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Held at Headquarters, New York, on Monday, 10 November 2014, at 3 p.m.

Chair: Ms. Mukashyaka (Vice-Chair) (Rwanda)
*Chair of the Advisory Committee on Administrative
and Budgetary Questions:* Mr. Ruiz Massieu

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In the absence of Mr. Ružička (Slovakia), Ms. Mukashyaka (Rwanda), Vice-Chair, took the Chair.

The meeting was called to order at 3.05 p.m.

Item 132: Programme budget for the biennium 2014-2015 (continued)

Capital master plan (A/69/5 (Vol. V), A/69/360 and A/69/529)

1. **Mr. Takasu** (Under-Secretary-General for Management), introducing the twelfth annual progress report of the Secretary-General on the implementation of the capital master plan (A/69/360), said that the report provided an update on implementation of the capital master plan, the financial status of the project and associated costs.

2. The capital master plan had been the largest renovation project ever undertaken by the United Nations and had delivered the promised results to the Secretariat and Member States by bringing Headquarters into compliance with modern building and fire safety codes; removing asbestos-containing materials, a perennial concern of delegates and staff; and providing an accessible environment for persons with disabilities. Other benefits included a more sustainable campus consuming less energy and water; better security; and the preservation of the original character of the General Assembly, Conference and Secretariat Buildings as envisaged by the Board of Design Consultants in 1947.

3. The safety record of the capital master plan was better than that of any comparable project, with no major accidents and little time lost despite the millions of hours' work required. Although the enhanced security upgrade and Hurricane Sandy had put the seven-year project behind schedule, it had been delayed by only one year overall and the renovation of the General Assembly Building had been completed in time for the current session, an unparalleled achievement. He acknowledged the strong political and financial support by Member States.

4. The last phase comprised the completion of work in the basement of the General Assembly Building. The other major parts of the project, including the renovation and reoccupation of the Secretariat and Conference Buildings, the replacement of basement infrastructure, the enhanced security upgrade, which had strengthened the eastern and western perimeters,

and the construction of the South and North Screening Buildings, had been completed. The renovation phase would be completed in 2014.

5. Close-out and demobilization activities had not yet been carried out: the temporary North Lawn Building would be removed and final landscaping conducted in 2015, unless the General Assembly decided otherwise. With regard to the security-related work at 42nd and 48th Streets, the host city had not yet issued the necessary permits for it to commence, but the New York City Commissioner for International Affairs had pledged to expedite the public environmental assessment review, which was under way. Once the permits were issued, the work would take up to 18 months and would conclude in late 2016.

6. The Office of the Capital Master Plan would conclude contracts in respect of all close-out activities before it was disbanded on 30 June 2015. By that date, the major capital expenditure phase of the project would be complete, with 99 per cent of the approved resources committed and spent. The close-out activities remaining after that date would be completed by the Office of Central Support Services and funded using the resources of the capital master plan project.

7. The Dag Hammarskjöld Library and South Annex Buildings, however, could not be renovated to meet security standards at a reasonable cost because of structural constraints, and the cost of constructing new blast-resistant buildings on the same site would be several hundred million dollars. The planning and renovation of the two buildings had therefore been suspended since 2011. The buildings' security could not be fully guaranteed, and their future would be decided in the final stage of the project. A decision by the General Assembly on the matter would be required.

8. The financial position of the project remained consistent with the projection presented in the update to the eleventh annual progress report (A/68/352/Add.2), after taking into account the decisions of the General Assembly in December 2013 and April 2014. As at 30 June 2014, the cost of completing the capital master plan had been projected at \$2,215.0 million, compared with the approved resources of \$2,150.0 million, comprising the original budget and donations of \$1,890.6 million, enhanced security upgrades of \$100 million, interest income and the working capital reserve fund of \$159.4 million. All approved funding in the amount of \$2,150.0 million was being applied to

ongoing active renovation activities and contracts. No additional assessments would be needed.

9. Although not included in the original scope or budget, since 2008 the associated costs of the project had been approved by the General Assembly, with financing from capital master plan funds. The final cost of the activities associated with the capital master plan amounted to \$139.8 million, with the cost of the secondary data centre at \$15.0 million, for an aggregate cost of \$154.8 million.

