

Program and Budget Committee

Twenty-Fourth Session
Geneva, September 14 to 18, 2015

PROGRESS 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”) an updated progress report on the New Construction Project and the New Conference Hall (NCH) Project covering the period since September 2014, date on which the last progress report for the Projects was presented to the PBC (document WO/PBC/22/14).

OPERATIONAL PROGRESS REPORT ON THE PROJECTS

2. In respect of the New Construction Project, and as at the date of this document, the status of the items in and around the New Building which had not been completed before September 2014 is as follows:

- (a) *Completed after the 2014 session of the PBC and before the end of 2014:* exterior landscaping in front of the New Building, replacement of and repair works on windows in the staircases in the New Building;
- (b) *Completed in the first semester of 2015:* a variety of small outstanding items; and
- (c) *Expected to be completed by the end of 2015:* replacement and repair works of windows on the ground floor (which started in June 2015 and which will be interrupted during the 2015 Assemblies).

3. In respect of the New Conference Hall Project, and as at the date of this document, the status of the items which had not been completed before September 2014 is as follows:

- (a) *Completed after the 2014 session of the PBC and before the end of 2014:* the New Access Center exterior facade and various outstanding items in and around the New Hall; and
- (b) *Completed in the first semester of 2015:* the remaining outstanding items in and around the New Hall, as well as the exterior landscaping and plantations at the foot of the New Hall.

OVERSIGHT AND AUDIT

4. The Secretariat has continued to present progress reports on both Projects to the Independent Advisory and Oversight Committee (IAOC).

5. All six recommendations contained in the audit report issued by the Internal Oversight Division (IOD) in June 2013 have been implemented and there are no outstanding recommendations in respect of the Projects.

6. Out of the ten recommendations contained in the audit report issued by the External Auditors in August 2014 and relating to the New Conference Hall Project (document WO/PBC/22/3), eight have since been closed by the Auditors, leaving only two in the process of being addressed.
(document WO/PBC/22/3).

BUDGET AND FINANCIAL SITUATION FOR THE PROJECTS

New Construction Project

7. All the repair and replacement works carried out in the New Building (sub-paragraphs 2(a) and 2(c), above) have been financed and fully covered from funds retained from the former General Contractor, as indicated in the previous Progress Report to the PBC. The outstanding items referred to in paragraph 2(b), above, have been financed from the amount of 400,000 Swiss francs which had been approved by the Assemblies of Member States at their 2014 session.

New Conference Hall Project

8. It is recalled that the total budget envelope approved by the Assemblies up to 2014 amounted to 75,200,000 Swiss francs (composed as follows: 4.2 million Swiss francs in 2008, 64 million Swiss francs in 2009, 4.5 million Swiss francs in 2011 and 2.5 million Swiss francs in 2014). The total project budget covers both construction works and professional honoraria.

9. The situation concerning the construction works is as follows. There were 82 construction companies and suppliers involved in the Project. The accounts of 78 out of the total of 82 companies and suppliers have been fully validated and agreed by all parties. From these 78 accounts, 72 correspond to the projected estimates and which served as the basis for the document presented to the PBC (WO/PBC/22/14) by the Secretariat. The projected estimates were established in good faith on the basis of the information available at the time. The remaining ten accounts (of which four are still in the process of being concluded) show increases higher than the estimates as projected.

10. The situation concerning professional honoraria is as follows. There were 26 firms of professional specialists (engineers, pilot, architects, experts in a variety of fields). The accounts of 20 out of the total of 26 firms have been fully validated and agreed by all parties and they correspond to the estimates projected in 2014 and which served as a basis for the document presented to the PBC (WO/PBC/22/14) by the Secretariat. The projected estimates were established in good faith on the basis of the information available at the time. Out of the remaining six accounts which are in the process of being verified and discussed, three show some increases higher than the estimates as projected.

11. As at the date of this document, the Secretariat is still in the process of discussing with four companies and six firms of specialists their final accounts as well as, in several cases, their respective shares of responsibility in the causes of the construction cost increase beyond the estimates projected by the Secretariat in 2014. As had been previously reported to the PBC, the main reasons for this situation are as follows: (i) the actual final quantities used (under a number of contracts based on quantity survey) were significantly higher than initially calculated by the specialists for the purposes of the initial tenders; (ii) the additional delays in the construction phase caused by various reasons, in particular the insufficient interdisciplinary coordination by the professional specialists and insufficient responsiveness by certain companies; and (iii) the fact that most of the construction companies and suppliers had not anticipated having to remain on the worksite beyond the Spring 2014, while they had taken other work commitments, and experienced difficulties in responding afterwards in a flexible, coordinated and timely manner to the demands placed on them, thereby causing additional work schedule delays.

12. As at the date of this document, the final definite figure for the overall cost of the Project cannot be accurately ascertained for the reasons outlined above. The Secretariat will do its utmost to preserve the best interests of the Organization and to be in a position to honor the payments due to the remaining companies and firms. In this regard, the Secretariat will be mindful of not jeopardizing the ongoing discussions with several parties on their final accounts and their respective shares of responsibility and not missing reasonable and amicable closure opportunities with the parties concerned, while avoiding the need to revert to arbitration in order to resolve the remaining issues.

13. As a consequence, the Secretariat aims at articulating a final definite figure on time for the 2015 Assemblies.

CONCLUSION

14. The following decision paragraph is proposed.

15. *The Program and Budget Committee:*

- (a) *took note of the contents of the Progress Report on the New Construction Project and New Conference Hall Project (document WO/PBC/24/13), including the fact that discussions were ongoing with the remaining four companies and six firms of specialists on their final accounts;*
- (b) *requested the Secretariat:*
 - (i) *to minimize, to the extent possible, the potential additional funding requirement for the completion and closure of all accounts related to the NCH;*
 - (ii) *to undertake every possible effort to close all accounts related to the NCH before the 2015 Assemblies;*
- (c) *recognizing the confidentiality requirement of the ongoing discussions regarding the final accounts under (a), above, recommended to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, to exceptionally approve that any potential additional expenses related to the completion and closure of the NCH, in excess of the 75.2 million Swiss francs approved budget for the NCH, be absorbed from the overall budgetary envelope contained in the approved 2014/15 Program and Budget.*

[End of document]