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### Proposed programme budget for the biennium 2016-2017

## **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-second report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for the biennium 2016-2017**

#### **I. Introduction**

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on progress in the construction projects at the Economic Commission for Africa in Addis Ababa (A/70/363 and Corr.1). 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 5 November 2015.

2. Pursuant to section V of General Assembly resolution 69/262, the report of the Secretary-General provides an update, since the issuance of his previous report (A/69/359), on the completion of the ancillary projects, following the substantial completion of the construction of the new office facilities at the Economic Commission for Africa (ECA) in Addis Ababa and their full occupancy in August 2014. The Secretary-General's report also provides an update on the renovation of conference facilities at the Commission, including actions taken for the renovation of the Africa Hall building and ongoing renovation work at the United Nations Conference Centre.

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\* Reissued for technical reasons on 27 November 2015.



## II. Update on the construction of new office facilities

### *Construction progress*

3. The Secretary-General indicates that the construction of the new office facilities was substantially completed on 19 June 2014 and the premises were fully occupied by August 2014. The building, which houses over 650 staff, was renamed the Zambezi Building in early 2015. The Secretary-General also indicates that the continued support of the host country has been critical in the successful execution of the new office facilities project throughout its implementation, and has been essential in overcoming most logistical difficulties (see [A/70/363](#) and Corr.1, paras. 6, 9 and 16). **The Advisory Committee welcomes the continued support provided by the host country throughout the construction of the new office facilities.**

4. The Secretary-General further indicates that the substantial completion of the building was followed by a defects liability period of one year, during which the contractor was obligated to correct items agreed to be executed after occupancy, as well as any defects detected thereafter (*ibid.*, para. 9). The Advisory Committee recalls that the Secretary-General, in his previous report ([A/69/359](#)), indicated that a total of 5 per cent of the agreed contract cost would be retained during the defects liability period of one year, during which the contractor could finalize minor outstanding defects (see [A/69/415](#), para. 4).

5. In his current report, the Secretary-General indicates that defects or malfunctions, found by the project team for the new office facilities in coordination with the Facility Management Section of ECA, were documented and handed over to the contractor for correction. The contractor, however, did not fulfil its contractual obligations of correcting the notified defects and malfunctions within the defects liability period. In this connection, the Secretary-General indicates that an independent assessment was commissioned at ECA to provide an impartial opinion and verification of the executed work and to determine if the contractor fulfilled the terms and specifications of the contract. The independent assessment was expected to be finalized by December 2015, pending which, the final completion date for the new office facilities was moved from June to December 2015 (see [A/70/363](#) and Corr.1, paras. 9-11 and 27) (see also paras. 10 and 11 below). **The Advisory Committee is concerned that the delay in full completion of the new office facilities continues, particularly in view of the history of delays and cost escalation. The Committee recommends that the General Assembly request the Secretary-General to ensure that the remaining works are fully completed within the newly defined timeline, and to avoid any further delay or cost escalation.**

### *Ancillary projects*

6. In his previous report, the Secretary-General indicated that the ongoing ancillary projects were expected to be completed by June 2015 and that such projects included the installation of generators and a generator house, the construction of internal access roads, parking, civil and landscaping work, site lighting, sanitary work and interior partitions, of which the generator and transformer houses were substantially completed. The ancillary projects that were outstanding at that time, notably the parking deck, greenery and landscaping, internal access roads and some of the walkways, had to be undertaken during the dry season starting in October 2014 (see [A/69/359](#), paras. 13-18).

7. In his current report, the Secretary-General indicates that the major outstanding ancillary project as of June 2014 was the road works and that after two failed procurement exercises, ECA engaged the Addis Ababa City Road Authority to ensure timely and successful completion of those outstanding items, in particular in preparation for the Third International Conference on Financing for Development, which was held from 13 to 16 July 2015 on ECA premises (A/70/363, and Corr.1, para. 15).

8. The Advisory Committee requested further details concerning the completion of the internal access roads and the parking facility by the Addis Ababa City Road Authority. The Committee was informed that the decision to engage the Authority was taken after thorough consideration and with the full involvement and leadership of the ECA Executive-Secretary. The Committee was also informed that, in view of the impending International Conference on Financing for Development and considering the uncertainties inherent in a new solicitation process, engaging the services of the Authority was the best option available to ECA at that time for the completion of those outstanding works. In this connection, the Secretary-General also indicated to the Committee that the above-mentioned actions were not conducted in conformity with procurement policies and procedures of the Organization. **The Committee is concerned that the internal access roads and the parking facility were completed at ECA without ensuring compliance with the procurement policies and procedures of the Organization. The Committee recommends that the General Assembly request the Secretary-General to entrust the Office of Internal Oversight Services to examine whether the Financial Regulations and Rules and established procurement policies and procedures have been complied with, and to provide, in his next progress report, full details in this regard, including the accountability for such actions. The Committee further expects that the Financial Regulations and Rules and all procurement policies and procedures of the Organization will be strictly adhered to, and that the recurrence of such instances will be prevented.**

#### *Cost estimates*

9. Information on the cost estimates is provided in paragraph 23 of the Secretary-General's report (A/70/363 and Corr.1). The overall estimated cost for the new office facilities remains at \$15,333,200, the same as that indicated in the previous report of the Secretary-General. As at 31 December 2013, overall expenditure amounted to \$12,558,500. Additional expenditures in the amount of \$2,774,700 were incurred in the period from January 2014 to August 2015, and no additional expenditures were anticipated beyond August 2015. Annex II to the report of the Secretary-General provides details on project costs for the construction of the new office facilities.

