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| Contribution from the United States of America | |
| United States views on the ITU HEADQUARTERS BUILDING PROJECT | |

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| Summary  The critical need for a financial plan that includes a credible financial risk analysis and a realistic funding plan for the entire project of bringing into use a new headquarters building for ITU in Geneva depends upon the information requested by Council 2019 and steps to ensure that the project is well managed and that costs are kept within previously considered and approved levels.  Action required  The United States of America invites the Council to **consider** the content of this contribution when deciding on the next steps for the headquarters building project.  \_\_\_\_\_\_\_\_\_\_\_\_  References:  [C19/DL/12](https://www.itu.int/md/S19-CL-190610-DL-0012/en), *Questions on the building project*  [C18/123](http://www.itu.int/md/S18-CL-C-0123/en), *Report on progress on the Union’s headquarters premises project*  [C19/7](https://www.itu.int/md/S19-CL-C-0007/en), *Report on progress on the Union’s headquarters premises project*  [C19/48](https://www.itu.int/md/S19-CL-C-0048/en), *Summary report on the work of the Member States Advisory Group on the Union’s headquarters premises project*  [C19/120](https://www.itu.int/md/S19-CL-C-0120/en), ***Summary record of the ninth and final Plenary meeting* [of Council 2019]**  [Council Decision 588](https://www.itu.int/md/S16-CL-C-0124/en), *Headquarters Premises*  [Resolution 212 (Dubai, 2018)](https://www.itu.int/en/council/Documents/basic-texts/RES-212-E.pdf), *The Union's future headquarters premises* |

**Contribution from the United States of America**

UNITED STATES VIEWS ON THE ITU HEADQUARTERS BUILDING PROJECT

# Introduction

The United States appreciates the efforts of the secretariat to inform the membership and expects the secretariat to seek ways to maintain the project costs as close to the original approved amount of CHF 147.5 million as possible. We noted at the extraordinary Council 2018 meeting, that two years into what was considered then to be a seven-year project, the projected costs at that time were about 20% above the cost limit decided by Council in 2016, according to the Secretary-General’s report in Council [C18/123](http://www.itu.int/md/S18-CL-C-0123/en), an increase from CHF 147.5 million to CHF 177 million. When reading Council [C19/7](https://www.itu.int/md/S19-CL-C-0007/en), we understand the projected costs to be higher by an additional CHF 20 million to CHF 25 million above the amount reported in October 2018 (CHF 177 million to CHF 202 million) and the schedule has been extended so that reception of the new building is not expected until mid-2026.

During Council 2019, many nations, including the United States, stressed the critical need for a financial plan that includes a credible financial risk analysis and a realistic funding plan for the entire project of bringing into use a new headquarters building for ITU in Geneva, prior to granting final approval of the project. Similar projects at ILO and WHO have undergone very deliberate planning processes that endeavoured to accurately capture project costs before agreements were reached on financing the projects. It is for this reason that the decision to request the next portion of the loan was delayed slightly so that the current extraordinary session of Council could review more detailed documents to answer the questions raised by the Member States.

This contribution presents the Unites States’ views on the building project and the necessary information to allow this project to proceed.

# Discussion

As reported in [C16/7](http://www.itu.int/md/S16-CL-C-0007/en), CWG-HQP concluded in 2016 that the “replacement of Varembé with a single building that also accommodates the necessary functionality of the Tower is the most cost-effective option. It is also the option with greatest accessibility, lowest maintenance costs for the future, and is cheapest in the long-term.” The recommendation of CWG-HQP was agreed by Council 2016 as indicated in [Decision 588](https://www.itu.int/md/S16-CL-C-0124/en). This Decision documents that Council decided “to authorize a maximum budget for total project costs before sale of the Tower of CHF 140 million and an additional contingency fund of CHF 7 million to be used, if necessary, for unforeseen cost overruns”. Also part of Decision 588 was the establishment of “an Advisory Board of Member States to provide independent and impartial advice on the project to the Council and Secretary-General”.

