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Held at Headquarters, New York, on Thursday, 20 March 2014, at 10 a.m.

Chair: Mr. Taalas (Finland)
*Chair of the Advisory Committee on Administrative
and Budgetary Questions:* Mr. Ruiz Massieu

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

Agenda item 116: Appointments to fill vacancies in subsidiary organs and other appointments *(continued)*

(b) Appointment of members of the Committee on Contributions *(continued)* (A/68/102/Add.1)

1. **The Chair** drew the Committee's attention to a note by the Secretary-General (A/68/102/Add.1) informing the General Assembly of the resignations of Ms. Susan McLurg (United States of America) and Mr. Kazuo Watanabe (Japan) from the Committee on Contributions and requesting the General Assembly to appoint two persons to fill the vacancies for the remaining periods of the terms of office, which would both expire on 31 December 2015.

2. The Government of the United States of America had nominated Mr. Edward Faris, whose candidature had been endorsed by the Group of Western European and Other States, to fill the vacancy arising from the resignation of Ms. McLurg. The Government of Japan had nominated Mr. Shigeki Sumi, whose candidature had been endorsed by the Group of Asia-Pacific States, to fill the vacancy arising from the resignation of Mr. Watanabe. He took it that the Committee wished to recommend the appointment of those candidates by acclamation.

3. *Mr. Faris (United States of America) and Mr. Sumi (Japan) were recommended by acclamation for appointment to the Committee on Contributions for terms of office beginning on the date of appointment by the General Assembly and expiring on 31 December 2015, and beginning on 1 April 2014 and expiring on 31 December 2015, respectively.*

(f) Appointment of members of the Independent Audit Advisory Committee *(continued)* (A/68/106/Add.2)

4. **The Chair** drew the Committee's attention to a note by the Secretary-General (A/68/106/Add.2) in which he referred to decisions 68/412 A and B of the General Assembly, whereby the Assembly, on the recommendation of the Fifth Committee, had decided to appoint two members to the Independent Audit Advisory Committee to fill two of the three vacancies. The Secretary-General also informed the Assembly that the Government of Chile had nominated Ms. Patricia Arriagada to fill the remaining vacancy in the

Independent Audit Advisory Committee for a term of office beginning on the date of appointment by the General Assembly and expiring on 31 December 2016. The Group of Latin American and Caribbean States had endorsed her candidature. He took it that the Committee wished to recommend the candidate's appointment by acclamation.

5. *Ms. Arriagada (Chile) was recommended by acclamation for appointment to the Independent Audit Advisory Committee for a term of office beginning on the date of appointment by the General Assembly and expiring on 31 December 2016.*

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

Capital master plan (continued) (A/68/352/Add.2, A/68/352/Add.3 and A/68/797)

6. **Mr. Takasu** (Under-Secretary-General for Management), introducing the updated report of the Secretary-General on the implementation of the capital master plan (A/68/352/Add.2), said that, despite construction delays owing to the weather, work was on schedule for the project's highest priority: the completion of the General Assembly Building by September 2014. The other two main areas of construction currently under way were the basements and security-related work on First Avenue, including the construction of a line of protective bollards and new screening buildings. Renovation work had not started on the 42nd and 48th Street entrances owing to permit issues with the host city. The General Assembly had requested the Secretary-General to continue to interact with the host city with a view to resolving security concerns. Unfortunately, to date a solution had not been found, and the close proximity to the Library and the South Annex Buildings of the Franklin D. Roosevelt East River Drive (FDR Drive) off-ramp caused concern to the Organization's security experts.

7. On 5 February 2014, he and the Under-Secretary-General for Safety and Security had sent a letter to the Permanent Representative of the host country to the United Nations, requesting that the host city should take action to protect United Nations Headquarters by closing the off-ramp at 42nd Street to all but authorized vehicles. On 24 February 2014, the Secretariat had received a reply stating that the off-ramp could not be closed or relocated. The Secretariat would continue its dialogue with host city and host country authorities

with a view to enhancing security along the 42nd Street perimeter of the campus.

