United Nations A/72/338*

General Assembly

Distr.: General
15 August 2017

Original: English

Seventy-second session
Item 137 of the provisional agenda**
Proposed programme budget for the biennium 2018-2019

Seismic mitigation retrofit and life-cycle replacements project at the Economic and Social Commission for Asia and the Pacific premises in Bangkok

Report of the Secretary-General

Summary

In section IV of its resolution 71/272, the General Assembly authorized the activities related to all phases of the seismic mitigation retrofit and life-cycle replacements project at the premises of the Economic and Social Commission for Asia and the Pacific in Bangkok, and requested the Secretary-General to submit a progress report to it at the main part of its seventy-second session, outlining, inter alia, project expenditure and total costs of the project.

The present report provides an update on the progress made on the project since the previous report of the Secretary-General (A/71/333), including verification of the initial seismic design, establishment of the stakeholders committee as a key aspect of the overall governance structure, recruitment of the dedicated project management team and sourcing of the lead architectural consultancy services and the independent risk management consultancy services. In addition to seismic mitigation, information on several other design objectives of the project is contained in the report, including space efficiency, energy efficiency and accessibility to persons with disabilities.

The project is on track, with construction estimated to be completed in 2023 within the overall estimated maximum cost of $40,019,000, with minor revisions to the overall cost plan.

It is recommended that the General Assembly take note of the report, take note of the revised project cost plan, approve the establishment of two temporary positions in the project management team and appropriate an amount of $4,116,858 for the project for 2018.

* Reissued for technical reasons on 26 September 2016.
** A/72/150.

17-14069* (E) 270917

I. Introduction

1. The present progress report is submitted pursuant to section IV of General Assembly resolution 71/272, in which the Assembly approved option C for the seismic mitigation retrofit and life-cycle replacements project at the premises of the Economic and Social Commission for Asia and the Pacific (ESCAP) in Bangkok and the proposed scope, time frame, implementation plan and estimated maximum cost of $40,019,000, and requested the Secretary-General to submit to the Assembly at the main part of its seventy-second session a progress report on the implementation of the project, outlining, inter alia, project expenditure and total cost. The report provides an update on the progress made on the project since the previous report of the Secretary-General (A/71/333).

2. The project continues to be implemented in accordance with the previously reported project objectives, with recent developments addressing key accessibility and seismic issues to ensure that the facility meets modern-day life-safety seismic performance objectives, as well as move the facility towards a more inclusive and accessible compound for all persons. The recent refinement and vetting of the seismic structural design by the consultant hired by ESCAP confirmed that the approach to addressing the life-safety deficiencies is appropriate.

3. The present report summarizes the planning and related actions for the project to date and presents an update on: (a) cooperation with Member States and the host Government; (b) project governance, including the stakeholders committee, the working groups and the working relationship with the Office of Central Support Services of the Secretariat; (c) recruitment of the dedicated project team and reassessment of required skills; (d) project progress; (e) the steps being taken to ensure an inclusive and accessible ESCAP facility; (f) further development and finalization of the seismic design; (g) application of lessons learned through collaboration with Headquarters and the host country and follow-up of the recommendations of the Office of Internal Oversight Services; and (h) a revised overall cost estimate based on actual incurred costs and the latest surveys, estimates, analysis and design information.

4. The report also provides information requested by the General Assembly in paragraphs 8, 10, 13, 17, 23 and 24 of section IV of its resolution 71/272, including, inter alia, detailed information on future rental income, energy efficiency considerations, voluntary and in-kind contributions from Member States and measures to mitigate risks, including those associated with currency exchange rates.

II. Progress made during the reporting period

A. Cooperation with Member States and the host Government

Member States

5. ESCAP has briefed and solicited voluntary contributions from Member States on a regular basis. The Commission gave presentations to meetings of the Advisory Committee of Permanent Representatives and Other Representatives Designated by Members of the Commission on 20 January and 30 June 2017 and sent a note verbale to Committee members on 12 January 2017, informing them that the Division of Administration of ESCAP was available to provide detailed information on the project so that Member States could easily identify ways to support the project.

6. ESCAP has also sought contributions of expertise in the form of Junior Professional Officers or staff provided on non-reimbursable loans. ESCAP published a request for Junior Professional Officers in a select range of job families and skill sets on the website of the Department of Economic and Social Affairs of the Secretariat in July 2017 and made a similar request to members of the Advisory Committee of Permanent Representatives on 30 June 2017. ESCAP will review the responses and follow up further with those Member States offering support.

Host country relations

7. ESCAP has continued to engage with the Ministry of Foreign Affairs of the host country to seek its assistance and support for the project. Since the previous report, several meetings have been held between the Division of Administration of ESCAP and the Department of International Organizations of the Ministry of Foreign Affairs of the host country (on 17 June and 11 November 2016 and 30 January, 27 March and 21 June 2017). ESCAP has continued to request support from the Ministry with regard to provisional office space to be used as swing space to temporarily accommodate United Nations staff during the project implementation as well as the possibility of in-kind contributions.

8. During the reporting period, the host country advised ESCAP that the proposed swing space, Building "BC" of the Government Complex at Chaeng Wattana, located approximately 30 kilometres north of ESCAP, was no longer available. The host country suggested an alternative solution in the same area, and discussions of the particulars of the proposal are ongoing.

9. The host country has facilitated coordination between ESCAP and relevant authorities in support of the project by organizing an inter-agency meeting on 27 March 2017 with the Bangkok Metropolitan Authority, the Department of Public Works and Town and Country Planning of the Ministry of the Interior and the Department of Protocol and the Department of International Organizations of the Ministry of Foreign Affairs. The host country also provided information and clarification on rules and regulations relating to implementation of the project.

10. In terms of sharing knowledge and best practices, the host country has proactively supported ESCAP in liaising with various local entities. The Ministry of Foreign Affairs organized a visit on 12 May 2017 to a large multinational company with headquarters in Thailand that has platinum certification in Leadership in Energy and Environmental Design. The ESCAP team learned of the innovative approaches to facility management, change management and technological upgrades adopted by this firm (see also para. 21 below). The host country also facilitated a meeting on 21 June 2017 with the Secretary-General of Thailand's Council of Engineers, where knowledge was shared with the ESCAP team on best practices in seismic retrofitting and construction management in Thailand.

11. Discussions with the host country are ongoing concerning the possibility of the Ministry of Foreign Affairs, the Council of Engineers and other competent agencies in the host country providing technical and general advice to ESCAP as part of the host country's in-kind contributions to the project.