The United States is pleased to see in the 24 May 2018 letter from the Secretary-General to the host country that “the ITU secretariat fully intends to respect the ITU Council’s request for the secretariat to comply with the terms and conditions of Council Decision 588 currently in force, and all the more so as we are fully aware that it was on the basis of that decision (including the business model evoked in it) that DFAE agreed to proceed with matters”.

Furthermore, the United States is of the view that Council decided to allocate a maximum financial envelope of CHF 140 Million so as to make available more of the Union’s limited resources for the ITU’s mission. The United States and many other delegations agreed to an amount that was deemed reasonable. We are therefore disappointed to observe that costs are now estimated to extend beyond that envelope. [Resolution 212 (Dubai, 2018)](https://www.itu.int/en/council/Documents/basic-texts/RES-212-E.pdf) introduced the concept that the project financing can be supplemented by sponsorships, donations and the temporary fund established by the Council from budgetary surpluses. The temporary fund had been created only for additional items that are excluded by Swiss law from financing through the loan. Utilization of the above-mentioned generosity still requires an understanding on the total project cost and the financial risks of the project. Relying upon yet-to-be-realised surpluses is risky financial planning and diverts resources away from services to Member States. The United States supports the views expressed in the Member States Advisory Group’s (MSAG’s) report (Council [C19/48](https://www.itu.int/md/S19-CL-C-0048/en)) that the dependence upon future savings to finance the elements of this construction project will impact the ability to react to unforeseen operating expenses, which increases financial risk to the Union.

Based upon the information shared through April 2019 with MSAG, this group considers that the total project cost may increase to CHF 220,299,000. This figure does not include the additional Project Team salary, which is to be paid from the regular budget. This amounts to a 50% increase above the maximum budget for total project costs identified in Council Decision 588. The secretariat does not concur with the MSAG view of potential cost. The difference in perspective is derived from the difference in assumptions and in confidence levels that one has in the provided estimates. These assumptions and levels of confidence in the estimates for aspects of the project should be documented to a degree adequate for establishing a financial plan that addresses the financial risks of the project. To the extent that the estimated costs being considered now exceed amounts previously considered and approved by Council, the United States expects the secretariat to consider altering the design where possible and taking other necessary steps to keep the costs within previously approved amounts, while still achieving the goal of a functional office building that meets the organization’s requirements. Further, we urge the secretariat to continue working with the Swiss government to determine if any of the exterior security costs, or other costs in general, can be borne by the host country.

Regardless of the actual cost, a sound financial plan that includes a credible financial risk analysis and a realistic funding plan for the entire project of bringing into use a new headquarters building for ITU in Geneva is necessary. The regular session of Council 2019 exhibited wide support of the Member States for this perspective. It is for this reason that the current extraordinary session of Council has been called. That session identified in [C19/DL/12](https://www.itu.int/md/S19-CL-190610-DL-0012/en) several points to be clarified in advance of the current session. These are repeated in the Annex to this contribution, with some reorganization of the words and the addition of the supplemental question identified in [C19/120](https://www.itu.int/md/S19-CL-C-0120/en). The regular session of Council 2019 requested that the secretariat address these points in writing at least 2 weeks prior to the date of this extraordinary session.

Furthermore, Council 2019, as documented in [C19/120](https://www.itu.int/md/S19-CL-C-0120/en), raised a question as to whether it is legally possible to have a condition on the sale of the Tower that the ITU could retain the Popov room for a period of time after the Tower is placed on the market. The secretariat will verify with the Swiss authorities whether there is no legal impediment to such a condition. Pursuing such an option could have financial implications for the cost of the project and revenue obtainable from the sale of the Tower. These implications need to be captured in the financial plan.

# Conclusion

The United States continues to believe that there is a critical need to address and seek to reduce the projected increased costs for the project, as well as develop a financial plan that includes a credible financial risk analysis and a realistic funding plan for the entire project of bringing into use a new headquarters building for ITU in Geneva. The United States expects to receive the information requested by Council 2019 and repeated in this contribution. Only if satisfactory information can be provided by September 14, as requested by Council, to establish such a financial plan could the United States support going forward with the construction project.

Once the information is provided by the secretariat, the United States may have additional observations to share during the meeting. Nonetheless, its position that a responsible approach that optimizes the use of the funds provided by the Member States to support the Union’s mission should not change.