8. As requested by the General Assembly, the Secretary-General had put forward alternative options for relocating the functions of the Library and South Annex Buildings. One option was to use space on the fourth floor of the Conference Building as a cafeteria, with an additional location elsewhere in the complex for the purchase of food and drink to go. The estimated cost of that two-part solution was \$4 million. Potential locations for the Library functions were the second and third basements. The cost of relocating those functions and the remainder of the functions of the South Annex Building was estimated at between \$17.6 million and \$20.9 million. However, the budget for the capital master plan had no provision for such work, so that if the General Assembly decided to implement any of those options a funding source would have to be identified.

9. As at 31 December 2013, the anticipated cost of completing the capital master plan project had increased by \$223,000 to \$2,214.9 million, owing to an increase in voluntary contributions: participation in the donations programme entailed, in most cases, increases in scope. That compared to a projected completion cost in June 2013 of \$2,214.7 million.

10. The cost of the project was being financed by appropriations from 2004 to 2011, voluntary contributions, interest income and the working capital reserve funds, totalling \$2.15 billion, which was being applied in its entirety to the ongoing renovation. The unfunded portion of the project of \$65 million reflected the cost of renovating the Dag Hammarskjöld Library and the South Annex Buildings, which remained within the scope of the project. However, for security reasons it was no longer feasible to renovate those Buildings as originally intended.

11. Thanking Member States for their timely contributions, he noted that 99 per cent of assessments had been paid and that outstanding assessments now totalled \$800,000: those assessments should be paid in full. Should the General Assembly approve the Secretary-General's proposal to continue to suspend the renovation of the Library and South Annex Buildings, the project would be completed within the projected cost, without requesting an additional assessment.

12. Introducing the updated report of the Secretary-General on final expenditure for associated costs for the period from 2008 to 2013 (A/68/352/Add.3), he said that while the associated costs had not been included in the original scope of the capital master plan approved by the General Assembly, they were crucial to the project's implementation. The Secretary-General had submitted details of the expenditures on associated costs and the cost of the secondary data centre to the General Assembly every year from 2008 to 2013. The General Assembly had approved those expenditures, and had charged the associated costs to the capital master plan fund while requesting the Secretary-General to make every effort to absorb them.

13. In 2011, when the approved budget for the project could no longer cover the associated costs, the General Assembly had decided, at the request of the Secretary-General, to authorize him to enter into commitments of up to \$135 million for continued activities under the capital master plan project, including its associated costs. In 2012, the General Assembly had authorized the Secretary-General to enter into additional commitments of up to \$167.8 million. Of the sum of those two commitments, the associated costs and the cost of the secondary data centre had utilized \$155.3 million. The Secretariat had made every effort to contain expenditure on associated costs, but it was no longer possible to absorb such an amount.

14. With regard to the project's cash flow situation, the Office of the Capital Master Plan had disbursed \$168.5 million over the last eight months. On 19 March 2014, the cash balance had stood at \$214 million. Cash outflows in December 2013 and January 2014 had been lower than expected as exterior work had been affected by inclement weather. The renovation work on the General Assembly Building was, however, proceeding apace. As the construction work progressed, much higher monthly cash outflows were expected over the coming months. However, the cash balance was not sufficient to meet all outstanding commitments and would be exhausted by June 2014, unless a decision was taken on the financing of the associated costs to relieve the burden on the capital master plan fund. A reasonable level of operating cash would need to be maintained to enable the safe completion of the General Assembly Building and the rest of the project.

15. The associated costs and the cost of the secondary data centre could no longer be

accommodated within the approved budget for the capital master plan without endangering the completion of the project. Possible financing options had been outlined by the Secretary-General, and a definitive decision needed to be taken by the end of the first part of the resumed session. Failure to do so would imperil the ability of the Secretariat to complete the General Assembly Building. The General Assembly was requested to take the actions indicated in paragraph 42 of the updated report on the implementation of the capital master plan (A/68/352/Add.2).

16. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/68/797), said that the Advisory Committee noted with concern that the projected completion of the capital master plan project had been postponed from late 2014 to late 2015. The delay was related to the 42nd and 48th Street entrances, where work had yet to start and would take some 18 months to complete, but was contingent upon approval of permits by the host city. As the Office of the Capital Master Plan would close in mid-2015, the delay would raise a number of issues, including the management of the remaining activities beyond mid-2015 and accountability in managing the project.

17. The Advisory Committee recommended that the Assembly should request the Secretary-General to report on his plans for the management and supervision of the delayed work at the 42nd and 48th Street entrances, including the possibility of reducing the projected 18-month work schedule, and to confirm the timing for the closure of the Office of the Capital Master Plan in the twelfth annual progress report on the implementation of the capital master plan project.

18. With regard to financing the associated costs and the secondary data centre, the Secretary-General had revised the projected final expenditure on associated costs for the period 2008-2013 to \$140,253,300 as at 10 February 2014, representing a decrease of \$1,155,300 compared with the amount reported to the General Assembly at the main part of its sixty-eighth session. Of the total projected final expenditure, a provision of \$179,500 had been reallocated from 2013 to 2014 for delayed handover activities in the Office of Central Support Services due to storm Sandy. No concrete financing proposals had been submitted by the Secretary-General in that regard, so the Advisory Committee had sought the views of the Secretary-

General with respect to specific and optimal options for the financing of the cumulative costs, as set out in paragraph 18 of the Advisory Committee's report.

19. The cash balance available for the capital master plan project was expected to be fully utilized towards the end of June 2014. The Advisory Committee recognized that the expenditure on associated costs needed to be funded. It therefore recommended that the Assembly should decide to appropriate an amount, based on the most up-to-date information provided by the Secretary-General, to finance the cumulative associated costs and the cost of the secondary data centre before the funds of the capital master plan were exhausted.

20. Upon request, the Advisory Committee had been provided with updates on the level of the Working Capital Fund for 2014-2015 and the balance of the Special Account as at 31 December 2013, contained in annex III to its report. The Advisory Committee noted that, if an appropriation for the financing of the cumulative associated costs and the cost of the secondary data centre were to be made under the capital master plan project without immediate assessments, access to the Working Capital Fund and the Special Account, as a cash flow bridging mechanism, would require approval on an exceptional basis by the Assembly.

21. Referring to the Advisory Committee's comments and recommendations concerning the Dag Hammarskjöld Library and South Annex Buildings, he said that, by presenting the additional alternative options as interim solutions, the Secretary-General had failed to comply with the request by the General Assembly. The Advisory Committee was therefore not in a position to recommend approval by the Assembly of the additional alternative options for interim solutions proposed by the Secretary-General. Consequently, it recommended that the Assembly should request the Secretary-General to submit new proposals.

22. The Advisory Committee had been informed that there were no plans to demolish the Library and South Annex Buildings. It had requested information on plans for the continued use of the two Buildings, which residual functions could be retained permanently therein, and an assessment by the Department of Safety and Security of how long staff could continue to be

accommodated in the two Buildings and of measures that could be taken to make the Buildings more secure.

23. The Advisory Committee noted from the report of the Secretary-General that, on 5 February 2014, the Secretariat had sent a letter to the Permanent Representative of the host country requesting that the host city take action to protect United Nations Headquarters by closing the FDR Drive off-ramp at 42nd Street to all but authorized vehicles. The Advisory Committee had been informed that the Secretariat had subsequently received a letter from the Permanent Mission of the host country stating that it was not feasible to close or relocate the off-ramp.

