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Strategic capital review

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the report of the Secretary-General on the strategic capital review (A/69/760). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 5 March 2015.

2. The report of the Secretary-General is submitted pursuant to section V of General Assembly resolution 68/247 B, in which the Assembly requested the Secretary-General to provide, inter alia, additional information on the scope, content and nature of the strategic capital review. In the same resolution, the Assembly recalled that any potential proposals stemming from the strategic capital review with budgetary implications should follow the procedure set out in the Financial Regulations and Rules of the United Nations.

II. Background and linkages with other organizational initiatives

3. Information with respect to the background and key objectives of the strategic capital review is contained in the previous report of the Advisory Committee (A/68/796, paras. 5 and 7-12). The Advisory Committee recalls that the strategic capital review has been divided into three phases (ibid., para. 3). A brief summary of the three phases and the timeline (ibid., para. 4, and A/69/760, paras. 17 and 21) is provided below:

(a) Phase 1 (completed in December 2012) focused on establishing a framework for data collection and work methodology for the review;

(b) Phase 2 (completed in October 2014) comprised data collection and the development of local capital plans conducted by offices away from Headquarters and regional commissions;

(c) Phase 3 (begun in November 2014 and to be completed in May 2015) comprises conclusions and recommendations, including a 20-year capital maintenance programme and a database to be used for monitoring and reporting on facilities' and project performance.

4. As to the activities planned for phase 3, the Advisory Committee was informed, upon enquiry, that the data analysis of the outcome of phase 2 and the compilation of the initial 20-year capital maintenance programme were completed in December 2014 and that the remaining activities, including establishment of a database and conduct of training, are scheduled to be completed by 7 May 2015.

5. Concerning the use of terminology in the strategic capital review, the Advisory Committee further recalls that the General Assembly endorsed the recommendation of the Committee by emphasizing the technical nature of the subject matter and the need for a shared understanding and consistent application of terms, moving towards the development of a long-term capital programme and a prioritization strategy for the global premises of the United Nations Secretariat, and requested the Secretary-General to set out precise definitions (resolution 68/247 B, sect. V, para. 3). The Committee notes that a glossary has been included in the report of the Secretary-General (A/69/760) pursuant to the request of the Assembly.

6. As for the linkages with other initiatives already launched by the Organization or to be considered by the General Assembly, the Secretary-General indicates that the strategic capital review has taken into account other organizational initiatives and ongoing capital projects being undertaken by the Organization, as follows (A/69/760, paras. 5-10):

(a) The International Public Sector Accounting Standards (IPSAS): five asset classes that are valued under IPSAS are considered, including: (i) buildings; (ii) infrastructure assets; (iii) machinery and equipment; (iv) furniture and fixtures; and (v) leasehold improvements;

(b) Umoja: with the recent launch of the Umoja real estate module, key information regarding buildings owned and operated by the Organization is recorded in detail, including the location, size and age of buildings;

(c) Global service delivery model: as proposals for a new global service delivery model will be submitted for consideration by the General Assembly at the main part of its seventieth session, it has not been included as a specific driver in the report of the Secretary-General;

(d) Flexible workspace strategies: the impact of this initiative on long-term accommodation at Headquarters is significant, as it presents the opportunity to reduce leasehold obligations. However, in contrast to New York and Geneva, the impact on the other duty stations is much less significant in terms of financial savings as they do not have significant leasehold obligations.

7. The Secretary-General further indicates that, although specific targets for space usage efficiency gains are not included in the 20-year capital maintenance programme as part of the strategic capital review, space usage efficiency is one of the key objectives of the review. The lessons learned from the pilot project at

Headquarters are being shared with offices away from Headquarters and regional commissions (A/69/760, para. 11). In addition, in accordance with the request of the General Assembly, flexible workplace strategies are being considered in capital projects undertaken by the Organization. The comments and observations of the Advisory Committee on the application of flexible workplace strategies are contained in its report (A/69/810) on the report of the Secretary-General (A/69/749).

