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### BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1964

#### Construction of the United Nations Building in Santiago, Chile

#### Twenty-sixth report of the Advisory Committee on Administrative and Budgetary Questions to the General Assembly at its eighteenth session

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General (A/C.5/990) on the construction of the United Nations Building in Santiago, Chile.
2. It may be recalled that a year ago the Secretary-General indicated to the General Assembly<sup>1/</sup> that, on the basis of the architectural plans and the bids received, the building could not be constructed within the provision of \$1,550,000<sup>2/</sup> authorized by General Assembly resolution 1407 (XIV) of 1 December 1959 and that, without taking into account the possible results of the Gift Programme of the Economic Commission for Latin America (ECLA), a deficit of about \$460,000 was to be anticipated. With a view to avoiding additional budgetary charges, the Secretary-General suggested, inter alia, the possibility of modifying the construction programme by effecting further drastic reductions in space and facilities, including the elimination of space for the other offices of the United Nations and specialized agencies (Technical Assistance Board, United Nations Children's Fund, Food and Agriculture Organization of the United Nations, International Labour Organisation and United Nations Educational, Scientific and Cultural Organization).

<sup>1/</sup> Official Records of the General Assembly, Seventeenth Session, Annexes, agenda item 62, document A/C.5/923.

<sup>2/</sup> The amount of \$1,550,000 was appropriated in five annual instalments in the budgets for 1959 to 1963.

3. The Advisory Committee in its corresponding report<sup>3/</sup> recalled that the building was designed to house not only the ECLA secretariat but also other local offices of the United Nations and of the specialized agencies, as well as to provide common services for those occupying the building. Accordingly, it felt that it would not be satisfactory to construct a building with office space limited exclusively to the ECLA secretariat. The Advisory Committee thus addressed itself to the possibility of constructing the building in accordance with the original plans, but with the minimum risk of incurring any additional charge on the United Nations budget. The Committee understood that it would be possible to proceed with the construction on the basis of the original plan, and to leave to the General Assembly, at its eighteenth session, the final decision on the adequacy of available resources; that decision it believed, could be based on a more realistic assessment of the general economic situation in Santiago and on the result of the voluntary contribution programme already under way. It felt that the nature of the construction programme should make it possible to obviate any additional budgetary charge if the construction went forward as planned. The Advisory Committee further recommended that the General Assembly should call for the maximum possible support for the voluntary contribution programme which had been initiated. These recommendations were endorsed by the Fifth Committee and the General Assembly.

4. In paragraph 6 of his latest report (A/C.5/990), the Secretary-General states that, following the General Assembly's decision, excavation commenced in January 1963 and the lowest contractual bid for the main structural work was accepted. Later, this bid became subject to adjustment and the estimates of cost of other contracts to be concluded in 1963 had to be revised for the following reasons:

(a) The costs of construction materials increased by approximately 56 per cent during the period September 1962 to June 1963;

(b) A general wage increase of 15 per cent was legally promulgated with effect from 16 October 1962. A further adjustment of 27.7 per cent at the lowest wage level, decreasing as wages ascended, was granted effective 1 January 1963;

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<sup>3/</sup> Official Records of the General Assembly, Seventeenth Session, Annexes, agenda item 62, document A/5369.

(c) At the time of the excavation, the discovery of underground water at an unexpectedly high level gave rise to considerable complications which delayed the early stages of the construction and required revision of certain of the structural plans.

5. The Secretary-General indicates that the revised bid for the main structure was carefully examined and verified and that all of the contracts so far awarded provide only for the basic construction of the building. No contract has yet been awarded for the completion of installations and finishings as sufficient funds are not available within the existing appropriation.

6. The Advisory Committee would call attention to paragraph 10 of the Secretary-General's report where it is pointed out that the present construction plans do not provide any margin of office space to meet possible future needs. As the various units to be accommodated in the building continue to expand and as decentralization of various functions to the regions continues, this question, in the opinion of the Secretary-General, becomes increasingly critical. It would be possible however, by minor extensions of the present structure as planned, to increase the total working area from 11,490 to 12,490 square metres. Based on prevailing construction costs and the present rate of exchange, this expansion could be achieved at an estimated cost of approximately \$91,000. The Secretary-General believes that it would be prudent therefore to undertake this extension during the period of construction. In accordance with its long established policy of advocating common premises for the staff of the various agencies and programmes within the United Nations family, the Advisory Committee would concur in the view of the Secretary-General, especially since the additional 1,000 square metres of office space could be obtained at a relatively modest cost.