#### *Potential claims management*

10. The Secretary-General indicates that ECA continued to work with the Office of Central Support Services at Headquarters and also sought the advice of the Office of Legal Affairs regarding the recommended approach to recover costs incurred as a result of the contractor's delays. As indicated in paragraph 5 above, ECA commissioned an independent assessment to determine the extent to which the contractual terms and specifications remained unfulfilled and to indicate any breaches of the contract. The Secretary-General indicates that payments to the contractor in the total amount of \$1,493,100 were outstanding, part of which were

due to the contractor and were withheld by ECA, pending the conclusion of the independent assessment (*ibid.*, paras. 24 and 27).

11. Upon enquiry, the Advisory Committee was informed that the independent assessment entailed a full evaluation of the project, including the performance of the ECA project team. The assessment, funded from available resources at ECA, other than the dedicated project funds, was expected to provide the Organization with an opinion, supported by financial data, concerning any amounts that could be claimed by ECA from the amount that was due to the contractor, but for which payment was withheld. **The Committee recalls the request made by the General Assembly in its resolution 69/262 to the Secretary-General to pursue his efforts to bring this matter to a swift conclusion and to provide an update in his next progress report.**

#### *Occupancy and rental income*

12. Upon enquiry, the Advisory Committee was informed that the tenants, as reported in the previous report of the Secretary-General, continue to occupy the new office facilities.<sup>1</sup> The Secretary-General indicates that the amount of \$1 million received from the United Nations Office to the African Union (UNOAU) and the African Union-United Nations Hybrid Operation in Darfur (UNAMID) translates into approximately 35 months of pre-paid rent at the current rate. In this connection, the Committee recalls that the General Assembly, by its resolution 65/290, approved the financing for the construction of an additional floor in the new office facilities at ECA in the total amount of \$1 million, comprising \$850,000 from the support account for peacekeeping operations in respect of UNOAU and \$150,000 from the budget for UNAMID. The Committee also recalls that these amounts had to be provided in return for office space within the new office facilities, when completed (see [A/65/827](#), para. 91, and [A/66/7/Add.3](#), para. 12). The Secretary-General further indicates that for the remaining tenants, the rent is estimated to be \$1,146,500 in 2015 and \$1,160,500 in 2016. Upon request, the Committee was provided with the details regarding the space occupied by each tenant and the corresponding rent paid, as reflected in the table below.

<i>Tenant</i>	<i>Occupied area (rentable area in square metres)</i>	<i>Number of months</i>	<i>Unit rate (United States dollars/ m<sup>2</sup>/month)</i>	<i>Total amount (United States dollars)</i>
UNOAU/UNAMID	2 486.19	12	11.47	342 199.19 <sup>a</sup>
WHO	2 955.83	12	11.47	406 840.44
UNICEF	4 550.67	12	11.47	626 354.22
UNOPS	484.12	12	11.47	66 634.28
UNHCR	338.79	12	11.47	46 631.06
<b>Total</b>				<b>1 146 500<sup>b</sup></b>

<sup>a</sup> To be offset from the advance payment made by UNOAU/UNAMID.

<sup>b</sup> Rounded.

<sup>1</sup> The tenants are: the United Nations Office for Project Services (UNOPS), the United Nations High Commissioner for Refugees (UNHCR) Liaison Office to the African Union and the Economic Commission for Africa, the United Nations Office to the African Union (UNOAU), including the African Union-United Nations Hybrid Operation in Darfur (UNAMID), the World Health Organization (WHO) and the United Nations Children's Fund (UNICEF).

### III. Update on the Africa Hall renovation project

13. The Secretary-General provides updated information and proposals on different aspects of the Africa Hall renovation project, including its scope and schedule, governance structure, cost estimates, resource requirements and next steps for the biennium 2016-2017. The Secretary-General indicates that the main objective of the project is to address the inadequacies related to building safety and functionality and make Africa Hall a rejuvenated facility that will comply with the highest international standards for conference facilities. According to the Secretary-General, as part of preserving and restoring the historical and cultural values embedded in its architecture, the other objective of the project is to include a visitors' centre to make Africa Hall one of the leading tourist destinations in Addis Ababa and highlight its significant role in modern African history (A/70/363, para. 32).

#### A. Project status

##### *Scope*

14. The Secretary-General outlines the project scope in paragraphs 33 to 42 of his report. According to the Secretary-General, the scope of the Africa Hall project continues to consist of the five major components: (a) structural upgrade, essential life and health safety, and building works; (b) Plenary Hall and associated work; (c) external work and landscape; (d) heritage conservation; and (e) Visitors' Centre: screening building, new entrance and reserved parking (*ibid.*, para. 34, and A/69/415, para. 17).

15. The Advisory Committee recalls that in his previous report, the Secretary-General had indicated that the proposed scope of the Africa Hall renovation project included all elements of the Africa Hall Building covering approximately 8,300 m<sup>2</sup> of floor area and approximately 4,500 m<sup>2</sup> of its immediate external landscape. A description of the five main components of the proposed scope of the renovation project is provided in the previous report of the Secretary-General (see A/69/359, paras. 65-80).

