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### Proposed programme budget for 2021

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

### **Report of the Secretary-General**

#### *Summary*

The fourth progress report on the seismic mitigation retrofit and life-cycle replacements project at the Economic and Social Commission for Asia and the Pacific premises in Bangkok is submitted pursuant to section XII of General Assembly resolution [74/263](#).

The report provides an update on progress made on the project since the previous report of the Secretary-General ([A/74/317](#)) and outlines the activities undertaken, including key procurement activities, change management and business readiness, and the construction of on-site swing space facilities.

During the reporting period, the procurement of the contract for construction resulted in a poor market response and was retendered, resulting in a delay in the project schedule. In order to mitigate the effects of the delay and to reduce risks overall, the construction period will be accelerated to 24–30 months. While still subject to risks, overall the project remains on track, with construction estimated to be completed in 2023 within the overall approved maximum cost of \$40,019,000.

The General Assembly is requested to take note of the report and to appropriate an amount of \$6,321,600 for 2021.

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\* [A/75/150](#).



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## I. Introduction

1. The present report is the fourth progress report on the seismic mitigation retrofit and life-cycle replacements project at the Economic and Social Commission for Asia and the Pacific (ESCAP) premises in Bangkok, which was approved by the General Assembly in section IV of its resolution [71/272 A](#).

2. The project continues to be implemented in accordance with the previously reported project objectives. The present report provides an update on several key activities undertaken to achieve those objectives and actions taken to respond to the requests and decisions of the General Assembly in its resolution [74/263](#), including with regard to the continued engagement with Member States, the ongoing support of the host Government, project governance and accountability, risk management, the status of the implementation of recommendations made by the Office of Internal Oversight Services (OIOS) and progress made on swing space, change management and business readiness, as well as health and safety.

3. The present report also provides an update on the revised project schedule, reflecting adjustments to the start of construction resulting from a setback in the procurement of the general construction contractor, while still maintaining the overall project completion date at the end of 2023.

4. Significant progress has been made on the procurement of other key contracts, including for furniture and for moving and logistical services. Additionally, the report describes remedial actions taken to promptly restart the tendering for the general construction contract after the initial request for proposals failed to produce viable bidders. An updated cost plan showing the revised distribution of construction costs, in accordance with the adjusted timeline, while staying within the overall approved budget, is also included.

5. While the project remains subject to risks at the present stage, the project team is closely monitoring those risks and has put in place numerous mitigating actions. These include the implementation of an accelerated construction schedule to stay within the approved project duration and value engineering exercises to manage any cost overruns, while ensuring that the project is delivered within scope, with an emphasis on compliance with all relevant seismic and life safety<sup>1</sup> codes. The Secretary-General therefore remains confident, at the time of writing of the present report, that the project will be completed within the approved project duration and approved resources. The project budget remains at \$40.019 million, inclusive of a provision of \$3.194 million for contingency.

## II. Project objectives and benefits

### A. Project objectives

6. As the project team prepares for the start of the construction work in 2021, the main purpose of the proposed seismic mitigation retrofit and life-cycle replacements project is to ensure the long-term health and safety of staff, delegates and visitors at the Commission's premises in Bangkok. The key project objectives were established at the inception of the project and approved by the General Assembly in its resolution [71/272 A](#), and remain unchanged. They are aligned with the project objectives contained in the report of the Secretary-General on the strategic capital review ([A/68/733](#)). These include meeting industry norms related to health and safety issues,

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<sup>1</sup> The term "life safety" refers to the safe use of fixed building elements during any emergency, especially fire or earthquake, or other event such as a power outage.

meeting industry norms relative to facilities preparedness and design against potential natural disasters and emergency situations, ensuring compliance with all relevant regulations related to persons with disabilities, ensuring that hazardous materials are removed from facilities, improving space usage efficiency, modernizing outdated major building systems, moving towards more energy-efficient facilities and ensuring business continuity throughout project implementation.

## **B. Project benefits**

7. Throughout the planning and design phases, the project team has worked diligently to meet the project objectives and develop a final design that will deliver the project benefits as detailed below:

(a) The value of United Nations capital assets (secretariat and service buildings) will be maintained through timely intervention to upgrade major building systems that have reached or will reach the end of their useful lives before or during the project time frame;

(b) The health and safety of occupants, delegates and visitors to the ESCAP premises will be achieved through the retrofit of structural and non-structural elements in the secretariat and service buildings to meet seismic code compliance and life safety performance objectives in the event of an earthquake;

(c) Building regulations related to fire and life safety will be complied with to ensure adequate fire rating and protection for the buildings and their occupants;

(d) The removal of hazardous materials, including any asbestos-containing materials from areas affected by the construction works, will result in a safer environment for all;

(e) A 16–18 per cent increase in energy efficiency and reduced long-term maintenance costs are expected to be achieved through the implementation of an upgraded mechanical and electrical system and complete façade replacement;

(f) A 20 per cent increase in space efficiency will support a better utilization of space in the secretariat office building;

(g) An accessible and inclusive secretariat building for persons with disabilities will be achieved through modifications to the built environment, the inclusion of accessible bathrooms on the ground floor of the secretariat building, a revised and more accessible pedestrian entrance into the secretariat building and the use of select interior finishes and ergonomic furniture solutions and supporting technology;

(h) Sustainable practices in the design, construction and selection of materials and finishes will help reduce the long-term environmental impact of ESCAP and promote a culture of environmental responsibility;

(i) Improvements to the well-being of occupants will result from increased access to natural light for all, improved air quality and better climate control owing to the upgraded heating, ventilation and air conditioning (HVAC) system and the use of ergonomic furniture.

## **III. Project governance, management and accountability**

### **A. Project governance**

8. The Executive Secretary of ESCAP serves as the project owner and has assigned the Director of Administration to serve as Project Executive. The day-to-day

management of the project is under the leadership of the dedicated Project Manager, who has been onboard since September 2017.

### **Stakeholders committee**

9. The stakeholders committee has met three times during the present reporting period. In the meeting held in October 2019, the Project Executive shared with the members proposed revisions to the composition of the Committee, aimed at receiving guidance and oversight from a wider group of the project's stakeholders. The committee endorsed the proposed changes to include more participation from key stakeholders' groups and formalized the revised terms of reference.

10. In addition to formal meetings, the project has continued to engage with its stakeholders through several other forums, including at the senior management team meetings attended by directors of the ESCAP substantive divisions and at the regular meetings of the heads of United Nations agencies. Additionally, the administration has created an informal network of all the staff council representatives within the building to ensure that the parties are engaged early on and are given a forum to voice the opinion of the staff. The administration is also actively working with the ESCAP Innovation Task Team to broaden outreach and participation in the project.

