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Fourth annual progress report on the implementation of the capital master plan

Report of the Secretary-General*

Summary

The fourth annual progress report on the capital master plan is submitted pursuant to section II, paragraphs 31 and 34, of General Assembly resolution 57/292. The report outlines the activities relating to the project undertaken since the issuance of the previous report (A/60/550 and Corr.1 and 2 and A/60/550/Add.1). During the year, the design of the renovation and related pre-construction and swing space activities progressed. Additional information on financing methodologies, as well as the updated scope and budget of the capital master plan, is provided, as requested by the General Assembly in its resolution 60/282.

A decision by the General Assembly on the financing of the capital master plan is required to ensure continuity of activities and completion of the project in 2014.

* The issuance of the present report was delayed owing to the need to complete consultations.

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I. Introduction

1. The General Assembly, in its resolution 60/282, approved strategy IV (phased approach) for the implementation of the capital master plan, including the phasing, swing space and cost, and decided to review the updated projected costs during the main part of its sixty-first session. The present report updates the total projected costs and provides information on various scope options, including security-related requirements, which are now recommended to be included in the project. The report also provides financing options and recommends a five-year assessment plan and the use of a letter of credit as the most appropriate financing mechanism.

II. Status of design and pre-construction work

2. A decision on strategy was requested in December 2005 but a strategy was not selected until June 2006. This six-month period was used to move along design development work in a strategy-neutral fashion. In this way, any negative impact on the schedule and the project budget was minimized.

Design of refurbishment

3. The design work for the capital master plan takes place in three phases: the preliminary phase (completed in 2002), the design development phase (to be completed in 2006) and the construction documents phase (scheduled to be completed in late 2007).

4. *Design development*. Completed and corrected design development documents for the major design contracts (renovation of the General Assembly and Conference buildings, basements, the North Lawn extension building and the Secretariat and South Annex buildings) were received by early March 2006. The documents were then revised to reflect a strategy-neutral approach to infrastructure. Design development documents for remaining areas and specialties are on a slightly later schedule.

5. *Construction documents*. The preparation of construction documents for the refurbishment work, in accordance with strategy IV, selected by the General Assembly in June 2006, began in August for the major design contracts and will be completed by late 2007. Construction documents for remaining areas and specialties will begin upon completion of the respective design development documents.

Design of swing space[1]

6. In the period from January to September 2006, contract amendments required for the necessary professional design services were completed, including space

[1] Swing space is temporary space used to accommodate people and activities displaced by the refurbishment. Strategy IV, a phased refurbishment, requires the leasing of approximately 228,000 square feet (21,182 square metres) of office space; 80,000 square feet (7,432 square metres) of library space; the temporary reconfiguration of the Dag Hammarskjöld Library building to accommodate temporary functions on site; and the construction of a 100,000-square-foot (9,290-square-metre) temporary conference building on the North Lawn.

programming, building criteria and design of fit-out for leased spaces and the new temporary conference building. The space programming and new building criteria services have commenced. The provision of design services for the new temporary conference building began in October. Design services for any fit-out required for leased space will follow the selection of actual sites.

Project management and advice

7. The selection of a construction manager, both for pre-construction advisory services and, if accepted, for construction management of the overall project, is under way, with an award anticipated by late 2006. Various related specialists and services have also been selected or are in the planning phases, in accordance with the projections provided in earlier reports.

Impact on the Organization

8. The coordinated replacement of furniture and equipment across all budgets in phases will continue to be requested in parallel with the capital master plan. The only new furniture provided for in the capital master plan is that for the three new mid-sized conference rooms and, in the swing space costs, supplemental furniture as required in the temporary conference building and 100 sets of office furniture to start the process of moving to the swing space.

9. The renovation work may require temporary increases in staffing in parts of the Organization that particularly support construction activities, such as the Department of Safety and Security and the Department of Management. The renovation work will have a negative impact on programmes that depend on a flow of visitors to the site, as access will be restricted during the renovation. Any such impacts will be incorporated into the relevant proposed programme budget submissions for the biennium 2008-2009 and beyond.

10. During the renovation period, every part of the complex will be affected, and great flexibility will be required. As noted previously, many activities will be limited and curtailed (A/60/550, paras. 9 (h) and 19). Coordinated planning within the Secretariat is under way to mitigate those impacts where possible and to organize activities so that the renovation can proceed as quickly as possible.

III. Current schedule for the project

11. The proposed schedules and related project budget presented in the third annual progress report (A/60/550 and Corr.1 and 2 and A/60/550/Add.1) were based on the assumption of a strategy decision being taken at the main part of the sixtieth session of the General Assembly (see ibid., para. 9 (a)). Although early activities will be initiated later than anticipated in that report, the selected strategy involves multiple activities occurring in parallel. Therefore it has been possible to re-phase the schedule to accommodate the later start dates while maintaining the project end date of early 2014. However, costs will be incurred later than anticipated, so the projections of the cash flow and the impact of cost escalation have been changed accordingly.

12. The anticipated schedule set out in table 1 is based on the assumption that decisions on financing methodology, scope and budget are made in the main part of the sixty-first session of the General Assembly. The participation of the construction manager in 2007 will undoubtedly result in adjustments to and refinements of the schedule.

Table 1
Anticipated schedule as at 1 August 2006

Activity	*Start*	*Complete*
Decision on financing renovation	—	December 2006[a]
Fit-out leased office space	Early 2007[b]	Late 2007
Fit-out leased library space	Mid-2007[b]	Late 2007
Early-action work (refurbish existing North Lawn building, add centralized technology centre)	Early 2008[c]	Late 2008
Construction of temporary conference building	Mid-2007	Mid-2008
Renovation of United Nations Headquarters	Early 2008	Mid-2014
• Basements/infrastructure	Mid-2008	Early 2011
• General Assembly building	Mid-2008[d]	Early 2011
• Conference building	Early 2011	Late 2013
• Secretariat building	Early 2008[e]	Late 2013
• South Annex building	Late 2013	Early 2014
• Library building	Late 2012	Late 2013
• Site/landscaping	Late 2012	Early 2014
Disassembly of temporary conference building	Late 2013	Late 2013

[a] Decision required for other activities.
[b] Depends on lease negotiation.
[c] If authorized as early work.
[d] Depends on completion of temporary conference building.
[e] Depends on completion of fit-out of leased office space.

