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| **Council 2020Geneva, 9-19 June 2020** |  |
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| **Agenda item: ADM 20** | **Document C20/48-E** |
| **21 May 2020** |
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| Note by the Secretary-General |
| SUMMARY REPORT ON THE WORK OF THE MEMBER STATES ADVISORY GROUP ON THE UNION’S HEADQUARTERS PREMISES PROJECT |

I have the honour to transmit to the Member States of the Council the summary report on the work of the **Member States Advisory Group (MSAG)**.

 Houlin ZHAO
 Secretary-General

SUMMARY REPORT ON THE WORK OF THE MEMBER STATES ADVISORY GROUP

ON THE UNION’S HEADQUARTERS PREMISES PROJECT

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| SummaryThis document presents a summary report on the work of the Member States Advisory Group on the Union’s headquarters premises project (MSAG). Action requiredThe Council is invited to **take note** of the report and **provide any further guidance** as appropriate.\_\_\_\_\_\_\_\_\_\_\_\_References[*Council Decision 588*](https://www.itu.int/md/S16-CL-C-0124/en)*,* [*Council Decision 619*](https://www.itu.int/md/S19-CLADD-C-0005/en)*,* [*Resolution 212 (Dubai, 2018)*](https://www.itu.int/en/council/Documents/basic-texts/RES-212-E.pdf)*,* [*C19/48*](https://www.itu.int/md/S19-CL-C-0048/en) |

Since the June 2019 session of the Council, there have been three meetings of the Member States Advisory Group on the Union’s headquarters premises project (MSAG). The first two meetings were held in Geneva with the possibility of remote participation on 19 September 2019, and 10 February 2020, with Mr Dietmar Plesse (Germany) as Chairperson, and the third was a virtual meeting on 7 May 2020, with Mr Greg Ratta (USA) as Chairperson. The full reports of these meetings can be accessed at the following link: <https://www.itu.int/en/hq-building/Pages/default.aspx> (TIES protected).

**1. Summary of recent MSAG meetings**

While Council Decision 619 instructs the Secretary-General to provide quarterly updates to MSAG, MSAG met only three times in 2019. At the meeting in September 2019, the chairperson requested not to have a meeting in December because it would be too close to the CWG meetings in February 2020 and the next MSAG meeting. The meetings convened since the June 2019 Council are summarized below.

1.1. During the **8th meeting** (19 September 2019) MSAG discussed the progress on the Union's Headquarters premises project that was to be presented in [C19/ADD/2](https://www.itu.int/md/S19-CLADD-C-0002) and [C19/ADD/INF](https://www.itu.int/md/S19-CLADD-INF/en) to the additional session of Council-19 that was convened on 27 September 2019. Regarding the Popov Room the secretariat confirmed that the Host Country sees no legal impediment to the sale of the Tower with the condition of retaining the use of the Popov Room for ITU, just practical and financial issues. MSAG again urged the Russian Federation and secretariat to reach an agreement on this matter. MSAG queried various indirect costs, particularly for the period 2019-2023, and discussed an appropriate financial treatment within the regular budget. After receiving the expert opinion of ITU adviser Hill International about a prudent amount to allocate in the overall project financial plan for coverage of risk on the project’s entire direct costs, MSAG agreed to invite the Council to adopt this risk model. The recommendations of MSAG were considered during the additional session of Council-19 when it created [*Council Decision 619*](https://www.itu.int/md/S19-CLADD-C-0005/en). MSAG estimated the need for an average yearly allocation of CHF 1.8 million over the seven-year project to reach the agreed CHF 12.6 million of the Risk Register fund.

1.2 During the **9th meeting** (10 February 2020) MSAG concentrated on the status of the design of the new headquarters and the second message to the Swiss Authorities about the loan request. MSAG was informed that the second loan request was sent on time (9 December 2019) and is with Swiss Authorities, and that ITU would receive an official visit from a finance delegation from the Swiss Parliament on 25 February. MSAG, was also informed that the cost estimate part of the second loan request documentation had been verified by a third party confirming that the new building can be built within the approved budget of CHF 170 million.

MSAG sought information about the current situation of the scheduling of ITU meetings. The Deputy Secretary-General explained that the dates for the Council and CWG will be proposed for approval to the June Council-20 meeting. If the proposed dates are approved, the Sectors will be better able to align their respective meetings. The secretariat indicated an intention to continue trying to find the facilities for the meetings to be hosted in Geneva (in particular, the Council and CWGs) and eventually come to an agreement with Hungary for other technical meetings.

The financial impact on the value of the Tower if ITU were to retain the use of the Popov conference room after the sale was again discussed. This impact is to be verified by a real estate consultant and reported to the Council in June 2020. The study is to include the estimated current market value with and without ITU’s continued use and maintenance of Popov Room as outfitted and equipped at this time for a defined number of days per year.

Considering the building security requirements, MSAG recalled that the Council had decided that minimum UN MOSS standards and UNDSS recommendations are to be respected. The secretariat reported that the Host Country agreed to realize a feasibility study on the proposed security requirements on the public ground on the rue de Varembé, and an approximative cost (+/- 30%) and should be available by May 2021.