16. The Advisory Committee recalls that in the context of requests made by the General Assembly in its resolution 65/259, the Secretary-General had proposed to include a visitors' centre in the Africa Hall Building to highlight its significant role in modern African history (see A/69/415, para. 15). The Committee further recalls that the Assembly, in its resolution 69/262, looked forward to receiving updates on the comprehensive business case study related to the operational activities of the Visitors' Centre proposed by the Secretary-General. In his current report, the Secretary-General provides an update on the business case study of the proposed Visitors' Centre in the Africa Hall Building.

**17. The Advisory Committee recommends that the General Assembly request the Secretary-General to ensure that any change that affects the scope of the Africa Hall renovation project will be presented for the consideration and decision of the Assembly.**

*Visitors' Centre*

18. The Secretary-General's proposals in respect of the Visitors' Centre are included in paragraphs 36 to 42 of his report. According to the Secretary-General the proposed Visitors' Centre supports the plan of ECA to improve communication with its constituents and strengthen partnership and collaboration with Member States as part of its mandate and communication strategy. The proposed Centre is indicated to include a permanent lecture gallery and exhibition space, bookstore and gift shop, and would provide guided tours for the public, school groups and other institutions. The Secretary-General further indicates that the activities at the proposed Centre would include speakers sessions comprising expert talks, lectures and discussions on contemporary and historical topics of relevance to Africa and art and photo exhibits on themes related to the United Nations.

19. Approximately 200 visitors a day are projected for the Africa Hall, with an increase anticipated during major conferences to be held at the United Nations Conference Centre at ECA, the African Union and across Addis Ababa (see [A/70/363](#) and Corr.1, para. 41). Upon enquiry, the Advisory Committee was informed that the number of visitors projected was based on discussions held with the Ethiopian Tourism Organization and derived from the number of visitors to historic sites within Addis Ababa. **The Committee considers that the projections made for the number of visitors to Africa Hall may be conservative, and encourages ECA to increase the number of visitors, including through promotional and other outreach activities.**

20. The Secretary-General indicates that revenue generation from the Visitors' Centre from the combination of the tours, art exhibitions and the speakers programme would sustain the Centre over many years. Upon enquiry, the Advisory Committee was informed that the annual revenue generation from the proposed Centre was currently estimated at \$72,000, which was expected to increase to approximately \$100,000 through promotional efforts during major conferences in ECA and the African Union. The Committee was further informed that the detailed maintenance costs for the Centre were not yet available at this stage of the planning and design process. For promoting the Africa Hall as a tourist destination, the Secretary-General indicates that developing partnerships with organizations, such as Ethiopian Airlines, hotels and the media, would be important. The Committee was informed that formal agreements would have to be developed, in collaboration with the Office of Legal Affairs, to ensure compliance with the regulations and rules of the United Nations. **The Committee expects that any promotional activity for Africa Hall involving private entities should be planned and executed in full compliance with United Nations regulations and rules.**

21. **The Advisory Committee considers that the business case study related to the Visitors' Centre should include, among other things, clearly formulated objectives, the total cost projections for the start-up and initiation and for the period thereafter, estimated annual operational costs and revenue generation, direct and indirect benefits to the Organization and the public, and a plan for realizing such benefits.**

22. **The Advisory Committee is of the view that the updates related to the business case for the Visitors' Centre provided by the Secretary-General do not reflect the above-mentioned details, which should be derivable from a well-developed business case. The Committee therefore trusts that such details will**

be provided to the General Assembly at the time of its consideration of the Secretary-General's report and will be reflected in the next progress report of the Secretary-General.

## B. Project schedule

23. According to the Secretary-General, the project is proposed to be implemented in five stages over a period from 2011 to 2021, of which the first two stages, preparation and design, are completed. The Secretary-General further indicates that the third stage, pre-construction, which includes tender documentation, has started. The fourth and fifth stages comprise construction and project close-out (*ibid.*, para. 33). A timeline for the proposed project schedule is set out in figure II of the report.

24. The Advisory Committee recalls that, pursuant to the request of the General Assembly in its resolution 65/269, a local consultancy firm was engaged in July 2012 to conduct an assessment and develop the scope of work needed for the Africa Hall renovation. However, the local firm was not able to complete the assignment. In 2013, with the assistance of the Office of Central Support Services, ECA issued another invitation for bids for design services and engaged an international consultant to carry out a detailed condition assessment, establish the required work and provide an overall cost estimate for the renovation of Africa Hall. The consultant commenced work on stage 1, preparation, and stage 2, concept and design development, in February 2014 and completed work in June 2014. On the basis of the work carried out during the two stages, the consultant developed the scope, budget and schedule of the project (see [A/69/415](#), paras. 16 and 17, and [A/69/359](#), para. 62).

25. In his current proposal, the Secretary-General indicates that the international consultant who developed the project scope, cost estimate and schedule during stages 1 and 2 of the project, was re-engaged for the remaining three stages of the project, as a result of which, the tender documentation and construction stages were anticipated to be accelerated, which would lead to the completion of the project in 2021 (see [A/70/363](#) and Corr.1, paras. 62 and 63).

26. The Secretary-General indicates that the delay resulting from the repeated solicitation processes for contract awards at the beginning of the project led to delays to the original envisioned renovation schedule. Upon enquiry, the Advisory Committee was informed that, having encountered the above-mentioned delay in its construction projects, ECA planned to take specific measures to avoid a recurrence of such delays. The measures included, accelerating the recruitment of the dedicated project management team, maintaining regular communication with the relevant host country government offices to facilitate a smooth process for importing materials and setting up an effective method to track such imports.

