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Eleventh annual progress report on the implementation of the capital master plan

Report of the Secretary-General

Summary

The eleventh annual progress report on the capital master plan is submitted pursuant to section II, paragraph 34, of General Assembly resolution [57/292](#) and section V, paragraphs 34 and 35, of resolution [67/246](#). The report provides an update on the status of the project since the issuance of the tenth annual progress report ([A/67/350](#)), in September 2012.

In its sixth year of construction, and with the successful achievement of full reoccupancy of the Secretariat and Conference Buildings, the capital master plan is currently embarked on its last major phase, the renovation of the General Assembly Building. The General Assembly Building is projected to be completed in time for the general debate of the sixty-ninth session, in 2014. The overall project, including remaining work relating to the basements and security on First Avenue and on 48th Street, is set to be completed in 2014. Project closeout for accounting completion and claims purposes, as well as final landscaping, will occur in 2015, subject to approval by the General Assembly.

Since the issuance of the tenth annual progress report, the project has passed four key milestones: the completion and occupancy of the Secretariat Building, the completion and occupancy of the Conference Building, the reconfiguration of the temporary North Lawn Building for use as a temporary General Assembly Hall and the commencement of the renovation of the General Assembly Building. The financial position of the project remains constant and consistent with projections presented in the tenth annual progress report, after taking account of the decisions of the General Assembly in 2012, as set out in section V, paragraphs 36 to 38, of resolution [67/246](#).

* [A/68/150](#).



A decision by the General Assembly on the financing of the capital master plan project is required to ensure the continuity of activities and the completion of the project in 2014.

As at 30 June 2013, the projected cost to completion was \$2,114.75 million, as compared with the approved resource requirements (original budget of \$1,876.7 million plus commitment authority of \$144.4 million) plus voluntary contributions (\$13.6 million) totalling \$2,034.7 million. Financing arrangements with respect to the project costs are provided in section XV. Should these recommendations be approved by the General Assembly, the capital master plan project would be completed without further assessments on Member States.

The costs of activities associated with the capital master plan (“associated costs”) and the cost of the secondary data centre are described in section XIII. These costs were not included in the original scope of the capital master plan. Detailed information on final expenditure for associated costs for the period from 2008 to 2013, at \$141.4 million by the end of the year, is provided in addendum 1 to the present report ([A/68/352/Add.1](#)), pursuant to General Assembly resolution [67/246](#), section V, paragraph 44, in which the Assembly requests the Secretary-General to report on such expenditure only when it is properly ascertained. The final cost of the secondary data centre is \$15.0 million.

A decision on the financing of cumulative associated costs and the cost of the secondary data centre is also required. At the request of the General Assembly, these costs have been borne by the cash funds of the capital master plan project since 2008. However, the Secretary-General wishes to advise the Assembly that these costs cannot be absorbed within the approved budget of the capital master plan. Without the replenishment of the cash resources, the project will not be able to proceed to completion in 2014.

I. Overview

1. The capital master plan is the largest and most comprehensive construction and renovation project ever undertaken by the United Nations. Planning for the project commenced in 1999, and the construction phase began in 2008 and will run through 2014. The General Assembly requested the Secretary-General to submit annual reports on the project's progress and schedule, projected cost to completion and financial status. The present report is the eleventh such report to the Assembly.

2. Since the issuance of the tenth annual progress report in September 2012 (A/67/350), renovation work on remaining portions of the project has proceeded quickly and on schedule, including the completion of the Conference Building less than four months after the schedule was developed in mid-2012 (*ibid.*, table 2), despite the unforeseeable obstacles caused late in the project by storm Sandy, which affected the host city and region in the fall of 2012. The renovation of the Conference Building was delayed significantly midway through construction owing to the enhanced security upgrade.

3. As at 30 June 2013, the projected cost to complete the capital master plan project was \$2,114.75 million,¹ 11.9 per cent higher than the approved budget as authorized by the General Assembly in December 2006 (resolution 61/251) plus donations from Member States.² This compares with the projected cost to completion of \$2,127.75 million reported in 2012, which was 12.7 per cent higher than budgeted.

4. The 2013 projection reflects a decrease of \$13.0 million arising from the one-time cost-reduction measures proposed by the Secretary-General and approved by the General Assembly in its resolution 67/246.

5. The present report includes, for consideration by the General Assembly, a proposal for financing of the project to allow scheduled activities to proceed to completion at an estimated total cost of \$2,049.75 million (inclusive of \$13.6 million of commissioned scope funded by voluntary contributions), which entails the necessary suspension of the design and renovation of Library and South Annex Buildings and hence a request for the General Assembly to approve the revision in the project's original scope.

6. With respect to associated costs and the cost of the secondary data centre, it will be recalled that such activities were not included in the original project scope and hence were not included in the budget approved for the capital master plan project. At the request of the General Assembly, the estimated resource requirements have been presented to the Assembly on an annual basis and its approval sought prior to expenditures being incurred.

7. Every effort has been made to absorb the associated costs and the cost of the secondary data centre within the approved budget of the capital master plan project (see resolution 67/246, sect. V, para. 41). However, given the current level of utilization of the capital master plan funds provided by the General Assembly, the high level of commitments recorded by the project and the significant requirements for the associated costs and the secondary data centre, it has been determined that it

¹ Projected costs (\$2,101.1 million) for original scope works plus scope funded through voluntary contributions (\$13.6 million).

² \$1,890.3 million comprising approved project funding (\$1,876.7 million), plus voluntary contributions (\$13.6 million).

is not possible to do so without exceeding the budget approved for the capital master plan project.

8. The forecast final expenditure for associated costs for the period 2008-2013 is \$141.4 million. The cost of the secondary data centre is confirmed at \$15.0 million, after taking account of the contribution of \$4.2 million from the support account for peacekeeping operations.

9. The present report sets out proposals for financing cumulative associated costs and the cost of the secondary data centre for the expenditures that the project has borne at the request of the General Assembly.

II. Background

10. The strategy for the capital master plan was approved by the General Assembly in December 2007, in its resolution [62/87](#). The construction phase of the project commenced in 2008 and is scheduled to be completed in 2014, with the renovation of the General Assembly Building projected to be completed in time for the general debate of the sixty-ninth session of the Assembly, in 2014. Project closeout, for accounting completion and claims purposes, as well as final landscaping, including the removal of the North Lawn Building, will occur in 2015.

11. The total project budget for the capital master plan, in the amount of \$1,876.7 million, was approved by the General Assembly in December 2006, in its resolution [61/251](#). The decision was based on the selection of strategy IV, which was the Secretary-General's recommendation of the four proposals set out in his third annual progress report ([A/60/550](#) and Corr.1 and 2, and Add.1).

12. Accelerated strategy IV was approved by the General Assembly in December 2007, in its resolution [62/87](#), without any increase in the approved total project budget approved the previous year.

13. Accelerated strategy IV required many tasks, of which the following have already been achieved:

- (a) Leasing and fitting out off-site office swing space;
- (b) Moving office functions to swing space;
- (c) Renovating the Secretariat Building in its entirety;
- (d) Reoccupying the Secretariat Building;
- (e) In parallel, constructing a temporary building on the North Lawn for conferences, related support and certain offices;
- (f) Emptying the Conference Building by relocating meetings to the temporary North Lawn Building;
- (g) Renovating the Conference Building in its entirety;
- (h) Returning conferences and offices to the Conference Building;
- (i) Altering the temporary North Lawn Building to merge two rooms into a single space for an interim General Assembly Hall;
- (j) Emptying the General Assembly Building.

14. Other tasks included in the scope of accelerated strategy IV, which have yet to be completed, either because they are still under way or because they are under discussion, are listed below:

- (a) Renovating the General Assembly Building in its entirety;
- (b) Renovating the Library and South Annex Buildings;
- (c) Replacing the central infrastructure and renovating the basements in a phased manner;
- (d) Demolition of the temporary North Lawn Building;
- (e) Completing site and landscape work.

15. Two significant factors have had an impact on the scope and progress of the project, as compared with the plan above: the security situation changed (2010), and the site was affected by storm Sandy (2012). The present report describes the impact of these changes, as well as the project's progress against accelerated strategy IV and its approved budget of \$1,876.7 million.

16. At its sixty-seventh session, in 2012, the General Assembly approved the granting of authority for the Secretary-General to enter into commitments up to the amount of \$302.8 million until the end of 2013.³ This allows the project to continue with scheduled activities until 31 December 2013. The amount of \$302.8 million was based upon estimated overexpenditure on the project of \$144.4 million by the end of 2013, as well as the estimated associated costs of \$143.1 million and the estimated cost of the secondary data centre of \$15.3 million.

III. Progress since the issuance of the tenth annual progress report

A. Progress on renovation work

17. The renovation work on the Secretariat and Conference Buildings began in February and May 2010, respectively. As previously reported to the General Assembly, the work on the Conference Building was paused when the Organization's facilities in various locations in the world were attacked and the threat level for Headquarters was raised. A voluntary contribution from the host country permitted the implementation of increased security measures, and the work was restarted. The revised design for the entire compound was significantly strengthened but resulted in a delay in the scheduled completion of the Conference Building of approximately one year, from late 2011 to late 2012.

18. The return of staff to the Secretariat Building commenced in July 2012 and was substantially completed by the end of the year. Full occupancy of the building by staff and other functions on the above-grade floors of the building was completed in May 2013, with the relocation of media and public information functions.

19. Beginning in May 2013, conference services were returned to the Conference Building in a two-month process of relocating meetings to the renovated chambers,

³ \$135.0 million in respect of expenditure for 2012 and \$167.8 million in respect of expenditure for 2013.

conference rooms and meeting rooms. In the months leading up to the reoccupancy, key tasks that were completed by April 2013 included the completion of the glass curtain wall, the installation and commissioning of the basement infrastructure that services the Conference Building, the fit-out of the floors and the preparation of the building for occupancy.

20. Once the reoccupancy of the Conference Building had been completed, work began on reconfiguring the temporary North Lawn Building to create the interim General Assembly Hall. Once that task had been completed, the renovation of the General Assembly Building commenced on 1 June 2013.