8. Upon enquiry, the Advisory Committee was also informed that it is intended that the strategic capital review will be updated periodically to respond to changing organizational requirements (see also para. 23 below). As the strategic capital review is further refined and developed, updates will be forthcoming on the possible impact of the above-mentioned initiatives should the General Assembly approve them. **The Advisory Committee stresses the importance of regularly updating the strategic capital review so that the review will reflect future decisions of the General Assembly and respond to the changing needs of the Organization.**

9. The Advisory Committee was also informed, upon enquiry, that the strategic capital review was undertaken to address the concerns related to global facilities management, to establish an Organization-wide perspective on needs and priorities in relation to the development of new facilities and major maintenance of existing facilities and to ensure adequate support for duty stations involved in such work (A/64/6 (Sect. 28D)/Add.1, para. 14). The Board of Auditors also raised the concern that the United Nations did not have a long-term asset management plan for the entire United Nations estate (A/68/5 (Vol. V), p. 6), and recommended that the Administration consider adopting a whole life-cycle asset investment strategy and assess costed options for through-life maintenance (see para. 28 below).

10. **The Advisory Committee notes that, for the first time, the Organization has developed an extensive long-term capital maintenance programme, which would serve as a viable planning tool and facilitate the consideration and decision-making of the General Assembly. The Committee, therefore, commends the efforts made by the Secretary-General in this regard.**

III. Project governance and lessons learned

11. The Secretary-General provides information on the governance structure for the management of the properties of the Organization (A/69/760, paras. 12-15). The Office of Central Support Services of the Department of Management provides support and coordination to offices away from Headquarters and regional commissions in the management of their properties and constructions. For the strategic capital review, under the overall leadership of the Assistant Secretary-General for Central Support Services, day-to-day coordination is conducted between the Overseas Properties Management Unit of the Office and the facilities managers at offices away from Headquarters and regional commissions, with support from an architectural planning consultancy firm (see para. 12 below). The Unit ensures that the projects developed by local teams are in conformity with the overall objectives of the review and that preliminary project cost estimates and timelines are developed according to a consistent methodology.

12. The Secretary-General indicates that the architectural planning consultancy firm selected for the review provides offices away from Headquarters and regional commissions with detailed technical advice as required (A/69/760, para. 14). Upon

enquiry, the Advisory Committee was informed that the total contract for the architectural planning consultancy firm is for an amount “not to exceed” €786,005. The original contract was signed on 8 May 2012 for a period of 56 weeks and was to be executed over a three-year period (expiring on 7 May 2015). As the current contract is soon to expire, the Committee requested information relating to any future use of external consultancy services in connection with the strategic capital review. The Committee was informed that the intent of the Secretariat is to continue to engage an external consultant to provide ongoing support for the review, though at a diminished capacity. Anticipated services include those described in paragraph 68 (c) of the report of the Secretary-General.

13. In this connection, the Advisory Committee was further informed that the intent of the Secretariat is to pursue the most cost-effective approach possible and to mainstream the work and the overall approach of the strategic capital review into the daily work of the Secretariat. As the reliance on external expertise is reduced, it is expected that the ongoing coordination of the strategic capital review would require strengthening the current capacity of staff in the Office of Central Support Services. However, the services of external consultants for periodic surveys of building conditions and for the implementation of renovation projects (such as architectural/engineering design and construction management services), for which the Secretariat does not have the requisite capacity, would continue to be required.

14. Annex II to the report of the Secretary-General contains information on the lessons learned from capital projects recently undertaken by the Organization. With respect to issues related to capital project contingency provision and its management and utilization, the Advisory Committee notes that what is described in paragraphs 23 and 24 of annex II is not a full reflection of the best practice recommended by the Board of Auditors in this regard.[1] On the basis of the lessons learned from the implementation of the capital master plan, the Committee has made comments and observations on the related issues, in particular in the context of the strategic heritage plan (see A/68/585, paras. 73-81) and the construction of a new facility for the International Residual Mechanism for Criminal Tribunals, Arusha branch (A/69/788, paras. 26-30). **The Advisory Committee reiterates its recommendation that the General Assembly request the Secretary-General to follow the best practice as recommended by the Board of Auditors with respect to the management and utilization of project contingency provisions in all capital projects (see also A/69/788, para. 28). The Committee recommends that the Assembly request the Secretary-General to reflect this in his future reports on the strategic capital review.**

