

Program and Budget Committee

Twenty-Fifth Session
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FINAL REPORT ON THE NEW CONSTRUCTION PROJECT AND THE NEW CONFERENCE HALL PROJECT

Prepared by the Secretariat

INTRODUCTION

1. The purpose of this document is to present to the Program and Budget Committee (“the PBC”) the final report on the New Construction Project (NCP) and the New Conference Hall Project (NCHP) covering the period since September 2015, date on which the last progress report for the Projects was presented to the PBC (document WO/PBC/24/13). It also presents the lessons learned from managing the two Projects.

A. FINAL OPERATIONAL REPORT

2. The only major item which remained to be completed by the end of 2015 relating to the NCP was the replacement and repair work to windows on the ground floor, which was duly completed by mid-December 2015 and financed from funds retained from the former general contractor. For the purpose of completeness, it is noted that the implementation of several items of a minor scope had to be deferred, mainly due to a question of workload planning. Such items are now expected to be dealt with by the end of 2016. The corresponding commitments are reflected in Annex II.

3. Likewise, in respect of the NCHP, a number of minor outstanding items had to be deferred, but are expected to be completed by the end of 2016. The corresponding commitments are reflected in Annex II.

B. SUMMARY OF THE BUDGET AND EXPENDITURE SITUATION

4. In respect of the NCP, as at the date of this document, the total unspent and uncommitted resources amounted to 167,308 Swiss francs. This compares with the revised budget of 157,642,643 Swiss francs that had been approved by the Assemblies up to 2015 (see Annex II). This amount will be returned to the Reserves of the Organization.

5. In respect of the NCHP, the final discussions have been completed with, and final accounts agreed by, all 108 entities required to complete the construction, such as construction companies and suppliers, as well as firms of professional specialists and experts, including the architect. As at the date of this document, the total unspent and uncommitted resources amounted to 1,048,665 Swiss francs. This compares with the revised budget of 78,700,000 Swiss francs that had been approved by the Assemblies up to 2015 (see Annex II). Once the final verifications on remaining minor finishing works will have been carried out by the end of 2016, the final balance will be returned to the Reserves of the Organization.

6. When considering the two projects together, total expenditure and remaining commitments, as at the date of this document, amounted to 235,113,023 Swiss francs as compared to the initially approved budget of 229,942,643 Swiss francs, representing an increase of 2.25 percent over the initial approved budget.

C. OVERSIGHT AND AUDIT

7. Between June 2006 and December 2015, the Secretariat presented progress reports, or provided information or documentation, on the NCP to the WIPO Audit Committee and subsequently to the Independent Advisory and Oversight Committee (IAOC). Likewise for the NCHP since 2008.

8. The Internal Oversight Division (IOD) issued an audit report in June 2013 relating to the NCP and NCHP, with six recommendations, all of which have been implemented. There are no outstanding recommendations in respect of the Projects.

9. The External Auditors issued an audit report in August 2014 relating to the NCHP.¹ Out of the ten recommendations contained therein, eight have been closed by the Auditors. As for the two remaining recommendations, Management is awaiting a response from the External Auditors on their status.

D. LESSONS LEARNED

10. As an introduction to the lessons learned, it is useful to recall that the two construction projects (NCP and NCHP), completed between 2006 and 2016, were the first construction projects of such a magnitude, complexity and cost that WIPO has ever had to fully manage on its own. In this context, the additional challenges faced in respect of the NCHP were twofold: (i) the architectural and engineering complexity (with a 35-meter long cantilever and an almost exclusively wood structure); and (ii) the fact that the Secretariat took over the direct and full management of the worksite after the contract with the former general contractor was terminated during construction.

11. The lessons learned are grouped under the following categories: (1) governance; (2) worksite opportunities, project modifications and cost avoidance; (3) relations with the Host Country federal, cantonal and municipal authorities; (4) what could have been done differently or earlier; and (5) importance of sharing experience between UN-family agencies and related international and regional organizations.

¹ See document WO/PBC/22/3.

(1) Governance

(a) Experience gained from the NCP used as a basis for the NCHP

12. The experience gained since 2006 with the management of the NCP gave the Secretariat, for the purposes of the NCHP, a solid basis to work from: (i) the existing Project Management structure (external management through the Project Pilot, internal management through the Construction Committee and internal monitoring through the Internal Project Monitoring Team, Project Charter and Risk Registers); (ii) the existing contractual financing framework; and (iii) the existing oversight framework (External Auditor, WIPO Audit Committee/IAOC and Internal Audit/Internal Oversight Division).² In practice, all administrative units³ involved in the actual planning and implementation of the projects, as well as the future users, were pro-actively associated in the process from the very early stages, which reduced the risk of re-design and the need for retro-fitting in the course of the project.

