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Proposed programme budget for 2020

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

Sixteenth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for 2020

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the progress on the replacement of office blocks A–J at the United Nations Office at Nairobi ([A/74/343](#)). During its consideration of the report, the Advisory Committee met representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 14 November 2019.

2. In his report, submitted pursuant to section IX of General Assembly resolution [73/279 A](#), the Secretary-General provides information on progress made since his previous report on the replacement of office blocks A–J at the United Nations Office at Nairobi ([A/73/344](#)), one of the near-term major construction projects that he identified in his report on the strategic capital review ([A/72/393](#)).¹ The Advisory Committee has previously addressed the proposed strategies and mitigation measures, cost implications and other related matters, including staffing, of the project (see [A/72/7/Add.28](#) and [A/73/426](#)). The Committee recalls that blocks A–J, which were constructed in the late 1970s as semi-prefabricated buildings for temporary accommodation, have reached the end of their useful life and do not comply with prevailing building codes, United Nations security standards or the seismic design code in Kenya and, furthermore, do not provide convenient access or facilities for persons with disabilities. Replacing them, rather than renovating them, is therefore considered the most cost-effective approach. With regard to swing space during the construction period, the Secretary-General proposes repurposing the existing publishing services building and constructing an adjacent annex in order to provide new office space to support the conversion of all existing office space to a flexible working layout ([A/72/7/Add.28](#), para. 5, and [A/73/426](#), para. 4).

¹ The Advisory Committee has provided related observations and recommendations in its most recent report on the strategic capital review ([A/72/7/Add.9](#)).



II. Progress in the implementation of the project

Cooperation with the host Government and other Member States

3. The Advisory Committee recalls that the Gigiri complex is situated on 140 acres of land provided by the Government of Kenya in 1975 and 1978 (100 and 40 acres, respectively) and comprises 18 office blocks, a conference centre constructed between 1983 and 1985, a new office facility constructed during 2009–2010 and numerous prefabricated buildings originally constructed as swing space, but now serving as temporary office space (A/72/7/Add.28, para. 3). Upon enquiry, the Committee was informed that 56 United Nations agencies, funds and programmes were currently located within the complex (see also paras. 18–20 and 27–28 below).

4. The host country agreement provides for privileges and immunities, including duty exemptions covering contracts, construction materials, equipment and infrastructure. The Secretary-General indicates that discussions are under way with the host Government, including on the construction of a second exit road for the complex, an extension of the slip lanes leading to the main gate and the improvement of electricity and water supply mains.

5. Concerning voluntary contributions from other Member States, the United Nations Office at Nairobi intends to establish a working group to consider options for seeking both voluntary and in-kind contributions for capital construction efforts at the complex (A/74/343, paras. 33–34).

6. The Advisory Committee expresses its gratitude to the host country for its steadfast support to the United Nations Office at Nairobi and trusts that the Secretary-General will continue to engage with the host country to ensure the success of the project. Furthermore, the Committee encourages the Secretary-General to also continue to engage with other Member States to seek voluntary contributions and other forms of support for the project. The Committee welcomes the planned establishment of a working group on voluntary and in-kind contributions from Member States and looks forward to updates thereon in future progress reports.

Project governance and management

7. Details on project governance and management, including the project team, are described in paragraphs 16 to 24 of the report of the Secretary-General. He indicates that the project owner remains the Director-General of the United Nations Office at Nairobi and that the project governance structure is unchanged, with the overall management as follows: (a) the stakeholders committee is meeting regularly; (b) coordination with the Global Asset Management Policy Service (formerly the Office of Central Support Services) at Headquarters is continuing through regular meetings, general project oversight, technical guidance and advice; and (c) an independent risk management firm is conducting quarterly risk meetings to provide guidance on the management of project risks, including the facilitation of quantitative project risk assessments (see also paras. 9–10 below). Furthermore, it was planned to initiate a change management and corporate support group in the third quarter of 2019.

8. With respect to the project team, the Advisory Committee was informed, upon enquiry, that one Project Manager (P-5), one Space Planner/Coordinator (P-4), one Structural/Civil Engineer (P-3) and one Procurement Officer (P-3) had been recruited and were on board, while the recruitments of one Administrative Assistant (Local level), one Clerk of Works (Local level), one Logistics/Coordination Officer (National Professional Officer) and one Project Services Engineer (National Professional Officer) were at various stages. The Committee was also informed that the cost of one

Project Coordinator (P-3), located at Headquarters, was shared, with the United Nations Office at Nairobi funding 75 per cent and the Economic Commission for Latin America and the Caribbean (ECLAC) the remainder. Such sharing would reduce overall costs and, should the needs for one or both projects change over time, the role and funding ratio would be amended. The Secretary-General also indicates that three consultants are currently on board (an interior design consultant, a security specialist and an information and communications technology specialist).

