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BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1973

Extension of the Palais des Nations

Report of the Secretary-General

INTRODUCTION

1. In its eleventh report<sup>1/</sup> to the General Assembly at its twenty-sixth session, the Advisory Committee on Administrative and Budgetary Questions presented observations and recommendations on the progress report (A/C.5/1389) of the Secretary-General concerning the extension of the Palais des Nations.
2. The Advisory Committee noted, in particular, the consistent problem of delays and mounting costs and recommended that, when unavoidable cost increases arose, greater efforts should be made to seek compensating economies in other areas, taking into account the budgetary limitations set for the project by the General Assembly.
3. The observations of the Advisory Committee on the construction costs, including architects' and engineers' fees and administrative expenses, have been kept constantly in mind and, as indicated in paragraph 13 below, these costs are being kept within the total estimate as submitted to the General Assembly last year. Furthermore, an Ad Hoc Committee on Buildings has been set up at Geneva, comprising representatives from the missions of Belgium, France, Ghana, Japan, Mexico, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland and the United States of America. The Committee held its first meeting on 14 April 1972 and has met regularly every month since, advising on all matters within its terms of reference.

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<sup>1/</sup> Official Records of the General Assembly, Twenty-sixth Session, Supplement No. 8 A (A/8408/Add.1-30), document A/8408/Add.10

## PROGRESS OF THE WORK

### Cafeteria

4. As reported last year, all work relating to the cafeteria has been completed and the facility has been in operation since the spring of 1971.

### Office building

5. This building is virtually completed. The offices are being occupied progressively and full occupation should be completed by 30 November 1972.

### Conference building

6. Conference rooms, halls, lounges and bars are in an advanced state of construction and are in the process of being furnished, decorated and equipped with technical installations.

7. According to the present forecasts of the architects, the various parts of the Conference building should become available in accordance with the following timing:

(a) The documents reproduction and distribution area is completed and the installation of machines has already started. The electronic composition unit moved into its new quarters in this area on 18 September 1972.

(b) The six small conference rooms on the first floor (Nos. XXI-XXVI) have been completed and are being equipped with simultaneous interpretation systems. All work in these rooms will be finished before the end of 1972.

(c) The two lower large conference rooms (Nos. XVII and XVIII), which are also located on the first floor, should be completed and fully equipped by the spring of 1973.

(d) The two upper large rooms (Nos. XIX and XX), which are located on the third floor, are due to be completed by the autumn and summer of next year, respectively.

(e) Decoration and finishing of the main entrance, the halls, lounges and bars should be completed towards the end of the second quarter of 1973.

8. In the light of the foregoing, it appears reasonable to forecast that part of the new conference facilities should be operational in the spring of 1973 and the remainder a few months later.

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Connexions

9. Work on the connexions between the Palais and its new wing is well advanced. Thus the lower tunnel, at the level of the basement, is completed; the upper tunnel, at the level of the ground floor of the Palais, is virtually completed and is in use; and the footbridge, which has been in use (in an unfinished condition) since the spring of 1971, is due for completion by the end of 1972.

Garage

10. The underground garage, which can accommodate some 450 automobiles, was completed by the end of July 1972.

Outside work, including roadways

11. The construction of access roads is in progress and will be completed by early next year.

Restaurant

12. The kitchen and stores facilities of the cafeteria have been enlarged so that they can also serve the restaurant on the eighth floor. A lift, linking these facilities directly with the restaurant, has been installed. As to the restaurant itself, in order to keep costs within the limits of available resources, it has been decided to restrict the work to rearrangement of entrances, redecoration and refurnishing so as to raise the seating capacity from 160 to about 200 within the existing area of the dining room.