24. The renovation of the Library and South Annex Buildings remained suspended. The Advisory Committee regretted that the capital master plan project was unlikely to deliver the original scope within the budget approved by the General Assembly for the renovation of the two Buildings within the project timeline, which would result in additional costs for the same functionality once acceptable options had been identified. The Advisory Committee recommended that the General Assembly should request the Secretary-General to ensure that the Office of the Capital Master Plan was phased out on completion of the remaining project activities, and not extended for the planning and management of functions in the Library and South Annex Buildings. Rather, those tasks should devolve to the Office of Central Support Services of the Department of Management.

25. **Ms. Rios Requena** (Plurinational State of Bolivia), speaking on behalf of the Group of 77 and China, said that the Group had consistently maintained that the capital master plan must be completed on time and within the approved budget, without changing the original scope of the project or compromising on quality; however, the General Assembly needed to take a final decision on the financing of the associated costs and the cost of the secondary data centre at the first part of the resumed session if the project was to be completed on time, and particularly for the General Assembly Building to be ready in time for the general debate at the sixty-ninth session. Recognizing that it was no longer possible to comply with the General Assembly's previous requests for the associated costs to be absorbed, the Group supported an immediate appropriation and assessment in respect of those expenditures.

26. Despite the many achievements to date, serious problems remained as the project entered its final phase, particularly the renovation of the Library and South Annex Buildings. Noting that an adequate response had not been given to the General Assembly's request that the Secretary-General should submit options for the relocation of the functions currently housed in the South Annex and Library Buildings that were independent of the long-term Headquarters accommodation requirement, the Group was very concerned that the Secretariat had not presented viable alternatives that would ensure that the project was completed in its entirety, and could not accept that solutions for integral aspects of the capital master plan should be dependent on a separate matter before the Committee. The Group would not consider the project complete until the South Annex and Library Buildings had been renovated.

27. Recalling the special role of the host country Government with regard to support for United Nations Headquarters, the practices of Governments of host countries in providing support for United Nations headquarters and United Nations bodies located in their territories, and the benefits, including economic ones, accruing to host countries from the presence of the United Nations, the Group expressed its concern at the delays in the capital master plan project caused by the late issuance of permits by the host city for the renovation of the 42nd and 48th Street entrances to the Service Drive. The Secretariat should continue its engagement with the host country in order to find an agreeable solution to the question of the off-ramp at 42nd Street.

28. The architectural integrity of the United Nations complex must be preserved; the Group therefore welcomed the news that the demolition of the temporary North Lawn Building was scheduled to take place in 2015 and asked the Secretary-General to ensure its timely deconstruction and removal. The capital master plan had been conceived as a project to refurbish, modernize and preserve the architecture of the Headquarters of the United Nations. Every effort must therefore be made to achieve those objectives in full, as approved by the General Assembly.

29. Lastly, the Group was extremely concerned by the disregard shown by the Secretariat with regard to the permanent relocation of the office of the Group of 77 and China to the Secretariat Building. Although the Building had been renovated and reoccupied, no

concrete proposal had yet been made to provide the Group with permanent office space, tailored to its specific requirements, in a suitable location, and with the same amount of space as it had had before the capital master plan had been launched. The Secretariat's lack of commitment to finding a speedy and acceptable solution was regrettable; the Group would seek to resolve the matter by means of a clear General Assembly mandate.

30. **Mr. Van Den Akker** (Observer for the European Union), speaking also on behalf of the candidate countries Montenegro and Serbia; the stabilization and association process countries Albania and Bosnia and Herzegovina; and, in addition, Georgia, expressed concern that the projected completion timeline for the capital master plan project had been postponed by one year. The Secretary-General should provide an explanation of the delays in carrying out the work at the 42nd and 48th Street entrances and report on his plans for completion of the work, including the possibility of reducing the projected 18-month work schedule. In addition, further information regarding the delayed handover activities in the Office of Central Support Services should be given in the twelfth annual progress report on the implementation of the capital master plan.