Risk management

9. Details on risk management and the proactive measures to be taken to mitigate risks are described in paragraphs 26 to 32 of the report of the Secretary-General. Following the second risk management workshop² and the Office's second quantitative analysis of risks (Monte Carlo simulation),³ the cost sensitivity analysis was updated to measure the correlation between the overall estimated cost and the top five risks: (a) owner-directed changes; (b) flexible workplace strategies: information technology and furniture; (c) two new blocks: civil works and mechanical, electrical and plumbing works; (d) flexible workplace strategies: interior refurbishments (see also paras. 12–16 below); and (e) schedule slippage/delays (A/74/343, paras. 30–31 and figure II).

10. The Secretary-General indicates that the second simulation concluded that, at the United Nations P80 benchmark level, the project would be expected to come in at approximately \$68.31 million, which would be \$2.05 million over the estimated costs of \$66.26 million. The cost histogram presented in his report illustrates that there remains a relatively low level of confidence, of about 38 per cent (compared with the previous year's level of 27 per cent), that the project will be completed within the estimated costs (ibid., figure I and paras. 28–29). The Secretary-General indicates that the confidence level is expected to increase once the project scope and overall budget are approved and the design activities have begun.

Project schedule, planning and design activities

11. Details on the overall project schedule and the planning and design activities, including the flexible workplace strategies component, are given in the report of the Secretary-General (ibid., paras. 6–15 and 36–47 and table 1). The Advisory Committee recalls that, in its previous report, it addressed details of the proposal to repurpose the publishing services building and the construction of an adjacent annex (A/73/426, paras. 4–13). The Committee furthermore recalls that the project does not take into account any potential decision of the General Assembly on the global service delivery model (ibid., para. 10).

12. The Secretary-General notes that the three key objectives of the project remain as follows: (a) the implementation of early works to repurpose the publishing services building and construct an annex; (b) the introduction of flexible workplace strategies across all offices at the complex to improve space utilization; and (c) the construction of a new two-block building to replace blocks A–J (A/74/343, para. 8).

13. The Advisory Committee recalls that the General Assembly requested the Secretary-General to provide an updated proposal, including refined information on scope, maximum overall costs and implementation strategy (resolution 73/279 A, sect. IX., para. 10). **The Advisory Committee notes that the report of the**

² The first workshop was held in 2018 and the second in May 2019 (A/74/343, paras. 26–27).

³ A statistical analysis method used to better understand the impact of risks in a project, by using a range of minimum to maximum values with regard to time frames and cost estimates for stages and components, through a computer-based simulation that runs multiple random project scenarios (A/73/426, footnote 1).

Secretary-General did not provide an updated proposal. Upon enquiry, the Committee was informed that the Secretary-General did not provide the requested refined information on scope as that information would be available only after the detailed design had been completed. Further to that issue, the Secretary-General indicates in his report that the project cannot proceed until the ultimate scope has been decided, which is only after the required sizes of the new building blocks are determined, at the earliest by the end of 2020 (A/74/343, para. 4). He also indicates that the early works design firm has recently completed a feasibility study on the repurposed building and the new annex to provide swing space using existing furniture to support the implementation of the flexible workplace strategies (ibid., paras. 36–37; see also paras. 14–16 below).

14. Regarding the overall project schedule, the Secretary-General indicates that the expected completion date in the third quarter of 2024 would remain unchanged, the six-month slippage in the early works stage owing to delays in the design and related tender action notwithstanding. He further indicates that efforts are being made to address the risk of schedule slippages and delays and include a refinement of the staff moves schedule, with an option for the renovation of one office block at a time rather than renovating the office space on a floor-by-floor basis, which would not have an impact on the overall schedule of the project. Furthermore, the implementation plan pertaining to the move schedule for each of the 10 blocks and their tenants would be presented in the next progress report (ibid., para. 42).

15. Regarding the overall cost of the project, the Advisory Committee was informed, upon enquiry, that the maximum overall cost would be submitted for the approval of the General Assembly at its seventy-fifth session, as the cost for the project would be determined in 2020, after the aforementioned completion of the design of the new building component and after a final space survey on the knowledge and lessons learned from the flexible workplace strategies pilot projects (see also paras. 18–20 below).

16. The Advisory Committee is concerned that the Secretary-General indicates that the scope of the project may not be finalized before the end of 2020. The Committee therefore recommends that the General Assembly request the Secretary-General to present the full scope of the project for the approval of the Assembly in his next progress report, at the seventy-fifth session of the General Assembly, including details on actual space requirements and the number and size(s) of the new buildings. The Committee trusts that future budget requirements will be provided based on the project scope and implementation strategy.

17. The Advisory Committee notes with concern that a slippage of six months has already occurred and trusts that further delays will be avoided. Furthermore, the Committee trusts that the Secretary-General will closely monitor and mitigate project risks so as to ensure that the project will be delivered within the scope, budget and timeline to be approved by the General Assembly.

