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BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1970

- (a) Programme of major maintenance of and improvement to the Palais des Nations, Geneva
- (b) Extension of the Palais des Nations

Thirteenth report of the Advisory Committee on Administrative and Budgetary Questions to the General Assembly at its twenty-fourth session

1. The Advisory Committee on Administrative and Budgetary Questions has considered reports by the Secretary-General dealing with the programme of major maintenance of and improvement to the Palais des Nations, Geneva (A/C.5/1245) and the extension of the Palais (A/C.5/1248). Its observations on the first-mentioned report are contained in section I below, and those on the second in section II.

I. PROGRAMME OF MAJOR MAINTENANCE OF AND IMPROVEMENT TO THE PALAIS

2. This programme was approved by the General Assembly at its twentieth session in 1965<sup>1/</sup> and its implementation was begun in 1966. Its cost was originally estimated at \$4,894,200, a figure which was subsequently reduced to \$4,856,047 on the basis of a report of the Secretary-General to the Assembly at its twenty-second session, in 1967.<sup>2/</sup>

<sup>1/</sup> Official Records of the General Assembly, Twentieth Session, Annexes, agenda item 76, document A/6223.

<sup>2/</sup> Ibid., Twenty-second Session, Annexes, agenda item 74, document A/C.5/1135; the reduction reflected the fact that the actual cost to 31 December 1966 of the preparation of plans for the enlargement of the Palais amounted to \$111,847, whereas the original estimate had included \$150,000 for this work.

3. Under the terms of the Assembly's decision the programme was to be financed by annual budgetary provisions in the amount of some \$611,775, from 1967 to 1974 inclusive. Appropriations of \$612,000 were made in the budgets for 1967, 1968 and 1969, and provision for the same amount has been made in the Secretary-General's estimates for 1970 under section 7, chapter II. The financial arrangements included the acceptance of an interest-free loan of 8.5 million Swiss francs (\$1,967,000) from the Swiss Federal Government, reimbursable during the period 1970-1974; repayments would be included in the annual budgetary allocations referred to above for those years.

4. In November 1968 the Advisory Committee considered a report of the Secretary-General indicating in general terms the progress made in implementing the approved programme.<sup>3/</sup> While welcoming that report, it expressed the view that more precise information was required before it could evaluate the action already taken and proposed for the programme's full implementation, particularly in the light of recent decisions by the Fifth Committee on the extension of the Palais, which would require adjustments to a number of projects forming part of the programme of major maintenance and improvement. The Advisory Committee welcomed the Secretary-General's intention to reassess the balance of that programme in relation, inter alia, to the extension project, and to report accordingly to the General Assembly at its twenty-fourth session. At the same time it asked for detailed information on the programme, in particular the actual cost of completed projects, reliable cost estimates of projects to be undertaken in 1969 and 1970, and revised estimates of those to be carried out in the period 1971-1974. The Committee also asked for details of those items of the major maintenance and improvement programme which are directly related to the extension of the Palais.<sup>4/</sup>

5. The report of the Secretary-General now before the Assembly has been prepared in response to the Advisory Committee's request.

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<sup>3/</sup> Official Records of the General Assembly, Twenty-third Session, Annexes, agenda item 74, document A/C.5/1189.

<sup>4/</sup> Ibid., document A/7367.

Revised cost estimates

6. The report indicates that the estimated cost of projects included in the programme has increased by \$266,200. As part of this amount can be absorbed by a provision for contingencies (see paragraph 9 below), the effect of the increases is to raise the cost estimate for the programme by \$180,500, from \$4,856,047 to \$5,036,547. The time-table for completion of some projects has been modified.

7. For purposes of analysis the programme can conveniently be divided into three categories - (a) projects completed by the end of 1968 or scheduled for completion in 1969; (b) projects programmed for completion during the period 1970-1974; and (c) projects which have been postponed because of their direct relationship to the extension of the Palais. The table below indicates the status of the projects in each of these categories.