IV. Swing space strategy

13. Based on the General Assembly's decision on strategy IV, a real estate search is being undertaken for off-site leased office and library space. Space will be

required from 2007 to 2014. It should be noted that in prior reports, both office and library swing space were grouped together under office swing space. They will now be identified separately.

14. It should also be noted that previous lease costs were based on a real estate search conducted in September and October 2005. During 2006, the asking rent for office space has increased. Of greater concern is that the supply of office space has been reduced, particularly for larger spaces. Furthermore, construction costs for interior renovations have risen. It may become more cost-effective to rent two office locations close to one another. However, there are additional one-time set-up costs for new United Nations occupancy at any site (e.g., communications and security), which could offset any long-term savings. Furthermore, a single office site is preferable in terms of effective staff interaction. Current cost projections for office swing space assume a single site in east midtown Manhattan, with 50 per cent of the space requiring interior fit-out.

15. Space availability for potential temporary library sites remains good, but costs have increased.

16. In order to maintain the overall project schedule, and in accordance with the authorization by the General Assembly, leases will be entered into for the most functional and cost-effective sites for both office and library space, with appropriate break-out clauses, should they be required. With respect to the relocation of meetings from the General Assembly building to a temporary conference building, expected in mid-2008, construction of the temporary conference building will proceed once the revised project budget and the funding mechanisms have been approved.

17. New projected figures for the swing space are included in the revised project budget and are described below.

V. Projected cost for implementing strategy IV

18. The budget of the capital master plan project of $1,587.8 million, as reported in the previous report (A/60/550), had increased to $1,646.3 million as at August 2006. The cost does not include the scope options that are recommended for approval, as set out in paragraphs 24 to 32 below. The changes have occurred in construction cost, contingencies, professional fees and management costs, forward pricing escalation and swing space. Some of the changes are a result of transfers among those categories, as explained below. Changes and transfers of costs among the above-mentioned categories are set out in table 2.

Construction cost

19. The present estimate for construction has increased by $4.5 million. That estimate is based on the revised design development documents for the General Assembly, Conference, Secretariat and South Annex buildings, as well as basements, infrastructure and security (approximately 85 per cent of the project), and is based on January 2006 construction prices. The previous construction estimate was based on January 2005 prices.

Contingencies

20. The present estimate for the design and construction contingencies is reduced by $16.5 million from previous figures. This reflects a transfer of $14.8 million from forward pricing escalation to reflect an update to January 2006 prices, a reduction of $31.3 million based on the stage of completion of the design work and an update to reflect actual fees. As the design work progresses, the level of uncertainty as to construction costs and related professional fees and management costs is reduced.

Professional fees and management costs

21. The present estimate for professional fees and management costs has increased by $62.6 million from previous figures, which is in large part due to a different representation of figures and does not represent an actual increase. The $62.6 million increase can be explained as follows:

(a) Prior fee forecasts did not include escalation to the end of the project, as escalation was accounted for in a separate line item. The majority of the design contracts, as they stand now, include escalation to the end of the project, and therefore those costs are now included in the professional fees section of the budget. A total of $40.2 million has been transferred from forward pricing escalation to professional fees and management costs in this manner;

(b) Additional monies have been allocated for construction manager fees to reflect the present market conditions, an addition of $6.4 million;

(c) The cost of on-site relocations, totalling $7.0 million, had not been included previously. These costs could be requested in the proposed programme budget, but it is felt that because of both their tracking and their timing, they are more appropriately included in the capital master plan budget;

(d) Allowances were made for potential additional expert services, testing costs and legal and other projected expenses, totalling $9.0 million.

Forward pricing escalation

22. The present forecast for forward pricing escalation shows a net decrease of $42.3 million. The adjustments take into account a transfer of $58.8 million to construction costs, reflecting the update to January 2006 construction prices; a transfer of $14.8 million to contingencies as described above; a transfer to professional fees and management costs of $40.2 million as described above; and an increase of $71.5 million based on industry-led forward pricing escalation for the anticipated duration of the project.

Swing space

23. Following the direction to proceed with strategy IV, the costs of leases and construction for the various requirements were reviewed in the context of the

present market. The present forecast for swing space has increased by $50.2 million. The increase can be summarized as follows:

(a) The total cost presented for combined office and library swing space was $109.6 million (see A/60/550, table 1). This consisted of $96.4 million for office space and $13.2 million for the library (including fit-out of the existing library for temporary uses on-site);

(b) The current projection for office swing space is $129.0 million, compared to the prior figure of $96.4 million for the entire period, assuming a single east midtown Manhattan site, with approximately 50 per cent of the space requiring interior fit-out (included in the estimate);

(c) Rental sites for a temporary library function, which will necessarily be supplemented by a small satellite library function on-site, have also increased in cost. All sites identified will require entirely new ventilation and cooling systems for the occupants and collections. Fit-out costs have therefore increased, as have local costs. The projected cost of library swing space for the entire period is therefore $19.4 million, compared to the prior figure of $13.2 million;

(d) The cost of a temporary conference building on the North Lawn has increased and now totals $66.1 million, compared to the prior figure of $54.7 million. The change is the result of an escalation in local construction costs as well as a provision for subsurface water conditions, which may affect the final construction cost. As the design progresses, that figure will be refined;

(e) It should be noted that contingencies, professional fees and management costs and forward pricing escalation for the swing space continue to be included in swing space costs.