B. Project governance

12. In accordance with the overall project governance structure set out in the previous report of the Secretary-General, which remains unchanged, the project owner is the Executive Secretary of ESCAP. The Executive Secretary has designated the Director of Administration at ESCAP to manage oversight and governance of the project, liaison and interaction with internal and external

stakeholders and strategic issues requiring senior-level decision-making. The day-to-day project execution is under the leadership of the dedicated Project Manager.

Stakeholders committee

13. The stakeholders committee was established in January 2017; the first meeting was held on 17 February 2017. The stakeholders committee meets for ordinary or extraordinary ad hoc meetings. Ordinary meetings will be held on a quarterly basis until completion of the project, scheduled for 2023. The schedule of meetings will be set at the start of each calendar year and coordinated by the Project Manager.

14. The project owner serves as the chair of the stakeholders committee. The role of the committee is to provide advice and guidance on the project to the project owner.

15. Working groups have been established within the stakeholders committee covering the themes of sustainability, accessibility and occupational health and safety. A fourth working group has been established to inform and engage with tenants regarding office relocation and logistic details so as to minimize the impact on tenant agency operations. This working group will function as an adjunct to the operations management team, an existing group that includes all tenant agencies and typically meets every two months at ESCAP. The next stakeholders committee meeting is scheduled for late August 2017.

Coordination and oversight by the Office of Central Support Services at Headquarters

16. The Office of the Director of Administration at ESCAP coordinates with the Office of Central Support Services at Headquarters through quarterly video conferences and through bilateral discussions as necessary.

17. The Overseas Property Management Unit of the Office of Central Support Services is closely engaged with the ESCAP dedicated project management team by means of fortnightly coordination meetings regarding project execution, monitoring and oversight. This collaboration also facilitates the sharing of best practices and lessons learned from various global capital projects undertaken by the Secretariat and enables the team to identify potential project risks at an early stage.

18. An administration and coordination agreement was concluded between the Office of Central Support Services and ESCAP in June 2017. This document defines clearly the reporting structure, roles and responsibilities and administrative arrangements for the project between Headquarters and ESCAP to ensure that robust internal project control and quality assurance mechanisms are in place.

C. Local knowledge and lessons learned

19. In its resolution 71/272, the General Assembly requested the Secretary-General, through the Office of Central Support Services, to take into account lessons learned and best practices from past construction and renovation projects in implementing the seismic mitigation project, and in particular to draw from experience and know-how acquired from other capital projects. Moreover, the Assembly encouraged the Secretary-General to include local knowledge, technology and capacity throughout the implementation of the project. The actions taken in this respect are detailed thematically below.

Accessibility, space planning and change management

20. With regard to accessibility, ESCAP drew on its internal resources, specifically the Social Development Division, and simultaneously reached out to the Office Central Support Services, the Special Rapporteur of the Human Rights Council on the rights of persons with disabilities and the Committee on the Rights of Persons with Disabilities to conduct a compound-wide accessibility assessment at ESCAP premises between 19 June and 7 July 2017. Feedback is being solicited to ensure that ESCAP is following United Nations and global best practices with regard to meeting the requirements of General Assembly resolution 70/170 on an inclusive and accessible United Nations for persons with disabilities.

21. Additionally, with support from the host country, ESCAP personnel visited the premises of a 100-year-old local company with over 55,000 employees, 8,000 of whom are based at the company's headquarters in Bangkok. The headquarters recently underwent a major renovation, including the upgrading of two existing 10-story towers as well as the construction of a new 22-story tower. This renovation project included sustainable design and revised work space planning. Recognizing that there would be resistance to relocating office spaces, the company's management team opted to renovate the existing offices, employing space efficiency measures, as a key change management approach. ESCAP is considering this approach in the development of the project's change management strategy.

22. The facilities director of the local company presented its approach to managing a changing workforce on 20 June 2017 at the International Annual Meeting on Language Arrangements, Documentation and Publications hosted by ESCAP and attended by several staff members of the ESCAP Division of Administration.

23. Additionally, the local company's change to more efficient workspace layouts involved an increase in vertical circulation demands, which led the company to conduct an extensive analysis and to modify its vertical circulation operations. ESCAP has started a vertical circulation study for the secretariat building as a result of this shared local experience.

24. Regarding change management strategies, as coordinated by the Office of Central Support Service, ESCAP is studying lessons learned from the capital master plan and flexible workplace strategies in New York, and "smart working" in Geneva, to implement a new workplace strategy in Bangkok. This strategy will be one of the most significant and visible initiatives to be undertaken by ESCAP, complementing other ongoing business transformation initiatives.

Flexible workplace strategy

25. ESCAP is redesigning the office layouts for the fourteenth floor of the secretariat building to incorporate more open and office informal spaces than the existing layout. This will then serve as a pilot project for implementing flexible workplace strategies based on United Nations best practices, stakeholder feedback and local context. The completed office renovation will be showcased to staff at large to gather their feedback, which will inform the design of a long-term flexible workplace solution. In this regard, ESCAP has reached out to the Office of Central Support Services for guidance on the best practices employed by the United Nations worldwide.

26. Concurrently, ESCAP is preparing to conduct a space utilization study, similar to those carried out at the United Nations offices in New York, Geneva and Vienna. This study will provide key data on the frequency and type of use of existing spaces, which will be used to inform the long-term flexible workplace solution.

Energy efficiency and greening

27. In its resolution 71/272 (section IV, paragraph 10), the General Assembly stressed the importance of including energy efficiencies in the project planning and implementation. ESCAP made inquiries to the local company referred to in paragraph 21 above regarding its energy-efficiency initiatives and its decision to pursue Leadership in Energy and Environmental Design certification, which is the prevailing local practice. ESCAP is currently evaluating whether Leadership in Energy and Environmental Design is an appropriate green building rating system to be applied to the seismic project.

Availability of local materials and construction techniques

28. On 21 June 2017, the Secretary-General of Thailand's Council of Engineers met with an ESCAP team to share information on engineering and construction best practices in Thailand and the recent seismic retrofit project of a local bank headquarters, with particular emphasis on the use of new materials and construction techniques available in Thailand.

29. ESCAP is continuing its engagement with local universities and the Asian Institute of Technology concerning the seismic design, risk assessment and supervision of the construction works.

D. Project management

Project team

30. In its resolution 71/272 (section IV, paragraph 20), the General Assembly approved the establishment of five temporary positions based in Bangkok (1 P-5, 1 P-4, 2 P-3 and 1 Local level) related to the dedicated project management team and project support staff. The recruitment process for those positions has been completed. ESCAP conducted extensive outreach to attract qualified female candidates, sending emails to engineering societies, focal points for women and engineering universities and utilizing recruitment tools such as Linkedin and other social media venues. These outreach efforts resulted in the selection of female candidates for the positions of Procurement Officer at the P-3 level, Civil and Structural Engineer at the P-3 level and Project Manager at the P-5 level. In addition, ESCAP has filled the positions of Project Engineer (P-4) and Project Administrative Assistant (Local level). All of these project staff are already on the ground and contributing to the development of the project with the exception of the Project Manager, who will formally join the team on 1 September 2017.

