

# **Update on the Infrastructure Fund**

## **Geneva buildings renovation strategy**

### **Report by the Director-General**

#### **INTRODUCTION**

1. In 2016, the Sixty-ninth World Health Assembly, in decision WHA69(18), decided to adopt the Geneva buildings renovation strategy and authorized the Director-General to accept a 50-year, interest-free loan of 140 million Swiss francs from the Swiss authorities to finance the construction of a new annex building. The Health Assembly also decided to approve the use of the Real Estate Fund<sup>1</sup> for the financing of renovations of the main building (110 million Swiss francs), and the subsequent repayment over a 50-year period of the interest-free loan.
2. The renovation strategy is a key component of Output 4.3.4 of the results framework of the Thirteenth General Programme of Work (2019–2023) (Safe and secure environment, with efficient infrastructure maintenance, cost-effective support services and responsive supply chain, including duty of care).
3. This report provides an update on the status of the construction and renovation projects, including details of progress against previously reported timelines and cost updates. It has also been prepared in response to decision WHA70(16) (2017), in which the Seventieth World Health Assembly requested the Director-General to report to the Executive Board both on the implementation of the information technology and real estate funds included in the Infrastructure Fund, and on the financing of the Fund.

#### **PROJECT MANAGEMENT AND GOVERNANCE**

4. The project is managed in accordance with best practice principles and the governance model communicated to the Health Assembly in 2016.<sup>2</sup> A combination of external experts (coordinated by an in-house project team) and a project board (composed of senior managers) enables efficient decision-making and effective oversight of the project. The project board is assisted by separate internal and external advisory committees.

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<sup>1</sup> This has become the real estate component of the Infrastructure Fund, following the adoption of decision WHA70(16) in 2017.

<sup>2</sup> See document A69/56.

## STATUS OF THE PROJECT AND PROGRESS MADE

### Construction of the new building

5. Construction of the new building was completed on 13 November 2020, constituting a four-month delay against the timelines established with the building contractor and the prospective completion date previously reported to Member States. The delay is attributed to local rules enforcing cessation of all construction activity in Geneva to limit transmission of coronavirus (COVID-19). Subsequent hygiene precautions, working methodology constraints and materials delivery delays further impeded construction productivity after the resumption of works. Occupation of the new annex building will take place after it has been tested and commissioned, and following the installation and configuration of information technology and audio-visual equipment and kitchen and restaurant facilities outside the scope of the construction project.

6. Related works to reorganize vehicular access to the new building and the rest of the site, enhancements to perimeter security and a new facility to house sustainable heating and cooling machinery, rely in part on progress by the Host State in advancing a major road infrastructure project adjacent to the headquarters site. This infrastructure work was also impacted by COVID-19, but the resulting delay to these related projects will have no impact on the Secretariat's ability to occupy the new annex building and all works on these related projects are anticipated to be concluded in 2021.

### Renovation of the main building

7. Planning and preparations for the renovation of the main building are under way. To mitigate the inherent risks in renovating an existing building, and in line with construction industry best practice for complex renovation projects, the Secretariat engaged a management contractor at an early stage to advise and assist in the detailed design and project planning phases.

8. Preserving the architectural integrity of the main building presents challenges with respect to complying with modern energy performance standards and meeting the desired office layout and configuration requirements. Revised United Nations security standards have also resulted in additional constraints and requirements, which must be accommodated in the project. The Secretariat maintains close contact and coordination with the local authorities to overcome these challenges and identify mutually acceptable solutions.

9. The delayed completion of the new building has resulted in a similar delay in the commencement of the renovation works of the main building. Nevertheless, preparatory work is ongoing and the completion date remains unchanged.

