

COUNCIL

109th Session

PLANS FOR THE IOM HEADQUARTERS BUILDING

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Background

1. The present document is based on document S/23/8, which provided an update on the proposed plans for the IOM Headquarters building and was submitted to the Twenty-third Session of the Standing Committee on Programmes and Finance, which took place on 30 and 31 October 2018. It contains the additional information requested by Member States at the informal consultation organized prior to the Standing Committee meeting and reflects the discussions held and recommendations made by the Standing Committee at its Twenty-third Session.

2. In response to current space issues and the expected future growth and complexity of the Organization's operations, the Administration had presented Member States with five different options to address the situation. These options were outlined in document S/22/11, submitted to the Twenty-second Session of the Standing Committee, held on 27 and 28 June 2018. They were based on an assessment undertaken by a technical working group comprising representatives of IOM and the host country at the expert level.

3. After having reviewed the five different options, the Administration recommended the option to demolish the current Headquarters building and construct a new one at the same location, which it considered offered many advantages over renovating the existing building. The construction of a new building would allow the optimal utilization of space and introduce modern construction technologies with smart security measures. It would also provide an opportunity to address the issue of accessibility. Investing in a new building would yield sustainable returns through an environmentally friendly design, integrated communication technologies, and conference facilities. The latter would enable the Administration to organize governing body meetings, conferences and training events at Headquarters. The construction option also offered the possibility to accommodate future growth.

4. The need for a solution had become increasingly urgent as the existing building has never undergone any refurbishment, and the condition of the building continues to deteriorate with the passage of time and staff safety and health considerations are becoming more challenging. In addition, the high cost of renting additional office space continues to be financially draining. In recognition of these factors, at its Twenty-third Session, the Standing Committee on Programmes and Finance acknowledged the urgent need for improved and increased office space at Headquarters and considered that the proposal to demolish the existing building and construct a new one on the same site was the most appropriate option.

5. In accordance with Swiss construction regulations, the Administration had already sought the opinion of relevant cantonal agencies, including those dealing with water, the environment, heritage, agriculture, urban planning and mobility, and the commune of Grand Saconnex. No objections to the proposal had been received during the consultations. The Administration had also consulted with other international organizations in Geneva that were currently in the process of carrying out construction and/or renovation projects and would continue to do so throughout the project. This would enable IOM to draw upon the lessons learned and best practices employed by those organizations.

Financial considerations

6. The current annual cost of office space for IOM Headquarters is approximately CHF 2 million, comprising mortgage and running costs for the current Headquarters building of CHF 1,353,760, and around CHF 684,000 for additional rented offices. In addition, approximately CHF 300,000 per year is spent on the organization of the governing body meetings, including the rental of external conference facilities.

7. With the revised estimated cost of CHF 68.1 million for the new construction option, the annual mortgage payments over 50 years would be approximately CHF 1.36 million. The cost-efficiencies and reductions that would be achieved through the construction of a new building, and the savings that would be made from holding most official meetings on IOM premises, would mean that the current budget could be used to finance a new mortgage over a longer period. All financial considerations related to a new building would be carefully assessed and monitored and reported to Member States throughout the project life cycle.

Multi-year cost plan for the project

8. In response to Member States' questions and input during the Twenty-third Session of the Standing Committee on Programmes and Finance on the financial implications of the proposal, additional information is outlined below.

9. The construction period is projected to take 36 months and the Organization would have to relocate during the works. By demolishing the existing building and constructing a new building, the Administration expects to save about 30 per cent in maintenance, running and conference costs, due to the use of new construction techniques, and as a result of being able to hold governing body meetings in IOM premises. This construction option has the advantage of being covered by an interest-free loan from the Government of Switzerland. The other four options that had been presented to Member States – which comprised either the renovation of the existing building or a combination of renovation and extension – would have been subject to interest charges and would consequently have been more expensive.

10. Consideration of a mortgage application by the Government of Switzerland would take about two years and construction is estimated to take another three years. So, the earliest that a new building would be ready for occupancy would be in five years' time. Since mortgage repayments would commence only upon completion of works, during this period the Administration would have the opportunity to further reduce the balance of the existing mortgage, which currently stands at CHF 5,160,427. This will need to be settled, either through a one-off payment or ongoing amortization of the mortgage. For a detailed breakdown of the costs of the five options that were presented to Member States, see the table contained in the annex.

Funding options

11. The Government of Switzerland generally offers an interest-free loan for new construction projects for international organizations, with a maximum repayment period of 50 years. Member States' agreement to the proposal is a prerequisite for the Administration to submit a formal request for a loan to the Government of Switzerland.