[1] According to the Board of Auditors, it is crucial that the contingency funding is not used as a device to absorb general increases in project costs. Good practice dictates that, prior to the approval of a major project, the level of contingency required is calculated based on the types of risk which may emerge and the cost of mitigation. The Board has observed that the key differences between United Nations projects and what the Board understands as best practice are the following: (a) the use of contingency funds should be approved transparently by a governing body, such as a steering committee, not by the project; and (b) the use of the contingency should not be assumed, and should be approved only to mitigate the specific risk it was established for. If no such risks arise, the funding should be returned at the end of the project.

IV. Phase 2 of the strategic capital review: scope, data collection and findings

15. The scope of the strategic capital review covers (a) eight locations (New York, Geneva, Vienna, Nairobi, Addis Ababa, Bangkok, Beirut and Santiago) and (b) a total of 20 subregional offices of the regional commissions all housed in leased premises, pursuant to General Assembly resolution 68/247 B[2] (A/69/760, paras. 4 and 56).

16. The strategic capital review has covered 103 owned and 51 leased buildings. With regard to the owned buildings, the gross replacement value is $3.644 billion, the depreciated replacement value is $2.097 billion and the average building age is 25 years (ibid., para. 4). Concerning the utilization of the total of 154 buildings owned and leased by the Organization, the Advisory Committee was informed, upon enquiry, that it is the intention of the Secretariat to provide more detailed information on all aspects of planned projects, including utilization of the buildings, in future reports on the strategic capital review (see also para. 8 above).

17. The Secretary-General indicates that, depending on the terms of the leases, the Organization is responsible for major maintenance and/or leasehold improvements at those locations, and that these capital requirements have been included in the review (A/69/760, para. 56). Upon enquiry, the Advisory Committee was informed that the information collected and presented in the report of the Secretary-General presupposes that all of the buildings owned and operated by the Organization have a basic utility that should, foremost, be preserved. Overall, it might be noted that even if the Secretariat projects that it may not need a building in the future for whatever reason, it usually makes sense to seek to preserve its value and utility in accordance with the principles set out in the report of the Secretary-General. This protects the investment of Member States in the event that such a building may be needed by the Secretariat in the future, or for leasing to another entity, or to maximize its sale value.

18. The Advisory Committee notes that the approved and ongoing capital projects are included in the report, but excluded in the estimates of the 20-year capital maintenance plan (see paras. 20 and 21 below) as they were all developed prior to the completion of the review. Those projects comprise (a) the strategic heritage plan in Geneva; (b) the new facility for the International Residual Mechanism for Criminal Tribunals in Arusha; (c) the blast mitigation project at the Economic and Social Commission for Western Asia in Beirut; and (d) the renovation of Africa Hall at the Economic Commission for Africa in Addis Ababa (A/69/760, para. 8 and figure 1). The Secretary-General indicates that, beyond the initial construction of the new facility for the International Residual Mechanism for Criminal Tribunals, it has yet to be determined whether the framework established by the strategic capital review will be used to forecast capital requirements for the new facility after it is completed. Developments in this regard will be included in future reports on the strategic capital review (ibid., para. 53).

[2] The General Assembly decided that the review should include all premises owned and managed by the United Nations that are managed by the Office of Central Support Services of the Department of Management of the Secretariat (resolution 68/247 B, sect. V, para. 5).

19. The activities undertaken during phase 2 of the review are described in paragraphs 17 to 20 of the report of the Secretary-General. It is indicated in paragraph 25 of the report that the exercise has revealed that capital improvements are necessary (a) in the near term to address urgent remedial needs and (b) in the long term based on a life-cycle replacement methodology (see paras. 27 and 28 below). According to the Secretary-General, the life-cycle replacement methodology is particularly applicable to Headquarters following the capital master plan, will be applicable to Geneva following the strategic heritage plan and will be similarly applicable to Nairobi and the regional commissions once the anticipated capital projects necessary for health, safety and security reasons have been completed (see paras. 24 and 25 below). A summary of the findings of phase 2, by location, is provided in paragraphs 26 to 52 of the report of the Secretary-General. Annex I to the report contains an overview of the real estate portfolio at each of the eight locations covered by the review, by building assets, infrastructure assets and leased buildings.

