



General Assembly

Distr.: General
24 October 2024

Original: English

Seventy-ninth session

Agenda item 139

Proposed programme budget for 2025

Eleventh annual progress report on the strategic heritage plan of the United Nations Office at Geneva

Thirteenth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for 2025

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the eleventh annual progress report of the Secretary-General on the strategic heritage plan of the United Nations Office at Geneva ([A/79/352](#)). During its consideration of the report, the Committee received additional information and clarification, concluding with written responses dated 21 October 2024.

2. The report of the Secretary-General covers the period from 1 September 2023 to 31 August 2024, with a summary of the planning and construction-related actions, while the financial information contained therein is based on the available data as at 31 July 2024 (*ibid.*, para. 2).

Approved project scope, schedule and costs

3. The Advisory Committee recalls that, having considered the second annual progress report of the Secretary-General on the strategic heritage plan ([A/70/394](#) and [A/70/394/Corr.1](#)) and the related report of the Committee ([A/70/7/Add.8](#)), in its resolution [70/248](#) A, the General Assembly approved the proposed project scope, schedule and estimated cost of the strategic heritage plan in the maximum amount of SwF 836,500,000 for the period from 2014 to 2023, and therefore authorized the renovation and construction phases of the project to begin.

4. The scope of the strategic heritage plan project includes the following: (a) the renovation of the Palais des Nations (buildings A, B, C, D and S), which comprises a historic building complex completed in 1937 and expanded in the 1950s; (b) the construction of a new permanent office building (now referred to as the H building), to be initially used as swing space during the renovation of the historic buildings; and



(c) the refurbishment of the conference space and the dismantling of the upper seven floors of the office tower of building E, which was added to the complex in 1973 (A/68/372, paras. 9 and 34–36).

II. Project progress of the strategic heritage plan

Project progress and schedule

5. The Advisory Committee recalls that the strategic heritage plan project experienced repeated schedule disruptions and delays, which were first reported in 2019 in the sixth annual progress report of the Secretary-General (see A/74/7/Add.13, para. 9). Compared with the approved project schedule from 2014 to 2023, the works were projected to be completed in 2024 in the seventh annual progress report, postponed to the end of 2025 in the ninth annual progress report and further extended into 2026 in the tenth annual progress report (A/78/503, para. 28; A/75/7/Add.12, paras. 8 and 9). According to the eleventh annual progress report of the Secretary-General (A/79/352, para. 5), the most recent projections indicate that the works will finish by the end of 2027 with uncertainty (see para. 6 (e) below).

6. Compared with the schedule outlined in the tenth annual progress report, submitted to the General Assembly at its seventy-eighth session (A/78/503), the schedule of works relating to the historic buildings and building E have been postponed by 24 and 16 months, respectively, to the second half of 2027 (A/79/352, figure IX and table 5). Information on the extended project schedules, by phase, is summarized below:

- (a) **Pre-planning phase** (March 2009–February 2012): no changes;
- (b) **Planning phase** (May 2012–August 2015): no changes;
- (c) **Phase 1**, new building H: no change to the construction phase (October 2015–September 2021), while the warranty closeout period has been extended by 14 months from October 2023 to December 2024;
- (d) **Phase 2.1**, renovation of the historic buildings (A, B, C, D and S): the previous schedule (from October 2015 to August 2025) is extended by 24 months, to August 2027;¹
- (e) **Phase 2.2**, building E (renovation of the conference space dismantling of the office tower): the previous schedule (from December 2020 to June 2026) is extended by 16 months to October 2027;² however, the closure of building E for renovation is contingent on the completion and return to full service of the renovated conference rooms in building A and section AB;
- (f) **Two-year warranty period** (2028 and 2029): following the completion of works in late 2027, to reflect the post-completion assessments and post-occupancy evaluations, release of retention, seasonal commissioning of building services and other quality and financial closeout activities.

7. Summary information on the progress made during the reporting period, along with estimated timelines, by building, is presented below (A/79/352, paras. 25, 26 and 52):

¹ Renovation of buildings A, C, D and S is to be extended by 14 months and of building B by 23 months.

² The overall schedule for phase 2.2 is extended by 18 months from June 2028 to December 2029, with the extensions relating to subphases under pre-construction (by 16 months), renovation and dismantling (by 16 months), closeout activities (by 17 months) and defect liability period (by 18 months).

(a) **New building H:** final completion of minor outstanding works is scheduled for the end of 2024;

(b) **Historic buildings A, B, C, D and S:** the renovations are divided into sections and subphases (*ibid.*, figures VIII and IX), as follows:

(i) **Section AC and building D:** substantial completion was achieved for section AC in May 2023 and for building D in August 2023;

(ii) **Section S1 and building A:** substantial completion of works is projected for the second half of 2024;

(iii) **Section AB and building C:** substantial completion of works on historic section AB is projected for the first half of 2025, and on building C for the second half of 2025;

(iv) **Building B:** commencement of works is scheduled for the first half of 2025, subject to the completion of section AB, with completion expected during 2027;

(v) **Section S2:** commencement of works is scheduled for after the completion of building C; and for the cafeteria, commencement of works is scheduled for the second half of 2025, with completion expected during 2026;

(c) **Building E:** the contract was signed in January 2023, followed by the start of the pre-construction services phase, including the ongoing technical design, which is expected to conclude by the third quarter of 2025, resulting in a guaranteed maximum price agreement. The commencement of works on building E is expected in the second half of 2025, with the forecast completion before the end of 2027. The site restoration activities are planned from November 2027 to February 2028.

8. The Secretary-General indicates that the renovation works of the historic buildings continue to experience delays, which in turn have delayed works in building E. The delays are the result of multiple factors, including the effects of the coronavirus disease (COVID-19) pandemic, significant construction market inflation, supply chain disruptions, local labour shortages, particularly in the electrical trades, and necessary variations to the works which are subject to lengthy change management processes (*ibid.*, para. 5). Upon enquiry, the Advisory Committee was informed that the slippage of the project had increased over time due to factors outside the control of the project: delays related directly and indirectly to the COVID-19 pandemic had contributed to the overall delays, with record levels of inflation experienced, and the supply chain was still fragile and thus remained an active issue.

