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Proposed programme budget for 2021

Progress in the renovation of Africa Hall at the Economic Commission for Africa in Addis Ababa

Sixteenth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for 2021

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on progress in the renovation of Africa Hall at the Economic Commission for Africa in Addis Ababa ([A/75/319](#)). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General online, who provided additional information and clarification, concluding with written responses dated 5 November 2020.

2. The renovation of Africa Hall is one of the near-term major construction projects identified in the report of the Secretary-General on the strategic capital review.¹ The report of the Secretary-General ([A/75/319](#)), submitted pursuant to section X of General Assembly resolution [74/263](#), provides an update on the project since the issuance of the previous progress report of the Secretary-General ([A/74/328](#)), including design development, procurement activities, project governance, risk management, progress in construction and the status of voluntary contributions. The report also contains an updated project schedule and a revised cost plan.

¹ The Advisory Committee has provided related observations and recommendations in its report on the strategic capital review ([A/72/7/Add.9](#)). In its previous reports on the renovation project at the Economic Commission for Africa, the Committee addressed a number of specific matters ([A/72/7/Add.26](#), [A/73/616](#) and [A/74/7/Add.19](#)).



II. Progress in the renovation of Africa Hall

Cooperation with the Government of the host country and other Member States

3. In his report, the Secretary-General indicates that in December 2019, two agreements were signed, one with the City of Addis Ababa and the other with the Government of Ethiopia, for the use of parcels of land adjoining the compound of the Economic Commission for Africa (ECA) in Addis Ababa. The land is leased by ECA for a period of 60 years at no cost and will be used to develop the future visitors' parking space (A/75/319, para. 35). With regard to the mobilization of voluntary contributions, the Secretary-General provides information on the contributions received at the time of writing for the renovation project and the efforts by ECA to showcase and promote the project, including a resource mobilization strategy (ibid., paras. 36–41). Upon enquiry, the Advisory Committee was informed that the resource mobilization expert was hired in February 2020 to support the development of a detailed resource mobilization plan, which would include a solid understanding of the options available to the various internal and external stakeholders to support the project. As a result of the coronavirus disease (COVID-19) outbreak in March 2020 and the actions undertaken by the host country and ECA to contain or minimize any negative impact related to that outbreak, the expert's services were placed on hold and ECA will provide a detailed resource mobilization plan to the General Assembly at its seventy-sixth session, provided the expert is able to resume her services by the end of 2020.

4. **The Advisory Committee expresses its gratitude to the host country for its support to ECA and trusts that the Secretary-General will continue to engage with the host country to ensure the success of the project. Furthermore, the Committee encourages the Secretary-General to also continue to engage with other Member States to seek voluntary contributions and other forms of support for the project, and trusts that a detailed resource mobilization plan will be provided to the General Assembly at its seventy-sixth session.**

Project governance and management

5. In his report, the Secretary-General provides the project governance structure and includes details of the meetings with the stakeholders committee and advisory board (ibid., paras. 7–17). The project owner is the Executive Secretary of ECA, and the project governance structure for the overall management of the project is as follows: (a) meetings of the stakeholders committee to keep the project owner and key organizational stakeholders updated and informed about current project progress and risk exposure and to support their high-level decision-making; (b) meetings of the Advisory Board to provide input and advice regarding a number of matters; (c) coordination with the Global Asset Management Policy Service at Headquarters through regular meetings, general project oversight, technical guidance and advice; and (d) consultations with an independent risk management firm, which is working on four United Nations construction projects (ECA, the Economic Commission for Latin America and the Caribbean, the Economic and Social Commission for Asia and the Pacific and the United Nations Office at Nairobi) and has signed a contract to continue until November 2024.