10. The General Assembly, by its resolution 68/247 B, had recognized the need to fund the budget shortfalls, including in respect of associated costs, and had authorized the Secretary-General to make use of the Working Capital Fund and the Special Account as a cash-flow bridging mechanism in respect of the associated costs and the cost of the secondary data centre. As at 10 November 2014, the capital master plan cash balance had been \$39.4 million, which was being used to make payments for active contractual obligations and project commitments. Once the capital master plan funds had been exhausted in December 2014, the Administration needed to have recourse to that bridging mechanism.

11. Since the overall regular budget cash situation was tight, particularly because of the authorization granted by the General Assembly to the Secretary-General to enter into commitments in the amount of \$50 million up to the end of 2014 in respect of the United Nations Mission for Ebola Emergency Response (UNMEER), the Administration was, in fact, already accessing the Special Account, and the Working Capital Fund was exhausted. That arrangement could not continue if outstanding regular budget payments from the Member States were not forthcoming. At the resumed part of its sixty-eighth session, the General Assembly had recognized that a decision on the final appropriation for the project would be required at the main part of the current session on the basis of information provided by the Secretary-General in his twelfth annual progress report. A decision on the financing of the associated costs and the secondary data centre should be made as soon as possible to ensure that the regular budget was balanced.

12. The United States Mission to the United Nations and the New York City authorities had informed the Secretariat that it was not feasible to close or relocate the FDR Drive off-ramp. Since the finalization of the

Secretary-General's twelfth annual progress report, the host city had agreed to strengthen the presence of law enforcement authorities at the southern perimeter of the United Nations campus, in particular on the off-ramp. That measure would mitigate the risk level but would, nevertheless, leave the southern part of the perimeter less well protected than the rest, which would be substantially reinforced once the enhanced security upgrade had been completed. The renovation of the Dag Hammarskjöld Library and South Annex Buildings therefore remained unfeasible.

13. The United Nations Department of Safety and Security, however, had recently recommended that only limited occupancy of the two buildings should be permitted following the enhanced security upgrade. In his report on the expanded feasibility study on the United Nations Headquarters accommodation needs 2014-2034 (A/67/720), his eleventh annual progress report on the implementation of the capital master plan (A/68/352) and his report on the study on the long-term accommodation needs at United Nations Headquarters for the period from 2014 to 2034 (A/68/734), the Secretary-General had submitted several options for the relocation of the functions currently performed in the buildings, involving spaces located on-site or off-site, or a combination of the two. Given the new situation, however, the Secretariat was seeking the most cost-efficient way to implement the recommendation on an interim basis, taking into account that a security catchment system would need to be installed to separate the office space from the south-facing facade along 42nd Street; library functions and office space would continue to be provided on the northern side of the buildings; the revised occupancy would be limited to between 120 and 140 staff; the southern side of the buildings would be used for storage and library stacks; and the cafeteria, interpreters' lounge and various other offices and functions would need to be relocated elsewhere on campus. Those measures would be compatible with any option which the General Assembly might choose regarding long-term accommodation at Headquarters, and took into account the need for a long-term solution.

14. **Mr. Townley** (Chair of the Audit Operations Committee of the Board of Auditors), introducing the report of the Board of Auditors on the capital master plan for the year ended 31 December 2013 (A/69/5 (Vol. V)), said that the completion of the capital master plan

was a significant achievement. The main buildings and basements were complete or substantially complete and the General Assembly Building had been ready to host the general debate in September 2014. Costs had largely been contained since the Board's report on the capital master plan for the year ended 31 December 2012 (A/68/5 (Vol. V)), reflecting the highly skilled and agile approach of the Office of the Capital Master Plan in the face of demanding deadlines. The Board's four recommendations in its current report were designed to increase certainty with respect to how the project would be completed to secure maximum return on the investment made by Member States, and were relevant to both the capital master plan and future major projects such as the strategic heritage plan for the renovation of the United Nations headquarters in Geneva.

15. No new risks or significant cost increases had arisen in the period under review. The estimated total cost of the capital master plan was largely unchanged since the Board's report for 2012 at \$2,374 million, reflecting a \$379 million — 19 per cent — cost overrun against the consolidated budget, taking into account the associated costs of the project and the cost of the secondary data centre. Taking the construction costs in isolation, the forecast overrun would be \$224 million, or 11 per cent.