9. The Secretary-General also indicates that, since the tenth annual progress report, the contractor has frequently revised the estimated work schedule and forecast completion dates have therefore slipped (*ibid.*). Upon enquiry, the Advisory Committee was informed that, while the project team remained cautiously optimistic that the current programme would hold, the Secretariat could not guarantee that delays would not still occur, as further market volatility risks and some of the most technically complex and challenging works were still ahead, namely the renovations of building B and building E conference facilities.

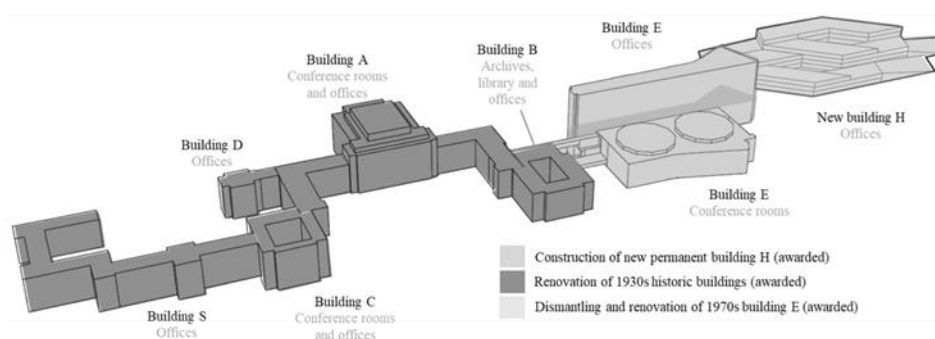
10. **While acknowledging the challenges associated with the renovation of the historic buildings, the Advisory Committee recalls that the strategic heritage plan project started experiencing delays and cost escalation before the onset of the pandemic (A/78/7/Add.18, para. 9, and A/75/7/Add.12, para. 9). The Committee notes with concern the further delays in the project schedules, including a delay by 24 months for the renovation of the historic buildings and an additional 16-month delay for building E. The Committee emphasizes that strengthened efforts should be made by the United Nations Office at Geneva to**

manage and mitigate risks associated with the project implementation with improved and effective oversight from Headquarters (see paras. 15 and 40–42 below). The Committee trusts that updated information on the schedules of the project will be provided to the General Assembly at the time of its consideration of the present report.

Project contracts

11. A schematic overview of the contracting strategy with respect to the buildings covered under the project is presented in figure VII of the report of the Secretary-General and is reproduced below. Upon enquiry, the Advisory Committee was informed that the contracts for the strategic heritage plan project were awarded following an open international tender competition in full compliance with the United Nations procurement regulations and rules, with no restrictions for any contractor from any country. **The Advisory Committee trusts that the strategic heritage plan project will fully comply with the United Nations procurement regulations and rules in all relevant procurement activities (see paras. 12 and 23 below).**

Schematic overview of the Palais des Nations building complex contracting strategy



Building E contract and related guaranteed maximum price agreement

12. The Advisory Committee recalls that it was indicated in the tenth annual progress report that, with the signing of the building E contract in 2023 within budget (see paras. 4 and 7 (c) above), all major construction contracts had been in place (the new building H, the renovation of the historic Palais des Nations and building E). However, there were approximately 50 subcontract packages to be awarded by the main construction contractor for building E during the pre-construction services phase that would lead to a guaranteed maximum price in mid-2024 ([A/78/7/Add.18](#), para. 11).

13. Upon enquiry, the Advisory Committee was informed that, as utilized earlier for the historic building renovation contract, a two-stage contracting approach had been adopted for the building E contract: (a) in the first procurement stage, the contractor was selected through an open market tender competition, with approximately 35 per cent of the contract becoming fixed costs; and (b) once the contractor was appointed for building E at the end of the first stage in January 2023, the pre-construction phase commenced, which included carrying out detailed surveys of the condition of the buildings and progressively completing the technical design works prior to competitively tendering out the subcontract packages on an open-book basis. This second procurement stage, once fully completed by mid-2025, would culminate in the agreement of a guaranteed maximum price by the third quarter of 2025. It was indicated to the Committee that, while the responsibility for procuring the

subcontractors remained with the contractor, the United Nations was part of the process and worked together with the contractor to jointly analyse the competitive market tender prices before approving or rejecting the contractor's recommended choice of a subcontractor for each package of work.

14. Upon clarification for the delay in the building E guaranteed maximum price agreement from mid-2024 to the third quarter of 2025, the Advisory Committee was informed that: (a) the pre-construction services for building E included the completion of the technical design for the renovation works by the contractor and its design team, which had taken longer than anticipated and had in turn delayed the works package procurement by the contractor, as the technical design information formed a significant part of the works package tender documents; (b) it had taken more time to fully incorporate the results of further surveys (including asbestos and 3D building surveys) undertaken by the contractor through the design process; and (c) as the initial returns on the procurement packages were at a higher cost than budgeted for, it had been decided that more subcontractors would be invited to tender with a view to exploring the maximum possible competitions to mitigate the market cost increases as far as possible, which would take additional time. In addition, the closure of building E conference areas for renovation was subject to the completion and return to full operation of the conference rooms in historic building A and section AB; however, section AB was not expected to be back in operation until mid-2025.

15. The Advisory Committee was further informed that, while the contractor for building E was the same as for the renovation works of the historic buildings, it was in fact a joint venture of three separate contractors. As mitigation measures to address the delays and problems encountered during the renovation of the historic buildings and the pre-construction services for building E, the United Nations Office at Geneva had pushed for changes to the management resourcing plans, with the transfer of the building E contract to another partner (a much larger global construction company) of the joint venture. Consequently, the project team now had greater confidence in the contractor's ability to effectively manage the works relating to building E. **While noting the mitigation measures undertaken by the United Nations Office at Geneva, the Advisory Committee trusts that every effort will be made to avoid further delays in the schedules of the strategic heritage plan project.**

Contractor claims

16. Upon enquiry as to the claims made by the contractor under the renovation contract (A/79/352, para. 25 (f)), the Advisory Committee was informed that, following the consultation process outlined in the contract, an amount of SwF 11,086,700 of the total claims of SwF 73,108,500 had been tentatively agreed upon with the contractor as a resolution. For building E, the claims during the pre-construction services phase amounted to SwF 5,054,100; those claims were currently under review by the United Nations Office at Geneva and would be resolved at the time of signing the guaranteed maximum price agreement. The Committee was also informed that the resolution of outstanding claims was not a major factor in the current cost forecast at the "P80" confidence level, as it was expected that the outstanding claims would be resolved at approximately 15 per cent of the value claimed, hence the contractor would be accepting 85 per cent of the responsibility for any extra costs they may allege or that were incurred.