(b) Reinforcement of the existing management structure with new dedicated measures to fit the demands of the more complex NCHP

13. The initial, well established and proven management structure was complemented, as from 2012, with the measures described below in order to cope, as smoothly as possible with the consequences of the shift, during the worksite of the New Conference Hall, from a general contractor framework to a framework without a general contractor (“classical mandate”)⁴.

14. The first measure was the establishment of a sub-committee, the Construction Management and Coordination Committee (CMCC), by delegation from the Construction Committee, with sufficient level of authority and autonomy, to create a body with the necessary competence, experience, agility and reactivity to take day-to-day decisions. The CMCC met on a daily basis to review and adjust the worksite timetable, priorities, and manage risks, approve various project implementation items, review or propose project modifications, and examine new demands and needs as communicated by the future users of the new facilities. Regular reports on its activities were presented to the monthly sessions of the Construction Committee, and approval was sought from the latter in cases of principle and/or project modifications of a large scope and nature.

15. The second measure, operational only for the NCHP, was the establishment of an ad hoc committee dedicated to construction contracts, the Conference Hall Ad Hoc Contracts Committee (CHACC), independent from the Contracts Review Committee (CRC), in order to create a body with the necessary autonomy, agility and reactivity that was better suited to the needs of worksite related contracts (i.e., the threshold for referral to the CHACC was increased to 200,000 Swiss francs and the CHACC met on a weekly basis when needed, rather than the monthly periodicity of the meetings of the CRC where the threshold for referral was 100,000 Swiss francs). See also item 4, below.

16. The third measure was the engagement of a financial expert with experience in large construction projects, who was mandated to analyze and reconcile the budget and associated expenditure and encumbrances from both a project and a financial perspective. This greatly facilitated the process for validating the request for additional budget presented by the Secretariat in 2014.

² See document WO/PBC/14/10, dated August 10, 2009 (in particular paragraph 42).

³ The administrative units concerned covered the following areas of responsibility: building maintenance, safety and security, information and communication technology, audio-visual and interpretation systems, conference support services, information assurance, legal and contractual, procurement, budget and finance.

⁴ For the background on the termination of the contract with the former general contractor, see document WO/PBC/19/24 and the Annex of document WO/PBC/21/11.

(c) *Ability to analyze the circumstances, constraints and risks and the agility to re-strategize and re-prioritize, as necessary*

17. In respect of the NCP, the in-house premises management had the capacity and the authority to review and stagger the date of handover of the New Building in spring 2011, floor by floor and area by area, while finishing works were continuing. Proceeding in this manner had become essential to move staff from the rented premises to the New Building and ensure that the rented premises would be vacated before the contractual deadline without having to resort to exceptional measures (such as temporary swing space) or incurring additional cost.

18. In respect of the NCHP, and after the termination of the contract with the former general contractor, the CMCC proved to be crucial in reaching timely decisions and implementing these on a daily basis so as to ensure that the worksite was not paralyzed in any way. Even though the initial date of handover of the New Conference Hall had to be postponed, the timely establishment of the CMCC (see paragraph 14, above) was able to ensure that there was a decision making body with the necessary agility and delegated authority to complete the construction of the new facilities for a handover in time for the September 2014 WIPO Assemblies.

(d) *Solid contractual provisions in construction contracts*

19. From the viewpoint of good contractual practice, the contract with the former general contractor provided the obligation for it to sub-contract only to companies which would be obligated to accept a takeover of their contract by WIPO, without any modifications (in particular the agreed price), should the contract between WIPO and the general contractor be terminated. The circumstances leading to a contract termination having materialized one year after the beginning of the worksite for the NCHP, the provision gave the Secretariat a solid basis not only to take over the 20 then-existing contracts with sub-contractors, but also to award contracts, on the same conditions and agreed price, to a large number of sub-contractors who had made bids before the contract termination. As a result, the interests of WIPO were well preserved and costs contained, since all the sub-contractors concerned had confirmed their willingness and full engagement for completing the project for WIPO.⁵ The utilization of such a contractual provision in a WIPO contract had not been needed in any previous construction-related contract, until this particular case, when it proved extremely beneficial to WIPO's interests.

20. The requirement of bank guarantees at first demand to cover the cost of defects that may be discovered during a period of two years after handover of the construction or installation was included in all the construction companies or suppliers contracts.

21. Penalties for delay were included in some, but not all, the contracts. Those included in the construction companies' contracts were activated and penalties were calculated, agreed, and paid to WIPO. See also item 4, below.

(e) *Expanded mandates for certain professional specialists once the contract with the former general contractor had been terminated*

22. Expanded mandates were drawn up for all professional specialists, including the architect, the pilot and the engineers to re-delegate various elements of the role and responsibilities of the former general contractor.

