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Progress on the replacement of office blocks A–J at the United Nations Office at Nairobi

Report of the Secretary-General

Summary

The second annual progress report on the replacement of office blocks A–J at the United Nations Office at Nairobi is submitted pursuant to section IX of General Assembly resolution [73/279 A](#).

The present report provides information on the progress made since the issuance of the previous report of the Secretary-General ([A/73/344](#)), including cooperation with the host country, project governance, project management, coordination and procurement. It also provides detailed information gained from the most recent risk management exercise, an updated project schedule, the status of project expenditures and a revised cost plan. The report also includes information on the actions taken in seeking both voluntary and in-kind contributions from Member States, as requested by the General Assembly.

The recommendations of the Secretary-General on proposed actions to be taken by the General Assembly are set out in section VIII of the report, which include taking note of the revised project cost plan, approving the establishment of a multi-year construction-in-progress account, approving the rollover of the unspent balance from 2019 to 2020 and appropriating an amount of \$10,490,100 for 2020.

* [A/74/150](#).



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I. Introduction

1. The present report is submitted in accordance with section IX of General Assembly resolution [73/279 A](#) and is the second annual progress report on the project for the replacement of office blocks A–J at the United Nations Office at Nairobi. In it, the Secretary-General provides an update on progress made on the project since his previous report ([A/73/344](#)).
2. In its resolution [73/279 A](#) (section IX, para. 10), the General Assembly took note of paragraphs 25 (a) and (d) of the report of the Advisory Committee on Administrative and Budgetary Questions ([A/73/426](#)) on the refined project proposal that had been presented by the Secretary-General and requested the Secretary-General to present an updated proposal, including refined information on the scope, maximum overall cost and implementation strategy.
3. In the same resolution (section IX, para. 2), the General Assembly endorsed the recommendations of the Advisory Committee, inter alia, paragraph 24 of the Committee's report, in which the Secretary-General is requested to provide updates on the workplace pilot project in his future reports on the construction project at the United Nations Office at Nairobi.
4. As indicated in the previous report of the Secretary-General, the ultimate scope of the project will not be determined until such time as the required sizes of the new building blocks are determined, which is not expected until the end of 2020, at the earliest. Hence, the General Assembly is not being requested to approve the overall scope of the project in the present report.
5. The project scope for the replacement of office blocks A–J at the United Nations Office at Nairobi is wholly independent of any requirements related to the deteriorating condition of the Office's conference facilities. As a result, the updated project scope does not consider the request of the General Assembly, in paragraph 29 of its resolution [73/270](#) on the pattern of conferences, for the Secretary-General to provide detailed information regarding possible renovation work aimed at addressing the deteriorating conditions and the limited capacity of the conference services facility at the Office. That information will be presented in a separate report of the Secretary-General to be submitted at the seventy-fourth session of the Assembly.

II. Project objectives

6. Office blocks A–J are more than 40 years old and, as detailed in the previous reports, condition assessments confirm that those building have reached the end of their useful lives. Initial studies performed under the auspices of the strategic capital review determined that constructing, operating and maintaining new office blocks was more economical than renovating, operating and maintaining the existing office blocks A–J.
7. The project is focused on addressing the significant safety and code-compliance issues associated with those ageing buildings, to ensure that they are replaced by suitably sized office facilities, while also ensuring that all remaining office space at the Gigiri complex is upgraded to suitable standards and reconfigured to maximize utilization of office space.
8. The refined proposed project scope for the replacement of office blocks A–J at the United Nations Office at Nairobi presented in the previous report of the Secretary-General remains unchanged in the present report. It comprises three main components:

(a) Implementing early works to repurpose the publishing services building and construct an annex, in order to accommodate all the operational functions of the United Nations Office at Nairobi and provide swing space during construction;

(b) Introducing flexible workplace strategies across all offices of the Gigiri complex to improve space utilization;

(c) Constructing a new two-block building to replace the ageing office blocks A–J and provide for the space needs that remain unmet after the implementation of the flexible workplace strategies component.

9. The early works component provides an efficient way to reuse an existing building and a quick swing space solution to support the introduction of flexible workplace strategies and the construction of the new building. Upon project completion, and on the basis of further development of the concept design initially included in the previous report, it is proposed that the repurposed publishing services building would be used to house the primary security control room and the primary information technology data centre of the United Nations Office at Nairobi, as well as publishing and other operational functions.

10. The second component, namely the introduction of flexible workplace strategies, is aimed at maximizing office space utilization across the Gigiri complex. The third component, the new building, will deliver a right-sized building that meets the space needs of the United Nations Office at Nairobi after the demolition of the ageing blocks A–J and the introduction of the flexible workplace strategies component. Determining the right size for the new building will be possible once the current occupants of the Gigiri complex agree on the way forward with regard to the future application of the strategies.

11. During the reporting period, the focus of the project has been mainly on the first and second components, namely on recruiting the remainder of the dedicated project management team, hiring the architectural consultants for the first two phases and commencing the pilot project.

Update on the flexible workplace pilot project

12. The present project is one of the main components of the 20-year strategic capital review of the United Nations Office at Nairobi, the aim of which is not simply to construct a new office block. Rather, it is to ensure that the Office has sufficient office space to accommodate all foreseeable United Nations-related requirements; that all office space (new and existing) is utilized in the best manner, taking into account flexible workplace strategies to the extent possible; and that all office space is upgraded to the same standard, so as to avoid any further requirement for major office refurbishments in the near term.