**27. The Advisory Committee, drawing upon the lessons from the implementation of the capital master plan project, considers that keeping the Africa Hall renovation project on schedule is critical for avoiding any potential cost overruns and therefore stresses the need to ensure continuous monitoring of the project's progress by the project governance mechanisms.**

### C. Application of lessons learned

28. Upon enquiry, the Advisory Committee was informed that the lessons learned from previous capital projects undertaken by ECA, such as the new office facilities, had been taken into account in the planning of the Africa Hall renovation project. The Committee notes that lessons from the implementation of other capital projects of the Organization have also been taken into account by ECA, particularly in developing the governance structure for the Africa Hall renovation project. In this connection, the Committee recalls that the Board of Auditors, in its most recent report on the capital master plan, notes that by implementing the lessons learned from that project, the Administration will be better placed to support the delivery of future capital projects (see [A/70/5](#) (Vol. V), summary, para. 16). The Board published a paper on lessons from the capital master plan in December 2014,<sup>2</sup> drawing on its wider knowledge of best practice in major projects, in which it highlights some of the more important and systemic lessons which are of direct relevance to future capital projects (see [A/70/441](#), paras. 21-23). The Committee recalls the Board's view that it is vital that major projects make a successful start, as experience shows it is difficult and costly to recover. Best practice is to hold any major project to a very high level of scrutiny and independent expert assurance before any decision is taken to start or to initiate each major phase during the project life cycle. This requires effective governance and decision-making from the outset, with accountabilities and authority aligned and clearly assigned risk and contingency transparently and explicitly at the heart of the delivery strategy, and a collaborative and integrated project team and supply chain (*ibid.*, para. 22).

**29. The Advisory Committee recommends that the General Assembly request the Secretary-General to continue to identify lessons learned, taking into account best practice recommendations compiled by the Board and the experience gained during the implementation of capital projects undertaken by the Organization, and to provide updated information on their application in the context of his next progress report.**

### D. Project governance

30. The proposed project governance and management structure is indicated in paragraphs 47 to 60 and illustrated in annex III of the Secretary-General's report. The Advisory Committee recalls that in his previous report, the Secretary-General proposed the Executive Secretary of ECA as the project owner. In that context, the Advisory Committee was informed that the Director of Administration would serve as the project director and that the project manager and project management team would report to the Office of the Director of Administration (see [A/69/415](#), para. 27). The Secretary-General also proposed that the Assistant Secretary-General for Central Support Services at Headquarters would continue to provide the necessary administrative coordination, technical guidance and senior leadership on project management matters. An Advisory Committee, chaired by the Executive Secretary or a designated representative and an independent technical adviser, reporting to the

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<sup>2</sup> United Nations Board of Auditors, "Lessons from the United Nations capital master plan", December 2014. Available from: [www.un.org/en/auditors/board/pdfs/Lessons%20from%20the%20Capital%20Master%20Plan.pdf](http://www.un.org/en/auditors/board/pdfs/Lessons%20from%20the%20Capital%20Master%20Plan.pdf).

Executive Secretary, or a designated representative, were also proposed as part of the project governance structure (see A/69/359, paras. 98-100).

31. In his previous report, the Secretary-General further proposed the establishment, separate from the project governance structure, of a dedicated project management team comprising eight positions (1 P-5, 1 P-4, 3 National Professional Officer and 3 Local level) to maintain liaison with stakeholders from the Information Technology, Conference Management Services, Security and Safety Services, Facilities Management, and Supply Chain Management Sections on operational and logistical aspects of the project (see A/69/359, paras. 101-107).

32. In his current proposal on the project governance structure, the Secretary-General maintains some of the components included in his earlier proposal while also adding new components. Those that continue to be proposed in the current project governance structure, without change are: the project owner and the Project Director. In respect of the Office of Central Support Services at Headquarters, the Secretary-General provides updated information regarding its role in the project's governance (see A/70/363 and Corr.1, paras. 47, 49 and 50). In addition, the Secretary-General is proposing to include the dedicated project management team under the project governance structure, which, in his earlier proposal, featured separately from the project governance (ibid., paras. 53-56). The new components proposed by the Secretary-General in the project governance structure are: the Stakeholders Committee; the dedicated project support; and an independent risk-management firm.

33. The Secretary-General indicates that the Executive Secretary of ECA, who is the project owner, has designated the Chief of Staff at ECA to manage the oversight and governance of this project, including liaison and interaction with internal and external stakeholders along with strategic issues requiring senior-level decision-making (ibid., para. 47). The Advisory Committee makes observations and recommendations on specific matters related to the proposed project governance framework in paragraphs 34 to 46 below.

