier schedule (developed in the conceptual engineering and architectural study conducted in 2011), which assumed that construction would begin upon completion of the capital master plan at the end of 2014, the updated schedule anticipates the start of construction during the first quarter of 2017, subject to General Assembly approval by the end of 2013 of the required resources to contract the design work during the biennium 2014-2015 (A/68/372, para. 56). The Secretary-General indicates that the change in schedule is a consequence of a managerial decision to complete the development of a detailed implementation

strategy and a detailed cost plan prior to commencing a design phase, paired with the decision to incorporate sufficient time to develop complete design documentation prior to the commencement of construction (A/68/372, para. 57).

14. **The Advisory Committee is of the view that a 3-year design phase included in the 10-year implementation plan from 2014 to 2023 appears to be unduly prolonged. The Committee is not convinced by the reasoning provided by the Secretary-General and is of the view that the construction and renovation phases could start, as soon as feasible, after the capital master plan is completed.**

Priorities of capital expenditure projects and sequencing

15. The Advisory Committee recalls that, having considered the report of the Secretary-General on the feasibility study on the United Nations Headquarters accommodation needs 2014-2034 (A/66/349), the General Assembly, in its resolution 67/254 A, requested the Secretary-General to submit a new report on the subject, as early as possible in the sixty-eighth session, with comprehensive information on all viable options (resolution 67/254 A, sect. III, para. 6). In the same resolution, the Assembly reiterated its request to the Secretary-General to ensure that major capital expenditure projects are not implemented simultaneously in order to prevent the need to finance them at the same time (resolution 66/247, sect. VII, para. 4 and resolution 67/254 A, sect. III, para. 12). The Committee notes the intention of the Secretary-General, as contained in the eleventh annual progress report on the implementation of the capital master plan, to submit a report on the long-term accommodation requirements at Headquarters to the General Assembly at its resumed session in early 2014 (see A/68/352, para. 32).

16. The Advisory Committee enquired as to the priorities the Secretary-General assigned to the strategic heritage plan and to the long-term accommodation needs at Headquarters. The Committee was informed that the Secretary-General is of the view that both projects should be accorded equal high priority; however, there is no linkage between the project timelines for the strategic heritage plan and for a potential DC-5 building through a lease-to-own arrangement (one of the options presented by the Secretary-General for the Headquarters long-term accommodation needs in his report, A/66/349), as the latter is not a capital expenditure project. Upon further enquiry, the Committee was informed that the Secretary-General understands that options that would not entail major capital expenditures for the United Nations or a special assessment upon Member States, such as the financing option for a DC-5 building, would not be subject to the above-mentioned request of the General Assembly. The Secretary-General, therefore, considers that the implementation of the strategic heritage plan may proceed simultaneously with major capital projects to meet long-term accommodation needs at United Nations Headquarters if they were financed by a third party and approved by the General Assembly. **In this connection, the Committee recalls that the General Assembly requested the Secretary-General to submit, as early as possible in the sixty-eighth session, a new report on United Nations Headquarters long-term accommodation needs with comprehensive information on all viable options, including additional options not adequately considered or developed in the above-mentioned report of the Secretary-General, ensuring that all options are treated equally, while seeking the most favourable terms for the Organization in all cases (resolution 67/254 A, sect. III, para. 6). The Advisory Committee questions the definition of capital expenditure projects as determined**

by the Secretary-General. In the view of the Advisory Committee, irrespective of different funding modalities, Member States will have to make assessed contributions to fund the projects. However, in application of paragraph 12 in section III of Assembly resolution 67/254, the General Assembly may wish to take into account distinct funding modalities in order to consider the concurrent implementation of major capital projects.

17. The Advisory Committee recalls that the Secretary-General has relaunched a strategic capital review, which will provide an overview of existing facilities and produce a 20-year capital programme defining requirements for major maintenance, alterations and improvements and new construction requirements (A/68/7, para. XI.5 and XI.6). More detailed information and comments and recommendations of the Advisory Committee are contained in paragraphs XI.5 to XI.10 of its first report on the proposed programme budget for the biennium 2014-2015 (A/68/7). Upon enquiry, the Committee was also informed that the report on the strategic review is expected to be submitted to the Assembly during the first part of its resumed sixty-eighth session. **The Advisory Committee reiterates that all planned major capital projects and related resource requirements should be included in the strategic capital review to allow for comprehensive analysis and planning by the Organization (A/68/7, para. XI.10).**

Office space utilization and optimization

18. Information on space optimization in the context of the strategic heritage plan is provided in paragraphs 27 to 33 of the report of the Secretary-General (A/68/372). It is indicated therein that, as part of the comprehensive study, a detailed space optimization analysis had shown that additional building occupancy of up to approximately 25 per cent could be achieved, in line with current United Nations space planning guidelines. Consequently, workspaces at the Palais des Nations would be increased from the current 2,800 to 3,500 to accommodate approximately 700 additional personnel. An analysis of the proposed change to the office accommodation capacity, by building, is provided in table 1 of the report of the Secretary-General.

19. The Advisory Committee requested clarification on how the office capacity would increase by 25 per cent and was informed that the 25 per cent space utilization efficiency is a result of the test fits completed (using current staffing level and support requirements), and taking into consideration the following: (a) consolidation of space requirements by departments, which combines open-plan office areas with enclosed individual offices as needed according to the design concept for the department; (b) reduction in the number of floors that allow for continuous circulation through the buildings to two floors (the ground floor, where the main entrances and many public activities are accessed, and the third floor, which provides for continuity of access to the conference areas); and (c) centralized storage of the administrative archives of each department, as envisaged in the open-plan office space planning. The Committee was also informed that it would be possible to consider the relocation of staff of the Office of the United Nations High Commissioner for Human Rights, who are currently located offsite in the Motta Building and the Palais Wilson, early in the planning process (see also paras. 22 and 43 below).

20. With respect to the implementation of flexible workplace strategies, the Secretary-General indicates that the results of the ongoing study being considered in the context of the long-term accommodation needs at Headquarters would equally be considered for the future space utilization framework at the Palais des Nations (A/68/372, para. 29). In this connection, the Advisory Committee notes that the Secretary-General has submitted a report on the implementation of a flexible workplace at United Nations Headquarters (A/68/387). Comments and recommendations of the Committee in this regard are reflected in its related report (A/68/583). **In addition, the Advisory Committee recalls that the implementation of Umoja involves extensive re-engineering of business processes and is expected to have an impact on the evolution of the staffing and skills requirements of the Secretariat. The Committee further recalls that the Secretary-General is to submit a report containing proposals for a new global service delivery model for consideration by the General Assembly. A new service delivery model, if adopted by the Assembly, could affect requirements in terms of the number, skills and location of staff (A/68/583, para. 8). The Committee is, therefore, of the view that the impact of such initiatives should be factored into all major capital projects and progress made thereon should be reported to the Assembly in a timely manner.**

Conference facility requirements and project scope

21. The buildings at the Palais des Nations have 34 major conference rooms (A/68/372, para. 9). The Secretary-General indicates that, as the strategic heritage plan focuses only on the renovation of the existing facilities, if a significant increase in conference-servicing entitlements for the Human Rights Council or the human rights treaty body system were to be approved, such an increase could not be accommodated in the existing conference facilities and should subsequently give rise to a mandated request to expand existing conference facilities. Any such expansion would represent additional scope to the strategic heritage plan and require additional resources (A/68/372, para. 12).