### **Coordination and oversight by the Global Asset Management Policy Service**

11. The project team continues to engage closely with the Global Asset Management Policy Service at United Nations Headquarters, in line with the terms of the project coordination agreement signed in 2017. The Service remains actively involved in overseeing the project, with an emphasis on risk management and alignment with lessons learned.

12. The Service has also served as the primary interlocutor between the project team and the Office of Supply Chain Management and the Procurement Division. During the reporting period, the Service facilitated the sharing between ESCAP and the Procurement Division of lessons learned and best practices from other recent procurement actions for ongoing construction projects, most notably the strategic heritage plan in Geneva and the renovation of Africa Hall in Addis Ababa. This coordination was aimed at gathering a much higher level of interest from the market and more competitive bids during the ongoing tendering exercise.

13. The Service is supported by an international professional firm in providing construction-related, independent risk management services for the project owner. Regular risk assessment meetings were held with the ESCAP project team and key project stakeholders prior to the issuance of the semi-annual independent risk management reports. The purpose of these risk assessment meetings is the generation of data from the project's risk register to understand the potential impact that these risks could have on the overall project schedule and cost plan, and the related cost and schedule contingencies, as further described in section IV on risk management below. The independent risk management firm was also engaged in an ad hoc meeting organized by the Service in response to the coronavirus disease (COVID-19) pandemic.

## **B. Project management**

### **Project team**

14. Of the 10 approved project positions, 6 are presently encumbered. One position is under recruitment after the previous incumbent left the project, and the recruitment of three positions approved by the General Assembly in its resolution [74/263](#) (Safety Project Officer, Information Technology Assistant and Security Officer (all Local

level)) has been temporarily postponed owing to the delays in the start of the construction. The recruitment of these positions will be done in time for the start of construction in early 2021.

15. Two project positions (Civil and Structural Engineer (P-3) and Procurement Officer (P-3)) which were due to expire at the end of 2019 were extended. The Civil and Structural Engineer position was extended for an additional period of six months to support the review and revision of the general construction request for proposal. The Procurement Officer position was extended for a period of 12 months through the end of 2020 in order to support the extensive procurement activities taking place during 2020. The costs related to both extensions for 2020 were covered within available funds, including savings from vacant positions, with no increase in the overall project management budget.

16. Additionally, it is deemed necessary to further extend the Procurement Officer position through the end of 2021 owing to the delays in procuring the general construction contract, as well as projected delays in procurement activities resulting from the COVID-19 pandemic, which will result in many 2020 activities now shifting to 2021. Not having a procurement officer on board to manage these high-value procurement activities would pose high risks to the project. The costs related to the extension of this post will be covered by the contingency fund. Finally, the position of Architect/Engineer (P-4) within the Global Asset Management Policy Service at Headquarters, previously cost-shared between the major construction projects at ESCAP and the Economic Commission for Africa (ECA), will now be cost-shared between the construction projects at the United Nations Office at Nairobi and ECA, as the focus of the incumbent will shift from the project at ESCAP to the project at the United Nations at Nairobi. As recommended by the Advisory Committee on Administrative and Budgetary Questions ([A/74/7/Add.19](#), para. 9), the role and funding ratio of the post will continue to be reviewed and amended as the needs of the projects change over time.

#### **Quality assurance as it relates to the retendering of the general construction contract**

17. In June 2019, the request for proposals for the general construction works was issued to the market. The Procurement Unit at ESCAP and the project team had conducted extensive outreach since 2018 to attract as many qualified vendors as possible prior to issuing the tender documents. However, at the bid closing stage, the request for proposals had to be cancelled by the Project Owner owing to the low level of response received from the market, which failed to produce any viable proposals.

18. This delay in the tendering process is shifting the start of construction from 2020 to early 2021. Prior to reissuing the tender documents, the project team conducted several activities aimed at identifying existing risks and putting in place appropriate mitigating measures. These mitigating measures included: (a) one-on-one meetings with bidders who had initially expressed keen interest in the request for proposals but later dropped out; (b) independent market research and assessment of the local and regional construction markets to ensure that the proposals are aligned with the local context and trends; and (c) independent cost assessment of the bill of quantities and technical specifications to confirm that estimated costs are aligned with current market rates for construction. More detailed information on these activities can be found in section C below.

19. Owing to the delay of the construction works and to ensure that the project is still completed within the approved budget and timeline, the project team is adopting an accelerated construction approach with fewer phases and a shorter overall duration. A shorter construction duration of approximately 24–30 months with a project

completion date of 31 December 2023 can be achieved by leveraging alternate working arrangements such as telecommuting, exploring additional on-site swing space and gaining efficiencies from handing over additional floors to the contractor all at once. During the procurement process, the bidders will be required to accept this construction schedule and encouraged to further improve it. This accelerated approach has been well received by the occupants at ESCAP, who welcomed the prospect of spending less time in swing space.

20. Additionally, as a risk-mitigating measure, the project team, in collaboration with the Procurement Unit, will be implementing an innovative procurement process referred to as “multi-stage” tendering. This process is aimed at creating the best possible understanding of the project for vendors to provide the highest quality and most cost-efficient bid proposals.

### **C. Project accountability**

21. The fourth audit of the project by OIOS was initiated in March 2020; however, owing to the worsening COVID-19 pandemic, OIOS deferred the completion of the audit assignment to later in the year, if conditions allow.

22. In relation to the implementation of the audit recommendations from the 2019 audit, OIOS closed the recommendation on conducting systematic fraud and corruption risk assessments to safeguard against potential risks. Regarding the recommendation to review lessons learned from the design phase to help improve the efficiency and effectiveness of subsequent phases targeted for implementation by 31 March 2020, ESCAP requested additional time to implement the recommendation, as progress had been affected by the COVID-19 pandemic. Further details on the 2020 audit will be included in the next progress report.

