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Proposed programme budget for the biennium 2018–2019

Progress in the construction of new office facilities at the Economic Commission for Africa in Addis Ababa, and update on the renovation of conference facilities, including Africa Hall

Twenty-seventh report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for the biennium 2018–2019

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 new office facilities at the Economic Commission for Africa in Addis Ababa, and update on the renovation of conference facilities, including Africa Hall ([A/72/374](#)). 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 21 November 2017.

2. In his report, pursuant to section V of General Assembly resolution [71/272 A](#), the Secretary-General provides updated information on: (a) the completion of the new office facilities at the Economic Commission for Africa (ECA) in Addis Ababa and the related ancillary projects; (b) the renovation of Africa Hall, including an update on the business case for the visitors' centre; and (c) the occupancy and renovation of the United Nations Conference Centre at Addis Ababa. **The Advisory Committee welcomes the continued good cooperation between ECA and the host country.**

II. Update on the construction of new office facilities and ancillary works

3. Details on the construction of the new office facilities (the Zambezi Building) and ancillary works are covered in paragraphs 1 to 7 of the report of the Secretary-General. With respect to the new office facilities, the final completion date was



extended until the third quarter of 2017, at which time the final completion certificate for the work package was issued. With respect to the ancillary works, the date of the final completion certificate and the final disbursement of the work retention amounts is scheduled for the third quarter of 2018, with any unspent funds to be reported to Member States at the appropriate time.

4. Upon enquiry, the Advisory Committee was informed that some imported materials, including glass panes and exterior lighting fixtures, for the new office facilities had arrived in damaged condition and that the commensurate cost had been deducted from the final payment to the contractor; this repair work would be undertaken by ECA instead.

5. **The Advisory Committee reiterates its recommendation that the General Assembly request the Secretary-General to ensure that the remaining works are fully completed within the defined timeline to avoid any further delay or cost (see also [A/71/571](#), para. 5).**

III. Update on the Africa Hall renovation project

6. Details on the update on the Africa Hall renovation project are provided in paragraphs 8 to 72 of the report of the Secretary-General. In section IX of its resolution [70/248](#) A, the General Assembly approved the project scope, schedule and maximum overall cost of \$56.9 million for stages 3 to 5 of the Africa Hall renovation project, including the appropriation of \$13,438,600 under the programme budget for the biennium 2016–2017. In its resolution [71/272](#) A, the Assembly took note of the report of the Secretary-General ([A/71/370](#)), which presented cost plan adjustments made and reduced resource requirements for the biennium 2016–2017, as well as other adjustments.

Project schedule and progress

7. The Secretary-General indicates that the project schedule for the Africa Hall renovation project is regularly revised and updated, and that the completion of the project by the end of 2021 is still considered realistic. The five project stages comprise: (a) stage 1, preparation; (b) stage 2, design; (c) stage 3, pre-construction; (d) stage 4, construction; and (e) stage 5, project close-out (see [A/72/374](#), para. 60 and figure I). The Secretary-General also indicates that stage 3 commenced in May 2016 and that a full-scope service contract for stages 3, 4 and 5 was signed in October 2016. Specifically, with respect to stage 3, the detailed design, as well as tender documentation for the early decanting work at the Africa Hall Congo Building and for the potential decanting at the Nile Building, have been completed, with related construction anticipated to commence by the end of 2017. Furthermore, the detailed design for the main renovation work is expected to be completed with the tender documentation phase by the third quarter of 2017 (*ibid.*, paras. 21–24 and 33–35).

