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

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions considered the seventeenth annual progress report of the Secretary-General on the implementation of the capital master plan ([A/74/302](#)). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 18 November 2019.

2. The report of the Secretary-General is submitted pursuant to General Assembly resolution [57/292](#), in which the Assembly requested the Secretary-General to submit annual progress reports to it on the implementation of the capital master plan.

3. In its report on the audit of the financial statements of the operations of the United Nations for the financial year ended 31 December 2018, the Board of Auditors issued no new recommendations relating to the capital master plan and included a review of the status of implementation of its previous recommendations of the Board relating to the project ([A/74/5 \(Vol. I\)](#)). The Board noted that, of the 20 outstanding recommendations up to the year ended 31 December 2017, 5 had been fully implemented and 15 were under implementation as at 31 December 2018 ([A/74/302](#), paras. 4–6). The updated status of implementation of the outstanding recommendations of the Board is provided in the annex to the report of the Secretary-General (*ibid.*, para. 6).

II. Observations and comments

4. The Secretary-General indicates that all construction work and administrative close-out activities related to the capital master plan project have been completed,



except for the liabilities related to the two ongoing arbitration cases (*ibid.*, para. 3) (see also paras. 5–6 below).

5. Concerning the financial status of the capital master plan project, the Secretary-General indicates no changes to the final estimated cost (\$2,150.4 million). A summary of the project's expenditure and remaining requirements are provided in table 4 of the report of the Secretary-General. The final consolidated requirements related to the capital master plan project, which include non-project costs, amount to \$2,309.3 million, of which \$4.2 million is funded by the support account for peacekeeping operations (*ibid.*, para. 33 and table 5). The Secretary-General indicates that the financial close-out of the project will be delayed due to the two ongoing arbitration cases (*ibid.*, para. 34).

6. The Advisory Committee recalls the initial assessment on the project duration, scope and costs, provided in the sixth progress report of the Secretary-General (A/63/477) compared with the updated information on the same aspects of the project, reflected in the sixteenth progress report (A/73/317) (see annex to the present report). **The Advisory Committee further recalls that, notwithstanding a reduction in the scope of the project reflecting the exclusion of the Dag Hammarskjöld Library and the South Annex Buildings, the project had suffered significant cost escalation and delays and that the resources originally allocated for the renovation of those buildings had been repurposed and used for other activities of the project (see A/73/468, paras. 10–11).**

Arbitration

7. The details of the two continuing arbitration cases are provided in section VI of the report of the Secretary-General. Each of the arbitration proceedings originates from claims filed against Skanska, the construction manager for the capital master plan project, by a Skanska subcontractor. In respect of the first case, to facilitate the arbitration process, the tribunal decided to divide the proceeding into three separate, consecutive phases, with one phase for each of the three subprojects under dispute: (a) the Secretariat subproject; (b) the Conference Building subproject; and (c) various other infrastructure subprojects. For phase one of the first arbitration, the main hearing was held in June 2019, and a decision of the tribunal is expected towards the end of 2019. Regarding the second arbitration, formal proceedings before the arbitral tribunal commenced in 2018, and a hearing on the merits of the case is scheduled to be held towards the end of 2019 (A/74/302, paras. 36–37).

8. The total legal expenditure incurred for the two arbitration cases as at the date of reporting by the Secretary-General amounts to \$5,018,000. An additional amount of \$1,183,000 towards legal costs is estimated for the period from August to December 2019, bringing the estimated cumulative total to \$6,201,000 (*ibid.*, para. 29). It is also indicated that, should the arbitration proceedings continue beyond 2019, the additional attorneys' fees and arbitral expenses are estimated at \$2 million for 2020 (*ibid.*, para. 38). The Secretary-General further indicates that the Organization is seeking 100 per cent reimbursement of all legal costs and that the final unused balance of the project can be determined only after the conclusion of the litigation processes and settlement of all liabilities (*ibid.*, para. 30). Upon request, the Advisory Committee was provided with the annual expenditure for the two arbitration cases, as reflected in the table below.

Annual expenditure for arbitration cases

(United States dollars)

<i>Year</i>	<i>Expenditure</i>
2015	\$123,100
2016	\$274,600
2017	\$1,121,800
2018	\$2,162,300
2019 ^a	\$2,472,970
2019 ^b	\$500,000
Total	\$6,654,770

^a Actual expenditure as at 31 October 2019.^b Forecasted expenditure for the remainder of 2019.

9. The Advisory Committee notes the difference between the legal costs estimated for the period until the end of 2019 included in the report of the Secretary-General and in table above. **The Advisory Committee trusts that the Secretary-General will provide an update on the legal costs for 2019 to the General Assembly at the time of its consideration of the seventeenth annual progress report on the implementation of the capital master plan. The Committee further trusts that the updated status of the arbitration cases and their related costs will be provided in the next progress report of the Secretary-General.**

East River fence

10. In his report, the Secretary-General indicates that the refinishing of the wood railing of the East River fence was completed in 2018 and that the refinishing of the metal bulkhead was expected to be completed by the end of August 2019 (*ibid.*, para. 15). The Advisory Committee was informed of the completion of the refinishing works of the East River fence.

III. Conclusion

11. The action to be taken by the General Assembly is set out in paragraph 40 of the report of the Secretary-General. **The Advisory Committee recommends that, subject to its comments and observations in the paragraphs above, the General Assembly:**

(a) **Note the progress made since the issuance of the sixteenth annual progress report, including the progress made towards the final resolution of the arbitration cases;**

(b) **Request the Secretary-General to submit an eighteenth progress report on the project, which should include progress on the arbitration cases and the final cost, to the General Assembly at the main part of its seventy-fifth session.**

Annex

Comparison of information contained in the sixth and sixteenth annual progress reports of the Secretary-General on the implementation of the capital master plan (A/63/477 and A/73/317)

	<i>Initial assessment (A/63/477)</i>	<i>Current situation (A/73/317)</i>
Duration	Early 2008–mid 2013	May 2008–September 2017
Scope	<ul style="list-style-type: none"> • Construction of North Lawn Building • Secretariat Building • Conference Building • General Assembly Building • South Annex Building • Dag Hammarskjöld Library Building • Demolition of temporary North Lawn Conference Building • Landscaping of North Lawn 	<ul style="list-style-type: none"> • Construction of North Lawn Building • Secretariat Building • Conference Building • General Assembly Building • Demolition of temporary North Lawn Conference Building • Landscaping of North Lawn • Security-related work at 42nd and 48th Streets
		<ul style="list-style-type: none"> (a) Capital master plan project \$2,150.4 million (b) Enhanced security upgrade \$100.0 million (c) Associated costs \$139.7 million (d) Secondary data centre \$19.2 million
Total cost	\$1,876.7 million	\$2,309.3 million

Source: A/73/468.