31. The Project Coordinator (P-4) to be located in the Office of the Central Support Services at Headquarters, whose funding will be cost-shared with the Africa Hall project of the Economic Commission for Africa is expected to be recruited by September 2017. Given that the Africa Hall project is scheduled for completion in 2021, while the seismic project will continue through 2023, cost-sharing arrangements will be reviewed again by the Secretariat near the scheduled completion date of the Africa Hall project.

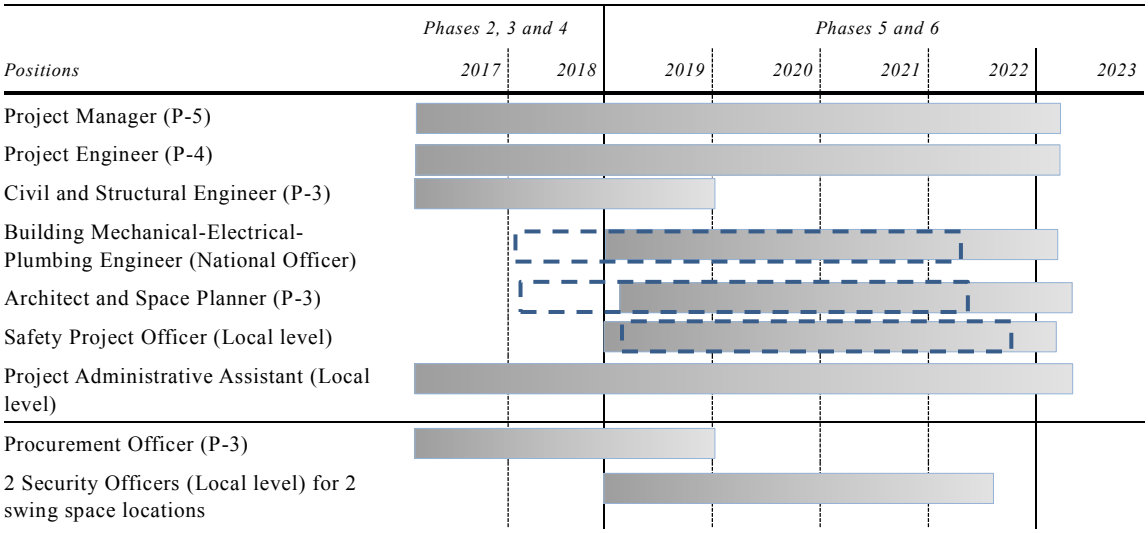
32. ESCAP is continuously reviewing the workload and resource requirements in the current and upcoming phases of the project in accordance with section IV, paragraph 23 of General Assembly resolution 71/272, in which the Assembly requested the Secretary-General to ensure that resource requirements at each stage of the project are based on a thorough review of actual and up-to-date needs on the ground.

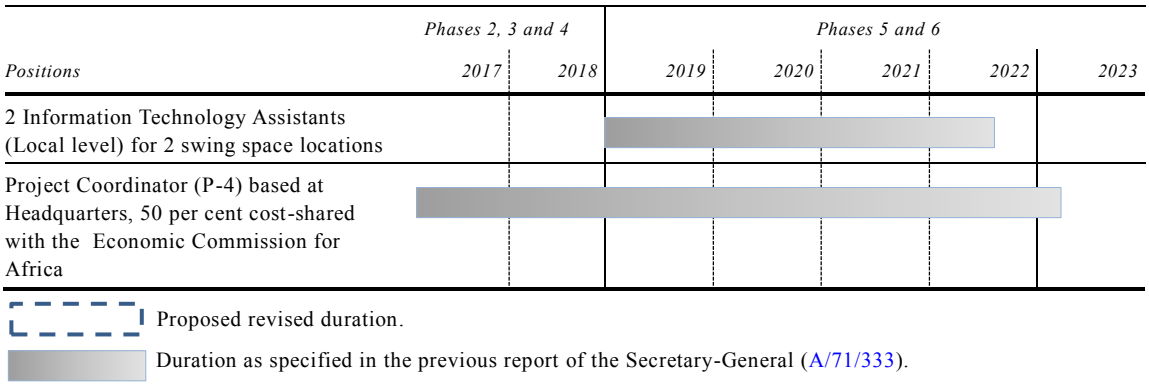
33. In 2018, with the lead consultant firm on board, the work will be focused on the design of the project life-cycle elements, space programming and planning and change management strategy. To provide for effective oversight and monitoring of the lead consultant firm's activities, ESCAP proposes that the following minor adjustments be made to the parameters of the project team as set out in the previous report of the Secretary-General (see A/71/333, sect. V.C and annex III): (a) the position of Logistics and Coordination Officer (National Officer) would be changed to Architect and Space Planner (P-3) with an identical duration of four years and six months, but starting in January 2018 instead of January 2019 and ending in June 2022 instead of June 2023; (b) the work of the Building Mechanical-Electrical-Plumbing Engineer (National Officer) would start in January 2018 instead of January 2019 and end in June 2022 instead of June 2023; and (c) the duration of the Safety Project Officer (Local level) position would be reduced by six months, as this position is not needed during the defect liability period (that is, the first half of 2023).

34. The reason for changing the position of Logistics and Coordination Officer (National Officer) to Architect and Space Planner (P-3) relates to the level of responsibility and the technical skills required to develop and manage the implementation of the flexible workplace change management strategy. This change is also the result of discussions with the Office of Central Support Services regarding lessons learned from other capital projects. Given that, aside from the life-safety issues, the reconfiguration and modernization of the office environment will be the most significant and impactful aspect of the project overall, this role is considered essential. The incumbent of this position will also have the expertise required to cover the functions previously envisaged for the Logistics and Coordination Officer, mainly construction supervision and coordination of moves to and from swing space.

35. The changes proposed above will be cost-neutral overall. The total project management cost plan remains unchanged at $4,879,000, as approved by the General Assembly in section IV of resolution 71/272. Figure 1 shows the proposed staffing table and the updated duration. The proposed changes are also reflected in the project team structure shown in annex I to the present report.