16. The uncertainty regarding the ways in which the capital master plan would be financed to completion had been resolved. In April 2014, the General Assembly had authorized the use of the Working Capital Fund and the Special Account as an interim finance mechanism, thereby bridging the financing gap, a key risk reported by the Board in 2013.

17. The work of the Office of the Capital Master Plan was expected to end in June 2015. At the time of audit, the timeline for the remaining activities had included the completion of the basements in October 2014, the disassembly and removal of the temporary North Lawn Building in January 2015 and final landscaping in April 2015, with financial and administrative close-out of the project and completion of the work and closure of the Office of the Capital Master Plan by June 2015.

18. On the basis of current plans, the renovation of the Dag Hammarskjöld Library and South Annex Buildings would not be completed before the closure of the Office of the Capital Master Plan. The Administration had proposed options for possible alternative locations for the functions carried out in those buildings, but no

solution had been finalized. Any solution would require additional financing, a project plan and a team to deliver it. Also the project would end without the work on the service drives on 42nd and 48th Streets being undertaken, as the Administration was awaiting permits from the host city. The work was expected to take 18 months at an estimated cost of between \$15 and \$20 million, and would be overseen by the Office of Central Support Services.

19. In response to the Board's recommendations, the Administration was continuing to evaluate the costs and benefits of flexible use of office space, which could improve working practices and bring cost efficiencies, in particular through the significant reduction in the requirement for rented real estate in New York. Such use could also have wider potential as the Administration collected data from the Organization's global estate with a view to developing a long-term asset management strategy.

20. The Administration should learn the lessons of the capital master plan to protect against cost and time overruns in future projects. The Board welcomed the inclusion of such lessons in the Secretary-General's twelfth annual progress report and acknowledged the Administration's efforts to incorporate them in the strategic heritage plan. The Board was finalizing a document concerning the lessons learned from the capital master plan, drawing on its reports from the preceding decade.

21. **The Chair** recalled that the report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its reports on the United Nations for the biennium ended 31 December 2013 and on the capital master plan for the year ended 31 December 2013 (A/69/353) had been introduced in the Committee at its 6th meeting under agenda item 130.

22. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/69/529), said that the Advisory Committee was concerned about the further delay in the conclusion of the project: security-related work at 42nd and 48th Streets would mean completion in late 2016, not 2015. The Secretary-General had indicated in March 2014 that the completion date would be November 2015, postponed from 2014. The security-related work, which would require up to 18 months of construction

time, had not yet started because the necessary permits had not been received from the host city.

23. Concerning the completion of other activities under the capital master plan project, the Secretary-General indicated in his report that the demolition of the temporary North Lawn Building was likely to be completed by the end of 2015. The Advisory Committee, however, had been informed in March 2014 that the demolition was scheduled to be completed by June 2015.

24. The Advisory Committee noted that, in his report on thematic cluster II: sanctions monitoring teams, groups and panels of the estimates in respect of special political missions, good offices and other political initiatives authorized by the General Assembly and/or the Security Council (A/69/363/Add.2), the Secretary-General indicated that he planned for the Counter-Terrorism Committee Executive Directorate to use the temporary North Lawn Building as swing space from November 2014 to either late March 2015 or the second quarter of 2015, during the Executive Directorate's relocation, which was not associated with the capital master plan. The Advisory Committee was concerned that that could cause further delay in the planned demolition. It recalled that the General Assembly, in its resolution 65/269, had reaffirmed its support for the timely deconstruction and removal of the temporary North Lawn Building upon completion of the Headquarters renovation work, and reiterated its view that the building's future should be decided by the General Assembly.

25. The Advisory Committee had been informed that the estimated final costs of the capital master plan project were \$2,214.97 million, as presented in the twelfth annual progress report. In the view of the Secretariat, the potential cost variance was limited, given that 99.2 per cent of the estimated cost had been expended or committed. A post-completion review, including the determination of the final implementation costs of the capital master plan, would be submitted to the General Assembly.

26. The Advisory Committee had also sought assurances that, with the transfer of responsibilities to the Office of Central Support Services following the closure of the Office of the Capital Master Plan by the end of June 2015, costs relating to the capital master plan would not be borne by the Office of Central Support Services under the regular budget. It had been

informed that funds had been reserved under the capital master plan budget for the post-renovation construction and close-out activities. It was currently envisaged that contracts for the construction work would be entered into and funds committed before the closure of the Office of the Capital Master Plan.