MSAG requested that a clear statement on the financial issue for the replenishment of the Risk Register fund be part of the next report, because with the allocation of only CHF 500,000 of the 2019 savings the fund will not reach the required CHF 12.6 million within an acceptable timeframe. The Deputy Secretary-General had suggested at the February 2020 CWG-FHR that the ASHI contribution of CHF 500,000 could be added to the first instalment of the Risk Register Fund and that any monies left in this account at the end of construction will be placed in the ASHI fund instead of the Reserve Account. However, this would require an amendment to Decision 619. MSAG also requested clarification of the CHF 6 million meeting relocation costs that were mentioned by C&P at the February 2020 information session on the new building.

The secretariat presented a document on acceptance criteria for eventual future sponsorship offers. It was agreed that the Council should discuss the implications of this document, while observing that only sponsorships - not donations - can potentially increase the estimated final direct project cost.

In reviewing the project schedule, MSAG observed that there had been a delay in moving forward immediately after the ordinary session in summer 2019 due to the need for the Extraordinary Session of the Council in September 2019; however, the delivery of the new building has not been delayed because the new building will have one floor less and the construction period is thus shortened.

1.3 The **10th meeting** (7 May 2020) MSAG began with the selection of a new chairperson stimulated by the retirement of Mr Plesse. This meeting received the clarification of costs related to holding conferences and major events identified in the February information session. Ms Dobbelstein explained to the group that CHF 4 to 6 million had been calculated by C&P in case the host country may not be able to provide facilities for all ITU meetings and ITU had to use conference facilities in commercial locations such as hotels, Palexpo, etc.

MSAG reviewed a revised document on acceptance criteria for eventual future sponsorship offers. The secretariat repeated its request that MSAG support the secretariat’s proposal to modify Council Decision 619 relative to sponsorship. MSAG agreed with the importance of the topic and that the Council should discuss the implications of this document, since MSAG members were not prepared to agree to any modification of previous Council Decisions, in particular Decision 619.

Most of the meeting was consumed with a review of the secretariat’s report to the Council in [C20/7](https://www.itu.int/md/S20-CL-C-0007/en). MSAG noted the letter from the Swiss Mission to the United Nations and Other International Organizations in Geneva that reassured ITU and confirmed that the competent Swiss Authorities will address the UN-MOSS requirements and that they are considering how best to achieve the result in line with the construction schedule and planned new building opening date.

MSAG observed that the Swiss Federal Council approved on April 22nd a loan of CHF 95.6 million, which is the Federal share of the second part of the loan for the financing of the demolition and reconstruction project of the ITU headquarters, and that the remaining CHF 42.4 million require approval by the Canton of Geneva. MSAG sought and received assurance that the cantonal process had been initiated.

Regarding the section on the Risk Register, the chairperson proposed to discuss the Risk Register thoroughly in one of the next MSAG sessions this year, given the length and complexity of the document. The secretariat suggested to MSAG that ASHI fund contributions should go instead to the Risk Register fund and that any monies left in this account at the end of construction will be placed in the ASHI fund instead of the Reserve Account. This would require an amendment to Decision 619. There was agreement that this is an important question that should be discussed at the Council-20 session and that MSAG was not in a position to provide guidance at this time.

Ms Dobbelstein briefly explained the conclusion of the real-estate expert about the value of the Tower while retaining the use of the Popov room after selling the tower and that expert’s proposal to consider a “sale and lease-back” option that might be more profitable for the organisation, particularly considering the current real estate market. The chairperson cautioned that the caveats expressed by the expert in the summary report make it difficult to draw conclusions without seeing the full report of the expert. The chairperson requested that the complete report by SPG Intercity be shared in order to get a better understanding of all the options, and the secretariat modified the Council document to provide a link to the full report.

The secretariat proposed to have another information session before Council-20 on the status of the Project, and this was supported by MSAG as a useful exercise. It was decided to organize it on Monday, 8 June 2020, the day before the Council starts.

**2. Items for the attention of the Council**

**2.1 Concept Design**

2.1.1 The new building is required to be compliant with UN-MOSS (minimum operational security standards) that apply to all UN Organizations’ buildings worldwide that are new or retrofitted. The secretariat has been working with relevant local and national agencies of the Host Country to advance a common understanding of how to achieve this compliance. ITU has been instructed to pursue its request for a permit for the construction on the ITU parcel, and the Suisse Mission has reassured ITU that the competent Swiss Authorities will address the UN-MOSS requirements and that these authorities are considering how best to achieve the result in line with the construction schedule and planned opening date of the new building.

2.1.2 As indicated in the 2019 additional Council session, the building design has been modified to reduce the total number of floors and more staff positions will be created within the Montbrillant building.