23. In addition, other elements of the role and responsibilities of the former general contractor were re-delegated to in-house administrative units (in particular in respect of monitoring the

⁵ Refer to document (WO/PBC/19/24, paragraph 40).

contracts with the 80-odd sub-contractors and suppliers, managing invoices, payments and other transactions, as well as related administrative overheads). That, together with reinforced internal management structure and additional resources, was key to the successful completion of the Project.

(f) *Seeking and securing early approval of additional budget needs from Member States*

24. The question of whether potential additional funds were needed was continuously assessed, qualified and, where necessary, presented with justification to the relevant bodies (PBC and Assemblies) in a timely manner and well before further commitments were made with contractors. The main concern was to avoid being in a situation where, in the interests of project implementation, commitments would be entered into with contractors and work carried out, but payment of final invoices would have to be put on hold until such time as an additional budget had been approved by Member States.

(2) Worksite opportunities, project modifications and cost avoidance

25. Cost avoidance was achieved on several occasions through the ability of the CMCC to react swiftly on the worksite, avoiding unnecessary temporary features which would have had to be reworked, on the one hand, and the integration of modifications and/or enhancements that brought with them early benefits to the overall project objectives at no or minimal additional costs, on the other. Examples of project modifications and/or enhancements introduced during the worksite of the New Conference Hall which have become essential features and have brought significant benefits from a variety of standpoints include: the addition of a door near the podium for more efficient and less time-consuming access and the redesign of a number of desks in the New Hall for persons with disabilities.

(3) Relations with the Host Country federal, cantonal and municipal authorities

26. Applications were deposited and building permits were obtained from the cantonal authorities for the New Building, as well as for the New Conference Hall, and various additional permits due to modifications introduced during the respective worksites. The high quality professional relations established between the CMCC, the pilot, the architect and the engineers, on the one hand, and the cantonal and city authorities, on the other, were instrumental in ensuring an early understanding of expectations with, as needed, face-to-face meetings and on-site visits, including all stakeholders, thereby leading to a sound and efficient overall process.

27. In addition, the Host Country was consulted on certain issues concerning the implementation of UN H-MOSS security measures or the public right of way on the WIPO Campus, even though this was not required under the Host Country Agreement on all subjects. This cooperation and collaboration reinforced the good-will which already exists between the Organization and the Host Country.

(4) What could have been done differently or earlier

28. Penalties for delay could have been included in more contracts and, in particular, in the contracts with professional specialists, from the start. This would, however, have to be balanced with the potential disadvantage that the specialists would incorporate the risk of having to pay a penalty in their price offer, which in turn would have affected the overall budget.

29. An earlier introduction of certain measures would have brought more flexibility under the prevailing framework: earlier establishment of the *ad hoc* contracts committee (such as the CHACC) and earlier application of a higher threshold for the types of tender procedures.

30. More attention could have been given at the outset (i.e., when the direct worksite management was taken over in-house) to re-clarifying the roles and responsibilities of the professional specialists (architect, pilot and engineers) and the interactions and dependencies between them, in order to avoid later discovery of gaps between the respective areas of responsibilities and corresponding expectations, as compared to the expectations of Project Management. The engagement of a financial expert with experience in large construction projects at the time when the direct worksite management was taken over in-house would also have been helpful.

(5) Importance of sharing of experience between UN-family agencies and related international and regional organizations

31. Sharing of experience has been ongoing for a number of years with several UN agencies either in the framework of the annual meetings of the worldwide Inter-Agency Network of Facilities Managers (INFM)⁶, or on the occasion of specific multilateral or bilateral meetings organized between Geneva-based UN agencies, some of which were hosted at WIPO. Common themes on major construction or renovation projects covered the choices, and reasoning thereof, on best strategies, implementation measures and modalities, relating to project management structure, contractual approach, roles and responsibilities of the various stakeholders, reactivity to unforeseen circumstances and challenges in meeting deadlines. As part of sharing knowledge and experience, these types of exchanges will continue in view of the interest expressed and of the number and scope of major construction or renovation projects that several UN agencies have been or are currently undertaking over the next five to ten years.

32. The following decision paragraph is proposed.

33. The Program and Budget Committee (PBC) took note of the contents of document WO/PBC/25/13, including the return of final unspent project balances to the Reserves of the Organization as per paragraphs 4 and 5.

