

## **Program and Budget Committee**

### **Eighteenth Session Geneva, September 12 to 16, 2011**

#### **PROGRESS REPORT AND PROPOSAL ON THE NEW CONFERENCE HALL PROJECT**

*prepared by the Secretariat*

1. The purpose of this document is to present to the Program and Budget Committee (“the PBC”) a progress report on the New Conference Hall Project (“the Project”) covering the period since the first progress report was presented to the PBC at its fifteenth session, held from September 1 to 3, 2010 (document WO/PBC/15/20), after approval of the execution of the Project by the Assemblies of the Member States of WIPO on October 1, 2009 (documents A/47/12, A/47/13 and A/47/16 (report, paragraph 347)).

2. It is recalled that the Project includes the conference hall *per se*, modifications to three levels of the AB Building and the access center. It includes, in particular, the addition of several small meeting rooms (some with interpretation facilities) on the mezzanine of the AB Building in close proximity to the future hall and the existing meeting rooms (Room A, Room B, Bauemer Room, Bilger Room and Uchtenhagen Room).

#### **I. STATUS OF THE PRE-CONSTRUCTION PHASE**

3. The building permit for the new hall and AB Building modifications was delivered by the Geneva cantonal authorities in June 2010. The building permit for the access center was delivered in December 2010.

4. The Selection Board, composed of representatives of Member States held its second and third sessions in December 2010 and February 2011, respectively. During the second session, as provided by the Board Rules, the WIPO Evaluation Team and the Project Pilot presented to the Board their separate evaluations of the proposals submitted by the general contractors

which had been pre-selected by the Board in March 2010. The Board requested that the Team and the Pilot prepare a joint recommendation after engaging, on its behalf, negotiations with the two companies which had made proposals. The Board held its third session on February 11, 2011, and, after having examined the joint recommendation, it selected “Implenia Entreprise Générale SA” as the General Contractor for the Project.

5. Since the selection took place, the Secretariat and the Pilot worked jointly to negotiate with the selected General Contractor the final contract terms, the phasing of the various parts of the Project (the conference hall *per se*, the modifications to the AB Building and the access center) and the overall timetable. These negotiations have now been concluded and the new contract was signed on May 30, 2011.

6. The main contractual features include a specific set of clauses covering the sub-contracting relationship between the General Contractor and its wood specialist, in view of the critical importance of the wood infrastructure for the quality of the future hall. In addition, in view of the current scope and higher than anticipated estimated cost of the access center, the Secretariat decided and the General Contractor agreed to include the access center in the new contract as an option which the Secretariat will review by March 2012, with the aim of reducing its cost without jeopardizing its essential functions. Finally, in order to further reduce cost, several features and equipment have been included with a proviso that the General Contractor must launch new tenders in the coming year as it is expected that the market prices of those features and equipment will drop.

7. The new contract also covers the exterior landscaping—around the new building and between the AB Building and the new building—which had originally been included in the New Construction Project, but which had to be put on hold and reviewed in view of the New Conference Hall Project. The revised exterior landscaping would now relate to the area around the future conference hall in addition to the area around the new building and the modified area between the AB Building and the new building. An amount of 2,250,751 Swiss francs had been earmarked in the basic consolidated budget envelop approved in December 2008 for the New Construction Project. The original execution of the works has therefore been removed from the contract for the New Construction Project and, the works in a revised version have been included in the new contract for the New Conference Hall Project. The amount of 2,250,751 Swiss francs, however, remains earmarked for the exterior landscaping as approved in December 2008.

8. Finally, it is recalled that part (approximately 1,800,000 Swiss francs) of the financing for the access center will be taken from the UN H-MOSS budget separately approved by Member States in December 2008.

## **II. UTILIZATION OF THE APPROVED BUDGET AND PROVISION AND UPDATED BUDGET AND FINANCING**

9. It is recalled that the Member States approved, respectively, in December 2008 and September 2009, the amounts of 4.2 million Swiss francs for the pre-construction preparation phase and of 60 million Swiss francs for the construction phase, as well as a “Contingency Provision for Miscellaneous and Unforeseen” in the amount of 4 million Swiss francs. As at the date of drafting this document, only part of the honoraria for the architect, the pilot and various specialized engineers, as well as the contractually agreed advance payment to the General Contractor, have been disbursed.