6. In terms of staffing and consultants, paragraphs 18 to 24 of the report of the Secretary-General contain details of the temporary positions in the project management team approved by the General Assembly in its resolution 70/248 A for final project completion by the end of 2021, namely, a Project Manager (P-5) and a

project team comprising an Architect/Engineer (P-4), a Procurement Officer (P-3), an Architectural/Civil/Structural Engineer (National Professional Officer), a Mechanical/Electrical Engineer (National Professional Officer), a Clerk of Works (National Professional Officer), a Finance and Budget Assistant (Local level), a Logistics and Shipping Assistant (Local level) and an Administrative Assistant (Local level). The Secretary-General indicates that, given the accrued delays to date and to ensure the continuation of appropriate day-to-day management of the project, there will be a need to extend the provision of dedicated project management services in accordance with the revised project schedule. The Secretary-General proposes that an additional dedicated temporary project position of Contracts Manager (P-3) be established, beginning in 2021 and continuing for the duration of the project, to strengthen and support the dedicated project team until the forecasted substantial project completion at the end of September 2023 (*ibid.*, para. 22). Upon enquiry, the Advisory Committee was provided with information regarding the functions of the position, including the contract administration services to be provided and the information that a number of the reduced lead consultant firm services were anticipated to be delivered by the dedicated project team, including the new Contracts Manager (P-3).

7. The Secretary-General also indicates in his report that, at the time of writing, the lead consultant firm had been assigned the delivery of a variety of site administration services during the implementation of the construction works and that in order to potentially reduce costs, ECA intends to perform, through the dedicated project team, some of the services that were initially foreseen to be delivered by the lead consultant. At the time of writing, ECA had been renegotiating the contractual service delivery with the lead consultant firm (*ibid.*, para. 21).

Project schedule and risk management

8. Details regarding the overall project schedule are described in the report of the Secretary-General (*ibid.*, para. 65 and figure III). The Secretary-General indicates that the project implementation strategy comprises the following five packages: (a) early decanting works; (b) main renovation works; (c) conference and information technology systems; (d) artwork restoration; and (e) the permanent exhibition (*ibid.*, para. 42).

9. Regarding the early decanting works, the Secretary-General indicates that, owing to the COVID-19 pandemic, the contractor suspended activities on 25 March 2020, with a completion rate at that time of approximately 95 per cent. Although not currently on the critical path for the overall project schedule, the early works component was due in October 2019. However, the contractor caused various implementation slippages and submitted several claims, which are being reviewed for settlement (*ibid.*, para. 43). Upon enquiry, the Advisory Committee was informed that the implementation of the remaining 5 per cent was expected by early 2021 and that ECA had not yet paid the contractor the entire value of the services delivered. The Committee was informed that the payable amount upon project completion was higher than the value of 5 per cent of the contract. The remaining payments for the early decanting works were forecasted to amount to \$320,200, with expenditures for early decanting works in the amount of \$281,000 forecasted in the second half of 2020, and in the amount of \$39,200 early in 2021, comprising \$32,100 for early works and \$7,100 for infrastructure works.

10. The Advisory Committee was also informed that the early decanting works contract became effective in January 2018 and ECA granted the contractor access to section 1 of the worksite on 12 April 2018, and to section 2 on 16 May 2018. Owing mainly to the contractor's poor understanding of the contract's technical documentation and lack of professional planning, various schedule slippages took place during the

reporting period. As a result, the early decanting works have still not been substantially completed and, despite the slippages caused, the contractor submitted several claims and requested approval of various requests, including additional execution time, reimbursement for services, efforts and/or materials that the contractor argued were not covered by the contract.