V. Phase 3 of the strategic capital review: development of the 20-year capital maintenance programme (2018-2037)

20. The initial outcome of the strategic capital review is the establishment of the long-term capital maintenance programme based on a comprehensive analysis of both the near-term and the long-term capital projects (A/69/760, para. 24). The total capital maintenance requirements are currently estimated at $1,325,571,612 over the course of 20 years or 10 bienniums (ibid., table 1). The requirements are inclusive of facilities-related requirements, related buildings, infrastructure assets, equipment and furniture, but exclusive of those security and information technology requirements currently provided for under section 33, Construction, alteration, improvement and major maintenance, of the programme budget (ibid., para. 58). The Advisory Committee was informed, upon enquiry, that the cost estimates are based on 2014 values.

21. A summary of the resource requirements for the initial 20-year capital maintenance programme, beginning in the biennium 2018-2019 and extending through the biennium 2036-2037, is provided in table 1, by biennium, and table 2, by duty station, of the report of the Secretary-General. The maintenance reinvestment rate is calculated on the basis of the average annual capital maintenance requirements as a percentage of the current gross replacement cost ($3,644,602,252) for the portfolio of assets under review (see paras. 27 and 28 below on the proposal for future incremental recapitalization). The property portfolio at each duty station is valued on two bases, namely, gross replacement cost and depreciated replacement cost. Gross replacement cost is defined as the cost to rebuild/replace the property as new, whereas the depreciated replacement cost is the depreciated value (A/69/760, para. 59).

22. Moreover, the Secretary-General recognizes that the level of capital improvements necessary to move away from the Organization's current reactive approach to capital maintenance is significantly higher than the current level of provisions for alterations and major maintenance under the programme budget (ibid., para. 24). Upon request, the Advisory Committee was provided with

information on the capital expenditure under the programme budget for the past six bienniums (see the table below).

Capital expenditure (actual)

(Thousands of United States dollars)

Component	*2002-2003*	*2004-2005*	*2006-2007*	*2008-2009*	*2010-2011*	*2012-2013*
Alteration and improvement						
1. Headquarters	40 577.8	32 874.3	28 396.7	19 840.4	3 528.3	5 931.2
2. Geneva	24 298.4	32 931.5	17 525.6	7 191.3	3 712.5	4 481.9
3. Vienna	1 486.4	1 922.9	2 085.8	3 711.3	2 417.5	2 665.3
4. Nairobi	1 141.7	8 252.3	8 170.6	2 430.7	6 785.1	2 652.2
5. Economic and Social Commission for Asia and the Pacific	1 005.4	2 725.9	3 247.1	1 888.7	457.6	2 571.5
6. Economic Commission for Latin America and the Caribbean	1 780.7	2 425.3	4 061.9	1 486.3	4 921.2	926.2
7. Economic Commission for Africa	2 246.6	4 674.6	9 215.5	3 246.3	6 856.2	1 899.4
8. Economic and Social Commission for Western Asia	–	–	266.9	–	4 197.9	–
Subtotal	**72 537.0**	**85 806.8**	**72 970.1**	**39 795.0**	**32 876.3**	**21 127.7**
Major maintenance						
1. Headquarters	8 059.3	8 933.1	7 151.1	8 015.3	7 392.0	11 390.6
2. Geneva	2 771.8	4 547.1	4 523.3	6 597.5	6 974.8	14 361.1
3. Vienna	598.4	682.2	863.3	1 155.5	1 071.9	1 035.1
4. Nairobi	1 398.8	1 514.4	1 923.6	1 957.5	3 372.2	2 854.2
5. Economic and Social Commission for Asia and the Pacific	2 018.2	1 341.8	1 430.1	1 689.6	1 853.4	710.2
6. Economic Commission for Latin America and the Caribbean	404.2	333.6	536.9	223.5	830.7	1 466.9
7. Economic Commission for Africa	905.5	548.5	644.4	749.3	982.5	1 111.3
8. Economic and Social Commission for Western Asia	–	–	–	–	–	313.3
Subtotal	**16 156.2**	**17 900.7**	**17 072.7**	**20 388.2**	**22 477.5**	**33 242.7**
United Nations enterprise network	**–**	**–**	**8 080.1**	**549.4**	**5 139.9**	**6 831.7**
Total	**88 693.2**	**103 707.5**	**98 122.9**	**60 732.6**	**60 493.7**	**61 202.1**
Other[a]						
Capital master plan (special assessment)	4 306.0	21 330.9	81 397.7	809 958.7	681 535.0	49 349.1
United Nations Office at Nairobi (rental income)	–	–	–	8 585.1	13 502.5	1 874.9

