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Proposed programme budget for 2020

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

Ninth 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 seismic mitigation retrofit and life-cycle replacements project at the premises of the Economic and Social Commission for Asia and the Pacific in Bangkok (A/74/317). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses dated 30 September 2019.

2. The report of the Secretary-General is submitted pursuant to section VII of General Assembly resolution 73/279 A, in which the Assembly requested that the next progress report on the implementation of the project be submitted at the main part of its seventy-fourth session.

II. Progress on the implementation of the project

Design and tender phase

3. In his report, the Secretary-General indicates that the project design has progressed from the partial design development stage to full design completion and the finalization of construction bid documents, and that the request for proposals for the general construction works was issued to the market on 28 June 2019 (A/74/317, para. 54). It is also indicated that the bid documents were posted later than originally



anticipated¹ owing to challenges faced in the process of completing the design and construction documents, which are summarized in paragraph 56 of the report.

4. Upon request for further information regarding those challenges, the Advisory Committee was informed that additional time was required for the incorporation into the final design of previously unforeseen fire and life safety scope items discovered during the design phase, including corrective measures for increasing the fire protection ratings of concrete floor slabs and columns, preventing smoke from spreading through the elevator shafts between floors, providing a safe haven (area of refuge) on each floor, renovating staircases in two locations for evacuation purposes, so as to comply with fire codes, and providing evacuation chairs at stairwells (see table below). In addition, in order to ensure adherence to the overall project mandate of full safety and compliance with relevant seismic codes, a survey to confirm the stability of non-structural elements in the secretariat building of the Economic and Social Commission for Asia and the Pacific (ESCAP) in case of an earthquake was required, which was not included in the original scope. Furthermore, the value engineering exercises conducted to incorporate the changes in the construction documents to ensure that the project costs remained within budget, while maintaining the objectives of the overall project, were more time-consuming than anticipated, involving extensive coordination, trimming non-priority elements and substituting more cost-efficient materials and design solutions. Finally, the additional quality assurance methods involved implementing a comment and correction tracking system and holding on-site and remote workshops with the lead consultant firm to find consensus on the outcome of the issues identified.

Fire and life safety-related items and related costs

(United States dollars)

<i>Fire and life safety-related items</i>	<i>Cost</i>
1. Fire protection rating to structure (vermiculite sprayed to undersides of floor slabs and fire-rated board to vertical elements)	1 690 842
2. Smoke compartments (fire-rated elevator doors, duct)	471 793
3. Side evacuation stairs (railings; work on landings in two locations)	6 431
4. Area of refuge (fire-/smokeproof sliding door)	61 695
5. Evacuation chairs (15 floors x 2 locations)	31 482
Total	2 262 243

5. The Advisory Committee notes that in his report, the Secretary-General expresses confidence that the additional time taken in developing and issuing the bid documents will improve the quality of the bids, reduce the risk of receiving overpriced bids and allow the bidders, as requested, to provide proposals aimed at leveraging cost and time efficiencies without compromising the overall objectives of the project (ibid., paras. 54–57). The Secretary-General further states that while the revised project schedule entails a new projected start date for construction, the overall project completion date is maintained at the end of 2023 (ibid., para. 5). **The Advisory Committee notes the slight expansion of the scope of the project and trusts that the Secretary-General will closely monitor project activities and take all measures necessary to ensure that the project is delivered on time and within the**

¹ The previous progress report indicated that the request for proposals was planned to be issued in January 2019 (A/73/327, para. 33).

resources approved by the General Assembly in its resolution [71/272 A](#) (see para. 24 below).

