

Capital master plan

Statement by the Chairman of the Advisory Committee on Administrative and Budgetary Questions to the Fifth Committee

(ACABQ report A/66/7/Add.11)

Mr. Chairman,

I am pleased to introduce the Advisory Committee's report on the capital master plan, which is contained in document A/66/7/Add.11.

From its consideration of the ninth progress report, the Advisory Committee notes that progress has been made in a number of areas during the reporting period. The Committee welcomes, in particular, donations made by the Member States and also emphasizes the importance of identifying and documenting lessons learned during the implementation of the capital master plan so that they can inform future large-scale capital improvement projects.

With regard to the project schedule, the Committee notes that the estimated completion date for most of the work, excluding the DHL and South Annex Buildings, is now late 2014, approximately one year behind the original schedule. The Secretary-General indicates that the delay is due mainly to the implementation of the enhanced security measures. Also on the issue of security, the Secretary-General states that concerns about resilience to blast threats from vehicles on the off-ramp from the FDR Drive have resulted in the temporary suspension of design work on the DHL and South Annex Buildings. Discussions are ongoing with the host country authorities on the protection requirements for those structures. In view of the need to ensure realistic forecasting of the project schedule, the Advisory Committee urges the Secretary-General to conclude those discussions as soon as possible and to inform the General Assembly of the outcome at the earliest opportunity.

Information on the financial situation of the capital master plan is set out in paragraphs 27 to 32 of the Advisory Committee's report. As at 31 May 2011, the total estimated cost to complete the project amounted to \$1.951 billion. According to the Secretary-General, careful management of the project and the introduction of cost-efficiency measures have lowered the net budget deficit to \$74.3 million, or around 4 per cent of the total approved budget of \$1.88 billion.

The Advisory Committee notes, however, that further resource requirements amounting to \$210.1 million for "worst-case scenario" lease costs, associated costs and the costs of the secondary data centre have been included in the overall budget. This brings the total consolidated cost to complete the project to \$2.161 billion and increases the overall deficit to \$284.3 million, or 15.2 per cent of the approved budget. In his report, the Secretary-General proposes that the Assembly should consider utilizing the working capital reserve and the interest earned on the capital master plan fund, a total of \$149.1 million, to cover some of those costs. The Advisory Committee's report contains a table showing the potential impact of those funds on the project's cash balance between October 2011 and May 2013.

Mindful that a cash shortfall could further delay the project, the Advisory Committee can recommend that the General Assembly endorse the Secretary-General's proposal on financing arrangements. It is the Committee's understanding that proceeding thus will obviate the need for a further assessment on Member States in 2012. The Committee considers, however, that the additional resources should be made available in a phased manner, starting with the working capital reserve and moving on, if necessary, to the interest income, and only when they are needed. The Committee also urges the Secretary-General to continue to explore all opportunities to reduce the total cost to complete through value engineering and other cost-efficiency measures. The Advisory Committee's overall recommendation on the action to be taken by the General Assembly in connection with the ninth progress report is set out in paragraph 56 of its report.

Mr. Chairman,

Section IV of the Advisory Committee's report addresses the financing of the associated costs for 2012. As indicated by the Secretary-General, assuming that there are no delays to the project schedule as set out in the ninth progress report, the total projected resource requirements for the period from 2008 to 2013 for associated costs amount to \$146.8 million. The Committee was informed that the main drivers of the associated costs were the purchase of furniture, the acquisition and implementation of the permanent broadcast facility and the asset management system, and the provision of security coverage.

In its report, the Advisory Committee provides information on actual and projected expenditure since the biennium 2008-2009. For 2011, the Committee notes that total available funding amounts to \$99.2 million. It is expected, however, that there will be an unencumbered balance of \$35 million at the end of the year, reflecting the phased completion, from 2011 to 2012, of the procurement of office furniture and the installation of the permanent broadcast facility and the media asset management system. With regard to the latter, the Committee gathers from the Secretary-General's report that he is proposing to carry forward to 2012 savings of around \$5.1 million and use them to acquire additional elements that were not included in the original scope. While the Committee recognizes the importance of ensuring that the new audio-visual and broadcast systems incorporate the most modern, state-of-the-art technology, it regrets that the savings identified from value engineering were not utilized to lower the total balance of associated costs. As for the requirements for furniture, the Advisory Committee notes that opportunities are being explored for the repair and re-use of existing seating in lounges and open areas of the Conference Building as well as in various conference rooms. The Committee reiterates its earlier recommendation that every effort be made to re-use furniture in good condition.

In paragraph 55 of its report, the Advisory Committee alludes to the observation of the Board of Auditors that the project is unlikely to be able to absorb the associated costs without either a reduction in scope or a potential increase in the anticipated final cost. At this juncture, the Committee considers that, while the Secretary-General's proposals for the utilization of the working capital reserve and the accrued interest respond partially to the Board's concerns, the additional resources made available may not be sufficient to cover the full amount of the associated costs. The General Assembly should therefore, in the interest of transparency, request the Secretary-General to clarify how the remaining requirements are to be met. The Advisory Committee's overall recommendation on the action to be taken by the General Assembly in connection with the proposals for financing associated costs within the approved budget for the capital master plan is set out in paragraph 57 of its report.

Lastly, in section II of its report the Advisory Committee has commented in detail on some of the issues raised by the Board of Auditors in its report on the capital master plan for the year ended 31 December 2010, including change control and succession planning. The Committee emphasizes that management must make every effort to implement the Board's recommendations by the agreed target dates.

I thank you, Mr. Chairman.

