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| **Agenda item: ADM 17** | **Document C22/48-E** |
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| Contribution by MSAG Chairperson | |
| SUMMARY REPORT ON THE WORK OF THE MEMBER STATES ADVISORY GROUP  ON THE UNION’S HEADQUARTERS PREMISES PROJECT | |

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| Summary  This document presents a summary report on the work of the Member States Advisory Group on the Union’s headquarters premises project (MSAG) since last reported to the Council.  Action required  The 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)*,* [*C20/48*](https://www.itu.int/md/S20-CL-C-0048/en), [*C21/48*](https://www.itu.int/md/S21-CL-C-0048/en) |

**1. Summary of recent MSAG meetings**

Since the report to the June 2021 meeting of the Virtual consultation of councillors in [C21/48](https://www.itu.int/md/S21-CL-C-0048/en), there have been two meetings of the Member States Advisory Group on the Union’s headquarters premises project (MSAG). These were virtual meetings on 14 September 2021 and 15 December 2021, 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). These meetings are summarized below.

* 1. The **15th meeting** (14 September 2021) of MSAG considered a verbal progress report on the project, examined the 29 risk register items that had been revised through June, July, and August.

As a reminder, a risk register is a tool that is a best practice within project management to identify and manage risks. Risk registers record answers the question “what would happen if <x> occurs, and how much would it cost?”. The items considered during this meeting focused upon the engagement of staff relative to the upcoming work environment, assuring adequate meeting arrangements for ITU study groups and working parties, and understanding the motivation for modifications to the changed risk register items.

* 1. The **16th meeting** (15 December 2021) of MSAG considered a verbal progress report on the project, examined the 10 risk register items that had been revised through September, October, and November. The items considered during this meeting focused upon the financing of the Risk Register Fund and other financial challenges facing ITU. MSAG also heard reports on the preparations for convening meetings of ITU study groups and working parties as well as the status of sponsorship and donations.

Mr Alassane Ba, Chief of the ITU Financial Resources Management Department, reported that since January 2015, the Swiss National Bank has been applying a negative interest rate. This policy has become the rule for all commercial banks in Switzerland and across borders in the Swiss franc currency to all deposits exceeding a particular amount. Without efforts to limit the balances sitting in the bank, non-trivial charges will continue to be incurred by ITU.

Mr Ba also reported that in 2021 there are no expected savings, so there will be no money moved to the Risk Register Fund (RRF). Councillors may remember that MSAG has been commenting on the insufficient funding of the RRF for several years. The risk register 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. The establishment of the RRF was a critical element that enabled the consensus in Council 2018 to proceed with the construction project because it reflected the desire of member states to have a hard limit on their financial exposure for the costs of this project.

The discussion observed that one technique used to manage risk is the use of an insurance policy to transfer the risk, similar to what is achieved through health insurance where the financial risks associated with health care are transferred from the individual to the insurer. It is customary in large construction projects for the owner (ITU), as well as the contractor, to transfer risks to manage costs by means of insurance. While this approach may not be customary with Geneva-based UN construction projects, responsible parties for those projects also set aside money in advance of construction design and designed to such funding. MSAG members believe it is advisable for ITU to gather more information and consider the use of insurance as a means of transferring risk as an alternative to the RRF. Such an approach could achieve the objective of managing risk and reduce the size required bank accounts.

There is recognition within the secretariat and MSAG that the RRF is a supplemental contingency to what is included in the project plan. It is for this reason that at least some of the MSAG participants believe that the premium for an insurance policy could be reasonably small.

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

MSAG asks that the Council initiate with the secretariat the necessary action to gather more information about the possible costs and consider the use of insurance as a means of transferring risk as an alternative to the RRF and report to the Council.

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