8. The Advisory Committee notes that the tendering process has been initiated without the prior completion of a project risk analysis, or a so-called Monte Carlo simulation.¹ The Committee was informed, upon enquiry, that the preliminary results of the risk analysis were not yet available, as the consulting firm, engaged to

¹ The Advisory Committee was informed that the Monte Carlo model was a statistical analysis method used to better understand the impact of risks in a project, by using a range of minimum to maximum values with regard to time frames and cost estimates for stages and components, through a computer-based simulation that ran multiple random project scenarios (see [A/72/7/Add.6](#), para. 21).

provide independent risk analysis services for global United Nations construction projects and reporting to New York Headquarters, had been on board only since November 2017 (see also [A/71/571](#), para. 18). The Committee was also informed that an internal risk analysis had been performed by ECA, but that any findings and recommendations presented in the consulting firm's initial reports, which were expected to be available in early 2018, might still be incorporated into the overall construction contract prior to the finalization of the construction contract.

9. **The Advisory Committee welcomes the progress, according to schedule, of the Africa Hall renovation project and reiterates the importance of keeping the project on schedule, while maintaining its quality and scope, so as to avoid any cost overruns (see also [A/71/571](#), para. 13). The Committee notes that a project risk analysis, or Monte Carlo simulation, will be conducted by the independent risk assessment firm and trusts that the relevant results and requirements will be incorporated into the overall construction contract, as necessary. The Committee looks forward to an update thereon in the context of the next project report.**

10. The Secretary-General indicates that, in order for the design to ensure equitable access to the building, the project management team is participating in the regular meetings of the ECA accessibility task force and sharing best practices with other United Nations offices. In that connection, the Advisory Committee was informed, upon enquiry, that a study of international accessibility standards had been conducted by the design consultant to ensure that recommendations made for the Africa Hall renovation concerning accessibility were in line with international best practices and reflected the progressive nature of accessibility legislation (see also para. 24 below).

Financial requirements

11. An overview of estimated project costs, including on the revised cost plan, the status of expenditures for the biennium 2016–2017 and resource requirements for 2018, is provided in paragraphs 61 to 71 of the report of the Secretary-General and in annex II thereto. Table 4 of the report shows the status of actual expenditures as at 30 June 2017, with total projected expenditures for the biennium 2016–2017 amounting to \$5,101,200, resulting in a projected unspent balance of \$8,375,000. Upon enquiry, the Advisory Committee was provided with an explanation of variances for 2016–2017 (see the annex to the present report). Specifically, with respect to an unspent balance in the amount of \$5,059,700 for early decanting work, the Committee was informed, upon enquiry, that the budget line item “construction trade costs” had been divided to include “early/decanting work” and “main construction”, with the projected expenditures for “early/decanting work” amounting to \$400,000 in 2017, resulting in the aforementioned unspent balance.

12. The grand total of the revised cost plan, through the year 2021, has remained unchanged at \$56,896,300; however, as indicated in paragraphs 63 to 67 of the report of the Secretary-General and in annex II thereto, a number of estimates have changed, including, for example, an increase of \$1,042,000 under “main building, visitors’ entrance, infrastructure and external work”. Upon enquiry, the Advisory Committee was informed that the aforementioned increase resulted from the following cost adjustments: increases of \$700,000 for security-related upgrades and design adjustments in response to related recommendations by the Department of Safety and Security, and of \$1 million for the purchase of new furniture in lieu of the refurbishment of existing furniture, offset in part by a decrease of \$658,000 for technical changes and modified user requirements, such as revolving doors for one-swipe entry. **The Committee recalls that, during the implementation of the capital master plan at United Nations Headquarters, significant efforts were**

undertaken to reuse and/or refurbish existing furniture (see, for example, [A/68/551](#), paras. 40 and 41). The Committee recommends that the General Assembly request the Secretary-General to make every effort to reuse and/or refurbish the existing furniture, in order to reduce costs and to avoid the discarding of serviceable items. The Committee looks forward to an update in this respect in the context of the next progress report.