## **IV. Risk management**

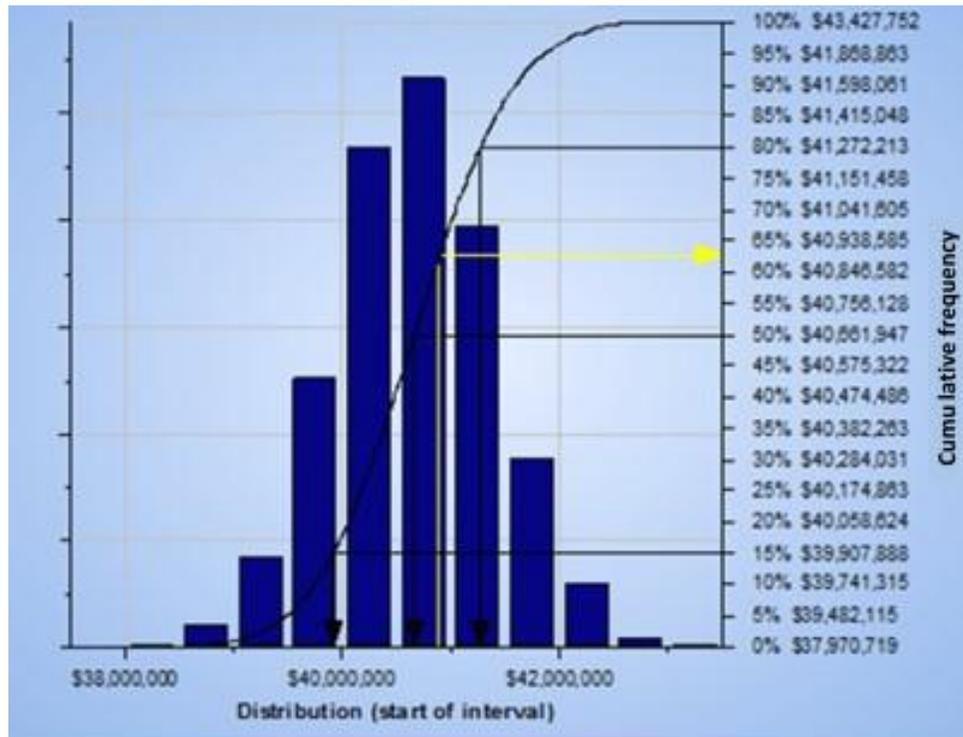
23. In March 2018, the first risk management workshop was undertaken in Bangkok, facilitated by the Global Asset Management Policy Service, which informed the baseline risk register and the Monte Carlo analysis. The workshop concluded with a resulting project risk management strategy document, a risk register and the first quantitative (Monte Carlo) analysis of risks, the results of which were reported in the previous report of the Secretary-General. Since then, the independent risk management consultant has produced four semi-annual reports: two for 2018 and two for 2019. Regular meetings to review the project risk register and provide guidance on the management of project risks are conducted quarterly.

24. In May 2020, the risk consultant, the ESCAP project team and the Global Asset Management Policy Service conducted the third and current Monte Carlo analysis to determine the project’s current risks and the likelihood of achieving the “P80” benchmark that has been established as the target confidence level on capital projects, meaning that the project team would have an 80 per cent confidence level that the project would be completed within budget. As noted in the previous report, the Monte Carlo analysis serves to provide an estimate of the most likely overall cost of known risks, at the time when inputs were provided by the project team.

25. At the time of the first risk management workshop, the inputs collated for the baseline Monte Carlo analysis were based on estimated costs rather than actual costs, as the project had yet to go out to the market for bid. This meant that a high degree of uncertainty existed, and the level of confidence in the project being completed within budget remained relatively low, until such time as the contract for general

construction was awarded. The current high risk level is also significantly affected by currency fluctuations, with the Thai baht appreciating against the United States dollar over recent years. Continuation of this trend would have an unfavourable impact on the project budget that was approved in 2016. A summary of the third Monte Carlo analysis is shown in the form of a cost histogram in figure I.

Figure I  
Cost histogram of analysed risks as of June 2020



26. The third and most current Monte Carlo simulation indicates that, at the United Nations benchmark “P80” level, the project would be expected to come in at approximately \$41.3 million, or \$1.25 million over the approved estimated maximum cost. The cost histogram in figure I illustrates that the level of confidence in the project being completed within the approved budget, without any further mitigation action, has risen to approximately 20 per cent, which is a slight increase from 15 per cent in the previous annual analysis. While the confidence level remains relatively low owing to uncertainty around currency exchange, high-value infrastructure systems and the COVID-19 pandemic, it is expected to rise once construction bids are received and negotiated.

27. Throughout the reporting period, the project team has taken and engaged in proactive measures to manage the risks identified, including through several new consultancies during the reporting period. One consultancy involved independent market research on local and regional market trends, as well as evaluation of the project team’s criteria for vetting potential bidders. The second consultancy involved assessing pre-tender cost estimates and validating alignment within the current markets. Additionally, after conducting the procurement debrief associated with the cancellation of the construction tender, the project team has decided to restructure the construction methodology to reduce the number of phases. These steps should prove to be effective and useful risk mitigation tools aimed at improving and increasing the confidence level towards the benchmark “P80” level.

## Integrated risk management

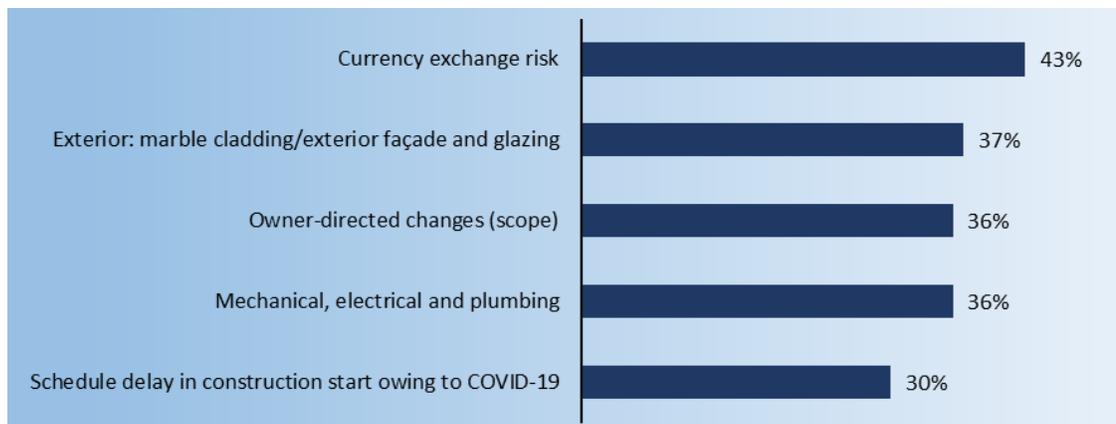
28. Integrated risk management continues to be performed at the local level by the project team and supported by its consulting firms during the review and assessment of the construction documents and during the procurement debriefing process. At the time of drafting the present report, the project was preparing to launch the second bid-tendering process for the main construction works, with bid proposals due in October 2020. Most of the risks that are given the highest priority are associated with high-value items and unknown circumstances that may occur during construction, such as continued currency fluctuation, potential schedule delays owing to COVID-19, and owner-directed changes. While the project team has taken proactive steps to put in place mitigating measures, some items will remain beyond the team's control.