22. Upon enquiry, the Advisory Committee was informed that after the renovation, the Office of the United Nations High Commissioner for Human Rights is expected to terminate the current lease at the Palais Wilson and relocate to the Palais des Nations. In order to compensate for the two conference rooms currently used at the Palais Wilson, the strategic heritage plan foresees additional conference space at the Palais des Nations, which will comprise two rooms, complete with interpretation booths, in a flexible configuration (allowing for adjustments from two to six rooms), equivalent to the total size of the conference rooms at Palais Wilson.

23. The Advisory Committee sought information on the utilization rates of the existing conference facilities from 2007 to 2012 and was informed that average utilization rates ranged between 63 per cent and 73 per cent of the existing conference rooms at the Palais des Nations and Palais Wilson that can accommodate meetings with interpretation (100 per cent utilization rate would mean two meetings in each room every working day). Further, the Committee was informed that the utilization rates for the two conference rooms at the Palais Wilson are 85 per cent for the larger room and 55 per cent for the smaller one. It was also indicated to the Advisory Committee that the current capacity of conference rooms is stretched during peak periods, whereas some existing capacity would be available during off-peak periods, if new or expanded mandates for the Human Rights Council should arise.

24. **The Advisory Committee has no objection to the inclusion of two additional conference rooms at the Palais des Nations in the strategic heritage plan project. The Committee is, nonetheless, of the view that the existing conference capacity has not been utilized to the fullest extent possible and that the Secretary-General should therefore ensure a fuller utilization of the existing conference capacity at the Palais des Nations. Moreover, the Committee has reiterated its concern over the slow progress made in increasing the utilization rates of conference servicing resources and facilities in its report on the pattern of conferences (A/68/567, para. 5).**

III. Project cost projections

25. Based on an analysis of proposed implementation strategy (c), total estimated project requirements amount to CHF 837 million ($891.37 million), representing an increase of CHF 219 million compared with the cost estimate of CHF 618 million for the medium-term option derived from the conceptual engineering and architectural study completed in 2011 (see A/68/372, para. 67 and table 4). Upon request, the Advisory Committee was provided with a table (see the annex to the present report), which shows the breakdown as reflected in the cost estimates from 2011 (A/66/7/Add.3, annex II). The Committee notes that, while the annex reflects significant increases, such as those under consultancy (see para. 28 below), associated costs (see para. 35 below) and contingencies (see para. 73 below), it also shows a removal of CHF 46 million from the scope of the project, which was included for the renovation of the villas and other annex buildings in the study in 2011.

26. The methodology applied for the cost estimation is explained in paragraphs 60 to 63 of the report of the Secretary-General, and the cost plan for the five bienniums from 2014-2015 to 2022-2023 is presented in table 3 of that report. The Secretary-General indicates that the cost estimates comprise all project costs including (a) construction and refurbishment; (b) ancillary work; (c) consultancy fees and project management; and (d) contingencies, escalations and allowances, insurance, and quality control activities (A/68/372, para. 63). He further indicates that the estimated project cost is contingent upon maintaining the agreed scope, schedule and phasing of the strategic heritage plan for the duration of its full implementation, and on the application of an integrated risk and cost management approach (A/68/372, para. 66).

27. According to the Secretary-General, the project cost estimates exclude (a) the resource requirements for alterations, improvements and major maintenance activities for the United Nations Office at Geneva under section 34 of the programme budget for the biennium 2012-2013 and section 33 of the proposed programme budget for 2014-2015 ($15 million); and (b) activities funded by the donation from the host country of CHF 50 million ($53.25 million) for structural energy saving works, which are currently under way (A/68/372, paras. 65 and 11). **The Advisory Committee once again requests that the Secretary-General make every effort to ensure that the work undertaken for the biennium 2012-2013 and to be undertaken for the biennium 2014-2015 will not have to be redone as part of the strategic heritage plan (A/68/7, para. XI.19).**

28. The Advisory Committee notes from the annex that consultancy fees for design, planning and construction documents have been increased by CHF 34 million (from

CHF 42 million to CHF 76 million) in the revised project estimates, while the provision for project management at the United Nations Office at Geneva has been increased from CHF 14 million to CHF 47 million. Upon request, the Committee was provided with a comparison of the projected estimates with those of the capital master plan, as contained in table 1.

Table 1
Comparison of requirements for consultancy and project management services for the strategic heritage plan and the capital master plan

	Strategic heritage plan, budgeted		*Capital master plan, actual expenditures and projected requirement until completion (Thousands of United States dollars)*
	Thousands of Swiss francs	*Thousands of United States dollars*	
Design fees	76 000	80 937	165 167
Programme management, risk management and other consultancies	25 000	26 624	52 051
Site survey and testing	5 000	5 325	(included in pre-construction/ design fees)
Strategic heritage plan project management and coordination team	47 000	50 053	–
Capital master plan staff and coordination support staff	–	–	47 102
Capital master plan staff under associated costs	–	–	33 554
Total	**153 000**	**162 939**	**297 874**

29. The Advisory Committee further notes the new requirement for furniture in an amount of CHF 27 million now included in the revised project costs (see annex). In addition, a 20 per cent contingency provision is calculated for associated costs, including furniture. Upon enquiry, the Committee was informed that a full assessment of existing furniture has yet to be carried out and therefore the extent to which new or reused furniture will be required is yet to be determined. **The Advisory Committee recalls that, in its resolution on the capital master plan, the General Assembly requested the Secretary-General to make every effort to ensure that furniture in good condition is reused (resolution 65/269, para. 57). The Committee further recommends that the Secretary-General report to the Assembly on plans to reuse existing furniture and reduce the requirement for new furniture in the context of his next report on the strategic heritage plan.**

30. In paragraph 138 (c) of his report on the strategic heritage plan, the Secretary-General recommends that the General Assembly acknowledge the total estimated project resource requirements in the amount of CHF 837,000,000, or $891,373,800 at preliminary 2014-2015 rates, based upon current information available. Upon enquiry, the Advisory Committee was informed that the Secretary-General does not seek approval of the total estimated project costs at this stage; however, the previous cost estimate of CHF 618 million presented in the previous report of the Secretary-General (A/66/279) was noted by the General Assembly in its resolution 66/247. If the General Assembly were to “note” the revised estimated project cost, in strict terms, the previous cost estimate and the revised estimated project cost would hold equal weight. Further, the acknowledgement of the revised estimate project cost would

serve as explicit recognition that it supersedes the previous cost estimate, without any implied approval. This would be helpful to the Secretary-General for further discussions on possible loan arrangements and for architectural firms to submit designs within the envelope of the revised estimate of CHF 837 million.