III. Project costs and contingency

17. The Advisory Committee recalls that the General Assembly, in its resolution [78/253](#), reaffirmed the proposed project scope, schedule and estimated cost of the strategic heritage plan in the maximum amount of SwF 836,500,000. In the same resolution, the Assembly stressed that any increase to the maximum overall budget must be approved by the Assembly before entering into corresponding financial commitments. The Assembly further requested the Secretary-General to make every effort to avoid budget increases or schedule overruns.

Revised cost plan

18. Table 6 of the eleventh annual progress report of the Secretary-General shows the latest revised cost plan, which is based on the cost forecast at the P80 confidence level (see para. 26 below), reflecting the current project progress and the cost forecast to achieve the approved project scope. The latest revised project cost forecast is expected to exceed the approved budget of SwF 836.5 million by SwF 118.2 million (or 14 per cent), leading to a total project cost forecast of SwF 954.7 million, while there are still uncertainties regarding the amount of the guaranteed maximum price for building E ([A/79/352](#), paras. 59 and 60). Upon enquiry, the Advisory Committee was informed that the Geneva construction price statistics had increased 30 per cent from the baseline of October 2020, and that the related cost would be substantially more than the costs of delays being incurred on the project. While the cost plans of the previous progress reports presented the remaining available contingency within the envelope of SwF 836.5 million, it was no longer feasible to present such a cost plan within the approved budget (unless presenting a negative contingency amount) (see para. 27 below). **The Advisory Committee notes with concern the significantly increased cost forecast for the strategic heritage plan project and the uncertainty with the guaranteed maximum price for building E.**

19. The Advisory Committee requested information on the revised cost forecast reflected in the tenth and eleventh progress reports against the approved budget, by each cost element, for building H, the renovation of the historic buildings and building E (see annex).

Project contingency and risk management

Contingency calculations and reporting

20. The Advisory Committee recalls that a contingency provision of SwF 91.9 million was included in the project costs of SwF 836.5 million in the second annual progress report of the Secretary-General ([A/70/394](#), table 2) and approved by the General Assembly in resolution [70/248 A](#) (see also para. 3 above). The contingency provision, which was established during the project concept design phase and based on industry norms for similar projects, was calculated as a percentage of estimated direct costs for each project component (see [A/70/7/Add.8](#), para. 42). The Secretary-General reiterates that, since the third annual progress report ([A/71/403](#) and [A/71/403/Corr.1](#)), the approach taken to calculate the contingency provision has remained consistent ([A/79/352](#), para. 24). Upon enquiry, the Committee was informed that, while the contingency provision was set using industry-standard percentages at the beginning of the project, since the approval of the project in 2015, the risk model used by the project, the Monte Carlo simulation method with specialized software, recalculated the required contingency each quarter, which allowed for a probabilistic determination of the contingency. However, it was also indicated to the Committee that, while statistically forecasting the outturn cost and therefore the likely

contingency required, the Monte Carlo simulation did not change the contingency amount available in the budget.

21. The Advisory Committee recalls that, in its resolution [70/248 A](#), the General Assembly emphasized that contingency provisions approved for construction projects served to provide necessary safeguards against unforeseen cost overruns during project implementation, underlined that the estimation of project contingencies should be based on the identification of risks associated with the different phases of the project and requested that the estimated contingencies be separated from the base project cost for presentation purposes only. In the same resolution, the Assembly recalled paragraph 51 of the report of the Advisory Committee ([A/70/7/Add.8](#)) and decided that unused contingency funds may be carried over to subsequent years and reallocated as new risks emerged and older risks were retired, consistent with industry best practice, and that all remaining unused contingency funds should be returned to Member States at the conclusion of the project ([A/78/7/Add.18](#), para. 28).

22. **The Advisory Committee recalls that, while the project contingency provisions were established and approved as a percentage of estimated direct costs for each project component based on industry norms, contingency amounts in the subsequent annual progress reports were represented as balancing figures between estimated core costs and the overall budget approved. The Committee is of the view that the contingency provisions should be in close relationship with potential levels of risk for each project component, while a portion of the provisions should be allocated to the programme-wide risks. The Committee also sees merit in developing a mechanism to reallocate contingency amounts, if available, to newly emerging risks. It further underscores that the utilization of contingency amounts against approved provisions should be presented in the progress reports along with balances available. The Committee is of the view that the strategic heritage plan project should learn lessons from previous construction projects, in particular the capital master plan, and that lessons learned from the strategic heritage plan project should help to inform the ongoing and future construction projects of the Organization.** The Committee also discusses the matter in its report on the Gigiri master plan addressing the deteriorating conditions and limited capacity of the conference services facilities at the United Nations Office at Nairobi (see [A/79/7/Add.13](#), paras. 10 and 25).

Monte Carlo simulation method for risk management

23. Information on the contingency provision and management is provided in paragraphs 72–77 and table 9 of the report of the Secretary-General, with the trend of forecast project core costs and of available and probabilistic contingency provided in figure XI of that report. It is indicated therein that contingency management for the project continues to be based on the risk-based contingency forecasts using the Monte Carlo simulation method, which is based on an extensive list of risks, together with a range of cost possibilities and a probability of occurrence. For the revised cost plan of SwF 954.7 million at the P80 confidence level (see para. 18 above), the contingency provision increased by SwF 37.5 million to SwF 66.0 million.