21. Significant portions of the renovation work in the basements were completed in 2012. However, Headquarters incurred damage in the basements during storm Sandy in late October 2012, which required the replacement of major infrastructure — much of it related to the chillers — that was inundated by the storm surge. In addition, as reported to the General Assembly in early 2013 (see [A/67/748](#)), additional work was undertaken and is ongoing to mitigate the effects of future flooding by raising key infrastructure to above the recalculated 100-year flood plain. Although the chillers must stay on the lowest levels of the basements, the electrical switchgear and other chiller controls are being moved up beyond the reach of future storms. The cost of these structural enhancements is being funded by the regular budget, as the work is not claimable under the Organization's insurance policies.

22. The installation of audiovisual and congress microphone systems for the renovated conference rooms was completed in early 2013.

B. Relocations from swing space and lease terminations

23. Original swing space requirements were based on the temporary office space needs for staff members who were to be relocated out of the United Nations complex during the capital master plan project.

24. Swing space locations were determined after a cost/benefit analysis that considered several important factors, such as the possibility of early termination, proximity to the Headquarters campus, and the flexibility of landlords regarding subleasing arrangements and market conditions for comparable leases in midtown Manhattan. Having temporary office space not only for the scheduled duration of the capital master plan project, but also longer in case of changes in the project schedule, was a key consideration in the decision-making process, given the unacceptable disruption to operations and the potentially prohibitive costs that otherwise would be experienced in the event of a substantial delay in completion.

25. By the end of November 2012, the major relocation of staff into the renovated Secretariat Building had been completed. On the basis of the progress made by the capital master plan project and in accordance with the medium-term lease strategy for the Secretariat, the early termination of the lease at 380 Madison Avenue (for 250,000 square feet of office space) has been exercised. Early termination for the building at 730 Third Avenue (the Teachers Building) is not available, and the lease will expire at the end of 2013. The Albano Building lease continues until the end of July 2017, at which time it will be either extended or terminated, on the basis of the longer-term office accommodation strategy.

26. The lease of the United Nations Federal Credit Union (UNFCU) Building has been retained for the functions of the Office of Information and Communications Technology and the Office of Human Resources Management.

27. The projected cost to complete the capital master plan includes office swing space costs at 380 Madison Avenue and 730 Third Avenue (Teachers Building) for the period of the capital master plan and thereafter until the first opportunity to terminate the lease arrangements. Conversely, the regular budget, under section 29D (Office of Central Support Services), covers the cost of former capital master plan swing space leases that have been retained on a longer-term basis (the Albano and UNFCU Buildings), because they are necessary to accommodate the increase in the number of staff who, following the completion of the capital master plan, need to be located at off-site locations. Table 1 below provides the status of the four swing space locations and funding arrangements.

Table 1
Swing space lease details

| <i>Building</i> | <i>Lease commencement</i> | <i>Funding arrangements</i> | <i>Lease expiration</i> |
|--|---------------------------|--|---|
| 380 Madison Avenue | 29 February 2008 | Funded from the capital master plan and Office of Central Support Services budgets until May 2013. The capital master plan will pay the reduced rent from May until lease expiration | 25 January 2014, partial termination of 250,000 square feet applied effective 31 May 2013 |
| 730 Third Avenue (Teachers Building) | 30 June 2009 | Funded from the capital master plan and Office of Central Support Services budgets until May 2013. The capital master plan will pay the rent from May until lease expiration | 31 December 2013 |
| 305 East 46th Street (Albano Building) | 24 July 2007 | Funded from the capital master plan budget until May 2013. After that date, the lease costs are being met from the regular budget until lease expiration | 23 July 2017 |
| United Nations Federal Credit Union (UNFCU) Building, Long Island City | 14 February 2008 | Funded from the capital master plan and Office of Central Support Services budgets until May 2013. After that date, the lease costs are being met from the regular budget until lease expiration | 30 April 2018 |

28. In 2013, efforts turned to relocating staff who would be vacating existing swing space but who would not be returning to the Secretariat Building. These staff have moved into off-site space made available by the return of other staff to the Secretariat Building, by backfilling space in other existing leased annex buildings.

29. Off-site moves were managed in accordance with the space planning strategy.

IV. Project schedule

30. The capital master plan maintains the overall schedule set out in the tenth annual progress report (see [A/67/350](#), table 2). As indicated in table 2 below, the Secretariat and Conference Buildings have been completed, and the General Assembly Building is projected to be completed in time for the general debate in 2014. Construction activity for the project, including remaining work relating to the basements and security on First Avenue and on 48th Street, is set to be completed within 2014.

31. Owing largely to storm Sandy, which struck New York City in the fall of 2012, the completion of the Conference Building was delayed by more than three months. The original move-in commencement date of 1 January 2013 allowed for a month for commissioning and training, until 1 February 2013. The storm delayed that move-in date until 1 May 2013. The highly sophisticated electronics required for the rooms created unfortunate technical delays in some of the rooms in May 2013; however, software repairs were designed and installed, making all the rooms fully functional. The project gained some lost time through an accelerated reconfiguration of the temporary North Lawn Building into the interim General Assembly Hall. The net consequence of the delays was that the renovation of the General Assembly Building started three months later than projected in 2012. These delays included storm Sandy and the resulting flooding of the basements of the Headquarters complex, which affected the schedule for the renovation of the Conference Building and hindered planned asset management and disposal activities. The Office of the Capital Master Plan remains committed to recovering the time lost during the renovation.

32. The renovation of the Library and South Annex Buildings remains suspended because of security concerns, as reported to the General Assembly during its sixty-seventh session. As requested by the Assembly in its resolution [67/246](#), proposals related to the temporary North Lawn Building, the South Annex Building and the Dag Hammarskjöld Library Building are discussed in section IX of the present report. The issue will be elaborated upon further in the report of the Secretary-General on the long-term accommodation requirements at Headquarters, to be submitted to the Assembly at its resumed session in early 2014, as the viability and cost of the various alternative proposals are inherently linked to the overall long-term planning requirements of the Organization.

Table 2
Projected schedule of the capital master plan

| Activity | <i>As set out in A/62/364</i> | | <i>As set out in A/63/477</i> | | <i>As set out in A/64/346</i> | | <i>As set out in A/65/511</i> | | <i>As set out in A/66/527</i> | | <i>As set out in A/67/350</i> | | <i>Current projection</i> | | Status |
|--|-----------------------------------|------------|-----------------------------------|------------|-----------------------------------|------------|-----------------------------------|------------|-----------------------------------|-----------|-----------------------------------|-----------|---------------------------|------------|--|
| | Start | Complete | Start | Complete | Start | Complete | Start | Complete | Start | Complete | Start | Complete | Start | Complete | |
| Construction of North Lawn Building | Early 2008 | Mid-2009 | Early 2008 | Mid-2009 | Mid-2008 | Late 2009 | Mid-2008 | Late 2009 | Mid-2008 | Late 2009 | Mid-2008 | Late 2009 | Mid-2008 | Late 2009 | Completed |
| Secretariat Building | Early 2009 | Early 2012 | Early 2009 | Early 2012 | Late 2009 | Mid-2012 | Early 2010 | Mid-2012 | Early 2010 | Mid-2012 | Early 2010 | Mid-2012 | Early 2010 | Mid-2012 | Completed |
| Conference Building | Mid-2009 | Mid-2011 | Mid-2009 | Mid-2011 | Late 2009 | Late 2011 | Early 2010 | Early 2012 | Early 2010 | Late 2012 | Early 2010 | Late 2012 | Early 2010 | Early 2013 | Completed |
| General Assembly Building | Mid-2011 | Mid-2013 | Mid-2011 | Mid-2013 | Late 2011 | Late 2013 | Early 2012 | Late 2013 | Early 2013 | Mid-2014 | Early 2013 | Mid-2014 | Mid-2013 | Mid-2014 | On track for completion as in the schedule set out in A/66/527 |
| South Annex Building | Early 2011 | Early 2012 | Early 2011 | Early 2012 | Late 2011 | Early 2013 | Early 2012 | Mid-2013 | — | — | — | — | — | — | Suspended |
| Library Building | Early 2012 | Early 2013 | Early 2012 | Early 2013 | Early 2013 | Late 2013 | Early 2012 | Late 2013 | — | — | — | — | — | — | Suspended |
| Renovation of United Nations Headquarters ^a | Early 2008 | Mid-2013 | Early 2008 | Mid-2013 | Late 2008 | Late 2013 | Mid-2008 | Late 2013 | Mid-2008 | Mid-2014 | Mid-2008 | Mid-2014 | Mid-2008 | Late 2014 | |

^a Including work in the basements.

V. Lessons applicable to future capital projects

33. In section V, paragraph 35, of its resolution [67/246](#), the General Assembly requested the Secretary-General, as a matter of priority, to present a clear plan on lessons learned from the capital master plan and similar projects.

34. The Office of Capital Master Plan compiled and analysed programmatic lessons learned and presents those lessons below, with a view to enabling future large-scale construction and renovation projects undertaken by the United Nations to benefit from its experience. The Office of Capital Master Plan worked closely with other departments, consultants, construction managers, designers and other industry partners to capture these lessons learned and best-practice examples and innovations for the benefit of future projects.

