

STANDING COMMITTEE ON PROGRAMMES AND FINANCE

Twenty-third Session

UPDATE ON PROPOSED PLANS

FOR THE IOM HEADQUARTERS BUILDING

UPDATE ON PROPOSED PLANS FOR THE IOM HEADQUARTERS BUILDING

Background

1. This document contains an update to document S/22/11 on proposed plans for the IOM Headquarters building, which was submitted to the Twenty-second Session of the Standing Committee on Programmes and Finance in June 2018. In that document, the Administration brought to the attention of Member States that it has become increasingly impossible to adequately accommodate all Geneva-based staff in its current Headquarters building. Consequently, the Administration has made every effort to optimize occupancy in the Headquarters building and has rented additional office space in the Annex building situated next to the Headquarters building and in the World Council of Churches building located at 1 route des Morillons.

2. In response to current space issues and the expected future growth and complexity of the Organization's operations, the Administration presented five different options to address the situation in document S/22/11, which were based on an assessment undertaken by a technical working group comprising representatives of IOM and the host country at the expert level.

3. Having reviewed the options, the Administration recommended an option to demolish the current Headquarters building and construct a new one at the same location, which it considers offers 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. 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 offers the possibility to accommodate future growth.

4. The need for a new solution is becoming increasingly urgent; the existing building has never undergone any refurbishment, and, as time passes, the condition of the building continues to deteriorate and staff safety and health considerations are becoming more challenging. In addition, the high cost of renting additional office space continues to be financially challenging.

5. In accordance with Swiss construction regulations, the Administration 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 were received during the consultations.

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 current estimated cost of CHF 49.9 million for the proposed option, the annual mortgage payments over 50 years would be approximately CHF 834,000. 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 during the Twenty-second Session of the Standing Committee on Programmes and Finance on the financial implications of the proposal, additional information is outlined below. The preliminary estimated cost of demolition and reconstruction of the building is CHF 49.9 million.

9. For all of the options explored, the construction period is projected to take 36 months and the Organization would have to relocate under all scenarios. Under option 5 – demolition of the existing building and construction of 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. While this option would be covered by an interest-free loan from the Swiss government, the other four options – which comprise either the simple renovation of the existing building or a combination of renovation and extension – would not and would therefore be subject to interest charges and would consequently be more expensive.

10. Consideration of a mortgage application by the Swiss Government would take about two years and construction is estimated to take another three years. So, realistically, the earliest that a new building would be ready for occupancy would be in five years' time. Mortgage repayments would only commence upon completion of works so 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 different options, see the table contained in Annex I.

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 project 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 mechanism 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 under all the options. 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 and four representatives of Member States to be nominated by the Council Bureau.

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.