Hazardous material

6. The Advisory Committee recalls that in its report ([A/70/7/Add.3](#)) on the first report of the Secretary-General on the project ([A/70/356](#)), the Committee expressed its view that the specialized asbestos and other hazardous materials study should be conducted prior to project planning to ensure the health and safety of staff and construction personnel in the premises, particularly if the method of implementation envisages that staff would remain in the building during the construction works ([A/70/7/Add.3](#), para. 19). Upon request, the Committee was provided with further details as to how this issue is being addressed in the project. The Secretariat indicated that: (a) the removal of hazardous materials in the areas affected by the construction works was one of the key project objectives that had been introduced in the first report of the Secretary-General on the project ([A/70/356](#)); (b) a first campus-wide survey conducted by an expert consultant in 2016 found minimal presence of asbestos-containing materials in the ESCAP secretariat building ([A/71/333](#), para. 24), and also recommended that a second and more detailed survey be conducted to inform the full extent of abatement works required prior to the start of main construction work; (c) ESCAP is currently preparing a request for proposal for the second survey to cover the entire ESCAP premises (in addition to the area of the project works), which is expected to be finalized and issued shortly; and (d) as indicated above, the bidding documents for the main construction works were issued in June 2019. The Secretariat further indicated that the contractor will develop a health and safety plan that includes the safe removal and disposal of hazardous materials, in accordance with internationally recognized standards, and will safely remove the hazardous materials identified in the first hazardous material survey. In addition, the contractor is aware that a second survey is to be conducted and that the results will be shared with the contractor to determine the extent of the additional scope, prior to the start of the construction works, in accordance with the recommendations of the Committee. Furthermore, the additional cost for such work, if any, will be negotiated with the contractor and, if necessary, value engineering solutions identified to maintain project costs within the approved budget. However, the scope for the removal of hazardous material will neither be cut nor reduced. The Committee was further informed that if an extensive removal of hazardous material is required, the costs for which cannot be covered by value engineering opportunities, contingency funding would be utilized to cover such costs.

7. The Advisory Committee stresses the need to incorporate the outcome of the second survey into the project scope, including a health and safety plan, as soon as possible. The Committee also emphasizes the need to update the project risk register accordingly and to develop strategies for managing and mitigating any eventual risks that could arise from the outcome of the second survey (see para. 24 below). The Committee trusts that the Secretary-General will provide an update on this matter to the General Assembly at the time of its consideration of the present report and recommends that the Assembly request the Secretary-General to report on this matter comprehensively in the context of the next progress report.

Construction methodology and swing space strategy

8. In his report, the Secretary-General indicates that, pursuant to the approval by the General Assembly in its resolution [73/279 A](#) of the five-phase construction methodology proposed by the Secretary-General in his previous report ([A/73/327](#)), the design for the on-site swing space was finalized and a construction contract for

the swing space was awarded in December 2018. Construction works started in January 2019 and the swing space is scheduled to be completed in 2020, in time for the first phase of the main construction works in 2020. As indicated in paragraph 70 of the report of the Secretary-General, the above-mentioned five-phase construction methodology would allow construction to take place in smaller sections of the ESCAP secretariat building, limit the number of occupants displaced during construction and require on-site only swing space during the construction works. It is further indicated that the on-site swing space comprises two spaces, namely: (a) a new construction that will accommodate up to 120 occupants; and (b) a previously underutilized space of approximately 540 m² in the ESCAP secretariat building which will be renovated, as required, to function as temporary swing space for 55 to 60 occupants (A/74/317, paras. 70–72).

Space efficiency and utilization

9. In his report, the Secretary-General indicates that the new open plan workspace solution, to be implemented as part of the interior renovation works in the ESCAP secretariat building, will deliver the 20 per cent space efficiency committed to in the report of the Secretary-General containing the proposal for the project (A/71/333), yielding thereby an additional 1,800 m² of space available for rent within the secretariat building (A/74/317, paras. 73–75). Upon enquiry, the Advisory Committee was informed that the open office workspace solution will allow the accommodation of flexible workplace strategies, which may be adjusted to meet each client group's functional needs. Furthermore, ESCAP is planning to pilot the flexible workplace strategies, initially with consultants, and eventually adapt them for other users. The Committee was also informed that the project will be able to achieve its 20 per cent space efficiency goal primarily through the implementation of the open plan office space solution, and that the adoption of flexible workplace strategies may provide further efficiencies.

