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JOINT INSPECTION UNIT

Building construction procedures of United Nations
organizations

Comments of the Secretary-General

The Secretary-General has the honour to submit to members of the General Assembly his comments on the report of the Joint Inspection Unit on building construction procedures of United Nations organizations (A/36/297).

ANNEX

Comments of the Secretary-General

I. INTRODUCTION

1. The Secretary-General has reviewed the report of the Joint Inspection Unit (JIU) on building construction procedures of the United Nations organizations (JIU/REP/81/4), dated February 1981, and presents herewith his comments on the report and its recommendations.
2. The Secretary-General appreciates the difficulty JIU had in assessing the construction problems which developed in so many locations in different organizations and over extended periods of time. It is evident that the matter was further complicated by particular circumstances that existed with respect to various projects as well as the differences in construction practices in various locations and the varying administrative and financial procedures of the organizations studied. Because of these problems the Secretary-General appreciates that the Inspectors have concentrated their proposals on general guidelines for use in the future.
3. In view of this the Secretary-General will limit his comments in this paper to the specific recommendations contained in paragraphs 69 to 82. In general, the Secretary-General considers that the proposals of JIU merit favourable consideration in connexion with any major construction to be undertaken in coming years.

II. RECOMMENDATIONS

Building requirements

4. JIU considers that most buildings have not been sufficiently flexible for later adaptation and suggests that greater attention should be paid to the determination of building requirements in order to allow for economical expansion and alteration (recommendation 1). It also states that the overriding consideration in designing a building should be its cost effectiveness over its entire life (recommendation 2).
5. In fully accepting the validity of the first recommendation the Secretary-General would point out that evidence of its application exists in the buildings constructed at Headquarters, including the Dag Hammarskjöld Library. The original building complex served to provide sufficient office space for the United Nations, the United Nations Development Programme and the United Nations Children's Fund for more than 15 years after it was occupied. As for the conference facilities, the design of the rooms made it possible to more than double the seating capacity for delegates without major structural changes.
6. As regards the observations of the Inspectors suggesting that the long-term requirements for space were under-estimated when the building in Bangkok was designed, the Secretary-General would point out that his proposals were based on the

provision of sufficient space to accommodate existing requirements plus anticipated growth in staff at a rate of 5 per cent per annum for 10 years following scheduled completion of construction. The Advisory Committee on Administrative and Budgetary Questions, when reviewing the Secretary-General's proposals, noted that the proposed space was considerably greater than had previously been estimated and observed: "On the basis of experience, the Advisory Committee believes that, when planning new accommodation of the type envisaged, it is prudent to look well into the future." ^{a/} The fact that the building now is being used at capacity is due to the following:

(a) Organizations which were not planned to occupy space in the buildings subsequently were permitted to take up premises;

(b) Programmes not in existence in 1969 and 1970 have had to be housed;

(c) Office space had to be converted to use as conference rooms because meeting facilities which were to be provided, external to the ESCAP buildings, have not materialized. It is to be noted that the possibility of this conversion suggests that buildings were designed with the type of flexibility in mind that the Inspectors recommend.

7. In agreeing with the Inspectors on the importance of long-range planning in determining building requirements as well as elements of cost effectiveness, the Secretary-General notes that the Inspectors have not suggested for how many years future requirements for space should be planned. Experience has indicated that a decision on this matter can be affected by political as well as financial considerations and, under the circumstances, there would not appear to be a hard and fast rule and each situation would require individual consideration. As regards the problem of cost effectiveness in designing a building, the Secretary-General agrees that all factors affecting the operation and maintenance costs should be carefully studied.