Table 2
Summary of changes in estimated costs for strategy IV
(Millions of United States dollars)

	A/60/550	*Change*	*Current*
Construction cost	734.6		
Transfer from forward pricing escalation		58.8	
Adjustment based on revised design development documents		(54.3)	
Net change		**4.5**	**739.1**
Contingencies	184.4		
Transfer from forward pricing escalation		14.8	
Adjustment based on stage of completion of design work		(31.3)	
Net change		**(16.5)**	**167.9**
Professional fees, management costs	144.3		
Transfer from forward pricing escalation		40.2	
Additional allowance for construction manager		6.4	

	A/60/550	Change	Current
Additional costs for on-site relocations		7.0	
Allowances for potential additional expert services		9.0	
Net change		**62.6**	**206.9**
Forward pricing escalation	360.2		
Transfer to construction cost		(58.8)	
Transfer to contingencies		(14.8)	
Transfer to professional fees, management costs		(40.2)	
Adjustment based on industry-led forward pricing escalation		71.5	
Net change		**(42.3)**	**317.9**
Subtotal, renovation estimate	**1 423.5**	**8.3**	**1 431.8**
Swing space			
Office swing space	96.4	32.6	129.0
Library swing space	13.2	6.2	19.4
Conference swing space	54.7	11.4	66.1
Subtotal, swing space estimate	**164.3**	**50.2**	**214.5**
Total estimate (excluding scope options)	**1 587.8**	**58.5**	**1 646.3**

Scope options

24. It is strongly recommended that the following items, previously considered as scope options, be added to the scope of the base project. Scope options in the areas of additional security, redundancy and contingency ("back-up systems") and sustainability were developed separately from the base scope of the capital master plan. The allowance for those scope options was $161.0 million (see ibid., para. 9 (f)). Based on escalation alone, that allowance figure would be $185.5 million as at 1 August 2006.

25. Since the development of the scope options allowance in 2002, the options have been studied in further detail. A new blast assessment was conducted, which resulted in significant additional recommendations for structural strengthening for blast resistance. It is strongly recommended that the scope options be approved in the total amount of $230.4 million, as described below.

Tier 1

26. *Additional blast protection*, particularly relating to perimeter threats. A certain degree of additional blast protection had been previously included in the scope options for additional security, but the blast assessment conducted during the design development process resulted in a recommendation for a significant increase by the professional security firm, which was subsequently endorsed by the Department of Safety and Security. The cost of this work is estimated to be $70.5 million.

27. *Additional redundancy*. During the period in which the capital master plan has been in development, improvements in back-up measures for building operations and information technology systems have been made. Whereas such measures were generally regarded as optional when they were first proposed, they are now commonly considered a reasonable minimum requirement for continuity in the event of equipment or utility failure. The estimated cost for this group of options is $22.0 million.

Tier 2

28. *Security*. Further security options include structural strengthening of various components of the existing structure to provide greater blast resistance to the extent possible in a renovation of an existing structure. The cost estimate for this group of options is $95.5 million.

29. *Redundancy and contingency*. The remaining scope options are items that would improve the reliability of electrical systems, air conditioning for critical spaces and life safety systems during emergencies or external utility failures. It is recommended that these options be added to the project, as they would be a prudent investment in the ability of the Organization to continue to function in the event of internal or external system failure. Although modern systems are more reliable than the ageing equipment presently in service at United Nations Headquarters, events over the past two years have also highlighted the vulnerability of external systems and the disruption to the work of the Organization that such external failures can cause. The cost estimate for this group of options is $14.5 million.

30. *Sustainability*. Sustainability options are initiatives that would add to the environmentally responsible efforts of the project. They comprise advanced technologies or items that are feasible for use at the Headquarters complex and that are environmentally advantageous without necessarily resulting in significant operating savings. Since the replacement of inefficient equipment and systems is part of the base scope and the capital master plan will be a major step forward in sustainability, the effective and achievable remaining items in the scope options for sustainability are fewer than anticipated in 2002. The cost estimate for this group of options is $27.9 million.

Table 3
Scope options
(Millions of United States dollars)

	Security options	*Redundancy options*	*Sustainability options*	*Total*
Resolution 57/292 options allowance	30.0	75.0	39.0	144.0
A/60/550 options allowance	33.5	84.0	43.5	161.0
A/60/550 plus escalation options allowance	39.0	96.5	50.0	185.5
Tier 1 scope options	70.5	22.0	—	92.5
Tier 2 scope options	95.5	14.5	27.9	137.9
Total updated scope options				**230.4**

31. It is recommended that the scope options, amounting to $230.4 million, be approved. These items will not be readily achievable as stand-alone projects, and the capital master plan is therefore a unique opportunity to make advances in those areas.

32. Further details on scope issues and options are included in annex I.

Table 4
Estimated costs for strategy IV
(Millions of United States dollars)

	A/60/550	*Change*	*Current*
Construction cost	734.6	4.5	739.1
Contingencies	184.4	(16.5)	167.9
Professional fees, management costs	144.3	62.6	206.9
Forward pricing escalation	360.2	(42.3)	317.9
Subtotal, renovation estimate	**1 423.5**	**8.3**	**1 431.8**
Swing space			
Office swing space	96.4	32.6	129.0
Library swing space	13.2	6.2	19.4
Conference swing space	54.7	11.4	66.1
Subtotal, swing space estimate	**164.3**	**50.2**	**214.5**
Total estimate[a]	**1 587.8**	**58.5**	**1 646.3**
Scope options	161.0	69.4	230.4
Total with all scope options	**1 748.8**	**127.9**	**1 876.7**

[a] Does not include scope options.

VI. Financing options

33. In paragraph 18 of its resolution 60/282, the General Assembly stated that the issue of funding of the capital master plan, including the credit facilities or instruments referred to in the previous report (ibid., para. 35), as well as the feasibility of a one-time upfront payment option, would be considered at its sixty-first session. In the same paragraph, the Assembly also requested the Secretary-General to propose a mechanism that would ensure that Member States that paid their capital master plan assessments in full and on time would not bear any financial liabilities as a result of the use of such credit facilities or instruments. In paragraph 17 of the same resolution, the Assembly recognized that the cash payment option, based on a one-time assessment or multi-year assessments, would be the simplest and the most cost-effective approach for meeting the costs of the capital master plan.