31. **The Advisory Committee notes that there are still unknown factors related to the strategic heritage plan, such as remedial actions required for the E and S buildings which are yet to be confirmed by the in-depth technical assessment to be undertaken (see paras. 6 and 11 above). Furthermore, in the view of the Advisory Committee, the Secretary-General has not provided fully developed explanations of the composition and calculation of the costs, in particular with respect to the increase of CHF 219 million in the revised project estimates. In addition, the potential impact of such initiatives as flexible workplace strategies, Umoja and the global service delivery model has yet to be taken into account in the overall project planning and cost estimates and should be reflected, when applicable, during the overall planning and/or each of the four renovation phases of the project. The Committee is, therefore, of the view that resource requirements for the strategic heritage plan need to be further adjusted according to real needs. The Advisory Committee, therefore, recommends that the General Assembly request the Secretary-General to adjust and resubmit project cost estimates for the strategic heritage plan at the sixty-ninth session.**

Associated costs

32. The Secretary-General indicates that the comprehensive study also revealed that a number of lessons learned from the capital master plan and other capital projects had not been sufficiently taken into account in the earlier conceptual engineering and architectural study, if at all (A/68/372, para. 26). He has, therefore, expanded the overall project to take full account of associated works and support activities, referred to as "ancillary works", which include: (a) construction of all necessary swing space; (b) temporary electrical and mechanical works to ensure business continuity during transitional phases; (c) procurement and installation of office furniture and office reconfiguration; (d) moving, asset management and disposal; and (e) major cleaning following the relocation of occupants. The related costs are referred to as "ancillary costs" (see A/68/372, table 3).

33. The Advisory Committee enquired as to whether the term "ancillary works" covered the same type of activities as those funded from "associated costs" and was being used consistently vis-à-vis the capital master plan. It was indicated to the Committee that the definition of "ancillary works" used in the report on the strategic heritage plan represents activities directly related to the project, which are not classified as refurbishment or construction. Ancillary works capture the "associated cost"-type activities experienced during the capital master plan to the extent that they are applicable to the strategic heritage plan. Specifically, ancillary works comprise the following: furniture, moving expenses, cleaning after removal of swing space, commissioning, staff training and temporary equipment to ensure business continuity during the construction and renovation.

34. The Advisory Committee notes the requirement for "staff training and temporary equipment to ensure business continuity" under ancillary works, and was informed, upon enquiry, that such training would be required to ensure effective

operation of the latest technology and equipment, relocation of staff in the most efficient manner so that business interruptions would be kept to a minimum (such as identification of new access routes, temporary/permanent workstation locations and evacuation plans for emergency purposes). The Committee was further informed that temporary equipment may be required to minimize the disruption to operations, including: (a) power generators; (b) lighting towers; (c) information technology equipment; (d) catering facilities; and (e) portable welfare equipment (toilets and changing rooms).

35. As shown in the annex to the present report, the requirement for the associated costs under the strategic heritage plan has been revised upward by CHF 37 million, including CHF 27 million for furniture (see para. 29 above). **While the Advisory Committee considers it appropriate to include the associated costs (ancillary costs) as a part of the total project requirements on the basis of lessons learned from the capital master plan, it nonetheless notes the significant increase of such cost estimates in the revised cost projection. The Committee recommends that the General Assembly request the Secretary-General to scrutinize the proposed requirements based on actual needs. In addition, the Committee is of the view that the term "associated costs", which has been used for the capital master plan for costs related to goods and services which are not directly attributable to the refurbishment operations of the project (see A/68/5 (Vol. V), footnote 9), should continue to be used for the strategic heritage plan instead of the term "ancillary costs".**

IV. Alternative funding options

36. In response to General Assembly resolution 66/247, the Secretary-General has presented a number of funding options, which were selected on the basis of feasibility and evaluated in terms of their ultimate viability, as a potential complement to assessed contributions by Member States for the realization of the strategic heritage plan, in line with the rules and regulations of the United Nations. The funding options are categorized as: (a) measures to reduce the overall project scope; (b) measures to leverage the value of United Nations assets; (c) public-private partnership arrangements; and (d) loan arrangements (A/68/372, paras. 73-94).

Measures to reduce the overall project scope

37. The Secretary-General indicates that measures to reduce the overall scope focus primarily on the solicitation of voluntary contributions from Member States, institutions, foundations, companies and individual donors, which would cover the cost of specific parts of the strategic heritage plan and thereby reduce the overall scope of the project that would require funding by Member States via assessed contributions. In March 2013, the Director General of the United Nations Office at Geneva issued a note verbale to the permanent missions and permanent mission observer offices to the United Nations Office at Geneva soliciting additional donations and contributions to the renovation of the Palais des Nations (A/68/372, paras. 74 and 75).

38. The Advisory Committee notes from the report of the Secretary-General that, in addition to the donation of CHF 50 million by the host country, a few other

countries have also made contributions. The Committee requested information on the detailed contributions and was informed that the aggregate amount of recent voluntary contribution amounts to $56,952,283, as follows: (a) a contribution from Morocco for the renovation of meeting room S4, completed in 2010 ($419,429 or CHF 370,775); (b) a contribution from Kazakhstan for the renovation of conference room XIV, completed in 2013 ($2,650,000 or CHF 2,488,350); (c) a contribution from Switzerland for structural and energy-saving measures for the Palais des Nations, which are ongoing ($53,248,136 or CHF 50,000,000); and (d) a contribution from Turkmenistan for the refurbishment of conference room I, which is ongoing ($634,718 or CHF 596,000). In addition, following the appeal by the Director General, Qatar has indicated that it would be willing to provide funding for the renovation of conference room XIX and discussions are ongoing.

39. **The Advisory Committee welcomes the donations by the Governments of those Member States. The Committee is of the view that the renovations funded by voluntary contributions form an integral part of the overall renovation of the Palais des Nations. The Committee, therefore, recommends that voluntary contributions should be included in the total project budget and reported to the General Assembly, as in the case of the capital master plan.**

Measures to leverage the value of United Nations assets

40. The Secretary-General explored a number of options to leverage the value of existing United Nations assets (A/68/372, paras. 77-82). Subject to the approval of the General Assembly, any resulting income generated could be used to reduce the overall level of assessed contributions upon Member States in respect of the funding requirements for the strategic heritage plan. The measures presently under consideration include the sale of the construction rights of United Nations-owned property and the sale of real estate. Upon enquiry, the Advisory Committee was informed that at present, there are no finalized plans to sell any of the assets of the United Nations Office at Geneva. Another measure under consideration is the crediting of existing rental income against the resource requirements of the strategic heritage plan (see paras. 41 to 45 below).