35. Programmatic lessons learned can be organized into six themes, shown below:

(a) *Project planning and project team structure:*

(i) The office structure of the project should be agreed upon and budgeted and the core leadership and support should be in place early, especially the identification of the project's senior leadership and administration, the establishment of a communications mechanism, project finance and budget functions, and design and construction teams. The senior leadership team should be composed of individuals vested with executive authority appropriate for the decisions that need to taken;

(ii) The capital master plan was organized by major subprojects. Large, multi-year projects should create subprojects and appoint multiple architectural firms to mitigate the risks to project completion in the case of a consultant failure or litigation. This division allows the entire team to focus on manageable assignments, each with a schedule and unique requirements. A programme management consultant should be engaged to provide estimating services that are independent of the construction manager for cost controls, and additional industry expertise in project management. Dedicated personnel should be assigned to manage each subproject;

(iii) Unlike the system of separate architects for separate subprojects, engineering is more broad and systemic. A single engineer can provide consistency for the more efficient operation of campus-wide systems. The interrelationship of campus-wide security, electrical, building management and heating, ventilating and air conditioning systems is best managed as a coordinated programme, responding to a single vision and coordinated among the various partners and contractors;

(iv) The project should deliver the broad objectives determined by the Member States, such as energy usage goals, the rationalization of space utilization and safety, on a campus-wide basis, instead of requiring every subproject to meet the goals and standards. A core office for the project team is needed, with dedicated staff assigned to project-wide responsibilities;

(v) The project office must perform the role of client, responsible for communicating with all the required stakeholders within the Organization, setting policy, ensuring that programme outcomes are delivered and controlling quality. All instructions to consultants and contractors should pass through the project team to ensure accountability. Substantial participation by all other parts of the Secretariat are required:

a. Operational partners: it is important to start planning for the handover process early in the project life cycle. After the project has been completed, the departments and services that will operate the building and systems, such as information technology, plant engineering, conference services, broadcast support and security, must be engaged as full partners throughout the process, understanding the design, preparing for the new systems, and preparing for the impact on their normal operations. Their involvement is required through the handover of the completed systems at the end of the project. Preparing for the handover is a critical need;

b. Contracting experts: the contracting and amendment process during a major project is an ongoing and time-consuming challenge, and its timely execution is essential to keeping the project on schedule. Having full-time access to dedicated personnel from the Procurement Division and Office of Legal Affairs with expertise in capital-intensive and/or construction projects is essential;

c. Focal points: a system of departmental focal points is required to maintain coordination for all programming and design, especially space planning and the relocation process;

(vi) The structure of having specialist architects, and a single construction manager, is effective. The Office of the Capital Master Plan was the executive architect for overall design coordination. This arrangement, although unusual for a large-scale project, allows the Organization to retain direct control over the project costs and schedule as well as design control. With a highly qualified United Nations team, it is a responsible methodology;

(vii) Managing and disposing of United Nations assets during the construction phase of a project must be planned well ahead in order to avoid choking the project on its own debris. In renovations, tons of debris must be removed expeditiously;

(viii) It is crucial for the success of the project that departments and services be fully engaged from the project planning phase and understand both the extent of their supporting role in relation to the project and conversely, how it affects their normal operations. On the basis of the anticipated level of their engagement, users will be able to determine their costs associated with the project at a project planning phase;

(b) *Governance and project management:*

(i) An accountable and efficient governance structure must be developed and implemented as part of the initial project structure. The governance structure must be responsive to the fast pace and focus of the project. It should establish clear lines of authority, defining the purpose and role of the each governance component. The governance structure should be adjusted, as appropriate, during the project to reflect changes in the project's risk profile as it evolves through its various stages;

(ii) Early in the formulation of the project, attention and support from the senior management of the Organization is critical. The goals and objectives, the budget and schedule, the risks and exposures and the limits of work that will be achieved should be clearly communicated not only in reports of the Secretary-General but also in briefings and online communication. It is equally important to establish the scope of work that will not be achieved in the project;

(iii) From the pre-planning stages, a formal sign-off by senior managers of departments of what will be delivered is critical to help to limit scope changes in user requirements while the construction project is in progress. There must be an understanding that management must live within the design and scope agreements that they have signed;

(iv) Large projects require the active management of human resources and the establishment of human resources policies that allow the team to retain trained staff. This would require a human resources strategy for successful succession planning that allows the Organization to efficiently absorb highly trained staff as the project comes to closure;

(v) Large projects require appropriate controls that can clearly demonstrate to the General Assembly that assurance can be placed on the reported cost forecasts;

(vi) Effective governance over the project is required at the project planning phase so that senior management can be assured that cost and progress forecasts are accurate. Senior management should be supported by expert advice that is independent of the project team. From the planning stages, it is important that the project be managed with clear lines of supervision and accountability, which might involve establishing a steering committee. As the project progresses past the planning and design phases into construction, this format might be re-evaluated;

(c) *Design and engineering:*

(i) Design innovations will occur during the life of the project. The scope of work provided by the Organization to the architects should not be too specific. Detailed scopes might limit the opportunities for the designers to introduce the Organization to new methodologies. The architects and engineers should be selected because they have creative talents that will benefit the Organization, and their scope of work should be defined in terms of objectives, not solutions. Scopes of work on large projects are written years before the work is installed. In areas where technologies are fast-changing, it is desirable to lock in designs as late as possible to benefit from the most recent but proven technologies;

(ii) For a project to renovate existing buildings, a thorough programme of investigation and assessment of the facilities requires early access to the existing conditions. This will mitigate costly surprises later. A difficulty is that investigations in occupied buildings are disruptive to ongoing operations. Aggressive scheduling of small investigations on nights and weekends and clear communication with users to explain the value of the activity are necessary to expand the extent of site investigations. Early extensive site investigations save time and money during construction and are critical;

(iii) Investing additional effort and time in the preparation of the construction documents is recommended as a way to control costs and save time over the long term. It is commonplace for projects to start later than originally expected, creating intense pressure to start the project. A fast-track methodology is often employed by bidding individual subprojects while the construction documents for the remainder of the projects are less than 100 per cent complete, given that the bidding, award and mobilization process will allow some time for amendments and changes. This methodology should be employed only when

there is a clear understanding that the risk of change orders is more than balanced by the benefits of saving construction time;

(d) *Procurement and contract management:*

(i) The capital master plan was subject to United Nations procurement regulations, with specific guidelines on best value for money, transparency, and fairness. All the appropriate procedures and objectives should be consolidated into a project manual, so that all contractors adhere to the procurement guidelines and principles of the Organization;

(ii) For highly specialized types of work (e.g., certain restoration work), an expeditious method of implementing sole-source selection is needed. This requirement must be fully explored, in advance, with the Procurement Division and the Office of Legal Affairs;

(iii) A construction manager with a strong pre-qualification process to select financially stable subcontractors is critical. Afterwards, careful monitoring of the liquidity and financial stability of major contractors is important to managing the project's exposure to the risk of subcontractor insolvency;

(iv) Scope flexibility is needed throughout the project. This can be obtained in a timely manner within a transparent procurement process by organizing contracts with options, alternates, unit prices and allowances so that the Organization can quickly respond to unexpected situations;

(e) *Project budgeting, financial management, cost control and reporting:*

(i) A construction project budget includes provisions for contingency, cost escalation and the construction manager's (general contractor's) and designers' fees, which are items relating to capital expenditure and are not typically found in an operating budget such as the United Nations programme budget. It is important that such elements be clearly explained and their application and usage be clearly defined at the project planning phase. Once determined, they should be consistently treated and reported by the Organization throughout the project life cycle as established at the scope and budget formulation stage;

(ii) Large projects have associated activities that give rise to associated costs, both direct and indirect. These should be identified and quantified at the start of the project so that a comprehensive budget can be determined and presented to Member States. If any costs are determined to be funded from other sources, the responsibility for managing those costs should be established at a single office. Information on changes in those costs must be shared in a timely manner;

(iii) Large construction projects generate change orders that require active management and negotiation. The establishment of an appropriate level of delegation of authority helps to avoid delays in processing such change orders;

(iv) Additional scope of work funded from other sources, such as donations by Member States, requires careful management by a dedicated team of experts;

(f) *Health and safety:*

(i) There are two aspects of health and safety in a design and construction project. First are the health and safety components of the design. It is important to define the health and safety objectives in tangible terms related to

specific codes, such as accessibility and building codes, before the scope and budget are developed. The second relates to the conduct of the construction. The construction manager must have the health and safety of the staff and delegates of the Organization, and its own personnel, as a primary goal throughout the construction process;

(g) *Risk assessment and management:*

(i) Project risks should be assessed using qualitative and quantitative methodologies and actively managed through the assignment of ownership of risks and response measures to line managers;

(ii) Control measures should be regularly adjusted to reflect the progress made by a project;

(iii) Some risks carry opportunities, and the Organization can benefit from those opportunities and adjust its control measures. In general, the risk assessment process allowed the team to understand the major risks and take steps to avoid or mitigate them. Judicious use of the risk register is recommended.

VI. Accountability

A. Governance

36. The capital master plan project is managed by the Office of the Capital Master Plan, with strategic guidance provided by the Office of the Under-Secretary-General for Management. In section V, paragraph 6, of its resolution [67/246](#), the General Assembly reiterated that accountability was a central pillar of effective and efficient management that required attention and strong commitment at the highest level of the Secretariat, as defined in paragraph 8 of its resolution [64/259](#), entitled “Towards an accountability system in the United Nations Secretariat”.

37. The Under-Secretary-General for Management is responsible for the successful delivery of the capital master plan and has asserted a proactive role in monitoring and supervising the progress of the capital master plan to ensure that the remaining portions of the project are delivered on schedule and that project costs are kept as close as possible to the originally approved budget.

38. The Executive Director of the capital master plan, who, at the Assistant Secretary-General level, reports to the Under-Secretary-General for Management, is entrusted with and accountable for the day-to-day management of the project, updating the Under-Secretary-General on a weekly basis and providing quarterly status reports on the project.

39. Project monitoring and oversight meetings include weekly and monthly Directors’ meetings attended by representatives of the Office of Central Support Services, the Office of Programme Planning, Budget and Accounts, the Department of Safety and Security, and the Office of Information and Communications Technology; monthly principals’ meetings with representatives of firms and design consultancies; weekly construction meetings and project schedule reviews; joint weekly coordination meetings with the construction management and programme management firms; and weekly coordination meetings with the Procurement Division.

40. The Office of the Capital Master Plan established a focal point system whereby a single staff member is identified in each Department and Office to serve as the point of contact for project coordination matters. In addition to the focal point system, the Under-Secretary-General for Management and the Executive Director of the capital master plan have established close consultative relationships with senior officials in other departments, especially those that provide support to or are considered special clients of the project, such as the Department of Safety and Security, the Department of General Assembly and Conference Management and the Department of Public Information, with which weekly meetings are held to coordinate planning and user requirements.

41. Periodic meetings with the host city and the Permanent Mission to the United Nations of the host country related to security, safety and access for host city first responders facilitate the exchange of views and resolution of issues under authority of the host city and host country.

42. In compliance with the request by the General Assembly, the Secretary-General continued to update the Fifth Committee and the Advisory Committee on Administrative and Budgetary Questions, through regular information briefings, in addition to annual progress reporting, on all aspects of the implementation of the capital master plan project, including the financial status, progress on activities and risk mitigation measures. The Executive Director now provides weekly updates on the project to the Executive Management Group, which is chaired by the Under-Secretary-General for Management.

43. In October 2009, pursuant to a recommendation by the Office of Internal Oversight Services, the Department of Management established the Post-award Review Committee to improve the scrutiny of change orders and contract amendments. The Committee continues to apply a consistent risk-based methodology for the review of contract amendments.

