

**Agenda item 130.**  
**Programme budget: biennium 2012-2013:**  
**Special subjects: Construction of additional office facilities at the Economic  
Commission for Africa and the United Nations Office at Nairobi**

**Remarks by Warren Sach**  
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Mr. Chairman, Distinguished delegates,

I have the pleasure to introduce the reports of the Secretary-General which summarize the progress on constructions at the United Nations in the following order:

- final report on the additional office facilities at United Nations Office at Nairobi (UNON) contained in A/67/217;
- and the progress made since last year on the construction of additional office facilities at the Economic Commission for Africa at Addis Ababa (ECA) contained in A/67/216.

The reports are the results of efforts made over this past year in meeting the recommendations of the General Assembly, as well as close collaboration between the Office of Central Support Services at Headquarters in New York, and the management teams in Nairobi and Addis Ababa.

With respect to the new office facility at the United Nations Office at Nairobi, in its report A/66/7/Add.3, the ACABQ welcomed the successful completion of the UNON project. The General Assembly endorsed the views of the Committee in resolution 66/247. The Committee also requested that a post-completion review be performed, including a comparison between actual and forecasted costs and benefits, a space utilization analysis, and an assessment of the procedures used to ensure the successful completion of the project.

The construction phase of the new office facility at UNON began in May 2009 and was completed on schedule and under budget in December 2010. Although the savings of the project may have been greater due to the devaluation of the Kenyan shilling during the construction bid phase, this savings was offset by a sharp rise of between 25 to 30% in construction inflation rates during the same period. The total project savings, along with additional rental income above and beyond the project costs, will be returned to income Section 2 of the regular budget, General Income.

The final report A/67/217 contains an analysis of the benefits of the project. The original project brief called for the provision of office space for all United Nations offices located outside of the UNON complex, so that those offices could relocate within the complex.

In 2008, the brief was expanded to include additional office space for existing tenants within the UNON complex. In summary, the full benefit of the project has been realized, as all offices requiring space within the complex have successfully relocated.

The report also contains a full space utilization analysis, including explanations for why eight of the entities that were originally included in the projected space requirements ultimately did not relocate to within the UNON complex.

Finally, the report includes lessons learned. Among the lessons learned are the need to allow sufficient time for architects to complete contract documents, to establish a dedicated project management team, to establish an effective organizational and management structure, and to consider all costs associated with the project in the budgeting phase, including interior fit-out costs, information technology and move costs. Promulgation of these lessons learned is being undertaken by the Office of Central Support Services.

In practical terms, the project is the result of excellent collaboration and the collective effort of the project team, the architect and contractor. The three-storey building, harmoniously incorporated into the existing UNON complex, serves as a practical example of the how programmatic objectives of the Organization can be embodied in our daily operations. The building, in addition to being efficiently planned and executed, is an international example of best practices in the field of sustainable design and construction.

With regard to the new office facility at the Economic Commission for Africa at Addis Ababa, the ACABQ took note of the progress made in its report A/66/7/Add.3 and the General Assembly endorsed the views of the Committee in resolution 66/247. Among the recommendations made by the Committee, the committee urged the Secretary-General to continue to closely monitor project expenditures and ensure that the project is delivered within the approved budget.

I am pleased to report that the project is expected to be completed within the total allocated budgetary resources. Following the initial value engineering efforts undertaken prior to the award of the contract in 2010, the project contingency resources were largely depleted last year following errors by the architect in the contract documents, which were discovered early in the construction phase. A second major value engineering exercise was undertaken by the project team with the goal of recovering enough contingency to cover future potential risks. The exercise yielded positive results.

Mr. Chairman and distinguished delegates, while this was a positive development, the project is still exposed to a number of risks. The likelihood of change orders on a project of this scale and duration was foreseen, and was accommodated using the budget contingency fund. Cost containment remains our foremost goal.

The most significant risk to the project incurred over the past several months is the inability of the contractor to procure and deliver internationally imported materials in

accordance with the project schedule. Despite the best efforts and cooperation of the project management team and all project constituents, tangible progress in the field has lagged behind. As we look ahead to the successful delivery of required construction materials, we stand committed to ensuring that the contractor makes good on his commitment to complete the project as close to schedule as possible.

As described in the Secretary-General's report A/67/216, the contractor performance issues had caused an additional delay of four months to the schedule of the main building. However, it is possible that the schedule may slip further caused primarily by liquidity issues faced by the contractor. In order to avoid significant schedule delays, a method of paying international suppliers directly upon shipment of materials by means of a bank guarantee has been established and is working adequately. However, this arrangement may not fully compensate for time lost.

We have requested legal advice regarding the rights and remedies of the Organization per the contract terms, while keeping our options open so as not to compromise our negotiating position or to adversely affect the overall successful completion of the project.

During the past reporting cycle, the design of the ancillary projects has been completed. These projects were budgeted for but were not part of the original new office facility design, and include: the landscaping, parking, IT, back up generators, and other site works. The design also included items out of the project scope, intended for future development of the site surrounding the New Office Facility. Given our efforts to contain costs, we will award only those contracts which are part of the base scope of the project, and are necessary for occupancy of the building.

In terms of administrative arrangements and project management, the ECA project team continues to work collaboratively with all project constituents, foremost with the Ethiopian Ministry of Foreign Affairs on issues of construction material importation, value-added tax-free status, and provision of site utilities and access roads. The ongoing support of the Host Government is essential for the success of the project.

The Independent Technical Advisor continues to provide advice to the Director of Administration regarding the verification of project scope and costs. The ECA Safety and Security Section continues to provide ongoing support for the project, especially related to the installation of CCTV and access control devices. The Office of Central Support Services continues to provide necessary technical guidance, advice and support for the project, including weekly conference calls, monthly videoconferences, and three missions to Addis Ababa during this reporting cycle.

With regard to the ongoing renovation works at the Africa Hall, significant progress has been made towards completing much-needed repairs to the roofing and outdated electrical infrastructure. More work will be required to restore the Africa Hall to its original state not only as a modern, functioning conference facility, but also as a significant monument to modern African history. Critical replacement of the

waterproofing on the roof terrace was completed in July of this year. Critical electrical works are scheduled for completion next year. A complete project scope of required repair and renovation works is currently being developed, and will be presented to Member States at the 68<sup>th</sup> Session of the General Assembly.

In conclusion, while some positive progress has been made with the construction of New Office Facility, the project is still exposed to significant risks related to the contractor's performance. Notwithstanding the risks posed by the contractor's performance, thanks to the diligence of the project team, costs have been contained and the project is expected to be completed on budget. Continued management focus is required in the final months of the planned schedule in order to keep the project on track.

Mr. Chairman, distinguished delegates, I thank you for your attention.