41. According to the Secretary-General, the current rental income of approximately $1.2 million per year is a source of income to Member States, which could be used to contribute to the funding of the renovation works. The income is generated by the Palais des Nations from the rental agreements with non-Secretariat organizations and commercial entities, as well as the rental of conference rooms and related facilities in the context of meetings that are not included in the official calendar of conferences. The Secretary-General recalls that this arrangement was used for the construction of new office facilities at the United Nations Office at Nairobi (A/68/372, paras. 81 and 82).

42. With respect to the issue of the use of future rental income from tenants for the construction of office space, the Advisory Committee recalls that during the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa, further funding was obtained for the construction of an additional floor, which had previously been excluded from the scope of the project owing to insufficient funding. The funding requirement for the additional floor, amounting to some $1 million, was provided from the budgets of the United Nations Office to the

African Union and the African Union-United Nations Hybrid Operation in Darfur (UNAMID) in return for office space within the new building, when completed. The Advisory Committee noted this development at the time (A/66/7/Add.3, para. 12; see also A/67/216, para. 3).

43. With respect to the planned relocation of staff of the Office of the United Nations High Commissioner for Human Rights from off-site buildings to the Palais des Nations after the renovation, the Advisory Committee was informed, upon enquiry, that the strategic heritage plan implementation envisages that all OHCHR staff and operations will be relocated from the Palais Wilson to the Palais des Nations compound upon completion of the project, and the lease for Palais Wilson terminated. With respect to current sources of funding of the posts, it was indicated to the Committee that, at present, OHCHR has a total of 605 posts based in Geneva, of which 319 posts (or 53 per cent) are funded from the regular budget and 286 posts (or 47 per cent) funded from extrabudgetary resources. In addition, there are 102 positions which include Junior Professional Officers, fellows, interns, consultants and temporary staff. Table 2 reflects the overall estimated costs and sources of funding for the rental and maintenance of premises, as well as the provision for safety- and security-related services for the two leased premises (Palais Wilson and Motta building) in 2013.

Table 2
Costs and sources of funding for leased premises, 2013
(United States dollars)

	Regular budget		*Extrabudgetary*	
	Section 29F	*Section 34*	*Section 24*	*Total*
Rental and maintenance of premises				
Motta	2 797 546	–	2 480 842	5 278 388
Palais Wilson	1 327 843	–	1 305 956	2 633 799
Security				
Motta	–	592 423	525 356	1 117 779
Palais Wilson	–	438 484	388 845	827 329
Total	**4 125 389**	**1 030 907**	**4 700 999**	**9 857 295**

44. Upon completion of the strategic heritage plan project, as the staff of the Office of the High Commissioner, who currently occupy the two leased premises, would move to the Palais des Nations and the leases would be terminated, the provisions under the regular budget for section 29F (Administration, Geneva) and section 34 (Safety and security), would accordingly be reduced. With respect to the extrabudgetary provisions under section 24 (Human rights), this amount would be utilized to pay rent for the occupancy of office space at the Palais des Nations and the revenue generated would be reflected as income under Income section 2 (General income).

45. The Advisory Committee notes that the Secretary-General, subject to the approval of the General Assembly, is considering utilizing the credit from existing rental income to meet the resource requirements of the strategic heritage plan. **The Advisory Committee is of the view that the General Assembly may wish to**

explore the feasibility and ways of factoring future rental income into the financing of the strategic heritage plan project.

Public-private partnership arrangements

46. It is stated in the report of the Secretary-General that public-private partnership is an alternative which uses private sector capacity and resources in order to deliver public sector infrastructure and services according to defined functional specifications and performance objectives. The Secretary-General notes that, beyond developing the infrastructure (design and build) and providing finance, private sector companies can also operate and maintain the public facility (A/68/372, para. 86). The Advisory Committee enquired as to whether there are known limitations on the part of the host country with respect to the use of public-private partnership arrangements for the strategic heritage plan project. The Committee was informed by the Secretariat, inter alia, that the host country offer would apply to the total costs to be approved by the General Assembly, and that the offer does not depend on the funding mechanism of the project.

47. In September 2012, the Economic Commission for Europe (ECE) agreed to a request by the United Nations Office at Geneva to use its expertise to investigate the potential of a public-private partnership model for the renovation of the Palais des Nations, and ECE has subsequently prepared a report which, in the view of the Secretary-General, was not definitive in its conclusion on the benefit of such an arrangement (A/68/372, paras. 87 to 94). While the report by ECE recommended a further feasibility study by the United Nations, the Secretary-General believes that a further study would run the risk of delaying the project implementation and invariably result in cost escalations. According to the Secretary-General, taking into account all of the risks, on balance, there is not sufficient persuasive evidence to support the use of a public-private partnership project approach for a renovation project of this size and complexity within the United Nations regulatory framework; rather, the project could be implemented at a lower cost through traditional procurement and contracting methods, such as those used for the capital master plan. **The Advisory Committee is of the view that the Secretary-General could further explore the feasibility of using public-private partnership arrangements, including by approaching potential project developers, in parallel with and without prejudice to, the negotiation on the loan offer from the host country (see paras. 48 to 58 below).**

Loan arrangements

48. The Secretary-General indicates that the granting of a preferential long-term loan (or several such loans) to facilitate the financing of the strategic heritage plan has been discussed with the host country informally, on a bilateral basis, for some time and that he raised this matter formally with the Swiss authorities in March 2013 (A/68/372, paras. 83 and 84). Upon enquiry, the Advisory Committee was informed that the reference to several such loans implies that a loan arrangement might be structured in tranches. On 26 June 2013, the Swiss Federal Council took a decision to offer support for renovation projects of international organizations in Geneva through long-term low-interest loan(s). In this context, the host country particularly underscored the importance and priority it attaches to the urgent implementation of the strategic heritage plan. The duration of such loan(s), to be granted at favourable, below market rates, are expected to be up to 30 years, up to an

amount not to exceed 50 per cent of the project cost that will be approved by the General Assembly. Negotiations with the host country to define the details of such loan arrangements could commence, subject to the agreement of Member States. The Advisory Committee welcomes with appreciation the offer of support from the Government of Switzerland.

49. Taking into account the reasonable prospect of loan financing arrangements, two options were analysed: option 1: full financing via assessed contributions upon Member States; and option 2: financing via assessments combined with a long-term loan arrangement (A/68/372, paras. 95-99). The Secretary-General recommends as the most favourable option, for consideration by Member States, a combination of a long-term loan from the host country and assessed contributions upon Member States for the balance of the project cost (A/68/372, para. 101).

50. The Advisory Committee was informed, upon enquiry, that for option 1, full financing via assessments upon Member States would be equal to the resource requirements presented in table 3 and figure III of the report of the Secretary-General; and for option 2, the analysis is based upon the assumption that the loan would be drawn down as needed over the course of the construction.

51. In paragraph 138 (e) of his report on the strategic heritage plan, the Secretary-General recommends that the General Assembly authorize him to negotiate with the host country regarding the offer of a loan, without prejudice to the final decision of the Assembly. Upon enquiry, the Advisory Committee was informed that the negotiation with the host country on the loan would focus on the interest rate, the term of the loan, the disbursement arrangements (in one lump sum or in tranches), guarantees and the maximum amount of the loan available.