2.1.3 The secretariat has contracted SPG Intercity, a real estate expert, to provide a financial analysis of the impact of retaining the use of the Popov room after the sale of the Tower. The report of that analysis identifies that it is difficult to draw conclusions from a comparison of the various options, due to the confidence level in the data in different time periods. MSAG was not provided the full report prior to its meeting; therefore, it has not drawn any conclusions at this point, but did request that the full report be made available to the Council. Members are advised to carefully consider the methodology and the parameters used for the calculation of the different scenarios. The study examined four cases and does not recommend retaining the “Popov” room. It did reveal a “sale & lease-back” alternative that may be worth exploring further, even though it would entail rent and operating costs by ITU estimated to be CHF 3,580,000 / year for 3 years.

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| Data from report by SPG Intercity |
|  | Tower 100% vacant - Expected sale in 2027 |
| Market Value (calculated on data from December 2019) Estimated amounts in CHF for a 10-year period from April 1, 2020 to March 31, 2030 | Without use of Popov : | With use of Popov : |
| 33,730,000 | 33,110,000 |
| “Lease-back” for 3 years after sale in 2023 |
| Without use of Popov : | With use of Popov : |
| 41,850,000 | 41,220,000 |

**2.2 Management and governance**

2.2.1 Since the beginning of 2020, the building project has advanced to the successive design stages in line with the SIA (Swiss Society of Engineers and Architects) standard and local practice. These include the “Detailed Design” phase where the design is refined and plans, specifications and estimates are created. This phase refines cost estimates within 10% certainty. They also include the “Construction Permit Request” phase for the submission of the documentation developed in the detailed design to the appropriate authorities. The secretariat has initiated consultations with local authorities in order to ensure a smooth and fast approval process at later stages of the project.

2.2.2 The secretariat has been tracking the amount of work performed on tasks or the percentage of the tasks that are completed. Also, it is tracking the actual costs of completed work and the estimated costs for the remaining work. These tools aid in managing the project within the budget. The cash flow for the project is monitored by Hill International.

2.2.3 Recently, the secretariat has combined the Facilities Management Division (FMD) and the Building Project Division (BPD). This resource optimization has allowed savings to be used to partly fund a temporary position of a Space Planning Officer, who will engage with staff and establish the final space allocation in line with the workspace recommendations in the new building.

**2.3 Financing**

2.3.1 The Swiss Federal Council has approved the Federal share of the second part of the loan of CHF 95.6 million, which is of the second part of the loan for the financing of the demolition and reconstruction project of the ITU headquarters, and the process for approval by the Canton of Geneva for the remaining CHF 42.4 million has been initiated. Funds are expected to be available in early 2021. In the meantime, funds from the first part of the loan remain available from the Host Country until June 2021.

2.3.2 There have been no additional sponsorships since the adoption of Council Decision 619. The secretariat has expressed the view that the language within Decision 619 is an impediment to sponsorship and wishes to revise that language to indicate that additional sponsorship and donations would be acceptable even if they resulted in an increase in the project’s direct and/or indirect costs provided they do not increase the cost to ITU. Recognizing the delicate negotiations that were necessary to create Decision 619, MSAG has no conclusion on this request, except to agree with the importance for a timely agreement on the matter and to remind all that donations do not have an impact on costs. The deadline for the acceptance of sponsorship of items that affect the construction permit is January 2021. Missing this date could impact the overall project schedule.

2.3.3 A risk register has been developed and is part of an overall risk management strategy to identify the potential impact of future programme execution and to develop recommendations for the effective allocation of contingency funding. The contingency represents approximately 8% (CHF 12.6 million) of the CFC budget 1 to 9 and will have to be used in the case of services not provided and/or unexpected expenditures due to hazards and unforeseen work during the demolition and construction periods. MSAG has noted that with the present proposed allocation of only CHF 500.000 the fund will not reach the required CHF 12.6 million within an acceptable timeframe. MSAG has estimated an average yearly allocation of CHF 1.8 million over the 7 years project duration period. Consequently, the secretariat has proposed that ASHI fund contributions should go instead to the Risk Register fund and that any monies left in this account at the end of construction would be placed in the ASHI fund instead of the Reserve Account. This would require an amendment to Decision 619. There was agreement within MSAG that this is an important question that should be discussed at the Council-20 session and that MSAG was not in a position to provide guidance at this time. As of 31 December 2019, the Risk Register Funds amounts to CHF 1,425,000.

**2.4 Meetings and conferences during construction**

Concerning the holding of conferences and significant meetings during the Varembé demolition and new building construction, it is necessary to obtain the room requirements from all sectors of ITU from mid-2022 to 2026. The secretariat has been working with FIPOI and CICG in order to respond to all requests except for the ITU-R and ITU-T Working Parties, whose venues are yet to be decided. The secretariat indicates that Document C20/2 has the proposed dates and duration of the 2021, 2022, 2023, 2024, 2025, and 2026 sessions of the Council and the CWG clusters for 2020 and 2021, and Document C20/37 presents the proposed schedule of future conferences, assemblies and meetings of the Union from 2020 through 2023.

**3 Conclusion**

The Council is invited to consider several items identified in this report:

* Popov room in basement of the Tower (2.1.3)
* Sponsorships (2.3.2)
* Financing of risks (2.3.3)
* Meetings and conferences during construction (2.4)

MSAG intends to meet early in 3Q 2020 primarily to review the risk register.

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