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Chair: Mr. Funes Henríquez (Vice-Chair) (El Salvador)
*Chair of the Advisory Committee on Administrative
and Budgetary Questions:* Mr. Ruiz Massieu

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In the absence of Mr. Taalas (Finland), Mr. Funes Henriquez (El Salvador), Vice-Chair, took the Chair.

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

Agenda item 134: Proposed programme budget for the biennium 2014-2015 (continued)

Strategic heritage plan of the United Nations Office at Geneva (A/68/372 and A/68/585)

1. **Mr. Takasu** (Under-Secretary-General for Management), introducing the report of the Secretary-General on the strategic heritage plan of the United Nations Office at Geneva (A/68/372), said that preparation of the report had been preceded by validation of the conceptual and engineering study completed in 2011 to ensure that the objectives of the General Assembly were fully met, taking into account the continuing degradation of the Palais des Nations and applicable building codes.

2. A cost analysis covered design and construction, as well as also identifying ancillary costs. It took account of expected inflation, and included contingencies commensurate with the design and construction risks associated with a complex major project. Lessons learned from similar projects, such as the capital master plan, had been fully taken on board.

3. A preliminary study of structural risks had revealed significant structural deficiencies as well as serious health and safety risks in the complex in Geneva, confirming the urgent need for a comprehensive strategic plan to renovate the Palais; that would ensure the long-term viability of operations and business continuity, while reducing the overall cost to Member States compared to ever-increasing reactive maintenance.

4. There were also fundamental operational and cost advantages to consolidating, to the extent possible, Secretariat operations within the complex. In addition to enabling such consolidation, the strategic heritage plan would allow for the modernization of facilities to meet current and ongoing conference-servicing demands, while providing a safe, healthy and functional environment.

5. Of the three project scenarios studied, implementation strategy (c), involving dismantling of the upper seven floors of the E building, with construction of a new permanent office building equal

in size to the dismantled floors and full refurbishment of the conference space, was considered the most beneficial and most cost-effective: it would not require additional swing space; had the shortest duration; met all key objectives, especially health and safety risks; and was the least disruptive to normal operations at the Palais.

6. In order to meet the target completion date of 2023, the design phase of the project would need to begin in early 2014 with commencement of the procurement process to appoint the lead design consultant. That would allow time for any necessary design development and review prior to commencing construction procurement in 2016. Construction could then begin in early 2017, with completion by the end of 2023.

7. Taking into account lessons learned from the capital master plan and other recent capital projects, it was important to allow adequate time for completion of the design phase. Completed design documents were key to maintaining project quality and avoiding cost overruns.

8. Total project resource requirements were estimated at SwF 837 million, or \$891.37 million at preliminary 2014-2015 exchange rates, compared with the previous, initial, cost estimate of SwF 618 million. The increase of SwF 219 million partly reflected additional construction activities required to mitigate serious structural deficiencies identified in the E and S buildings. However, the majority of the increase reflected lessons learned from previous construction projects, particularly the need to provide adequately for contingencies, inflation and insurance and to incorporate associated and support cost requirements not fully considered in the initial cost estimate.

9. The projected budget cost estimate included contingencies deemed adequate to cover unforeseen cost requirements. The Secretary-General's report also provided for a robust governance structure, and risk management and cost control mechanisms, so that the project costs were expected to be fully contained.

10. As requested by the General Assembly, the Secretary-General had explored, as a potential complement to assessed contributions by Member States, various options for voluntary funding sources, public or private, in line with the rules and regulations of the United Nations: measures to reduce the overall project scope; measures to leverage the value of United

Nations assets; loan arrangements; and public-private partnership arrangements.

11. With regard to funding, the Secretary-General recommended, as the most favourable option, a combination of a long-term loan guaranteed by the host country and assessed contributions from Member States. The host country had proposed a loan at a favourable interest rate to be repaid over up to 30 years for an amount of up to 50 per cent of the estimated project cost.

12. In order to enable implementation of crucial project tasks a number of steps must be taken as a matter of priority: building up, in line with project requirements, a dedicated project team and liaison support staff; engagement of dedicated consultancy services to draft design documentation; and establishment of the project governance structure.

13. It was essential for an appropriate project management team to be established in early 2014 in order to lay the foundation for effective and efficient project management over the life cycle of the project. Expert technical staff would be required to lead a project of such magnitude and complexity.

14. For the biennium 2014-2015 resource requirements were estimated at SwF 42 million, inclusive of allowances, for the project management team, the liaison staff and the consultancy services required to accomplish the next steps in the project's development. Of that total, SwF 7 million was requested to establish a dedicated project management team of 25 staff on temporary posts led by a Project Director at the D-2 level. Contractual services, including design, programme management and other consultancy services, as well as provisions for contingencies, estimated at SwF 35 million, were required to enable the Secretary-General to undertake detailed design work.

15. The key critical path activities of the project schedule had been tightly planned to commence as of January 2014, permitting construction to begin by early 2017. Any delay in the next step, the preparation of the design documentation, would imply demobilization of the current dedicated project team and subsequent remobilization. That would generate safety risks and increase overall project costs.