## COST ESTIMATES AND FINANCING ARRANGEMENTS

13. At its twenty-sixth session, the General Assembly, by its resolution 2891 (XXVI), authorized the Secretary-General to proceed, at a revised total estimated cost of \$31,186,000, with the construction of the extension of the Palais des Nations at Geneva. In annex I the Secretary-General provides a detailed break-down showing the estimated costs for each main sector of the construction work. It will be noted that, expressed in terms of the former rate of 4.32 Swiss francs to the US dollar, the total estimate for construction, which was submitted to the General Assembly last year, remains unchanged at \$29.4 million. The increase of \$1,786,000 approved by the General Assembly last year was confined to the additional costs resulting from the changes in the relationship between the Swiss franc and the US dollar. These changes took place during 1971 with consequential changes in the United Nations accounting rate of exchange from 4.32 to 4.08 Swiss francs to the US dollar effective May 1971 and the further change on 1 October 1971 from 4.08 to 3.95 Swiss francs to the US dollar.

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14. These developments also affected the provisions relating to the repayment, with interest, of the loan which had been received from the Swiss authorities. Thus the dollar requirements for the repayment of the loan increased by \$560,000 and those for the payment of interest, by \$250,000. In order to reduce the sharp increases in budgetary requirements for construction purposes at various United Nations locations during the years 1973 and 1974, the Secretary-General reviewed the details of the Swiss loan and obtained from the Swiss Government authorities an agreement to modify the terms of the loan, by deferring the date of commencement for repayment of the loan instalments from 1973 to 1975. As explained in the report (A/C.5/1389) submitted last year, this two-year delay will result in an additional interest charge of \$930,000. The net additional cost resulting from these factors was calculated as follows:

	<u>At former rate of Sw. frcs. 4.32 to US dollar</u>	<u>At the accounting rates of exchange of Sw. frcs. 4.32, Sw. frcs. 4.08 and Sw. frcs. 3.95 to the US dollar, as appropriate</u>	<u>Increase</u>
	\$	\$	\$
Cost of construction . . . . .	29,400,000	31,186,000	1,786,000
Additional costs relating to the repayment of loan . . . . .	-	560,000	560,000
Interest on loan . . . . .	2,710,000	3,890,000	1,180,000
	<u>32,110,000</u>	<u>35,636,000</u>	<u>3,526,000</u>
Deduct gift from Swiss Government	<u>(925,000)</u>	<u>(980,000)</u>	<u>(55,000)</u>
Net budgetary requirement . . .	<u>31,185,000</u>	<u>34,656,000</u>	<u>3,471,000</u>

15. The United Nations accounting rate of exchange of the Swiss franc was further altered at 1 January 1972 from 3.95 to 3.84 Swiss francs to the US dollar. The effect of this further revaluation remains to be applied in the following manner to that part of the construction costs not completed by 1 January 1972 and to the amortization costs and interest charges in respect of the loan from the Swiss authorities:

(a) Construction: Up to the end of September 1971 an amount of 52.5 million Swiss francs had been spent out of a total construction programme of 127 million Swiss francs. By 31 December 1971 a further amount of 12.2 million Swiss francs had been spent. Accordingly, at 1 January 1972 the balance of requirements was 62.3 million Swiss francs. The dollar equivalent of 62.3 million Swiss francs at the United Nations accounting rate of exchange of 3.84 Swiss francs to the US dollar amounts to \$16,224,000 against the sum

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of \$15,772,000 calculated at the previous accounting rate of exchange of 3.95 Swiss francs to the US dollar, i.e. an increase of \$452,000. Taking this increase into account the new revised estimated total cost of construction amounts to \$31,638,000 against the previous estimate of \$31,186,000 2/ approved by the General Assembly at its twenty-sixth session.