52. The Advisory Committee further enquired on the timing as to when the loan repayment would commence and was informed that the exact terms of the loan have yet to be negotiated: the loan could be structured with a grace period (i.e., no repayment until construction completes), interest-only payments during construction, or interest and principal repayment over the course of the project and thereafter.

53. The Advisory Committee also requested information with respect to how the loan would be reflected in the budget and whether the special account would remain open for 30 years to service the loan. The Committee was informed that the funding mechanism will be determined in due course once the total project cost is approved by the General Assembly and a decision is taken on whether to accept the loan from the Swiss Government. The special (multi-year) construction-in-progress account would remain in place at least for the duration of the project and until all contributions from Member States have been received. As a rule, the Secretariat seeks to close special accounts as soon as practically possible. However, given the unprecedented nature of a long-term loan arrangement, this would need to be determined by the Assembly, especially if it is considered desirable to recognize the long-term repayment cost of the loan under the proposed programme budget.

54. The Advisory Committee notes an absence of any reference to the potential significant risk associated with exchange rates under option 2, with a long-term loan over a period of possibly up to 30 years (A/68/372, para. 99). The Committee was informed that it is very difficult to predict the course of the exchange rates. Further, although there are a few options to address the exchange rate risk of a Swiss franc-

based loan, such as hedging expenditure through forward exchange contracts, the maximum duration of forward exchange contracts on offer are for 5 years and would lock in the rate at approximately 0.85 Swiss franc to 1 United States dollar. This would mean that the forward exchange contract would cost approximately 7 per cent in terms of United States dollars. It was indicated to the Committee that, given the duration of the loan, it would be virtually impossible to hedge for the full 30 years, that hedging would only provide foreign exchange rate security for the short term and that the costs would not be insignificant. **Based on the information provided, the Advisory Committee does not consider hedging arrangements a viable option for the strategic heritage plan.**

55. The Advisory Committee was informed, upon enquiry, that there is no explicit reason why the budget and assessments on Member States cannot be denominated in Swiss francs, however it would require the General Assembly to decide to waive regulation 2.2 of the Financial Regulations and Rules of the United Nations which provides that the "proposed programme budget shall cover income and expenditures for the financial period to which it relates and shall be presented in United States dollars". Assuming the approved budget is denominated in Swiss francs, it would follow that the assessed contributions upon Member States would be stated in Swiss francs also, and apportioned on the basis of the applicable scale of assessment. Furthermore, it may be useful to note the special arrangement in place with respect to the United Nations programme (50 per cent) share of the gross budget of the International Trade Centre. In this case, the General Assembly appropriates an amount equivalent to 50 per cent of the total gross budget, which is denominated in Swiss francs. **The Advisory Committee is of the view that the General Assembly may wish to consider establishing the budget and account for the strategic heritage plan in Swiss francs.**

56. The Advisory Committee requested detailed information on the project costs in terms of the renovation of the existing buildings and the dismantling and construction of the replacement office tower for the E building, which is shown in table 3.

Table 3
Breakdown of project costs
(Thousands of Swiss francs)

	Renovation of the existing buildings	*Dismantling/ construction of the E building*	*United Nations Office at Geneva project management team*	*Total*
Cost of dismantling 7 floors	–	23 000	–	23 000
Construction of the new building	–	82 000	–	82 000
Renovation works	342 000	–	–	342 000
Ancillary works	37 000	12 000	–	49 000
Consultancy services	81 000	25 000	–	106 000
Contingencies, escalations, allowances, insurance and quality control	152 000	36 000	–	188 000
United Nations Office at Geneva project management team	–	–	47 000	47 000
Total	**612 000**	**178 000**	**47 000**	**837 000**

57. The Advisory Committee understands that for new construction projects (rather than renovations) undertaken by international organizations, the host country provides interest-free loans up to 100 per cent of total requirements payable over 50 years and enquired as to whether this option had been discussed for the proposed construction of the E building. It was confirmed to the Committee that, as compared to renovations, the host country has a different funding and/or lending mechanism for new constructions with preferential conditions (i.e., interest-free loan reimbursable over a period of 50 years). The Committee was informed that the Secretariat has indicated its intention to request full funding for the part of the project related to the proposed construction of a new office building, in respect of which the host country had advised that the question of whether it would provide such a loan for the planned construction of a new building would have to be determined in the course of the negotiations with the Secretariat.

58. **The Advisory Committee recommends that the General Assembly authorize the Secretary-General to negotiate with the host country on loan arrangements and to report thereon to the Assembly at its sixty-ninth session. Furthermore, the Committee recommends that the Assembly request the Secretary-General to present the strategic heritage plan project in its separate components of renovation and new construction, in order to obtain separate loans at differential rates and the most preferential terms for the Organization. The Committee has no objection to the establishment of a multi-year special account for the strategic heritage plan.**

V. Actions and resource requirements for the biennium 2014-2015

59. The estimated resource requirements for 2014-2015 amount to $44,676,100, including (a) design and consultancy services ($32,961,500); (b) project management ($7,454,700); and (c) contingency and escalation ($4,259,900) (A/68/372, table 7 and para. 131). The Secretary-General indicates that, on the basis of lessons learned from other major capital projects, including the capital master plan, a fundamental premise of the implementation strategy for the strategic heritage plan is to complete the whole concept design and related costs estimates, in detail, before starting any construction/renovation work. The Secretary-General considers that this should reduce significantly the risk of cost and schedule overruns throughout the lifetime of the project (A/68/372, para. 103). The proposed project tasks to be undertaken during the biennium 2014-2015 include, inter alia, (a) developing the design master plan; (b) executing in-depth site assessments prior to entering into concept design and detailed design documentation; (c) developing the concept design for the entire project; and (d) developing the detailed designs for the construction of the new permanent building, the renovation of the A conference building and fire protection of the historical archives (A/68/372, para. 104 (a) to (l)). **The Advisory Committee recommends that the General Assembly approve resource requirements for the strategic heritage plan for 2014 in an amount of CHF 16,606,900, or $17,685,700 at preliminary 2014-2015 rates (see paras. 64 and 66 below).**

Dedicated project management team and liaison support staff

60. Resources in the amount of CHF 7,000,000 ($7,454,700) are requested for 2014-2015 to establish a dedicated project management team for the strategic heritage plan, composed of 25 staff on temporary positions (A/68/372, para. 106-115 and tables 6 and 7). An organizational chart of the project management team is shown in annex II to the report of the Secretary-General.