**Table 1. Milestones in the WHO headquarters renovation project**

Milestone	Previously reported target date	Status and target date as at December 2020
Construction work for new building starts	November 2017	Completed as planned
Handover of new building	July 2020	November 2020
Renovation of main building starts	January 2021	April 2021
Handover of main building	December 2024	December 2024

## FINANCIAL STATUS OF THE GENEVA BUILDINGS RENOVATION STRATEGY

### Financing strategy

10. Construction of the new building was financed using a 50-year, interest-free loan of 140 million Swiss francs from the Swiss Federal authorities. The loan will be repaid through the real estate component of the Infrastructure Fund.

11. The renovation of the main building will be financed from the real estate component of the Infrastructure Fund and is estimated to cost 109.5 million Swiss francs.

### Financing of the real estate component of the Infrastructure Fund

12. The real estate component of the Infrastructure Fund is financed by the sustainable funding mechanism established in resolution WHA63.7 (2010) and decision WHA69(18) (2016). The sustainable funding mechanism ensures that US\$ 25 million per biennium will be allocated to the real estate component of the Infrastructure Fund, and that Member States will not be asked to provide additional assessed contributions to fund the Geneva buildings renovation strategy.

### Real estate component of the Infrastructure Fund: current balance, income, expenditure

13. As at 30 June 2020, the cumulative balance of the real estate component of the Infrastructure Fund (see table 2) is in line with previous projections and on track to fund the anticipated main building renovation costs, future loan repayment liabilities and the repair/maintenance liabilities of other WHO-owned premises.

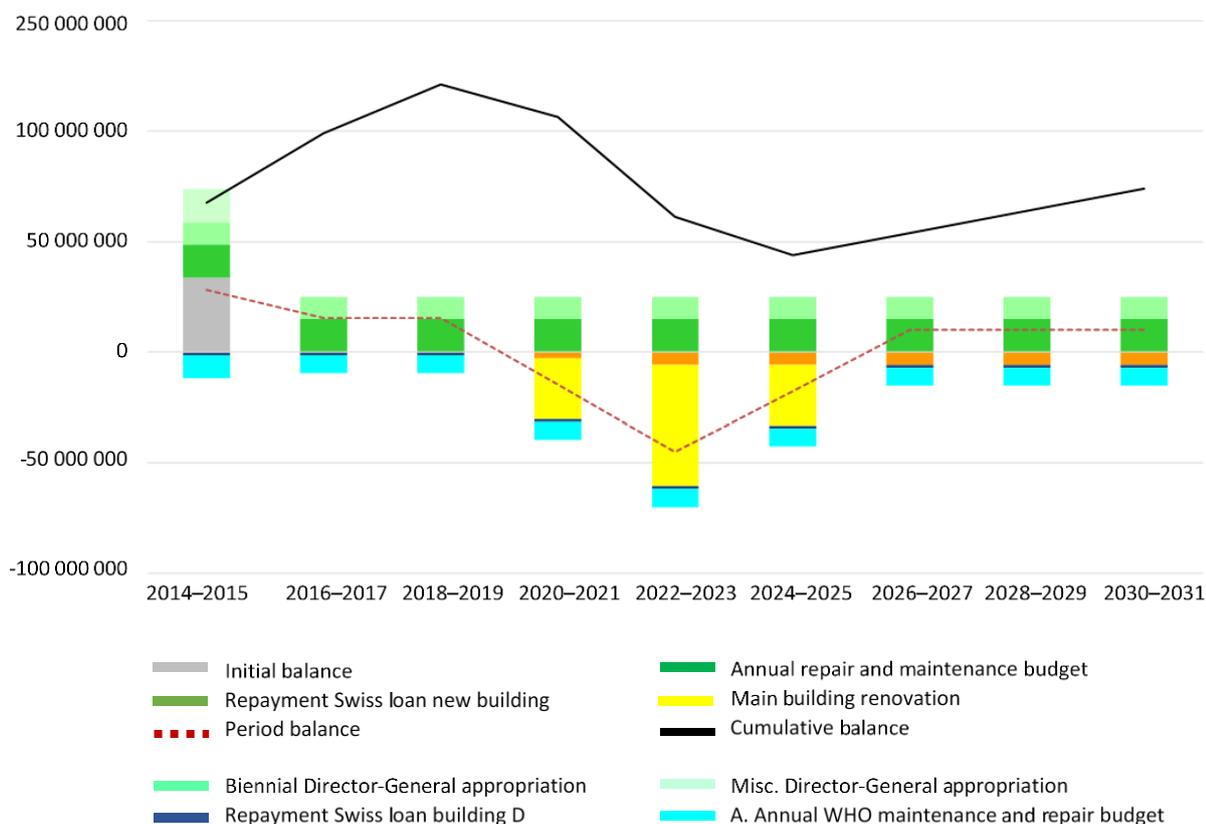
**Table 2. Real estate component of the Infrastructure Fund (in US\$)**