<u>Project</u>	<u>Previous cost estimate</u> <sup>a/</sup>	<u>Present estimate</u> <sup>b/</sup>	<u>Increase (decrease)</u>	<u>Actual or estimated completion date</u>
	\$	\$	\$	
(a) <u>Projects completed by the end of 1968 or scheduled for completion in 1969</u>				
Council chamber .....	135,000	132,000	(3,000)	1968
Conference Room XVI .....	7,000	6,500	(500)	1969
Main entrance lobby .....	295,000	295,000	-	1969
Simultaneous interpretation	109,600	104,800	(4,800)	1968
Arrangements for conference officers and documents officers in conference rooms .....	23,000	30,000	7,000	1969
Move of WHO .....	366,000	350,900	(15,100)	1968
Roofs c/.....	51,200	51,200	-	1968
Villas .....	233,000	232,400	(600)	1968
Narcotics laboratory .....	70,000	78,000	8,000	1969
Medical service .....	32,200	32,200	-	1968
Chalet de Montbovon .....	10,000	10,000	-	1969
Total	<u>1,332,000</u>	<u>1,323,000</u>	<u>(9,000)</u>	

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<u>Project</u>	<u>Previous cost estimate</u> <sup>a/</sup>	<u>Present estimate</u> <sup>b/</sup>	<u>Increase (decrease)</u>	<u>Actual or estimated completion date</u>
	\$	\$	\$	
(b) <u>Projects programmed for completion during the period 1970-1974</u>				
Assembly hall .....	45,000	60,000	15,000	1970
Lobby of assembly hall .....	47,000	47,000	-	1970
Lighting .....	256,700	256,700	-	1974
Creation of offices .....	36,800	44,000	7,200	1970
Elevators .....	380,000	395,000	15,000	1970
Floorings .....	325,000	325,000	-	1974
Central heating .....	425,000	488,000	63,000	1970
Roofs c/.....	-	45,000	45,000	1970
Façades .....	100,000	100,000	-	1970/1971
Armillary sphere .....	9,000	9,000	-	1970/1971
Total	1,624,500	1,769,700	145,200	
(c) <u>Projects postponed because of their direct relationship to the extension of the Palais</u>				
Staff lounge .....	20,000	20,000	-	1971/1972
Air conditioning.....	400,000	450,000	50,000	1971/1972
Press and public services... area d/.....	412,000	412,000	-	1972
Additional grill-bar e/.....	20,000	-	(20,000)	-
Roads and car parks .....	430,000	530,000	100,000	1972
Total	1,282,000	1,412,000	130,000	
GRAND TOTAL for (a), (b) and (c)	4,238,500	4,504,700	266,200	

a/ As indicated by the Secretary-General in his report to the Assembly at its twenty-third session (A/C.5/1189).

b/ In the case of projects completed by 1968, actual costs incurred.

c/ See paragraph 13 below.

d/ Execution deferred on the recommendation of the Advisory Committee pending a reappraisal of needs in the light of the Palais extension.

e/ This project has been cancelled in view of the enlargement of the cateteria, which forms part of the extension of the Palais dealt with in section II of this report.  
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8. Thus, according to the latest estimate the net aggregate cost increase for all projects amounts to \$266,200.

9. It should be noted that the global cost of the programme includes four items distinct from the three categories of projects listed above, namely a contingency provision (\$280,000) and allocations for fees for architects, engineers and other consultants (\$200,000), administrative expenses (\$220,000) and the preparation of plans for the enlargement of the Palais (\$111,847; see footnote 2). With the exception of the contingency provision, the Secretary-General's latest estimates for these items show no change. As for the contingency provision, the revised estimate presented to the Assembly at its twenty-third session<sup>5/</sup> already provided for recourse to this provision in the amount of \$194,300; there remained a balance of \$85,700 to cover subsequent increases. This balance will be insufficient to absorb the increases amounting to \$266,200 listed above; the short-fall of \$180,500 has been added to the over-all estimate for the programme, bringing that estimate to \$5,036,547, as indicated below:

<u>Item</u>	<u>Previous estimate</u>	<u>Present estimate</u>	<u>Increase (decrease)</u>
	\$	\$	\$
Projects listed in categories (a), (b) and (c) .....	4,238,500	4,504,700	266,200
Balance of contingency provision available .....	85,700	-	(85,700)
Fees for architects, engineers and other consultants .....	200,000	200,000	-
Administrative expenses .....	220,000	220,000	-
Preparation of plans for extension of Palais .....	111,847	111,847	-
Total cost of programme	<u>4,856,047</u>	<u>5,036,547</u>	<u>180,500</u>

10. The Advisory Committee notes that the instalment system agreed to by the Assembly at its twentieth session does not provide for financing expenditure over some \$4,894,200, the original estimated cost of the programme.