#### *Coordination with the Office of Central Support Services at Headquarters*

34. The Secretary-General indicates that ECA, in collaboration with the Office of Central Support Services at Headquarters, is preparing an administration and coordination agreement, which would present the reporting structure, roles and responsibilities, and administrative arrangements for the project between Headquarters and ECA. It is further indicated that the agreement would ensure robust internal project control and quality assurance mechanisms in the context of the scope, cost, schedule and quality of the project (ibid., para. 50). The Advisory Committee recalls that the General Assembly, in its resolution 69/262, requested the Secretary-General to ensure robust internal project control mechanisms in the context of the scope, cost, schedule and quality of the Africa Hall renovation project. **The Committee notes that the internal control mechanism for this project, essential from the earliest stages of the project, remains to be defined and implemented. The Committee therefore recommends that such a mechanism and its functional arrangements be set out in clear terms without further delay and that updates in this regard be provided in the next report of the Secretary-General.**

35. The Secretary-General further indicates that the Office of the Director of Administration at ECA coordinates with the Office of Central Support Services at

Headquarters through quarterly videoconferences and through bilateral discussions, as necessary, and that coordination meetings are held bimonthly regarding the day-to-day project execution. **The Advisory Committee considers that the Office of Central Support Services in New York should be actively involved in overseeing the proposed project at ECA to ensure the central supervision of capital projects, including risk management, and alignment with lessons learned (see also A/70/7/Add.3, para. 22).**

*Stakeholders Committee*

36. The Secretary-General indicates that the members of the Stakeholders Committee are proposed to be drawn from the offices within ECA, such as the Conference Management Section, the Strategic Planning and Operational Quality Division, the Public Information and Knowledge Management Division and the Security and Safety Section. The Secretary-General also indicates that the terms of reference for such a Committee are not yet finalized. The Secretary-General further indicates that periodic updates on the project are proposed to be provided to external stakeholders, such as the Ministry of Foreign Affairs of Ethiopia, the African Union Commission and the United Nations Educational, Scientific and Cultural Organization. **The Advisory Committee expects that both the membership of the Stakeholders Committee and its role in the overall project governance structure will be stated in clear and precise terms and proposed in the context of the next progress report of the Secretary-General.**

*Dedicated project management team*

37. As indicated in paragraph 31 above, the Secretary-General, in his previous report, proposed the establishment of eight positions for the dedicated project management team comprising 1 P-5, 1 P-4, 3 National Professional Officers and 3 Local level staff. Two of those positions (1 P-5 and 1 Local level) were to be established effective July 2015 and the remaining six positions (1 P-4, 3 National Professional Officer and 2 Local level) were to be established effective January 2017 (see A/69/359, para. 107). The Advisory Committee recalls that the General Assembly, in its resolution, 69/262, approved the establishment of the two temporary positions (1 P-5 and 1 Local level) effective 1 July 2015.

38. In his current report, the Secretary-General indicates that the recruitment process for the two positions (1 P-5 and 1 Local level) were delayed (see A/70/363 and Corr.1, para. 53). Upon enquiry, the Advisory Committee was informed that the recruitment processes were now well advanced and expected to be completed soon. **The Committee trusts that both recruitments will be completed without further delay to enable timely support to the project.**

39. The Secretary-General further proposes that the effective date for the establishment of the remaining six positions be 1 July 2016, rather than 1 January 2017 as proposed earlier (ibid., paras. 53, 70 and 81 (c)). According to the Secretary-General, from the lessons learned from the new office facilities at ECA, as well as from the other capital projects of the Secretariat, having a dedicated project management team of an adequate size starting early in the planning stage of the project is essential to ensure the success of a capital project (ibid., paras. 54-55). Upon enquiry, the Advisory Committee was informed that expediting the recruitment of the project team would support the timely completion of detailed design and tender documentation through an early engagement of the full project

management team with the relevant consultants. This would reduce the time required to complete the tender processing, which in turn would lead to speedier awarding of the construction contract.

40. The Secretary-General further indicates that of the eight proposed positions, three positions (1 P-4 and 2 Local level) would be required until 2020, and five positions (1 P-5, 3 National Professional Officer and 1 Local level) would be needed until 2021 (*ibid.*, para. 56).

**41. The Advisory Committee recommends approval of the six positions (1 P-4, 3 National Professional Officer and 2 Local level) for the dedicated project management team, effective 1 July 2016, and trusts that the recruitment process will be expedited at an early stage to ensure full capacity for the project management team.**

*Dedicated project support*

42. The Secretary-General proposes a new project support component in the governance structure, to comprise one Procurement Officer (P-3) and six Security Officer (Local level) positions, to perform functions that are not within the direct authority of the dedicated project management team. These functions are proposed to be managed by the respective support offices in ECA with direct responsibility for the relevant support services. A detailed description of the responsibilities for the staff for the dedicated project support component is provided in annex IV to the Secretary-General's current report. Upon enquiry, the Advisory Committee was informed that the dedicated project support personnel was proposed to comprise staff dedicated to the work of the Africa Hall renovation project, but reporting directly to relevant existing ECA support services for procurement and security. These functions are proposed to be managed directly by the respective support offices in ECA, in coordination with the project team.