[Annexes follow]

⁶ The Inter-Agency Network of Facilities Managers (INFM) is composed of over 40 agencies, programs and other entities, including the following (list of the members who participated in the May 2016 meeting): DFS/MONUSCO, ECLAC, ESCAP, ESCWA, FAO, IAEA, ICC, IFAD, IFRC, ILO, IMF, ITLOS, ITU, MICT, PAHO, UNAIDS, UNDP, UNEP, UNESCO, UNHCR, UNHQ, UNICEF, UNIDO, UNLB, UNMISS, UNOG, UNON, UNOV, UNSOS, UNTSO, UNV, UN Women, WB, WFP, WHO, WIPO, WMO, WTO, as well as ADB, CERN, Council of Europe, ECA, ESA, EU, OECD, OSCE, NATO.

List of progress reports and other documents presented to the PBC and the Assemblies (2006-2016)					
Year	Month of session	PBC document	Assemblies document	Progress reports, or proposals, or updates on projects	
				Project NCP	Project NCHP
2006	July September/October	WO/PBC/10/4	A/42/13	x	
	December	WO/PBC/IM/3/06/5		x	
2007	June	WO/PBC/11/13		x	
	September/October	WO/PBC/12/7	WO/GA/34/11	x	
2008	September		WO/GA/36/6	x	
	December	WO/PBC/13/5	A/46/5	x	
	December	WO/PBC/13/6 (b)	A/46/6 (b)	Updated and Consolidated Budget and Financing for the New Construction Project	
	December	WO/PBC/13/6 (c)	A/46/6 (c)		Proposal for a New Conference Hall
2009	September/October	WO/PBC/14/9	A/47/11 + A/47/11 Rev	x	
	September/October	WO/PBC/14/10	A/47/12		Detailed Proposal for Phase Two of the New Conference Hall Project
2010	September	WO/PBC/15/19	A/48/19	x	
	September	WO/PBC/15/20	A/48/22		x
2011	September/October	WO/PBC/18/9	A/49/11	x	
	September/October	WO/PBC/18/10	A/49/12		x
2012	September/October	WO/PBC/19/12	A/50/11	x	
	September/October	WO/PBC/19/13	A/50/12		x
	September/October	WO/PBC/19/24	A/50/17	Updated Progress Report on the New Construction Project and the New Conference Hall Project	
2013	September/October	WO/PBC/21/11	A/51/9	x	x
2014	September	WO/PBC/22/14	A/54/11	x	x
2015	September/October	WO/PBC/24/13	A/55/11	x	x
2016	August/September	WO/PBC/25/13 (present document)	-	Final Report on the New Construction Project and the New Conference Hall Project	

[Annex II follows]

Summary of the Updated Revised Budgets v. Expenditure and Remaining Commitments for the Construction Projects (situation as at the date of this document)				
		NCP (Sfr)	NCHP (Sfr)	Total NCP + NCHP (Sfr)
1.	Initial approved budget from Reserves	161,742,643	68,200,000	229,942,643
2.	Approved transfers from NCP to NCHP*	(4,500,000)	4,500,000	-
3.	Additional resources approved from Reserves in 2014	400,000	2,500,000	2,900,000
4.	Revised approved budget from Reserves as at end 2014	157,642,643	75,200,000	232,842,643
5.	Expenditure as at end 2015 and remaining commitments to be realized	(157,475,335)	(74,151,335)	(231,626,670)
6.	Unspent and uncommitted amount as at the date of this document, to be returned to the Reserves	167,308	1,048,665	1,215,973
7.	Additional resources approved in 2015 from the regular budget**	n/a	3,500,000	3,500,000
8.	Expenditure as at end 2015	n/a	(3,486,353)	(3,486,353)
9.	Unspent amount returned to the Reserves at end 2015	n/a	13,647	13,647
TOTALS				
10.	Total approved project budgets as at end 2015 (= lines 4 + 7)	157,642,643	78,700,000	236,342,643
11.	Total expenditure as at end 2015 and remaining commitments to be realized (= lines 5 + 8)	(157,475,335)	(77,637,688)	(235,113,023)
12.	Total unspent and uncommitted amount as at date of this document (= lines 6 + 9)	167,308	1,062,312	1,229,620

* As per document WO/PBC/18/9, the amount of Sfr 4,500,000 was comprised of an amount of Sfr 2,225,000 constituting the penalty to be paid by the General Contractor to WIPO for the delay and an amount of Sfr 2,275,000 constituting uncommitted and unspent balance of the NCP (savings). It was assumed that the amount of the penalty received by WIPO could be used towards offsetting the construction expenditure. However, in accordance with IPSAS standards the building was considered completed at the time of reaching the agreement on the penalty and the amount of the penalty (Sfr 2,225,000) for delay received by WIPO from the General Contractor was recognized as WIPO's revenue (Miscellaneous Income).

** See documents A/55/11 and A/55/13 (report, in particular paragraph 205(c)).

[End of Annex and of document]