16. The long-term vision of the Secretary-General was that Geneva would remain an important centre for

the work of the Organization, notably for sustainable development, humanitarian, human rights, disarmament and disaster risk reduction activities, as well as serving as the largest conference centre hub in the region. The Palais des Nations should thus be renovated as a matter of priority.

17. The proposed actions to be taken by the General Assembly were indicated in paragraph 138 of the Secretary-General's report. Approval of the implementation strategy was needed before the end of 2013 to permit construction to begin in early 2017, with completion by 2023.

18. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee on the strategic heritage plan of the United Nations Office at Geneva ([A/68/585](#)), said that the Advisory Committee's recommendations were contained in chapters II to VI of its report.

19. In particular, the Advisory Committee, having taken note of the findings of the study commissioned by the Secretary-General, recommended approval of implementation strategy (c). However, the three-year design phase included in the 10-year implementation plan from 2014 to 2023 was unduly prolonged: the construction and renovation phases could start on completion of the capital master plan. In that connection the Advisory Committee had commented on the priorities for, and the sequencing and definition of, capital expenditure projects ([A/68/585](#), paras. 15-16).

20. With regard to the increase of SwF 219 million in project costs since the conceptual engineering and architectural study completed in February 2011, the Advisory Committee had requested a cost breakdown showing a comparison between the original and updated estimates ([A/68/585](#), annex), and recommended that the General Assembly should request the Secretary-General to adjust and resubmit project cost estimates for the strategic heritage plan at the sixty-ninth session.

21. Taking into account lessons learned from the capital master plan, the Advisory Committee considered it appropriate to include the associated costs as a part of the total project requirements. However, in view of the significant increase in such cost estimates in the revised cost projection, it recommended that the General Assembly should request the Secretary-General to scrutinize the

proposed requirements based on actual needs. In addition, the term “associated costs”, used for the capital master plan, should also be used for the strategic heritage plan project, instead of “ancillary works/costs”, as used in the report of the Secretary-General.

22. On funding, the Advisory Committee had considered in particular the option of financing via assessments combined with a preferential long-term loan from the host county, as recommended by the Secretary-General. The Advisory Committee welcomed with appreciation the offer of support from the Swiss Government, and recommended that the General Assembly should 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.

23. The Advisory Committee also recommended that the Assembly should 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 had no objection to the establishment of a multi-year special account for the strategic heritage plan.

24. Resource requirements for 2014-2015 amounted to SwF 42 million. The Advisory Committee recommended that the General Assembly should approve resource requirements for the strategic heritage plan for 2014 in an amount of SwF 16.6 million, or \$17.7 million. The Advisory Committee was 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 Advisory Committee had no objection to the establishment of 24 positions for 2014.

25. Regarding project oversight, in the view of the Advisory Committee the arrangements proposed by the Secretary-General would not be sufficient to guarantee oversight of the strategic heritage plan project by Member States. The Advisory Committee, therefore, recommended that the General Assembly should 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.

26. The Advisory Committee noted with concern that the contingency planning and management envisaged for the strategic heritage plan did not show sufficient improvement based on lessons learned from the capital master plan. The Advisory Committee recommended that the General Assembly should request the Secretary-General to review and adjust the contingency requirements proposed for the strategic heritage plan, and improve the management of the contingency provisions by assigning responsibility for the utilization of the provisions to a project governing body.

27. Regarding office space and utilization, additional building occupancy of up to approximately 25 per cent could be achieved, in line with current United Nations space planning guidelines. In that regard, he recalled the Advisory Committee’s recommendations on the implementation of flexible workplace strategies (A/68/583), and that the implementation of Umoja involved extensive re-engineering of business processes and would have an impact on the evolution of staffing and skills requirements. As the possible adoption by the General Assembly of a new global service delivery model could affect requirements in terms of the number, skills and location of staff, the impact of such initiatives should be factored into all major capital projects, with progress reported to the Assembly in a timely manner.

28. **Mr. Daunivalu** (Fiji), speaking on behalf of the Group of 77 and China, reiterated the Group’s support for measures to ensure the conservation of United Nations properties and for mechanisms and management structures to oversee effective implementation of the Organization’s construction projects.

29. The Group was concerned at the health and safety issues identified at the Palais, including access for persons with disabilities. It was unacceptable for United Nations premises not to fully comply with the Convention on the Rights of Persons with Disabilities, in which connection he recalled that most of the discussions on the rights of persons with disabilities took place in the Palais.

30. The Group noted that the revised estimated project costs were significantly higher than the initial estimates, and that the prolonged design phase would

mean that implementation began only in 2017. Regarding financing, he welcomed recognition by the Secretary-General of the major risks in pursuing a public-private partnership arrangement, and the conclusion that that option should not be further considered.

31. The Group was gratified that the lessons learned from the capital master plan were being applied to the strategic heritage plan. It was important to ensure proper oversight, including through the establishment of an independent and external oversight mechanism, and to improve contingency management and planning.