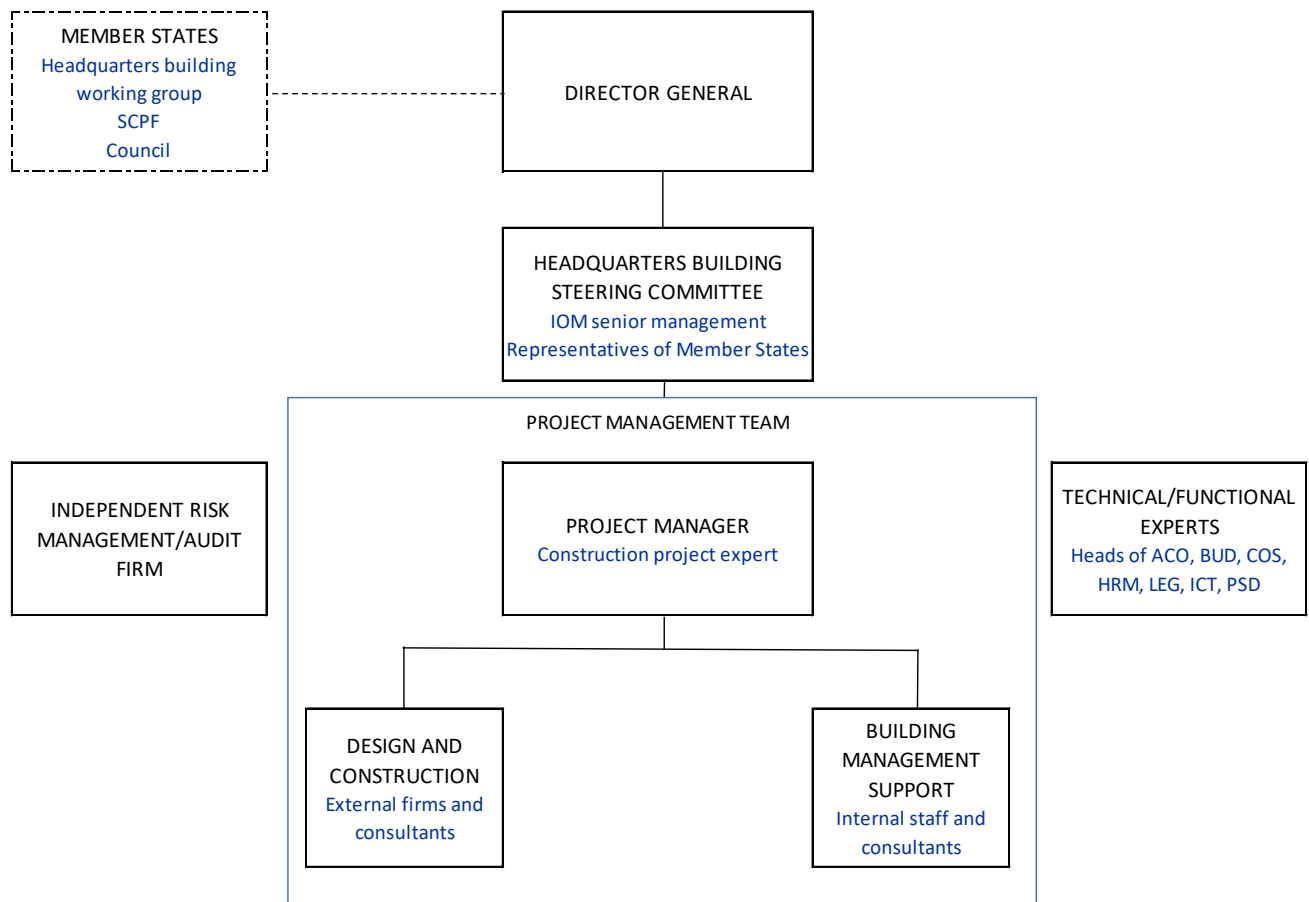
19. The project management team would provide guidance throughout the project phases and would be accountable for delivering the project on cost, on time and to a high quality, and for highlighting any risks related to the project to ensure informed management decisions and timely resolution of the issues.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

20. It is proposed to establish a building working group, which would comprise all Member States, to provide oversight from project conceptualization through construction and final delivery. Under the authority of the Director General and subject to the decisions of the IOM governing bodies, the steering committee and working group 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 mechanism 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. 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 a governance structure involving all stakeholders that would be directly or indirectly affected by the project, with adequate representation of Member States.
- (d) Establishment of a building working group comprising all Member States.

- (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 Swiss parliament, such applications undergo a rigorous pre-approval process by a number of cantonal and federal agencies. This could take up to two years.

24. The process includes a thorough study by a team of experts, which is funded by the Swiss Government. 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 Standing Committee on Programmes and Finance 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 estimated costs of CHF 49.9 million. A draft Council resolution prepared by the Administration is contained in Annex II. By adopting the resolution, the Council would authorize the Director General to pursue arrangements for the construction of a new building. It is proposed that the Standing Committee on Programmes and Finance make a recommendation to the Council that the draft resolution be adopted.