## Risk register

29. The project risk register, which was established in line with the risk management strategy (A/73/327, para. 21), continues to be monitored and updated on a regular basis by the project team. The risk register is intended to be a dynamic documentation tool that is fully coordinated with the Monte Carlo analysis process through to the end of the project.

30. Figure II presents the cost-sensitivity analysis, measuring the correlation or relationship between individual risk entries and the overall estimated cost. The higher the cost sensitivity, the stronger the relationship between the estimate at completion and the individual risk. The figure contains a list of the current top risks.

Figure II  
Cost sensitivity (“tornado”) chart as at June 2020



## Description of the top five project risks

31. The top five risks identified in the cost sensitivity analysis (“tornado”) chart shown above, are explained in more detail below with a description of the risk response:

(a) **Currency exchange risk.** Over the past six years, during the development of the project, the Thai baht has continually gained strength against the United States dollar, which has resulted in an estimated increase in the project cost of \$1.5 million. As a result of COVID-19, it is unclear how the currency exchange rate may be affected. To mitigate this risk, the team intends to include in the general contractor request for proposals the requirement for the contractor to purchase at fixed pricing many of the construction materials up front and warehouse them in a secure location. This may have the benefit of reduced costs owing to economies of scale by purchasing in bulk. However, any change in market rates (up or down) is beyond the control of

the team, and therefore must be monitored. Any impacts will be reported in subsequent progress reports;

(b) **Exterior: Marble cladding/external façade and glazing.** The current façade design solution, given that it covers a large area spanning two sides of a 15-floor building, carries inherent design and construction risk as pertains to weatherproofing and insulation. This risk remains high until construction bids are received. The primary concerns for this risk relate to fabrication and installation quality and the limited available market warranty options for the façade and glazing solutions. Additionally, while there is a higher confidence level in the cost estimates for the structural work, there is still the risk of unforeseen structural conditions that may lead to extra costs and time delays. To mitigate this risk, the project team, in coordination with the Procurement Unit, intends to engage bidders and the eventual contractor to determine the most suitable construction methodology;

(c) **Owner-directed changes: Late design requirements and/or optional scope additions.** This risk refers to owner requirements that may not have been captured in the baseline design and construction documents and that could potentially result in additional costs if change orders are received during construction. This is owing in part to the fact that, among the more than 20 United Nations entities housed within the ESCAP premises, many are experiencing restructuring and changes in composition and leadership. Risk mitigation measures continue to focus on obtaining review and approvals by stakeholders prior to the issuance of construction documents to minimize change requests later;

(d) **Mechanical, electrical and plumbing.** This risk has emerged as a result of the high value and broad scope of these items. While the engineering design associated with these systems is complete and cost estimating has been validated accordingly, they remain a high risk owing to their impact on the overall project. The mechanical and electrical works are comprehensive, extending throughout the entire building, and require careful integration with existing infrastructure and control systems; therefore, the likelihood of unforeseen conditions and relatively high cost places it among the top five risks. This risk is being mitigated through site surveying of existing conditions and consultations with project engineers, and the additional effort invested in clearly detailing the technical documents issued to bidders. It is nevertheless not completely avoidable;

(e) **Schedule delay in construction start owing to COVID-19.** This risk has emerged owing to the uncertainty in how the regional markets and supply chain may react as a result of COVID-19 pandemic closures and lockdowns. Additionally, increased safety measures during construction may also be required and affect the schedule. To mitigate this risk, the project team has continued to make steady progress on the key procurement actions, such as onboarding the general contractor in preparation for the start of the construction works in 2021 and monitoring the status and impacts of COVID-19 in the host country and region. The project team will also enter into discussions on related risks with potential bidders during the “multi-stage” tendering process.

## **V. Progress made on the project during the reporting period**

### **A. Cooperation with member States and the host Government**

#### **Member States**

32. ESCAP has continued to provide project updates and solicit voluntary contributions from member States on a regular basis through the Advisory Committee of Permanent Representatives and Other Representatives Designated by Members of

the Commission and to seek support from the member States on the sidelines of that Committee's sessions. During the most recently concluded session of the Advisory Committee, the Project Manager presented an update on the project status and key activities and encouraged member States to support the project through voluntary contributions, including in-kind contributions of technical experts to support some of the project's key objectives. ESCAP will diligently continue to reach out to member States throughout the life of the project.

33. ESCAP republished job openings for Junior Professional Officers on the Department of Economic and Social Affairs website in 2019, and the information was shared with member States at the session of the Advisory Committee in June 2019.

### **Relations with the host country**

34. ESCAP has continued to engage with the Ministry of Foreign Affairs of Thailand to seek its assistance and support for the project. Since the previous progress report was issued, three meetings were held between the Division of Administration of ESCAP and the Department of International Organizations of the Ministry of Foreign Affairs of Thailand, to keep the host country briefed on project progress and to seek its support.

35. During the reporting period, the host country continued to support the project as ESCAP engaged in the retendering of the general construction works. The host country graciously facilitated discussions with the Bangkok Metropolitan Administration to navigate the typical construction authorization process to ensure the works will be executed in a manner mindful of the local applicable codes, standards and procedures, considering that the United Nations is not required to obtain a formal construction authorization.

36. The host country also facilitated discussions with the neighbouring school and the Royal Thai Army headquarters, which may be affected during construction and whose support and cooperation will be important to ensure that construction works proceed without interruption. The host country also facilitated the sharing of information on local laws and regulations related to construction works in the government district close to the Royal Plaza, where the ESCAP premises are located.

37. With the support of the host country, the project team continued to engage with key local technical experts, including the Council of Engineers of Thailand, who have previously provided information on construction practices in the local context and who further provided additional information on standard practices related to occupational safety and health in construction in Thailand.

38. Additionally, the Ministry of Foreign Affairs of Thailand has been working closely to support the ESCAP Procurement Unit in planning a business seminar. The seminar will be aimed at attracting more qualified and suitable vendors to respond to requests for proposals to provide goods and services for the United Nations family in Thailand. It will also be aimed at raising awareness among the vendor community of United Nations business opportunities, as well as explaining in detail the United Nations Global Marketplace registration process.