<sup>5/</sup> Ibid., document A/C.5/1189.

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11. The Secretary-General observes in his report that since the estimates for a number of projects to be undertaken between 1971 and 1974 - particularly those being reviewed in conjunction with the progress of work on extension of the Palais - cannot be regarded as definitive, he is not at this time proposing any increase in the amount approved by the Assembly for the major maintenance and improvement programme. The Advisory Committee also notes from paragraphs 31 and 32 of the report that certain projects additional to those included in the programme are now foreseen, and that it would be the Secretary-General's intention to submit to the Assembly at its twenty-fifth session a revised programme incorporating these projects, along with an indication of priorities and a proposal for the programme's financing. As for the cost of the additional projects, the Secretary-General estimates that it might be in the order of \$600,000 to \$800,000. These projects relate mainly to the installation of additional electronic fire and flood alarm systems, further improvements in the telephone equipment of the Palais and certain of its electrical installations, the redecoration of conference rooms and galleries, and further repairs and replacements of certain elevators.

12. The Advisory Committee gave its attention to the reasons for the increase of \$180,500 in the estimated cost of the approved programme of major maintenance and improvement. It noted in particular that for those projects completed by the end of 1968 or due to be completed in 1969, costs appear to have been kept within the estimate provided last year. Indeed, the Secretary-General foresees a net saving of \$9,000 for these items. For the other two categories - projects programmed for completion in 1970-1974, and projects postponed - the situation is far less satisfactory, the increase in estimated costs amounting to \$275,200. Moreover, the Committee was informed that inflationary trends in Europe are such that it is difficult for the Secretary-General to give an assurance that the latest estimate for projects that have yet to be carried out will be sufficient. In this connexion the Advisory Committee regrets that it has apparently not proved possible to reduce the estimates for those projects requiring integration with the extension of the Palais, as the Secretary-General had previously suggested might be possible.<sup>6/</sup> Indeed, these items account for about half the aggregate increase,

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<sup>6/</sup> Ibid., A/C.5/1189, para. 7.

the only saving being due to the abandonment of the proposal for an additional grill-bar. It would be the Committee's hope that when preparing his report to the Assembly at its twenty-fifth session the Secretary-General would nevertheless give close attention to the possibility of reducing their eventual cost.

13. Following are details of the increases mainly responsible for the higher estimates, broken down into the categories listed in paragraph 7:

Category (a):

Arrangements for conference officers and documents officers in conference rooms (\$7,000): due to substantial increases in the costs of labour and materials for cabinet work;

Narcotics laboratory (\$8,000): due to increases in construction and equipment costs.

Category (b):

Assembly Hall (\$15,000): due to the need, as recommended by the architects, to install draperies of better quality than previously provided for;

Creation of offices (\$7,200): due to the execution in 1969 of work additional to that originally contemplated;

Elevators (\$15,000): due to increased construction and equipment costs;

Central heating (\$63,000): due to under-estimation of cost increases for construction and materials, and to modifications made necessary by inaccuracies in the old construction plans of the Palais;

Roofs (\$45,000): the roof of the cafeteria is urgently in need of thorough repairs.

Category (c)

Air conditioning (\$50,000): due to price increases;

Roads and car parks (\$100,000): due to the need, based on experience during the first half of 1969, to provide 100 additional parking spaces.