61. The Secretary-General recommends that the strategic heritage plan project team be led by a Project Director at the D-2 level, who would be supported by two Services (the Design and Construction Service and the Programme Management Support Service), each led by a Chief at the D-1 level. In addition to the 25 positions proposed for 2014-2015, 3 additional positions would be required from 2016 on. The composition of the total of 28 temporary positions is as follows:

(a) Office of the Project Director (3 positions): Project Director (D-2), Communication Officer (P-4) and Administrative Assistant (General Service (Other level));

(b) Design and construction service (10 positions): Chief (D-1), Senior Project Manager for Design (P-5), Engineer (P-4) and Architect (P-4) (both approved for the biennium 2012-2013), Mechanical and Engineering Coordinator (P-3), Low Voltage Systems Engineer (P-3), Space Programme Officer (P-3), Heritage/Art Advisor (P-3), Design Assistant (General Service (Other level)), Administrative Assistant (General Service (Other level));

(c) Programme and management support service (7 positions): Chief (D-1), Senior Programme and Cost Manager (P-5), Procurement Officer (P-4), Contracts Management/Legal Officer (P-4), Administrative/Finance Officer (P-4), Programme Assistant (General Service (Other level)), and Administrative Assistant (General Service (Other level));

(d) Dedicated liaison staff (5 positions): Facilities Liaison Manager (P-4, part of the Building and Engineering Section), Conference Services Liaison Manager (P-4, part of Conference Services), Security Liaison Officer (P-4, part of the Safety and Security Services), Mechanical and Engineering Maintenance Liaison Engineer (P-3, part of the Engineering Unit, Building and Engineering Section), and Information Technology Systems Liaison Officer (P-3, part of ICTS);

(e) In addition, 3 more positions would be required effective 2016: Senior Project Manager for Construction (P-5), Handover Officer (P-4) and Procurement Officer (P-3).

62. With respect to the basis for the classification of the proposed posts for the project team, the Advisory Committee was informed, upon enquiry, that the majority of the project management team have roles and responsibilities that are comparable to positions in the project management team for the capital master plan. Accordingly, the proposed new posts will be established based on the posts classified for the purposes of the capital master plan, where applicable, and the remaining post classifications are being prepared and will be submitted for action in due course.

63. As for recruitment of the staff of the project team for the capital master plan to the team for the strategic heritage plan in order take advantage of their know-how, the Committee was informed that, while recruitment of staff for the project

management team will be undertaken in accordance with the established competitive selection procedures of the United Nations, the United Nations Office at Geneva will make every effort to attract qualified people who possess the expertise, competencies and experience necessary to develop the strategic heritage plan project. In this connection, relevant experience gained by individuals who have served as part of the project team for the capital master plan will be considered as advantageous.

64. **The Advisory Committee is of the view that the staffing requirement for the project management team and liaison staffing should be put in place in a phased manner, starting with the requirements for 2014, on an annual basis. Of the 25 positions proposed, the Committee does not recommend approval for 2014 of the position for a Communication Officer (P-4), as it believes that the strategic heritage plan project, in the initial phase, should draw upon existing capacity both at the United Nations Office at Geneva and within the capital master plan project team. The Committee has, however, no objection to the establishment of the other 24 positions for 2014 and the related resource requirement of CHF 2,378,400 ($2,532,900). Further, the Committee recommends that the General Assembly request the Secretary-General to rejustify staffing requirements for the strategic heritage plan project team for 2015 at the sixty-ninth session.**

Dedicated consultancy services

65. The Secretary-General indicates that, for the biennium 2014-2015, the project management team would need to procure specialized services for lead design coordination to develop the design master plan, the concept design and the detailed design, as well as ongoing services for programme and risk management (A/68/372, para. 117). Hence the following consultancies would be required: lead design firm; specialist design firm(s); programme management firm; and risk management firm (A/68/372, paras. 118 to 122).

66. According to the Secretary-General, historical data and best practice indicate that a significant proportion of consultancy activities, and hence expenditures, are undertaken in the earliest stages of a project in the period leading up to construction (A/68/372, para. 116). In the case of the strategic heritage plan, it is anticipated that 30 per cent of the entire consultancy fees would need to be dedicated to the project during the first biennium, while the remaining would be spread over the four bienniums of the construction cycle (see also para. 28 and table 4 above). Upon enquiry, the Advisory Committee was informed that non-post resources required for 2014 for the strategic heritage plan amount to CHF 14,228,500 ($15,152,800). **The Advisory Committee recommends that the General Assembly approve the non-post resources for 2014 proposed by the Secretary-General.**

Project governance structure

67. The proposed governance structure for the strategic heritage plan is set out in annex III to the report of the Secretary-General and can be summarized as follows (A/68/372, paras. 123 to 130):

(a) The Director General of the United Nations Office at Geneva, as the project owner, would provide overall guidance and direction, through the Director of Administration, to the Project Director and the dedicated project management team;

(b) The Steering Committee would comprise Under-Secretaries-General or their deputies, and leading departments and offices operating both in Geneva and at Headquarters, who would have a direct operational influence on the renovation project;

(c) The Assistant Secretary-General of Central Support Services of the Department of Management at Headquarters, also a member of the Steering Committee, would provide regular support and advice through the Director of Administration of the United Nations Office at Geneva to the Project Director;

(d) Technical in-house expertise within the Buildings and Engineering Section of Central Support Services of the United Nations Office at Geneva would provide support;

(e) Focal points would be appointed from the substantive departments, offices and services at the Palais des Nations that would be directly affected or have influence on the future operations of the Palais des Nations;

(f) An independent risk management firm would advise the Steering Committee and report to the Director of Administration of the United Nations Office at Geneva, assisting the incumbent in the establishment and maintenance of the overall risk management strategy, and would work in close coordination with the programme management support service of the strategic heritage plan team.

68. **The Advisory Committee notes that the Director General of the United Nations Office at Geneva, as the project owner, will be accountable for the strategic heritage plan project.**

VI. Lessons learned from major capital project

69. **The Advisory Committee has repeatedly stressed that lessons learned from the capital master plan should inform the planning and implementation of future major capital projects (see A/67/548, para. 28 and A/68/551, para. 24).** The Committee recalls that the Board of Auditors has set out some initial thoughts on lessons learned from the capital master plan for the future management of major capital projects, and that the Board is mindful of two important principles that underpin effective project management (see A/68/5 (Vol. V), annex V):

(a) Making the right start on any project. Best practice is to subject a major project to a very high level of scrutiny before any decision is taken to start or initiate each major phase during the project life cycle. This requires effective governance and decision-making from the outset;

(b) The need for a standard unified approach to the delivery of major projects. It should not be left to each individual project team to determine the processes to be followed and actions to be taken to deliver successfully within the United Nations system. There should be a structured and well-disciplined approach to project governance, management and assurance.