Figure 1
Duration of project staff





E. Internal project quality assurance system

36. The seismic mitigation retrofit and life-cycle replacement project is the largest and the most complex capital project implemented by ESCAP. To date, ESCAP has embarked on renovation projects of a minor nature in which construction work can be done at night and/or without substantial displacement of tenants or disruption of operations. In contrast, the seismic mitigation is a major renovation project in which construction work will have to be done during business hours and will require displacing the majority of staff during the construction schedule. According to the risk matrix shown in table 5 in the previous report of the Secretary-General (A/71/333), the major risk facing the project relates to business continuity, or the ability to perform the project with minimal impact to ESCAP and tenant operations.

37. The major physical constraints facing this project include the location of a densely populated compound on a small site where adequate on-site swing space must be provided concurrently with several construction activities, including activities outside the scope of the project. The other construction activities in the ESCAP premises include a new security entry-point building, a new library building, a conference room upgrade project and other minor construction renovations. Coupling these physical constraints with the multiplicity of stakeholders, means that the seismic mitigation project must establish a standardized reporting structure to effectively coordinate and communicate across a wide range of stakeholders.

38. To mitigate the risks, and to minimize delays in construction and disturbances to tenants, ESCAP intends to have the seismic mitigation project set up a standard reporting protocol for all construction and infrastructure projects on the premises.. The implementation of this system requires a short-term consultant to establish and build the capacities and capabilities of the United Nations team across administrative sections, including the seismic mitigation project team and stakeholders such as the such as the facilities and conference management units and the information technology and security sections of ESCAP.

F. Risk management

Independent risk management firm

39. In line with General Assembly resolution 71/272 (section IV, paragraph 14), the Office of Central Support Services is in the process of procuring the services of an independent risk management firm. The firm will report directly to the Office of Central Support Services and will provide advice on the establishment of a project-specific risk management framework as well as qualitative and quantitative risk

analysis, including regular updates of the project risk register. Risk models will be used to determine whether the available contingency funding is adequate to cover foreseeable risks. The costs of these services will be borne by the project and will be shared with the Africa Hall renovation project at the Economic Commission for Africa.

40. The procurement action, conducted from New York, commenced in early 2017 with the launching of a global expression of interest. Eleven international firms responded to the expression of interest and seven firms submitted proposals. At the time of drafting of the present report, the process was in the final stages and the contract award was imminent.

Integrated risk management

41. Integrated risk management is performed at the local level by the ESCAP dedicated project management team, supported by the lead consultant firm. integrated risk management involves a carefully structured approach to project risk and opportunity which facilitates objective decision-making to mitigate risks and take full advantage of opportunities. The lead consultant firm will support ESCAP, in coordination with the independent risk management firm, during the different project phases, including design, tendering and construction. Risk management will include change-order management and control as well as contract, cost and budget management.

Risk register

42. At the outset of the project, ESCAP has established a risk register that is constantly updated at the weekly meetings. Each risk has a unique identification number and an indication of the date, the stakeholder who raised it, its description (cause and event), the impact, the likelihood of occurrence, the risk owner, the mitigation measure (actions and effect), the status and the follow-up. All risks are monitored and controlled by the project team. The six risks that the team deems most relevant at the current stage of the project are described below.

Risks associated with currency exchange rates

43. At all stages of project planning, special emphasis is placed on managing the risk associated with currency exchange rates. Major project expenses, such as the contract with the construction contractor, are expected to be incurred in United States dollars, thereby avoiding currency exchange risks altogether. The design contract will likely be denominated in euros, but since is it not the largest project cost the degree of risk will be modest. This item will be tracked closely and included in future progress reports. The Thai baht will likely be used only for smaller contracts, such as those for soil investigation, accessibility assessment and invasive testing; the currency risk for these items is expected to remain low.

Risks of underestimation of design costs

44. To protect the Organization against the risk of increases in design costs, ESCAP has included specific clauses in the request for proposal indicating that the project must be developed and executed within the strict parameters of a cost-effective design and accelerated construction schedule; it is specifically contractually noted that the scope of work must be within the available budget approved by the General Assembly. As stipulated in the scope of work for the lead consultant firm, compliance with this requirement may require the firm to redesign at no additional cost to ESCAP, if construction cost estimates exceed the available budget.

Risks of loss of rental income

45. ESCAP continues its strong outreach to tenant agencies in the operations management team, engaging with them on a regular basis to dispel concerns related to the project.

46. Market research on commercial rental rates in Bangkok was performed in 2016 for use in the biennium 2018-2019. ESCAP proposes to maintain the 2016-2017 rentals rates for the biennium 2018-2019 to discourage tenants from seeking accommodations elsewhere during the project. This approach will encourage tenants to continue cohabiting with other members of the United Nations family and will facilitate their budget planning during the initial project development phase. It will mitigate their risks and increase their confidence in continuing their operations within ESCAP, where they can benefit from the varied portfolio of security, medical, banking, postal, learning centre and cafeteria services, as well as easy access to the United Nations Conference Centre and networking with other United Nations agencies. ESCAP will conduct another market study in 2018 to set rates for 2020-2021, thus enabling tenants to plan and budget in a timely manner. More information on the expected rental income, as requested by the General Assembly in paragraph 8 of section IV of resolution 71/272, is provided in paragraphs 64 to 67 below.

47. ESCAP, along with the lead consultant firm, will review the construction and relocation methodologies with a view to having all swing space on-site, within the ESCAP premises, in order to ensure that the project follows the most efficient and cost-effective methodology and causes the least disruption to tenant operations.

Risk of not managing the project efficiently

48. ESCAP has introduced a quality assurance system to ensure that all potential conflicts, duplications and interactions of the seismic project with other ESCAP facility projects are taken into consideration to eliminate redundancies and increase efficiencies.

Risk related to possible non-availability of swing space

49. ESCAP has sought support from the host country to provide swing space (refer to paragraphs 7 and 8 above) and has engaged a local firm to investigate the costs and availability of commercially rented office space in the local real estate market.

Risk of civil unrest and natural disaster

50. The Department of Safety and Security is to monitor and advise in the event of deterioration of the surrounding environment which may affect the project. As some events may occur without prior warning, ESCAP has asked all vendors to include such events in their risk matrix together with mitigating measures such as the use of alternative supply routes or warehousing to avoid delays.

G. Procurement

51. ESCAP started immediately in 2017 to acquire the various consultancy services that were approved by the General Assembly in resolution 71/272.

Lead consultant firm

52. Acquisition of the services of a lead consultant firm is one of the critical requirements of the project. The Secretary-General is pleased to advise that the procurement action is progressing as planned.