27. With regard to the associated costs, the Advisory Committee noted that the Secretary-General had again revised the projected final expenditures downwards. The estimates currently amounted to \$139.8 million, compared with \$140.3 million in February 2014 and \$141 million in late 2013. The Advisory Committee recognized that the expenditure in respect of the associated costs would need to be funded. It reiterated its recommendation that the General Assembly should decide to appropriate an amount, based on the most up-to-date information, to finance the cumulative associated costs and the cost of the secondary data centre — \$15 million.

28. Renovation of the Dag Hammarskjöld Library and South Annex Buildings, for which \$65 million had been budgeted, remained suspended because of security concerns. As noted by the Board of Auditors, the General Assembly had neither authorized the removal of the two buildings from the project nor decided whether the \$65 million could be redirected to finance the project's cost overrun. The Secretary-General indicated that the remaining portion of the project remained unfunded.

29. The Advisory Committee regretted that the original scope of the capital master plan project was unlikely to be fulfilled, either within the budget for the renovation of the Library and the South Annex Buildings or within the project timeline approved by the General Assembly. The General Assembly had requested the Secretary-General to submit feasible alternative options for the locations of the functions currently housed in those buildings, independent of the long-term accommodation needs at Headquarters. However, the Secretary-General remained of the view that, pending resolution of the security situation, the interests of the Organization would be best served through the incorporation of the library and cafeteria programmes into the future decision of the General Assembly regarding long-term accommodation at Headquarters. Meanwhile, he presented, as an interim measure, the options contained in paragraph 75 (a) to (e) of his twelfth annual progress report (A/69/360).

30. According to the Secretary-General, the interim option contained in paragraph 75 (d) of the twelfth annual progress report could provide a longer-term solution, unaffected by any of the long-term accommodation options and/or the continuation of the status quo. The Advisory Committee believed, however, that the interim options were not adequate responses to the request of the General Assembly. It had also been informed that the Department of Safety and Security had recommended that there should be only limited occupancy of the Dag Hammarskjöld Library and South Annex Buildings following the completion of the enhanced security upgrade project. The Secretary-General had yet to indicate what would need to be adjusted with regard to the options presented in the twelfth annual progress report to reflect that recommendation.

31. The Advisory Committee was concerned that the Secretary-General had failed to fulfil the request of the General Assembly for feasible alternative options for the relocation of the functions performed in the buildings, independent of the long-term accommodation needs at Headquarters. It was therefore not in a position to recommend to the General Assembly a preferable option and reiterated its recommendation that the General Assembly should request the Secretary-General to submit new proposals.

32. **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 budget, without affecting the original scope of the project or compromising quality.

33. She noted the need for the General Assembly to decide on the financing of the cumulative associated costs and the secondary data centre at the current session, and supported the Advisory Committee's recommendation that such costs should be financed through the capital master plan project in order to immediately replenish the Working Capital Fund and the Special Account, which were being used as a bridging mechanism on an exceptional basis in accordance with resolution 68/247 B. In that resolution, the General Assembly had also recognized the need to fund the budget shortfalls, including those related to associated costs, on the basis of the project costs provided by the Secretary-General in the twelfth annual progress report.

34. Although much had been achieved, important questions needed to be addressed before the conclusion of the capital master plan. The Group would seek clarification regarding the transfer of responsibilities from the Office of the Capital Master Plan to the Office of Central Support Services. Deficiencies in the renovated facilities, particularly in the conference rooms, included inaccessible power sockets and seating and accessibility problems, and should be resolved as soon as possible. The Group would request further information regarding accountability for those problems.

35. The Group was concerned that the Secretariat had not presented plans for the renovation of the Dag Hammarskjöld Library and South Annex Buildings, which fell within the original scope of the capital master plan and should not depend on the resolution of other matters. It was regrettable that the Secretary-General had not fulfilled the request in General Assembly resolutions 68/247 A and 68/247 B to present feasible alternative options for the location of the functions currently housed in the two buildings, independent of the long-term accommodation needs at Headquarters. The capital master plan would not be complete until the buildings were renovated.