Escalation and contingencies

13. As indicated in annex II to the report of the Secretary-General, the contingency provision amounts to \$8,173,800, reflecting a decrease of \$424,700 from \$8,598,400, and escalation costs amount to \$5,706,400, reflecting a decrease of \$200,000 from \$5,906,400. The Secretary-General indicates that the use of the contingency provision does not yet reflect the preliminary results of the Monte Carlo simulation (see para. 8 above). Upon enquiry, the Advisory Committee was provided with the project contingency table below.

Table 1
Project contingency overview

(United States dollars)

Items from project cost plans	Report of the Secretary-General, 2016 (A/71/370)			Report of the Secretary-General, 2017 (A/72/374)			Contingency spent in 2017
	Annex II line item amounts	Contingency value	Applied contingency percentage rate	Annex II line item amounts	Contingency value	Applied contingency percentage rate	
Early/decanting work (essential lots: Congo Building)	1 850 000	370 002	20	2 050 000	413 666	20	
Main building, visitors' entrance, infrastructure and external work	22 800 000	4 560 025	20	23 842 000	4 811 040	20	7 000
Conference high-technology system/equipment	4 250 000	850 005	20	3 900 000	786 975	20	
Art restoration and exhibition	2 336 000	467 203	20	1 651 000	333 153	20	
Escalation	5 906 400	1 181 287	20	5 706 400	1 151 485	20	
Professional services — design and supervision	5 849 560	1 169 919	20	3 357 360	677 476	20	267 850
Other management costs							149 795
Total	42 991 960	8 598 440	20	40 506 760	8 173 795	20	424 645

14. The Advisory Committee recalls that the contingency provision was estimated at 20 per cent for the Africa Hall project in order to cover unpredictable changes in project costs and that all remaining unused contingency funds should be returned to Member States at the conclusion of the project (see also [A/71/571](#), para. 21). **The Committee reiterates that the contingency estimates should be presented separately from the base project cost, and should be based on the identification of risks associated with the project (see [A/72/7/Add.9](#), para. 12). The Committee trusts that a refined estimation of the project contingency level for the project will be established once the project's Monte Carlo risk analysis is completed and a clearer picture of actual risks emerges. Furthermore, the Committee is of the view that the table above on the use of the contingency provides useful information for Member States, and recommends that the General Assembly**

request the Secretary-General to include such an overview table, with updated information, in future progress reports.

Project governance

15. Matters pertaining to project governance are described in paragraphs 41 to 54 of the report of the Secretary-General. **The Advisory Committee welcomes the fact that the Stakeholders Committee and the Advisory Board have now been established.**

Outreach and voluntary contributions

16. Matters related to voluntary contributions are addressed in paragraphs 36 to 40 and 56 of the report of the Secretary-General. The Secretary-General indicates that no further pledges or contributions have been received since the contribution from Mali in 2016 in the amount of \$52,192 and that, furthermore, ECA has continued exchanges with the host country authorities on the modalities for the provision of the in-kind contribution as part of the requested piece of land to be used for the visitors' parking lot. **The Advisory Committee notes with appreciation the voluntary contributions and encourages the Secretary-General to continue his engagement with all Member States to seek voluntary contributions for the renovation of Africa Hall.**

17. Furthermore, the Secretary-General indicates that, in response to an audit by the Office of Internal Oversight Services, ECA has made efforts to develop a comprehensive resource mobilization strategy. In that connection, and with a view to generating tourism and academic interest in Africa Hall as an African heritage site, the Advisory Committee enquired about the strategy for communications, with respect to the private sector, non-profit organizations and financial institutions, as well as cooperation with the United Nations Educational, Scientific and Cultural Organization and, in particular, with respect to regional outreach activities and regional resource mobilization on the African continent. The Committee was subsequently informed, upon enquiry, that as a first step, it was planned to create a recognizable branding identity and that a consultant had been recruited for this purpose. **The Committee encourages the Secretary-General to increase his efforts to develop a comprehensive and sustainable resource mobilization strategy, with particular emphasis on the African region. The Committee is of the view that additional efforts are needed to raise global awareness of the historic Africa Hall of ECA and the African heritage that it represents, and to cultivate partnerships with international academic and research institutions, including universities and museums, specializing in African history and culture. The Committee looks forward to an update on efforts made and results achieved in this respect in the context of the next progress report.**

Visitors' centre

18. Matters related to the visitors' centre are described in paragraphs 13 to 20 of the report of the Secretary-General. The Advisory Committee notes that the estimated number of visitors, and projected related revenue, with respect to the visitors' centre have evolved, as shown in table 2.