24. Upon request for a breakdown of the increased cost forecast, including the contingency, at the P80 confidence level, the Advisory Committee was informed that it was not possible to provide a breakdown of how the P80 contingency calculation (or, more accurately, the risk forecast) had been calculated, as the Monte Carlo simulation method did not generate a specific assessment of the cost of each risk; rather, it calculated a range of total cost estimates for the combination of risk inputs as a whole. That analysis was updated every quarter and the recommended contingency levels therefore changed on the basis of the risk calculations. For the same reason, it was not feasible to provide the specific assumptions for each risk

included in the P80 analysis or how each risk individually contributed to the dynamic probability model, as there were at any point in time in excess of 200 individual risks across the project, each of which had a range of possible outcomes in respect of cost and time. The probabilistic model of Monte Carlo therefore did not calculate specifically the guaranteed maximum price cost for building E, but rather calculated thousands of different possible outcomes for the project within each iteration of which the guaranteed maximum price cost could be different, as would be the costs for every other risk simultaneously.

25. The Board of Auditors made observations on the use of the Monte Carlo risk forecast by the strategic heritage plan in its latest report ([A/79/166](#), paras. 38 and 39). The Board observed that the external consultant firm used risk analysis based largely on the Monte Carlo method and that the predictive capacity of such a method depended significantly on the accuracy of the input data and assumptions. The Board noted that the risk analysis focused mainly on the quantitative estimation of cost increases; however, such analysis turned out to be less effective in identifying in a timely manner the qualitative, performance and procedural risk factors that had ultimately caused such delays and cost overruns. Upon enquiry, the Advisory Committee was informed that quantitative risk analysis was a technique for analysing the impact of risks using algorithmic modelling (Monte Carlo simulation) on time and cost. As with any mathematical model, the major limit of that method was the quality of the inputs and the focus. In the case of the strategic heritage plan, the method focused on delays and costs, and it would be necessary to complement the method with other approaches focusing on dealing with the causes and the questions of quality.

26. The Advisory Committee is of the view that Monte Carlo model, while useful as a risk management tool, should not form the basis for determining budgetary requirements of the strategic heritage plan project or other construction projects of the Organization.

Guaranteed maximum price for building E contract

27. It is indicated in the eleventh progress report that contingency costs have been drawn from available funds; however, with the pending conclusion of the guaranteed maximum price for building E, there would be no funds remaining for contingency within the project budget approved in 2015 (see also para. 18 above). This is why the General Assembly is requested to authorize the Secretariat to conclude the guaranteed maximum price agreement for building E by the third quarter of 2025, acknowledging that with this contractual action, the SwF 836.5 million total budget approved by the General Assembly will be exceeded, potentially up to the current forecast cost of SwF 954.7 million at the P80 confidence level ([A/79/352](#), para. 77). Upon enquiry, the Advisory Committee was informed that the Secretariat was not requesting the current P80 forecast amount to be approved at this stage, as there was still a high degree of uncertainty related to the guaranteed maximum price for building E. In order to define more accurately the amount of the project cost overrun with more certainty, it was necessary to complete the process of determining the guaranteed maximum price for building E, which was currently ongoing, with packages released to the market. The current P80 forecast reflected increases in risks from the first subcontract tender returns, which contained significant market price increases. It would take another six months before a more accurate and realistic forecast of the project costs could be determined.

28. According to the eleventh progress report, any delay in obtaining the approval to enter the agreement would result in a setback to the overall project timeline, which would substantially raise programme and construction management costs during any “standstill” period for building E, given that those costs would amount to

approximately SwF 2.5 million per month (*ibid.*, para. 61). Upon enquiry, the Advisory Committee was informed that the assumptions of the additional costs of approximately SwF 2.5 million per month included approximately SwF 1.5 million for the project management and consultancy services costs and approximately SwF 1 million for potential contractual costs from the general contractor based on the preliminaries included in the guaranteed maximum price for building E contract.

29. The Advisory Committee reiterates that all projects facing significant resource changes from the approved budgetary level must seek the approval of the Assembly before continuing their planned activities (A/78/7/Add.14, para. 32). The Committee notes with concern the prolonged timeline and scarcity of information regarding the guaranteed maximum price for building E at this stage. The Committee trusts that further information on the projected significant cost increases for building E will be provided to the General Assembly during its consideration of the present report (see annex).

IV. Project scope and de-scoping options

30. The Advisory Committee recalls that it saw merit in providing de-scoping options, with clear financial and operational implications, for all construction projects when facing significant resource challenges compared with their previously approved budgetary level (A/78/7/Add.18, para. 36). The General Assembly, in its resolution 78/253, endorsed the conclusions and recommendations contained in the report of the Committee (A/78/7/Add.18) and requested the Secretary-General to ensure that any change that affected the scope of the strategic heritage plan project was presented for the consideration and decision of the Assembly.

De-scoping options

31. Information on the options for de-scoping is provided in annex VI to the eleventh progress report of the Secretary-General. However, it is indicated therein that the Secretariat is of the strong opinion that, given the advanced stage of the project, the best value for the Organization is to continue with the full scope while continuing to contain costs and seek value engineering opportunities. Noting that the proposed de-scoping options (up to SwF 47.7 million) would not amount to the cost overrun forecast (SwF 118.2 million), the Advisory Committee sought clarification and was informed that the General Assembly could consider options, such as implementing de-scoping options included in the eleventh progress report or others the Assembly wishes to consider and select, or continue with the current approved scope through the approval of an increased project budget.

Building E

32. The Advisory Committee also enquired about the feasibility of de-scoping building E (demolition of the office tower and refurbishment of the conference area, totalling SwF 323 million according to the latest forecast (see annex)), which is only in the pre-construction services phase, with works projected to start in the second half of 2025 and finish before the end of 2027 (see para. 7 (c) above). The Committee was informed that: (a) from a legal perspective, the current construction contract contained a termination clause for the Organization, allowing termination with 60 days' advance notice provided to the contractor. In such a case, the United Nations would be required to pay for any services or work completed, the costs of any plant and materials ordered, any other costs reasonably and properly incurred by the contractor in anticipation of completing the works, and demobilization costs. In that scenario, it would be more advantageous for the United Nations to ensure the

finalization of the pre-construction services and technical design phase, as the complete outputs from that phase could then readily be used for a future project or in a future rebidding exercise. In addition, the related contracted services for the design and cost management firms would also need to be discontinued, and it was also likely that the programme management and technical support services personnel levels would also need to be reduced; and (b) from a financial perspective, the costs for the above-mentioned legal consequences could potentially run to approximately SwF 10 million or even higher. Furthermore, the Committee was informed that the office tower sat on the same structural frame as the conference area and therefore the code compliance issues with it must be addressed at the same time as those of the conference area for an occupancy permit to be received. If the office tower was not demolished as part of the project, it would need to be closed and left unused, as it would be non-compliant. If the temporary conference area was retained for a longer period, it could perhaps partially address the business continuity of the conference requirements in the future.