B. Oversight and audits

44. In addition to the governance arrangements described above, the Board of Auditors and the Office of Internal Oversight Services have continued their audits of the project.

45. The Board of Auditors audited the capital master plan project from February to April 2012 and in October 2012 and April 2013. In its annual report on the audit of the capital master plan for the 12-month period ending 31 December 2012 ([A/68/5 \(Vol. V\)](#), summary), the Board recognized that, as at 31 March 2013, with 91 per cent of the available financing committed and two of the three main buildings largely completed, the total level of risk to the delivery of the capital master plan was reduced. The Administration addresses key recommendations, as outlined below.

46. In the view of the Secretary-General, the project is currently being managed with clear lines of accountability and with robust internal and external oversight.

47. Within the established reporting structure of the Secretariat, the Office of Programme Planning, Budget and Accounts continues to review the annual progress reports of the Secretary-General on the capital master plan before their submission to the General Assembly.

48. Positive actions have been taken by the Secretariat in response to the recommendations of the Board of Auditors and the Office of Internal Oversight Services. The Secretariat quantified risks and comprehensively reviewed the cost estimates of the project, including estimates for: (a) remaining project risks; (b) potential change orders until project completion; (c) acceleration of activities to meet the project schedule; (d) claims that have been submitted and an allowance for future claims; and (e) up-to-date estimates for the remaining scope of work, as all guaranteed maximum price contracts have been executed. The Secretariat revalidated prices and revisited the level of contingency based on the risk report and the values assigned to remaining risks by the external independent risk manager. Financing proposals based on the comprehensive review of the cost estimates and the timeline for completion are presented in section XV below for the consideration of the General Assembly.

49. With respect to the matter of cost-saving initiatives and the estimated cost to completion, the Board of Auditors concluded that the Secretariat had undertaken various efforts to mitigate cost escalation, including several value engineering exercises and ongoing change order cost control.

50. In response to the recommendation by the Board of Auditors and the Office of Internal Oversight Services, the Secretariat has undertaken a review of the findings and is in the process of developing an action plan to implement the recommendations. A number of recommendations are to be applied to future capital projects, and the Secretariat will put a process in place to implement those recommendations.

C. Advisory Board of the Capital Master Plan

51. As directed by the General Assembly in its resolution [57/292](#), an advisory board was established by the Secretary-General in December 2009. The Advisory Board at present consists of representatives of Brazil (Jayme Zettel), India (K. T. Ravindran), Kenya (Susan Kibue), Switzerland (Anna Torriani) and the United States of America (Kent Barwick). The Advisory Board has met eight times in total and once since the publication of the tenth annual progress report. At the eighth meeting, held on 17 and 18 April 2013, the members of the Advisory Board were briefed on the project and had an opportunity to observe and discuss the construction in progress. The ninth meeting of the Advisory Board is scheduled to take place in October 2013, with the Board to receive a complete update on the status of the project, as well as detailed briefings and presentations on all aspects of the project that are recently completed or pending.

VII. Donations programme of the capital master plan

52. As previously reported to the General Assembly in prior annual progress reports, the Secretariat collaborated with a number of Permanent Missions that expressed interest in providing additional voluntary contributions to the capital master plan in order to be identified as the donor of a specific room or space at Headquarters. The establishment of the donations programme for the capital master plan was in accordance with the decision taken by the General Assembly in its resolutions [63/270](#) and [64/228](#).

53. The renovation of the Conference Building included donations for many rooms, including the Security Council Chamber (Norway), the Economic and Social Council Chamber (Sweden), the Trusteeship Council Chamber (Denmark), the Security Council Consultations Room (Russian Federation), the South Delegates' Lounge (Turkey), the North Delegates' Lounge (the Netherlands), the Quiet Room (Germany) and the new East Lounge (Qatar). In some cases, the rooms or spaces were new donations. In other cases, new design elements were added to the restoration of existing rooms. In the Secretariat Building, Austria donated new furniture for the Office of the Secretary-General. The Secretary-General is grateful to all Member States that participated in the donations programme.

54. Additional cooperation is under way regarding the participation of Member States in the renovation of rooms in the General Assembly Building.

VIII. Relocation of artwork and gifts

55. The renovation of the Conference Building and the Secretariat Building required the removal of artworks that had been donated to the Organization over the years, primarily by Member States. A significant number of indoor gifts were relocated to the temporary North Lawn Building during the renovation period. In some cases, the original donor Member State agreed to retrieve the gifts for the purpose of restoration or cleaning.

56. With the completed reoccupancy of both buildings, the Secretariat undertook the task of returning the artworks to the renovated buildings. The Secretariat also coordinated with Member States regarding the temporary relocation of gifts from the General Assembly Building, in preparation for its renovation.

57. Owing to many factors, including physical changes to some of the rooms as well as new donations, some art could not be returned to its original location. In section V, paragraph 22, of its resolution [67/246](#), the General Assembly encouraged the Secretary-General to seek and take into account the views of the donating parties on all available options prior to such changes, in cases where a change of location of a gift was required. The Secretariat has consulted with all Member States whose donations have been relocated during the capital master plan.

IX. Security

A. Security upgrades undertaken by the capital master plan

58. As authorized by the General Assembly, and as previously reported, the capital master plan will include a number of upgrades designed to improve the security of the United Nations complex and the safety of delegates, staff and visitors.

59. It was reported in the previous annual progress reports that the host country had provided funding for the enhanced security upgrades to the Conference Building and along the western perimeter of the complex to reduce the vulnerability of the buildings facing First Avenue. Work commenced in June 2013 on the line of protection, and is projected to be concluded by August of 2014, at the conclusion of the General Assembly Building renovation phase of the project. At the time of reporting, the Secretariat was in discussions with the host country and host city

regarding additional aspects of the design desired by the host city, the outcome of which may affect the completion date.

60. The protection will also include the construction of two screening buildings. The South Screening Building will be a small building at the 42nd Street pedestrian entrance, the construction of which commenced in July 2013 and is projected to be completed in late 2013. The North Screening Building will be constructed at the entrance at 46th Street, and will require the construction of a new stairway and ramp outside the Headquarters perimeter. Construction will begin in late 2013, and the objective is to complete this building in mid-2014. Both screening buildings will be simple and functional.

61. Additional discussions with the host country and host city were also under way at the time of reporting with regard to design and legal matters concerning changes to the area adjacent to the 48th Street entrance to the service drive, where the Secretariat intends to create a loading dock.

B. Security implications for the Library and South Annex Buildings

62. As described in the eighth annual progress report on the capital master plan ([A/65/511](#)), accelerated strategy IV included the renovation of the Dag Hammarskjöld Library and South Annex Buildings. However, in the light of an increased threat environment, studies undertaken to evaluate the resilience of the buildings to threats from adjacent roadways (*ibid.*, para. 78) determined that neither building could be successfully renovated to reach a reasonable level of safety. This is attributable to the original structure of the buildings themselves, which are relatively lightweight, as would be expected for small buildings, and to the close proximity of the FDR roadway to the South Annex Building, and the proximity of the FDR off-ramp to both buildings. As a result, as previously reported to the General Assembly (see [A/66/527](#) and [A/67/350](#)), the design of the renovation of the two buildings was suspended, pending discussions with the host country.

C. Updated information, options and financial implications pertaining to the Library and South Annex Buildings

63. The General Assembly, in paragraph 29 of section V of its resolution [67/246](#), requested the Secretary-General to present, as soon as possible, but no later than the main part of its sixty-eighth session, updated information and options, and their financial implications, on the renovation of the South Annex Building and the Dag Hammarskjöld Library Building. The present subsection seeks to address the request of the General Assembly.

64. The Secretariat has undertaken a preliminary scoping survey to determine the cost of the construction of replacement buildings on the site of the present Library and South Annex Buildings that would meet security requirements based on the current security standards. The construction of replacement buildings would be required because the existing buildings could not be renovated to meet the security requirements owing to the original construction methods used, and therefore other options have been explored.

65. **Replacement of both buildings on their existing site.** The preliminary scoping survey determined that the cost of replacing both buildings on their existing site would range from approximately \$350 million to \$450 million. This estimate is based on several assumptions, including that replacement buildings would maintain their current functionalities and capacity, and that the above-grade footprints would be reduced owing to the requirements for increased setback from the current FDR off-ramp and to avoid construction over the FDR Drive. Accordingly, the replacement buildings would be somewhat taller, with a smaller footprint. The cost estimate includes the demolition of the existing buildings and swing space costs of \$50 million (if the North Lawn Building is used as temporary space) to \$150 million for accommodating the functions from 2015 to the completion of the replacement buildings.

- Capital cost: \$350-\$450 million

66. The Secretary-General anticipates that in the current global financial environment, such a cost is not feasible for consideration by the Member States. Therefore, the option of replacement buildings is not recommended.

67. It will be recalled that the Secretary-General, in his report on the expanded feasibility study on the United Nations Headquarters accommodation needs 2014-2034 (A/67/720), provided, in section V.D, options for the location of the functions of the Library and South Annex Buildings, in the short term, medium term and long term. These options were set out in a table, which is replicated below, for ease of reference.

Table 3 (replicated table (A/67/720))

Locations for functions of the Library and South Annex Buildings in the short term, medium term and long term

| | <i>Short term 2013-2014</i> | <i>Medium term 2014-2017</i> | <i>Long term 2017-2023</i> |
|---|-----------------------------|--|--|
| Library Building | | | |
| Library room and stacks | Remain in place | Remain in place or temporary North Lawn Building | Consolidation Building, new North Lawn building or lease |
| Department of Public Information office space | Remain in place | Remain in place or temporary North Lawn Building | Consolidation Building, new North Lawn building or lease |
| Auditorium | Remain in place | Remain in place or temporary North Lawn Building | Consolidation Building, new North Lawn building or lease |
| South Annex Building | | | |
| Cafeteria | Remain in place | Remain in place or temporary North Lawn Building | Consolidation Building or new North Lawn building ^a |
| Language training rooms | Remain in place | Remain in place or temporary North Lawn Building | Consolidation Building, new North Lawn building or lease |
| Interpreters' lounge | Remain in place | Remain in place or elsewhere on campus | Elsewhere on campus |

^a The cafeteria programme for the Consolidation Building or a new North Lawn building could be increased to meet an anticipated usage requirement of 275 seats. The full size of the Headquarters cafeteria would not need to be added to the programme of the Consolidation Building or the new North Lawn Building cafeteria.