14. The Advisory Committee would point out that while in some cases increased estimates are the result of rising costs in others they reflect modifications to the proposals as originally conceived and as approved by the Assembly. Thus,

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although the list of projects embodied in the programme has remained basically unchanged, the scope of some of them has been somewhat altered, with consequent repercussions on the estimated costs. The Committee trusts that when the Secretary-General submits the revised programme alluded to in paragraph 11 above he will at the same time clearly indicate to the Assembly, for its information, these substantive modifications to the programme as approved.

Rate of implementation of the programme

15. The Advisory Committee notes that although it has not been possible to carry out certain projects as scheduled, and despite the deliberate postponement of others directly related to the extension of the Palais, the programme is expected to be completed by 1974, as originally planned.

16. Delays in the execution of projects, compared with the time-table presented to the Assembly last year,<sup>7/</sup> are as follows:

Room XVI. The heavy conference programme in 1968 prevented completion of the work in that year, as scheduled. It is now due to be finished in 1969.

Assembly Hall. Owing to the heavy conference programme and the workload of the technical services concerned, completion of this project has been rescheduled from 1969 to 1970.

Lobby of Assembly Hall. Furnishing of the lobby - the last stage in this project - will be carried out in 1970 instead of 1969.

Creation of offices. Further work was undertaken in 1969 to create additional offices; this project is now due to be completed in 1970, instead of 1968.

Central heating. This project is now due to be completed in 1970 instead of 1969 (see paragraph 13 above).

Roofs. As a result of the additional work described in paragraph 13 above, completion of this project has been put back from 1968 to 1970.

Armillary sphere. This project is now tentatively scheduled for completion in 1970 instead of 1969.

17. According to information supplied to the Advisory Committee obligations incurred since the programme got under way in 1966 amounted at 31 October 1969 to 12,943,918 Swiss francs (\$2,966,277), or about 60 per cent of the total cost as

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<sup>7/</sup> Ibid., document A/C.5/1189. The ensuing list does not include projects postponed because of their direct relationship to the extension of the Palais.



presently estimated. Drawings totalling 6,100,000 Swiss francs (\$1,412,037) had been made to that date on the interest-free loan provided by the Swiss Federal Government, the balance of expenditures having been met from the annual budgetary allocations authorized by the Assembly since 1967.

18. In view of the concern expressed by the Secretary-General that price and wage pressures might result in over-expenditure on those projects scheduled for completion between 1970 and 1974, the Advisory Committee inquired into the possibility that work on some of them might be speeded up. The Committee was informed that some such acceleration could well prove feasible in the case of the lobby of the Assembly Hall and the air conditioning, lighting and flooring projects. The Advisory Committee would therefore commend such a course to the Secretary-General. It would point out that, to the extent that the necessary funds could not be met immediately from the annual budgetary allocations, increased recourse could be had to the loan placed at the Secretary-General's disposition, of which 2.4 million Swiss francs (about \$555,000) remains undrawn.

#### Concluding observations of the Advisory Committee

19. As the Secretary-General is not at this time proposing any change in the amount approved by the Assembly for the programme of major maintenance of and improvement to the Palais, the Advisory Committee would suggest that the Assembly await the revised proposals which he intends to submit at its twenty-fifth session. It would call attention to its remarks in paragraphs 12 and 14 above, in which it expresses its views on certain issues connected with those proposals.

## II. EXTENSION OF THE PALAIS DES NATIONS

20. At its twenty-first session the General Assembly in resolution 2246 (XXI) of 20 December 1966 decided to authorize the Secretary-General to proceed with plans for the extension of the Palais des Nations. These plans were subsequently the subject of extensive modifications by the Secretary-General, which were considered by the Assembly at its twenty-third session, in 1968. By its resolution 2488 (XXIII) of 21 December of that year the Assembly approved the revised proposals along with revised arrangements for their financing. It

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authorized the Secretary-General to proceed with the execution of the revised programme and requested him to keep the Advisory Committee informed of developments and to report annually to the Assembly on the matter, until the new construction was completed.

21. The financing arrangements approved by the General Assembly provided for a series of budgetary appropriations totalling \$24,850,000, spread over the period 1967-1980. The actual construction costs authorized by the Assembly were limited to \$22 million, the balance being required for interest payable on a loan of up to 61 million Swiss francs (\$14,120,000) offered by the Fondation des immeubles pour les organizations internationales.