7. As indicated in paragraph 3 above, the General Assembly, on the recommendation of the Advisory Committee, called last year for the maximum possible co-operation in the voluntary Gift Programme. In the summer of 1963, the Committee enquired into the progress of this campaign and was informed that "it would be premature as yet to attempt to specify the nature and amount of the donations that may possibly be obtained".<sup>4/</sup> The Secretary-General now reports that, apart from the earlier gift

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<sup>4/</sup> E/CN.12/676, quoted in Official Records of the General Assembly, Eighteenth Session, Supplement No. 7 (A/5507, para. 200)

of escudos 465,000 by the Government of Chile, which was taken into account in calculating the deficit announced to the Assembly last year,<sup>5/</sup> total cash pledges to date amount to the equivalent of \$15,000 and pledges in kind to \$15,000.<sup>6/</sup> In addition, gifts under consideration by Member States but not yet confirmed may amount to \$30,000 in value.

8. The Advisory Committee notes that the response to the Gift Programme to date has not resulted in any significant reduction of the deficit. In the circumstances, it would seem unrealistic, in the opinion of the Secretary-General, to place exclusive reliance on voluntary contributions to bridge the gap; it should also be recognized that the point has been reached where orders and sub-contracts for installations and finishings can no longer be deferred in anticipation of the results of the Gift Programme without the risk of costly delays in the construction schedule. Gifts in cash in reduction of the deficit will therefore become increasingly important, and gifts in kind more difficult to utilize.

9. In paragraphs 14 to 19 of his report, the Secretary-General describes the present financial situation, indicating that after taking into account the gift of the Government of Chile (the equivalent of \$155,000 at the current rate of exchange) and other gifts pledged to date (\$30,000), the deficit over the expenditure of \$1,550,000 authorized by the General Assembly is currently estimated at \$1,084,000. This financial position is summarized in the following table:

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5/ The dollar equivalent at the then prevailing rate of escudos 2.20 to \$US1 was \$211,000; at the current rate of escudos 3 to \$US1, this equivalent has been reduced to \$155,000.

6/ This amount does not represent the actual value of the gifts - which is higher - but the extent to which they enable the construction budget to be reduced.

I. Expenditures and obligations as at 31 August 1963  
covering basic construction:

	\$	\$
(a) Expenditures and obligations incurred as at 31 December 1962 (architectural contest, architectural fees, levelling of site) . . . . .	220,000	
(b) Major contract for construction (basic construction only) . . . . .	764,000	
(c) Other expenditures and obligations 1 January to 31 August 1963 (for other contracts related to construction of structure, purchase of materials, consultants' fees, etc.) . . . . .	<u>217,000</u>	1,201,000

II. Estimates for completion of construction:

Funds needed for completion of construction (electrical, telephone and sanitary installations, power station, heating and air-conditioning systems, elevators, partitioning, window glass, furniture, cafeteria and conference room) . . . . .	1,157,000
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III. <u>Cost of providing for expansion purposes</u> (see para. 6 above) . . . . .	91,000
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IV. <u>Contingencies</u> <sup>a/</sup> . . . . .	<u>370,000</u>
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Total I-IV 2,819,000

V. Funds available:

(a) Funds appropriated by the General Assembly . . . . .	1,550,000	
(b) Gift in cash from the Government of Chile . . . . .	155,000	
(c) Results of the Gift Programme at 31 August 1963 . . . . .	<u>30,000</u>	<u>1,735,000</u>

VI. <u>Estimated deficit over funds available</u>	<u>\$1,084,000</u>
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<sup>a/</sup> Provision of 20 per cent to be applied to that portion of the expenses still to be incurred (for details, see A/C.5/990, para. 17).

10. The Secretary-General concludes that, in the circumstances, additional funds currently estimated at \$1,084,000 would be needed to complete the construction and basic equipment of the building. This estimate might be reviewed by the General Assembly at its nineteenth session, to take into account any possible reduction in the total amount required if, for example, further gifts are forthcoming. The Secretary-General suggests that the General Assembly may wish to restrict appropriations under chapter III of section 7 of the 1964 budget to \$500,000. The balance of funds required up to a maximum of a further \$584,000 would be included in the initial estimates for the financial year 1965 and reviewed by the General Assembly at its nineteenth session in the light of circumstances prevailing at that time. Following past practice, it would be the intention of the Secretary-General to transfer any unexpended balance of the 1963 and 1964 appropriations to the Building Fund established for this purpose.

Comments and recommendations of the Advisory Committee

11. The General Assembly will no doubt wish to place on record its appreciation of the valuable assistance and the generous gift of the Government of Chile, despite the severe economic and financial problems with which it has been confronted, and of the various donations which have been made or promised by other Governments within the framework of the Gift Programme.

12. The Advisory Committee considers that, in the circumstances, the best course to adopt is to complete the building as soon as possible. It accordingly concurs in the Secretary-General's proposal that an amount of \$500,000 be appropriated for this purpose under chapter III of section 7 of the 1964 budget. At the same time, it trusts that every effort will be made to achieve maximum economies and that the response to appeals for donations under the Gift Programme will be such as to avoid the need for any further appropriation from the regular budget. To this end, the Committee suggests that the campaign for donations be pursued vigorously.