34. Under all the options for funding the capital master plan that are discussed below, the related expenses would be apportioned among Member States pursuant to

the provisions of Article 17 of the Charter of the United Nations and the related assessments would fall under the provisions of Article 19.

Construction industry requirements

35. As noted in the third progress report (ibid., paras. 24-35), construction industry practice in the United States of America requires the building owner to demonstrate full financial capability to complete the project. To show evidence of such financial capability, the United Nations would need to be able to demonstrate the availability of funds for the project by such evidence as cash on deposit for the total amount of the construction or letter of credit facilities for the total amount of the construction project less cash on hand. Cash on hand may be received by the methods described in paragraph 42 below — a one-time cash assessment, multi-year cash assessments, a mix of one-time assessments and multi-year assessments and the establishment of a working capital reserve. If all Member States were assessed one time and all paid on time and in full, a letter of credit facility would not need to be established. With both multi-year assessments and a mix of one-time and multi-year assessments, a letter of credit facility would need to be established for the total amount of construction costs less assessments and working capital reserve paid.

Internationally syndicated letter of credit

36. It is expected that any letter of credit would be put to bid through the procurement process. The letter of credit facility would be required to be valid for the duration of the construction contract; however, it would be on a reducing-balance basis, as the unpaid balance of the construction costs would decline over the construction period.

Credit facility establishment and ongoing fees

37. The establishment of a credit facility will incur a fee. Depending on the level of credit established and market conditions, the fee is estimated to be between 0.05 and 0.5 per cent of the value of the credit facility at the start of each year, with estimated total fees of between $3.0 million and $21.0 million. Fees are payable quarterly and in advance. In addition, management fees and amendment charges may be incurred. These are not included in the indicative percentage rates and are dependent on actual usage. The amount of the fee incurred will be larger in the earlier years of the project and will be reduced as construction is completed. It is suggested that Member States be assessed their share of the credit facility fees at the beginning of each calendar year based on the anticipated quarterly fees for the following year, and on the basis of the scale of assessments to be agreed upon.

Credit facility establishment and ongoing charges

38. A drawdown of the letter of credit would be considered a loan and would therefore incur charges. It should be noted that the ability to draw down from the letter of credit facility would require specific approval by the General Assembly. As noted in Assembly resolutions 1341 (XIII) of 13 December 1958 and 1448 (XIV) of

5 December 1959, the Secretary-General has been granted authority to borrow cash from special funds and accounts in his custody only for purposes that normally relate to the Working Capital Fund and for short-term loans from Governments. Charges incurred on any letter of credit drawdown would be based on the London Inter-Bank Offered Rate plus a margin. Charges accrue in arrears on a daily basis and must be paid either when the loan is repaid or at six-month intervals. Any such charges would be in addition to the approved capital master plan budget. In its resolution 60/282, the General Assembly requested the Secretary-General to make proposals to ensure that any such charges would not be a charge on Member States that had paid their capital master plan assessments on time and in full. A possible mechanism to achieve this result is outlined below.

Mechanism for charging credit utilization charges

39. As mentioned in paragraph 33 above, the General Assembly requested the Secretary-General to propose a mechanism to ensure that Member States that pay their assessed contributions for the capital master plan in full and on time would not bear any financial liabilities as a result of the use of credit facilities or instruments. Financial regulation 3.4 states "contributions and advances shall be considered as due and payable in full within thirty days of the receipt of the communication of the Secretary-General …". In order to devise a mechanism to achieve the desired result, consensus needs to be reached on the definition of "on time and in full". Such a mechanism would also have to be approved as an exception to the normal application of the Financial Regulations and Rules, in particular regulation 3.1. It is also suggested that, owing to the special treatment of charges that may be incurred with any utilization of credit facilities for the capital master plan and the need to have a consistent date for the implementation of those proposals, specifically for the capital master plan assessments, and notwithstanding the provisions of financial regulation 3.4, assessments for the capital master plan shall be considered as due and payable in full within 30 days of the issuance of the related communication of the Secretary-General. If a Member State only partially pays an assessment within the 30-day period, it would be considered not to have paid on time and in full.

40. The General Assembly may wish to decide to authorize the Secretary-General to apportion the amount of the charges arising from the utilization of the letter of credit annually in arrears among those Member States that did not pay their assessed contributions for the capital master plan in full and on time, as defined in paragraph 39 above. In order to reflect the impact of non-payment of assessed contributions on the need to draw on the letter of credit, one approach would be to calculate each Member State's share of those charges monthly, based on the charges levied in that month and on its share of the total contributions outstanding for the capital master plan. In making such calculations, the average of opening and closing balances each month could be used to reflect payments made during the month. The first such calculation would be done at the end of the month in which the annual assessments for the capital master plan became due and payable, and monthly thereafter. As noted above, the assessment would be issued annually in arrears based on the monthly calculations during the year in question.

41. The Secretary-General would subsequently report to the General Assembly each year on the amounts incurred through any use of a credit facility during the

previous calendar year and on its apportionment among Member States that did not pay their assessed contributions for the capital master plan on time and in full.

Assessments on Member States

42. It will be necessary for Member States to make a decision on one of the following assessment options:

(a) *One-time cash assessment*. This is a one-time upfront assessment for each Member State's share of the capital master plan costs, based on the scale of assessments in place when the assessment is made. An example of the impact of a one-time assessment for Member States was provided in supplementary information provided to the Fifth Committee dated 22 March 2006 (addendum 4, annex IV). It should be noted that any change in the scale of assessments for 2007 would alter those amounts. To date, the General Assembly has appropriated $8.0 million for the capital master plan under the section of the programme budget entitled Construction, alteration, improvement and major maintenance (res. 55/238, sect. IV, para. 3). There have been five separate assessments totalling $152.0 million under the capital master plan, leaving a balance of $1,716.7 million to be assessed for projected costs (exclusive of letter of credit facility fees, which will be determined on the basis of utilization levels and market rates);