Building B

33. The Advisory Committee was further informed that, under the variant 1 de-scoping scenario for building B of the de-scoping options contained in annex VI to the eleventh progress report (omission of the main renovation works and the maintaining of the current operations), SwF 14 million of renovation works would be omitted and up to SwF 14 million risk, identified with the least-risk approach, would also be avoided until such time as the building would need to be renovated in the future. Subject to the completion of the renovation of section AB, the renovation works on building B are to start in the first half of 2025 and to be completed during 2027 (see para. 7 (b) above). **The Advisory Committee notes that, following the building B variant 1 de-scoping scenario, cost avoidance could amount up to SwF 28 million, subject to mitigation measures under exploration for the least-risk approach for the renovation of the library.**

Legal ramifications of de-scoping

34. Upon enquiry as to any legal ramifications with respect to the Swiss loan that may come into play should any part of the de-scoping be approved, the Advisory Committee was informed that it was unclear what the legal ramifications of implementing the de-scoping options would be and was provided with the relevant clauses in the loan agreement.³ It was indicated to the Committee that, according to the Board of Auditors, at a minimum, some clarifications with the Building Foundation for International Organizations would be required (see [A/79/166](#), para. 92).

³ It is stated in article 4.7 of the loan agreement between the host State (Switzerland) and the United Nations that: "In the event that the United Nations would not realize the construction or renovation work referred to in article 1.2 above, she agrees to refund the amounts of the corresponding loan already paid in a period not exceeding three years from the date on which it will be decided to not to complete them. The loan repayment plan will be set by mutual agreement when communicating by UN to FIPOI for its decision not to carry out the work." For reference, it is stated in article 1.2 that: "This loan will be used, on the one hand, to the financing of the renovation of the existing buildings in the Palace of Nations, including the demolition of the Office Tower of the E building and, on the other hand, to the financing of the construction of a new building to replace the E building, as detailed in the technical paper prepared by officers of the United Nations on 9 October 2015 appearing in annex 1, and on which is based the Message of the Federal Council to the Federal Parliament on 24 February 2016".

35. **The Advisory Committee trusts that clarification regarding legal ramifications with respect to the loan from the host Government in the context of de-scoping will be provided to the General Assembly during its consideration of the present report.**

36. **The Advisory Committee, while noting that further cost overruns may create additional pressure to de-scope, considers decisions regarding the de-scoping options to be within the purview of the General Assembly. In view of the termination clause contained in the contract (see para. 32 above), the Committee sees merit in keeping de-scoping options under review (see para. 60 below).**

Building B library and archives

37. It is indicated in the eleventh progress report that, over the course of the project, there have been unforeseen operational necessities, including the building B library renovation. An assessment by a library and archives expert concluded that, to ensure the least risk to the collection, the project would need to include removing the entire collection from the library stacks during the renovation works, which could potentially increase the contingency by up to SwF 14 million if mitigation measures cannot be found (A/79/352, paras. 3 and 25 (c) and annex VI). The Board of Auditors also raised the issue of protecting the collections (A/79/166, para. 72).

38. Upon enquiry, the Advisory Committee was informed that building B was predominantly occupied by the library with some offices. When the scope of the project was originally established during 2013 and 2014, it was considered to protect the library collections (approximately 45 linear kilometres) in place, presumably on the basis that the fire protection works and the electrical installation works were predominantly located on the ceiling space in the aisles between the book stacks. Based on the advice from the library expert assessment, it had become apparent that such an approach would bring a high level of damage risk to the collections during the renovation. The project was therefore taking the least-risk approach and collaborating with all parties concerned to identify all possible approaches to determine the strategy of how best to proceed with the works. The current P80 forecast included the identified potential extra costs for the building B renovation (including the full emptying of the library collections from the building, their temporary storage either on site or off site and their return to the building upon completion of the renovation works). **The Advisory Committee trusts that an update on the identification of mitigation measures for the renovation of the building B library following the least-risk approach will be provided to the General Assembly during its consideration of the present report.**

Remote simultaneous interpretation

39. Upon enquiry, the Advisory Committee was informed that the decision to include equipment that would allow for remote participation via remote simultaneous interpretation was endorsed by the Steering Committee of the strategic heritage plan project. This was to cover the need for the conference rooms at the United Nations Office at Geneva to be able to provide business continuity in any circumstances when meeting participants were unable to travel, and requests by Member States or other conference clients for remote participation. The Office thus included the possibility for remote participation in the scope of its conference room equipment specifically for business continuity. For each conference room, the project supplies an encoder and a decoder as well as an HDMI-USB bridge, while the Information and Communication Technology Service of the Office is responsible for supplying and installing a control computer. The Committee requested, but did not receive, information on projects and entities that used the same type of remote simultaneous

interpretation equipment. **The Advisory Committee trusts that more clarification on the decision to add remote simultaneous interpretation to the scope of conference room equipment under the strategic heritage plan project will be provided to the General Assembly during its consideration of the present report.**

V. Project governance, oversight and management team

Project governance and oversight

40. During the reporting period, the Advisory Board of the strategic heritage plan project held two meetings, while the Steering Committee held four meetings. It is indicated that key issues considered by the Steering Committee include the schedule for the renovation of the historic Palais buildings, contractor claims, cost overruns, de-scoping options, business continuity and the management of cost pressures and project risks. It is also indicated that the related recommendation of the Board of Auditors is under implementation ([A/79/352](#), paras. 9 and 10 and annex III.C).