12. The project would be undertaken using available funding only; the Administration does not intend to request additional contributions from Member States for this project, nor does it forecast any increase in Member States' assessed contributions in that regard. Should any unanticipated costs arise, a drawdown from the Operational Support Income reserve could be considered to cover them.

Temporary office relocation and business continuity planning

13. Temporary office relocation would be one of the most critical elements of the project. A comprehensive study of temporary office solutions would include exploring possibilities to leverage existing United Nations assets in Geneva.

14. In addition, it would be equally important to address business continuity plans at the project initiation stage. A working group comprising heads of division and subject matter experts would conduct an in-depth analysis to develop a holistic business continuity plan to address potential risks related to operations, IT, security and finance. A backup plan for critical operating systems and infrastructure, such as central IT servers, would need to be put in place and validated. Business continuity planning would be an integral element of the project implementation strategy.

Project management and governance structure

15. The Administration envisages the active engagement of Member States in the oversight of the project. Integrated into the comprehensive building study would be specific timelines and steps for the different project phases to facilitate close monitoring of each project milestone. The project governance structure would include key roles and responsibilities related to performance management, compliance management, risk management, change management and reporting.

16. The Director General, as the project owner, would be fully accountable for ensuring regular reporting to Member States.

17. A steering committee would be established as the first oversight level for project review and planning and would ensure both appropriate coordination with the project management team and reporting to Member States. It would be composed of IOM senior management.

18. A project management team would be established and would consist of a project manager, who would oversee project implementation from start to finish; project management support staff; and design and construction specialists. The project management team would carry out the tender process, manage the daily project operations – including the planning of key milestones, resource requirements and schedules – coordinate design and construction activities, execute plans, monitor progress and produce reports. The team would also liaise with functional experts within IOM, namely the heads of relevant divisions, such as the Procurement and Supply, Budget, and Information and Communications Technology Divisions, and the Office of Legal Affairs, and would receive building management-related support from the Common Services Unit.

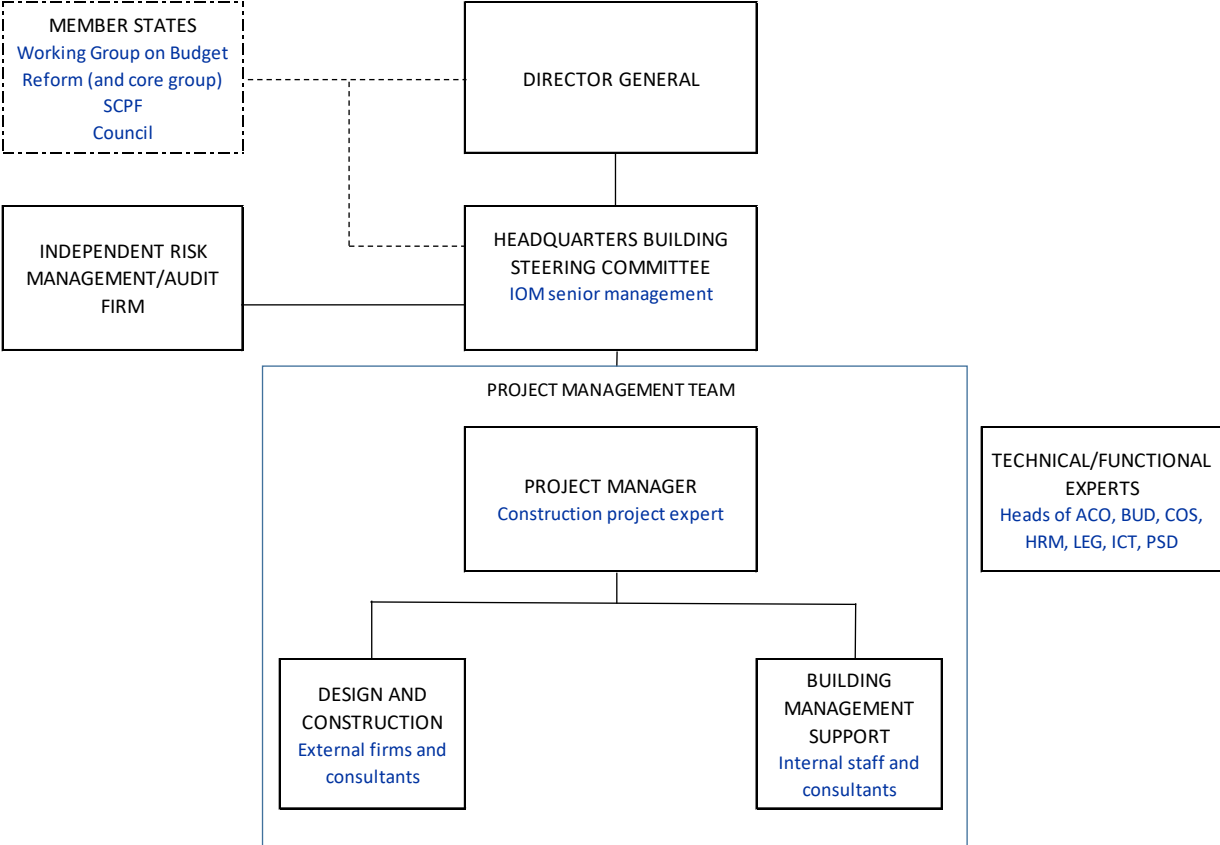
19. The project management team would provide guidance throughout the project phases and would be accountable for delivering the project on cost, on time and to a high quality, and for highlighting any risks related to the project to ensure informed management decisions and timely resolution of the issues. The project management team would report to the Director General through the steering committee.