Table 2
Visitors' centre: business case

(United States dollars)

	<i>A/70/363 and A/70/363/Corr.1, para. 41</i>	<i>A/71/370, para. 38</i>	<i>A/72/374, para. 14</i>
Number of annual visitors	73 000	10 400	20 800
Expected gross annual revenue	72 000 to 100 000	82 560	165 100
Start-up and initiation costs (one-time)	Not available	50 000	65 000
Annual operating expenses	Not available	60 200	120 100

19. Furthermore, the Secretary-General indicates that, in the course of its interaction with the Ethiopian Tourism Organization, ECA has obtained further information on current and projected trends regarding the number of visitors to the host country. In addition, ECA will adopt a comprehensive marketing and outreach strategy aimed at leveraging the support offered by the host country and the African Union. Upon enquiry, the Advisory Committee was informed that the number of expected visitors had been revised upward, as the state of emergency in the host country had been lifted, which would have an effect on the promotion of tourism to Ethiopia and, specifically, on visits to ECA and Africa Hall.

20. The Secretary-General indicates that the proposed admission fees have remained unchanged since the issuance of the previous progress report, with fees of \$3 per person for international private students, public school students and senior citizens, and \$10 per person for international tourists and international students. The Advisory Committee was informed, upon enquiry, that the calculation of the expected gross revenue in the amount of \$165,100 was based on the revenue generation models utilized at the Nairobi and Geneva visitors' centres. **The Committee considers that the assumptions used in the revenue generation models at other locations may not be universally applicable and trusts that the Secretary-General will develop a suitable model for ECA.**

21. The Advisory Committee was also informed, upon enquiry, that the estimated number of visitors included persons attending meetings held at the ECA Conference Centre, and also took into account the visitor estimates provided by the Ethiopian Tourism Organization. The Committee recalls that, in Nairobi, approximately 30 per cent of Kenyan visitor groups cancelled their reservations owing to the fees charged, with teachers advising that their students could not afford the \$2 charge per student. Furthermore, the Committee recalls that the General Assembly, in its resolution [70/247](#), stressed that the United Nations was an intergovernmental organization that did not seek profit, and considers that imparting the ideals of the Organization to younger generations in an educational and interactive manner is an important objective of the services to visitors (see [A/72/7](#), para. IS3.9).

22. **The Advisory Committee considers that Africa Hall and its visitors' centre should be made available to all interested visitors, regardless of ability to pay, and that the target audience for the aforementioned planned outreach efforts will include all types of visitors (tourism, educational/academic and conference). Furthermore, the Committee recommends that the General Assembly request the Secretary-General to consider other admission options, including a suggested admission fee, in order to make Africa Hall and the visitors' centre accessible to everyone. The Committee looks forward to an update on these matters in the next progress report.**

IV. Renovation of the Conference Centre

23. In paragraphs 73 to 77 of his report, the Secretary-General indicates that the renovation of the Conference Centre has continued and is proceeding according to plan, with the exception of recarpeting, which is currently four months behind schedule, as the contractor has encountered difficulties in accessing foreign exchange for the importation of new carpets. **The Advisory Committee trusts that the renovation work will be completed on time and as scheduled.**

24. The Secretary-General also indicates that accessible services will be incorporated into the phased renovation of the Conference Centre, including, for example, the installation of redesigned accessible podiums with adjustable lecterns. **The Advisory Committee looks forward to updates on the implementation of accessibility measures in future progress reports.**

V. Conclusion

25. The actions to be taken by the General Assembly are listed in paragraph 79 of the report of the Secretary-General ([A/72/374](#)).