(b) *Multi-year cash assessments*. There are several possible scenarios for the phasing of multi-year cash payment options, which have different impacts on the cash flow owing to the possibility of temporarily investing free funds. The alternatives provided in annex II for phasing the multi-year cash payment option have been developed in response to requests by Member States made during informal consultations of the Fifth Committee during the review of the second and third progress reports at the fifty-ninth and sixtieth sessions of the General Assembly. If a multi-year assessment plan is agreed, the length of time over which assessments will be made needs to be decided upon. All scenarios assume that Member States will pay their assessments on time and in full. As there is no reason to expect that capital master plan assessments will not experience the same sort of slow payment or non-payment as other accounts, and if a multi-year assessment plan is selected by Member States, the Secretary-General recommends a five-year assessment period;

(c) *Mix of one-time and multi-year assessments*. Under this option individual Member States will each be able to decide whether their capital master plan assessment will be a one-time upfront payment or will be assessed over a multi-year period. If it is decided that Member States can select either one-time or multi-year cash assessments, for 2007 the initial assessment would be issued during the first half of the year to enable Member States time to make their selection. For all multi-year assessments other than those for 2007, the expected date of issuance of assessments would be in January of each year. If Member States select this mix of one-time cash assessment and multi-year cash assessments, there would be a number of issues to be resolved, namely:

(i) Election of option and associated time frame — if a mix of one-time and multi-year assessments is selected, Member States would need to decide which option they would choose. Once a decision is made, it will be irrevocable. It is recommended that Member States be given a period of 60 days to make their selection. If no response is received, it will be assumed that multi-year cash assessments have been selected, and those Member States would be placed on the corresponding track;

(ii) As the scale of assessments usually changes every three years and as the multi-year assessment period is expected to be longer than three years, gains and losses may occur as the scale of assessments changes between Member States that select a one-time assessment and those that select a multi-year assessment. An example for illustrative purposes is provided in annex III. There are alternatives to resolve this issue, namely:

- For the life of the capital master plan project, fix the scale of assessments at the scale set for 2007.
- On the assumption that the 2007 scale will also apply to 2008 and 2009, use a period of three years for the multi-year assessment.
- The total amount payable could be fixed using initial assessment rates for 2007 for those Member States being assessed on an annual basis. For those payers, the total annual amounts could then be prorated according to the rate of assessment each year. This means that those selecting a one-time payment would have no change in their assessment; however, those selecting a multi-year assessment may see a change as the scale of assessments changes.

43. It should be noted that the issue of any new Member States is not raised in any of the above scenarios.

Working capital reserve

44. As noted previously (ibid., para. 29), the creation of a working capital reserve for the capital master plan is essential. The main purpose of such a reserve is to cover temporary cash flow deficits and facilitate advance procurement or accelerated construction activity. For any cash shortfall, funds from the reserve would be used before drawing down from a credit facility. The amount of the estimated reserve is based on 20 per cent of the estimated average annual expenditures, totalling $45 million. The level of reserve is contingent upon Member States paying their assessed contributions on time and in full. The reserve would be financed through a separate assessment in 2007 on Member States and managed in accordance with provisions of financial regulations 3.5, 4.2 and 4.3. The reserve would be phased out at the end of the construction phase of the project and the related contributions credited back to Member States.

VII. Status of appropriations and expenditures

45. The total appropriation to date is $152.0 million, broken down as follows:

(a) In its resolution 57/292, the General Assembly appropriated $25.5 million for the design development phase of the capital master plan and authorized commitments of up to $26.0 million for the biennium 2004-2005 for the preparation of construction documents;

(b) In its resolution 59/295, the Assembly decided to convert $17.8 million of the $26.0 million commitment authority into an appropriation and renewed the existing commitment authority for 2006 for the balance of $8.2 million;

(c) In its resolution 60/248, the Assembly decided to convert the balance of the existing commitment authority of $8.2 million into an appropriation for 2006;

(d) In its resolution 60/256, the Assembly appropriated an additional $23.5 million for financing the design and pre-construction phases of the capital master plan, including swing space requirements, and provided commitment authority for up to $77.0 million for the biennium 2006-2007 to provide for the construction, fit-out and related requirements of a conference swing space building on the North Lawn and for the leasing, design pre-construction services, fit-out and related requirements of library and office swing space for the capital master plan;

(e) Finally, in its resolution 60/282, the Assembly decided to convert the existing $77.0 million commitment authority into an appropriation, to be assessed in 2006.

46. Actual expenditures as at 31 July 2006 amount to $45.9 million; this consists of actual expenditures of $3.2 million in 2003, $14.8 million in 2004, $6.5 million in 2005 and $21.4 million in 2006 up to 31 July. For the remainder of 2006, it is now expected that an additional $34.4 million will be spent, bringing the total 2006 estimated expenditures to $55.8 million. This is $71.1 million less than had been anticipated in the previous report. It should be noted in connection with this estimated underexpenditure that it had previously been planned to commence the construction and fit-out of the temporary conference swing space building, the pre-construction services and fit-out of library and office swing space, the construction documents phase for the exterior envelope contract and the design development phase for the other remaining contracts in 2006. However, under the current schedule they will likely occur in early 2007. Expenditures for the period 2003-2006 are detailed in table 5. This pattern of expenditures is based on strategy IV.

Table 5
Expenditures for the period 2003-2006 for the design development and construction documents phases
(Thousands of United States dollars)

	2003[a]	*2004*[a]	*2005*[a]	*January-July 2006*[a]	*August-December 2006*[b]	*Total*
Design contractual services	612.1	9 573.9	2 724.1	15 515.2	10 703.0	39 128.3
Direct staff costs	1 611.1	1 720.9	1 458.3	881.2	733.0	6 404.5
Support costs	180.6	574.2	593.4	213.1	434.1	1 995.4
Operating and other costs	556.0	589.3	478.1	536.5	80.0	2 239.9
Programme management and consultants	245.7	2 378.5	752.9	4 204.0	900.0	8 481.1
Construction manager	—	—	—	—	2 000.0	2 000.0
Swing space cost	—	—	506.3	—	19 598.0	20 104.3
Total	**3 205.5**	**14 836.8**	**6 513.1**	**21 350.0**	**34 448.1**	**80 353.5**

[a] Actual.
[b] Projected.

