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**Programme budget for the biennium 2012-2013**

### **Progress in the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa**

#### **Report of the Advisory Committee on Administrative and Budgetary Questions**

#### **I. Introduction**

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on progress in the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa (A/68/517). During its consideration of the report, the Committee met with the representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 25 November 2013.

2. The report of the Secretary-General is submitted pursuant to General Assembly resolution 63/263, in which the Assembly endorsed the recommendation of the Advisory Committee that the Secretary-General submit annual progress reports for all ongoing construction projects. The report provides an update on the progress in the construction of additional office facilities at the Economic Commission for Africa (ECA) in Addis Ababa and on the renovation of conference facilities.

3. The Advisory Committee recalls that the General Assembly, in its resolution 56/270, approved the construction of additional office facilities at ECA. In its resolution 60/248, the Assembly endorsed the expansion of the project to include the construction of two additional floors. In its resolution 62/238, the Assembly endorsed the revised cost estimate of \$14,333,100. In 2011, the Secretary-General confirmed that the additional funding necessary for the construction of the seventh floor had been made available in the total amount of \$1,000,144, comprising \$850,000 from the support account for peacekeeping operations in respect of the United Nations Office to the African Union and \$150,144 from the budget for the African Union-United Nations Hybrid Operation in Darfur, bringing the resources available for the duration of the project to a total of \$15,333,244. No further funding has since been requested for the project.



## II. Progress in the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa

4. In paragraph 6 of his report, the Secretary-General indicates that the construction contract was signed and work began on 1 May 2010. The construction was expected to be substantially completed by the end of February 2012. He further indicates that the completion date was extended, first to 31 December 2012, and later to 31 December 2013, following the failure of the contractor to meet the completion dates. He also indicates that the construction is to be followed by a three-month interior fit-out period and phased occupancy of the building starting in January 2014.

5. The Secretary-General indicates, in paragraph 4, that the delays in the construction project were mainly caused by the late delivery of construction materials and poor planning on the part of the contractor. He goes on to explain that, as a result of the Commission's close monitoring of the project, as well as the host Government's support in facilitating the delivery of imported materials, there had been a substantial improvement in its execution. He also indicates, in paragraph 9, that these efforts have resulted in the receipt of 91 per cent of all required material on site and 90 per cent completion of the main building as at 30 September 2013.

6. Upon enquiry, the Advisory Committee was informed that the main reasons for the delays in the delivery of materials had been: (a) a delay of more than six months by the contractor in providing the documentation on materials for the project, which is required for review and approval by the United Nations before importation; (b) delays by the contractor in timely processing of payments to the bank for the prompt delivery of the goods; (c) a delay of more than six months in the delivery of materials to the site owing to lead times required for fabrication, multimodal shipment, clearing and other logistical challenges; (d) the contractor's demonstrated weakness in coordinating subcontractors and different engineering elements on site, which forced the project team to engage in daily supervision of site activities and visits to subcontractors' workshops, plants and quarries; and (e) poor coordination on the contractor's part in synchronizing the output rates of their suppliers with the project schedule, which had resulted in the late delivery of the locally available components, such as floor granite, aluminium louvers and windows.

7. In paragraph 10 of his report, the Secretary-General indicates that ECA, in coordination with the Office of Central Support Services, sought the advice of the Office of Legal Affairs regarding the appropriate approach in recovering costs related to the delays. He further indicates that the Office of Legal Affairs had advised the Commission to make use of the retention clause for the time being, in order to limit the risk of counter claims and to retain the right of the United Nations to make future claims. The Advisory Committee recalls that it had requested the Secretary-General to report on the status of a case in which discrepancies were found in a bill of quantities owing to an error on the part of the architecture and construction management consultant (A/67/484, para. 14). At that time, it was indicated that a claim against the consultant would not be entered into until the end of the project, when the full extent of the damages was known. **The Advisory Committee reiterates its request that the Secretary-General provide updated information on the status of such cases in his next progress report** (see also para. 11 below).