## **B. Local knowledge and lessons learned**

### **Debrief conducted with local construction vendors**

39. After the cancellation of the tender for general construction works, the project team and the Procurement Unit conducted a debrief of the construction companies that had initially expressed keen interest. During the one-on-one meetings, the bidders elaborated on their workload, interest in the project and the risks and challenges of

meeting the requirements of ESCAP that prevented or discouraged them from submitting a competitive proposal. The outcome of this exercise was the first step towards making necessary adjustments to the procurement strategy, with a view to attracting and targeting a qualified pool of bidders.

#### **Independent market survey of the local construction industry**

40. In addition to the one-on-one debriefing sessions conducted with key bidders, ESCAP also hired a construction consulting firm to conduct an independent assessment of the developments and trends in local and regional construction markets. The consulting firm also evaluated the qualifications, experience, technical expertise and financial standing of potential bidders to determine if the ESCAP requirements are aligned with the market. The outcome of this study enabled ESCAP to better understand the future capacity of the construction market and identify a pool of qualified and interested bidders.

#### **Independent cost assessment**

41. To further ensure that the new procurement process is successful, the project team retained a locally based independent cost consulting firm to review the bill of quantities and technical specifications developed by the lead consultants and to confirm that estimated costs are aligned with current market rates for the main construction works. The outcome of this review allowed ESCAP to validate the accuracy of the pre-tender estimate and target certain material specifications which could be value engineered, if required.

#### **Knowledge transferred from the Council of Engineers of Thailand**

42. As part of the ongoing knowledge-sharing between the project team and the Council of Engineers of Thailand, a meeting was held in January 2020 during which information on the following topics was shared with the project team: (a) ongoing developments and current trends in the local construction market, (b) health and safety management practices on similar construction sites in Bangkok and (c) lessons learned from the seismic retrofit works completed by engineers at the Council for another high-rise building in Bangkok. The knowledge shared during this meeting helped to inform the project team of necessary and additional actions to be taken during the retendering of the general construction works.

### **C. Procurement**

43. ESCAP procurement through the dedicated Procurement Officer (P-3) continues to provide support to the project with the acquisition of goods and services in a timely manner and in strict compliance with the regulations, rules and relevant provisions of General Assembly resolutions governing procurement in the United Nations. In 2019 and 2020, the project team, supported by the Procurement Unit, managed the tendering activities related to several key contracts, including those listed below.

#### **Contract for the general construction works**

44. As noted above, in 2018 ESCAP carried out extensive outreach, and in June 2019 it issued requests for proposals to 44 companies from eight Member States (six developing countries and two developed countries). However, after completing the tendering process up to the commercial bid evaluation stage, the project owner was required to cancel the tender in November 2019 owing to a poor response from the market.

45. The ESCAP Procurement Unit and the project team conducted one-on-one debriefing discussions with bidders who had been engaged in the latter stages of the tendering process to determine their reasons for opting out and identify any constraints or concerns that prevented them from submitting viable bid proposals. A revised expression of interest was issued in April 2020, and the revised and updated request for proposal documents were issued on 1 September 2020. The tender is expected to close in November 2020, with a contract award in the first quarter of 2021.

#### **Contracts for the provision of independent market research and independent cost-estimating services**

46. As part of the quality assurance measures related to the retendering of the main construction works, the project team retained a local consulting firm to perform: (a) independent market research with the objective of assessing the local and regional construction markets to ensure that the ESCAP proposals are aligned with the local context and trends, and (b) an independent cost assessment of the bill of quantities and technical specifications to confirm that estimated costs are aligned with the current market rates for construction.

#### **Contract for office furniture**

47. ESCAP pursued a solicitation exercise to award furniture contracts to procure standardized office furniture and accessories to support the future workspace solution. The bids closed in January 2020. At the time of writing of the present report, the ESCAP Procurement Unit had requested the companies that had passed the written portion of the technical proposals to prepare for the second stage of the technical evaluation process. This stage requires that they conduct an onsite furniture mock-up at ESCAP premises, which will allow the evaluation of a selection of actual furniture items and also allow the occupants of the ESCAP premises to test the products. The contracts are expected to be awarded by the end of 2020 in time to support the fit-out of the temporary swing space pilot location, prior to the staff moves in early 2021.

#### **Contract for moving and logistical services**

48. To support the relocation of staff and office equipment to and from the swing space throughout the project duration, the ESCAP Procurement Unit and the project team are engaging in a solicitation exercise to procure moving and logistical support services. An expression of interest was issued in April 2020, and the evaluation of the proposal and contract award is expected to be completed in the first quarter of 2021.

#### **Contract for construction administration services**

49. In order to benefit from local expertise, ESCAP has decided to pursue construction administration services through a separate contract requiring a greater degree of local presence and experience in managing similar projects in Thailand. To this end, the project team is currently in the tendering process to procure such a contract. The request for proposal documents were drafted to align with the documents for the revised general construction tender and were to be issued in August 2020. It is expected that a contract award would take place in December 2020.

### **D. Planning and design activities**

#### **Office space design and potential impacts of the coronavirus disease**

50. As part of the interior renovation works and to meet the project objective of achieving a 20 per cent increase in space efficiency and utilization in the secretariat building, as set forth in the report of the Secretary-General containing the proposal for

the seismic mitigation retrofit and life-cycle replacements project ([A/71/333](#) and [A/71/333/Corr.1](#)), the overall project design consists of a new office space solution. In addition to increasing space efficiency, the design also supports increased collaboration and cross-pollination of ideas, while providing the space required for quiet and focused work. The onset of the COVID-19 pandemic has raised concerns related to the potential health risks of returning to the workspace and potentially requires that changes be made to the typical office environment design. The project team is closely monitoring developments at ESCAP and other United Nations locations related to measures taken to facilitate a gradual return to the office. It is expected that any future changes may be met within the parameters of the overall design concept currently in place, and no changes to the office space solution are proposed at the present time, given the rapidly evolving nature of the pandemic. The project team will continue to monitor developments and determine how to incorporate some of the best practices and lessons learned from the return-to-office exercises at ESCAP and at other United Nations locations, as well as the public and private sectors.

51. In terms of the potential impacts of COVID-19 with regard to the project objectives related to a 20 per cent gain in space efficiency, modifying office space density by creating greater distance between workstations may result in a higher square meterage per workstation. At the present stage, the ESCAP gradual return to the office approach has leveraged alternate working arrangements and a new service delivery model for support services, along with preventative measures to mitigate the risks of COVID-19, rather than significant changes in office space layouts.