43. The Procurement Officer (P-3) is proposed for the period from 1 July 2016 until the end of 2020 (see [A/70/363](#) and Corr.1, paras. 57 and 81 (c) and annex IV). Upon enquiry, the Advisory Committee was informed that during the implementation of the Africa Hall renovation project, the number of solicitations and purchase orders for building materials and related installation services were expected to increase and correspondingly the workload of procurement staff would also increase. **The Committee recommends approval of one P-3 position for a Procurement Officer, effective 1 July 2016, for dedicated project support.**

44. The six Security Officer (Local level) positions are proposed for the duration of the construction, beginning in October 2017 until 2021 (see [A/70/363](#) and Corr.1, paras. 57, 81 (c) and annex IV). Upon enquiry, the Advisory Committee was informed that the existing workforce would not be adequate to secure the construction site of the Africa Hall renovation project and that the additional six security staff would be required to serve in shifts, to provide the required round-the-clock security coverage. **The Committee, taking into consideration that the six Security Officer (Local level) positions are proposed effective October 2017, recommends that, a further review be undertaken of the requirement for Security Officer positions in relation to the project and that a revised proposal be submitted in the next progress report of the Secretary-General. Therefore, the Committee recommends against the approval of the six Security Officer positions at this stage. Any related non-post resources should be adjusted accordingly.**

*Independent risk-management firm*

45. An independent risk-management firm as part of the project governance is proposed to implement a robust integrated approach to risk management, which, according to the Secretary-General, is in line with industry best practices and similar to those proposed for the governance of other substantial capital projects undertaken by the United Nations. The role of the firm in the Africa Hall renovation project is envisaged to include the development of a risk register and a risk-based approach to the establishment and management of the project contingency provision (ibid., para. 58). The Advisory Committee recalls that the General Assembly, in its resolution 69/262, requested the Secretary-General to take appropriate measures to mitigate potential risks and to monitor closely the Africa Hall renovation project in order to avoid any further delay. **The Committee notes the inclusion of the risk management firm in the project governance structure, similar to other capital projects of the Organization, and expects that its role will be more clearly defined, in particular in providing advice on overall risk management for the project and independent project assurance. The Committee looks forward to receiving updates in this regard in the next progress report of the Secretary-General.**

*Advisory Board*

46. The Advisory Committee recalls that the General Assembly requested the establishment of an Advisory Board for the capital master plan project (see resolutions 57/292, 62/87 and 63/270) and strategic heritage plan project (see resolution 69/262). In its resolutions, the Assembly emphasized that the Advisory Board must be independent and impartial, with its membership reflecting a wide geographical representation while ensuring the required expertise. **The Committee is of the view that the establishment of an independent and impartial Advisory Board, made up of representatives of Member States, reflecting a wide geographical representation while ensuring the required expertise, should also be considered to strengthen the governance for the proposed Africa Hall renovation project (see [A/70/7/Add.3](#), para. 21, and [A/70/7/Add.8](#), paras. 12-14).**

**E. Cost estimates**

47. The Advisory Committee recalls that the General Assembly, in section V, paragraph 12, of its resolution 69/262, requested the Secretary-General to submit detailed information on expenditure and total cost estimates of the Africa Hall renovation project. The Secretary-General indicates that the total cost for stages 3 to 5 of the project is estimated at \$56.9 million at current rates, and remains the same as indicated in his previous report ([A/69/359](#)) for the period from 2015 to 2021. The estimated resource requirements for each year as well as the projected expenditures for the biennium 2014-2015 are reflected in annex V to the Secretary-General's current report (see [A/70/363](#) and Corr.1, para. 64).

48. Table 1 of the Secretary-General's report reflects the distinct cost components of the project, namely, construction trade costs, consultancy fees, project management team, travel and physical security requirements. The Secretary-General proposes two allowances for escalation (pre-commencement escalation (39 months)

and construction escalation (36 months)), which are added to the estimated construction cost, at a rate of 4 per cent per annum. A contingency provision of 20 per cent of the estimated construction cost of the project, which includes consultancy fees, is also included in the total cost estimation of stages 3 to 5 of the project. It is also indicated in the Secretary-General's report that various risk factors were considered in arriving at the provision for the project contingency amounts and that a more detailed analysis of the required contingency provision will be provided as the project is further developed (*ibid.*, para. 65).

#### *Project contingency*

49. Upon enquiry, the Advisory Committee was informed that the contingency was factored annually for both the base construction trade cost estimate and the escalation, and that contingency funds would be used to cover unknown risks at the time they occur, if required. The Committee was further informed that as an industry best practice, and drawing from lessons learned from other capital projects undertaken by the Organization, the contingency and the escalation estimates were presented as separate line items in the budget for maximum transparency in reporting.

50. The Advisory Committee notes that the project contingency, in the amount of \$8,736,900, is estimated at 20 per cent of the estimated construction costs, including consultancy fees. The Committee recalls that the Board of Auditors, in its lessons paper (see para. 28 above), points out that contingency should be estimated from the ground up, based on an appreciation of risks and their probable cost impacts and that an additional allowance for unknown risks or costs derived from trend analysis or benchmarking must be made. The Committee also recalls the Board's recommendation that, for future projects of this nature, the Administration develop a risk-based approach to determining, allocating and reporting contingency funds based on best practice in modern project management (see [A/68/585](#), para. 76). **The Committee considers that a contingency amount based on a fixed percentage of the construction cost does not reflect an actual risk-based estimation of the project contingency level. The Committee therefore recommends that the General Assembly request the Secretary-General to refine the estimation of project contingencies by basing it on the identification of risks associated with the different stages of the project, both foreseen and unforeseen, and present the estimated contingencies separate from the base project cost in his next progress report (see [A/70/7/Add.8](#), paras. 44 and 45).**

51. The Advisory Committee recalls the view expressed by the Board of Auditors that a contingency is a specific budgetary provision which is allocated so that a project can quickly address the cost impact of project risks, should they arise, without the need to delay the project and negotiate increased funding. In the Board's view, it is crucial that the Administration not use contingency funding as a device to absorb general increases in project costs and clearly reports how and when such provisions have been used. The Committee also recalls the Board's view that the responsibility for managing and approving the contingency provisions should be with a project governing body, rather than the project team ([A/68/585](#), paras. 77 and 80). The Board, in its most recent report on the capital master plan, observes that there is still no standard approach to contingency management and reporting that must be followed by any capital project of the United Nations (see [A/70/5](#) (Vol. V), annex II).