11. Regarding the main renovation works, the Secretary-General notes that, as indicated in his previous progress report (A/74/328), the contract was awarded to a joint venture and became effective on 10 May 2019. Although the contract was scheduled for completion in December 2021 at a cost of \$28,209,500, the lead company in the joint venture declared bankruptcy and the remaining joint venture companies could neither meet the terms of the contract nor name an acceptable replacement. Consequently, ECA decided to terminate the contract in February 2020. A resolicitation process is currently under way and a new contractor will be signed by April 2021, delaying the completion date by 22 months, to September 2023 (A/75/319, paras. 4, 44 and 45). **The Advisory Committee expresses concerns about the significant delays due to the default of the joint venture and trusts that all applicable procurement rules will be followed for the new contract of the main renovation works and that the lessons learned and good practices from other construction projects will be applied.**

12. Details with regard to risk management are described in the report of the Secretary-General (*ibid.*, paras. 27–33). Regarding the quantitative analysis of risks (Monte Carlo simulations),² the Advisory Committee recalls that the second Monte Carlo simulation, presented in the previous report of the Secretary-General, showed that, at the United Nations “P80” benchmark level,³ the project would be expected to come in at approximately \$58.17 million, or \$1.26 million over the estimated cost of \$56.90 million. The previous report of the Secretary-General indicated that there was a lower level of confidence (69 per cent, compared with the previous confidence level of 75 per cent) that the project would be completed within the estimated costs (A/74/328, para. 29 and figure I). A third Monte Carlo simulation for the project was conducted in 2020, and shows a likelihood of delivering the project within the maximum approved overall cost of \$56.9 million at 43 per cent, owing mainly to the projected additional schedule delay of 22 months and the resulting costs and impact of the COVID-19 pandemic. The top five risks identified in the cost sensitivity analysis as at June 2020 are as follows: (a) risk related to COVID-19; (b) main building works; (c) owner-directed design changes/modification; (d) contractor disputes/performance issues; and (e) conference and information technology systems (A/75/319, paras. 29, 30 and 32).⁴

13. With regard to owner-directed changes, the Secretary-General indicates that this risk relates to owner requirements that may emerge following the established baseline design and construction documents and new requirements that could potentially result in additional costs if scope adjustments become necessary during the project implementation. To mitigate this risk, the renovation project team has involved key organizational stakeholders closely from the outset of the project and will maintain

² 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 runs multiple random project scenarios (A/74/7/Add.19, footnote 2).

³ The “P80” benchmark is a target confidence level that the project cost will not exceed the total cost 80 per cent of the time.

⁴ The Advisory Committee recalls that, as of May 2019, the top five risks were as follows: (a) owner-directed changes (late design requirements); (b) owner-directed changes (optional scope); (c) schedule delays; (d) conference and information technology systems; and (e) contractor disputes/performance issues (A/74/7/Add.19, para. 11).

this engagement until project completion to ensure that the expected benefits are protected and will be delivered upon acceptance of the final project deliverables (ibid., para. 32 (c)).

14. With regard to conference and information technology systems, the Secretary-General notes, as he did in his previous report (A/74/328), that this risk relates to costs that could arise from expanding the scope for services related to the conference and information technology systems and networks package, and that such expanded scope would make the renovated Africa Hall a benchmark for the further development of the campus-wide information technology infrastructure. He indicates that this risk would be considered an owner-directed change/modification and is identified separately because it was specifically known and assessed when the Monte Carlo simulation was performed (A/75/319, para. 32 (e)). Upon enquiry, the Advisory Committee was informed that the impact of the 22-month delay was estimated at \$3,277,700. The increased costs comprised the forecasted changes to line items 2.1 (Lead consultancy firm) and 2.3 (Other services) under section 33, Construction, alteration, improvement and major maintenance; line items 5.1 (Dedicated project management and support team), 5.2 (Dedicated coordinator at Headquarters) and 5.3 (Consultancies and expertise) under section 18, Economic and social development in Africa; and line item 6 (Security requirements) under section 34, Safety and security, as explained in footnotes d, e, g, h, i and j of the annex to the report of the Secretary-General, entitled "Revised cost plan". Upon further enquiry, the Committee was informed that the design related to the conference and information technology systems was developed in cooperation with end users and organizational stakeholders. The Committee was also informed that the lead design firm estimated that the delivery of a design that fully addressed all organizational user requirements would cost \$6.6 million, which exceeded the current cost estimate of \$3.9 million shown under item 1.3 of the annex to the report of the Secretary-General, and that in order to mitigate the risk, the related contract would be assigned in a way that would allow a tailored implementation of the works that met budgetary constraints. **The Advisory Committee notes the original design cost and is concerned that the final cost of the conference centre, including the information technology systems, may exceed the current estimates and trusts that the Secretary-General will closely monitor the project and provide an update in the context of the next progress report.**