68. As explained in the table above, the Secretary-General, in his report (A/67/720), stated that in the short and medium terms, subject to the continuation of the present security assessment, the functions of both buildings could continue to remain in place. As of the time of reporting, the Secretary-General is of the view that this remains the case. Maintaining the library and cafeteria functions in both buildings would be the most cost-effective approach, with the expectation that the long-term functions of both buildings would be addressed through the future decisions to be taken by the General Assembly with respect to the long-term accommodation requirements of Headquarters.

Medium-term options

69. If, in the medium term, the security conditions would not permit the continued use of the buildings in their present form, the functions of the Library and South Annex Buildings could be relocated to temporary accommodations until a long-term solution is determined, as set out below.

70. The medium-term options identified below are an elaboration of the concepts included in the expanded feasibility study on United Nations Headquarters accommodation needs 2014-2034 (A/67/720), at the request of the General Assembly. These options assume that none of the current functions of the Library and South Annex Buildings can be suspended and that an on-site cafeteria will be required. The costs of the medium-term options identified below exclude demolition costs for the Library and South Annex Buildings, and assume that the demolition cost for the existing North Lawn Building is included in the budget of the capital master plan. It is assumed that the medium-term solutions continue for four years and that a long-term solution is implemented within that time frame.

Medium-term option A: locate all functions temporarily to the existing North Lawn Building, with minimal alterations to accommodate the new functions

71. This option is subject to a decision by the General Assembly to defer the demolition of the temporary North Lawn Building, which is currently scheduled for 2015. The alteration cost⁴ would be \$50 million, and the cost of operating the temporary North Lawn Building would be \$2.2 million per year, as opposed to the current cost of \$1.5 million per year for the operation of the Library and South Annex Buildings. This option would not generate a need for any additional rental space.

- Capital cost: \$50 million
- Operating cost: \$2.8 million (\$2.2 - 1.5 million = \$0.7 million/year x 4 years)

Medium-term option B: relocate functions to newly leased off-site rental space with the exception of the cafeteria. The cafeteria would occupy available space onsite in the third basement

72. The alterations on site would cost approximately \$20 million, the fit-out cost of the off-site rented space for the remaining functions would be \$50 million, and the annual cost of the off-site rental space would be \$10 million.

⁴ Both medium-term and long-term options would also have associated costs. Further development of the options would be needed in order to prepare associated cost estimates. As a reference point, associated costs for the capital master plan ran approximately 7 per cent of plan costs.

- Capital cost: \$70 million
- Operating/rental cost: \$40 million (\$10 million/year x 4 years)

Medium-term option C: locate all functions temporarily to other buildings on site (the North Lawn Building would have been demolished)

73. The alterations of existing buildings to make this occur would cost \$70 million. In this option, it is assumed that the functions of the Library and South Annex Buildings move directly into on-site space. This option would require an equal area of off-site rental space, to accommodate the functions displaced by the functions of the Library and South Annex Buildings. The fit-out cost of the off-site rented space for the displaced functions would be \$50 million, with an annual rental cost of \$10 million.

- Capital cost: \$120 million
- Operating/rental cost: \$40 million (\$10 million/year x 4 years)

Long-term options

74. In the longer term, as identified in table 3 above, the functions of the Library and South Annex Buildings could be incorporated into two of the options in the long-term accommodations strategy, namely, (a) the option of the Organization entering into an agreement with the United Nations Development Corporation for the occupancy of an office tower (DC-5) on the site of the Robert Moses Park, at the south-east corner of First Avenue and 42nd Street, and (b) the construction of a permanent building on the North Lawn.

75. The Secretary-General is of the view that, pending the resolution of the security situation, the interests of the Organization would be best served through the incorporation of the library and cafeteria programmes into the future decision of the General Assembly regarding long-term accommodations at Headquarters.

X. Accessibility

76. Improving accessibility at United Nations Headquarters is a core goal of the capital master plan. The scope of the accessibility work in the capital master plan has been communicated to the General Assembly in previous annual progress reports (see [A/55/117](#), paras. 32 (b) and 44 (a); [A/57/285](#), para. 17 (f); [A/64/346](#), para. 38; and [A/65/511](#), paras. 82-84).

77. The capital master plan is applying host city and host country regulations and standards in the absence of the promulgation of a specific United Nations standard. This applies to all aspects of design, including fire protection, ventilation, structural strength, egress, number of allowable occupants, travel distances and accessibility. At the time of reporting, there were no United Nations standards for these design building elements, including accessibility.

78. The scope and design of the Conference Building refurbishment (and all the other buildings) was essentially set in 2007, when the budget for the project was established. As a courtesy to the United Nations, the host city's Department of Buildings reviewed all designs, and provided suggestions in order to ensure that the design met code requirements, including accessibility. In addition, the Office of the

Capital Master Plan had the design reviewed by an independent specialist in applicable accessibility standards, who made useful suggestions that were incorporated. The project as designed meets host city and host country accessibility requirements.

79. Many accessibility improvements in renovations are not particularly noticeable, such as elevator call buttons installed at the correct heights, doors of the correct width, door pressures at proper settings, and hardware that can be easily operated. Another subtle change is the replacement of the pairs of entry doors at Conference Rooms A-D, so that one door is of the appropriate width. However, some features permanently and significantly change the appearance of the spaces. In all of the large conference rooms and chambers, the podium heights have been lowered so that they can be reached by ramps, and a ramp was added between the Secretariat and Conference Buildings on the second floor. In a few locations, ramps cannot fit and lifts are needed.

80. Similar accessibility improvements will be made in the renovation of the General Assembly Building. In the General Assembly Hall, a removable lift for the upper level of the rostrum will be installed. Several locations where alterations over the years had created difficult slopes or corners will be corrected. By working with the existing floor levels, the two new mid-sized conference rooms on the first basement level, which will be known as Conference Rooms 11 and 12, will have accessible interpretation booths. In the light of the fact that Conference Room 4 has a large, flat floor as compared with other rooms, it will be made more accessible than other rooms, allowing a larger number of wheelchair users to be seated at the tables.

XI. Implementation of the recommendations of the Board of Auditors and the Office of Internal Oversight Services

A. Recommendations of the Board of Auditors

81. In compliance with a recommendation by the Board of Auditors, a quantitative risk analysis process has been undertaken and the risk register is used by the Office of the Capital Master Plan to validate the adequacy of the project contingency. The risk report and risk register are being used to manage decision-making and update response to remaining risks by risk owners.

82. The Office of the Capital Master Plan remains conservative in recognizing and declaring unrealized savings on existing active contracts, and collects them as the work progresses and final costs become known. The Office records such savings when the Office deems that it has reasonable assurance that the potential savings will materialize in the future. The amounts referred to by the Board of Auditors in its report (A/68/5 (Vol. V)) are predominantly within current live guaranteed maximum price contracts associated with campus-wide scopes of work that will continue until late 2014, the end of the project. Such savings are contractually within the guaranteed maximum price contract framework and as such are not available to the United Nations without prior agreement from the construction manager. Given the period of time until completion and the continuous risks of renovating an existing building, the Office considers it premature to expect that these identified returns will exist at the end of the project, and hence the Office has not transferred these potential funds

to the project contingency reserve. This situation is continually monitored by the Office, and the project's contingency reserve is reviewed accordingly.

83. The Office of the Capital Master Plan continues to use the established industry standards to estimate contingency in the cost estimates, at 20 per cent contingency at the design stage, 15 per cent contingency while purchasing the construction contracts, and 10 per cent contingency when construction is well under way. The quantified risk register is used as a secondary checkpoint to assess whether the balance of the contingency reserve is adequate for the remaining project related work.

84. In response to the request by the General Assembly (resolution 67/246, sect. V, para. 12) that the Secretary-General vigorously revisit the final cost projections, and the recommendation of the Board of Auditors regarding the process of determining the anticipated final costs, the Office has ensured that estimates are updated on a regular basis and take into account the following parameters:

- (a) A full review of all commitments and obligations raised to date, adjusted for savings identified and achieved during the trade selection process;
- (b) A full review of all agreed additional change orders and scope reallocations;
- (c) A full review of all potential commitments for items for which proposals had been presented but not yet agreed to;
- (d) A full review of all forward projection items for which proposals had not been received. The capital master plan programme and cost manager reviews these estimates with the design teams to ensure that the designs are developed in line with the budget and the latest expectations;
- (e) A full review of the remaining contingency balances to determine the use of the contingency and to assess the adequacy of the remaining portion of the capital master plan contingency by validating it through a quantitative analysis of risks.

85. As noted above, the Office of the Capital Master Plan has finalized the annual risk assessment exercise. The risks were quantified in the amount of \$41.0 million, against a contingency of \$42.0 million, as at July 2012; these figures were updated in April 2013, when the probable total cost of the risk register was \$21.0 million, against a reported contingency of \$26.0 million. Some contingency is maintained for settlement of potential claims.

B. Recommendations of the Office of Internal Oversight Services

86. One of the key observations and findings of the Office of Internal Oversight Services (OIOS) audit referred to inconsistency in maintaining the previously withheld retainage and decisions of the Office of the Capital Master Plan to reduce it to 5 per cent of the total completed to date once the trade contractor had achieved 50 per cent completion, instead of holding the 10 per cent retainage on the completed work and simply not taking any further retainage.

87. In compliance with the OIOS recommendation, the Office of the Capital Master Plan continues to withhold retainage and apply adjustments according to the rates stipulated in ongoing contracts, and the Office has introduced new language in the contracts for the General Assembly Building to clarify how the retainage can be

partially released in recognition of the performance of contractors and the progress of the project.

88. The Office of Internal Oversight Services closed five outstanding recommendations relating to the capital master plan project following the verification of evidence that satisfied the audit requirements. They are: the quantification of risks; business continuity regarding core applications; the further subdivision of categories of change orders; the posting of buyout savings; and the treatment of federal and state unemployment insurance in future trade contracts.

XII. Financial status of the capital master plan project

A. Status of assessments and sources of funding for the capital master plan

89. The primary source of funding for the capital master plan comprises appropriations by the General Assembly of \$1,876.7 million.