#### **Removal of hazardous materials**

52. The removal of hazardous materials in the areas affected by the construction works is one of the key project objectives. An initial campus-wide survey conducted by a consultant in 2016 found a minimal presence of asbestos-containing material in the secretariat building ([A/71/333](#) and [A/71/333/Corr.1](#), para. 24). Based on the results and recommendations of that survey, ESCAP committed to conducting a second quantitative hazardous materials survey of the ESCAP premises including, in the areas affected by the main construction works.

53. ESCAP is currently finalizing the request for proposals for the second hazardous materials survey and expects to issue it to the market in the third quarter of 2020. The request for proposals will be aligned with advice received from the Division of Health-Care Management and Occupational Safety and Health at United Nations Headquarters, as well as occupational safety and health experts at the International Labour Organization (ILO).

54. ESCAP has met with local entities and United Nations partners to pursue potential collaboration and support opportunities for ESCAP operations as they pertain to asbestos removal, containment and testing during the seismic mitigation project and other construction works at the ESCAP premises.

#### **Partnership with the Division of Health-Care Management and Occupational Safety and Health at United Nations Headquarters**

55. To further strengthen occupational safety and health practices, ESCAP engaged with the Division of Health-Care Management and Occupational Safety and Health at United Nations Headquarters in late 2019 through an initial assistance mission by the Division. The mission, held in December 2019, fulfilled the following objectives: (a) to brief ESCAP on occupational safety and health risk management; (b) to conduct an independent review of occupational safety and health practices on the ESCAP premises; and (c) to provide short-term and long-term recommendations and actions

to achieve United Nations occupational safety and health compliance, especially in view of the swing space construction and upcoming construction works.

56. In early 2020, the Division was scheduled to conduct a series of health and safety certification training sessions for members of the seismic mitigation project and other key staff involved in occupational safety and health at ESCAP. Owing to the COVID-19 lockdown and related travel restrictions, however, these training sessions have been postponed.

#### **Partnership agreement with the International Labour Organization to support occupational safety and health**

57. ESCAP initiated a collaborative partnership with ILO to leverage and benefit from best practices and lessons learned from the ILO capital renovation project currently under way in Geneva, with an emphasis on the area of occupational safety and health. ESCAP established a coordination agreement with ILO in November 2019.

58. The feedback provided by ILO also served to expand on the scope of the second hazardous materials survey, which ESCAP will conduct prior to the start of the project main works. In addition to the visit to ESCAP premises in late 2019, ILO also conducted remotely several sessions on lessons learned and knowledge transfer with the project team and the ESCAP Facilities Management Unit to share useful guidance on occupational safety and health requirements to be included in the main construction works.

#### **Construction methodology and swing space**

59. During one-on-one debrief meetings conducted with potential bidders, it became clear that most qualified bidders with the experience and ability to undertake the project indicated a strong preference for a shorter construction period of 24–30 months. Based on this information, a construction schedule of approximately 30 months is now being adopted by ESCAP as indicated in the project schedule shown in section IV.D.

60. The on-site swing space is comprised of two locations: (a) a newly constructed space comprising 1,200 m<sup>2</sup> of swing space; and (b) the ground floor of the secretariat building block A, a previously underutilized space of approximately 540 m<sup>2</sup>, which will be renovated as required to function as temporary swing space. The swing space construction is ongoing at the time of writing and on schedule for completion during the fourth quarter of 2020, in time for the first phase of the main construction works in 2021.

#### **Business readiness and change management**

61. To support the occupants in the secretariat building for the moves to the swing space in early 2021, the project team has worked diligently on numerous business readiness and change management activities and related communications over the past year.

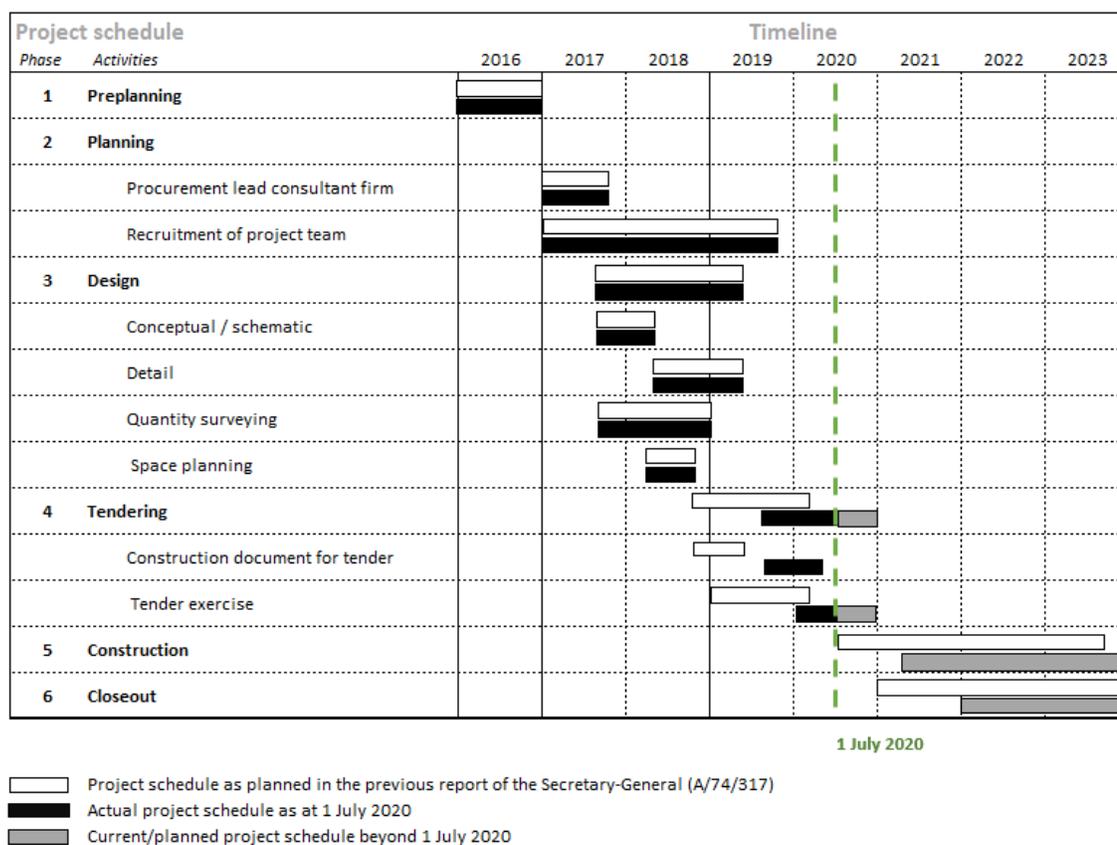
62. The project has launched a website to more widely disseminate information, created and shared informational videos and motion graphics and issued a project newsletter every two months. The team has involved its client groups from ESCAP and the United Nations agencies, funds and programmes in the development of its promotional material, as well as staff representatives to keep them apprised of project progress and hear staff concerns.