[a] The Economic Commission for Africa received $1.0 million from the support account for peacekeeping operations.

23. The Secretary-General intends to maintain the 20-year capital maintenance programme on a rolling basis by updating it at appropriate intervals (A/69/760, para. 3). He indicates that it is important that the programme be maintained and updated periodically, adjusting to new challenges, organizational objectives and other developments (ibid., para. 23). This tool will then become the framework for planning and developing future capital improvements.

Near-term capital expenditure and other projects

24. A summary of the anticipated projects identified for implementation within the first 10 years of the 20-year programme is provided in section 4 of figure 1 of the report of the Secretary-General, which shows cost estimates related to the projects in Addis Ababa, Bangkok, Nairobi and Santiago. The projects at the four duty stations are listed under each of the three headings (life safety, modernization and programmatic objectives) representing the primary objectives for the projects. The Secretary-General indicates that, although a project may have more than one benefit or objective, projects are considered to have a single primary objective for the purpose of this planning exercise (A/69/760, para. 61). Upon enquiry, the Advisory Committee was informed that there are no projects planned or established for the second half of the 20-year period.

25. The anticipated projects in Addis Ababa, Bangkok, Nairobi and Santiago for the bienniums from 2018-2019 to 2026-2027 (ibid., para. 61) are as follows:

(a) Life safety: (i) structural and life safety remediation of the secretariat tower at the Economic and Social Commission for Asia and the Pacific; and (ii) structural and life safety remediation of the old office building tower at the Economic Commission for Africa;

(b) Modernization and maintenance of property value: (i) replacement of old office blocks (blocks A to J) at the United Nations Office at Nairobi; (ii) replacement of site infrastructure at the United Nations Office at Nairobi; and (iii) renovation of the north building at the Economic Commission for Latin America and the Caribbean;

(c) Programmatic objectives: (i) renovation of the library and cafeteria buildings at the Economic Commission for Africa; and (ii) expansion of conference facilities at the United Nations Office at Nairobi.

26. The Advisory Committee sought clarification on the anticipated capital projects as shown in section 4 of figure 1 of the report of the Secretary-General and was informed that the reasons for separately listing those projects include their size in terms of both area/square footage and cost, the anticipated duration for implementation, their complexity, and the requirements for dedicated project management, architectural and engineering design services or other specialist services beyond the current capacity of the Organization. Upon request, the Advisory Committee was provided with revised sections 4 and 5 of figure 1 in the report of the Secretary-General (see the annex to the present report). **The Advisory Committee notes that presenting the anticipated capital projects in a group distinct from the other maintenance activities under section 33 of the programme budget provides more clarity with respect to the resource estimates identified in the strategic capital review. It is, therefore, of the view that all**

capital projects should be presented in such a transparent manner in future proposals of the Secretary-General.

Proposal for future incremental recapitalization based on a life-cycle replacement methodology

27. Following the completion of the anticipated near-term capital expenditure and other projects undertaken during the first 10 years of the 20-year programme, and once the facilities are upgraded or newly constructed, the Secretary-General recommends that the Organization put into effect an incremental recapitalization plan based on the life-cycle replacement methodology (A/69/760, para. 63). He provides justifications for the methodology, including the following: (a) it extends the useful lives of assets; (b) it keeps the assets fit for purpose; (c) it reduces the cost of keeping assets operational; (d) it provides a better risk management strategy; and (e) it saves on additional/associated costs attributed to implementing large-scale projects, such as the costs of swing space and interruption to business (ibid., para. 66).