53. With the early onboarding of the dedicated procurement officer, ESCAP was able to carry out strategic market research and concerted outreach by sharing details of the project and the expression of interest with Member States, the Advisory Committee of Permanent Representatives, the Ministry of Foreign Affairs of Thailand, chambers of commerce and professional bodies, local newspapers, the United Nations Global Marketplace and the Association of Siamese Architects (Thailand), with a view to reaching as many potential and eligible vendors as possible. As a result of this focused and targeted market outreach, ESCAP received responses from 31 companies representing 18 countries. A total of 63 vendors representing 23 countries (12 developed countries and 11 developing countries and countries with economies in transition) constituted the list of invitees for the request for proposals, which was issued in accordance with the agreed timelines on 17 March 2017. Technical and financial evaluations have been completed and, at the time of drafting of the present report, final steps in the award of the contract were under way. The contract is expected to be signed in the last quarter of 2017, in accordance with the project master plan.

H. Overall project design and integration of seismic design component

54. The seismic retrofit and life-cycle replacements project will be designed by the lead consultant firm within the strict parameters of cost-effective design and accelerated construction, within the budget set and the cost plans approved by the General Assembly. The lead consultant firm will initially develop a schematic design for ESCAP approval, then proceed with the design development and provision of a final construction package that meets all technical and regulatory criteria. The lead consultant firm will also review and integrate the seismic retrofit design for the secretariat and service buildings, developed by the Asian Institute of Technology, in the overall final construction documents for the project. The Asian Institute of Technology will be available to provide any clarifications and necessary amendments to the seismic design and will maintain responsibility for the seismic design throughout the project.

Seismic retrofit design

55. The Asian Institute of Technology has developed and refined the seismic design throughout the retrofit design process. Through the use of non-linear design analysis, the proportion of columns requiring retrofitting has been reduced from 20 per cent, as specified in the previous report of the Secretary-General (A/71/333, para. 22), to 15 per cent, which will reduce the construction costs accordingly. The projected financial gains will be finalized when the lead consultant firm has completed the overall design (anticipated in 2018) and integrated the seismic component in its methodology and project procurement documentation. In his next progress report the Secretary-General will inform the General Assembly of any cost reductions in that may be realized as a result of this factor.

56. The seismic retrofit design has been reviewed by the Civil and Structural Engineer hired for the project team. Through this review process, other minor adjustments to the design have been considered, reviewed for quality control by ESCAP and finalized by the seismic designer. The review further confirmed that the

approach of using carbon fibre-reinforced polymers on the columns is feasible and cost-effective.

Space efficiency and utilization

57. As previously reported (see A/71/333, paras. 34-37), ESCAP contracted a local architecture firm in 2015 to produce office space designs for the secretariat building. The study, concluded in the first quarter of 2016, highlighted that ESCAP could gain as much as 20 per cent in space efficiency if a renovation of the interior office space were to be implemented. In addition, because the office space would be converted from an enclosed to an open office layout, the new configuration would be well-suited to the adoption of flexible workplace strategies.

58. ESCAP has remained focused on this key change management area, building on the above-mentioned study and drawing on the experience of the Secretariat in New York and Geneva and the recent efforts of the United Nations Development Programme and the International Labour Organization in Bangkok. ESCAP has also engaged with the Ministry of Foreign Affairs of Thailand and is studying recent projects undertaken by commercial establishments in the Bangkok area to address similar issues. These observations, which provided some very encouraging possibilities for ESCAP to pursue, have been used to develop sample space layouts that will be tested as part of the proposed pilot project on the fourteenth floor of the ESCAP secretariat building (see para. 25 above). The project is currently in the initial planning stage. Feedback from staff and other users will be considered and changes incorporated in later trials. Once the trials are concluded in 2018, ESCAP will be in a position to better engage staff and tenants to develop the final space plans. This process will facilitate buy-in by staff and other users.

59. Detailed space programming has been included in the scope of work of the lead consultant firm as part of the detailed design of the life-cycle elements of the project. In particular, the space planning services focus on: (a) the short-term need to relocate staff members, meeting areas, commercial areas and related facilities to a temporary swing space during each phase of the project; (b) the long-term need to improve space efficiency by 20 per cent in accordance with the study concluded in the first quarter of 2016 (see A/71/333, para. 36); and (c) the potential increase of floor area without increase of footprint to be developed in the design phase.

Energy efficiency

60. The lead consultant firm is required to have an engineer expert in the area of building energy efficiency and sustainable design as part of its project management team. The first deliverable of the lead consultant firm is to review all existing project documentation, including the report on façade performance done in 2012 and mentioned in the previous report (A/71/333, paras. 38 and 39). The firm should examine the earlier findings, which suggested that improving the insulation and glazing for the secretariat building would result in a 16 to 18 per cent reduction in energy consumption.

61. The second deliverable of the lead consultant firm is to review all applicable standards, including those related to energy and water conservation, and to design the project to move towards more energy efficient-facilities, specifically by reducing energy consumption, fresh water consumption, waste generation and the use of non-renewable material resources, and by improving atmospheric and indoor air quality.