(b) Amortization costs: Of the total loan of 61 million Swiss francs offered by the Swiss authorities, loan instalments amounting to 32 million Swiss francs were utilized by 30 September 1971, the dollar equivalent of which converted at the United Nations accounting rates of exchange of first 4.32 and subsequently 4.08 Swiss francs to the US dollar amounted to \$7,530,000. Between 1 October and 31 December a further sum of 5,850,000 Swiss francs was used which at the rate of 3.95 Swiss francs to the US dollar amounted to \$1,481,000, bringing the total of loan instalments drawn at 31 December 1971 to \$9,011,000 and leaving, at 1 January 1972, a balance of 23,150,000 Swiss francs for utilization at a later time. The dollar equivalent of 23,150,000 Swiss francs at the rate of 3.84 Swiss francs to the US dollar amounts to \$6,028,000. Accordingly, the total amount of the loan of 61 million Swiss francs, equalling \$15,039,000 at the time instalments are or were drawn, will be repaid at 3.84 Swiss francs per US dollar, equalling \$15,885,400. Of the increased requirement of \$846,400, an amount of \$560,000 was approved last year, and the balance of \$286,400, which results from the revaluation of the Swiss franc which took effect on 1 January 1972, remains to be covered.

(c) Interest charges: The General Assembly at its twenty-sixth session approved a total sum of \$3,890,000 for payment of the interest on the loan. A further adjustment in the exchange rate from 3.95 to 3.84 Swiss francs to the US dollar brings the total estimated requirements for interest on the loan to \$3,903,000 representing an increase of \$13,000. The total interest figure is lower than anticipated since some savings were realized as a result of delays in drawing on the Swiss loan instalments.

16. Accordingly the total estimated cost resulting from the change in the accounting rate of exchange from 3.95 to 3.84 Swiss francs per US dollar amounts to \$751,400, revising further the total estimated costs related to the extension to the Palais from \$34,656,000 to \$35,407,400 as indicated in the following table:

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2/ General Assembly resolution 2891 (XXVI).

	<u>As approved by the General Assembly at its twenty-sixth session</u>	<u>At accounting rate of 3.84 Swiss francs to the US dollar</u>	<u>Increase</u>
	\$	\$	\$
Cost of construction . . . .	31,186,000	31,638,000	452,000
Additional costs relating to the repayment of loan . . .	560,000	846,400	286,400
Interest on loan. . . . .	3,890,000	3,903,000	13,000
	<u>35,636,000</u>	<u>36,387,400</u>	<u>751,400</u>
Deduct gift from Swiss Government	(980,000)	(980,000)	-
	<u>34,656,000</u>	<u>35,407,400</u>	<u>751,400</u>

17. In order to accommodate the earlier increase in the dollar equivalent costs arising out of the changes during 1971 in the United Nations accounting rate of exchange between the Swiss franc and the US dollar, the General Assembly at its twenty-sixth session approved by resolution 2891 (XXVI) a revised schedule of budgetary appropriations for the years 1973-1984. In order to finance the further additional cost of \$751,400 resulting from the change in the rate of exchange which became effective on 1 January 1972, the Secretary-General would propose that the schedule of annual budgetary appropriations for the years 1973-1984 be further revised as set out in detail in annex II. The budget estimates for 1973, as submitted by the Secretary-General, already provide under section 7 an amount of \$4,905,000 in accordance with the schedule set out in annex II.

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Annex I

EXTENSION OF THE PALAIS DES NATIONS

Revised estimates <sup>a/</sup>				
	<u>Estimates as</u> <u>approved by</u> <u>the General</u> <u>Assembly in</u> <u>1971</u> \$	<u>Work</u> <u>contracted</u> <u>for as of</u> <u>31 July</u> <u>1972</u> \$	<u>Work for</u> <u>which</u> <u>contracts</u> <u>are still to</u> <u>be concluded</u> \$	<u>Total</u> \$
A. New buildings:				
(1) Structure:				
(a) Excavating ground and building foundations and superstructure in reinforced concrete and steel, masonry . . . . .	6,747,700	6,588,000	159,700	6,747,700
(b) Roofs . . . . .	312,500	312,500	-	312,500
	7,060,200	6,900,500	159,700	7,060,200
(2) Installations and equipment:				
(a) Heating, ventilation, air-conditioning and sanitary installations . . . . .	3,565,000	3,035,000	530,000	3,565,000
(b) Electrical installations, passenger lifts, service lifts and escalator . . . . .	2,315,000	2,275,000	40,000	2,315,000
(c) Building and finishing of floors, ceilings and walls inside and outside	6,643,000	5,282,000	1,361,000	6,643,000

<sup>a/</sup> Estimates costed at former rate of 4.32 Swiss francs to the US dollar for purposes of comparison.