10. Based on the contract signed with the General Contractor, taking into account the re-calculated honoraria and other fees which are a function of the construction cost according to the Swiss Engineers and Architects Norm ("SIA Norm"), the estimated cost of the Project had to be updated to 64,426,097 Swiss francs. The estimated cost increase of 4,426,097 Swiss francs, compared to the approved amount of 60,000,000 Swiss francs, can be absorbed by funds which have become available (for an amount of approximately 4,500,000 Swiss francs) from the total approved budget and provisions for the New Construction Project (see document WO/PBC/18/9, Progress report on the New Construction Project, Annex). As indicated in paragraph 6, it is expected that some savings may be made after the review of the access center part of the Project and the launch of new tenders for certain features and equipment, with the consequence that the estimated cost increase mentioned above may in the end be lower than currently estimated.

11. It is recalled that financing of the execution of the Project, as approved by the Assemblies of the Member States in September 2009, included a commercial loan for an amount of 40 million Swiss francs. The original loan contract with the banks for the New Construction Project was extended to cover the amount of 40 millions Swiss francs, under the same terms and conditions. The addendum to that contract was signed in October 2010.

12. Based on the experience gained and lessons learned in the management of the New Construction Project, the Secretariat will be able to make future strategic choices in respect of the number of drawdowns, the effective dates, the interest rates and the duration of each loan segment in order to gain maximum management flexibility and minimum bearing on the regular budget.

13. Amongst other lessons learned from the New Construction Project, it is important to highlight the necessity to keep the Contingency Provision for Miscellaneous and Unforeseen for utilization, only if and when necessary during construction, as had been expressly stated by the External Auditor in respect of the New Construction Project.<sup>1</sup>

### **III. FRAMEWORK, CONTROL AND AUDIT**

14. As at the date of drafting this document, the current version of the "WIPO Construction Projects Charter" is version v.09 (2010), dated March 26, 2010. The updated 2011 version is in preparation. All the other mechanisms constituting the project management structure for the New Construction Project (committees and teams, risk registers, regular coordination meetings with the pilot, cross-sector meetings, etc.) have either been continued as such or adapted to the new Project on the basis of the experience gained during the delivery of the previous project.

15. The Project continued to be the subject of regular audits, by the External Auditor, the WIPO Audit Committee (until the end of 2010) and the Independent Advisory Oversight Committee (as from the beginning of 2011), and the Internal Audit and Oversight Division.

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<sup>1</sup> It is recalled that the External Auditor gave in 2008 a definition of the items which can be charged to the Contingency Provision for Miscellaneous and Unforeseen. The complete text of the recommendation concerned reads as follows: "Recommendation No. 4: To include a reserve for miscellaneous and unforeseen in the financial envelope for the project in order not to compromise decision making which is essential to the progress of the project. This reserve is to be used only to meet possible unforeseen construction or market expenses, technical modifications or additions necessary during the execution phase, which were unforeseeable during the project stage and inaccuracies or omissions in the terms of reference leading to additional work." (See document A/43/INF/6, Annex, paragraph 46).

#### IV. INDICATIVE CONSTRUCTION PHASE TIMETABLE

16. Based on the signed contract, construction is expected to start mid-August 2011 and last for approximately two years from the date of signature of the contract, so that the new hall and related facilities in and on the forecourt of the AB Building would be completed by the end of April 2013.

*17. The Program and Budget Committee is invited:*

*(i) to take note of this Progress Report; and*

*(ii) to recommend to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, to authorize the use for the New Conference Hall Project, if and when necessary, of an amount of up to 4,500,000 Swiss francs remaining available from the budget and provisions they had approved in December 2008 for the financing of the New Construction Project, as indicated in paragraph 10 of this document.*

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