20. The Working Group on Budget Reform, comprising all Member States, will provide oversight from project conceptualization through construction and final delivery. This Working Group would be the most logical forum in that respect, as its terms of reference include a provision on reviewing and addressing other specific budgetary challenges faced by the Organization. The Working Group might wish to establish a smaller core group that could act as an advisory committee to interact on a more regular basis with the steering committee. Under the authority of the Director General and subject to the decisions of the IOM governing bodies, the steering committee would ensure transparent, ethical and compliant processes throughout project implementation.

21. The Administration further recommends engaging an independent risk management and audit firm that specializes in the monitoring and evaluation of building construction projects. This approach would allow the Administration to take proactive and strategic measures to mitigate operational and financial risks while executing the project. The engagement fees for such a service are not included in

the proposed financial plan. However, they could be included in the yearly budget process, or a drawdown from the Operational Support Income reserve could be considered to cover them. The proposed governance structure is outlined in the figure below.

Headquarters building project management team and governance structure



ACO: Accounting Division; BUD: Budget Division; COS: Common Services Unit; HRM: Human Resources Management Division; LEG: Office of Legal Affairs; ICT: Information and Communications Technology Division; PSD: Procurement and Supply Division.

Next steps

- 22. Subject to approval by Member States, a number of preparatory initiatives would need to be undertaken before construction work could start. These are outlined below:
 - (a) Preparation of a mortgage application to be submitted to the Government of Switzerland.
 - (b) The initiation of a comprehensive building study that would be financed through an advance on the mortgage loan (corresponding to approximately 10% of the loan) from the Government of Switzerland. It would therefore be necessary to establish the project management team, starting with recruiting a project manager experienced in managing large-scale and complex office construction projects. The project management team would manage the project end-to-end, to ensure the most effective and efficient execution of the project.
 - (c) Formation of the governance structure as outlined above.

- (d) Mandating the Working Group on Budget Reform to engage with the Administration on the Headquarters building project and deciding whether to establish a smaller core group that could act as an advisory committee to interact with the steering committee on a more regular basis.
- (e) Identification of specialized consultancy services, such as an architect, a construction management company and an independent risk management and audit firm, and the preparation of the necessary documents for the calls for expressions of interest.
- (f) Analysis of the general and operational needs of the Organization to develop a detailed temporary relocation solution and a business continuity plan.
- (g) Development of resource requirement plans for each of the project phases, including funding and recruitment needs.

Request for approval

23. An application for a mortgage from the Government of Switzerland would have to be submitted through the Permanent Mission of Switzerland to the United Nations and other international organizations in Geneva. Prior to submission for consideration by the Government of Switzerland, such applications undergo a rigorous pre-approval process by the relevant Swiss authorities. This could take up to two years.

24. The process includes a thorough study by a team of technical experts in coordination with the project management team. The results of the study are included as part of the mortgage application to establish the precise cost of the construction project. The mortgage application should also show some financial commitment by the Organization. Therefore, the Administration would commit to financing the relocation phase without extra cost to the Member States using existing budget lines approved for rental and building costs at Headquarters, and, if necessary, funds from the Operational Support Income reserve. It would also ensure cost-efficiencies throughout the process.

25. Based on the initial work of the technical working group and mindful of the time required, the Administration seeks the approval of the Council to submit a mortgage application for consideration by the Government of Switzerland to finance the construction of a new IOM Headquarters building based on the revised estimated costs of CHF 68.1 million. By adopting the relevant draft resolution (C/109/L/7), which has been amended following the discussions of the Twenty-third Session of the Standing Committee on Programmes and Finance, the Council would authorize the Director General to pursue arrangements for the construction of a new building.