90. The secondary source of funding consists of donations from Member States. In accordance with the donations policy communicated to Member States in 2009, pursuant to resolutions [57/292](#), [60/256](#) and [61/251](#), a number of Member States elected to participate in the donations programme. As at 30 June 2013, a total of \$13.6 million in donations and related scope had been agreed upon and incorporated into the project. In addition, there is the enhanced security upgrade project, which is funded from a contribution from the Government of the United States in the amount of \$100 million.

91. In its resolution [66/258](#), section III, paragraph 9, and its resolution [67/246](#), section V, paragraph 38, the General Assembly authorized the Secretary-General to enter into commitments until the end of 2013, up to the amount of \$302.8 million. The commitment authority was based on:

(a) Estimated project expenditures for 2012-2013 of \$144.4 million, which were in excess of the appropriated budget (\$1,876.7 million) and therefore required the Assembly's approval;

(b) Estimated cumulative associated costs until the end of 2013 in the amount of \$143.1 million and the estimated cost of the secondary data centre in the amount of \$15.3 million,⁵ the cost of which was being borne from within the capital master plan funds.

92. As at 30 June 2013, the projected cost to completion was \$2,114.75 million, as compared with the approved resource requirements (original budget of \$1,876.7 million, plus commitment authority of \$144.4 million), plus voluntary contributions (\$13.6 million), totalling \$2,034.7 million. An overview of the current status of the funding of the project is provided in table 4 below.

⁵ Final cost of the secondary data centre of \$15.0 million.

Table 4
Financing for the capital master plan project, as at 30 June 2013

(Millions of United States dollars)

| <i>Description</i> | <i>Funding and commitments</i> | <i>References</i> |
|---|--------------------------------|--|
| Total appropriations from 2004 to 2011 | 1 876.7 | Resolutions 57/292 , 59/295 , 60/248 , 60/256 , 60/282 , 61/251 , 62/87 and 64/228 |
| Commitment authority (to end 2013) | 144.4 | Resolutions 66/258 and 67/246 |
| Voluntary contributions | 13.6 | Pledged and received under the donations programme |
| Total project budget and funding available | 2 034.7 | |
| <i>Less</i> | | |
| Projected cost to completion (2015) | (2 114.7) | |
| Difference between projected cost to completion and approved expenditure (to 2013) | 80.0 | |
| Other funding | | |
| Funding for the enhanced security upgrade | 100.0 | Contribution by the host country |
| <i>Less</i> | | |
| Projected enhanced security upgrade costs | (100.0) | |
| Shortfall | – | |

93. The funding gap of \$80.0 million above reflects additional projected expenditures for 2014 and 2015 to complete the project (i.e., costs that were not accommodated for in the commitment authority to the end of 2013). These consist of \$65.0 million originally allocated for the renovation of the Library and South Annex Buildings, plus \$15.0 million for other scheduled activities in 2014 and 2015.

94. Setting aside the Library and South Annex Building renovation, it can be seen that the projected cost to completion in excess of the originally approved budget amounts to \$159.4 million (\$144.4 million plus \$15.0 million).

95. As at June 2013, an amount of \$2.7 million in assessments remained unpaid to the capital master plan for 2011 and prior periods. Voluntary contributions in the amount of up to \$0.5 million remain outstanding.

96. By section V, paragraph 16, of its resolution [67/246](#), the General Assembly approved the application of interest income and the working capital reserve in the amount of \$71.0 million for the requirements of the project up to 31 December 2013, which was managed as part of resources available for activities of the capital master plan project and associated costs. As at 30 June 2013, the cash balance was \$348.0 million.

B. Interest income and working capital reserve

97. The interest accrued on the balance of capital master plan funds as at 30 June 2013 totalled \$112.5 million, an increase of \$3.1 million compared with the level reported in the tenth progress report. The working capital reserve remained at \$45.0 million. A residual balance of \$6,300 remained unpaid to the working capital reserve.

98. Given the present cash balance of the capital master plan fund and the anticipated annual returns on assets of 0.4 per cent in 2013 and 0.5 per cent in 2014, it is estimated that the remaining cash balance would generate \$1.9 million by the time the project is completed.

C. Capital master plan project cost expenditures and requirements for the remaining project period

99. As at 30 June 2013, cumulative expenditure incurred, as well as the monthly rental obligations that are firmly committed, amounted to \$1,890.1 million. The cost to complete the project (including renovation work commissioned through donations) amounts to \$2,114.75 million, which means that 89.4 per cent of the estimated cost to completion has been spent or committed.

100. In his tenth annual progress report (A/67/350, tables 6 and 12), the Secretary-General presented an estimated cost to completion of \$2,127.75 million, together with a number of proposed one-time cost reduction measures (table 12). In its resolution 67/246, section V, paragraph 36, the General Assembly approved a number of the proposed measures, which represented cost reductions of \$13.0 million.

101. The approved measures have been applied to current projections, and hence the resulting \$13.0 million decrease is reflected in the projected cost to completion set out in the present report. These factors are discussed further in section XII.D below.

102. If the enhanced security upgrade work (\$100.0 million), which is fully funded, is also considered, the projected cost of the renovation work being undertaken by the capital master plan amount to \$2,214.75 million. The latest status of the capital master plan expenditures and additional requirements are summarized in table 5 below.

Table 5

Capital master plan project expenditure and requirements until project completion, for the period 2013-2015, as at 30 June 2013

(Thousands of United States dollars)

| Description | Expenditure | | Additional requirements | | Total |
|---|-------------------------------------|-----------------------|-------------------------|---------|-----------|
| | From project inception to June 2013 | July to December 2013 | 2014 | 2015 | |
| Capital master plan project | | | | | |
| Design contractual services | 161 206.7 | 1 960.0 | 2 000.0 | — | 165 166.7 |
| Staff costs for the Office of the Capital Master Plan | 26 447.3 | 1 741.1 | 2 664.2 | 1 213.9 | 32 066.5 |
| Support staff costs ^a | 12 595.3 | 635.9 | 1 272.3 | 532.1 | 15 035.6 |
| Operating and other costs | 11 121.5 | 852.3 | 1 111.2 | 506.3 | 13 591.3 |

| Description | Expenditure | | Additional requirements | | Total |
|--|-------------------------------------|-----------------------|-------------------------|----------------|--------------------|
| | From project inception to June 2013 | July to December 2013 | 2014 | 2015 | |
| Programme management and other consultants | 50 427.3 | 1 123.3 | 500.0 | – | 52 050.6 |
| Construction and pre-construction | 1 180 551.5 | 225 068.7 | 20 525.0 | 2 500.0 | 1 428 645.2 |
| Swing space costs (including rent) | 555 788.6 | – | – | – | 555 788.6 |
| Subtotal | 1 998 138.2 | 231 381.3 | 28 072.7 | 4 752.3 | 2 262 344.5 |
| Prior-period adjustments | 7 981.5 | – | – | – | 7 981.5 |
| Adjusted project costs | 2 006 119.7 | 231 381.3 | 28 072.7 | 4 752.3 | 2 270 326.0 |
| Savings on prior-period obligations | (116 020.2) | (27 745.8) | (10 766.0) | (1 044.0) | (155 576.0) |
| Subtotal^b | 1 890 099.5 | 203 635.5 | 17 306.7 | 3 708.3 | 2 114 750.0 |
| Enhanced security upgrade project | | | | | 100 000.0 |
| Total | | | | | 2 214 750.0 |

^a Secretariat staff from the Department of Safety and Security, the Office of Legal Affairs, the Office of Central Support Services (Procurement Division) and the Office of Programme Planning, Budget and Accounts (Accounts Division) assigned to the capital master plan.

^b Inclusive of commitments for post-Sandy recovery work in the amount of \$29.4 million temporarily recorded by the capital master plan project are claimable against the builders' risk insurance policy, as reported to the General Assembly in document [A/67/748](#).

103. Table 5 above illustrates that the projected requirements for the project from June to December 2013 are \$203.6 million; for 2014 they are estimated at \$17.3 million; and for 2015 they are estimated at \$3.7 million.

104. As regards the projected requirements for 2015, these relate to the closure and final reconciliation of all remaining contracts, which will be completed approximately three months following the completion of construction activities. In preparation for the final closure of the project, the Office of the Capital Master Plan is closing contracts for all activities that have been completed, for example, contracts for the Secretariat Building and the Conference Building.

D. Revised estimated cost to complete the capital master plan project, as at June 2013

105. Table 6 below presents the most current and up-to-date project cost estimates. Following the review undertaken by the Secretariat, as at June 2013, the cost to complete the capital master plan project (inclusive of work funded by Member States donations) is estimated at \$2,214.75 million.

106. The revised estimates reflect: (a) a decrease of \$13.0 million owing to one-time cost reduction measures approved by the General Assembly; and (b) an increase of \$3.0 million in the project budget owing to a donation from Qatar. As a result of the above, the total cost to completion has been reduced by \$13.0 million, in accordance with resolution [67/246](#), while the overall shortfall has been reduced by \$16.0 million, which is a combination of cost reductions approved by the General Assembly and an increase in funding owing to the donation of \$3.0 million from Qatar.

107. As illustrated below, the estimated shortfall for the capital master plan project against its current project budget is \$224.4 million (inclusive of \$65.0 million originally allocated for the renovation of the Library and South Annex Buildings). After allowing for the commitment authority approved by the General Assembly to enable the project to continue with its scheduled activities until the end of 2013, in the amount of \$144.4 million, the net funding gap amounts to \$80.0 million.

108. It will be recalled that the General Assembly decided to postpone its consideration of the proposals related to the South Annex Building and the Dag Hammarskjöld Library Building. Accordingly, the estimates set out in table 6 below continue to reflect the original cost allocation of \$65.0 million for the renovation of these buildings. As regards the decision of the General Assembly to defer its consideration of the proposals of the Secretary-General as outlined in the previous report, including the refurbishment of fixed furniture in Conference Room 4 of the Conference Building, the Office of the Capital Master Plan is confident that it can now undertake the refurbishment within its currently estimated cost to completion.