Flexible workplace strategies

18. The Secretary-General envisages introducing flexible workplace strategies in all the office buildings at the complex, at a cost of some \$12.6 million (A/74/343, annex). He indicates that pilot projects on possible configurations of the flexible workplace would be initiated, taking into account lessons learned as part of the implementation of flexible workplace strategies in New York and the strategic heritage plan in Geneva (ibid., paras. 38–41). He also indicates, however, that initial consultations with the current tenants have shown that it is uncertain whether they would accept the concept of a flexible workplace and that they may choose not to implement the strategies and consequently not agree to provide the financial resources for the related requirements

(*ibid.*, para. 13). The Secretary-General also indicates that, of the tenants planning to adopt the strategies, chiefly the United Nations Office at Nairobi itself, the target ratio may fall short of the projections initially presented (*ibid.*, para. 14). He states that, owing to that uncertainty, it is unclear as to which degree the flexible workplace strategies will be implemented and, therefore, how the overall cost of the project may be affected, and that two of the highest risks pertain to those strategies (information technology and furniture, and interior refurbishments). He also states that mitigating those risks would require an agreement on flexible workplace strategies and on common information technology standards and furniture requirements by the senior management of the tenants as early as possible (*ibid.*, paras. 31 (b) and (d)).

19. Upon enquiry, the Advisory Committee was provided with further details of the three pilot projects, as follows: (a) one, involving the set-up of furniture in block G, began in the third quarter of 2019; (b) a second, to be located in the basement of block X, which involves the testing of work zones and the construction of an open workplace, including information technology upgrades and the installation of furniture, would begin in the fourth quarter of 2019; and (c) a third, involving the implementation of a flexible workplace across all floors of a full office block, would begin in the fourth quarter of 2020. The Committee was informed that the final design phase for flexible workplace strategies would begin in the first quarter of 2021. The Committee was also provided with a detailed schedule showing some overlapping time periods in the overall project schedule, specifically relating to the pilot projects phase, which would last until mid-2021, while the related construction would be initiated at the beginning of 2021, before the conclusion of the pilot projects phase. The Committee notes that the pilot projects are being conducted independently and without the involvement of or consultation with the current tenants.

20. In view of the uncertainties identified in the paragraphs above, the Advisory Committee considers that there is an urgent need to clarify a number of issues before proceeding further. The Committee therefore recommends that the General Assembly request the Secretary-General to provide in his next progress report the following information: (a) a status update on the aforementioned three pilot projects; (b) information on the involvement of, and any feedback received from, tenants with respect to the pilot projects; (c) agreements from tenants with respect to their intention to implement, or not implement, flexible workplace strategies, and their intention to provide the required financial resources to the United Nations Office at Nairobi for the necessary construction, including information technology and furniture requirements, in their rented spaces; (d) further details, including a breakdown of the cost, of the Secretary-General's proposal to implement flexible workplace strategies; and (e) a clarification of the overlapping time periods of the design and construction components of the project schedule with respect to the flexible workplace strategies.

Energy efficiency strategy and related cost savings

21. The Advisory Committee was informed, upon enquiry, that the Secretary-General envisaged including environmental best practices in the overall design, drawing from best practices and lessons learned from the construction project at the complex in 2010, as well as from other United Nations construction projects, in particular the net-zero⁴ energy renovation project of the North Building at ECLAC.

⁴ A "net-zero" building is defined as a building where the total amount of energy used on an annual basis is equal to or less than the amount of renewable energy generated on site, often producing excess energy for use elsewhere (A/74/7/Add.11, para. 18).

22. Upon enquiry, the Advisory Committee was informed that it was envisaged that the energy efficiency measures of the project would include: (a) green power generation, namely the installation of photovoltaic panels on the new buildings' rooftop; (b) energy reduction through the installation of LED light fittings and daylight and motion sensors; (c) water efficiency measures, such as solar water heaters, the installation of water efficient showerheads, push taps and double-flushing toilets, rainwater harvesting and the use of recycled wastewater for irrigation; (d) building envelope design measures, such as insulated windows; (e) the use of environmentally sustainable materials; and (f) the installation of solid waste management stations. The Committee was also informed that the total energy consumption of the complex in 2018 amounted to 8,990,734 kWh and would be used as a baseline for determining the calculations and energy savings of the project.

