

Update on the Infrastructure Fund

Geneva buildings renovation strategy

Report by the Director-General

INTRODUCTION

1. In decision WHA69(18) (2016), the Health Assembly 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 federal authorities to finance the construction of a new annex building. The Health Assembly also decided to approve the use of the Real Estate Fund¹ 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 (Safe and secure environment, with efficient infrastructure maintenance, cost-effective support services and responsive supply chain, including duty of care) of the results framework of the Thirteenth General Programme of Work, 2019–2025.
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 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 2016.² 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.

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

² See document A69/56.

STATUS OF THE PROJECT AND PROGRESS MADE

Construction of the new annex building

5. The construction of the new annex building was completed on 13 November 2020, which represents a four-month delay against the timeline established with the building contractor and the prospective completion date previously reported to Member States. The delay is attributed to local rules enforcing the cessation of all construction activity in Geneva in order to limit the transmission of the coronavirus disease (COVID-19). Subsequent hygiene precautions, working methodology constraints and materials delivery delays further impeded construction productivity after the resumption of work.

Renovation of the main building

6. The renovation of the main building is under way and the completion date remains unchanged (see Table 1). To mitigate the risks inherent in renovating an existing building and in line with construction industry best practices for complex renovation projects, the Secretariat engaged a management contractor at an early stage, through a competitive bidding procedure, to advise and assist in the detailed design and project planning phases.

7. Preserving the architectural integrity of the main building has presented challenges with respect to complying with modern energy performance standards and meeting the desired office layout and configuration requirements. Revised United Nations security standards and implementation of the United Nations Disability Inclusion Strategy also resulted in additional requirements that have had to be accommodated in the project. The Secretariat has maintained close contact and coordination with the local authorities to address these challenges and identify mutually acceptable solutions, while remaining within the original project budget envelope.

Table 1. Milestones in the Geneva buildings renovation strategy

Milestone	Previously reported target date	Status and/or current target date (as at December 2022)
Construction work for new annex building starts	November 2017	Completed as planned
Handover of new annex 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

8. The construction of the new annex building was financed by 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.

9. 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

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

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

11. As at 31 December 2021, 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.

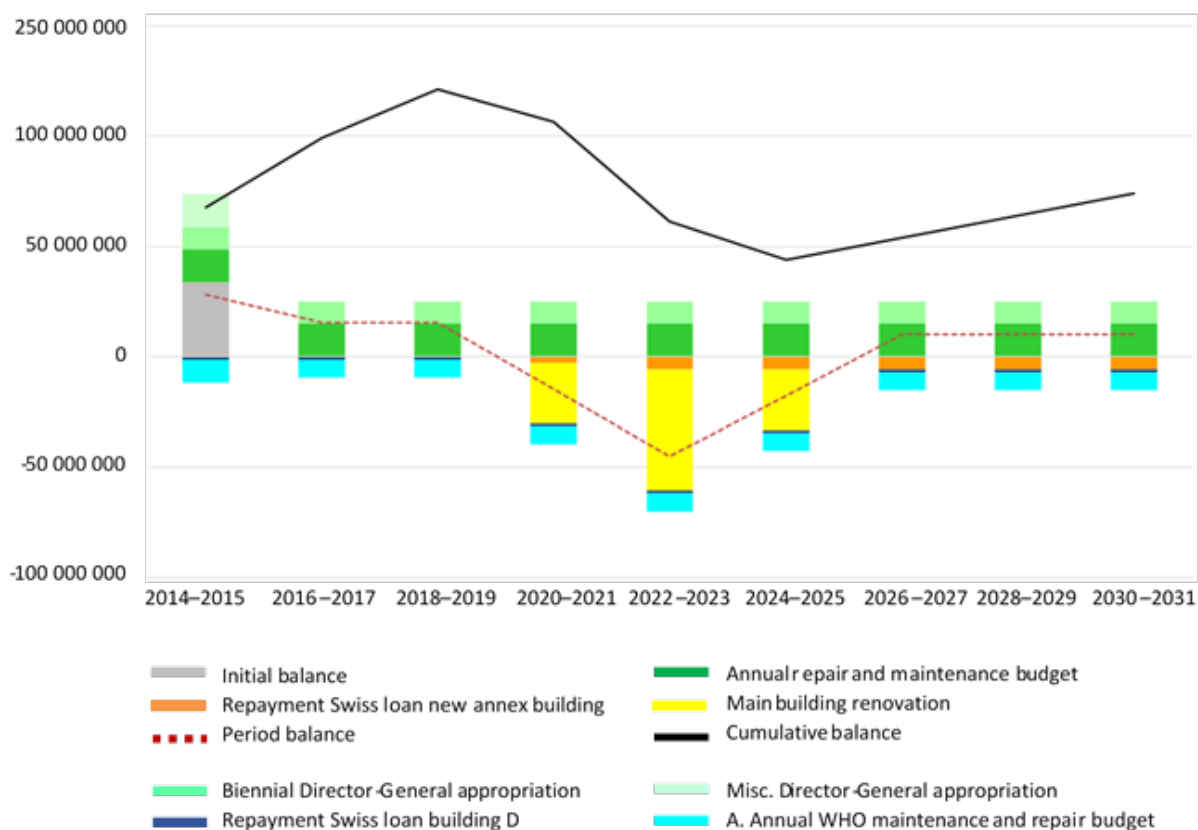
Table 2. Real estate component of the Infrastructure Fund (in US\$ thousands)

Cumulative balance as at 31 December 2021	140 966
Revenue	22 974
Expenses and transfers	17 537
Cumulative balance as at 30 June 2022	146 792

12. 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 the completion of the renovation of the headquarters site (see Figure). This positive balance is made possible by the continuation of the sustainable funding mechanism for the real estate component of the Infrastructure Fund and the continued prudent management of that fund.

13. Although the sale of the L1, L2 and M buildings remains an option after the completion of the renovation of the main building, a prudent management approach has been taken such that the financing for the real estate strategy is not dependent on the sale of the L1, L2 and M buildings and the land on which they are located (plot 406).

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



Construction cost of the new annex building

14. Following the completion of construction works for the new annex building, the final account was agreed with the general contractor. The final cost of construction, including all fees and ancillary costs, was 140 million Swiss francs.

Renovation of the main building

15. 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 facades and roof. The project does not include the supply and installation of information technology and audio-visual equipment, which are separate projects being managed in parallel with the renovation.

16. A management contractor was appointed in December 2019 to coordinate and ensure the completion of the renovation work. Detailed designs for a building permit were approved by the local authority in December 2020, which subsequently enabled the validation of the previous cost estimate, confirming a renovation cost for the main building within the budget approved by Member States (see Table 3).

Table 3. Costs of the Geneva buildings renovation strategy (in Swiss francs as at 31 December 2021)

Project phase	Approved budget	All contracts awarded	Contracts not yet awarded	Anticipated total expenditure	Variance (budget versus anticipated total expenditure)
Construction of new annex building	140 000 000	140 000 000	–	140 000 000	–
Renovation of main building	110 000 000	108 680 477	1 319 523	110 000 000	–
Total	250 000 000	248 680 477	1 319 523	250 000 000	–

COST AND RISK MANAGEMENT

17. 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.

18. 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.

19. 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 buildings. Architects and engineers have been tasked with producing simple, low-maintenance, durable designs that will reduce the future operational costs of the Organization.

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

ACTION BY THE EXECUTIVE BOARD

21. The Board is invited to note the report.

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