47. Under the current schedule, the construction documents phase is expected to be completed in late 2007. Expenditures estimated at $113.4 million will be incurred in 2007 to complete the design phase and for the construction, fit-out and related requirements of a conference swing space building on the North Lawn and pre-construction services, fit-out and related requirements of library and office swing space. This brings the total projected expenditures for the period 2003-2007 for the design development and construction documents phases to $193.7 million (see table 6).

Table 6
Expenditures for the period 2003-2007 for the design development and construction documents phases
(Thousands of United States dollars)

	2003-2005[a]	*2006*[b]	*2007*[c]	*Total*
Design contractual services	12 910.1	26 218.2	4 506.7	43 635.0
Direct staff costs	4 790.3	1 614.2	2 272.9	8 677.4
Support costs	1 348.2	647.2	1 522.2	3 517.6
Operating and other costs	1 623.4	616.5	842.8	3 082.7
Programme management and consultants	3 377.1	5 104.0	3 976.6	12 457.7
Construction manager	—	2 000.0	—	2 000.0
Swing space cost	506.3	19 598.0	100 236.4	120 340.7
Total	**24 555.4**	**55 798.1**	**113 357.6**	**193 711.1**
Total approved appropriation				**152 000.0**
Appropriation required for 2007				**42 000.0**

[a] Actual.
[b] Actual and projected (see table 5).
[c] Projected.

48. It should be noted that the appropriation and expenditure figures cited in section VII and shown in tables 5 and 6 do not include the $8.0 million appropriated by the General Assembly in its resolution 55/238. However, the expenditure of $8.0 million is included in the total revised project budget of the capital master plan, including the scope options recommended for approval, of $1,876.7 million, as well as in the multi-year cash assessment scenario presented in annex II.

VIII. Advisory board

49. The Secretary-General continues his efforts to create an advisory board (see ibid., para. 50), as requested repeatedly by the General Assembly, the external and internal auditors and the Advisory Committee on Administrative and Budgetary Questions.

50. The reasons stated previously for the difficulty experienced in achieving this goal (see ibid., para. 49) so far continue to apply. Efforts to set up a full board will continue.

IX. Procurement

51. All contract information for procurement related to the capital master plan since its inception is now posted on the Procurement Service website. The information can be accessed via the capital master plan website (http://www.un.org/cmp) or the Procurement Service website (http://www.un.org/depts/ptd/cmp.htm). The information listed includes the names and countries of origin of vendors, the number and description of the contracts, the contract award dates and the dates of the latest amendments, the current value and status of the contracts and the original invitation to bid or request for proposal numbers.

52. In the selection of a construction management firm, the planned approach and the qualifications of personnel to be assigned the responsibility of providing procurement opportunities in accordance with relevant General Assembly resolutions are considered as part of the overall proposal. Providing such opportunities is part of the scope of the construction manager's services.

X. Financial disclosure

53. All capital master plan staff who are required to file financial disclosure statements in accordance with General Assembly resolutions have filed such statements within the required time frame. Other capital master plan staff who in some way take part in the requisitioning process have filed as requested by their head of department.

XI. Conclusions and recommendations

54. The capital master plan renovation is important for the safety of all United Nations Headquarters occupants. An agreement on the strategy has been reached and it is now critical for the General Assembly to decide on the funding mechanism for the renovation. The renovation work will continue on the projected schedule once this decision has been made.

55. **The Secretary-General recommends that the General Assembly:**

(a) **Approve the capital master plan, including the recommended scope options, to be completed during the period 2006-2014, at a total revised project budget not to exceed $1,876.7 million (exclusive of any credit facility charges);**

(b) **Approve the funding for the capital master plan based on one of the following alternatives, as outlined in paragraph 42:**

(i) **A one-time cash assessment;**

(ii) **Multi-year cash assessments;**

(iii) **A mix of one-time and multi-year assessments;**

(c) **Approve the establishment of a letter of credit facility and approve any drawdowns under the letter of credit solely for the purpose of funding the capital master plan;**

(d) **Appropriate an amount of $45 million for the purpose of establishing a working capital reserve under the capital master plan account to be operated under the terms of financial regulations 3.5, 4.2 and 4.3;**

(e) **Decide that the appropriation of $45 million for the purpose of establishing a working capital reserve under the capital master plan account shall be financed in accordance with financial regulation 3.1 through an assessment on Member States in 2007 on the basis of the regular budget scale of assessments in effect for that year;**

(f) **Appropriate an amount of $42.0 million;**

(g) **Decide that notwithstanding financial regulation 3.4, assessments for the capital master plan shall be considered as due and payable in full within 30 days of the date on which the assessment notices were issued;**

(h) **Decide that notwithstanding financial regulation 3.1, charges resulting from any drawdown from a credit facility should be apportioned among Member States that have not paid their assessments for the capital master plan on time and in full, as defined in subparagraph (g) above. This apportionment would be based on monthly calculations using the total charges levied during the month and the share of each Member State concerned with respect to total outstanding assessed contributions for the capital master plan.**

Annex I

Scope issues and options

A. Issues

1. In the process of completing design development documents, several scope refinements and clarifications were made. These are included within the budget figures provided in the present report. They are as follows:

(a) Ventilation system design throughout the complex is based on the assumption that United Nations Headquarters will meet local codes and standards relating to smoking and would comply with environmental standards. Both require no smoking within the facility. Should that standard be changed, the objective of code compliance could not be met, environmental standards could not be met, and the additional cost would be approximately $86 per square foot ($937 per square metre) of space to provide appropriate additional ventilation. As an example, if the North Delegate's Lounge, a double-height space, were ventilated for smoking, it would require a budget increase of approximately $1.2 million;

(b) In accordance with strategy IV, the phased approach will require the placement of additional equipment on the roof of the Secretariat building. Base requirements for redundancy for life-safety systems will require the placement of equipment on the roof of the South Annex building. Both locations will be suitably screened, and both will require structural reinforcing;