10. In his report, the Secretary-General indicates that the rental rate for 2018–2019 is \$264 per annum per square metre for United Nations agencies, funds and programmes and \$279.60 for commercial tenants. The annual rental income amounts to \$3,507,300 and is projected to stay at that level till the end of 2023. Furthermore, the 20 per cent space efficiency gains expected in the Secretariat building at the end of the project in 2023 is equivalent to 1,800 m² of additional rental space and translates to \$475,200 in additional annual rental income for 2024. With regard to the rental income from the swing space after construction work, it is indicated in the report that on-site swing space that is currently under construction will have a total area of 1,250 m² to be repurposed at the end of the project, as required. It is further stated in the report that it would be possible to more accurately determine potential rental income from this space, once a new rental cost estimating model for ESCAP is in place (*ibid.*, paras. 83–85).

11. The Advisory Committee recommends that the General Assembly request the Secretary-General to include, in his next progress report, detailed information on the utilization of on-site swing space and on the expected future rental income, as well as on any developments regarding space efficiency and utilization, including lessons learned from piloting flexible workplace strategies.

Cooperation with the host country Government and other Member States

12. In his report, the Secretary-General indicates that ESCAP has continued to brief Member States and solicit voluntary contributions from them on a regular basis and that, while no concrete offers have been made, ESCAP will follow up with the Member States that may be able to support the project through voluntary contributions, including in-kind contributions of technical experts in the areas of energy and seismic

engineering and sustainable building practices (ibid., paras. 8 and 9). **The Advisory Committee encourages the Secretary-General to continue engaging with Member States to seek voluntary contributions and other forms of support for the project.**

13. In his report, the Secretary-General indicates that the host country continued to support the project as ESCAP finalized the design and developed the bid documents for the general construction works, in particular with respect to guidance provided by the Ministry of Commerce on construction practices, laws and regulations in the local context, and the project team's interactions with the Bangkok Metropolitan Administration, as well as in leveraging the expert knowledge provided by the Council of Engineers of Thailand (ibid., paras. 10–14). Upon enquiry, the Advisory Committee was informed that although difficult to quantify, the in-kind support provided by the host country added significant value to the project, including better informed and improved implementation of the design and construction phases. **The Advisory Committee notes with appreciation the support provided by the host country.**

14. With regard to local knowledge and lessons learned, information is provided in the report regarding: (a) a meeting of the ESCAP project team and the Procurement Unit with the project team responsible for the renovation works at the United Nations Children's Fund building in Bangkok; (b) the visit of the designers of the lead consulting firm to One United Nations House in Viet Nam, as part of a best practice and benchmarking exercise; (c) a meeting of members of the procurement team at ESCAP with the Office of the Insurance Commission of Thailand in preparation for the issuance of the bid documents for the general construction works; and (d) collaboration between ESCAP divisions and other United Nations system entities that comprise the membership of the ESCAP Sustainability Business Network to exchange knowledge on sustainability and best practices in the region, which served as an informal vehicle for the peer review of the project's sustainability scope (ibid., paras. 22–28). **The Advisory Committee encourages ESCAP to continue to pursue efforts to benefit from local practices in construction projects and to share lessons learned with other Secretariat entities.**

Project governance

15. Regarding project governance, in his report, the Secretary-General indicates that the Executive Secretary of ESCAP is the project owner and has assigned the Director of Administration of ESCAP to serve as the Project Executive, while the day-to-day execution of the project is led by the dedicated Project Manager. The stakeholders committee was provided with project updates on four occasions. In addition to the regularly scheduled fortnightly coordination meetings between the dedicated project management team and the Global Asset Management Policy Service at Headquarters, ad hoc meetings were convened to support the project team, whenever required. Furthermore, the dedicated Project Coordinator, embedded in the Global Asset Management Policy Service, continues to support the project as the key focal point between the project team based in Bangkok and various entities at United Nations Headquarters (ibid., paras. 15–21).