Coronavirus disease pandemic risk mitigation measures

15. The Secretary-General indicates that integrated risk management continues and that potential safety measures and/or changes in the method to be applied during the future main renovation works implementation because of the current COVID-19 pandemic, such as social distancing measures on the construction site that might slow down overall progress, also apply pressure on the confidence level for delivering the project within budget (ibid., para. 30). The Advisory Committee notes that the COVID-19 pandemic is among the top five risks. The Secretary-General indicates that as of August 2020, it was still too early to fully understand the entire range of potential risks and consequences of the COVID-19 pandemic. As a result no specific mitigation measures have been assigned to risk owners. There is also a risk that the main building works will be resolicited at costs that differ from the current cost estimates in the current COVID-19 pandemic environment. A resolicitation of the main renovation works package by using a "multi-stage" tendering procurement process is being undertaken as a risk mitigation measure. It is also indicated in the report that, because the project is a heritage preservation of a monumental building, it is not expected that the scope of the project would change as a result of the pandemic (ibid., paras. 32 (a) and (b)). **The Advisory Committee recognizes the fluid situation of the COVID-19 pandemic and trusts that the Secretary-General will provide a status update on the potential impact to the General Assembly at**

the time of its consideration of the present report and in the context of the next progress report (see also [A/75/7](#), para. XI.9).

16. Notwithstanding the accrued delays, the Secretary-General remains confident that, by employing additional risk mitigation measures and value engineering, the project will remain within the maximum overall budget of \$56.9 million approved by the General Assembly ([A/75/319](#), summary and para. 5).

17. The Advisory Committee recommends that the General Assembly request the Secretary-General to closely monitor the management of the project and mitigate project risks, ensure the delivery of the project within the scope and budget and revised timeline and include in the next progress report an update on risk management and the related mitigation measures, including with regard to the impact of the COVID-19 pandemic.

Use of local materials and knowledge

18. Details regarding the use of local materials and knowledge are described in the report of the Secretary-General (*ibid.*, paras. 49, 50 and 53). As indicated in the report, ECA has continued to engage with academic institutions and individuals in Addis Ababa to allow them to provide input on the background and historical documents relating to pan-Africanism, including organizing workshops with local institutions and scholars from Addis Ababa University, the Authority for Research and Conservation of Cultural Heritage, the African Union Commission and the host country to collect expert knowledge and information in support of the heritage objectives of the project. **The Advisory Committee reiterates the importance of ensuring the use of locally sourced and manufactured materials, as well as local labour and expertise, and looks forward to updates thereon in future progress reports.**

Energy efficiency strategy and related cost savings

19. Details regarding the project's energy efficiency strategy are described in paragraphs 59 and 60 of the report of the Secretary-General. The Secretary-General indicates that ECA will begin to measure and record energy consumption in the new permanent spaces created with the early works package, upon handover, and create a consumption baseline six months after the handover of that package. The consumption baseline will then be used as a benchmark for monitoring user habits and identifying potential efficiency gains during regular, future operations of those spaces. Metering zones will be established and bulk meters installed to measure and record the total water and energy consumption for the renovated Africa Hall, and for selected subzones, such as the assembly hall or the new visitors' centre. ECA will start to record water and energy consumption of the building upon completion of the project and create consumption baselines six months after handover of the renovated Africa Hall, which will assist in optimizing future energy consumption patterns and operations.