13. On the basis of initial consultations conducted during the present reporting period with current tenants regarding the introduction of flexible workplace strategies, the United Nations Office at Nairobi currently foresees several challenges. The main overall challenge, in particular within the existing buildings, is that there is no consensus among the Secretariat tenants to adopt the strategies. That risk was highlighted in the previous report of the Secretary-General, where the two major known challenges with regard to implementing flexible workplace strategies were outlined, namely: (a) the “assumed ownership” of space by existing tenants, meaning that the Office would likely face challenges by Secretariat tenants when applying flexible workplace strategies, including by setting target efficiency gains; and (b) the required investment, by non-Secretariat tenants in particular, in information technology equipment and furniture, which is not part of the present project proposal.

14. The second overall challenge is that, even among those tenants that do plan to adopt flexible workplace strategies (chiefly, the United Nations Office at Nairobi itself), early indications show that the target efficiency ratios may fall short of the projections initially presented in section F, on the utilization of space, in the report of the Secretary-General from 2017 (A/72/375). That shortfall may be attributed to several operational imperatives particular to the Gigiri complex, namely that a large number of staff members use the bus service provided by the Office and therefore arrive at and leave work at the same time; that, given the Office's core administrative functions, a majority of staff members do not travel to other locations and therefore require dedicated space; and that flexible working arrangements are not widely adopted, including the possibility of working from home.

15. The above challenges will be closely monitored and assessed during the further development of the design, especially during the flexible workplace strategies pilot project. Updated space utilization data such as those contained in tables 2 and 3 of the 2017 report will be presented in future reports of the Secretary-General.

III. Project governance, management and accountability

A. Project governance

16. The project governance structure proposed in the 2017 report of the Secretary-General remains unchanged. The project owner is the Director-General of the United Nations Office at Nairobi; the Director of the Division of Administrative Services serves as the project executive and is responsible for managing the dedicated project management team and interacting with internal and external stakeholders, along with strategic issues requiring senior-level decision-making. The project owner is briefed and updated on the project status on a quarterly basis and obtains an assurance of continual senior stakeholder support on the administration and management of the project.

17. Project-level meetings are held with stakeholder representatives on a bimonthly basis. Stakeholders committee meetings, chaired by the project executive, are held on at least a quarterly basis (additional ad hoc meetings are held on an as-needed basis). Four meetings were held during the current reporting period, in January, March, May and July 2019. Key outcomes included confirmation of the operational functions to be housed in the space created under the early works component, the configuration of swing space with existing furniture on the open floors of the early works component, other scope refinements for the early works component, an information technology and data centre strategy and an assessment of the potential to integrate other projects likely to be undertaken at the Gigiri complex during the present project. In addition, relevant updates were provided to external stakeholders, namely the host country liaison subcommittee on infrastructure and development, in October and November 2018.

18. Project team meetings are held on a weekly basis and are attended by the dedicated project management team. The United Nations Office at Nairobi project team held regular meetings with representatives of security, information technology and conference services. Key issues considered and agreed to in the meetings included the development of the project brief, updating and maintaining the project schedule and further developing and specifying other organizational and technical project requirements.

19. The change management and corporate support group meetings are expected to be initiated in the third quarter of 2019, in line with the project schedule.

Coordination and oversight by the Global Asset Management Policy Service at Headquarters

20. The role of the Global Property Management Service of the former Office of Central Support Services described in the previous report of the Secretary-General is now performed by the Global Asset Management Policy Service in the Office of Programme Planning, Finance and Budget.

21. During bimonthly coordination meetings, the Global Asset Management Policy Service provided the United Nations Office at Nairobi project team with technical guidance and advice, shared lessons learned from other capital projects and ensured that applicable global property-related policies were adhered to in the activities undertaken by the project team. The Service organized a mission to the Office in April 2019 and continues to provide independent risk management services for the project owner as part of its mandated oversight responsibilities. The Service also ensures that the risk register is updated and maintained by the project team and that it remains a live repository of all current and past risks, with each risk assigned to a staff member who is responsible for monitoring and controlling it and for taking corrective actions, as needed, in line with the mitigation efforts defined.

22. Since October 2017, the Global Asset Management Policy Service has been supported by an international professional firm with experience in construction-related risk management services. The firm had held regular meetings on risk management with the United Nations Office at Nairobi project team and some key stakeholders prior to issuing two progress reports on independent risk management services for the project in January and May 2019. The purpose of those meetings was to generate the risk register data needed to assess the impact that those risks could potentially have on the overall project schedule and cost plan and the related cost and schedule contingencies, as further described in section IV below.

