

Program and Budget Committee

**Eighteenth Session
Geneva, September 12 to 16, 2011**

PROGRESS REPORT ON THE NEW CONSTRUCTION PROJECT

prepared by the Secretariat

1. The purpose of this document is to present to the Program and Budget Committee (“the PBC”) a progress report on the New Construction Project covering the period since the previous report on the Project (document WO/PBC/15/19) was presented to it, on the occasion of its fifteenth session held from September 1 to 3, 2010.

I. OCCUPANCY OF THE NEW BUILDING AND RELATED FACILITIES

2. On the basis of a partial occupancy authorization from the local authorities, the responsibility for the safety and security in the new building was transferred from the General Contractor to WIPO on March 11, 2011. The final occupancy authorization was delivered on March 31, 2011.

3. Moves of approximately 500 staff to the new building started on March 14, 2011, and continued until the end of May. There was a total of approximately 750 moves between mid-March and end of June 2011, including moves of staff between buildings in order to regroup units which had previously been split between different buildings.

4. The reserved parking area for delegates—located in the new underground between the AB Building and the new building—opened at the end of June 2011.

II. COMPLIANCE WITH TIMETABLE FOR DELIVERY OF THE PROJECT

5. Last Summer, in view of certain delays in the construction phase partly due to the extent of additional works caused by project modifications, the Secretariat and the General Contractor had agreed to postpone to November 25, 2010, the original delivery date of October 8, 2010,

against a financial compensation of 500,000 Swiss francs. By November 25, 2010, the General Contractor had been able to deliver some but not all the remaining areas.

6. Over the period from December 2010 to May 2011, the Secretariat and the General Contractor agreed to postpone the delivery of the remaining areas in phases in view of the respective degrees of completeness of these areas. This approach also gave the Secretariat the possibility to start implementing a number of installations and fittings to prepare for the moves of staff from rented premises, in particular since the largest rented building (the P&G Building) was scheduled to be returned to its owner by end August 2011.

7. As at the date of drafting this document, only the exterior landscaping and a few areas of the new building have not yet been delivered in the first basement level and on the roof, none of which have any significant negative impact on the occupancy of the new building.

8. In May 2011, the Secretariat entered into discussions with the General Contractor with the aim of obtaining additional financial compensation for the series of delayed deliveries since November 2010. These discussions have been concluded at the end of May 2011 with the agreement that the General Contractor will compensate the delays since November 2010 by an additional amount of 1,725,000 Swiss francs.

III. UTILIZATION OF THE APPROVED BUDGET AND CONTINGENCY PROVISIONS

9. It is recalled that the PBC recommended, and the Assemblies approved, at their respective sessions held in December 2008, the updated and consolidated budget for the Project (amounting to about 145 million Swiss francs), as well as a “Contingency Provision for Project Modifications” and a “Contingency Provision for Miscellaneous and Unforeseen” (provisions amounting to a cumulative total of 16 million Swiss francs)¹.

10. The updated and consolidated budget (amounting to about 145 million Swiss francs) should be almost entirely used or committed by the time all remaining areas of the building have been completed, leaving a marginal amount unspent and uncommitted of about 175,000 Swiss francs.

11. As had been indicated in September 2010 to the PBC at its 15th session, the “Contingency Provision for Project Modifications” (amounting to 8,113,740 Swiss francs) has been fully utilized or committed to cover additional modifications relating to the Data Center in the new building, implementation of the United Nations Headquarters Minimum Operating Security Standards (UN H-MOSS) in and around the new building and layout for a variety of storage in the basement of the new building.

12. As of the date of drafting this document, the “Contingency Provision for Miscellaneous and Unforeseen” (amounting to 7,886,260 Swiss francs) has been used or committed to cover miscellaneous and unforeseen items² for an amount of about 5,786,260 Swiss francs, while showing a resulting uncommitted and unspent amount of approximately 2,100,000 Swiss francs.

¹ Refer to documents WO/PBC/13/6(b), WO/PBC/13/10 (report, paragraph 129), and A/46/12 (report, paragraph 45).

² It is recalled that the External Auditor gave in 2008 a definition of the items which can be charged to the Contingency Provision for Miscellaneous and Unforeseen. The complete text of the recommendation concerned reads as follows: “Recommendation No. 4: To include a reserve for miscellaneous and unforeseen in the financial envelope for the project in order not to compromise decision making which is essential to the progress of the project. This reserve is to be used only to meet possible unforeseen construction or market expenses, technical modifications or additions necessary during the execution phase, which were unforeseeable during the project stage and inaccuracies or omissions in the terms of reference leading to additional work.” (See document A/43/INF/6, Annex, paragraph 46).