31. The member States of the European Union harboured persistent concerns with regard to the project cost overruns, which amounted to approximately 26 per cent over the approved budget of \$1.876 billion, including \$155 million for associated costs and the secondary data centre, and to the need to ensure strict financial management of any capital project. Member States had already consented to a significant financial effort when they had agreed to use the interest accumulated in the working capital reserve fund. As the project was now at a critical juncture, with a cash balance that was expected to be fully utilized towards the end of June 2014, his delegation looked forward to discussion of the project's continuity and timely completion, with full details of expenditures, including those related to the closing of accounts, before the Committee took any final decisions on funding.

32. With regard to the Dag Hammarskjöld Library and South Annex Buildings, he concurred with the Advisory Committee that feasible alternative options for the relocation of the functions currently housed in those Buildings that were independent of the long-term

Headquarters accommodation requirement still needed to be submitted to the General Assembly, as it was now clear that the initial scheme was no longer viable. The funding of the options should be clarified. The Office of the Capital Master Plan should be phased out on completion of the remaining activities of the project; its operation should not be extended for the planning and management of future solutions for those two Buildings.

33. There was strong agreement in the Committee that the Secretariat should present a clear statement of lessons learned from the capital master plan as a priority. All major capital expenditure projects should be scrutinized in detail before decisions were taken or a major phase of a project initiated. A robust governance structure and oversight mechanisms to increase accountability were prerequisites in that regard. Lessons learned should inform the planning and implementation of future large-scale capital projects. Issues that deserved particular attention included occupancy levels before and after renovation, flexible working arrangements, swing-space related matters, and the budgeting of possible associated costs.

34. **Mr. Ono** (Japan) expressed dissatisfaction at the late issuance of the documents on the capital master plan, which had left the Committee with little time to consider the matter before the scheduled end of the first part of the resumed session. In particular, the study on long-term accommodation needs at United Nations Headquarters for the period from 2014 to 2034 was scheduled to be introduced just two days before the end of the first part of the resumed session, making it impossible for the Committee to finalize its consideration of how to deal with the Dag Hammarskjöld Library and South Annex Buildings. Although the Secretary-General had presented additional alternative interim options for housing the functions of the Library and South Annex Buildings that were independent of the long-term accommodation requirement at Headquarters, they should be examined in the context of the Secretary-General's proposals concerning long-term accommodation needs.

35. Welcoming the progress made on the project since the Committee had last been briefed and the news that the renovation of the General Assembly Building was on schedule and was expected to be completed in time for the general debate in 2014, he said that the Committee must now address the unfunded portion of the capital master plan. The Committee must reach a

decision at the first part of the resumed session on the urgent question of cash flow, but delegations should also reach consensus on financing the associated costs and the cost of the secondary data centre. In that connection, it was imperative for the Secretary-General to do his utmost to contain and absorb costs.

36. **Mr. Kim Jihoon** (Republic of Korea) said that while it was encouraging to learn that the capital master plan was now in its final stages and that the General Assembly would be able to confer in the new General Assembly Hall in September 2014, the project had been hindered by delays and cost overruns. If those issues were not addressed, the burden on Member States would increase and the ability of the Organization to function properly would inevitably be impaired. Careful and serious deliberations were therefore needed on the financing and future of the plan. A cash flow bridging mechanism was urgently needed to address the shortfall in the capital master plan accounts. Member States had repeatedly called on the Secretariat to maximize its efforts to find savings and to ascertain promptly what the final figure would be. Accountability was more important than ever and Member States must work together to find better solutions to those financial issues.

37. The General Assembly's guidance was also needed with regard to the question of the Dag Hammarskjöld Library and South Annex Buildings. Regarding the options put forward by the Secretary-General, his delegation would examine whether all possible options had been duly considered. However, in the light of the world's financial difficulties and in order to ensure the Organization's sustainability, the most important factor was fiscal discipline.