Accessibility

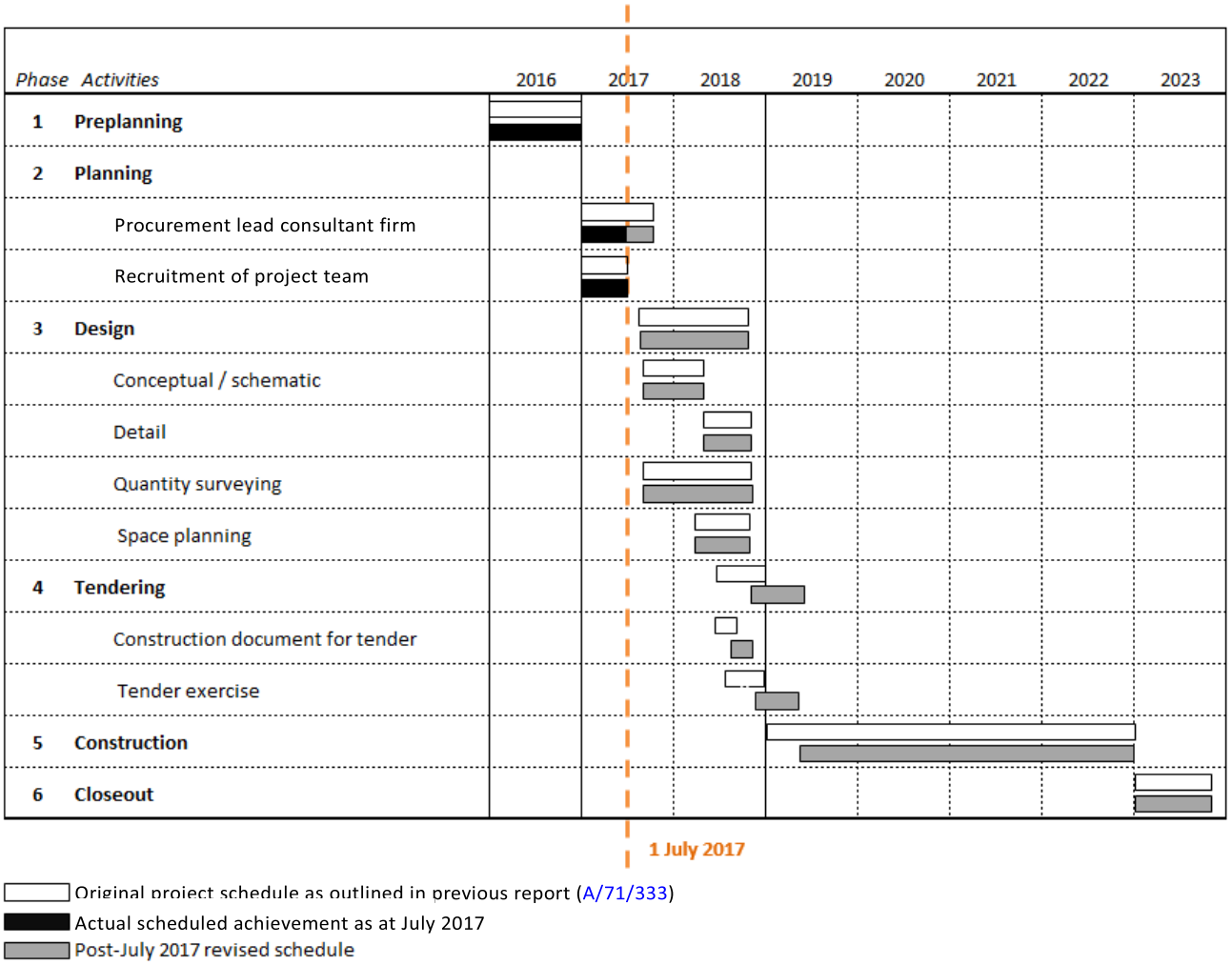
62. The project team has been collaborating with the Social Development Division of ESCAP to acquire experts on universal design and accessibility, with a view to bringing the project into line with the General Assembly's vision in resolution 70/170 of an inclusive United Nations for persons with disabilities. Through a series of conference calls and coordination meetings, the scope of work and the deliverables were defined. The first step in this process was to understand accessibility as stipulated in article 9 of the Convention on the Rights of Persons with Disabilities, which has three principal aspects: the built environment, information and communications technology and services. With that in mind, experts in these specific areas were contracted.

63. The team also looked inward to inform and engage tenants as well as stakeholders who are members of the Accessibility Working Group, which includes the Facilities Management Unit, the Conference Management Unit, the Security and Safety Section, the Social Development Division, the Human Resources Management Section (Learning Centre and Medical Centre), the Information Management, Communications and Technology Section and the International Labour Organization. In addition, a survey was sent to tenants to solicit information on how the various agencies address accessibility in their offices and what their best practices are with regard to accessible design. To date, the accessibility consultants have conducted an on-site assessment of the premises, which involved a survey of the built environment as well as interviews with various stakeholders to get feedback on how accessibility was, is and should be addressed within their operations. Stakeholders included members of the Accessibility Working Group, tenant agencies and staff members and visitors with disabilities.

I. Project schedule

64. Figure 2 shows the proposed project schedule as at 1 July 2017. The original project schedule as outlined in the previous report of Secretary-General (A/71/333) is shown by the white bars; the actual scheduled achievement as at July 2017 is shown by the black bars; and the post-July 2017 revised schedule is shown by the grey bars. It should be noted that all activities within the original project schedule been completed on time as at July 2017. For the post-July 2017 revised schedule, the overall project plan is mainly unchanged, with the exception of the tendering phase (phase 4). While the tendering phase has been revised to start three months later than originally projected, the revised schedule has a shorter construction phase (grey bar in the phase 5 row) and thus the original and revised project schedules still have the same overall duration. The revised schedule is in line with the proposed schedule for the lead consultant firm services currently in the procurement process.

Figure 2
Proposed project schedule as at 1 July 2017



J. Rental income

65. Rental income is primarily derived from rental of office space to United Nations agencies and other entities connected with the activities of ESCAP. Space is also rented for a bank, a travel agency, a post office, a cafeteria, two coffee shops and a canteen. The rent is based on current commercial values. The net rental amount is reported under income section 2.

66. The rental charge for 2016-2017 is $264 per annum per square metre for United Nations agencies, funds and programmes and $279.60 for commercial tenants. To facilitate tenants' budgetary planning, in the first year of a biennium the rate to be applied in the subsequent biennium is assessed and tenants are informed. In April 2017, following the evaluation undertaken in 2016, United Nations agencies, funds and programmes were informed that the rate to be applied in 2018-2019 would remain at $264 per annum per square metre. The income from rental of premises in 2018-2019 is estimated at $7,014,554, representing an increase of $779,680 compared to 2016-2017, mainly as a result of an overall increase in the rental space to be made available during the biennium.

67. Table 1 shows the estimated rental income per biennium during the proposed construction period and in 2024-2025, when space efficiency improvements will have provided additional area for rent. Should the development of flexible workplace strategies during the course of the project result in additional efficiencies (e.g., by accommodating the existing ESCAP secretariat staff within a smaller footprint), it may be possible to attract additional United Nations entities to the complex, resulting in additional rental income.

Table 1
Estimated rental income
(United States dollars)

	2016/2017	*2018/2019*	*2020/2021*	*2022/2023*	*2024/2025*
Rental rate (per annum per square metre)	264	264	To be evaluated in 2018	To be evaluated in 2020	To be evaluated in 2022
Rental income (based on current rental rate)	6 234 874	7 014 554	7 014 554	7 014 554	7 489 754[a]

[a] Includes an increase in income of $475,200 owing to space efficiency gains.

III. Project accountability

68. The Office of Internal Oversight Services (OIOS) of the Secretariat has included in its 2017 risk-based workplan a detailed audit of the Commission's seismic mitigation retrofit and life-cycle replacements project in compliance with paragraph 13 of section IV of General Assembly resolution 71/272, by which the Assembly requested the Secretary-General entrust OIOS with providing oversight of the project and to include information on key findings in the context of the annual reports of the Office on its activities.

69. OIOS conducted an onsite audit at the ESCAP premises in March and April 2017, the detailed results of which were communicated to ESCAP on 17 May 2017. The OIOS team noted with satisfaction the successful completion of the pre-planning activities of the project, which included visual inspections, feasibility studies and preliminary structural design using specialist staff and expert consultants.