B. Project management

23. Following the approval by the General Assembly of an additional six dedicated project positions for 2019, in addition to the two positions approved in 2018, the United Nations Office at Nairobi commenced recruitment to fill the six additional positions in early 2019. Detailed information on progress made on those recruitment activities is set out below:

(a) Recruitment was concluded for the two positions approved by the General Assembly in section XIV of its resolution [72/262 A](#), namely, one position of Space Planner/Coordinator (P-4) and one position of Structural/Civil Engineer (P-3). The Space Planner/Coordinator was onboarded in October 2018 and the Structural/Civil Engineer in February 2019;

(b) Recruitment for the remaining positions on the dedicated project management team approved by the General Assembly in section IX of its resolution [73/279 A](#) was initiated in 2019, including one position of Project Manager (P-5); one position of Procurement Officer (P-3); one position of Project Coordinator (P-3), to be located within the Global Asset Management Policy Service at Headquarters and cost-shared with the North Building renovation project at the Economic Commission for Latin America and the Caribbean (ECLAC); one position of Logistics/Coordination Officer (National Professional Officer); one position of Project Services/Mechanical, Electrical and Plumbing Engineer (National Professional Officer); one position of Clerk of Works (Local level); and one position of Administrative Assistant (Local level);

(c) The job opening for the position of Project Manager (P-5) was launched on 5 April 2019, and interviews were conducted in early June 2019. The position is expected to be filled by the third quarter of 2019;

(d) The job opening for the position of Procurement Officer (P-3) was launched on 5 April 2019, with a closing date of 4 May 2019. Following an assessment and selection process, the incumbent was onboarded on 1 August 2019.

24. Recruitment for the remaining four positions is currently in progress, with onboarding expected in late 2019 or early 2020. An interior design consultant was initially hired in July 2018, and the contract was extended during 2019, to provide project support while recruitment of the dedicated project team was under way. The recruitment of the specialized security and information and communications technology consultants was completed in April 2019.

C. Project accountability

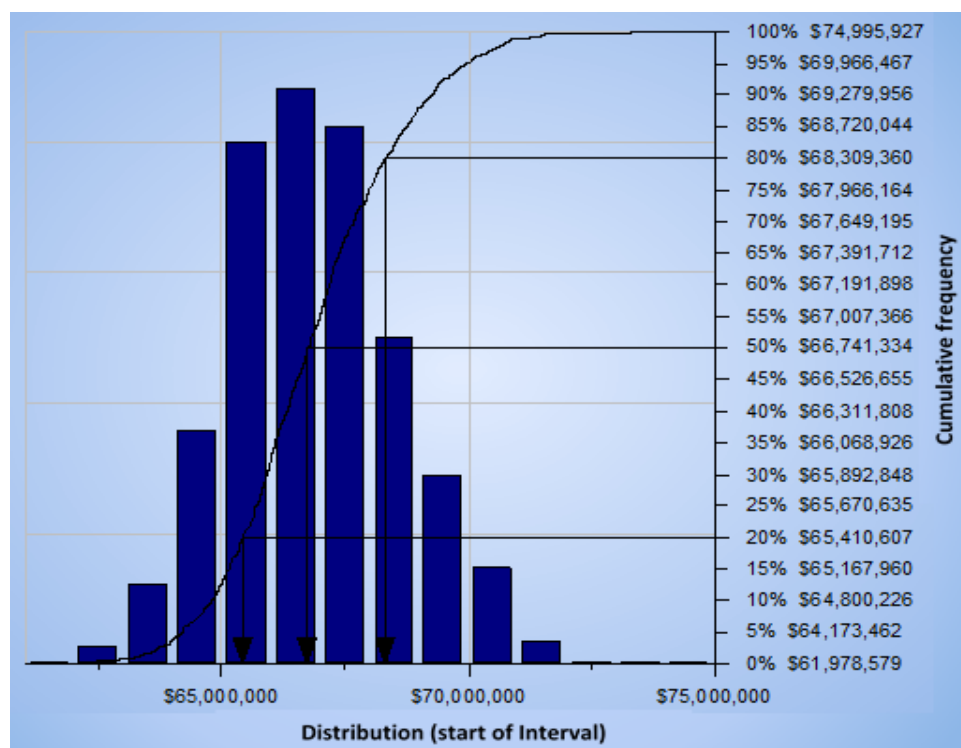
25. In line with established practice on other ongoing projects currently being undertaken by the Organization, the present project will be subject to both internal and external oversight, through the Office of Internal Oversight Services and the Board of Auditors, respectively.

IV. Risk management

26. Following the first risk management workshop held in 2018, the risk management strategy and risk register for the project were established, and the first quantitative project risk assessment (Monte Carlo simulation) was performed. Since then, the independent risk management firm has conducted quarterly risk meetings to review the project risk register and provide guidance on the management of project risks. The firm also produced three semi-annual project-related progress reports, in July 2018, January 2019 and August 2019, to provide ongoing support for project owner decision-making.

27. In May 2019, the independent risk management firm facilitated a second Monte Carlo simulation for the project, which was based on updated assessed costs for both existing and newly identified risks. The outcomes of the second Monte Carlo simulation are shown in figures I and II.

Figure I
Cost histogram of analysed risks, June 2019



28. The first Monte Carlo simulation, generated in 2018, revealed that the United Nations Office at Nairobi office blocks A–J replacement project would require a project budget of \$69.06 million to achieve the United Nations P80 confidence-level benchmark, which was \$2.80 million above the estimated total project cost of \$66.26 million. As shown in figure I, the Monte Carlo simulation carried out in 2019 revealed that a project budget of \$68.31 million would be needed to meet the P80 confidence-level target, which is \$2.05 million above the unchanged estimated total project cost of \$66.26 million. In 2019, the cost range for the project was determined to be between \$61.98 million and \$75.00 million, with a likelihood of delivering the project at the estimated costs of \$66.26 million being 38 per cent, which is an increase of 11 percentage points as compared with the previous year's confidence level of 27 per cent.