Cumulative balance as at 1 January 2020	135 592 730
Revenue	5 498 401
Expenses and transfers	4 650 754
Cumulative balance as at 30 June 2020	136 440 378

14. The cumulative balance of the real estate component of the Infrastructure Fund is forecast to remain positive throughout the renovation of the main building and is expected to increase following completion of the renovation of the headquarters site (see Fig. 1). This positive balance is made possible by the continuation of the sustainable funding mechanism for the real estate component of the Infrastructure Fund and continued prudent management of that fund.

15. Although the sale of the L1, L2 and M buildings remains an option for the Secretariat after completion of the renovation of the main building, financing for the real estate strategy is not dependent on any revenue anticipated from the potential sale of the L1, L2 and M buildings or the land on which they are located (plot 406).

**Fig. 1. Real estate component of the Infrastructure Fund: income and expenditure projection (in US\$)**



### Construction cost of the new annex building

16. Though construction works for the new building have been completed, related works will continue into 2021 and the final account has not yet been agreed with the general contractor. Notwithstanding this ongoing process, the costs set out in table 3 are not anticipated to change significantly and the final cost is expected to remain within the approved budget of 140 million Swiss francs.

### Renovation of the main building

17. The preliminary studies and cost estimates of the main building renovation project were prepared in 2014. They were based on a plan to: replace the building's technical infrastructure, in accordance with current environmental standards; remove materials containing asbestos; and enhance the thermal performance of the building façades and roof.

18. Studies to validate the estimated renovation costs of the main building are under way. A management contractor was appointed in December 2019 to coordinate and ensure the completion of the construction work. Detailed designs for a building permit were also submitted in December 2019. Approval of the building permit will enable preparation of an updated cost estimate, which will be

communicated to Member States as the project progresses. The anticipated total cost of the renovation includes a reserve of 4.77 million Swiss francs to cover unforeseen work.

**Table 3. Costs of the Geneva buildings renovation strategy (in Swiss francs, as at 30 September 2020)**

Project phase	Approved budget	All contracts awarded	Contracts not yet awarded	Anticipated total expenditure	Variance (budget vs anticipated total expenditure)
Construction of new annex building	139 951 891	132 577 029	6 849 758	139 426 787	(525 104)
Renovation of main building	109 545 000	15 677 515	93 867 485	109 545 000	0
<b>Total</b>	<b>249 496 891</b>	<b>148 254 544</b>	<b>100 717 243</b>	<b>248 971 787</b>	<b>(525 104)</b>

## **COST AND RISK MANAGEMENT**

19. Cognizant that all construction projects involve a high degree of inherent risk, the Secretariat has engaged professional construction cost and risk managers to identify and quantify project risks.

20. A project-specific risk register has been established to track the evolution of risks relative to progress. The risk register is reviewed and updated regularly as part of the project management process, with input from architects, engineers, project managers and contractors.

21. The Secretariat remains focused on cost control, in terms of both the capital construction cost of the works and the long-term life-cycle costs of the completed building. Architects and engineers have been tasked with producing simple, low-maintenance, durable designs that will reduce operational costs for the Organization in future.

22. Costs are reviewed on a weekly basis by the project team, under the guidance of specialist construction cost managers.

## **ACTION BY THE EXECUTIVE BOARD**

23. The Board is invited to note the report.

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