Oversight mechanism

70. In its report on the in-depth technical construction audit of the capital master plan (A/67/330), the Office of Internal Oversight Services expressed the view that the existing oversight mechanisms (the Steering Committee on Associated Costs, the

Advisory Board and Department of Management meetings) did not fulfil the function of monitoring cost, schedule and scope (A/67/330, para. 28). As regards an independent governance mechanism for the capital master plan, the Advisory Committee expressed the view that if it had been possible to establish the Advisory Board in a timely manner (see General Assembly resolutions 57/292, sect. II, para. 19, and 63/270, sect. I, paras. 39 and 40) to fulfil the mandate as described in its terms of reference, the functions that are typically performed by a steering committee could have been provided. **The Committee has reiterated that, for this and future major capital projects, a formal oversight committee or governance body should be established to support and independently challenge the project team (A/67/548, para. 21).**

71. The Advisory Committee notes the governance structure proposed for the strategic heritage plan project (see para. 67 above) and enquired as to envisaged oversight by Member States. The Committee was informed that the Secretary-General will report to Member States on the project progress at key milestones (specifically on the completion of the concept design in 2016) and thereafter on an annual basis once the strategic heritage plan project is in the construction phase, starting in 2017. Informal periodic reviews for the duration of the project are also envisioned to be held with the Fifth Committee, Permanent Missions based in Geneva and the Advisory Committee, as has been the practice so far. The Committee was informed that the United Nations Office at Geneva has regularly organized briefings on the strategic heritage plan to the group of friends of the Palais des Nations, which is open to all Member States. **In the view of the Committee, such arrangements will not be sufficient to guarantee oversight of the strategic heritage plan project by Member States. The Committee, therefore, recommends that the General Assembly consider the establishment, for the strategic heritage plan, of an independent and external oversight mechanism with the expertise to scrutinize, inter alia, project cost, schedule and scope, and to report to the Assembly.**

Security

72. The Advisory Committee requested information on the lessons learned from the capital master plan concerning security, in particular perimeter security. According to the Secretary-General, such lessons may be described in two categories: (a) physical perimeter security, especially related to blast threats; and (b) operational security. As regards perimeter security, the strategic heritage plan project takes into account related issues and avoids risks by virtue of the size of the existing complex (46 hectares), as the buildings are afforded ample setback from public roads and buildings along the perimeter of the complex, to sufficiently reduce blast threats. On operational security issues, as the staff at the United Nations Office at Geneva will be located in swing space at the existing campus, it is expected that additional security officers will not be required. **The Advisory Committee trusts that the Department of Safety and Security will work closely with the project team so as to identify security requirements in all aspects, if any, at an early stage.**

Project contingency and management

73. As shown in the annex to the present report, requirements for contingencies, escalations, insurance and quality control have increased by CHF 74 million, from CHF 114 million in 2011 to CHF 188 million in the revised project estimates of CHF 837 million. Table 4 provides a breakdown of the total contingencies as presented in

table 3 of the report of the Secretary-General, with a percentage applied for each provision.

Table 4
Breakdown of contingency provisions, per biennium
(Thousands of Swiss francs)

	2014-2015	*2016-2017*	*2018-2019*	*2020-2021*	*2022-2023*	*Total*	*Percentage*
Existing buildings							
Renovation works		54 300	181 200	70 400	36 000	341 900	
Contingency		10 700	22 000	27 000	8 600	68 300	20.0
Dismantling of E building (upper seven floors)			6 100	16 600		22 700	
Contingency			610	1 660		2 270	10.0
New building							
Construction works		28 700	53 700			82 400	
Contingency		4 200	4 000			8 200	10.0
Ancillary works		1 000	20 000	21 000	7 000	49 000	
Contingency		200	4 000	4 200	1 400	9 800	20.0
Consultancy fees	31 000	27 000	25 000	18 000	5 000	106 000	
Contingency	3 200	9 100	5 190	2 240	170	19 900	18.8
Escalations (1.8% annual rate)[a]	800	8 500	30 700	18 700	8 530	67 230	
Insurance (2% of construction/ ancillary costs)	–	2 000	3 800	3 200	900	9 900	2.0
Quality control (0.5% of construction/ ancillary costs)	–	300	700	1 000	400	2 400	0.5
Total contingencies, escalations, insurance and quality control	**4 000**	**35 000**	**71 000**	**58 000**	**20 000**	**188 000**	

[a] Included to allow for future cost increases and inflation rates, as the project estimates are based on 2013 prices (A/68/372, para. 69 (h)).

74. The Advisory Committee requested information on contingency provisions contained in other capital projects recently undertaken by the Organization, as compared with the overall contingency percentage of 22.5 proposed for the strategic heritage plan. The Committee was informed that the project contingency levels differed slightly based on the phases of the projects for which the contingency funds were established, as well as specific circumstances of the projects (such as site condition, a major renovation or new construction):

(a) The capital master plan applied a 20 per cent contingency level starting at the design phase;

(b) A contingency level of 15 per cent was used at the International Residual Mechanism for Criminal Tribunals in Arusha, as the funds were approved after the design phase began but before commencement of the construction phase, and because the selected greenfield site did not pose significant unforeseen risks;

(c) Both projects for the United Nations Office at Nairobi and the new office facilities for the Economic Commission for Africa, in Addis Ababa, used a 10 per cent contingency level, as the funds were approved after the design was completed and just prior to the commencement of construction.

75. The Advisory Committee further requested the basis for the calculation of the contingency provisions (base amounts) and was provided with table 5. It was indicated to the Committee that, as the project progresses, particularly once the design documentation has been prepared, greater certainty can be achieved.

Table 5
Basis for calculation of the contingency provisions, 2014-2023
(Thousands Swiss francs)

	Percentage	*Base amount*	*Contingency*
Renovation works	20.0	341 900	68 300
Dismantling of building E	10.0	22 700	2 270
New construction	10.0	82 400	8 200
Ancillary works	20.0	49 000	9 800
Consultancy fees	18.8	106 000	19 900
Escalation average at 1.8 per cent annually		602 000	67 230
Insurance	2.0	496 000	9 900
Quality control	0.5	496 000	2 400
Total			**188 000**

76. The Advisory Committee recalls that both the Board of Auditors and the Office of Internal Oversight Services have reviewed the contingency provisions for the capital master plan project (A/67/548, paras. 22-26). Furthermore, the Board has recommended that for future projects of this nature, the Administration develop a risk-based approach to determining, allocating and reporting contingency funds based on best practice in modern project management (A/68/5 (Vol. V), para. 39). The Committee further recalls that the Secretary-General has agreed with the Board of Auditors that, drawing on the lessons from the capital master plan, it should consider how, in the future, it could manage contingency funding on capital projects in a more transparent and effective manner (A/68/336, para. 43).

77. As for best practice on establishing and managing contingency budgets on capital projects, the Advisory Committee was informed by the Audit Operations Committee of the Board of Auditors that the recommendations of the Board on the capital master plan have focused on the actual level of contingency, and the relationship between contingency and project risks. The Office of the Capital Master Plan uses a fixed percentage to calculate the level of contingency, and deploys the monies when required. The Advisory Committee recalls that contingency provisions were used to offset increases in project costs under the capital master plan and that, according to the Board, a contingency is a specific budgetary provision which is allocated so that a project can quickly address the cost impact of project risks, should they arise, without needing to delay the project and negotiate increased funding. However, according to the Board, it is crucial that the Administration not use contingency funding as a device to absorb general increases in project costs and that it clearly report how and when such provisions have been used (A/67/548, paras. 14 and 22).