8. The Advisory Committee was informed that the one-year delay in the completion of the construction project would entail financial implications in terms of unrealized rental income, as well as possible rental costs on the part of the prospective tenants of the building. Furthermore, the Committee notes, from paragraph 30 of the report (A/68/517), that five tenants, the United Nations Office to the African Union, the United Nations Children's Fund (UNICEF), the Office of the United Nations High Commissioner for Refugees (UNHCR) Regional Liaison Office for Africa, the United Nations Office for Project Services and the World Health Organization (WHO), have confirmed in writing their intention to take up occupancy in the additional office facilities.

9. Upon enquiry, the Advisory Committee was informed that the gross office space of the additional office facility would be 11,434.67 square metres. Applying the current monthly rental rate of \$11.04 per square metre, the gross rental income not realized for the 12-month period from January to December 2013 would amount to \$1,514,865. The Committee was further informed that all operating expenses for the new facility, such as maintenance and utilities, would be paid from the rental income. The Committee was informed that, given that the facility had not yet been occupied, information on the projected operational expenses was not available; therefore, the net rental income not realized could not yet be determined.

10. As for the rental costs incurred by the prospective tenants as a result of the delay in completion of the project, the Advisory Committee was informed that 31 August 2012 had originally been envisaged as the substantial completion date of the project. The Committee was further informed that the total monthly rent currently paid by the four prospective tenants located outside the ECA complex — UNICEF, WHO, UNHCR and the United Nations Office for Project Services — amounted to \$86,655. The Committee was informed that, at that rate, their estimated rental cost for the 16-month period from 1 September 2012 to 31 December 2013 would amount to \$1,386,480.

**11. The Advisory Committee is very concerned at the delays in the execution of the construction project for the ECA additional office facilities and the financial implications for both the Organization and the prospective tenants. The Committee is of the view that, at the appropriate time, when the full extent of damages has been determined, ECA should take appropriate action against the contractor. In the interim, the Committee expects the Secretary-General to seek whatever redress is available within the terms of the contract. In addition, the Committee recommends that the General Assembly request the Secretary-General to report, in his next progress report, on the responsibility and accountability for the supervision and implementation of the construction project.**

#### **Ancillary projects**

12. In paragraph 12 of his report, the Secretary-General outlines the ancillary projects which include the installation of generators and a generator house, the construction of internal access roads and parking, civil and landscaping works, site lighting, sanitary works and interior partitions. He indicates that the design work for the ancillary projects has been completed, and construction contracts were awarded in May and July 2013 to two separate contractors. In paragraph 13 of the report, he further indicates that although the construction of some critical components of the

project had begun in July 2013, its progress had been slowed because the Commission had discovered some design deficiencies and because of heavy rain.

13. Upon enquiry, the Advisory Committee was informed that while verifying the design drawings on the construction site the ECA project management team had noted a difference between the level of the access ramp and that of the finished floor of the building. The Committee was also informed that this discovery had required a significant design revision of the main entrance of the building, the access for persons with disabilities and all electromechanical installations embedded in the access ramp. The Committee was further informed that other differences had been observed between the technical specifications and the bills of quantities for some of the ancillary project components. Such differences, according to the representatives of the Secretary-General, were initially identified and addressed during the contract negotiation phase so as to avoid future delays, additional costs and potential change orders in the contract.

**14. While noting the reported progress in the construction work for ancillary projects, the Advisory Committee is concerned about the continued delays resulting from technical shortcomings. The Committee calls for closer monitoring of the project to avoid any further delays. In addition, the Committee is of the view that issues of accountability and responsibility for the recruitment and supervision of the design consultant should be examined.**

#### **Value engineering**

15. In paragraphs 14 and 15 of his report, the Secretary-General indicates that value engineering continues to be exercised for all project activities. He further indicates that, as a result of value engineering, potential additional costs in the main contract in the amount of \$375,000 were averted through the centralization of the uninterrupted power supply system. He also indicates that value engineering exercises will be undertaken for ancillary project designs, giving the example of \$60,000 in additional costs that would be avoided by excluding the open ditch around the new office facilities from the site sanitary component of the ancillary project design.