13. It is recalled that the largest part of the financing for this Project comes from a commercial loan for an amount of 130 million Swiss francs. A first drawdown (for 50 million Swiss francs) was delayed until March 2009 in order to benefit from low interest rates. Three further drawdowns were delayed until November 2010 and January 2011 for the same reason and in order to postpone the time at which interest would have to be paid. The duration of these loan segments has also been selected to be either five, ten or fifteen years to give WIPO the flexibility to reimburse in stages. The bearing on the regular budget has therefore been and will continue to be lower than anticipated in view of these strategic choices made by the Secretariat.

IV. UPDATE ON THE SITUATION RELATING TO THE RENTAL OF OFFICE SPACES

14. The moves of staff to the new building had to be carried out under a revised schedule, but with the necessary flexibility in order to guarantee that the P&G Building would be vacated at the end of August 2011, despite the delays in delivery of certain parts of the new building since the end of 2010 (see paragraphs 2, 3 and 6). The lease for the P&G Building was formally terminated with effect from August 31, 2011. The cost of the moves of staff to the new building as well as the cost of vacating the P&G Building are covered, as planned, by the regular budget in the 2010-11 biennium.

15. In respect of the CAM Building, which the Secretariat had intended to vacate at the end of December 2011, the situation had to be revisited in view of the following three main factors. Firstly, due to Swiss safety regulations, several offices in the new building had to be converted into technical rooms to house network printers, shared photocopiers, fax machines, small paper stock, in order to free the corridors as escape routes (while those equipments and materials were traditionally placed in corridors). In view of the size of the new building (100 meters long by 40 meters wide) and the number of staff per floor (about 100), it was necessary to install four such rooms per floor, with the consequence that the equivalent of approximately 20 workplaces were lost in terms of office space capacity in the new building. It needs to be highlighted that WIPO could not find itself in violation of such safety-related local regulations and possibly face liability issues in case of accidents caused during an evacuation of the building. Furthermore, the conversion of existing office spaces into similar types of technical rooms must be undertaken for the same compliance reasons in all WIPO buildings and will be phased in, as from the Summer 2011, in all the other buildings, which will further decrease the number of available workplaces in all buildings by a further 25 workplaces. Secondly, in view of the high demand for the small meeting rooms located in the AB Building in close proximity to Rooms A and B for delegates participating in WIPO meetings throughout the year, in parallel to the demand by WIPO units for internal meeting rooms, it has been necessary to convert a number of workplaces on each floor of the new building into small meeting rooms for ten to 15 persons. As a consequence, the equivalent of approximately 25 workplaces were also lost in terms of office space capacity in the new building. Thirdly, following the approval by Member States in September 2010 of the five-year Enterprise Resource Planning Project ("ERP Project"), an assessment of the preferred location for the adequate combination of offices, workshop and training rooms, and other facilities over the expected five-year duration of the ERP was made and concluded that none of the existing buildings (now including the new building) could offer in a regrouped manner adequate space for the five-year period with minimum disruption.

16. Therefore, the Secretariat decided to retain the CAM Building for the duration of the ERP Project, that is, at least five years. The cost on the regular budget (rental and charges) is in the order of approximately 1.4 million Swiss francs per biennium, which was fully planned under the 2010-11 biennium and which is being included in the 2012-13 biennium.

V. FRAMEWORK, CONTROL AND AUDIT

17. As at the date of drafting this document, the current version of the “WIPO Construction Projects Charter” is version v.09 (2010), dated March 26, 2010. The updated 2011 version is in preparation. All the other mechanisms constituting the project management structure (committees and teams, risk registers, regular coordination meetings with the pilot, cross-sector meetings, etc.) have continued to function subject to a number of improvements and other adjustments based on the experience gained during the Project delivery.

18. The Project continued to be the subject of regular audits, by the External Auditor, the WIPO Audit Committee (until the end of 2010) and the Independent Advisory Oversight Committee (as from the beginning of 2011), and the Internal Audit and Oversight Division.

VI. WORKSITE SAFETY DURING THE CONSTRUCTION PHASE

19. As at the date of drafting this document, and in view of the fact that the new building and related underground facilities have been almost all fully completed, it is important to note that there were no reported life-threatening injuries to workers and other construction companies employees during construction. To the best of the Secretariat’s knowledge, all injuries were reported in accordance with the local health and security requirements.

20. The Program and Budget Committee is invited to take note of this Progress Report.

[Annex follows]

NEW CONSTRUCTION PROJECT Overview of the approved budget utilization			
Budget composition	Amounts approved by Member States in December 2008 (in CHF)	Used or committed amounts as at June 30, 2011 (in CHF)	Situation as at June 30, 2011 (in CHF)
Basic Consolidated Budget Envelop	145,742,643	145,567,643	175,000
Financial compensations —For the period October and November 2010	n/a	n/a	500,000
—For the period December 2010 to June 2011	n/a	n/a	1,725,000
Contingency Provision for Project Modifications	8,113,740	8,113,740	0
Contingency Provision for Miscellaneous and Unforeseen	7,886,260	5,786,260	2,100,000
Totals	161,742,643	159,467,643	4,500,000*

* Refer to document WO/PBC/18/10 on the New Conference Hall Project.

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