Annex I (continued)

EXTENSION OF THE PALAIS DES NATIONS

Revised estimates <sup>a/</sup>			
	<u>Estimates as approved by the General Assembly in 1971 \$</u>	<u>Work contracted for as of 31 July 1972 \$</u>	<u>Work for which contracts are still to be concluded \$</u>
			<u>Total \$</u>
(d) Furniture for conference rooms and offices and installation of fixtures throughout the building, including simultaneous interpretation equipment . . . .	<u>3,096,000</u>	<u>2,555,000</u>	<u>541,000</u>
	<u>15,619,000</u>	<u>13,147,000</u>	<u>2,472,000</u>
Total A . .	<u>22,679,200</u>	<u>20,047,500</u>	<u>2,631,700</u>
B. Connecting tunnels . . . . .	<u>493,600</u>	<u>470,000</u>	<u>23,600</u>
C. Cafeteria . . . . .	<u>1,018,600</u>	<u>995,600</u>	<u>23,000</u>
D. Restaurant modernization . . . . .	<u>244,700</u>	<u>91,700</u>	<u>153,000</u>
E. Outside work, garage . . . . .	<u>2,201,600</u>	<u>1,484,300</u>	<u>717,300</u>
Total A-E .	<u>26,637,700</u>	<u>23,089,100</u>	<u>3,548,600</u>
F. Provision for contingencies . . . . .	<u>254,000</u>	<u>60,200</u>	<u>193,800</u>
Total . .	<u>26,891,700</u>	<u>23,149,300</u>	<u>3,742,400</u>
G. Fees for architects and engineers and administrative costs . . . . .	<u>2,508,300</u>	<u>2,380,000</u>	<u>128,300</u>
GRAND TOTAL . .	<u>29,400,000</u>	<u>25,529,300</u>	<u>3,870,700</u>

<sup>a/</sup> Estimates costed at former rate of 4.32 Swiss francs to the US dollar for purposes of comparison.

Annex II

FINANCING ARRANGEMENTS - EXTENSION OF THE PALAIS

	<u>Requirements for loan amortization</u> \$	<u>Requirements for interest</u> \$	<u>Requirements for construction</u> \$	<u>Gift</u> \$	<u>Loan</u> \$	<u>Net budgetary requirements</u> \$
1967-1971		300,000	15,191,000	980,000	9,011,000	5,500,000
1972		386,000	6,840,000	-	4,726,000	2,500,000
1973		477,000	5,730,000	-	1,302,000	4,905,000
1974		477,000	3,877,000	-	-	4,354,000
1975	1,588,600	440,500	-	-	-	2,029,100
1976	1,588,600	393,000	-	-	-	1,981,600
1977	1,588,600	345,500	-	-	-	1,934,100
1978	1,588,600	298,000	-	-	-	1,886,600
1979	1,588,600	250,000	-	-	-	1,838,600
1980	1,588,600	202,500	-	-	-	1,791,100
1981	1,588,600	155,000	-	-	-	1,743,600
1982	1,588,600	107,000	-	-	-	1,695,600
1983	1,588,600	59,500	-	-	-	1,648,100
1984	<u>1,588,000</u>	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,600,000</u>
	<u>15,885,400<sup>1/</sup></u>	<u>3,903,000<sup>2/</sup></u>	<u>31,638,000</u>	<u>980,000</u>	<u>15,039,000<sup>1/</sup></u>	<u>35,407,400</u>

<sup>1/</sup> The difference of \$846,400 is due to the fact that 37,850,000 Swiss francs were drawn at the rates of 4.32, 4.08 and 3.95 Swiss francs per US dollar but become repayable at 3.84 Swiss francs per US dollar.

<sup>2/</sup> At the rate of exchange of 4.32 Swiss francs per US dollar, the total interest charges would have been \$3,483,845 or \$419,155 less.