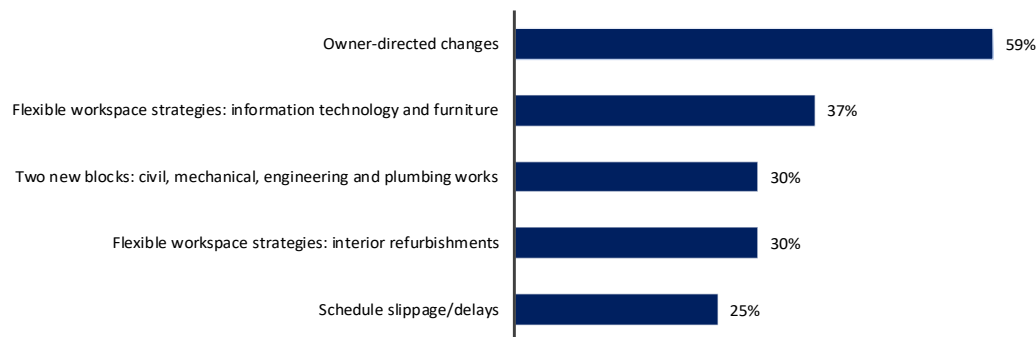
29. Although the current confidence level remains lower than the P80 confidence level targeted for United Nations capital construction projects, the increase compared with the results of the 2018 simulation shows that the project risks identified in the updated risk register are being monitored and mitigating measures applied appropriately to keep those risks under control. Given that the project is still in the planning phase and the scope and overall budget have not yet been approved, it is not unexpected that the level of uncertainty is still relatively high. The confidence level is expected to increase once the project scope and budget are approved and the design efforts made in relation to the approved scope create a better basis for understanding of the associated costs.

30. The 2019 Monte Carlo simulation also resulted in the updated cost sensitivity analysis ("tornado") chart shown in figure II, which reflects the top five risks, from the highest to the lowest impact, on the overall project costs. As indicated below, owner-directed changes have the highest correlation with overall project costs;

decision makers and senior stakeholders should therefore keep that in mind when considering changes to any established project baseline and minimize potential changes.

Figure II

Cost sensitivity (“tornado”) chart showing the five risks with the greatest impact on project costs, June 2019



31. The top five risks that most affect the project costs, and the recommended actions to mitigate their impact, are described below:

(a) **Owner-directed changes.** This risk relates to owner requirements that may not have been captured in the baseline design and construction documents and could potentially result in additional costs if scope adjustments become necessary during project implementation. Risk responses and mitigating measures include involving key organizational stakeholders from the outset of the project and keeping them deeply involved during project delivery. The United Nations Office at Nairobi project management team should ensure that stakeholders are aware of their responsibility to have the project design developed in line with their operational needs, as they will also have to ensure that their expected benefits are protected and will be delivered upon acceptance of the final project products;

(b) **Flexible workplace strategies: information technology and furniture.** The Gigiri complex is occupied by United Nations common system entities, including the United Nations Office at Nairobi, the United Nations Environment Programme and the United Nations Human Settlements Programme, and by non-United Nations tenants, who are considered to be commercial tenants. The various occupants operate and maintain their own information technology systems, including processes and hardware. There is a risk that some tenants, both United Nations and commercial, will not accept flexible workplace strategies or agree to pay for new information technology systems and furniture requirements to accommodate such strategies. Risk responses and mitigating measures include senior management of all occupants of the Gigiri complex reaching an agreement on applying flexible workplace strategies and on common information technology standards. Senior management engagement and agreement on that subject is required, as early as possible in the project, from all Gigiri complex occupants;

(c) **Two new blocks: civil works and mechanical, electrical and plumbing works.** Given that the concept design has not yet been completed, some uncertainty remains regarding the cost estimates for the civil, mechanical, electrical and plumbing works related to how the buildings are to be situated on the existing land. Risk responses and mitigating measures include the United Nations Office at Nairobi soliciting the services of a professional design firm to further develop the concept design and refine the cost estimates accordingly;

(d) **Flexible workplace strategies: interior refurbishments.** Given that the flexible workplace strategies pilot project is in progress and a final design is yet to be completed, uncertainties remain with respect to the estimated costs of interior refurbishment. Risk responses and mitigating measures include obtaining feedback from participants in the pilot project, which will help the professional design firm to develop floor plans that address user needs and, on the basis of those plans, help to further refine the costs for the materials, furniture, finishes and fixtures to be installed during the implementation of the flexible workplace strategies component;

(e) **Schedule slippage/delays.** The implementation of the early works component will create swing space to be occupied by staff members and tenants who will have to vacate their office space during the period in which both the flexible workplace strategies and new building components will be implemented. Although the final move plan has not yet been developed, up to 54 relocations from and back into individual office floors will potentially take place, all of which are on the critical path. Given that swing space will be limited, any delay in relation to each move will potentially have a negative impact on the substantial completion date of the project. Risk responses and mitigating measures include limiting the scope of each move into manageable portions and exercising tight controls over the activities defined in the move schedule. The United Nations Office at Nairobi project management team would develop a master schedule, which would include campus-wide planning, design, procurement, construction, commissioning and move-related activities. As early as possible in the process, the project team would maintain the engagement of senior stakeholders, staff members and tenants and would keep them informed and updated about the changes that will come along with the project implementation.