### E. Project schedule

63. Despite unanticipated delays in the tendering process for the general construction works in 2019, it is expected that the project can still be completed on schedule by the end of 2023 (see figure III). At present, a contract award is expected in the first quarter of 2021, with construction commencing in the second quarter of 2021. This is possible as a result of the accelerated construction approach, which entails a reduction in the number of construction phases, as per the revised construction methodology.

64. The methodology will result in fewer phases of construction than previously envisaged, but still involve staggered closeout phases as indicated in the second progress report (A/73/327). ESCAP will continue to plan for the early involvement of the Facilities Management Unit at ESCAP in the handover process with the substantial completion of each phase of work.

Figure III  
Project schedule as at 1 July 2020



### F. Rental income

65. The rental rates for 2018–2019 of \$264 per m<sup>2</sup> per annum for United Nations agencies, funds and programmes and \$279.60 for commercial tenants have been maintained for 2020 and 2021. The rates will be reassessed for 2022 and beyond. The 20 per cent gain in projected space efficiency in the secretariat building at the end of the project in 2023 is equivalent to 1,800 m<sup>2</sup> of additional rentable space, which

translates to \$475,200 in annual rental income based on the current rate of \$264 per rentable m<sup>2</sup>.

66. Table 1 shows the estimated rental income per year during the proposed construction period and at the end of the project in 2024 and 2025, when space efficiency improvements will have provided additional rental space. There has been no change to these projections since the previous report (A/74/317).

67. The table also includes the projected income from renting out 1,190 m<sup>2</sup> of on-site swing space that could be repurposed to serve as rental space once the project has ended, from 2024 and beyond.

Table 1  
**Estimated rental income**

(United States dollars)

	2020	2021	2022/2023 <sup>a</sup>	2024/2025 <sup>a</sup>
Rental rate (per annum per square metre)	264	264	To be evaluated in 2020	To be evaluated in 2022
Rental income (based on current rental rate)	3 496 416	3 819 024	3 819 024	4 294 224
Future income (swing space)	–	–	–	314 160
Rental income, including from rental of swing space (based on current rental rate)	3 496 416	3 819 024	3 819 024	4 608 384

<sup>a</sup> Rental income may change owing to changes in areas occupied while in swing space, during construction.

## VI. Project expenditure and anticipated costs

### A. Status of expenditure and projected expenditure up to the end of 2020

68. By its resolutions 71/272 A, 72/262 A, 73/279 A and 74/263, the General Assembly appropriated a total of \$15,829,800 for the project for the period 2017–2020. The cumulative expenditure as at 31 July 2020 was \$6,944,200 and the projected expenditure for the remainder of 2020 amounts to \$1,589,400, as detailed in table 2.

69. As shown in table 2, a balance of \$7,296,200 is projected to remain unused at the end of 2020, owing mainly to delays in the start of the main construction works, which has now shifted to 2021.

Table 2  
**Status of expenditure as at 31 July 2020 and projection for the remainder of 2020**

(Thousands of United States dollars)

	<i>Appropriation for the period 2017–2020</i>	<i>Cumulative expenditure as at 31 July 2020</i>	<i>Projected expenditure from 1 August to 31 December 2020</i>	<i>Total projected expenditure for 2017–2020</i>	<i>Projected unused balance at the end of 2020</i>
	(a)	(b)	(c)	(d)=(b)+(c)	(e)=(a)-(d)
<b>Section 33, Construction, alteration, improvement and major maintenance</b>					
1. Construction costs	8 770.0	1 620.4	1 073.1	2 693.5	6 076.5
2. Professional services	2 519.2	2 412.4	117.4	2 529.8	(10.6)
3. Escalation	835.5	–	–	–	835.5
4. Contingency	611.7	22.8	–	22.8	588.9
<b>Subtotal, section 33</b>	<b>12 736.4</b>	<b>4 055.6</b>	<b>1 190.5</b>	<b>5 246.1</b>	<b>7 490.3</b>

	<i>Appropriation for the period 2017–2020</i>	<i>Cumulative expenditure as at 31 July 2020</i>	<i>Projected expenditure from 1 August to 31 December 2020</i>	<i>Total projected expenditure for 2017–2020</i>	<i>Projected unused balance at the end of 2020</i>
	(a)	(b)	(c)	(d)=(b)+(c)	(e)=(a)-(d)
<b>Section 19, Economic and social development for Asia and the Pacific</b>					
5. Project management	3 093.4	2 888.6	398.9	3 287.5	(194.1)
<b>Subtotal, section 19</b>	<b>3 093.4</b>	<b>2 888.6</b>	<b>398.9</b>	<b>3 287.5</b>	<b>(194.1)</b>
<b>Total</b>	<b>15 829.8</b>	<b>6 944.2</b>	<b>1 589.4</b>	<b>8 533.6</b>	<b>7 296.2</b>

## B. Resource requirements for 2021

70. The resource requirements for 2021 are shown in table 3. The total projected expenditure for 2021 amounts to \$13,617,800, comprising:

(a) \$889,700 under section 19, Economic and social development for Asia and the Pacific, for the continuation of some of the existing project team positions (1 P-5, 1 P-4, 1 P-3, 2 National Professional Officer and 2 Local level) and the three positions approved in 2019 but not recruited in 2020 owing to delays to the start of construction. The positions (Safety Project Officer, Information Technology Assistant and Security Officer (all Local level)) are expected to be recruited in 2021 to support the main construction works;

(b) \$12,728,100 under section 33, Construction, alteration, improvement and major maintenance, for the main construction works, including furniture and fixtures, professional services, escalation and contingency.