22. It will also be recalled that under the terms of resolution 2246 (XXI) the General Assembly had authorized the Secretary-General to accept the offer of the Swiss Federal Government and the Republic and Canton of Geneva of a gift of 4 million Swiss francs (\$925,000) towards the cost of the extension.

23. The background to the Assembly's decisions on this undertaking was treated at some length in a report by the Advisory Committee to the Assembly at its twenty-third session.<sup>8/</sup> That report also described the modifications proposed to the project as originally submitted by the Secretary-General.

24. In his report on developments in the past year the Secretary-General outlines the physical progress made towards implementation of the extension project, along with the financial commitments already entered into and those foreseen.

#### Progress of work

25. The Advisory Committee noted with some concern that although work on this project started less than two years ago, it is now some four to five months behind schedule. The Secretary-General attributes this situation to a number of unavoidable factors, notably a delay in the delivery of steel for the superstructure of the conference building, resulting from a general steel shortage in Europe.

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<sup>8/</sup> Official Records of the General Assembly, Twenty-third Session,  
agenda item 74, document A/7337.

26. The Secretary-General reports that the following work has been completed: substructure of the conference building (two floors of reinforced concrete); foundations and ground floor of the office building; excavation for the underground garage; main structural work for the extension of the cafeteria; and restoration of the grounds in the Cour d'honneur.

27. It is the Secretary-General's view that it should be possible to expedite to some extent the structural work - provided the coming winter is not too severe - and thus to make up for some of the delay of four or five months incurred so far. On this basis, he considers that it should be possible to complete the main structure and shell of both the conference and office buildings by the summer of 1970; the remaining construction could then be completed by the autumn of 1971, instead of the summer of that year, as originally planned. In view of the possible impact of the present upward price trends in Europe, which the Advisory Committee understands is a source of preoccupation for the Secretary-General (see paragraph 30 below), the Committee would commend the course of action he proposes and urge that all necessary precautions be taken to avoid future delays such as those already incurred.

#### Financial status of the project

28. The Secretary-General reports that with the exception of the underground garage the work so far completed or in progress is within the related budgetary allocations. In the case of the garage, it will be recalled that in his revised plan the Secretary-General had proposed space for 330 cars;<sup>9/</sup> the Advisory Committee inquired at that time into the feasibility of increasing the capacity to 500 cars, but was informed that for technical reasons this would not be economical. The Secretary-General now reports that, following a further assessment of requirements by the architects, action has been taken to increase the capacity of the garage to 450 cars. Moreover, the bids that have been received indicate that the estimate for the garage - leaving aside the decision to expand its capacity - was insufficient. The Secretary-General therefore now expects that the cost will amount to \$787,000, or some \$380,000 more than provided for in the programme approved by the Assembly at its twenty-third session.

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<sup>9/</sup> Instead of above-ground space for 500 cars, as originally proposed (A/C.5/1179, para. 12 (g)).

29. Although the balance of the work carried out or in progress is within the related budgetary allocations, the Advisory Committee notes that the Secretary-General is considering modifications to the heating and ventilation arrangements, with the object of achieving maximum flexibility in the functional use of the office building. The Committee has been informed that these modifications could increase costs by some \$200,000 to \$250,000. While the Committee is not in a position to comment on the technical factors involved, it would have preferred that all opportunities for improvements of this type had been fully explored at the time the Secretary-General prepared his revised proposals for the Palais extension in 1968.