Integrated risk management

32. The United Nations Office at Nairobi project team, supported by the independent risk management firm, performed integrated risk management activities at the local project level. Those activities included updating and maintaining the risk register and implementing mitigating measures designed to control individual project risks. Once contracted, the project team will also engage the specialized consultants and contractors in their regular risk management activities. As part of regular monitoring activities, which include regular site meetings, the risk situation is being carefully analysed and discussed, and mitigating measures are being defined for implementation by assigned individuals, if needed. Risks were also discussed at all meetings with senior management of the Office.

V. Progress made during the reporting period

A. Cooperation with Member States and the host country

33. In addition to its donation of 140 acres of land in the mid-1970s, the Government of Kenya continues to make significant investments in the Gigiri area, contributing to the United Nations presence in Kenya. The host country agreement provides for privileges and immunities, including duty exemptions covering contracts, construction materials, equipment and infrastructure. That will lead to minimized costs for the project. There have also been very constructive discussions with the Government of Kenya, through the host country liaison subcommittee on infrastructure and development, including on the possibility of a second exit road for the Gigiri complex, as well as other options to reduce traffic congestion in the surrounding area. A new dual carriageway expansion has been recently completed; further expansion, however, is still required. Traffic light infrastructure has been installed at the junction of United Nations Avenue and nearby roads, which has helped

to increase and smooth the overall traffic flow. Consideration is also being given to extending the slip lanes along United Nations Avenue, right up to the main gate of the complex. Furthermore, discussions are ongoing with the Kenya Power and Lighting Company and Nairobi water authorities regarding the improvement of supply mains for electricity and water and to ensure at least two independent and reliable supply sources for each.

34. The United Nations Office at Nairobi will establish a working group to consider options for seeking both voluntary and in-kind contributions from Member States for capital construction efforts at the Gigiri complex.

B. Progress made on project components

35. As noted in section II above, the project for the replacement of office blocks A–J at the United Nations Office at Nairobi consists of three main components. The components and their status are described in more detail below.

Early works component

36. This component includes the repurposing and refurbishment of the existing publishing services building, together with the design and construction of an annex building. Once the United Nations Office at Nairobi office blocks A–J replacement project is completed, the repurposed and refurbished building will accommodate the Office's complex infrastructure, operational and logistics functions. During delivery of the project, both the repurposed publishing services building and the new annex building will provide swing space using existing furniture on open floors to further support the implementation of the flexible workplace strategies and new building components. The early works component includes a contract for professional design services and a contract for professional construction services.

37. The solicitation of the early works professional design firm was completed in the first half of 2019, and a contract was awarded to the best scoring design firm on 7 June 2019. The firm is currently developing the technical and programmatic documents for the early works construction tender documentation, which is scheduled to be issued in November 2019 with the aim of soliciting the services of a professional construction firm for the component. The United Nations Office at Nairobi dedicated project team, in coordination with stakeholder representatives, determined the expected outcomes and benefits of the products to be delivered under the component and developed a basic project brief, which will be further refined by the early works design firm. The early works design firm was expected to provide a feasibility study of various options for the component by the end of August 2019. The early works option determined to be the one that would provide the best benefits for the Office would then be further developed with the concept design, expected in September 2019, and the final design, expected in October 2019.

Flexible workplace strategies component

38. This component includes the introduction of flexible workplace strategies across all the office buildings of the United Nations Office at Nairobi complex in order to optimize the use of office space. The component encompasses an integrated change management strategy, which will include a specific communication strategy, and the design and construction services required for the implementation of the component across all offices of the Gigiri complex. The flexible workplace strategies component includes different types of pilot projects, to showcase how future office furniture could look and obtain user feedback for the final design development, and

will require a contract for professional design services and a contract for professional construction services.

39. A request for proposals to solicit the services of a flexible workplace strategies professional design firm was issued in May 2019. The professional design services contract is expected to be awarded in September 2019 which will entail the detailed design, furniture study and roll-out strategy for the flexible workplace strategies component.

40. Considering lessons learned during the implementation of the capital master plan in New York and the strategic heritage plan in Geneva, a number of pilot projects will be implemented at the Gigiri complex. The scope of works for two of those projects was determined by the United Nations Office at Nairobi project team during the reporting period, and their implementation will support and strengthen the communication strategies to be developed for promoting flexible workplace strategies for the Gigiri complex occupants.

41. Flexible workplace furniture mock-ups will be installed in the existing office space of the Facilities Management and Transportation Section to test different desk configurations and to showcase to interested Gigiri complex occupants an open-floor configuration during daily operations. In addition, block X will receive some structural, electrical, mechanical and information technology upgrades that will allow for the establishment of open-floor configurations for flexible workplace strategies and, once occupied by future users, the delivery of user feedback that will inform the development of an ideal design for implementing the strategies across all offices of the complex. The main pilot project, which will involve the implementation of the strategies across all floors of block V, as well as other potential pilot projects, are forecast to be developed by the professional design firm and delivered in 2020.

42. The staff moves schedule was further refined, taking into account specific stakeholder requests and the availability of swing space. An option was developed that involves the renovation of one office block at a time rather than renovating office space on a floor-by-floor basis, which addresses the risk of schedule slippages and delays.

43. A study by New York-based specialists was performed to understand the physical and electronic records and archiving methods and systems of the current Gigiri complex tenants. The findings will inform the digitization and physical records requirements for the project.

