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PROGRAMME BUDGET FOR THE BIENNIUM 1974-1975

United Nations accommodations in Addis Ababa, Bangkok  
and Santiago

Report by the Secretary-General

INTRODUCTION

1. This report outlines the progress made in the construction of United Nations premises in Addis Ababa, Bangkok and Santiago since the Secretary-General's last report of 3 August 1973. 1/

ADDIS ABABA

2. The General Assembly, by its resolution 2745 (XXV) of 17 December 1970, authorized the Secretary-General to proceed with the construction of a 10-storey office building directly behind the existing Africa Hall, as well as a three-storey library building and a low-level cafeteria building on the southern side of the site, at an estimated cost of \$6,200,000 to be appropriated in instalments during the period 1971 to 1975.

3. Bids for this construction were obtained toward the end of 1972. The plans and specifications had been modified by the architect in consultation with the technical services at Headquarters, in order to maintain total project cost within the approved budget. The successful bidder undertook to construct the building for an amount that was within the approved budget and in accordance with the anticipated incidence of expenditures.

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1/ A/C.5/1510.

Work in progress

4. Construction commenced on 15 January 1973. Slight initial delays in excavation of the site and the progress of the piling were largely made up by late 1973. However, delays in the delivery of imported materials have affected the progress in certain aspects of the work. There have been delays in the delivery of many imported items as a result of scarcity of materials and shipping problems, as well as difficulties with customs, unloading, and transportation from the port to Addis Ababa due to strikes and the diversion of much of the available transport to assist in drought relief projects and the distribution of food. However, it is expected that some of the delay will be offset, and that the office building will be ready for occupancy in the spring 1976. It is possible that the library and cafeteria buildings may be completed and occupied in the fall of 1975.

Financial position

5. In his report in 1972 to the General Assembly at its twenty-seventh session, 2/ the Secretary-General noted that, as a result of the devaluation of the United States dollar by 8 per cent in relation to the Ethiopian dollar, the cost of the project could be expected to increase by \$496,000, from \$6.2 million to \$6,696,000. At that time, he did not propose an increase in the budget figure in the absence of firm contract prices and in the hope that the deficiency could be made up out of the contingency provided in the original estimates. Nevertheless, he cautioned that in all probability an adjustment would eventually be needed to compensate for the devaluation.

6. The main contract for construction was signed in the last days of 1972. Within little more than a month, a second realignment of world currencies occurred, as a result of which the exchange rate between the United States dollar and the Ethiopian dollar was further reduced by 10 per cent. It was apparent that project costs would be further increased by more than \$600,000 should this new exchange rate remain in effect for the duration of the project. However, the possibility of favourable exchange rate movements during that period could not be ruled out. Accordingly, in his report to the General Assembly at its twenty-eighth session, 3/ the Secretary-General reiterated his hope that the contingency provision in the original estimates would provide sufficient margin to absorb the effects of devaluation, although repeating his earlier statement that in all probability a financial adjustment would eventually be needed.

7. The Secretary-General was able to absorb the additional expenses arising from the first devaluation through revision of the plans and the use of the contingency provision. However, it has not been possible to further absorb the second devaluation. Approximately 40 per cent of the project funds had been paid to the new rate by 30 June 1974. It is now clear that the remainder of the contingency provision will be required to a large extent to offset inflation and higher cost of

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2/ A/C.5/1461, para. 5.

3/ A/C.5/1510, para. 5.

labour and materials, and that little if any of the funds required to compensate for the second devaluation can be provided from the contingency. Therefore, unless there is a favourable movement of exchange rates during the remainder of the project, a financial adjustment will be required. While the Secretary-General will keep the project under constant review in order to minimize increased costs, it is anticipated at this time that it will be necessary to request additional funds in the order of \$600,000 for this purpose in the 1976-1977 budget.

#### BANGKOK

8. By its resolution 2745 (XXV) of 17 December 1970, the General Assembly authorized the Secretary-General to proceed with the construction, on the site of the present headquarters of the Economic Commission for Asia and the Far East (ECAFE) in Bangkok, of (a) a 14-storey building, consisting of a central service core and two wings which will house secretariat offices; (b) a conference building in which would be located a conference room large enough to accommodate meetings of up to 40 participants seated at the tables; and (c) a seven-storey building to include, in addition to office space, a library, a machine room and data-processing centre, a cafeteria, and vehicle parking space. For this purpose, the General Assembly approved a total expenditure of \$7,600,000, to be appropriated in instalments during the period 1971 to 1975.

#### Work in progress

9. Since the Secretary-General's last progress report to the General Assembly on the progress of construction of the new buildings in Bangkok, <sup>4/</sup> the project has been proceeding satisfactorily and it is expected that the buildings will be ready for occupancy early in 1975.

#### Financial position

10. Following the realignment of world currencies in early 1973, the official exchange rate between the United States dollar and the Thai baht remained unchanged at first. In mid-July 1973, the baht was officially revalued by 3.85 per cent. In the following month, the revaluation was reduced to 3.26 per cent. Prior to the revaluations, project funds totalling \$1,072,000 had been disbursed. On the assumption that the current rate will remain in effect through the completion of the project in 1975, an amount of \$215,000 will be required to offset the exchange loss incurred on the remainder of the project funds. Additionally, the increased cost of imported and local goods and services due to world-wide inflation has largely absorbed the contingency funds provided in the project construction estimates. In consequence, it is possible that before the project is completed increased costs as a result of past or future inflation will also require additional funds.

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<sup>4/</sup> Ibid., paras. 8-12.

SANTIAGO

11. In the past year, no further progress has been made in the proposed construction of a Documents Research Centre at the site of the headquarters of the Economic Commission for Latin America (ECLA). In November 1973, invitations to bid were again issued. Only one bid was received, and it was not acceptable since it exceeded the funds made available by the Government of the Netherlands by a substantial sum. In addition, the bidder declined to quote a maximum cost. The Government of the Netherlands was informed of these developments, and although there has been an exchange of views with the Permanent Mission, no firm decision on further action has been reached.

12. At the time this report was drafted, the Secretary-General did not have other information on United Nations accommodations in Santiago additional to that provided in the Secretary-General's last report. <sup>5/</sup> Should further information become available in the course of the next few months, he would transmit it to the General Assembly in an addendum to this report.

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<sup>5/</sup> Ibid., paras. 13-17