Procurement

16. In the report, it is indicated that the main procurement activities in 2019 are focused on the acquisition of a general construction contractor to execute the main construction works, with an estimated value of \$20.358 million. ESCAP carried out extensive outreach and posted a request for expressions of interest in the fourth quarter of 2018 and the second quarter of 2019, to attract as many qualified vendors as possible, receiving initial expressions of interest from 44 companies from eight

Member States, including six from States with economies in transition. The request for proposals for the project was issued in June 2019 to 44 vendors and a mandatory bidders conference was conducted at ESCAP premises and attended by 15 interested vendors. It is further indicated that, in addition to the award of the contract for the construction of on-site swing space in late 2018 (see para. 8 above), and in line with best practices established in other United Nations capital projects, a contract for third-party peer review services, with a value of \$54,500, was awarded to an engineering and design firm with experience in providing similar services at the Economic Commission for Africa (ECA) to provide quality assurance on the deliverables of the lead consulting firm (*ibid.*, paras. 45–53).

17. Upon enquiry, the Advisory Committee was provided with an update on the status of the current procurement activities and contracts for the project as follows: (a) following the posting of the request for proposals in June 2019 for the provision of general construction works (see para. 3 above), the proposal is currently under technical evaluation review and the contract is planned to be awarded by February 2020; (b) a solicitation for the provision of office furniture and accessories was planned to be issued to the bidders in early October 2019 and a contract awarded by April/May 2020; and (c) a solicitation for the provision of moving services was planned to be issued to bidders by mid-October 2019 and a contract awarded in April 2020. **The Advisory Committee trusts that the Secretary-General will take all measures necessary to ensure that procurement activities are completed in a timely manner and avoid delays that could have a negative impact on the delivery of the project.**

Project team

18. In his report, the Secretary-General indicates that seven of the nine positions approved for the project are encumbered (*ibid.*, para. 29). In figure III of the report, a delay is shown in the recruitment of the project team, which was planned to be completed by 1 July 2019. Upon enquiry, the Advisory Committee was informed that two positions approved by the General Assembly in its resolution [73/279 A](#) effective 1 January 2019 for one Logistics and Coordination Officer (National Professional Officer) and one Information Technology Assistant (Local level) had been filled as of 1 September 2019.

19. In his report, the Secretary-General indicates that two approved positions, for one Civil and Structural Engineer (P-3) and one Procurement Officer (P-3), will expire after the end of 2019, as originally scheduled. The Secretary-General also proposes to establish three positions at the Local level in 2020 for one Safety Project Officer, one Security Officer and one Information Technology Assistant. In the report it is indicated that those three positions were scheduled to be established effective 2020 in the original plan, in time for the next phase of the project in which the swing space will be occupied and the main construction will begin ([A/74/317](#), paras. 29–32). Upon request for further justification for the requirements of the proposed three new positions, the Advisory Committee was informed that: (a) the dedicated Safety Project Officer is proposed to serve as the prime focal point for all health and safety-related matters pertaining to project activities, which are mostly construction-related and outside of the regular health and safety matters addressed by the on-site staff of the Safety and Security Section at ESCAP, such as the removal of hazardous materials, and the training of end users occupying a building under renovation; (b) the Security Officer is proposed to address the higher workload during the construction phase resulting from an increase in the number of visitors (contractors, service providers) and in vehicular traffic due to delivery and disposal of construction material in and out of the compound; and (c) the Information Technology Assistant is proposed to address the additional workload related to the relocation of approximately 200

occupants in each phase of construction to and from the swing space. **The Advisory Committee recommends approval of the establishment of the proposed three temporary positions.**