(c) Three new mid-sized meeting rooms are planned to be located on the first basement level of the General Assembly building, in the present location of the broadcast facilities. Owing to physical constraints, one of the three rooms (to be known as Conference Room 11) will not be able to have interpretation. The Department for General Assembly and Conference Management has reviewed the design and concurs that the new facility will meet recurring needs. The other two new conference rooms will be able to be combined easily;

(d) The design of two additional larger conference rooms in the current parking garage, including a multi-function hall and a large conference room, has not been undertaken. Those rooms had been included in the capital master plan design work as a contingency plan, in accordance with section II, paragraph 11, of General Assembly resolution 57/292. Given the other budget issues and the concern expressed in paragraph 16 of the same resolution regarding parking space, adding those rooms to the scope does not appear feasible, and therefore they have not yet been pursued;

(e) It is intended to follow a local environmental standard entitled "leadership in energy and environmental design", known as LEED, with a goal of reaching the "silver" level. However, it is not intended to formally request review of compliance with the standard from the organization that administers it;

(f) The design and planning include a non-governmental resource centre on-site. Funds were requested to relocate the facility off-site owing to security concerns (see A/56/848, annex I, para. 40 (a) (vi)). This did not occur in the security-strengthening project. The work was deferred to the capital master plan, and funds were not expended. The Department of Safety and Security has since advised that the facility could be managed from within the complex and suggested that it be included in the functional programming, and planning has been adjusted accordingly. Similarly, earlier design phases had assumed that the after-school programme would be relocated off-site for security reasons. However, security planning has changed, and a location for the facility will be found;

(g) It was proposed to provide ballistic partitioning within the Security Council, Trusteeship and Economic and Social Council chambers and the General Assembly Hall (ibid., para. 40 (a) (iii)). This was deferred to the capital master plan. The initial concept proved difficult to achieve. As a result, in the Security Council and Trusteeship Council chambers, a viewing location will be created from the third-floor corridor. It is not possible to create such a viewing window into the Economic and Social Council Chamber. In the General Assembly Hall, separation will occur by means of a partition at the rear of the third-floor balcony;

(h) As a contingency, planning and design will be undertaken for a security screening building at the northern end of the site. It may be recalled that the General Assembly has welcomed the offer of the donation of a new visitors' building (see resolution 56/236), which would include space for security screening as well as retail and exhibition space. However, since security screening at that location is essential and the donation is not certain, it is considered to be prudent to plan for and design a screening building as a contingency measure. The actual construction cost, estimated at approximately $11.0 million, has not been included in the revised budget pending a firm direction from the potential donor. Since, in order to avoid conflict with the temporary conference building and renovation access, this building would be the last element of the construction, the issue will be raised again in subsequent reports.

B. Tier 1 options

2. *Security*. The first tier includes strengthening of the west wall of the General Assembly building, the wall between the FDR Drive and the United Nations service drive and replacement of all glass façades. Among the options is an increase in protection above the FDR Drive, which can be undertaken only in coordination with the local authorities. That coordination is under way. Among the scope options considered in earlier phases was the possibility of having physical means of limiting or closing down traffic on First Avenue. However, the Department of Safety and Security now believes that methods employed by the host country are effective, and this particular option has not been pursued.

3. *Redundancy and contingency*:

(a) Semi-centralized uninterruptible power source distribution — this would provide a source of transitional power in an emergency, until emergency generators are online, that is easier to maintain than a totally decentralized system and hence would be more reliable in the long term;

(b) Diverse service entry for voice/data — this would provide redundancy in the event of failure of incoming service and would be an improvement in reliability which, given the dependence of any modern organization on voice and data communications, should be considered basic essential work;

(c) Dual-service for all on-floor technical rooms — this would provide immediate continuity in the event of equipment problems;

(d) Dedicated emergency generator in the centralized technology centre — of all of the solutions to providing reliable emergency power for the new centralized technology centre, a separate generator has proven to be the most practical and cost-effective.

C. Tier 2 options

4. *Security*. This tier relates to strengthening of the structural components of buildings, which is work that is feasible only in the context of complete renovation. It would involve almost every building, particularly at specific floor slabs and columns.

5. *Redundancy and contingency*. In every case, the options would bring the systems and equipment to a level that would be considered a prudent basis for design if the complex were being newly constructed:

(a) Increased coverage or reliability of emergency power;

(b) Improved sprinkler/standpipe coverage or reliability;

(c) Added reliability for air conditioning/heating in an emergency or equipment failure, particularly for mission-critical spaces;

(d) Improved communications capability in emergencies;

(e) Fire safety exceeding building code requirement (stair pressurization).

6. *Sustainability*. The options are above and beyond the expectations for a renovation, but provide examples of sustainable design and environmental consciousness:

(a) Solar: window film, lighting for flags and power for the fountain;

(b) Lower water usage in toilets and cooling tower equipment and on-site storm-water retention;

(c) Higher-efficiency equipment or systems, including turbines, transformers, cooling, lighting and dehumidification equipment and motors;

(d) Different fuel — biodiesel for generator use;

(e) Waste reduction through composting of cafeteria waste;

(f) Improved indoor air quality through a passive green wall;

(g) Reduction of chlorofluorocarbons through early replacement of the chiller with a steam absorption chiller in the central plant.