41. In its latest audit report on the strategic heritage plan, the Board of Auditors recommended that the Administration further reinforce the governance and resourcing of the strategic heritage plan programme management, in order to strengthen oversight and mitigate the risks of additional cost and time delays ([A/79/166](#), para. 50). Upon clarification as to the resourcing of the programme management, the Advisory Committee was informed that the Board of Auditors was of the view that the Administration should notably seek to hold meetings of the Steering Committee in accordance with the schedule set out in its terms of reference and to take measures to revitalize the Advisory Board. In line with the recent improvements regarding oversight of contractors, the strategic heritage plan team should also adopt a preventive approach by: (a) conducting sufficient inspections of deliveries before the commissioning stage; (b) implementing management methods enhancing respect for deadlines and quality; and (c) ensuring that resources are allocated appropriately to meet project deadlines and resolve issues quickly.

42. **In view of the significant time and cost overruns, the Advisory Committee stresses the need for enhanced programme governance and oversight of the strategic heritage plan project. In addition, the Committee has expressed the view that, for construction projects, the existing governance structure and accountability mechanism, in particular the roles and responsibilities of Headquarters as the second line of defence and other entities, including the delegation of authority arrangements, need to be further enhanced (see [A/78/7/Add.20](#), paras. 59 and 60). The Committee will further discuss the matters in its related reports ([A/79/7/Add.15](#), on capital investment planning; and [A/79/7/Add.13](#), paras. 11 and 12).**

Project management team

43. In its resolution [78/253](#), the General Assembly approved the extension of the temporary position of Architect (P-4) until the end of 2024, and also approved the reassignment of the position of Senior Administrative Officer (P-5) to a position of Senior Programme Officer (P-5). Information on the project management team, with incumbency status since 2015, is provided in paragraphs 14–17 and table 1 of the eleventh progress report (see also para. 51 below). It is indicated that the project team remained relatively stable throughout the reporting period, with all positions encumbered.

44. The General Assembly is requested to approve for 2025 the following for the project team: (a) the continuation of the position of Architect (P-4) until the end of

2025, in order to continue to provide design quality assurance for building E; and (b) the change in function of the operational expert (P-3) from Architect to Engineer in view of the operational needs at the current stage of the project (A/79/352, paras. 16, 17 and 88). **The Advisory Committee recommends the approval of the proposed continuation of the position of Architect (P-4) until the end of 2025 and the reassignment of the operational expert (P-3) from Architect to Engineer.**

VI. Financing of the project

Multi-year special account, scheme and currency of appropriation and assessment

45. The Advisory Committee recalls that, in its resolution 78/253, the General Assembly decided to continue to use the multi-year construction-in-progress account established within the regular budget for expenditures related to the strategic heritage plan in 2024. In the same resolution, the Assembly decided to revert to the establishment of the multi-year special account, as well as an assessment scheme and currency of appropriation and assessment, for the strategic heritage plan at the main part of its seventy-ninth session. Related information on the options is provided in paragraphs 78–82 and annex II of the report of the Secretary-General. **The Advisory Committee reiterates its view that the related options are policy matters to be decided upon by the General Assembly (A/78/7/Add.18, para. 42; A/77/7/Add.13, para. 33; A/76/7/Add.15, para. 31; A/75/7/Add.12, para. 27; A/74/7/Add.13, para. 23; A/73/576, para. 35; and A/72/7/Add.25, para. 27).**

Projected appropriation for 2025

46. It is indicated that the General Assembly has, to date, appropriated a total amount of SwF 329.1 million for the period from 2014 to 2024 (net of loan repayments to the host country, which are reflected under section 33 of the regular budget). Taking into account voluntary contributions in the amount of SwF 1.9 million, the approved project costs that remain to be financed by Member States amount to SwF 105.5 million (excluding the utilization and repayment of the host country loan). The Secretary-General indicates that, should Member States continue to decide upon the second option, with appropriations and assessments based on the estimated expenditures for each financial period, as has been the practice in previous years, the amount required to be appropriated for 2025 would be SwF 26.5 million, after allowing for the carrying-over of funds already assessed for 2024 (projected at SwF 6.2 million) (A/79/352, paras. 78 and 81).

Host country loan and repayment

47. The Advisory Committee recalls that the General Assembly, in its resolution 70/248 A, approved the financing of the project in part through an interest-free loan from the host country and authorized the Secretary-General to formally apply for the loan in the amount of SwF 400 million. The Swiss Parliament approved the Secretary-General's formal loan application and the corresponding loan contract was signed in April 2017. The total loan amounts assigned to the new building and the renovation remain at SwF 125.1 million (with 50-year repayment) and SwF 274.9 million (with 30-year repayment), respectively (A/72/7/Add.25, para. 26, and A/72/521, paras. 78–80).

48. The Advisory Committee further recalls that, with the occupancy of the new building H in May 2021, the 50-year repayment for the host country's interest-free loan in the amount of SwF 125.1 million expended for the new building began in December 2021. In its resolutions 74/263, 75/253 A and 77/263 A, the General Assembly decided

that the annual repayments of the loan to the host country would be funded under the regular budget until decided otherwise (under section 33, Construction, alteration, improvement and major maintenance) ([A/78/7/Add.18](#), para. 47). The Committee notes that an amount of \$2,856,900 (SwF 2,502,000) for the annual loan repayment to the host country has been included in the proposed programme budget for 2025 ([A/79/6 \(Sect. 33\)](#), para. 33.24).

49. The Secretary-General indicates that the project continues to draw down the loan for the renovation works of the project and that the repayment of the renovation portion of the loan is estimated to start at the end of December 2028, in the year of the planned occupation of building E (rather than at the end of 2026 projected in the tenth progress report) ([A/79/352](#), paras. 69 and 70).

50. The Advisory Committee reiterates its gratitude to the host country for its continued support to the strategic heritage plan since its inception.