52. **The Advisory Committee reiterates its view that a systematic approach to managing and reporting on the use of project contingency provisions should be applied so that the unused project contingency amount from one stage of the project is not carried over to the next stage. The Committee recommends that unused contingency amounts be determined and returned to Member States at the completion of each project phase, and not at the completion of the project, as proposed by the Secretary-General (see [A/70/7/Add.8](#), para. 51).**

53. **The Advisory Committee further reiterates its recommendation that the General Assembly request the Secretary-General to improve the management of the contingency provisions by assigning the responsibility for the utilization of the provisions to an appropriate project governing body (see [A/69/580](#), para. 30).**

54. Upon enquiry, the Advisory Committee was informed that the day-to-day management of the contingency fund would be developed within the guidelines for the management of construction projects currently being finalized by the Office of Central Support Services, which would include provisions on the overall contingency management process, such as procedures for the use of contingency funds, approval of charges to the contingency fund and reporting on the use of contingency funds. The Committee was informed that the guidelines, to be completed in December 2015, would have a detailed risk management section covering risk identification, risk analysis, risk response planning (including risk-based contingency estimation) and risk monitoring and control. The Committee recalls that annex II to the report of the Secretary-General on the strategic capital review ([A/69/760](#)) contains information on the lessons learned from capital projects recently undertaken by the Organization. With respect to matters related to capital project contingency provisions and their management and utilization, the Committee noted, in its report on the strategic capital review, that the description contained in paragraphs 23 and 24 of annex II to the report of the Secretary-General was not a full reflection of the best practice recommended by the Board of Auditors in that regard (see [A/69/811](#), para. 14). **The Committee is of the view that the establishment of an Organization-wide policy for the management of construction projects should be considered and detailed guidelines should be derived from such a policy to address, among other things, the contingency requirement in projects in detail, including the presentation of the contingency provisions separately from the proposed project costs, the calculation of the contingency provisions based on risk analysis and the process for return of unused contingency funds.** The Committee makes further observations on the use of project contingency in its reports on other capital projects of the Organization (see [A/70/441](#), paras. 22 and 23; [A/70/7/Add.3](#), paras. 30-34; and [A/70/7/Add.8](#), paras. 41-52).

55. **Subject to its recommendations in paragraphs 50, 52 and 53 above and further review of annual budget performance and cost estimates in the context of the Secretary-General's progress reports on the construction projects at the Economic Commission for Africa, the Advisory Committee recommends approval of \$56.9 million as the maximum overall cost for stages 3 to 5 of the project.**

*Resource requirements for the biennium 2016-2017*

56. Resource requirements for the biennium 2016-2017 are provided in paragraphs 68 to 74 and tables 2 and 3 of the Secretary-General's report. According to the Secretary-General, based on the revised rates for 2014-2015, resource requirements in the total amount of \$13,711,900 were included for the project under section 18, Economic and social development in Africa (\$824,400), section 33, Construction, alteration, improvement and major maintenance (\$12,748,000), and section 34, Safety and security (\$139,500), of the proposed programme budget for the biennium 2016-2017. The Advisory Committee recalls that taking into account that the General Assembly, in its resolution 69/262, requested the Secretary-General to submit detailed information on the total cost estimates with respect to the Africa Hall renovation project in his next annual progress report at the main part of its seventieth session, the Committee recommended against the inclusion of resource requirements proposed for the project in the amounts of \$824,400 under section 18A; \$12,748,000 under section 33; and \$139,500 under section 34 at that stage (see [A/70/7](#), paras. V.18, XI.10 and XII.22).

57. In his current report, the Secretary-General proposes revised resource requirements in the total amount of \$13,476,200 for the biennium 2016-2017 under the three sections, reflecting reduced requirements of \$235,700. Upon request, the Advisory Committee was provided with the revised resource requirements, by section, proposed in the current report of the Secretary-General compared with the resource requirements projected in the proposed programme budget for the biennium 2016-2017, as reflected in the table below.

**Resource requirements for the biennium 2016-2017**

(United States dollars)

	<i>Amount requested in the proposed programme budget for 2016-2017</i>	<i>Amount requested in the current proposal (A/70/363 and Corr.1)</i>	<i>Variance</i>
Section 18, Economic and social development in Africa	824 400	1 253 300	428 900
Section 33, Construction, alteration, improvement and major maintenance (with respect to the ECA Africa Hall project)	12 748 000	12 185 300	(562 700)
Section 34, Safety and security	139 500	37 600	(101 900)
<b>Total</b>	<b>13 711 900</b>	<b>13 476 200</b>	<b>(235 700)</b>

58. The Secretary-General proposes resource requirements by item of expenditure under the three sections of the programme budget as follows (see [A/70/363](#) and Corr.1, paras. 70-74):