28. As for future budgeting for capital expenditure under the proposed life-cycle replacement methodology, the Secretary-General indicates that the 50-year useful life of buildings implies that such buildings should be recapitalized at least once every 50 years. Effectively, this means that 1/50th of the gross replacement cost should be budgeted for each year for the purpose of recapitalization, hence the 2 per cent annual maintenance reinvestment rate considered in his previous report (ibid., para. 64).[3] In this connection, the Advisory Committee recalls that, according to the Board of Auditors, the expenditure profiles for a robust whole life-cycle investment profile can fluctuate significantly from year to year. For example, electrical cooling units may have a 15-20 year replacement cycle, creating a significant but irregular cash flow demand over longer time frames. Some organizations choose to pay for whole life-cycle investments out of a normal operating revenue account, accepting the rationale for irregular cash flow demand patterns. Others, more typically, set up a sinking fund to provide sufficient returns each year to pay for repairs and minor maintenance. Once the initial capital investment has been made, the objective is to fund the maintenance regime from the annual returns. **The Advisory Committee is of the view that more detailed information is required for the future budgeting and funding for an incremental recapitalization plan based on the life-cycle replacement methodology so that Member States will have a better understanding of the financial implications of this proposal.**

29. The Secretary-General anticipates that, provided that the function of a building is required beyond its useful life, as is the case for all of the buildings currently in use by the Organization, it will need to be recapitalized at least once prior to the end of its useful life. Ideally this recapitalization should occur incrementally over a period of time, but it may occur all at once in a single replacement project (ibid., para. 65). Figures 2 to 4 in the report of the Secretary-General illustrate asset performance over time under two methodologies, namely, (a) recapitalization of an asset at the end of its useful life or (b) incremental recapitalization of an asset during the first half of its useful life.

[3] According to the Secretary-General, the maintenance reinvestment rate of a particular location might need to be higher than 2 per cent for the next few years because a number of buildings are reaching the end of their useful lives.

30. The Advisory Committee enquired whether it was possible to conduct a cost-benefit analysis of the capital master plan project, including the value of the Secretariat building before the project. The Committee was informed that an accurate valuation of the Secretariat complex prior to the capital master plan was not readily available, given that, until the adoption of IPSAS, property values were recorded primarily for insurance purposes. These were most closely related to what is now referred to, since the adoption of IPSAS in 2014, as gross replacement cost rather than depreciated value. The gross replacement value of the properties owned by the United Nations at Headquarters in New York was reported in 2007 to be $770,696,000 (see A/62/6 (Sect. 32)), while the gross replacement cost of the same properties, according to the IPSAS-compliant valuation exercise carried out in 2014 and reported in the current report, amounts to $1,748,421,225. The Committee was further informed that, in general terms, the Organization aims to avoid or minimize the use of costly commercial swing space, such as that required under the capital master plan, in future capital projects. Most of the preliminary planned projects included in the capital maintenance programme do not entail the use of commercial swing space.

31. The Advisory Committee further enquired whether there was any way to substantiate the cost-effectiveness of the proposed methodology, proving that a preventative maintenance of premises would be less expensive than the current reactive capital investment approach. The Committee was informed that, although the Secretariat did not have any definitive empirical data to confirm that savings would be achieved in all circumstances by a preventative maintenance programme, review of industry benchmark studies had indicated that such an approach could save as much as 12 per cent over a reactive maintenance approach over time. This is based on the premise that a preventative maintenance programme was a more planned and controlled approach to maintaining facilities. **The Advisory Committee expects that more information on the potential costs and benefits of a preventative maintenance programme will be provided in the next report of the Secretary-General on the strategic capital review.**

32. On the potential funding of the capital projects identified in the strategic capital review, the Advisory Committee was informed, upon enquiry, that normally all construction, alteration improvements and major maintenance work, irrespective of size and complexity, are proposed under section 33 of the proposed programme budget — except in the case of the capital master plan, for which the General Assembly decided upon a special assessment mechanism. Currently, the anticipated capital projects are in the planning stages and the review has focused mainly on defining the requirements. Funding options will be the subject of future reports to be considered by the General Assembly.