Member States' donations

51. The Advisory Committee has previously discussed voluntary donations to the strategic heritage plan project ([A/77/7/Add.13](#), para. 26). Information on the cumulative expenditure against other funding sources (voluntary donations) received from Andorra, China, Monaco and Montenegro is contained in the eleventh progress report ([A/79/352](#), paras. 68 and 83 and annex II, tables A.II.1–3). It is indicated that the United Nations Office at Geneva continues to solicit donations towards the financing of the construction and renovation work at the Palais des Nations. Upon enquiry, the Committee was informed that one Junior Professional Officer position in the area of finance and administration funded by Germany ([A/74/452](#), para. 102) served in the project team from September 2017 to November 2020, followed by another donation of the same position funded by the host country ([A/78/503](#), para. 105), the incumbent for which started in early August 2023 and remained in post. Without such donations to support the financial and administrative activities of the project, the project would have needed to request funding in the budget for an additional position to cover the functions. **The Advisory Committee expresses its appreciation for the contributions of Member States and trusts that the Secretary-General will continue to seek voluntary contributions towards the financing of the strategic heritage plan project.**

VII. Other matters

Implementation of the recommendations of the Board of Auditors

52. Information on the status of the implementation of recommendations of the Board of Auditors is contained in annex III to the eleventh progress report. Of the 14 outstanding recommendations ([A/78/5 \(Vol. I\)](#), chap. II, annex III), 7 (50 per cent) have been implemented, 4 (29 per cent) are under implementation and 3 (21 per cent) have been overtaken by events ([A/79/352](#), paras. 12 and 13). It is indicated that, since the previous reporting period, the Board of Auditors carried out two visits to the project, from 4 to 15 December 2023 and from 11 to 22 March 2024.

53. The most recent observations and recommendations by the Board of Auditors on the strategic heritage plan project is contained in the report of the Board for the year ended 31 December 2023 ([A/79/166](#)). The Advisory Committee sought clarification on the recommendation of the Board that the Administration take all necessary steps to resolve the outstanding issues relating to building H, including by allocating appropriate resources of the United Nations Office at Geneva to enable the most efficient completion of the building H element of the programme (*ibid.*, para. 121).

The Advisory Committee was informed that the punch list for building H included a number of small tasks outstanding for more than two years; one option could be for the Facilities Management Service to resolve the outstanding issues within its capability and deduct the corresponding amounts from the financial retentions of the project. That option had to be discussed with the contractor and agreed by all the stakeholders. This observation of the Board is not directly related to a programme budget or to its specific comments on contracts (see [A/78/5 \(Vol. I\)](#)).

Section 33 of the programme budget

54. In the proposed programme budget for 2025, resources are requested for replacing some heating pipes and removing hazardous materials while renovations are undertaken by the strategic heritage plan project (see [A/79/7](#), paras. XI.30 and XI.32–XI.35).

Heating pipes

55. Concerning heating pipes, the Advisory Committee was informed, upon enquiry, that many of the original horizontal and accessible vertical heating pipes had been replaced as part of the strategic heritage plan. However, large parts of the vertical distribution heating pipes were contained within the walls and were not accessible without considerable demolition and rebuilding works, often in areas of very high heritage value. Therefore, during the feasibility stage back in 2015 and 2016, selective destructive and non-destructive tests had been performed under the strategic heritage plan to assess the condition of the original pipework in order to determine whether to replace the entire piping system. From the water quality tests undertaken at that time, the good water quality level indicated that the water treatment maintenance regime had been to a high-quality standard over the years and showed very limited deterioration of the original vertical pipes, which was not uncommon as any debris in the water circulating in pipes tended to rest more in the horizontal pipes or at the junctions between the vertical and horizontal pipes. The destructive tests undertaken in selected areas to expose the original pipes for visual inspection had further confirmed that the pipe walls in the original construction were sufficiently thick and still in an acceptable condition to continue to be used for many years to come (estimated between 15 and 20 years). Therefore, it was not foreseen that all of the original piping needed to be replaced under the strategic heritage plan, considering the high cost and the potential impact on some high-heritage-value areas. Nevertheless, the findings were not uniform across the Palais, as some pipes showed considerable signs of external corrosion and some joints were leaking; those areas have been fully replaced under the strategic heritage plan. Further areas of heating pipes have also been replaced when such conditions are identified during the progression of the works in the areas where pipes are exposed by the renovation works. As not all of the original pipework needed to be replaced based on the assessments in 2015 and 2016, it is best practice to continue to monitor and assess the condition of the remaining pipework and to plan for the future local replacement of sections; alternatively, for larger diameter pipes, it is now also possible to reline certain sections.

56. **The Advisory Committee recalls that the implementation strategy of the strategic heritage plan approved by the General Assembly in its resolution [68/247 A](#) included the full renovation of buildings A, B, C, D and S of the Palais des Nations. The Committee reiterates its view that the replacement of heating pipes should have been part of the strategic heritage plan project (see [A/79/7](#), para. XI.35). The Committee trusts that clarification on the feasibility of a further assessment to include, in the most cost-effective way, the replacement of all original pipes under the project scope, or in a phased manner during or after,**

as well as the potential financial implications and implementation timeline, will be provided to the General Assembly during its consideration of the present report and that an update will be included in the next report. The Committee will make further observations in the context of the report on capital investment planning.

Removal of hazardous materials

57. The Advisory Committee recalls that one of the key objectives for the renovation of the Palais des Nations established at the outset of developing the project was to meet all relevant regulations related to fire protection, health and life safety, and building code compliance ([A/68/372](#), para. 15). Upon enquiry, the Committee was informed that the scope of the strategic heritage plan did not include removing all hazardous materials from the main buildings, as in practice it would be impossible to achieve or certify the extent to which it could be guaranteed that none remained without the full demolition and replacement of all buildings on the campus that had been constructed and/or modified prior to 1990 (the year in which Switzerland banned the use of asbestos), in addition to the fact that the villas and ancillary buildings on the campus did not fall within the scope of the strategic heritage plan. The Committee was informed that the distinction compared with being required to remove asbestos is whether the asbestos had a risk of becoming airborne. If that risk existed, then the asbestos must be removed. If there was negligible risk of asbestos being disturbed and becoming airborne, then the building codes did not require its removal. To use a real example from the strategic heritage plan, if asbestos were present in the adhesive of the linoleum floor coverings (between the top of the floor slab and the underside of the linoleum), then in typical day-to-day use there was zero risk of the asbestos becoming airborne. However, as soon as any modifications or works were made to a space that would necessitate the floor covering to be altered or removed, then the risk of asbestos becoming airborne existed and therefore it became a legal obligation to remove it. The strategic heritage plan works did necessitate the substantial removal of hazardous materials wherever they were present in areas that were disturbed by the works. For those areas that remained undisturbed by the strategic heritage plan renovation works, then any hazardous materials, including asbestos, would remain present. If maintenance works were carried out on areas that remained undisturbed by the strategic heritage plan renovation works, the building owner would be legally obligated to investigate, identify and remove asbestos, wherever a risk exists that the asbestos may become airborne.