III. ROLE OF PARTICIPANTS IN CONSTRUCTION

8. In discussing the role of the organizations in construction projects, the main thrust of the report is that the organizations lacked sufficient technical expertise to deal effectively with architects and contractors. Accordingly, it is recommended that the organizations form an in-house technical team or engage a specialized consulting firm or combine both of these arrangements (recommendation 3). The Secretary-General agrees that the availability of expertise, independent of the architects and contractors is essential in the management of construction projects. In view of the Inspectors' statement that for the seven projects studied no organization had all of the technical expertise needed, it would have been helpful if the Inspectors could have given more specific guidance as to what would be appropriate. For example, in New York in connexion with the extension of Headquarters facilities, the available expertise has consisted of an Architect (P-5), a Construction Engineer (P-3), and a Finance Officer (P-4/P-3) full-time, and an Architect (D-1), an Architect (P-5), an Architect (P-2) and an Electrical Engineer (P-5) all part-time but available to advise on or supervise any particular element

^{a/} Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 8A (A/8008/Add.1-15), document A/8008/Add.12, para. 30.

of the work. In addition, a firm of engineering consultants has been employed since March 1980 to provide weekly an independent inspection and report on the quality and progress of work. In the light of the experience with the current construction projects at Headquarters, it is believed that for any major new construction in the future it would be desirable to establish a special unit whose sole function would be to plan, supervise and control the project. This unit could consist of staff assigned from within the Organization and supplemented, as necessary, by additional professional staff on fixed-term appointment, or by the employment of individual consultants or a consulting firm. As regards other United Nations offices, it is agreed that the limited technical personnel normally available should be supplemented either by in-house staff or consultants.

9. In considering the role of the architects, the Inspectors recommend that international design competitions be used for large projects and that architects' contracts should contain, when consistent with national practices, a clear clause on their financial responsibility in cases of errors or omissions (recommendation 4). The Secretary-General has no difficulty in accepting these recommendations although he would draw attention to the point made by the Inspectors that selection of architects by design competition is not intended to lower costs but rather to provide options for the solution of an architectural problem. In the Secretary-General's view, therefore, international competitions are better suited to projects involving new buildings, rather than alteration and modification work such as that currently under way at Headquarters.

10. As for the question of the most appropriate form for contracts with architects, the Secretary-General would observe that this is going to vary according to local practice and, of course, will be subject to negotiation between the parties. At Headquarters it is his intention in the future to model architectural contracts on the standard form of the American Institute of Architects. This form of contract while basing fees, in part at least, on construction costs, makes provision for different levels of fees according to the nature of the project. Alterations and modifications to existing situations for example, carry a higher fee than new construction of an independent building. The Secretary-General agrees that contracts should define the fees to which the architect is entitled and the scope of the work to which they apply.

11. The report recommends that cost estimators and quantity surveyors should be employed directly by the organizations rather than through the architects (recommendation 5). The Secretary-General agrees that whenever practical this procedure should be followed.

12. Although the Inspectors did not include among their specific recommendations a proposal concerning methods of financing building construction, the Secretary-General has noted with interest the observations in paragraph 68 regarding potential advantages of financing construction costs by means of loans, particularly when these can be obtained on favourable terms and especially with the help of a host Government. The United Nations has had such assistance both at Headquarters, and in Geneva and the Secretary-General agrees that this avenue of financing should be explored in the future, particularly in the case of new and/or major projects.

13. In considering possible types of construction contracts, the Inspectors suggest that non-revisable fixed-term contracts should not be used except for jobs of approximately one year or less and that revisable fixed price contracts are preferable to cost plus fee contracts. b/ The Secretary-General recognizes that under present inflationary conditions this is a desirable premise. He would caution, however, that local practice and circumstances may limit the options open to the organization in determining the type of contract best suited to the situation.

14. With regard to the wording of contracts and the clauses contained therein, the Secretary-General has no difficulty in agreeing to the use of internationally accepted standards or national standards where these are sufficiently developed, subject to the qualifications contained in paragraph 40 of the report (recommendation 7). It must be borne in mind, however, that while the use of such clauses is a desideratum, the contract as a whole, and all the clauses in it, are necessarily subject to negotiation.

15. As regards recommendation 8, to the effect that appropriate bonds should be used to protect the Organization against a contractor not fulfilling his obligations, the Secretary-General would point out that this practice has been consistently followed at Headquarters and has in the past been recommended for all United Nations offices. It is of note that the lowest bidder for Phase I of the New York project was rejected because he could not obtain a performance bond.