Table 6
Estimated project cost to complete the capital master plan

(Thousands of United States dollars)

| | <i>As at July 2012</i> | <i>As at June 2013</i> | <i>Variance</i> |
|--|------------------------|------------------------|-----------------|
| Construction | 1 123 257 | 1 087 398 | (35 859) |
| Use of construction contingency | 82 746 | 132 552 | 49 806 |
| Professional fees and management costs | 368 290 | 368 831 | 541 |
| Contingency and escalation | 41 638 | 14 150 | (27 488) |
| Subtotal, construction | 1 615 931 | 1 602 931 | (13 000) |
| Swing space | 267 614 | 267 614 | – |
| Leases from 1 October 2012 | 25 000 | 25 000 | – |
| Use of office swing space contingency | 24 648 | 24 648 | – |
| Library swing space | 2 714 | 2 714 | – |
| Conference swing space | 150 475 | 150 475 | – |
| Use of conference swing space contingency | 41 368 | 41 368 | – |
| Subtotal, swing space | 511 819 | 511 819 | – |
| Total, project cost | 2 127 750 | 2 114 750 | (13 000) |
| <i>Less</i> | | | |
| Project budget | 1 887 389 | 1 890 389 | 3 000 |
| Shortfall/funding gap | 240 361 | 224 361 | (16 000) |
| Variance (percentage) | 12.7 | 11.9 | (0.8) |
| Enhanced security upgrade subproject funded by the host country | 100 000 | 100 000 | – |
| Total project cost, including the enhanced security upgrade | 2 227 750 | 2 214 750 | (13 000) |

109. The updated information reflects cost-neutral redeployments within the construction section of the capital master plan project budget with the overall decrease by \$13.0 million, as approved by the General Assembly in its resolution [67/246](#). It also reflects a decrease in the residual balance of the contingency reserve from \$41.6 million to \$14.2 million to fund ongoing contract amendments.

110. In order to avoid claims at the final stage of the project, the Office of the Capital Master Plan maintains dialogue with the construction manager, who regularly updates the capital master plan project management team on any information pertaining to disputes and claims. Given industry experience, some claims may not be resolved in negotiations, and accordingly, some contingency will be maintained for settlement.

XIII. Financial status of associated costs and secondary data centre

A. Associated costs

111. During the construction period of the capital master plan, temporary increases in staffing and operational costs have been required to support construction activities. These costs, along with additional costs for furniture and equipment, were not included in the scope of the capital master plan budget approved by the General Assembly in its resolution [61/251](#). However, these requirements were essential to the successful completion of the capital master plan and have been reported by the Secretary-General in annual progress reports since the sixty-second session of the General Assembly.

112. The General Assembly approved associated costs expenditures on an annual basis in successive resolutions, but decided that those expenditures would be financed from within the approved budget of the capital master plan unless otherwise specified by the General Assembly (see resolutions [63/270](#), [64/228](#) and [65/269](#)) until 2011. The General Assembly maintained its position, facilitating the continued financing from the capital master plan budget by augmenting the project's budget with two tranches of approved commitment authority for 2012 (\$135.0 million) and 2013 (\$167.8 million), according to resolutions [66/258](#) and [67/246](#), respectively, which enabled activities for both the capital master plan project and associated costs to continue until the end of 2013.

113. In resolution [67/246](#), section V, paragraph 44, the General Assembly requested the Secretary-General to report on the final expenditures for associated costs for the period from 2008 to 2013 when the final expenditures have been properly ascertained. That information is provided in the addendum to the present report ([A/68/352/Add.1](#)). Furthermore, updated information on actual expenditure throughout the remainder of 2013 will be provided to the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee during the main part of the sixty-eighth session of the Assembly.

114. Cumulative expenditures for associated costs to the end of June 2013 were \$122.6 million, equivalent to 86 per cent of the estimated total of \$143.1 million reported in 2012 in the tenth annual progress report, and the requirements for the remainder of 2013 are estimated at \$18.8 million.

115. Table 7 below provides an overview of the cumulative associated costs incurred to 30 June 2013 and the forecast requirements, by department and office, until 31 December 2013, together with the finalized cost of the secondary data centre.

Table 7

Associated costs and secondary data centre requirements, 2008-2013

(Thousands of United States dollars)

| <i>Programme budget section</i> | <i>Department/office</i> | <i>Expenditure 2008-2011</i> | <i>Expenditure 2012</i> | <i>Expenditure January-June 2013</i> | <i>Forecast July- December 2013</i> | <i>Forecast total 2008-2013</i> |
|--|---|----------------------------------|-----------------------------|--|---|-------------------------------------|
| Associated costs | | | | | | |
| Sect.2 | Department for General Assembly and Conference Management | 2 272.9 | 638.2 | – | – | 2 911.1 |
| Sect.28 | Department of Public Information | 25 772.0 | 287.1 | – | – | 26 059.1 |
| Sect.29D | Office of Central Support Services | 21 108.6 | 3 746.4 | 1 064.6 | 2 485.3 | 28 404.9 |
| Sect.29H | Office of Information and Communications Technology | 2 035.5 | 626.8 | – | – | 2 662.3 |
| Sect.34 | Construction (Office of Information and Communications Technology/Office of Central Support Services) | 5 446.9 | 81.4 | 492.4 | 89.1 | 6 109.8 |
| Sect.35 | Department of Safety and Security | 18 726.9 | 5 785.8 | 1 329.7 | 1 279.7 | 27 122.1 |
| Office of the Capital Master Plan | | | | | | |
| Sect.29D | – Furniture | 18 146.2 | 5 471.9 | 4 888.3 | 14 197.8 | 42 704.2 |
| Sect.28 and Sect.29D | – Permanent broadcast facility and media assets management system | – | 2 312.7 | 2 390.8 | 731.6 | 5 435.1 ^b |
| Subtotal | | 18 146.2 | 7 784.6 | 7 279.1 | 14 929.4 | 48 139.3 |
| Total, associated costs | | 93 509.0 | 18 950.3 | 10 165.8 | 18 783.5 | 141 408.6 |
| Sect.29H | Office of Information and Communications Technology | | | | | 15 040.4 ^a |
| Total | | | | | | 156 449.0 |

^a This amount represents the difference between the actual secondary data expenditure of \$19.2 million and funding from the support account for peacekeeping operations of \$4.2 million.

^b The total amount of \$5,435,100 for the permanent broadcast facility and media asset management system, managed by the Office of the Capital Master Plan since 2012, would be apportioned between the Department of Public Information (75 per cent) and the Office of Central Support Services (25 per cent), in accordance with the basis employed prior to 2012.

B. Secondary data centre

116. As regards the secondary data centre, in its resolutions 63/269 and 64/228, the General Assembly requested the Secretary-General to absorb aggregate costs of \$16.74 million within the approved budget of the capital master plan in order to pursue the most reliable and cost-effective risk mitigation measures during the migration of the primary data centre to the North Lawn Building.

117. The final expenditure for the secondary data centre amounts to \$19.2 million, compared with the estimate of \$19.5 million reported in the tenth annual progress report. It will be recalled that the General Assembly approved funding in the amount of \$4.2 million from the support account for peacekeeping operations. Accordingly, after the deduction of the full amount of funding provided by the support account

for peacekeeping operations and savings on prior-period obligations (\$0.3 million), the net cost being borne from within the capital master plan budget is \$15.0 million.

C. Financing of associated costs and the cost of the secondary data centre

118. By way of background, in his fifth annual progress report (A/62/364 and Corr.1), the Secretary-General explained that the coordinated replacement of furniture and equipment across all budgets would continue to be requested in parallel with the capital master plan. The only new furniture in the plan was for the three new mid-sized conference rooms, supplemental furniture in the temporary Conference Building and 100 sets of office furniture for the swing space. It was also explained that the renovation work might require temporary increases in staffing and operational costs in parts of the Organization that particularly supported construction activities, such as the Department of Safety and Security and the Department of Management. The Secretary-General stated his intention that, as the associated costs were not included in the capital master plan budget, he would present these to the General Assembly for its consideration once they were fully identified, carefully reviewed and verified, in parallel with the capital master plan budget and schedule.

119. The General Assembly, in paragraph 43 of its resolution 62/87, expressed its concern that specific information had not been shared with Member States concerning associated costs relating to the capital master plan, and requested the Secretary-General not only to include such information in his sixth annual progress report, but also to make every effort to absorb such costs within the approved budget of the capital master plan.

120. The Secretary-General subsequently issued two progress reports; document A/62/799 (April 2008), on associated costs related to the capital master plan, and document A/63/582 (December 2008), on the same topic, which superseded the earlier report. The reports estimated total associated costs in the order of \$176.6 million. The Secretary-General recommended financing associated costs from the programme budget, in the amount of \$35,816,700 for the biennium 2008-2009, and highlighting future requests for resources in the amount of \$140,752,300 for the forthcoming two bienniums, 2010-2011 and 2012-2013.

121. The Advisory Committee on Administrative and Budgetary Questions, in paragraph 34 of its related report (A/63/736), stated its belief that, with almost four years remaining until the projected completion date, it was premature to conclude that some or all of the associated costs could not be absorbed within the approved project budget.⁶ The Advisory Committee considered that it was too early to take any decision on the estimated resource requirements for the next two bienniums and recommended that the Secretary-General submit the estimated resource requirements for associated costs related to the capital master plan for the bienniums 2010-2011 and 2012-2013 in the context of the budget proposals for those bienniums. As

⁶ The Advisory Committee also had concerns about the way in which the request for additional resources to meet the associated costs had been presented. In particular, a number of the requirements listed in the report did not relate directly to the capital master plan but rather to on-going capital improvements, and thus the Committee was of the view that, without prejudice to the relative merits of the requests themselves, they should not be considered as associated costs. Associated costs should not be investment costs or long-term commitments.

regards the proposed resource requirements for the programme budget for the biennium 2008-2009, the Advisory Committee recommended reduced levels of resources for the Office of Central Support Services and the Department of Security Safety and also recommended that the Secretariat make every effort to absorb the resource requirements for the Department for General Assembly and Conference Management and the Department of Public Information from within the approved budget of the capital master plan.

122. The General Assembly, in section II of its resolution [63/270](#), requested the Secretary-General to make every effort to absorb associated costs for the biennium 2008-2009 from within the overall budget approved for the capital master plan; decided that approved associated costs would continue to be financed from within the approved capital master plan unless otherwise stated by the General Assembly; and requested the Secretary-General to submit a proposal to fund associated costs for 2010 from within the approved project budget.

123. In the absence of direction to the contrary from the General Assembly, the Secretary-General has continued to present the financing of associated costs for 2010-2013 in the context of the overall budget of the capital master plan project.