New building component

44. This component includes the demolition of the existing office blocks A–J and the construction of the new right-sized office blocks to accommodate all staff of the United Nations Office at Nairobi. All offices of the new building component will provide open floors that support flexible workplace strategies. The component includes a contract for professional design services and a contract for professional construction services.

45. In line with the implementation strategy proposed in the previous report, minimal concrete activity has yet been completed with respect to the design of the new building. Currently, the United Nations Office at Nairobi project team is defining the scope of works required from the design consultant and preparing the expressions of interest documentation for the new building design services, which will be issued in September 2019. The request for proposals is scheduled to be issued in 2020.

C. Project schedule

46. The updated project schedule shown in table 1 presents a forecast for project completion in 2023, with project closeout continuing into 2024. During the current reporting period, some slippages occurred, totalling approximately six months, with respect to the design and tender action on the early works component. Overall project completion is not expected to be delayed, however, as those slippages were successfully mitigated by a refined roll-out strategy for the implementation of the flexible workplace strategies component. As a result, the project will be delivered within the originally planned timeframe.

Table 1
Updated project schedule

	2018				2019				2020				2021				2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Early works (repurposed publishing building/annex)																												
Planning phase																												
Design/tender phase																												
Move/construction phase																												
Flexible workspace																												
Planning phase																												
Design/tender phase																												
Pilot/construction phase																												
New building																												
Planning phase																												
Design/tender phase																												
Move/construction phase																												
Project closeout																												

As indicated in the previous report (A/73/344)

As indicated in the present report

Abbreviations: Q1, first quarter; Q2, second quarter; Q3, third quarter; Q4, fourth quarter.

47. The updated project schedule shown in table 1 reflects refinements in both the implementation of the early works and flexible workplace strategies components. In accordance with the updated project schedule, the major upcoming activities up to project completion are as follows:

- Appointment of a professional construction firm for the early works component at the end of the first quarter of 2020;
- Construction of the initial swing space by the fourth quarter of 2020, which will allow movement of staff during the implementation of both the flexible workplace strategies and new building components;
- Appointment of a professional construction firm to implement the pilot projects for the flexible workplace strategies component and, following that, implementation of the strategies across the Gigiri complex;
- Appointment of a professional design firm for the new building component by the first quarter of 2020;

- (e) Appointment of a professional construction firm for the new building component by the first quarter of 2021;
- (f) Occupancy and operational use of the new building component by 2023;
- (g) Completion of the flexible workplace strategies component across the Gigiri complex by the fourth quarter of 2023.

D. Project costs

48. Although there has been a minor slippage in the schedule for the early works component, any risk of a more significant delay has been contained and mitigated, thereby ensuring no overall change in the project completion date. The slippage is expected to affect only the schedule, but not the cost, of the early works component, and will, furthermore, have no impact on the cost of the flexible workplace strategies and new building components. As a result, the projected overall cost of the project remains unchanged, although there has been a redistribution of costs between 2020 and 2021 to reflect the expected construction schedule and related expenditures for the early works component. The revised cost plan is included in the annex to the present report.

E. Potential use of rental income to reduce assessments for project financing

49. The policy currently in place concerning rental charges is based on the provisions of General Assembly resolution [41/213](#), by which the Assembly mandated the Secretary-General to implement the recommendations of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations, including its recommendation 36 on rental charges, contained in the report of the Group ([A/41/49](#)). Consistent with that policy, the rental charges for space occupied by tenants at the United Nations premises are based on current commercial rates. The United Nations Office at Nairobi conducts regular rental studies in Nairobi to confirm current commercial rental rates, and the rental rates charged are consistently in line with the results of the studies. The most recent study was conducted in 2017, whereby a rental rate (excluding utilities) of \$185 per square metre per annum was determined and used in 2018 and 2019. The next rental study is scheduled to take place in late 2019.

50. The current project proposal would not lead to a significant change in the overall net rentable areas, as the new building, as proposed, is to provide a similar amount of space as office blocks A–J.

51. The above considerations do not yet fully take into account potential changes in the application of rent, given the unknowns surrounding the introduction of flexible workplace strategies and the resulting space configurations. Updates on developments in the flexible workplace strategies component, which may affect the overall rental income at the Gigiri complex, would be included in future progress reports of the Secretary General on the project.

VI. Project expenditures and anticipated costs

A. Status of expenditure and projected expenditures up to the end of 2019

52. By its resolutions [72/262 A](#) and [73/279 A](#), the General Assembly appropriated a total of \$7,098,300 for the project for the period 2018–2019, which comprised:

(a) \$930,900 under section 29G, Administration, Nairobi; and (b) \$6,167,400 under section 33, Construction, alteration, improvement and major maintenance, of the programme budget for the biennium 2018–2019.

53. The cumulative expenditure as at 31 July 2019 was \$1,010,600, and the projected expenditure for the remainder of 2019 amounts to \$3,461,600, as detailed in table 2.