36. The Group questioned the rationale for using the temporary North Lawn Building for activities not associated with the capital master plan and concurred with the Advisory Committee that such use could cause further delay in the planned demolition of the building. The Group, whose long-standing position was that the architectural integrity of the United Nations complex should be preserved, requested the Secretary-General to comply with resolution 65/269, by which the General Assembly had reaffirmed its support for the timely deconstruction and removal of the building upon completion of the Headquarters renovation work. The capital master plan had been designed to refurbish, modernize and preserve the Headquarters architecture and every effort should be made to achieve those objectives in their entirety, as mandated by the General Assembly.

37. The Group would seek clarification regarding the impact on the capital master plan of the further delays in the security-related work at 42nd and 48th Streets, resulting from the late issuance of permits by the host city. It recalled the views of the General Assembly regarding the benefits accruing to host countries from the presence of the United Nations, the special role of the host country Government with regard to support for

United Nations Headquarters in New York, and the current practices of host Governments with regard to support for United Nations Headquarters and United Nations bodies located in their territories.

38. **Ms. Power** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, Serbia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Georgia, Liechtenstein, the Republic of Moldova and Ukraine, said that the European Union welcomed the renovation of the General Assembly Hall in accordance with the revised timeline, as well as the Secretariat's decision to close the Office of the Capital Master Plan in June 2015, and looked forward to receiving information regarding the handover of the post-renovation construction activities to the Office of Central Support Services. With regard to the project's financial situation, the European Union reiterated its concerns about the cost overruns and looked forward to exploring all options for their financing. The lessons learned from the capital master plan should be collected, documented and applied in future construction projects.

39. **Mr. Nagao** (Japan) said that his delegation welcomed the renovation of the General Assembly Hall in time for the start of the sixty-ninth session and the Secretary-General's statement that the cost of all post-renovation construction and close-out activities would be met from the existing resources approved for the capital master plan project. The focus at the main part of the current session was on financing the cumulative associated costs and the cost of the secondary data centre, to which end the General Assembly had decided at the sixty-eighth session to authorize the Secretary-General to make use of the Working Capital Fund and the Special Account as a bridging mechanism. The Committee must be creative in deciding on the final capital master plan appropriations, while closely monitoring changes in the cash balance resulting from the use of the bridging mechanism.

40. **Mr. Khalizov** (Russian Federation) said that when the Office of the Capital Master Plan closed in June 2015, responsibility for the remaining renovations should be handed over seamlessly to the Office of Central Support Services, and the remaining renovation work concluded quickly within the budget allocated. The Secretariat should provide the Committee with

more detailed information and cost estimates regarding the options for the relocation of functions currently housed in the Dag Hammarskjöld Library and South Annex Buildings, including the option of dividing the two buildings into north and south halves to meet security requirements.

41. At the sixty-eighth session, the Committee had decided that the shortfall in the capital master plan funds resulting from unforeseen associated costs should be financed from the Working Capital Fund and the Special Account. His delegation hoped that the question of absorbing those costs through the assessed contributions of Member States under the regular budget would be decided at the current session.

42. The Under-Secretary-General for Management had stated in his briefing to the Committee on 7 October 2014 that keeping the North Lawn Building might facilitate the holding of high-level events during the general debate at the seventieth session of the General Assembly. Prior decisions of the General Assembly, however, had called for the building to be removed upon completion of the capital master plan renovation work; the reversal of such decisions would require more serious justification than the potential use of the building at the seventieth session for events not directly related to the United Nations. The temporary accommodation in the building of Secretariat units currently housed in leased off-site premises and the holding of events under the auspices of the Secretary-General during the seventieth anniversary session would, however, be a different matter. His delegation was prepared to contemplate a strictly limited delay in the scheduled demolition of the building, provided that the Secretariat submitted a cost-benefit analysis and a comprehensive calculation of the resources required, including the costs of providing common services, service staff and conference services for events, and any other associated costs.

43. **Mr. Mule** (Kenya) said that demolition was not the only possible future for the North Lawn Building. With a view to the most appropriate and cost-effective use of the materials used in the building's construction, the General Assembly should explore the possibility of relocating it to the United Nations Office at Nairobi. Consultations on the matter had already been initiated, and his Government was willing to facilitate the process.

The meeting rose at 4 p.m.