78. According to the Board of Auditors, good practice dictates that, prior to the approval of a major project, the level of contingency required is calculated based on the types of risk which may emerge and the cost of mitigation. These risks will occur at different levels, and with different levels of likelihood, for example, (a) external risks that are outside of the programme's control; (b) programme-level risks that will affect all the individual projects within the programme; and (c) project-level risks that are particular to one project within the programme. The key differences the Board observes between United Nations projects and what the Board understands as best practice are the following:

(a) The use of contingency funds should be approved transparently by a governing body, such as a steering committee, not by the project;

(b) The use of the contingency should not be assumed, and should only be approved to mitigate the specific risk it was established for. If such risks do not arise, the funding should be returned at the end of the project.

79. With respect to the management of contingency provisions and potential savings under the strategic heritage plan (for example, the possibility of savings being carried over for the next biennium or being used to offset assessments upon Member States), the Advisory Committee was informed, upon enquiry, that the project cost plan has been calculated prudently in accordance with applicable construction practice. The utilization of contingency will be carefully managed by the strategic heritage plan project team with the assistance of the risk management consultant to ensure that the project is implemented within the overall cost plan. In this connection, the Advisory Committee notes that the determination of the contingency provisions under the strategic heritage plan are still determined by fixed percentage and will be managed by the project team, albeit with the assistance of the risk management consultant.

80. The Advisory Committee has recently pointed out that the management of the contingency provisions under the capital master plan project still lacks transparency (A/68/551, para. 12). It is the understanding of the Committee that best practice for establishing contingency provisions should be based on risks and mitigation costs, rather than a blank percentage of the project costs which is the case for the capital master plan. Further, as indicated by the Board, the responsibility for managing and approving the contingency provisions should be with a project governing body, rather than the project team. In addition, unused contingency provisions should be surrendered instead of being used to cover cost overruns.

81. **In this connection, the Advisory Committee notes with concern that the contingency planning and management envisaged for the strategic heritage plan has not shown sufficient improvement based on lessons learned from the capital master plan. The Advisory Committee recommends that the General Assembly request the Secretary-General to (a) review and adjust the contingency requirements proposed for the strategic heritage plan; and (b) improve the management of the contingency provisions by assigning the responsibility for the utilization of the provisions to a project governing body.**

Annex

Breakdown of the costs for executing the restoration and renovation works under the strategic heritage plan for the United Nations Office at Geneva[a]

(Millions of Swiss francs)

	Strategic heritage plan			
	2011	*2013*	*Variance*	*Comments*
Construction services				
Assembly building A	48	57	9	No significant differences have been identified. Minor adjustments in cost owing to update of rates. Additionally, there is an update on the phone cabin space in Hall 13/15 below the Assembly Hall and the updating of the cinema functionality
Building AB	9	11	2	
Building AC	10	12	2	
Library building B and archive and workshops	53	40	(13)	The conceptual study in 2011 envisaged the construction of a new building. New data confirmed that the renovation of this building would be more cost-effective than new construction
Council building C	22	33	11	Revised building rates and updating of existing cinema into new conference space
Building D	10	15	5	Revised building rates
Building E conference area	84	99	15	Revised building rates
Building E office tower	64	19	(45)	Reduced scope (7 floors are removed)
Building S	45	53	8	Revised building rates
Exterior	3	3	–	
Allowances for villas and other annex buildings	46	–	(46)	Villas and annex buildings are outside of the scope of the strategic heritage plan
Subtotal, construction services	**392**	**342**	**(50)**	
Additional structural remedial works leading to the unforeseen replacement of seven floors of the E building				
Dismantling of seven floors of the E building	–	23	23	Partial dismantling of the E building office tower (floors 4 through 10)
Construction of replacement building	21	82	61	A new permanent office building to replace the dismantling of the seven floors is proposed. The building will be used as swing space during the construction works
Subtotal, refurbishment and construction costs	**21**	**105**	**84**	
Ancillary costs[b]				
Construction/rental of office swing space	–	–	–	The new replacement building will also serve as swing space during the works

	Strategic heritage plan 2011	Strategic heritage plan 2013	Variance	Comments
Construction/rental of conference swing space	7	–	(7)	The strategic heritage plan envisages the conversion of currently unused areas into new conference space, such as the old cinema rooms in buildings A and C. These areas will also be used as swing space during the works
Moving expenses	3	10	7	Moving costs for staff and conferences to and from the swing spaces. Based on lessons learned from the capital master plan, moving expenses have been allowed for each staff member, assuming at least two moves
Cleaning	–	5	5	Cleaning of offices and swing spaces following the moves
Equipment	–	5	5	Replacement of kitchen equipment and audiovisual equipment
Furniture	–	27	27	New furniture would be required for the new building and in some areas of the existing buildings in order to achieve space efficiency
Other miscellaneous expenses	2	2	–	
Subtotal, ancillary costs	**12**	**49**	**37**	
Total, construction services and ancillary costs	**425**	**496**	**71**	
Consultancy services, including project management costs for the United Nations Office at Geneva				
Consultancy fees (design, planning and construction documents)	42	76	34	Design fees have been estimated at 15.3 per cent of the construction and ancillary costs
Construction management/programme and risk management	21	25	4	Programme and risk management fees have been estimated at 5 per cent of the construction and ancillary costs
United Nations Office at Geneva project management	14	47	33	Based on lessons learned from the capital master plan, a full dedicated team is proposed from the commencement of the project
Insurance and site surveys and tests	2	5	3	The increase in cost estimate for site surveys is as a result of the unforeseen structural problems
Total, consultancy services, including project management costs for the United Nations Office at Geneva	**79**	**153**	**74**	
Contingencies, escalations, allowances, insurance and quality control				
Contingencies, approximately 20 per cent, for refurbishment, construction costs, ancillary works and consultancy fees	69	98	29	Contingency of 20 per cent has been applied to the construction/renovation, ancillary and consultancy costs
Contingencies, approximately 10 per cent, for new replacement building and partial dismantling of E building office tower	–	10	10	Lower contingency of 10 per cent has been applied to the cost of the construction of the new building and to the dismantling of the E building tower (seven floors)

	Strategic heritage plan			
	2011	*2013*	*Variance*	*Comments*
Escalation	20	68	48	Revised annual escalation rate of 1.8 per cent of the construction, ancillary and consultancy costs
Owner's insurance	–	10	10	Insurance rate at 2 per cent of the construction and ancillary works has been applied
Quality control	–	2	2	Additional 0.5 per cent has been applied to the cost of the construction and ancillary costs
Allowances	25	–	(25)	The detailed implementation and cost plan, 2013, does not include this allowance
Total, contingencies, escalation and allowances, insurance and quality control	**114**	**188**	**74**	
Total cost of project	**618**	**837**	**219**	

[a] As compared to the costs under the medium-term option presented in annex II to A/66/7/Add.3.
[b] See para. 35 of the present report.