33. The Advisory Committee was informed, upon enquiry, that the Secretary-General is guided by the request of the General Assembly to ensure that major capital expenditure projects are not implemented simultaneously in order to prevent the need to finance them at the same time (resolutions 66/247 and 67/254 A). As to the definition of major capital expenditure projects, the Committee was informed that it is the understanding of the Secretariat that this request has three dimensions, namely, (a) scope (major capital expenditure projects to be constructed by the United Nations); (b) timing (not to be implemented simultaneously); and (c) purpose (to prevent the need to finance them at the same time). The Secretariat understands that the Secretary-General should ensure that any construction/

renovation project which requires major capital expenditure is not implemented concurrently with another to avoid the need to finance them in parallel. The capital master plan and the strategic heritage plan are in this category of capital expenditure projects.

34. Furthermore, the Advisory Committee was informed that various options have been explored to meet the long-term accommodation needs at United Nations Headquarters, including solutions which would entail major capital expenditure, financed by an assessment upon Member States, but also solutions that would not entail a special assessment upon Member States for major capital costs. It is the understanding of the Secretariat that the latter would not be subject to the above-mentioned request of the General Assembly. One possible example would be the option of financing DC-5 through a lease-to-own arrangement with the United Nations Development Corporation. In summary, it is the understanding of the Secretariat that, upon the completion of the capital master plan, major projects may proceed concurrently if funding arrangements can be put in place that do not require major capital expenditure or a special assessment upon Member States for more than one of those projects. The next major capital project is the strategic heritage plan.

Need for clarity in the presentation of the proposals of the Secretary-General

35. The Secretary-General recommends that the General Assembly (a) take note of the report and (b) request him to report to the Assembly, at the first part of its resumed seventieth session, on the long-term capital maintenance programme (2018-2037), including detailed information for the preliminary planned projects and the related cost estimates (A/69/760, para. 69). **The Advisory Committee is of the view that the information contained in paragraph 69 (a) and (b) lacks clarity with respect to the proposals of the Secretary-General, the precise actions requested of the General Assembly, along with implications relating to possible endorsement of these actions.**

36. Upon a request for clarification in this regard, the Committee was informed that the Secretary-General is not, in his report (A/69/760), seeking approval for specific projects or other major maintenance and alterations and improvements activities identified as a result of the completion of the initial strategic capital review. Rather, the Secretary-General is seeking general concurrence with the principles set forth in the report, as follows:

(a) Periodic studies of the existing conditions of buildings and infrastructure assets should be undertaken by the Organization;

(b) Prospective projects and maintenance activities should be identified well in advance to allow for consideration by Member States;

(c) The capital maintenance programme should be regularly updated to incorporate changing organizational requirements;

(d) A systematic and planned approach to capital maintenance should be employed, rather than the current reactive approach, so as to avoid large, high-risk projects when possible.

37. Upon enquiry, the Advisory Committee was further informed that the "preliminary planned projects" referred to in paragraph 69 (b) are the "anticipated

projects" listed in section 4 of figure 1 of the report of the Secretary-General (see paras. 24 and 25 above). As at this stage of the review, the development of those projects has included: (a) identification of the requirements, through conditions assessments; (b) conceptual programming, meaning that the approximate sizes and functions of the projects have been estimated; (c) conceptual implementation planning, including phasing and scheduling; and (d) conceptual cost estimates, as set out in figure 1, based on the concept programmes and implementation plans. In addition, the Advisory Committee was informed that the intent of the Secretariat is to further develop these projects from a conceptual level to a more refined level, a level at which they can be reported to Member States for further consideration at the first part of the resumed seventieth session of the General Assembly and, eventually, for approval.