Table 2

Status of expenditures as at 31 July 2019 and projection for the remainder of 2019

(Thousands of United States dollars)

	<i>Appropriated project funding for the period 2018–2019</i>	<i>Cumulative expenditure as at 31 July 2019</i>	<i>Projected expenditures from 1 August to 31 December 2019</i>	<i>Total projected expenditures for 2018–2019</i>	<i>Projected unused balance at the end of 2019</i>
	(a)	(b)	(c)	(d)=(b)+(c)	(e)=(a)-(d)
Section 33, Construction, alteration, improvement and major maintenance					
1. Construction costs	3 415.8	–	2 493.7	2 493.7	922.1
2. Professional services	1 970.4	681.8	450.4	1 132.2	838.2
3. Escalation	239.1	–	–	–	239.1
4. Contingency	542.0	–	–	–	542.0
Subtotal, section 33	6 167.3	681.8	2 944.1	3 625.9	2 541.4
Section 29G, Administration, Nairobi					
5. Project management	931.0	328.8	517.5	846.3	84.7
Total	7 098.3	1 010.6	3 461.6	4 472.2	2 626.1

54. An amount of \$517,500 is projected to be spent under section 29G, Administration, Nairobi, in the remainder of 2019 for the cost of the project management team positions mentioned above. The lower expenditure in the first six months of 2019 was due to the necessary process of recruitment.

55. An amount of \$2,944,100 is projected to be spent under section 33, Construction, alteration, improvement and major maintenance, in the remainder of 2019, comprising: (a) \$1,250,000 for the purchase of specialized digital printing equipment to support the consolidation of the existing publishing and printing services and thereby enable the repurposing of the publishing building under the early works component; (b) \$1,243,700 for construction services related to the pilot project in block X, which are to be delivered by the professional construction firm under the flexible workplace strategies component and which include the renovation, refurbishment and reconfiguration of an existing storage space into usable office space; the amount also includes the costs for purchasing office furniture for the pilot projects both at the office of the Facilities Management and Transportation Section and in block X; (c) \$331,900 for design services, such as the development of the delivery method or the design and construction services solicitation documentation for the flexible workplace strategies component by the professional design firm; (d) \$12,700 for independent risk management services; and (e) \$105,800 for other services, such as temporary consultant services, to support the project team with expert knowledge in the areas of information and communication technology, physical security and interior design, until onboarding is completed.

56. As shown in table 2, a balance of \$2,626,100 is projected to remain unused at the end of 2019, owing to slippages in the project schedule, as explained in paragraph 46 above.

B. Resource requirements for 2020

57. The resource requirements for 2020 are shown in table 3. The total projected expenditure for 2020 amounts to \$13,116,200, which comprises:

(a) \$1,180,100 under section 29G, Administration, Nairobi, for the cost of eight existing project team positions in the dedicated project management team (1 P-5, 1 P-4, 2 P-3, 2 National Professional Officer and 2 Local level) and 75 per cent of the cost of the Project Coordinator (P-3) position based in the Global Asset Management Policy Service at Headquarters, with the remaining 25 per cent of that cost shared with the North Building renovation project at ECLAC;

(b) \$11,711,000 under section 33, Construction, alteration, improvement and major maintenance, which includes: (i) construction costs (\$6,149,000); (ii) professional services related to the design and construction management support services (\$2,293,600); (iii) an escalation provision (\$1,534,400); and (iv) a contingency provision (1,734,000);

(c) \$225,100 under section 34, Safety and security, to provide for four security guards to be deployed during the construction phase of the project. There will be more than one construction site, including the locations of the repurposed publishing services building, the annex and multiple locations across the complex where flexible workplace strategies will be implemented during 2020. Additional security shifts and/or patrols will be required at those sites once construction starts, to secure the new construction perimeters and access points on a round-the-clock basis, as there will be a significant number of contractor personnel on site and large movements of goods and materials during construction.

Table 3
Resource requirements in 2020

(Thousands of United States dollars)

	<i>Projected expenditures in 2020</i>	<i>Projected unused balance at the end of 2019</i>	<i>Net funding requirement in 2020</i>
	<i>(a)</i>	<i>(b)</i>	<i>(c) = (a) - (b)</i>
Section 33, Construction, alteration, improvement and major maintenance			
1. Construction costs	6 149.0	922.1	5 226.9
2. Professional services	2 293.6	838.2	1 455.4
3. Escalation	1 534.4	239.1	1 295.3
4. Contingency	1 734.0	542.0	1 192.0
Subtotal, section 33	11 711.0	2 541.4	9 169.6
Section 29G, Administration, Nairobi			
5. Project management	1 180.1	84.7	1 095.4
Section 34, Safety and security			
6. Security requirements (security guards)	225.1	—	225.1
Total	13 116.2	2 626.1	10 490.1

58. As the General Assembly has not yet approved a multi-year construction-in-progress account for the project, and a request for the approval of such a multi-year account is proposed for 2020, it is proposed that the General Assembly approve the rollover of the projected unspent balance of \$2,626,100 from 2019 to 2020 and appropriate a net amount of \$10,490,100 for 2020, comprising: (a) \$1,095,400 under section 29G, Administration, Nairobi; (b) \$9,169,600 under section 33, Construction, alteration, improvement and major maintenance; and (c) \$225,100 under section 34, Safety and security, of the proposed programme budget for 2020.

59. Should the General Assembly not approve the rollover of the projected unspent balance of \$2,626,100 from 2019 to 2020, that amount of unused appropriation would be returned to Member States in the context of the second performance report for the biennium 2018–2019 and an appropriation of \$13,116,200 would be needed for 2020, comprising: (a) \$1,180,100 under section 29G, Administration, Nairobi; (b) \$11,711,000 under section 33, Construction, alteration, improvement and major maintenance; and (c) \$225,100 under section 34, Safety and security, of the proposed programme budget for 2020.