Annex II

Strategy IV (phased approach): multi-year cash assessment scenario

(Millions of United States dollars)

	2001-2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	***Total***
Alternative A: 14.3 per cent per year of the 2007-2014 costs for the first seven years of construction											
Expenditure	32.5	55.8	113.4	150.7	400.4	323.3	246.9	212.0	309.1	32.6	**1 876.7**
Percentage received each year	—	—	14.3	14.3	14.3	14.3	14.3	14.3	14.3	—	—
Assessment/funds received	43.3	108.7	246.4	246.4	246.4	246.4	246.4	246.4	209.4		**1 839.7**
Funds in reserve by year's end	10.8	63.7	198.9	301.6	158.1	86.7	89.2	126.7	31.5	—	—
Estimated interest earned	—	2.2	7.0	10.6	5.5	3.0	3.1	4.4	1.1	—	**37.0**
Alternative B: 16.7 per cent per year of the 2007-2014 costs for the first six years of construction											
Expenditure	32.5	55.8	113.4	150.7	400.4	323.3	246.9	212.0	309.1	32.6	**1 876.7**
Percentage received each year	—	—	16.7	16.7	16.7	16.7	16.7	16.7	—	—	—
Assessment/funds received	43.3	108.7	287.4	287.4	287.4	287.4	287.4	220.8	—	—	**1 810.0**
Funds in reserve by year's end	10.8	63.7	240.0	385.2	285.6	259.8	309.4	329.0	31.5	—	
Estimated interest earned	—	2.2	8.4	13.5	10.0	9.1	10.8	11.5	1.1	—	**66.6**
Alternative C: 20.0 per cent per year of the 2007-2014 costs for the first five years of construction — recommended option											
Expenditure	**32.5**	**55.8**	**113.4**	**150.7**	**400.4**	**323.3**	**246.9**	**212.0**	**309.1**	**32.6**	**1 876.7**
Percentage received each year	—	—	**20.0**	**20.0**	**20.0**	**20.0**	**20.0**	—	—	—	—
Assessment/funds received	**43.3**	**108.7**	**344.9**	**344.9**	**344.9**	**344.9**	**250.0**	—	—	—	**1 781.7**
Funds in reserve by year's end	**10.8**	**63.7**	**297.5**	**502.2**	**464.2**	**502.1**	**522.8**	**329.0**	**31.5**	—	—
Estimated interest earned	—	**2.2**	**10.4**	**17.6**	**16.2**	**17.6**	**18.3**	**11.5**	**1.1**	—	**94.9**

	2001-2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	***Total***
Alternative D: 25.0 per cent per year of the 2007-2014 costs for the first four years of construction											
Expenditure	32.5	55.8	113.4	150.7	400.4	323.3	246.9	212.0	309.1	32.6	**1 876.7**
Percentage received each year	—	—	25.0	25.0	25.0	25.0	—	—	—	—	**—**
Assessment/funds received	43.3	108.7	431.2	431.2	431.2	309.2	—	—	—	—	**1 754.7**
Funds in reserve by year’s end	10.8	63.7	383.7	677.6	732.1	743.6	522.8	329.0	31.5	—	**—**
Estimated interest earned	—	2.2	13.4	23.7	25.6	26.0	18.3	11.5	1.1	—	**121.9**
Alternative E: 33.3 per cent per year of the 2007-2014 costs for the first three years of construction											
Expenditure	32.5	55.8	113.4	150.7	400.4	323.3	246.9	212.0	309.1	32.6	**1 876.7**
Percentage received each year	—	—	33.3	33.3	33.3	—	—	—	—	—	**—**
Assessment/funds received	43.3	108.7	574.9	574.9	427.2	—	—	—	—	—	**1 729.0**
Funds in reserve by year’s end	10.8	63.7	527.4	970.1	1 030.9	743.6	522.7	329.0	31.5	—	**—**
Estimated interest earned	—	2.2	18.5	34.0	36.1	26.0	18.3	11.5	1.1	—	**147.7**

Annex III

Mixed contribution assessment scenarios

15-country model (for illustrative purposes only)

				(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*
	Scale of assessments[a]			*Assessment scenario I based on period A single scale of assessments*[b]		*Assessment scenario II based on mix of multi-payment plan and multiple rates of assessment*[b]				
							Annual amount[a]			
Member State	*Period A*	*Period B*	*Percentage change*	***One-time assessment***	*Annual amount over 5 years*	*One-time assessment*	*Years 1, 2 and 3 at period A rates*	*Years 4 and 5 at period B rates*	***Total assessments =(c)+(3xd)+(2xe)***	*Variance =(a)-(f)*
Country A	0.00005	0.00006	9.1	**15 000**	3 000		3 000	3 300	**15 600**	600
Country B	0.00034	0.00039	14.6	**100 000**	20 000		20 000	22 900	**105 800**	5 800
Country C	0.00034	0.00048	39.7	**100 000**	20 000		20 000	27 900	**115 800**	15 800
Country D	0.00086	0.00080	(7.3)	**250 000**	50 000		50 000	46 400	**242 800**	(7 200)
Country E	0.00344	0.00451	30.9	**1 000 000**	200 000		200 000	261 800	**1 123 600**	123 600
Country F	0.00861	0.00657	(23.6)	**2 500 000**	500 000		500 000	382 000	**2 264 000**	(236 000)
Country G	0.01721	0.01972	14.6	**5 000 000**	1 000 000		1 000 000	1 146 000	**5 292 000**	292 000
Country H	0.03443	0.04320	25.5	**10 000 000**	2 000 000		2 000 000	2 510 000	**11 020 000**	1 020 000
Country I	0.10328	0.09016	(12.7)	**30 000 000**	6 000 000		6 000 000	5 238 000	**28 476 000**	(1 524 000)
Country J	0.34428	0.30052	(12.7)	**100 000 000**	20 000 000		20 000 000	17 460 000	**94 920 000**	(5 080 000)
Country K	0.00172	0.00141	(18.2)	**500 000**	100 000	500 000			**500 000**	—
Country L	0.00344	0.00402	16.8	**1 000 000**	200 000	1 000 000			**1 000 000**	—
Country M	0.03443	0.03193	(7.3)	**10 000 000**	2 000 000	10 000 000			**10 000 000**	—
Country N	0.10328	0.12058	16.8	**30 000 000**	6 000 000	30 000 000			**30 000 000**	—
Country O	0.34428	0.37565	9.1	**100 000 000**	20 000 000	100 000 000			**100 000 000**	—
Total	**1.00000**	**1.00000**	**—**	**290 465 000**	**58 093 000**	**141 500 000**	**29 793 000**	**27 098 300**	**285 075 600**	**(5 389 400)**

[a] Assumes that the scale of assessments will change at three-year intervals.
[b] United States dollars.