38. The Advisory Committee was further informed that the report of the Secretary-General is intended to be of use to the General Assembly primarily as a planning document. It is envisaged that the next report on the strategic capital review would provide more detailed information on the preliminary planned projects, particularly those that may be considered in the context of the preparation of the proposed programme budget for the biennium 2018-2019. However, those projects would be proposed in accordance within the regulatory framework established for determining resource requirements under the proposed programme budget.

39. **The Advisory Committee supports the general principles proposed by the Secretary-General in the context of the strategic capital review as explained in paragraph 36 above. The Committee is, nonetheless, of the view that the proposal for future incremental recapitalization based on a life-cycle replacement methodology should be refined and the costs and benefits of a preventative maintenance programme be further detailed in the next report of the Secretary-General on the strategic capital review (see paras. 28 and 31 above).**

40. **In this connection, the Advisory Committee recalls its observation that future decisions concerning the level of resources required for future capital investment and/or progressive maintenance requirements for the Organization's capital assets depend on the application of a reliable, consistent and realistic valuation methodology, along with details concerning the applicability of comparable industry standards to all United Nations-owned and/or operated premises (A/68/796, para. 28).**

VI. Conclusion and recommendations

41. **The Advisory Committee recommends that the General Assembly take note of the report of the Secretary-General, taking into account its comments and observations in the preceding paragraphs.**

Annex

Sequencing of near-term and long-term capital expenditure projects and other construction works

Projected timeline, 2013-2037

(Millions of United States dollars)

Project	Value	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
4. Anticipated capital projects																											
Life safety																											
Economic Commission for Africa — old office building																											
Proposed budget	**13.7**									3.1		5.3		5.3													
Economic and Social Commission for Asia and the Pacific — secretariat tower																											
Estimated cost	**26.2**							5.5		5.9		4.6		5.1		5.1											
Modernization																											
United Nations Office at Nairobi — blocks A-J																											
Estimated cost	**38.8**							19.9		19.9																	
United Nations Office at Nairobi — site infrastructure																											
Estimated cost	**18.9**							3.1		4.2		5.4		6.1													
Economic Commission for Latin America and the Caribbean — north building																											
Estimated cost	**7.2**							1.7		5.5																	
Programmatic objectives																											
Economic Commission for Africa — cafeteria and library																											
Estimated cost	**9.6**							2.5		4.0		1.5		1.5													
United Nations Office at Nairobi — conference west																											
Estimated cost	**7.0**									3.5		3.5															
United Nations Office at Nairobi — conference east																											
Estimated cost	**6.4**											3.2		3.2													
Estimated total cost for anticipated capital projects								**32.7**		**46.1**		**23.5**		**21.2**		**5.1**											**128.6**
5. Ongoing — construction, alteration, improvement and major maintenance																											
New York								8.1		8.5		26.7		40.1		64.6		46.8		38.4		60.4		99.7		147.4	
Geneva								10.0		10.0		10.0		10.0		14.8		15.0		25.9		33.9		48.5		37.9	
Vienna								2.6		2.6		1.8		1.5		4.6		2.3		8.6		3.3		1.9		1.9	
Nairobi								21.4		30.8		20.5		19.9		11.8		12.2		18.4		8.3		30.7		11.6	
Bangkok								8.2		3.8		6.7		7.4		5.4		6.6		6.3		2.7		3.6		1.7	
Santiago								12.8		5.4		1.4		0.1		0.2		5.5		1.7		0.5		0.1		-	
Addis Ababa								13.4		13.9		10.7		10.7		9.8		16.7		15.3		13.7		15.2		24.2	
Estimated cost								**76.5**		**74.9**		**77.8**		**89.7**		**111.2**		**105.1**		**114.5**		**122.7**		**199.8**		**224.7**	**1,197.0**
Estimated total cost								**109.2**		**121.0**		**101.3**		**110.9**		**116.3**		**105.1**		**114.5**		**122.7**		**199.8**		**224.7**	**1,325.6**

Legend:

- Planning and design phases
- Implementation/construction phase
- Impementation phase of projects not yet approved
- Planning phases of projects not yet approved