38. **Mr. Lieberman** (United States of America) said that while great progress had been made in the capital master plan project, it was still over a year away from completion and there was a \$156 million shortfall in the accounts. There was a long history to that shortfall, but the challenge now was to ensure the necessary funding to allow the project to continue without interruption. Unless a solution was found there was a real risk that the General Assembly Hall would not be ready for the opening of the sixty-ninth session of the Assembly. The request for additional funds from Member States to meet expenditures that had not been originally foreseen had, however, come at a time when many national governments, including his own, faced tremendous fiscal pressures and were learning to do

more with less and to hold managers accountable for doing so.

39. While his delegation sought completion of the capital master plan as soon as possible, and had done its part to ensure that the project would be completed on time, within budget and with the necessary resources, it could not agree to an additional assessment. In order to resolve that dilemma, the Committee must find innovative ways to finance the work, as it had in the past. There were steps that could be taken to reduce the shortfall and provide the needed influx of cash.

40. Firstly, the Secretary-General should still make every effort to find any possible savings, particularly by considering each outstanding contract and potential claims against vendors to find savings, and by looking for any remaining value engineering savings that could be achieved without diminishing the quality of the project. Secondly, the Secretariat should seek sponsorships and voluntary contributions from Member States. The \$2 billion project had only benefited from \$114 million in voluntary contributions, of which his Government had provided \$100 million for necessary security upgrades. He was not convinced that all potential alternative funding sources had been exhausted.

41. Nevertheless, it was unlikely that the Secretary-General would be able to find all \$156 million in savings and voluntary contributions, particularly in the final stage of the project. The Committee must therefore be pragmatic and explore the suggestions of the Advisory Committee in an effort to find an innovative solution addressing the remaining cash flow needs. Any solution must avoid placing an undue burden on Member States, must take their fiscal cycles into account, and must enable the Secretary-General to complete the project on time.

42. With regard to the Library and South Annex Buildings, following the confirmation that it was not feasible to close or relocate the off-ramp at 42nd Street and that the Buildings could not be structurally upgraded to meet United Nations security standards, another solution must be found. The Secretary-General had put forward a costly proposal to relocate the library and the cafeteria, but other options should be explored before a decision could be taken. More concrete, viable, options should therefore be submitted to the General Assembly promptly. Given the time

sensitivities surrounding the completion of the project, it was incumbent on the Committee to find a timely, affordable and fiscally responsible solution that would not jeopardize the Organization's important work.

43. **Mr. Takasu** (Under-Secretary-General for Management) said that the reports of the Secretary-General containing updated information on the capital master plan and on the long-term accommodation needs at Headquarters had been submitted before the deadline for the first part of the resumed session. The Secretariat would, however, continue to make every effort to address the late issuance of documents, as it was hindering the Committee's work.

44. The Secretariat was confident that the work currently under way on the General Assembly Building and the basements would be completed on time. However, as there was no indication when the permits for the renovation work on the 42nd and 48th Street entrances would be granted, it was impossible to give a definitive completion date for that part of the project. The Secretariat would continue to work with the host Government to expedite the issuing of the necessary permits.

45. The question of office space for the secretariat of the Group of 77 and China was another priority for the Secretariat, which it was seeking to resolve with the Group's Chairman and Executive Secretary. The Secretariat was committed to finding a satisfactory solution and providing the Group with offices similar to those it had had before the capital master plan had been undertaken.

46. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions) said that the Advisory Committee agreed with the comments of Member States regarding the late issuance of documents. For its reports to be issued expeditiously, the Advisory Committee had to receive the Secretariat's reports promptly, as well as answers to any questions posed by Advisory Committee members during their deliberations. It was sometimes a challenge for the Secretariat to provide those answers in a timely fashion. Consideration was being given to adjusting the timing of the Advisory Committee's consideration of items, so as to alleviate the time pressure.

The meeting rose at 11.20 a.m.