Table 3  
**Resource requirements in 2021**

(Thousands of United States dollars)

	<i>Projected expenditures in 2021</i>	<i>Projected unused balance at the end of 2020</i>	<i>Net funding requirement in 2021</i>
	(a)	(b)	(c)=(a)-(b)
<b>Section 33, Construction, alteration, improvement and major maintenance</b>			
1. Construction costs	9 858.9	6 076.5	3 782.4
2. Professional services	310.1	(10.6)	320.7
3. Escalation	1 402.0	835.5	566.5
4. Contingency	1 157.1	588.9	568.2
<b>Subtotal, section 33</b>	<b>12 728.1</b>	<b>7 490.3</b>	<b>5 237.8</b>
<b>Section 19, Economic and social development for Asia and the Pacific</b>			
5. Project management	889.7	(194.1)	1 083.8
<b>Total</b>	<b>13 617.8</b>	<b>7 296.2</b>	<b>6 321.6</b>

71. Since the General Assembly approved in its resolution [71/272 A](#) the establishment of a multi-year construction-in-progress account for the project, the anticipated unused balance of \$7,296,200 at the end of 2020 will be carried forward to offset part of the resource requirement of \$13,617,800 for 2021. Consequently, the net resource requirement for 2021 amount to \$6,321,600 comprising: (a) \$1,083,800

under section 19, Economic and social development in Asia and the Pacific; and (b) \$5,237,800 under section 33, Construction, alteration, improvement and major maintenance, of the proposed programme budget for 2021.

## VII. Next steps

72. Among the actions to be undertaken during the next reporting period are:

(a) Continuing the recruitment of the remaining members of the dedicated project management team;

(b) Moving occupants into temporary swing space, in preparation for the start of the construction works;

(c) Continuing the change management and business readiness process with ESCAP staff, as well as tenants;

(d) Completing the tendering of the general construction contractor for the main works and other key contracts;

(e) Continuing to monitor issues related to occupational health and safety to ensure the safety and well-being of staff and visitors to the ESCAP premises throughout the construction phase;

(f) Continuing the value engineering exercises throughout the construction phase to ensure that project costs stay within the approved budget;

(g) Continuing to manage the project risks, including any impact of the COVID-19 pandemic, using both independent and integrated risk strategies;

(h) Continuing future office space planning with due consideration given to any impact of the COVID-19 pandemic and conducting outreach to attract additional tenants to the ESCAP premises.

## VIII. Recommended actions to be taken by the General Assembly

73. **The General Assembly is requested:**

(a) **To take note of the report;**

(b) **To appropriate an amount of \$6,321,600 for project activities in 2021, comprising \$1,083,800 under section 19, Economic and social development for Asia and the Pacific, and \$5,237,800 under section 33, Construction, alteration, improvement and major maintenance, of the proposed programme budget for 2021, which would represent a charge against the contingency fund.**

## Annex

## Revised cost plan

(Thousands of United States dollars)

	2017	2018	2019	2020	2021	2022	2023	Total	Reported in A/74/317	Difference
<b>Section 33, Construction, alteration, improvement and major maintenance</b>										
<b>1. Construction costs</b>										
1.1 Building costs	–	–	–	–	8 482.5	6 477.5	5 398.0	20 358.0	20 358.0	–
1.2 Swing space costs	–	–	1 535.5	1 232.5	1 200.0 <sup>a</sup>	200.0	100.0	4 268.0	4 268.0	–
1.3 Physical security system	–	–	–	13.6	176.4	–	–	190.0	190.0	–
<b>Subtotal, construction costs</b>	<b>–</b>	<b>–</b>	<b>1 535.5</b>	<b>1 246.1</b>	<b>9 858.9</b>	<b>6 677.5</b>	<b>5 498.0</b>	<b>24 816.0</b>	<b>24 816.0</b>	<b>–</b>
<b>2. Professional services</b>										
2.1 Lead consulting firm	201.8	1 366.3	197.2	0.3	10.0	10.0	10.0	1 795.6	2 522.9	(727.3)
2.2 Seismic design	134.4	–	–	–	–	–	–	134.4	134.4	–
2.3 Risk management	–	7.5	55.2	45.2	74.6	58.2	–	240.7	240.7	–
2.4 Other services	125.8	57.0	44.0	295.2	225.5	185.3	136.7	1 069.5	342.2	727.3
<b>Subtotal, professional services</b>	<b>462.0</b>	<b>1 430.8</b>	<b>296.4</b>	<b>340.7</b>	<b>310.1</b>	<b>253.5</b>	<b>146.7</b>	<b>3 240.2</b>	<b>3 240.2</b>	<b>–</b>
<b>3. Escalation</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 402.0</b>	<b>1 365.9</b>	<b>1 121.2</b>	<b>3 889.1</b>	<b>3,889.1</b>	<b>–</b>
<b>4. Contingency</b>	<b>–</b>	<b>–</b>	<b>22.8</b>	<b>–</b>	<b>1 157.1</b>	<b>829.7</b>	<b>992.6</b>	<b>3 002.2</b>	<b>3 194.4</b>	<b>(192.2)<sup>b</sup></b>
<b>Subtotal, section 33</b>	<b>462.0</b>	<b>1 430.8</b>	<b>1 854.7</b>	<b>1 586.8</b>	<b>12 728.1</b>	<b>9 126.6</b>	<b>7 758.5</b>	<b>34 947.5</b>	<b>35 139.7</b>	<b>(192.2)</b>
<b>Section 19, Economic and social development in Asia and the Pacific</b>										
<b>5. Project management</b>										
5.1 Dedicated project management and support team	474.8	613.9	782.6	881.9	876.1	672.2	310.3	4 611.8	4 426.6	185.2 <sup>b</sup>
5.2 Dedicated Architect/Engineer at Headquarters (50 per cent of costing)	14.2	135.6	147.6	124.0	–	–	–	421.4	403.8	17.6
5.3 Travel of project management team	24.7	–	–	– <sup>c</sup>	13.6	–	–	38.3	48.9	(10.6)
<b>Subtotal, section 19</b>	<b>513.7</b>	<b>749.5</b>	<b>930.2</b>	<b>1 005.9</b>	<b>889.7</b>	<b>672.2</b>	<b>310.3</b>	<b>5 071.5</b>	<b>4 879.3</b>	<b>192.2</b>
<b>Total</b>	<b>975.7</b>	<b>2 180.3</b>	<b>2 784.9</b>	<b>2 592.7</b>	<b>13 617.8</b>	<b>9 798.8</b>	<b>8 068.8</b>	<b>40 019.0</b>	<b>40 019.0</b>	<b>0.0</b>

<sup>a</sup> A portion of swing space construction costs (\$1 million), originally budgeted for 2020, has been moved to 2021.

<sup>b</sup> Overexpenditure resulting mainly from the need to extend the positions of the project management team beyond their initial anticipated expiration date (see paras. 15 and 16 above).

<sup>c</sup> The travel costs projected for use in 2020 has been removed and has been absorbed in the costs for project management.