20. The Advisory Committee recommends that the General Assembly request the Secretary-General to include in the next progress reports more information on the energy efficiency strategy and related cost savings of the ECA project. Furthermore, with regard to the sharing of best practices and applicable lessons learned in all aspects of the project, the Committee reiterates that knowledge gained at other United Nations construction projects should be shared for possible application at ECA (see also [A/74/7/Add.11](#), para. 22).

III. Project expenditures and anticipated costs

21. Details on project expenditures and anticipated costs are provided in paragraphs 66 to 70 of the report of the Secretary-General, where he indicates that, in its resolutions [71/272 A](#), [72/262 A](#), [73/279 A](#) and [74/263](#), the General Assembly appropriated \$36,541,700 for the project for the period 2016–2020.

22. The Secretary-General indicates that the cumulative expenditure as at 31 July 2020 was \$11,005,400 and the projected expenditure for the remainder of 2020 amounted to \$1,232,200. The relatively low level of expenditure is due to the fact that the main renovation works package, the largest works package of the Africa Hall renovation project, was not delivered as planned. A balance of \$24,313,100 is projected to remain unused at the end of 2020, owing to the termination and resolicitation of the main renovation works contract during the reporting period ([A/75/319](#), paras. 67 and 68 and table 1).

23. Details of the total projected resource requirements for 2021 in the amount of \$17,832,700 are provided in paragraph 69 and table 2 of the report and comprise:

(a) \$1,108,400 under section 18, Economic and social development in Africa, to provide for: (i) the continuation of the current dedicated management team, the cost of one additional temporary position of Contracts Manager (P-3) and 50 per cent of the cost of the Project Coordinator (P-4) position based at Headquarters (cost-shared with the replacement of office blocks A to J at the United Nations Office at Nairobi) (\$981,400); (ii) individual consultants providing expert knowledge to support the dedicated project team upon demand (\$120,000); and (iii) travel of the project management team, which will be limited to the minimum required and also reflects the estimated impact of travel restrictions owing to the COVID-19 pandemic (\$7,000);

(b) \$16,541,700 under section 33, Construction, alteration, improvement and major maintenance, to provide for: (i) construction costs (\$13,003,000) to finalize the early decanting works and for the implementation of the main renovation works, the conference and information technology systems and networks installation works and the artwork restoration works; (ii) professional services (\$635,200), including services of the lead consultant to finalize the design and support the dedicated project team in construction management and construction supervision activities, and the professional risk management firm and other services, such as third-party consultants to provide independent opinions on the design development or other subjects for which an outside assessment provides value; (iii) an escalation provision (\$1,373,800) to cover construction-specific inflation impacts; and (iv) a contingency provision (\$1,529,700) to cover inherent risks in case they materialize;

(c) \$182,600 under section 34, Safety and security, for security services provided by the six security officers.

24. The Secretary-General indicates that \$17,823,700 will be funded from appropriations and assessments already made in previous years on Member States. Given that the project funding is recorded under a multi-year construction-in-progress account, approved by the General Assembly in its resolution [70/248 A](#) (sect. IX, para. 27), the anticipated unused balance of \$24,304,100 at the end of 2020 will be carried forward and cover the funding requirements in 2021 ([A/75/319](#), para. 70). Upon enquiry, the Advisory Committee was informed that, as at 30 September 2020, the projected unused balance would remain unchanged at \$24,304,100 compared with the balance as at 31 July 2020. **The Advisory Committee trusts that an update on the unused balance will be provided to the General Assembly at the time of its consideration of the present report.**

IV. Conclusion

25. The recommendations of the Secretary-General on proposed actions to be taken by the General Assembly are set out in paragraph 72 of his report. **Subject to its recommendations and observations above, the Advisory Committee recommends that the General Assembly:**

- (a) **Take note of the report of the Secretary-General;**
 - (b) **Approve the establishment of one new temporary project position (Contracts Manager (P-3)), beginning in 2021.**
-