ANNEX I

Cost estimates for the different building options

		Baseline	Option 1	Option 2	Option 3	Option 4	Option 5
Project and building characteristics	Description of planned activities		Renovation + three additional floors based on the current building configuration	Partial renovation and extension	Partial renovation, extension and two additional floors	Partial renovation and Annex rental	Demolition of existing building and construction of new building
	Expected construction/renovation period		36 months	36 months	36 months	36 months	36 months
	Estimated cost saving on maintenance, running and other costs (cost as percentage of the baseline)	100%	10%	10%	10%	10%	30%
CHF							
One-time investment (funded by loan)	Construction/renovation cost		31 560 000	34 920 000	39 120 000	34 270 000	41 660 000
	Construction management fee (12%)		3 787 000	4 190 000	4 694 000	4 112 000	4 999 000
	Contingency (7% of total cost)		2 474 000	2 738 000	3 067 000	2 687 000	3 266 000
	Subtotal: construction/renovation costs (to be capitalized)		37 821 000	41 848 000	46 881 000	41 069 000	49 925 000
CHF							
Cost to IOM: Year 1 to Year 3	Interest on the new loan		1 134 630	1 255 440	1 406 430	1 232 070	-
	Subtotal: financing costs during the project period		1 134 630	1 255 440	1 406 430	1 232 070	-
	Project management costs		1 500 000	1 500 000	1 500 000	1 500 000	1 500 000
	Rental of temporary premises during the project period		4 860 000	4 860 000	4 860 000	4 860 000	4 860 000
	ICT and business continuity costs		1 500 000	1 500 000	1 500 000	1 500 000	1 500 000
	Moving costs		1 000 000	1 000 000	1 000 000	1 000 000	1 000 000
	Subtotal: project management and temporary office costs (to be expensed)		8 860 000	8 860 000	8 860 000	8 860 000	8 860 000
TOTAL COST YEAR 1–YEAR 3		9 994 630	10 115 440	10 266 430	10 092 070	8 860 000	
CHF							
Annual cost to IOM from Year 4	Amortization of the new loan	-	756 000	837 000	938 000	821 000	999 000
	Interest on the new loan	-	324 000	359 000	402 000	352 000	-
	Additional office space rental cost	684 000	360 000	720 000	360 000	1 224 000	-
	Conference venue rental cost	300 000	300 000	150 000	150 000	300 000	25 000
	Maintenance and running costs (Baseline for 450 staff, options 1–5 estimated for 600 staff)	985 160	1 182 000	1 182 000	1 182 000	1 182 000	919 000
	TOTAL RECURRING COSTS AFTER THE PROJECT PERIOD	1 969 160	2 922 000	3 248 000	3 032 000	3 879 000	1 943 000
CHF							
Repayment of the existing loan	The existing loan will need to be repaid under all options to enable the signing of a new loan. A building reserve would be created using the excess overhead generated from 2018–2020		5 160 427	5 160 427	5 160 427	5 160 427	5 160 427

ANNEX II

DRAFT RESOLUTION ON A PLAN FOR THE HEADQUARTERS BUILDING

(Submitted by the Secretariat to the Council
for consideration under item X of the provisional agenda)

The Council,

Recalling document S/19/8 of 5 October 2016 presented by the Administration to the Standing Committee on Programmes and Finance at its Nineteenth Session informing Member States that IOM had approached the Government of Switzerland to review options for addressing the space issue at Headquarters, and that a technical working group had been formed, comprising representatives of the Organization and the host country at the expert level,

Mindful of the Administration's mention at the Twenty-first Session of the Standing Committee on Programmes and Finance in October 2017 that the technical working group was continuing its work and that a report would be presented in due course,

Noting that the Standing Committee at its Twenty-second Session examined document S/22/11 of 12 June 2018 on the proposed plans for the IOM Headquarters building, and recognized the office space problem at IOM Headquarters,

Also noting that the Standing Committee recommended that the Council approve the proposal made in documents S/22/11 of 12 June 2018 and S/23/8 of 4 October 2018 that the existing building be demolished and a new building constructed on the same site,

Noting with appreciation the work of the aforementioned technical working group,

Mindful of the financial implications and the clarification provided by the Administration that the interest-free mortgage payments will be covered through savings made by not having to rent additional office space and conference facilities and through future cost-efficiencies,

Recalling the additional information provided in document S/23/8 of 4 October 2018 outlining a multi-year cost plan for the project,

Bearing in mind the efficiencies to be achieved through new construction technologies, particularly relating to energy conservation and ensuring a sustainable and environmentally friendly working space,

Reaffirming the Member States' commitment to support the Administration in providing an appropriate work environment and suitable facilities for IOM staff working at Headquarters,

Recognizing the various steps that must be undertaken and mindful of the time required for the submission and review of a mortgage application,

Taking note of the Administration's explanation that the project costs will be accommodated within existing budget lines and that Member States' assessed contributions will not be increased to cover those costs,

Conscious of the need to establish a governance structure that involves Member States, including a Headquarters building working group, and the need for regular reporting to each session of the Standing Committee on Programmes and Finance and the Council,

1. *Requests* the Director General, in consultation with the relevant cantonal agencies, to formulate a construction project detailing the costs, suggested temporary office arrangements and a business continuity plan, as well as the project governance and management structure as described in document S/23/8;

2. *Further requests* the Director General to prepare and submit a mortgage application for consideration by the Swiss parliament.