32. **Mr. Van Den Akker** (Observer for the European Union) said that, while the European Union recognized the need to refurbish the Palais des Nations to address structural deficiencies, an important priority was to ensure it was done in the most cost-efficient way.

33. On the sequencing of capital expenditure projects and the linkages between the strategic heritage plan and long-term accommodation needs at Headquarters, all major capital projects and related resource requirements should be included in the strategic capital review to allow for comprehensive analysis and planning. In that regard, only the General Assembly could take decisions on the initiation of capital projects and agree on funding modalities in order to consider the concurrent implementation of major capital projects.

34. The results of the ongoing study on office space utilization and the implementation of flexible workplace strategies should be taken into account in all major capital projects. At Headquarters, the Secretary General should optimize occupancy of the renovated Secretariat building. In addition, the implementation of Umoja and a possible new global service delivery model would involve extensive re-engineering of business processes and have an impact on the evolution of staffing and skills requirements. The strategic heritage plan should take such long-term considerations into account during the design phase.

35. He noted with concern that under proposed implementation strategy (c) total estimated project requirements had increased by SwF 219 million since the completion of the conceptual engineering and architectural study in 2011. The Secretary General should adjust and resubmit project cost estimates at the sixty-ninth session and ensure that proposed

requirements were based on actual needs, including through reprioritization.

36. It was extremely important for the Secretariat to take into account lessons learned from the capital master plan, especially with regard to associated costs, contingency funding and cost forecasting. In parallel, alternative funding mechanisms should be more adequately explored, including the exact terms of any loan by the host State, and the possibility of public-private partnerships for certain parts of the project. More details should be provided of possible sale of land. A final decision must be based on sound assumptions and the will to contain costs while ensuring project delivery, bearing in mind the lessons of the capital master plan.

37. It was also important to establish formal independent expert external oversight mechanisms to support and challenge the project team and to scrutinize the cost, schedule and scope of the project and to actively engage Member States through updates on progress.

38. **Mr. Seger** (Switzerland) said that the Palais des Nations, formerly seat of the League of Nations and now the second-largest hub of the United Nations, was a dynamic centre for multilateral diplomacy and global governance. However, the state of dilapidation of the building was such that complete renovation was needed for it to continue to play that role.

39. Renovation of the Palais was an investment in the future of the United Nations, providing considerable advantages: the Secretary-General's cost-benefit analysis demonstrated that complete renovation was less expensive than maintaining a reactive approach, and would generate an overall annual opportunity cost saving of some \$51.2 million over 25 years as a result of lower expenditure on rents, energy consumption and maintenance.

40. Renovation of the Palais with state-of-the-art conference facilities would also increase its functionality, ensure the security and health of its occupants, and help to strengthen the cohesion of the Organisation's work by accommodating an increasingly wide range of actors. His delegation supported the implementation strategy proposed by the Secretary-General, and the efforts to integrate the lessons learned from the capital master plan. He was, however, concerned by the soaring estimated costs: the

Secretary-General must spare no effort to keep costs in check.

41. His delegation supported the Secretary-General's recommendations regarding the next stage of implementation, and stressed the urgency of the project. To ensure that renovation could start on completion of the capital master plan, it was of paramount importance for the General Assembly to authorize continuation of the project at the current session. Renovation of the Palais des Nations must be addressed on its own merits, regardless of any other major capital projects.

42. As host country, Switzerland had a responsibility that went beyond that of its role as Member State. In 2011, his Government had donated SwF 50 million for energy efficiency measures, and, pursuant to a request from the Secretary-General, had also decided to reply favourably to any possible request from the General Assembly for one or more preferential loans to finance renovation of the Palais. In so doing, Switzerland was committing itself to the success of the project, and expected Member States to accept their responsibility as owners of the Palais and contribute to its renovation, and thus to a strong, modern, efficient and effective United Nations.

43. **Mr. Kalugin** (Russian Federation) said that his delegation supported the important role of the United Nations Office at Geneva as a global centre of multilateral diplomacy, in particular for sustainable development, humanitarian affairs, human rights, disarmament and disaster reduction.

44. Full-scale implementation of the project should proceed without delay given the health and safety issues identified so as to minimize those risks as well as cost. The Secretariat should find ways of advancing design deadlines without compromising quality, and should take into account lessons learned from similarly complex construction projects, in particular the capital master plan at Headquarters. Active implementation must be preceded by the establishment of appropriate executive bodies and effective oversight and accountability mechanisms.

45. The total cost of construction, at SwF 837 million, was a preliminary estimate. Final costings would require further investigation, but should not be revised upwards. All elements, including associated costs, should be taken into account.

46. He expressed his delegation's appreciation of the offer of a preferential loan made by the Government of Switzerland as a positive expression of cooperation between the Organization and host States. Further details would be welcome. Denomination of the project in Swiss francs posed no difficulties.

47. The Secretariat should make proposals on flexible workspace utilization so as to optimize use and reduce the need for leasing arrangements.

The meeting rose at 10.50 a.m.