16. Upon enquiry, the Advisory Committee was informed that value engineering was required to keep the project within budget in the light of the escalating costs, given that the project requirements for the main building had been estimated more than 10 years earlier and those related to the ancillary projects more than 6 years earlier. Upon further enquiry, the Committee was informed that, in order to ensure that the scope of the project was not compromised, value engineering was applied by improving functionality of project components or through critical revision of the project component cost requirements. Regarding the uninterrupted power supply system, for example, the Committee was informed that, without compromising the project or reducing its scope, the project management team had managed to enhance space utilization and lower future maintenance costs and had also achieved a cost reduction by utilizing 2 larger synchronized units in lieu of the 15 smaller ones in the original design.

**17. The Advisory Committee commends the cost containment efforts of the project management team through the application of value engineering and reiterates that value engineering should be continually pursued as a best**

**practice rather than an ex post facto reaction to project implementation problems** (A/67/484, para. 11).

#### **Flexible use of office space**

18. The Advisory Committee recalls that, in its report of 1 October 2012, it expressed the view that the implementation of the flexible use of office space, or “hot-desking”, which allows staff to carry out their responsibilities and work at any workstation, merits serious consideration in the United Nations system (A/67/484, para. 15). The Committee also recommended that the General Assembly request the Secretary-General to implement the flexible use of office space in ongoing and future construction projects, where feasible. In its comments on the report of the Secretary-General on the implementation of a flexible workplace at United Nations Headquarters (A/68/387), the Advisory Committee expressed the view that a business case for a flexible workplace should be developed. It also expressed the view that flexible working principles were applicable across the Secretariat and that the scope of the business case report should be broadened to cover flexible workplace strategies at all duty stations, in particular those for which major construction and renovation proposals are under consideration by the General Assembly (A/68/583, paras. 4 and 6).

19. Upon enquiry, the Advisory Committee was informed that, in line with United Nations space guidelines, the layout of the offices of the additional office facility at ECA included open planning similar to that used in other recent capital projects of the United Nations Secretariat. In this regard, the Committee was informed that the layouts were suited to the adoption of flexible workplace strategies. The Committee was also informed, however, that the flexible workplace strategies developed by the Secretariat had not been incorporated into the project because the project’s space requirements had been established two years prior to the submission of those strategies to the General Assembly for consideration. Furthermore, the Committee was informed that the workplace and space allocation policies of the building would ultimately be determined by the tenants themselves, namely, the United Nations Office to the African Union, UNICEF, UNHCR, the United Nations Office for Project Services and WHO, in accordance with their respective policies.

**20. The Advisory Committee, nevertheless, remains of the view that, to the extent possible, the flexible workplace principles, if approved by the General Assembly, should be factored into all major capital projects and progress made thereon should be reported to the General Assembly.**

### **III. Status of the renovation of conference facilities**

21. In section III of his report, the Secretary-General discusses the status of the renovation of conference facilities that is being undertaken in accordance with General Assembly resolution 65/259. The Advisory Committee recalls that, in that resolution, the Assembly requested the Secretary-General to expeditiously assess the status of conference facilities at the Commission, in particular Africa Hall and Conference Room 1, to ensure that they were in strict compliance with the highest international standards for conference facilities.

### Africa Hall

22. It is noted in paragraph 41 of the report that the Secretary-General requested resources of \$437,000 in the proposed programme budget for the biennium 2012-2013 (A/66/6 (Sect. 34)) for the first phase of the renovation of Africa Hall. It is also indicated, however, that the design drawings and report produced by the consultancy firm that was hired to assess the premises and develop the scope of work for the project were not acceptable. For that reason, the Commission plans to hire another consultant with relevant expertise to carry out the task.