124. The approved budget of the capital master plan of \$1,876.7 million had been fully utilized by mid-2012, with the necessary commitment authority of \$302.8 million approved by the General Assembly enabling the Secretariat to continue to enter into financial obligations until the end of 2013. In the light of the cash flow analysis, it is apparent that this arrangement cannot be sustained through 2014 and the question of financing associated costs and the cost of the secondary data centre is paramount. Table 8 below illustrates current estimated cash flow projections.

Table 8

Cash flow projection for the capital master plan, associated costs and the cost of the secondary data centre

(Millions of United States dollars)

| <i>Description</i> | <i>Starting cash balance</i> | <i>Project and associated costs cash outflows</i> | <i>Remaining cash balance</i> |
|---|------------------------------|---|-------------------------------|
| Cash balance as at 30 June 2013 | 348.0 | | 348.0 |
| Expected credits and reimbursements (outstanding contributions, insurance claim proceeds) | 34.5 | | 34.5 |
| Adjusted cash balance | 382.5 | | 382.5 |
| By the end of September 2013 | | 101.5 | 281.0 |
| By the end of December 2013 | | 119.2 | 161.8 |
| By the end of March 2014 | | 120.9 | 40.9 |
| By the end of June 2014 | | 117.1 | (76.2) |
| By the end of September 2014 | | 67.7 | (143.9) |
| By the end of December 2014 | | 9.2 | (153.1) |
| By the end of March 2015 | | 1.7 | (154.8) |
| By the end of June 2015 | | 1.6 | (156.4) |

125. The current estimated projected cash flows for the capital master plan (including associated costs and the cost of the secondary data centre) are set out in table 8 above. The projected cash flow analysis takes as its starting position the available cash balance as at 30 June 2013, equivalent to \$382.5 million, which includes the accrued interest and working capital reserve funds, as well as outstanding assessed and voluntary contributions in the amount of \$3.6 million, outstanding credits and reimbursements due to insurance claims related to post-storm Sandy activities in the amount of \$29.4 million, and future interest income in the amount of \$1.9 million.

126. The cash flow takes into account the most recent implementation schedule for the completion of the project, including dock works, as well as the proposal regarding the South Annex and Dag Hammarskjöld Library buildings (\$65.0 million) and the application of accumulated and estimated future interest income and working capital reserve (\$159.4 million), as outlined in section XV of the present report.

127. It can be seen that, with the application of the accrued interest and working capital reserve funds and the approval of the continue suspension of the renovation of the Dag Hammarskjöld Library and South Annex Buildings, the cash balance is expected to be fully utilized towards the end of April 2014.

XIV. Total project requirements and expenditure

128. Total project expenditure, which includes the associated costs and the cost of the secondary data centre, for the period ending 30 June 2013 totals \$2,031.9 million (see table 9 below). Total project expenditure is estimated at \$222.4 million for the period from July to December 2013.

129. The overall associated cost requirements are estimated at \$141.4 million (see table 7 above), and the final cost of the secondary data centre is \$15.0 million. There are no further requirements in respect of the cost of the secondary data centre or associated costs beyond 31 December 2013. Current projections indicate that the remaining project requirements comprise \$17.3 million for the project activities scheduled to be completed in 2014 and close-out costs estimated at \$3.7 million in 2015, which include final audit costs.

Table 9

Total project expenditure and requirements until project completion, for the period 2013-2015, as at 30 June 2013

(Thousands of United States dollars)

| Description | Expenditure | | | | Additional requirements | | Total |
|---|--|------------------------------|--------------------------------------|-----------------------|-------------------------|----------------|--------------------|
| | From projection inception to December 2011 | January 2012 to 30 June 2013 | Total for period ending 30 June 2013 | July to December 2013 | 2014 | 2015 | |
| Capital master plan project costs | 1 605 409.3 | 284 690.2 | 1 890 099.5 | 203 635.5 | 17 306.8 | 3 708.3 | 2 114 750.1 |
| Total associated costs (as per A/68/352/Add.1) | 93 509.0 | 29 116.1 | 122 625.1 | 18 783.5 | – | – | 141 408.6 |
| Secondary data centre | 18 584.0 | 941.6 | 19 525.6 | – | – | – | 19 525.6 |
| Savings on prior-period obligations | (4.0) | (253.5) | (257.5) | – | – | – | (257.5) |
| Expenditure attributable to the support account funding | | – | – | – | – | – | (4 227.7) |
| Total, secondary data centre | 18 580.0 | 688.1 | 19 268.1 | – | – | – | 15 040.4 |
| Grand total | 1 717 498.3 | 314 494.4 | 2 031 992.7 | 222 419.0 | 17 306.8 | 3 708.3 | 2 271 199.1 |

XV. Financing arrangements and project costs

130. In section V, paragraph 36, of its resolution [67/246](#), the General Assembly decided to revert, at its sixty-eighth session, to the issue of the Library Building and the South Annex Building. Section IX above sets out the practical considerations as to why it is not feasible to renovate these buildings and why it is not cost-effective to demolish and construct new buildings at the same locations in their stead. As a result, the Secretary-General requests the General Assembly to endorse his recommendation to continue the suspension of design and renovation of the Library and South Annex Buildings, pending the resolution of the security protection requirements, and to approve the revision to the scope of the capital master plan accordingly. Should the General Assembly endorse these recommendations, the project's estimated cost to completion would be reduced by \$65.0 million, from \$2,114.8 million to \$2,049.8 million, and the shortfall in funding would be reduced from \$224.4 million to \$159.4 million.

131. The General Assembly approved the application of \$71.0 million from the accumulated interest and working capital reserve to meet cash flow requirements until the end of 2013. The remaining balance of interest income and working capital reserve amounts to \$86.5 million, and estimated future interest income is \$1.9 million. In summary, the estimated accumulated interest and working capital reserve amounts to \$159.4 million.

132. The Secretary-General proposes that the General Assembly approve the increase in the capital master plan budget of \$159.4 million to \$2,036.1 million and that the funding be met by the accumulated interest and working capital reserve balances.

133. As regards the cumulative expenditure of \$156.4 million in respect of the associated costs and the cost of the secondary data centre, the Secretary-General

requests that the General Assembly finance the cumulative associated costs of \$141.4 million and the cost of the secondary data centre of \$15.0 million before the funds of the capital master plan are exhausted, by taking appropriate measures, such as the conversion of \$156.4 million of commitment authority into an appropriation. These proposals are summarized in table 10 below.

Table 10
Capital master plan project shortfall and cost saving and financing proposals

(Millions of United States dollars)

| <i>Description</i> | <i>Project shortfall</i> | <i>Associated costs</i> | <i>Secondary data centre</i> | <i>Total</i> |
|---|------------------------------|-----------------------------|----------------------------------|--------------|
| Capital master plan project shortfall | 199.6 | — | — | 199.6 |
| Office space rental from October 2012 | 24.8 | — | — | 24.8 |
| Total capital master plan shortfall | 224.4 | — | — | 224.4 |
| Associated costs | — | 141.4 | — | 141.4 |
| Secondary data centre | — | — | 19.2 | 19.2 |
| Funds received from the support account | | | (4.2) | (4.2) |
| Total consolidated capital master plan shortfall | 224.4 | 141.4 | 15.0 | 380.8 |
| Proposals for reduction of the shortfall | | | | |
| Continued suspension of the renovation of the Library and South Annex Buildings | (65.0) | | | (65.0) |
| Proposed consolidated capital master plan shortfall | 159.4 | 141.4 | 15.0 | 315.8 |
| Financing proposals | | | | |
| Application of accumulated interest income and working capital reserve: | (71.0) ^a | | | (71.0) |
| | (86.5) | | | (86.5) |
| Application of projected future interest income | (1.9) | | | (1.9) |
| Appropriation | | (141.4) | (15.0) | (156.4) |
| Closing position | — | — | — | — |

^a General Assembly resolution [67/246](#).

XVI. Actions to be taken by the General Assembly

134. The Secretary-General recommends that the General Assembly:

- (a) Take note of the progress made since the issuance of the tenth annual progress report;
- (b) Request the Secretary-General to continue to report on the status of the project, the schedule, the aggregate estimated cost to completion, the status of contributions, interest and the working capital reserve;
- (c) Approve the revision of the original approved scope of the capital master plan project to allow for the suspension of the renovation of the Dag Hammarskjöld Library and South Annex Buildings;

(d) **Decide to consider the renovation of the Dag Hammarskjöld Library and South Annex Buildings in the context of the forthcoming proposals of the Secretary-General regarding the long-term accommodation needs of the United Nations Headquarters;**

Financing of the capital master plan project

(e) **Approve an increase of \$159.4 million in the original budget of \$1876.7 million to give a revised approved budget for the capital master plan in the amount of \$2,036.1 million;**

(f) **Decide that, in order to meet the increased cost to complete the project, the provisions for the application of credits under regulations 3.2 (d), 5.3 and 5.4 of the Financial Regulations and Rules of the United Nations shall be suspended in respect of the working capital reserve and interest income earned on assessments received from Member States for the capital master plan, which otherwise would have to be surrendered pursuant to those provisions;**

Financing of cumulative associated costs and the cost of the secondary data centre (excluding the contribution from the support account for peacekeeping operations)

(g) **Note that the resource requirements for the associated costs and the cost of the secondary centre were not included in the original project scope; that the expenditure in the cumulative amount of \$141.4 million in respect of total associated costs up to the end of 2013 and the amount of \$15.0 million for the cost of the secondary data centre have been incurred; and that those expenditures of \$156.4 million are within the authority to enter into commitments granted to the Secretary-General by the General Assembly in its resolutions [66/258](#) and [67/246](#);**

(h) **Note that the approved funds for the capital master plan, even after allowing for the application of accumulated and estimated future income and working capital reserve (\$159.4 million), would be exhausted by the end of April 2014;**

(i) **Decide to finance the cumulative associated costs of \$141.4 million and the cost of the secondary data centre of \$15.0 million before the funds of the capital master plan are exhausted, and to take necessary measures, such as the conversion of \$156.4 million of commitment authority into an appropriation of the capital master plan in 2013, appropriations under the programme budget for the biennium 2012-2013 as distributed among the relevant sections of table 7 above, or other definitive funding decision, by the end of the first resumed session.**