70. OIOS also noted with satisfaction the completion of governance activities in March 2017, including the establishment of a well-defined coordination and support agreement between the Office of Central Support Services and ESCAP which included: (a) the early establishment of a dedicated project management team and support functions with clear reporting lines; (b) the establishment of a stakeholders committee to assist the Executive Secretary and Director of Administration in proactively managing the project; and (c) the inclusion of an independent risk management framework early in the project implementation process.

IV. Project expenditures and anticipated costs

A. Status and projection of project expenditures in 2017

71. The actual expenditures incurred as at 1 July 2017 and total projected expenditures for the year 2017 are shown in table 2.

Table 2
Status and projection of project expenditures in 2017
(United States dollars)

	Actual expenditures as at 1 July 2017	*Total projected expenditures in 2017*
Section 19 — Other staff costs		
Project management	217 012	527 340
Subtotal, section 19	**217 012**	**527 340**
Section 33 — Construction, alteration, improvement and major maintenance		
Seismic design	18 275	98 180
Accessibility review	41 000	41 000
Project quality assurance system	–	82 500
Subtotal, section 33	**59 275**	**221 680**
Total	**276 287**	**749 020**

72. Table 3 compares the planned cost for 2017, as contained in the previous report of the Secretary-General (A/71/333), with the projected expenditures for 2017 in the current report. The main variances are explained below:

(a) There is a projected increase of $21,740 in project management under section 19 owing to travel cost for two staff members from the United Nations Office at Nairobi and United Nations Headquarters to participate in the technical evaluation of the lead consultant firm. It was deemed necessary to include them in the technical evaluation team because internal technical capacity and experience in the area of major United Nations capital projects was not available locally;

(b) Resources will not be needed for the third-party peer review consultancy ($75,000) and optimized office space design ($150,000), as the required work has been included in the scope of the lead consultant firm;

(c) Expenditure of $41,000 was incurred to hire two consultants to conduct an accessibility assessment in compliance with paragraph 7 of section IV of General Assembly resolution 71/272;

(d) A total of $82,500 is required for the project quality assurance system, which will establish appropriate project management methodologies to ensure quality, timely and cost-effective delivery of the project;

(e) The previously estimated provision for escalation for 2017 is absorbed into the realized and projected costs for 2017, and it is projected that the appropriation for contingency costs for 2017 will not be utilized and can be carried over to 2018 in accordance with paragraph 16 of section IV of General Assembly resolution 71/272.

Table 3
Revisions to the cost plan for 2017
(United States dollars)

	Approved for 2017 (General Assembly resolution 71/272) (a)	*Revised cost plan for 2017 (b)*	*Variance (c) = (a)-(b)*
Section 19 — Other staff costs			
Project management team	505 600	527 340	(21 740)
Total, section 19	**505 600**	**527 340**	**(21 740)**
Section 33 — Construction, alteration, improvement and major maintenance			
Consultancy fees			
Seismic design	100 000	98 180	1 820
Third-party peer review	75 000	–	75 000
Optimized office space design	150 000	–	150 000
Accessibility assessment	–	41 000	(41 000)
Project quality assurance system and training	–	82 500	(82 500)
Subtotal, consultancy fees	**325 000**	**221 680**	**103 320**
Escalation	13 000	–	13 000
Contingencies	33 800	–	33 800
Total, section 33	**371 800**	**221 680**	**150 120**
Grand total	**877 400**	**749 020**	**128 380**

B. Resource requirements for 2018

73. The resource requirements for 2018 are shown in tables 4 and 5.

Table 4
Resource requirements for 2018 by cost component
(United States dollars)

1. Trade costs	2 139 000
2. Consultancy fees	731 304
3. Escalation	238 820
4. Contingencies	333 122
5. Project management	674 611
Total	**4 116 857**

Table 5
Resource requirements for 2018 by budget section and object of expenditure
(United States dollars)

Budget section	*Object of expenditure*	*Amount*
Section 19, Economic and social development in Asia and the Pacific	Other staff cost	674 611
Section 33, Construction, alteration, improvement and major maintenance	Trade costs and consultant	3 442 246
Total		**4 116 857**

C. Resource requirements for 2019 and beyond, escalation and contingency

74. On the advice of a specialist consultant, allowance for escalation has been added to the construction costs and consultancy estimates at a rate of 4 per cent per annum, based on a forward projection of published data on recent past escalation rates. The baseline for the estimate is July 2017, and the estimated escalation is compounded and applied to the annual expenditure projections until the project is handed over to operations.

75. A complete quantitative analysis linking the actual contingency funding requirements with assessed risks will be performed once the independent risk management firm is brought on board, which is anticipated to occur in August 2017.

76. For the present report, and in line with the Guidelines for the Management of Construction Projects, the contingency provision has been developed following an identical approach to that employed for the previous report, on the basis of a traditional percentage method, taking into consideration past experience with similar projects and other variables that may have an impact on the accuracy of the project cost estimates, especially during the early stages of project planning, including the project size, the complexity and the location. Because the project involves the renovation of an existing occupied building, it is very likely that unforeseen conditions will be encountered and changes to the implementation plan may result. For planning purposes, and until the independent management firm is on board, a contingency provision of 10 per cent of the estimated construction cost of the project, inclusive of consultancy fees, has been included. The revised risk-based contingency requirements for each year will be included in the next report of the Secretary-General.

77. Contingency shall be carried over as indicated in resolution 71/272, section IV, para. 16, which reaffirmed that unused contingency funds may be carried over to subsequent years, reallocated as new risks emerge and older risks are retired, consistent with industry best practices, and that all remaining unused contingency funds shall be returned to Member States at the conclusion of the project.

V. Next steps

78. The actions to be undertaken during the next reporting period are:

(a) Commencement of design services with the lead consultant firm;

(b) Commencement of the change management and communication process related to swing space and flexible workplace strategies, including response to the results of the space utilization study;

(c) Review of the recommendations of the lead consultant firm and finalization of a construction methodology;

(d) Updating of project costs on the basis of the lead consultant firm's findings and recommendations and the adopted methodology;

(e) Development of a swing space and relocation methodology based upon the lead consultant firm's findings and recommendations; adjustment of procurement actions on the basis of the finalized methodology;

(f) Recruitment of members of the dedicated project management team scheduled for 2018, including the Architect and Space Planner (P-3) and the Building Mechanical-Electrical-Plumbing Engineer (National Officer).

