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Held at Headquarters, New York, on Monday, 23 October 2017, at 10 a.m.

Chair: Mr. Tommo Monthe (Cameroon)
*Vice-Chair of the Advisory Committee on Administrative
and Budgetary Questions:* Mr. Sene

Contents

Agenda item 135: Programme budget for the biennium 2016-2017 (*continued*)

Capital master plan

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The meeting was called to order at 10.10 a.m.

Agenda item 135: Programme budget for the biennium 2016-2017 (continued)

Capital master plan (A/72/5 (Vol. V), A/72/294, A/72/355 and A/72/536)

1. **Mr. Carey** (Director of the Facilities and Commercial Services Division), introducing the Secretary-General's fifteenth annual progress report on the capital master plan (A/72/294), said that, since the presentation of the fourteenth annual progress report (A/71/309) at the Assembly's seventy-first session, major progress had been made in the implementation of post-renovation, commissioning and punch-list corrective activities and administrative tasks in support of the close-out of the project. As at August 2017, all construction, punch-list and commissioning work for all scopes of the project and its subcomponents, including the landscaping of the North Lawn and the security-related work at the 42nd and 48th street entrances, had achieved the status of final completion. In addition, the accounts associated with 23 of the 24 guaranteed maximum price contracts with the construction management company had been reconciled and paid.

2. The remaining activities for the project consisted of the administrative close-out of the contracts, reconciliation of accounts and payment of invoices, which were expected to be concluded by 31 December 2017. The Office of Central Support Services would then submit the sixteenth and final progress report for consideration by the General Assembly at the main part of its seventy-third session. The costs of all construction and close-out activities were being met from within the existing approved resources for the project, and its financial position remained consistent with the projection presented in the fourteenth annual progress report (A/71/309).

3. Substantial benefits had been realized from the capital master plan. In 2017, total energy consumption was expected to be reduced by 75 per cent compared with the total consumption in 2006, prior to the plan's implementation. That reduction was expected to result in a decrease in the cost of utilities during the biennium 2016–2017 of 47.9 per cent in comparison with 2006–2007 and 14 per cent in comparison with 2014–2015. The Organization was a party to two arbitration cases brought by the construction management company, and the Office of Legal Affairs, with the help of outside counsel, was vigorously defending its interests in those matters. The total approved funding and the final cost of completion for the project amounted to \$2,150.4 million, comprising appropriations for the original

project scope of \$1,876.7 million, donations of \$14.3 million, interest income and the plan's working capital reserve amounting to \$159.4 million, and funding of \$100 million for enhanced security upgrades.

4. **Mr. Bajaj** (Chair of the Audit Operations Committee of the Board of Auditors), introducing the report of the Board of Auditors on the capital master plan for the year ended 31 December 2016 (A/72/5 (Vol. V)), said that the capital master plan was a complex, high-value project to modernize and improve the operating efficiency of Headquarters and to update, secure and preserve the architecture of the 1950s campus without compromising day-to-day operations. After nearly 15 years and an investment of \$2.3 billion, all major procurement actions and construction works had been completed, and residual works and the administrative close-out of completed contracts were in progress.

5. The anticipated final cost of the project, excluding the renovation of the Dag Hammarskjöld Library and South Annex Buildings, remained largely unchanged. While the savings reported from cancellation of prior-year obligations were specifically included in a separate and distinct budgetary line within the annual progress reports on the capital master plan, ensuring the visibility of the total value of savings over the entire project from its inception, it was not possible to attribute the savings to specific project components or provide reasons for them.

6. The main contractor had filed two notices of arbitration against the United Nations seeking indemnification in the event that it was required to settle substantial claims from its subcontractors. In the first case, the Organization had filed a claim denying its obligation to indemnify the main contractor under their agreement and was seeking declaratory relief. The outcome of the cases might affect the final cost of the project.

7. The Administration lacked adequate human resources for basic preventive maintenance of the renovated campus. It had planned to contract a specialized firm at the end of 2017, when 12 months of data had been expected to become available in the plant maintenance module of the Umoja enterprise resource planning system, to undertake an external independent review of maintenance practices and approaches, and to assess the balance between outsourced and in-house provision of maintenance services in order to ensure cost-effective use of resources. The review had been postponed until late 2018 owing to the delayed deployment of the plant maintenance module. It was also a matter of concern that, after the renovation of the

buildings included in the capital master plan project, the Administration had been unable to locate 208 of the 1,000 physically verified assets for the project.