16. The Inspectors emphasize the need for competitive bidding wherever possible on an international basis for building construction projects (recommendation 9). The Secretary-General accepts this advice and would indicate that in connexion with the present project in Nairobi, he is implementing the recommendation on the widest possible scope. In commenting upon bidding procedures, the Inspectors note that while cost is very important, other factors such as reputation, financial status and technical competence are of concern since they affect quality and timely completion of work and can thus affect cost. The Secretary-General agrees with this observation. He believes that these elements should be considered in determining what contractors should be invited to bid and that in general this should be done through a pre-qualification procedure. Once firms have been selected and invited to bid, however, the Secretary-General believes that further decisions should be made on the basis of cost, unless, of course, new evidence

b/ For accuracy the Secretary-General wishes to correct the statement in annex V, paragraph 9 (b), where it is stated "the United Nations New York projects are governed by the cost plus fee type contract: contractors are paid the guaranteed maximum cost whether actual cost is in fact superior, equal or inferior". The terms of the New York contracts provide that the contractor is paid his fee plus actual cost up to the guaranteed maximum. If this is exceeded it is to his account while if actual costs are less than the guaranteed maximum the savings accrue to the Organization.

arises regarding a firm's qualifications. The Secretary-General considers that after competitive bidding has taken place, negotiation with the intent of obtaining concessions from a contractor should be resorted to only in most unusual circumstances; to do otherwise, he believes, would cast doubt upon the integrity of the bidding process and could be subject to unfortunate interpretation. As regards the observations of the Inspectors concerning the bidding procedure in respect of Phases I, II and III of the projects in New York, the Secretary-General would point out that when he found that there was only one reasonable bid he was faced with the alternatives of either continuing for another year the unsatisfactory seating arrangements in the conference rooms which had arisen as a result of an increase in membership or of negotiating a contract with the one acceptable contractor. He chose the latter course since, in his view, it was not only desirable from a managerial standpoint, but also since it would avoid inevitable cost increases due to inflation. His decision to award the construction contracts to the same contractor for Phases II and III was primarily based on the fact that the contractor submitted the low bids.

IV. ROLE OF INTERGOVERNMENTAL BODIES

17. As regards recommendation 10 concerning the role of the Advisory Committee on Administrative and Budgetary Questions in relation to building construction projects, the Secretary-General has welcomed the active interest of the Committee in the past and would expect to continue to receive its advice and guidance.

18. The final recommendation of the Inspectors proposes that more attention should be given to the preparation of accurate cost estimates presumably before a project is approved (recommendation 11). While the Secretary-General endorses this observation, he would suggest that the preparation of cost estimates for expenditures over a period of 3 or 4 years during periods of inflation and currency revaluation is not a simple matter. Nor is it possible to foresee delays in work due to material shortages, strikes, energy shortages and acts of nature. Under the circumstances, and bearing in mind experience in the private as well as the public sector, he would suggest that cost overruns are a more usual phenomenon than indicated by the Inspectors.

V. CONCLUSION

19. The Secretary-General appreciates the timely and useful study of the JIU and plans to take the recommendations fully into consideration in the implementation of future projects. He would point out, however, that a number of the recommendations of the Inspectors will add to the overheads and thus increase the initial estimates of construction costs. In this connexion he has in mind:

(a) The cost of construction of sufficient space to meet long-range needs even though it may remain vacant for a considerable period of time;

(b) The employment of outside expertise at each step of the project, including planning, cost estimating, evaluation of architects' work, supervision of construction and contract administration;

(c) International design competitions to select an architect which will involve not only honoraria and other fees but, in an inflationary economy, increased costs due to the time required for a competition.

20. In noting these potential cost increases, the Secretary-General realizes that the recommendations of the Inspectors are predicated upon the expectation that funds expended for the purposes enumerated above will be more than recouped in a reduction of actual construction costs, flexibility of use, maintenance and other building costs.