23. Upon enquiry, the Advisory Committee was informed that the report that was produced by the design consultant did not meet deliverables included in the scope of work in the electromechanical, sanitary and conference facilities areas. The Committee was further informed that, although the contract had been extended to allow the consultant to remedy the deficiencies, the consultant had failed to deliver the required product and contract was therefore terminated. The Committee was also informed that, for the portion of the work which had been satisfactorily performed, the consultant was paid the equivalent of \$5,500, or 35 per cent of the contract amount. Upon further enquiry, the Committee was informed that the contract had been prepared in the form of an institutional/corporate agreement, the general terms and conditions of which protected the rights of the Organization. Those terms and conditions included a liquidated damages clause, according to which the Organization could deduct up to 10 per cent of the contract price if the consultant failed to supply the specified services within the lead time stipulated in the contract proposal. **The Committee is of the view that the Secretary-General should look into the possibility of seeking legal redress in light of the financial implications of the delay caused by the consultant's failure to fulfil contractual obligations, even after the extension of the contract period.**

24. Concerning the new design contract, the Advisory Committee was informed, upon enquiry, that the Commission had decided that it was necessary to engage a consultant with international expertise through an appropriate procurement process. To that end, and in consultation with other offices of the United Nations Secretariat, such as the Office of Central Support Services, the United Nations Office at Geneva, the Office of the Capital Master Plan and the Department for General Assembly and Conference Management, the Commission reformulated the scope of work and subsequently initiated the necessary procurement procedure. The Committee was also informed that the technical evaluation of the proposals had been completed in October 2013 and that the award of the contract was expected to take place before the end of 2013. The new consultant would carry out the assessment and design for future work on Africa Hall.

25. The Advisory Committee was informed that the resources of \$437,000 approved under section 34, Construction, alteration, improvement and major maintenance, of the programme budget for the biennium 2012-2013, were meant to cover the first phase of the renovation of Africa Hall. The construction work during that phase was meant to address structural problems that required urgent action, such as waterproofing of the roof, repair of the perimeter walls and replacement of outdated plumbing and electrical systems. The Committee was informed that the roof waterproofing works had been carried out during the biennium 2012-2013 at a cost of \$18,683 and, as indicated in paragraph 23 above, a partial payment of \$5,500 had been made to the initial design consultant. The Committee was also informed

that no further works on Africa Hall had been planned during the biennium 2012-2013 and that the assessment and design work to be carried out by the new consultant would form the basis for any future works to be undertaken. In that regard, a detailed report on requirements and cost estimates for the project would be submitted to the General Assembly at its sixty-ninth session.

**26. The Advisory Committee is concerned about the slow progress of the assessment and design process for Africa Hall and expects that every effort will be made to expedite the procurement process for the new assessment and design contract. In addition, the Committee recommends that the General Assembly request the Secretary-General to submit the report on requirements and cost estimates for the project as soon as possible, but no later than at the sixty-ninth session of the Assembly.**

#### **Conference centre**

27. In paragraph 42 of his report, the Secretary-General indicates that the renovation of the roof of the conference centre is being implemented in two phases, since its anticipated scope exceeds the budgetary estimates for 2012-2013. He indicates that phase 1, consisting of weather proofing and emergency repairs, was completed in December 2012 at a cost of \$1,027,724. In paragraph 43, he further indicates that the resource requirements for phase 2, which is necessary to preserve the structural integrity of the building and for safety and security reasons, have been estimated at \$1,125,100 and have been included in the proposed programme budget estimates for 2014-2015. In paragraph 44, he indicates that the work to renovate the conference centre kitchen is ongoing and that the estimated cost is \$450,000.

## **IV. Recommendation**

**28. Taking into account its views and recommendations expressed in the preceding paragraphs, the Advisory Committee recommends that the General Assembly take note of the report of the Secretary-General on the progress in the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa.**