8. Although the Energy Dashboard and Reporting Tool designed to monitor and report on energy consumption had become operational in January 2016, the Administration had not been in a position to demonstrate energy efficiency benefits gained from the renovation, in part because the Tool had proven unreliable in recording usage of steam, gas and water. In addition, while accessibility features such as Braille signage and accessible bathrooms had been implemented, their effectiveness could only be reliably assessed by users. The Administration had implemented flexible workplace on three floors of the Secretariat building and planned to expand it to five more floors during 2017. The full cost of that initiative was expected to be offset by reductions in rent and maintenance, as highlighted in the related report of the Secretary-General (A/70/708).

9. Of the 12 outstanding recommendations contained in the Board's reports, 2 had been implemented and 10 were under implementation. The Board had made 6 new recommendations in its current report (A/72/5 (Vol. V)).

10. The Chair drew attention to the Secretary-General's report on the implementation of the recommendations of the Board of Auditors contained in its report on the capital master plan for the year ended 2016 (A/72/355).

11. **Mr. Sene** (Vice-Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/72/536), said that the report contained the Advisory Committee's comments on, inter alia, the status of the capital master plan project, energy efficiency, accessibility, maintenance arrangements and asset protection. The projected administrative close-out date of 31 December 2017 reflected a delay of nearly three years from the original scheduled date of completion.

12. The total approved funding for the project included \$49 million for the completion of the interim solutions and residual works. Furthermore, taking into account the associated costs and the cost of the secondary data centre borne by the capital master plan, the final cost of the project, excluding the renovation of the Dag Hammarskjöld Library and South Annex Buildings, amounted to \$2,309.3 million.

13. With regard to energy efficiency, the Advisory Committee expected that the shortcomings of the Energy Dashboard and Reporting Tool would be

addressed expeditiously. It reiterated its previous recommendation that the Secretary-General should provide information on the quantifiable efficiency gains achieved, both in terms of energy usage and costs of utilities, based on actual data gathered. It also recommended that he should be requested to closely monitor and continue to optimize energy usage, and to report on actual efficiency gains realized in future progress reports.

14. The Advisory Committee expected that the Secretary-General would address, as a matter of priority, the inadequacy of the staffing resources in the heating, ventilation and air conditioning shop mentioned in the Board of Auditors' report (A/72/5 (Vol. V)). It also requested that he should provide an update on the status of the maintenance arrangements for the renovated campus to the General Assembly at the time of its consideration of the fifteenth progress report (A/72/294). With regard to accessibility, the Advisory Committee recommended that the Secretary-General should be requested to conduct a review of the Headquarters compound in order to identify any gaps in the infrastructure compared with physical accessibility requirements under local building codes, and to report on the findings of the review in his next progress report.

15. **Ms. Pereira Sotomayor** (Ecuador), speaking on behalf of the Group of 77 and China, said that the Group strongly supported the modernization and efficient maintenance of all United Nations facilities and sought to ensure the improvement of the working conditions and safety of delegates and staff. It attached great importance to the issue of accessibility and looked forward to examining the findings of the Secretary-General's review of the accessibility infrastructure at the Headquarters compound, as requested by the Advisory Committee.

16. While welcoming the substantial reduction in total energy consumption between 2006 and 2017, she regretted that the Secretary-General had not quantified the related monetary benefits and savings and requested him to provide, in his next progress report, data on the quantifiable efficiency gains achieved, both in terms of energy usage and costs of utilities, based on actual data gathered.

17. Given the importance of maintenance for ensuring the safety and security of occupants at Headquarters and retaining property value, the Group was disappointed at the unavailability of maintenance data owing to the delayed deployment of the Umoja plant maintenance module. It requested the Secretary-General to address that issue as a matter of priority and to provide an update

on the status of the maintenance arrangements for the renovated campus.

18. The anticipated final cost of the project had increased from \$1,876.6 million to \$2,309.2 million, even as the scope of the construction works had been reduced from five buildings to three. It would be imperative to systematically summarize and analyse the lessons learned and best practices identified from the capital master plan in order to help guide the implementation of other capital projects and avoid potential losses to the Organization. The Group also recalled the Board of Auditors' recommendation regarding the need to report the full amount of any savings arising from contract closure and requested the Secretary-General to include, in his sixteenth and final progress report, the aggregate cost to completion for the project.

19. While the Group appreciated the Board of Auditors' report (A/72/5 (Vol. V)), it was concerned at the high number of outstanding recommendations as the project entered its final phase, and requested that every effort should be made to implement them expeditiously. In addition, a comprehensive update on the status of the outstanding recommendations should be provided in the next report of the Board of Auditors and the final progress report of the Secretary-General.

The meeting rose at 10.35 a.m.