26. **Subject to its comments and recommendations above, the Advisory Committee recommends that the General Assembly:**

- (a) **Take note of the progress made since the issuance of the previous progress report;**
- (b) **Take note of the revised cost plan for the Africa Hall project;**
- (c) **Appropriate an amount of \$5,700,300 for the project for 2018, comprising \$905,400 under section 18, Economic and social development for Africa, \$4,644,700 under section 33, Construction, alteration, improvement and major maintenance, and \$150,200 under section 34, Safety and security, of the proposed programme budget for the biennium 2018–2019, which will represent a charge against the contingency fund.**

Annex

Explanation of variances for the biennium 2016–2017*

Section 18

1. Project management teams: the reduction of \$71,600 is due to a longer-than-anticipated recruitment time for the project management team.
2. Consultancies/expertise: the increase of \$40,000 is to cover expenses for expert input on subjects about which the assigned project management team lacks professional knowledge, such as project communications, curatorial themes, audiovisual expertise, etc. It should be noted that such expert input is in line with recommendations of the Office of Internal Oversight Services, as explained in the previous progress report (see [A/71/370](#), paras. 59 and 75 (g)) and taken note of by the General Assembly in its resolution [71/272 A](#).
3. Travel: the increase of \$10,500 is to cover additional travel associated with procurement activities (tender evaluations or project presentations, for example), as reported in paragraph 70 (i) of the report of the Secretary-General ([A/72/374](#)).

Section 33

1. Early decanting work: the amount of \$5,059,700, which is projected to remain unspent at the end of 2017, is due to progress made on the design development and to the adjustments made to the overall contracting/procurement strategies, following which the line item “construction trade costs”, reflected in the progress report issued at the seventieth session ([A/70/363](#) and [A/70/363/Corr.1](#)), was split into the line items “early/decanting work” and “main construction” in the updated project budget reflected in the progress report issued at the seventy-first session ([A/71/370](#)). The projected expenditures for the 2017 portion of the “early/decanting work” is \$400,000, which, when compared with the baseline, finally results in the projected unused balance of \$5,059,700 set out in table 4 of the report of the Secretary-General.
2. Main construction: in line with the explanations above, the 2017 portion of the line item “main construction” in table 4 did not yet exist when the budget baseline was established during the seventieth session. Therefore, compared with the baseline of two years ago, the current estimate is reflected in table 4 as a projected increase.
3. Escalation: the escalation provision of \$742,200, shown in the baseline budget from the seventieth session, was not needed for pre-construction activities, as explained in paragraph 75 (b) of the progress report issued at the seventy-first session ([A/71/370](#)), and is now incorporated into the escalation provision for construction activities, as shown in annex II to the report of the Secretary-General.
4. Professional services — design and supervision: the reduction of \$852,400 is due to the change in scheduled construction activities to which these services relate, as well as adjustments made to the procurement strategy with the consequent postponement of design services (for example, activities related to the audiovisual design work or the design for the permanent exhibition).
5. Professional services — risk management: the increase of \$53,500 is to cover the provision of independent risk management services by a professional firm, an item that was not budgeted in the progress report issued at the seventieth session ([A/70/363](#) and [A/70/363/Corr.1](#)) but is needed to implement the request made by the

* See [A/72/374](#), table 4.

General Assembly in paragraph 13 of section IX of resolution [70/248](#) A. It should be noted that this increase is absorbed from within the maximum overall cost for this project approved by the Assembly.

6. Contingency: an amount of \$1,853,100 is projected to remain unspent in 2017 and will remain in the contingency budget line item for future years, in accordance with the decision made by the General Assembly in paragraph 18 of section V of resolution [71/272](#) A.