23. **The Advisory Committee welcomes the replacement of office blocks A–J of the United Nations Office at Nairobi with sustainable and energy-efficient buildings. The Committee recommends that the General Assembly request the Secretary-General to present updated information on energy efficiency and related cost savings in future progress reports. The Committee stresses that the United Nations Office at Nairobi should ensure that knowledge gained from other United Nations construction projects, in particular from the ECLAC energy efficiency strategy, is incorporated into the project (see also [A/74/7/Add.11](#), paras. 18–22).**

III. Project expenditures and anticipated costs

24. Details on project expenditures and anticipated costs are provided in paragraphs 52 to 59 of the report of the Secretary-General, where he indicates that the overall estimated cost has remained the same as reported previously, at \$66,260,100 ([A/73/344](#), annex I). By section XIV of its resolution [72/262 A](#) and section IX of its resolution [73/279 A](#), the General Assembly appropriated the amount of \$7,098,300 for the project for the biennium 2018–2019. As at 31 December 2019, a projected unused balance of \$2,626,100 would remain, owing to slippages in the project schedule as a result of a delay in the design and tender action in the early works component (see paras. 14 and 17 above).

25. According to the Secretary-General, the net funding requirements for 2020 would amount to \$10,490,100, comprising projected expenditures of \$13,116,200, less the aforementioned projected unused balance from 2019, comprising:

(a) The amount of \$1,180,100 under section 29G, Administration, Nairobi, relating to the cost of the project management team (see para. 8 above);

(b) The amount of \$11,711,000 under section 33, Construction, alteration, improvement and major maintenance, for construction costs (\$6,149,000), professional services relating to the design and construction management support services (\$2,293,600), an escalation provision (\$1,534,400) and a contingency provision (\$1,734,000);

(c) The amount of \$225,100 under section 34, Safety and security, to provide for four security guards to be deployed during the construction phase of the project, as additional security shifts and/or patrols will be required, once construction begins, to secure construction perimeters and access points around the clock.

26. **The Advisory Committee trusts that the Secretary-General will provide the projected amount of the unused balance for 2019, based on the most recent actual expenditures available and, consequently, an update on the net funding**

requirements for 2020, to the General Assembly at the time of its consideration of the present report.

Rental income

27. As indicated in paragraph 49 to 51 of the report of the Secretary-General, the current project proposal would not lead to a significant change in the overall net rentable areas, as the new construction would provide a similar amount of office space as the current blocks. **The Advisory Committee notes that the implementation of flexible workplace strategies may result in a reduction in square metre requirements of those tenants that will implement the strategies, therefore possibly resulting in an eventual reduction of rental income. The Committee trusts that, once the issues raised in paragraphs 16, 17 and 20 above are addressed, the Secretary-General will provide updated information on potential rental income in the next progress report.**

28. The Secretary-General indicates that regular rental studies are conducted in Nairobi to confirm current commercial rental rates, with the next study scheduled for October and November 2019. The Advisory Committee was informed, upon enquiry, that rental income from the 56 agencies, funds and programmes currently renting space in the compound was projected to amount to \$6,530,454 in 2019, while the income in 2018 amounted to \$5.5 million (A/73/426, para. 22). **The Advisory Committee trusts that updated information on the outcome of the aforementioned rental study for 2019 will be provided to the General Assembly at the time of its consideration of the present report and will also be included in the next progress report.**

Multi-year construction-in-progress account

29. The Secretary-General proposes establishing a multi-year construction-in-progress account for the United Nations Office at Nairobi (A/74/343, paras. 58 and 61 (c)). The Advisory Committee recalls that the expenditures of major construction projects approved by the General Assembly as part of the programme budget are recorded in this type of account. Funding does not expire at the end of a financial period and, upon the completion of the project, expenditures are to be reported, with any unused amounts to be returned to Member States (A/73/457, para. 27). The Committee notes that such accounts are also used for projects at the Economic Commission for Africa, ECLAC and the Economic and Social Commission for Asia and the Pacific. **The Advisory Committee reiterates its recommendation that the General Assembly request the Secretary-General to establish a multi-year construction-in-progress account for the United Nations Office at Nairobi.**

IV. Other matters

30. During its consideration of various reports pertaining to United Nations construction projects, the Advisory Committee observed inconsistent language pertaining to the actions to be taken by the General Assembly. For example, in the report of the Secretary-General under consideration, the Assembly is requested “to take note of the report of the Secretary-General”, while in other construction reports, the Assembly is also requested “to take note of the progress made since the issuance of the previous report of the Secretary-General”. **The Advisory Committee trusts that language with respect to the actions requested of the General Assembly will be standardized, when applicable, in future reports pertaining to United Nations construction projects.**

V. Conclusion

31. The recommendations of the Secretary-General on proposed actions to be taken by the General Assembly are set out in paragraph 61 of his report. **Subject to its recommendations and observations above, the Advisory Committee recommends that the General Assembly:**

- (a) **Take note of the report of the Secretary-General;**
 - (b) **Approve the establishment of a multi-year construction-in-progress account for the project and approve the rollover to 2020 of the unspent balance from 2019 (see para. 26 above);**
 - (c) **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 2020, which would represent a charge against the contingency fund.**
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