VII. Next steps

60. Upon approval of the required resources in 2020 by the General Assembly, the following activities will be undertaken:

- (a) Completion of the recruitment of the dedicated United Nations Office at Nairobi project management team;
- (b) Continuation of regular stakeholders committee meetings and establishment of a change management and corporate support group;
- (c) Establishment of an administrative and coordination agreement with the Global Asset Management Policy Service and other administrative arrangements;
- (d) Establishment of a working group to consider options for seeking both voluntary and in-kind contributions from Member States for capital construction efforts at the Gigiri complex;
- (e) Completion of the detailed design package and solicitation of the services of a professional construction firm for the early works component;
- (f) Appointment of a professional construction firm for the early works component;
- (g) Implementation of the early works construction package;
- (h) Development of the flexible workplace strategies design package, including for the main pilot project in block V, and solicitation of the services of a professional construction firm for the flexible workplace strategies component;
- (i) Appointment of a professional construction firm for the flexible workplace strategies component;
- (j) Solicitation of the services of, and awarding of a contract to, a professional design firm for the new building component;
- (k) Development of the new building design package and solicitation of the services of a professional construction firm for the new building component;
- (l) Refinement of the scope of works and the cost estimate for the flexible workplace strategies component in line with the lessons learned from the pilot projects;

(m) Ongoing development and refinement of options for the use of current and projected rental income in the financing scheme of the project;

(n) Ongoing provision of updates and information to the project owner and other organizational stakeholders about the current project risk level and of support for their decision-making, through the independent risk management services provided by the Global Asset Management Policy Service, including the preparation of two progress reports each year and an annual quantitative risk assessment conducted using a Monte Carlo simulation;

(o) Coordination efforts with the host country regarding host country arrangements.

VIII. Recommended actions to be taken by the General Assembly

61. The General Assembly is requested to:

(a) **Take note of the report of the Secretary-General;**

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

(c) **Approve the establishment of a multi-year construction-in-progress account for the project;**

(d) **Approve the rollover of the unspent balance of \$2,626,100 from 2019 to 2020;**

(e) **Appropriate an amount of \$10,490,100, comprising \$1,095,400 under section 29G, Administration, Nairobi, \$9,169,600 under section 33, Construction, alteration, improvement and major maintenance, and \$225,100 under section 34, Safety and security, of the proposed programme budget for the year 2020, which would represent a charge against the contingency fund.**

Annex

Revised cost plan

(Thousands of United States dollars)

	2018 ^a	2019	2020	2021	2022	2023	2024	Total	Reported in A/73/344	Change
Section 33, Construction, alteration, improvement and major maintenance										
1. Construction costs										
1.1 Early works/repurposed publishing building	–	1 250.0	5 568.8	3 712.5	–	–	–	10 531.3	10 531.3	–
1.2 Flexible workspace	–	1 243.7	580.2	1 546.5	3 326.7	4 591.4	–	11 288.4	11 288.4	–
1.3 New office building	–	–	–	9 970.3	6 727.5	1 382.6	–	18 080.3	18 080.3	–
2. Professional services										
2.1 Early works/repurposed publishing building design works	27.6	580.7	402.7	252.8	–	–	–	1 263.8	1 263.8	–
2.2 Flexible workspace design works	18.9	427.0	578.7	88.0	119.2	122.7	–	1 354.6	1 354.6	–
2.3 New office building design works	–	–	1 265.6	162.7	217.0	162.7	–	1 808.0	1 808.0	–
2.4 Risk management	36.4	12.7	14.5	14.5	14.5	10.3	–	102.9	102.9	–
2.5 Other services	2.4	26.5	32.1				–	61.0	61.0	–
3. Escalation	–	–	1 534.4	2 591.8	3 124.8	2 404.8	–	9 655.8	9 655.8	–
4. Contingency	–	–	1 734.0	1 435.9	1 351.5	866.4	–	5 387.8	5 387.9	–
Subtotal, section 33	85.4	3 540.6	11 711.0	19 775.0	14 881.1	9 540.9	–	59 534.0	59 534.0	–
Section 29G, Administration, Nairobi										
5. Project management										
5.1 Dedicated project management and support team	55.2	682.4	1 058.6	1 083.0	1 108.3	949.6	424.0	5 361.0	5 361.0	–
5.2 Dedicated coordinator at Headquarters (75 per cent of costs, cost-shared with the Economic Commission for Latin America and the Caribbean)	–	64.1	113.3	113.3	113.3	–	–	–	404.0	–
5.3 Travel of project management team	15.9	28.7	8.2	15.0	10.0	10.0	–	15.9	87.8	–
Subtotal, section 29G	71.1	775.2	1 180.1	1 211.3	1 231.6	959.6	424.0	71.1	5 852.8	–
Section 34, Safety and security										
6. Security requirements	–	–	225.1	234.5	244.2	169.5	–	873.3	873.3	–
Subtotal, section 34	–	–	225.1	234.5	244.2	169.5	–	873.3	873.3	–
Total	156.4	4 315.8	13 116.2	21 220.7	16 356.9	10 670.0	424.0	66 260.1	66 260.1	–

^a Reflects actual expenditures incurred.