VI. Recommended actions to be taken by the General Assembly

79. **The General Assembly is requested to:**

(a) **Take note of the progress made since the issuance of the previous report of the Secretary-General;**

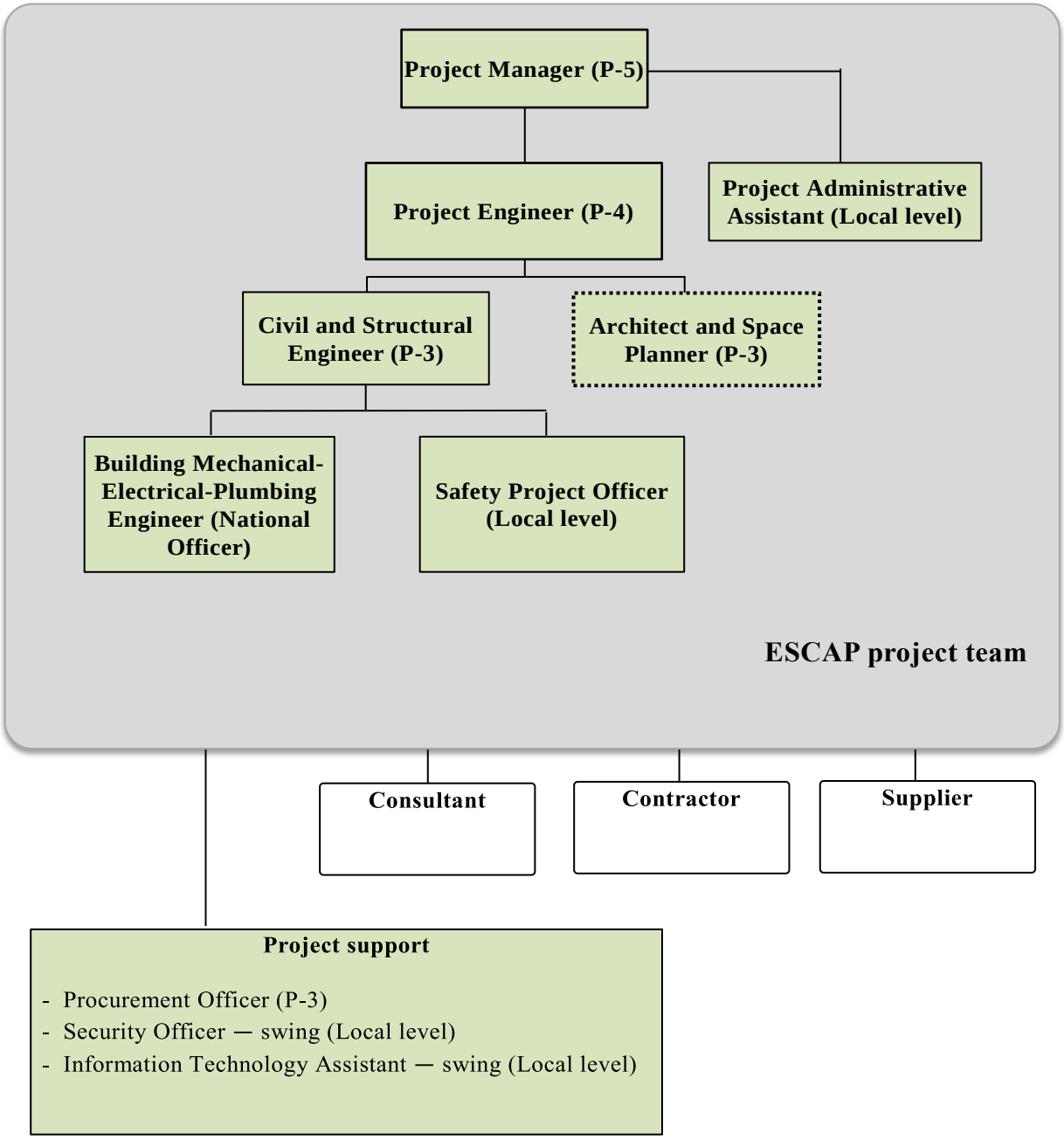
(b) **Take note of the revised project cost plan;**

(c) **Approve the establishment of two temporary positions (one P-3 and one National Officer), effective 1 January 2018, in the dedicated project management team, under section 19, Economic and social development in Asia and the Pacific, of the proposed programme budget for the biennium 2018-2019;**

(d) **Appropriate an amount of $4,116,857 for the project for 2018, comprising $674,611 under section 19, Economic and social development in Asia and the Pacific, and $3,442,246 under section 33, Construction, alteration, improvement and major maintenance, of the proposed programme budget for the biennium 2018-2019, which would represent a charge against the contingency fund.**

Annex I

ESCAP project team composition



Annex II

Cost plan

(Millions of United States dollars)

		Phase	*2*	*3*	*4*	*2-4*	*5*	*5*	*5*	*5*	*6*	
		Year	*2017*[a]	*2017*[b]	*2017*[c]	*2018*[c]	*2019*[c]	*2020*[c]	*2021*[c]	*2022*[c]	*2023*[c]	*Total*
1	Trade costs					2.139	6.155	4.988	8.607	2.926		24.816
2	Consultancies fees		0.325	0.059	0.222	0.731	0.392	0.301	0.582	0.142		2.370
	2.1 Seismic design		0.100	0.018	0.098							0.098
	2.2 Independent risk management firm[d]					0.051	0.051	0.039	0.075	0.018		0.233
	2.3 Lead consultant firm[e]					0.656	0.341	0.263	0.507	0.123		1.890
	2.4 Accessibility consultants			0.041	0.041							0.041
	2.5 Project quality assurance services				0.083	0.025						0.108
3	Escalation[f]		0.013			0.239	0.817	0.899	1.991	0.814		4.760
4	Contingencies		0.034			0.333	0.736	0.619	1.118	0.388		3.195
5	Project management		0.506	0.217	0.527	0.675	0.696	0.916	0.916	0.916	0.232	4.879
	Total		**0.877**	**0.276**	**0.749**	**4.117**	**8.796**	**7.724**	**13.215**	**5.187**	**0.232**	**40.019**

[a] Approved by the General Assembly in section IV of resolution 71/272.
[b] Based on current review and obligation at 1 July 2017.
[c] Projected.
[d] Projected cost of the independent risk management firm to be engaged by the Overseas Property Management Unit of the Office of Central Support Services, shared at 50 per cent with the Africa Hall project of the Economic Commission for Africa.
[e] The budget for the lead consultant firm is the combined figure of the design and construction management components. It has been budgeted at the same level as specified in the previous report (A/71/333). The procurement case for the lead consultant firm was with the Procurement Division of the Office of Central Support Services and the Headquarters Committee on Contracts as at 1 July 2017.
[f] Escalation calculated as 4 per cent annual compounded.