30. The Advisory Committee notes that on the basis of the figures supplied by the Secretary-General the additional expenses discussed in paragraphs 28 and 29 above can be met from within the contingency provision of \$2,024,800. It is accordingly expected at present that the approved appropriations for the initial construction phases of the extension project will prove adequate. On the other hand, however, the Committee considers it unfortunate that the Secretary-General is not yet in a position to forecast accurately the cost of such later phases as installation of the interior fittings and execution of the decoration. It will be recalled that the Secretary-General expressed the same uncertainty in his report to the Assembly at its twenty-third session.<sup>10/</sup> In his latest progress report he indicates that these items may be affected by rises in industrial wages and the price of materials. Furthermore, he indicates that no precise estimate can yet be made of the cost of building the garage area, restoring the landscaping, completing the roads and installing the exterior lighting. In this connexion the Advisory Committee trusts that the Secretary-General will meet with success in his efforts to enter into firm contractual commitments for the remaining work at the earliest possible time. It notes that although a number of the contracts already let - which amounted at the end of September 1969 to some \$12.6 million - are based on firm unit prices, the ultimate costs will depend on the amounts of material actually required, which the Secretary-General cannot estimate precisely in advance.

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<sup>10/</sup> Official Records of the General Assembly, Twenty-third Session, Annexes, agenda item 74, document A/C.5/1179, para. 23.

31. The following table summarizes the obligations incurred up to 30 September 1969 for the several components of the project, compared with those provided for under the plan approved by the Assembly:

<u>Item</u>	<u>Approved plan</u>	<u>Obligations incurred up to 30 September 1969</u>
	\$	\$
A. New building		
(a) Structure .....	5,260,000	4,946,845
(b) Installations and equipment	10,378,000	4,850,265
B. Connecting tunnels .....	442,000	275,916
C. Cafeteria .....	625,000	397,821
D. Restaurant extension .....	592,000	38,804
E. Outside work and garage .....	715,200	738,948 <sup>a/</sup>
F. Contingencies .....	2,024,800	-
G. Fees for architects and engineers and administrative costs		
(a) Architects' fees .....	1,064,000	1,000,358
(b) Engineers' fees .....	436,000	266,225
(c) Administrative costs .....	463,000	139,548
<div style="text-align: right;">Total</div>	<div style="text-align: right;">22,000,000</div>	<div style="text-align: right;">12,654,730</div>

<sup>a/</sup> The cost of the garage is now estimated at \$787,000 instead of \$405,000 (see paragraph 28 above).

32. As regards the payments to be made to the firms employed by the United Nations for engineering advice and technical supervision, the Secretary-General indicates that it has become necessary to increase the approved allocation by \$32,000 (from \$436,000 to \$468,000) as a consequence of the additional work now foreseen, changes in materials, and the introduction of a new tariff by the Society of

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Engineers and Architects. The Secretary-General states that this extra charge can be met within the funds approved by the General Assembly for this purpose; as the latter included provision for the initial architectural and engineering studies related to the extension, for which an appropriation had been specifically made by the Assembly in 1965 under the programme of major maintenance and improvement of the Palais.

33. The estimated distribution of expenditure for the extension of the Palais, compared with that foreseen by the Secretary-General in his revised proposals to the Assembly last year, is as follows:

<u>Year</u>	<u>Expenditure as estimated</u>	<u>Present estimate</u>
	<u>in 1968</u>	<u>of expenditure</u>
	\$	\$
1968	1,300,000	950,000
1969	5,700,000	3,550,000
1970	8,800,000	8,500,000
1971	4,700,000	6,500,000
1972	1,500,000	2,500,000
Total	<u>22,000,000</u>	<u>22,000,000</u>

It will be seen that, whereas the earlier estimate provided for an expenditure of \$7 million by the end of 1969, in the latest estimate this figure has been reduced to \$4.5 million. The financing arrangements provided for by the Assembly in its resolution 2488 (XXIII) are not affected by this change.

34. The Advisory Committee notes that on 30 January 1969 an agreement was signed with representatives of the Swiss Government and the Fondation des immeubles pour les organisations internationales for the provision of the loan of up to 61 million Swiss francs (\$14,120,000) referred to in paragraph 21 above. The conditions are those approved by the Assembly, that is, interest at 3 per cent per annum, with principal and interest repayable within the period 1972-1980. It is the Secretary-General's intention to draw on this loan in instalments between 1969 and 1972.

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35. As the Advisory Committee intends to visit Geneva in the spring of 1970 in connexion with its review of the administrative and budgetary procedures of the agencies, it would hope to have before it at that time additional information from the Secretary-General on the progress of the extension of the Palais.

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