58. The Advisory Committee reiterates that, for planning purposes, comprehensive information on the collection and disposal of hazardous materials at the United Nations Office at Geneva by building, section and area, within and outside the scope of the strategic heritage plan project, will be provided to the General Assembly at the time of its consideration of the present report and that an update will be provided in the next annual report on the strategic heritage plan project (see [A/79/7](#), para. XI.30).

VIII. Conclusion

59. The actions requested of the General Assembly are contained in paragraph 88 of the report of the Secretary-General ([A/79/352](#)). The Assembly is requested:

- (a) To take note of the report;
- (b) To decide on the scheme and currency of appropriation and assessment for the strategic heritage plan;

- (c) To approve the establishment of a multi-year special account for the project;
- (d) To decide whether to implement any of the de-scoping options presented in the report;
- (e) To approve the continuation of the position of Architect (P-4) until the end of 2025;
- (f) To approve the change in function of the operational expert (P-3) from Architect to Engineer;
- (g) To authorize the Secretariat to conclude the guaranteed maximum price agreement for building E by the third quarter of 2025, acknowledging that with this contractual action, the SwF 836.5 million total budget approved by the General Assembly will be exceeded, up to potentially the current P80 forecast cost of SwF 954.7 million.

60. Subject to its recommendations and observations above, the Advisory Committee recommends that the General Assembly request the Secretary-General to provide an updated report during either the first or the second resumed part of its seventy-ninth session that would inform its decision-making on the revised level of the budget.

Annex

Cost breakdown by each cost element for the new building H, the renovation of the historic buildings and building E from the second (General Assembly approval in 2015), tenth and eleventh annual progress reports of the Secretary-General

(Thousands of Swiss francs)

Cost element	New building H			Renovation of the historic buildings (including buildings A, B, C, D and S/K)			Building E renovation (including renovation of the conference space and dismantling of the office tower (seven floors))			Total		
	Second annual progress report (A/70/394 and A/70/394/Corr.1) (General Assembly approval, 2015)	Tenth annual progress report (A/78/503)	Eleventh annual progress report (A/79/352)	Second annual progress report (A/70/394 and A/70/394/Corr.1) (General Assembly approval, 2015)	Tenth annual progress report (A/78/503)	Eleventh annual progress report (A/79/352)	Second annual progress report (A/70/394 and A/70/394/Corr.1) (General Assembly approval, 2015)	Tenth annual progress report (A/78/503)	Eleventh annual progress report (A/79/352)	Second annual progress report (A/70/394 and A/70/394/Corr.1) (General Assembly approval, 2015)	Tenth annual progress report (A/78/503)	Eleventh annual progress report (A/79/352)
Construction	110 457	122 269	122 461	–	–	–	–	–	–	110 457	122 269	122 461
Renovation	–	–	–	215 639	285 800	297 815	136 580	157 703	198 986	352 219	443 503	496 801
Dismantling	–	–	–	–	–	–	19 722	11 722	11 722	19 722	11 722	11 722
Contingencies on construction, renovation (refurbishment) and dismantling	32 018	161	554	32 663	7 751	23 607	20 486	17 291	34 048	85 167	25 203	58 209
Escalation on construction, renovation (refurbishment) and dismantling	3 972	–	–	15 149	–	–	17 274	–	–	36 395	–	–
Associated costs	14 138	6 315	6 283	28 976	10 409	11 265	9 884	3 566	3 629	52 998	20 290	21 177
Contingencies on associated costs	612	–	–	508	581	1 352	116	199	435	1 237	780	1 787
Escalation on associated costs	695	–	–	2 195	–	–	1 158	–	–	4 049	–	–
Consultancy services	27 070	32 701	32 779	52 848	86 979	97 962	38 306	38 918	47 506	118 225	158 598	178 248
Project management	8 903	6 783	6 783	17 381	23 552	27 744	12 598	20 642	23 239	38 882	50 977	57 766

<i>Cost element</i>	<i>New building H</i>			<i>Renovation of the historic buildings (including buildings A, B, C, D and S/K)</i>			<i>Building E renovation (including renovation of the conference space and dismantling of the office tower (seven floors))</i>			<i>Total</i>		
	<i>Second annual progress report (A/70/394 and A/70/394/Corr.1) (General Assembly approval, 2015)</i>	<i>Tenth annual progress report (A/78/503)</i>	<i>Eleventh annual progress report (A/79/352)</i>	<i>Second annual progress report (A/70/394 and A/70/394/Corr.1) (General Assembly approval, 2015)</i>	<i>Tenth annual progress report (A/78/503)</i>	<i>Eleventh annual progress report (A/79/352)</i>	<i>Second annual progress report (A/70/394 and A/70/394/Corr.1) (General Assembly approval, 2015)</i>	<i>Tenth annual progress report (A/78/503)</i>	<i>Eleventh annual progress report (A/79/352)</i>	<i>Second annual progress report (A/70/394 and A/70/394/Corr.1) (General Assembly approval, 2015)</i>	<i>Tenth annual progress report (A/78/503)</i>	<i>Eleventh annual progress report (A/79/352)</i>
Escalation on consultancy services and project management	1 008	–	–	2 157	306	374	2 508	366	210	5 672	672	584
Contingencies on consultancy services	1 262	–	–	2 465	1 167	2 775	1 786	1 319	3 211	5 513	2 486	5 986
Escalation on contingencies	1 245	–	–	2 377	–	–	2 343	–	–	5 965	–	–
Total	201 381	168 229	168 861	372 357	416 545	462 893	262 762	251 726	322 987	836 500	836 500	954 741