ANNEX

Questions on the building project identified in Document C19/DL/12

1. Uncertainty of the project cost estimate with respect to:

* Building demolition/construction costs
* safety and security measures
* relocation of staff
* meeting room rental
* movable furniture
* active ICT equipment

The 5% uncertainty (per IEC) applied to the entire project cost of CHF 180 million shall be confirmed by CDTK, together with justification for why this uncertainty can be reduced to 5% from the 15% that CDTK indicated on April 1, 2019 in the Design project documentation (01.04.2019, phase 4.31 *Avant-projet*). It is noted that, unlike the architect’s estimations, the figures for which ITU is responsible have no uncertainty assigned to them, unless one applies at least the 5% of the IEC document. In the latter case this uncertainty shall be taken into account within the financial risk analysis. In order to allow the advanced planning stages of the building to proceed, any sponsorships or donations that will affect the architect's plans or otherwise increase the cost envelope of the project shall be indicated.

The risk analysis currently established by Hill shall include a financial risk analysis that, among other things, takes into account the uncertainty of the estimated cost (addressing the worst case scenario). Furthermore, any risks identified by CDTK in its design project shall be addressed.

The additional safety and security measures included in the project cost of [C19/7](https://www.itu.int/md/S19-CL-C-0007/en) that total CHF 3 million need to be detailed and identified relative to the measures recommended in the UNDSS report. For those measures that are outside the ITU perimeter, [C19/DL/12](https://www.itu.int/md/S19-CL-190610-DL-0012/en) requested a written agreement by the relevant Swiss authorities that the measures recommended in the UNDSS report will be implemented; otherwise, CDTK’s maximum estimate of CHF 6 million shall be included in the project cost.

The costs associated with relocating staff were recently reduced from CHF 11 to CHF 6 million, based on a new study of room availability that seems to confirm that all Varembé staff can be relocated either to the Tower or to the Montbrillant building. [C19/DL/12](https://www.itu.int/md/S19-CL-190610-DL-0012/en) requested that this study be made available; otherwise, the staff relocation cost of CHF 11 million shall be maintained. An uncertainty needs to be applied for this amount in a financial risk analysis.

Meetings and conferences to be held during the demolition and construction period shall be estimated including expected number of participants and room need (i.e. main meeting room plus 4 breakout rooms, etc.) and an estimated cost for hosting these events inside or outside Geneva. [C19/DL/12](https://www.itu.int/md/S19-CL-190610-DL-0012/en) requested that written agreements with host countries and/or relevant Swiss authorities (FIPOI) shall be provided; otherwise, the meeting room rental projection of CHF 2.5 million shall be maintained. An uncertainty needs to be applied for this amount in a financial risk analysis.

An uncertainty for movable furniture and active ICT equipment shall be assigned to the figures and taken into account in a financial risk analysis.

1. Specification of a realistic contingency plan (A contingency fund is not supposed to offset uncertainties of the planning estimates, but is to be used for unforeseen additional works not included in the planning.)
2. Certification of estimated final project cost including all direct and indirect cost

[C19/DL/12](https://www.itu.int/md/S19-CL-190610-DL-0012/en) requested that the Secretary-General certify the estimated final project cost including all direct and indirect cost and the uncertainty assigned to this amount.

1. Financing sufficient for the total estimated project cost

The secretariat shall present a financial plan for the estimated final project cost that provides for regular budget financing of any amount not covered by the loan, sponsorships, donations, and the CHF 5 million in the building fund. This plan shall encompass the contingency to be specified in the risk management plan currently being drafted by Hill International and to be reviewed by MSAG. Any sponsorships or donations confirmed in writing shall be included in this plan. The Secretary-General shall ensure that any new sponsorship or donation as of this extraordinary council meeting will not be used to increase the overall cost, but only be applied at offsetting the current estimated project cost. Sponsorships or donations that consist of decoration or other non-infrastructure related items will be welcome at any time.

1. Financing sufficient for the worst-case scenario

The secretariat shall also provide a proposal for a financing plan for the worst-case scenario.

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