Accessibility

20. In his report, the Secretary-General indicates that the final construction documents incorporate the remedial works required to make the secretariat building fully accessible to ensure compliance with the applicable United Nations and international standards (*ibid.*, paras. 68 and 69). Upon enquiry, the Advisory Committee was provided with further information on the features included under the accessibility scope of the project, including: (a) the adaptation of all public areas of the building (including workspace, meeting rooms, recreation areas, bathrooms and vertical transportation) to ensure their accessibility to persons with movement-related disabilities; (b) the adaptation of public spaces in the ESCAP secretariat building to guide persons with full or partial hearing and/or visual impairments or disabilities; (c) the provision of furniture for persons with physical disabilities, including height-adjustable tables, workstations that can be used by a person in a wheelchair and counters at accessible heights; (d) the provision of information technology tools with accessibility features such as voice commands and enhanced visual display for persons with full or partial visual impairments or disabilities; (e) the provision of vertical transportation with accessible controls at heights suitable for wheelchair users, as well as voice and Braille instructions on control panels; and (f) arrangements for the emergency evacuation of persons with physical, visual and/or hearing impairments or disabilities. **The Advisory Committee trusts that the Secretary-General will provide, in his next progress report, an update on the accessibility features being introduced at ESCAP.**

Risk management

21. In his report, the Secretary-General indicates that a first risk management workshop was held in Bangkok in March 2018 and produced a project risk management strategy document, a risk register and the first quantitative (Monte Carlo) analysis of risks, which was presented in the previous report (A/73/327). In addition, an independent risk management firm has produced two reports, one in July 2018 and another in May 2019. The Secretary-General further indicates that a second Monte Carlo simulation, generated in May 2019, indicates that, at the United Nations benchmark level of 80 per cent, the project would be expected to come in at approximately \$41.5 million, or \$1.5 million over the approved overall estimated maximum cost. The cost histogram (A/74/317, fig. I) shows that the confidence level for the project to be completed within the approved budget, without any further mitigation action, has risen to approximately 15 per cent, which is a slight increase from the 12 per cent in the first Monte Carlo analysis. In the report, it is indicated that the confidence level remains relatively low owing to uncertainty around high value systems that are currently out for bid. However, the confidence level is expected to rise once construction bids are received and negotiated (*ibid.*, paras. 35–44). **The Advisory Committee expects the Secretary-General to closely monitor and mitigate project risks and to take all measures necessary to ensure the delivery of the project within the scope, budget and timeline approved by the General Assembly. The Committee also trusts that in his next report, the Secretary-General will include an update on risk management and the mitigation measures taken.**

Project accountability

22. In its resolution [71/272 A](#), the General Assembly requested the Secretary-General to entrust the Office of Internal Oversight Services (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. In his report, the Secretary-General indicates that OIOS conducted its third audit of the project in March 2019 and provides some information on the recommendations issued. It is further indicated in the report that all recommendations from the OIOS audit of 2018 were addressed by 31 December 2018, and that implementation of the recommendations from the 2019 audit was already under way ([A/74/317](#), paras. 86–88). **The Advisory Committee expects the Secretary-General to continue to ensure the implementation of the recommendations of OIOS.**

III. Project schedule and cost plan

23. With respect to the project schedule, the Secretary-General states that, owing to the issuance of the bid documents for the general construction works later than originally planned, construction works would begin in the second quarter of 2020 instead of the first quarter of 2020, as had previously been reported. In the report, it is indicated that the delay was due to the incorporation of quality assurance measures and the time needed to conduct further investigation of existing on-site conditions and to incorporate remedial measures into the final design. As indicated above (para. 4), this included the previously unforeseen fire and life safety scope items discovered during the design phase. Upon enquiry, the Advisory Committee was informed that the project team has engaged with the Facilities Management Unit at ESCAP for its early involvement in the project close-out phase, with a view to minimizing the duration of the positions of the dedicated project team and not extending time beyond the approved periods for close-out activities at the end of 2023, and ensuring that there are no additional financial implications due to the current delay (*ibid.*, paras. 76–79). **The Advisory Committee welcomes the approach taken and encourages the Secretary-General to continue to pursue such efforts.**

24. **The Advisory Committee notes with concern the successive delays to the start of the construction works reported in the most recent and in the previous progress reports. The Committee recommends that the General Assembly request the Secretary-General to take all measures necessary to complete the project on time and within the approved budget.**

25. With respect to project costs, the Secretary-General submits a proposed revised cost plan that shows increases under risk management (\$7,500) and travel of the project management team (\$10,600), offset by decreases for change management services (\$7,500) and the project management team (\$10,600) (*ibid.*, annex).