(a) Under section 18, the proposed resource requirements (\$1,253,300) comprise: (i) other staff costs (\$1,217,300) to provide for the continuation of the two positions (Project Manager at the P-5 level and Administrative Assistant (Local level)) established in 2015 for the dedicated project management team; the cost of the six positions (1 P-4, 3 National Professional Officer and 2 Local level) proposed

to be deployed from July 2016 for the dedicated project management team; and one position (P-3) for the dedicated project support proposed to be deployed from July 2016 (see paras. 37-44 above); and (ii) travel costs (\$36,000) to cover such costs for Headquarters and ECA staff;

(b) Under section 33, the proposed resource requirements (\$12,185,300) comprise contractual services consisting of consultancy fees (\$3,952,500); construction mobilization and the commencement of the renovation works in 2017 (\$6,201,900); and contingency provisions (\$2,030,900);

(c) Under section 34, the proposed resource requirements (\$37,600) comprise other staff costs to cover the cost of six Security Officer positions (Local level) to secure the construction site from October 2017.

**59. Taking into consideration its recommendations in paragraphs 41, 44 and 55 above, the Advisory Committee recommends approval of the resource requirements in the amount of \$13,438,600 under the proposed programme budget for the biennium 2016-2017 under section 18, Economic and social development in Africa (\$1,253,300) and under section 33, Construction, alteration, improvement and major maintenance (\$12,185,300).**

*Multi-year construction-in-progress account*

60. The Secretary-General proposes the establishment of a multi-year, construction-in-progress account for the Africa Hall renovation project (see [A/70/363](#) and Corr.1, summary). **The Advisory Committee recommends the establishment of a multi-year construction-in-progress account for the expenditures related to the Africa Hall renovation project.**

#### **IV. Update on the renovation and occupancy of the United Nations Conference Centre at Addis Ababa**

61. The Secretary-General provides updated information on the capacity utilization and ongoing refurbishment of the United Nations Conference Centre in paragraphs 76 to 80 of his report. The Advisory Committee recalls that the General Assembly, in its resolutions 69/250 (sect. II, para. 31) and 69/262 (sect. V, para. 15) requested the Secretary-General to continue to explore additional means to increase the utilization of the conference centre of the Economic Commission for Africa. According to the Secretary-General, conference rooms 3 to 6 returned to full capacity in March 2014, and the utilization of the United Nations Conference Centre increased from an average of about 70 per cent over the previous three years to 85 per cent during the biennium 2014-2015 (see [A/70/363](#) and Corr.1, para. 76). **The Committee recalls its request for information on utilization factors based on actual occupancy against existing full capacity for all Secretariat conference facilities (see [A/70/432](#), para. 4).**

62. The Secretary-General further indicates the introduction of a competitive pricing structure, which was based on, among other things, a study of the conference-services market and preventive maintenance. Upon enquiry, the Advisory Committee was informed that ECA hosts both internal and external events in its Conference Centre, of which the external events generate income. The Committee was further informed that the Centre's operations in relation to external

events are based on full cost recovery and that those operations are estimated to break even at a utilization rate of about 80 per cent. **The Committee expects that ECA will continue to make efforts to increase the utilization rate of the Conference Centre.** The comments and recommendations of the Committee on the pricing structure used by ECA for full cost recovery is reflected in its report on pattern of conferences (ibid., para. 5).

63. With respect to the ongoing refurbishment and improvement of the current facilities of the Conference Centre, the Secretary-General indicates, among other things, that the remaining works of recarpeting of conference rooms 1 and 2, design of electrical, mechanical, audiovisual, social media access and videoconferencing upgrades, and the creation of access for persons with disabilities were in progress (see [A/70/363](#) and Corr.1, para. 80). **The Advisory Committee trusts ECA to ensure that the facilities at the Conference Centre comply with accessibility requirements for persons with disabilities.**

## V. Conclusions and recommendations

64. The action to be taken by the General Assembly is set out in paragraph 81 of the report of the Secretary-General. **Taking into account its comments and recommendations in: (a) its report on the proposed programme budget for the biennium 2016-2017 (paras. V.18, XI.10 and XII.22); and (b) its present report (paras. 3, 5, 8, 11, 17, 19, 20-22, 27, 29, 34-36, 38, 41, 43-46, 50, 52-55, 59, 60, 62 and 63), the Advisory Committee recommends that the Assembly:**

(a) **Take note of the progress made since the issuance of the last progress report;**

(b) **Approve the overall project scope, schedule and the amount of \$56.9 million, as the maximum overall cost for stages 3 to 5 of the Africa Hall renovation project;**

(c) **Approve the establishment, effective 1 July 2016, of six temporary positions (1 P-4, 3 National Professional Officer and 2 Local level) related to the dedicated project management team, and one temporary position (1 P-3) for project support, under section 18, Economic and social development in Africa, of the proposed programme budget for the biennium 2016-2017 (see paras. 41 and 43 above);**

(d) **Approve an amount of \$13,438,600 under the proposed programme budget for the biennium 2016-2017 comprising \$1,253,300 under section 18, Economic and social development in Africa; and \$12,185,300 under section 33, Construction, alteration, improvement and major maintenance (see paras. 41, 43 and 44 above);**

(e) **Approve the appropriation under the proposed programme budget for the biennium 2016-2017 of the amounts corresponding to the relevant sections indicated in paragraph 64 (d) above;**

(f) **Approve the establishment of a multi-year construction-in-progress account for the expenditures related to the Africa Hall renovation project.**