26. With regard to expenditures, in his report, the Secretary-General indicates that the General Assembly has appropriated a total of \$9,419,100 for the project for the period 2017–2019. The cumulative expenditure as at 30 June 2019 was \$4,869,500, and the projected expenditure for the remainder of 2019 amounts to \$3,596,300, leaving a projected unused balance at the end of 2019 of \$953,300, comprising \$974,100 under section 33, Construction, offset by an overexpenditure of \$20,800 under section 19, Economic and social development in Asia and the Pacific. The unused balance reflects unspent amounts as follows: (a) \$240,000 under construction costs, consisting of \$50,000 for moving costs and \$190,000 for the installation of on-site security infrastructure, both of which will be utilized in early 2020 instead of 2019, as originally planned; and (b) \$736,700 under contingency (*ibid.*, paras. 89 and 90).

Contingencies

27. The cost plan includes \$3.194 million as contingency funding, with a projected expenditure of \$22,800 for 2019 (ibid., annex). In the report, it is indicated that the amount of \$22,800 was spent in the first half of 2019 and related to the survey of non-structural elements in the ESCAP secretariat and service buildings to determine their performance in a seismic event, which had not been included in the original cost plan, but was determined to be necessary to meet life-safety codes (see para. 4 above). The use of \$22,800 under contingency in 2019 was submitted to and approved by the project change control board. It is further indicated that no other use of the contingency is expected for the remainder of 2019 (ibid., para. 90 (c)).

28. With regard to the \$333,000 projected to be spent in 2018 under contingency, as indicated in its previous report (A/73/425, para. 25), the Advisory Committee was informed that, at the time of the preparation of the previous report of the Secretary-General (A/73/327), it was projected that a contingency may be required for the swing space portion of the project. However, the successful bid for the construction contract for the swing space was within the budgeted amount and the projected contingency amount of \$333,000 was ultimately not required in 2018. The Committee was further informed that the unused contingency had been rolled over into subsequent budget years in line with General Assembly resolution 72/262 A, in which the Assembly stipulates that unused contingency funds must be carried over to subsequent years and all remaining unused contingency funds returned to Member States at the conclusion of the project in 2023.

IV. Resource requirements for 2020

29. Resource requirements for 2020 are estimated at \$7,364,000, comprising:

(a) \$886,400 under section 19, Economic and social development in Asia and the Pacific, for the continuation of six project team positions (1 P-5, 1 P-4, 2 National Professional Officer, and 2 Local level), 50 per cent of the cost of one Project Coordinator (P-4) at Headquarters, cost-shared with the Africa Hall renovation project at ECA, as well as three new positions (Local level) proposed to be established effective 1 January 2020 (see para. 19 above);

(b) \$6,477,600 under section 33, Construction, alteration, improvement and major maintenance, for the main construction works including furniture and fixtures (\$5,002,000), professional services (\$318,100), escalation (\$568,600) and contingency (\$588,900).

30. Taking into account the unused balance at the end of 2019 of \$953,300, the Secretary-General is requesting appropriation of a net amount of \$6,410,700 for 2020 (A/74/317, paras. 91 and 92).

V. Conclusions and recommendations

31. The recommendations of the Secretary-General on proposed actions to be taken by the General Assembly are set out in paragraph 94 of the report. **Subject to its recommendations and observations above, the Advisory Committee recommends that the General Assembly:**

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

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

(c) Approve the establishment of three temporary positions (Local level), effective 1 January 2020, in the project team, under section 19, Economic and social development in Asia and the Pacific, of the proposed programme budget for 2020;

(d) Appropriate an amount of \$6,410,700 for project activities in 2020, comprising \$907,200 under section 19, Economic and social development in Asia and the Pacific, and \$5,503,500 under section 33, Construction, alteration, improvement and major maintenance, of the proposed programme budget for 2020, which would represent a charge against the contingency fund.
