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PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1984-1985

United Nations accommodation at Nairobi

Common services at the United Nations accommodation, Nairobi

Revised estimates under expenditure sections 18, 19, 28N  
and 31 and income sections 1 and 2

Twenty-third report of the Advisory Committee on Administrative  
and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports of the Secretary-General on the progress of construction of the United Nations accommodation (A/C.5/38/36) and on the establishment of common services at Nairobi (A/C.5/38/35 and Corr.1).

A. United Nations accommodation at Nairobi (A/C.5/38/36)

2. In paragraphs 6 to 8 of his report (A/C.5/38/36), the Secretary-General states his expectation that all construction and renovation work will be completed on or before the scheduled contractual completion dates of May and June 1984. In paragraphs 9 to 11 of the report, he describes those developments during 1983 which have led him to reassess the office space requirements of the United Nations bodies and specialized agencies to be housed at the Gigiri complex. Although he indicates, in annex I, a revised projected office space deficit of 401 square metres, the Secretary-General believes that this projected deficit can be reduced by further negotiations with the various entities concerned.

3. The financing of the project, as well as the status of appropriations, disbursements and obligations as at 30 September 1983, is discussed in paragraphs 13 to 15 and annex II of the Secretary-General's report. As shown in

annex II thereof, the total cost of the Nairobi project amounts to KSh 295,685,516, comprising KSh 33,125,340 for contracts I and II (site clearance and ground works), which have already been completed, and KSh 262,560,176 for contract III (main construction), now in progress. Of the total costs, KSh 156,812,258 had been disbursed by 30 September 1983, leaving outstanding obligations of KSh 138,873,258.

4. The total of KSh 156,812,258 disbursed as at 30 September 1983 amounted, in United States dollar terms, to \$15,247,335. Since appropriations totalling \$27,078,200 were approved by the General Assembly for the project, the remaining balance is \$11,830,865. At the September 1983 exchange rate of KSh 13.50 to the dollar, the unexpended balance of \$11,830,865 is equivalent to KSh 159,716,678. This is KSh 20,843,420 (\$1,543,957) more than the total outstanding obligations of KSh 138,873,258 noted in the preceding paragraph. In this connection, the Secretary-General states in paragraph 15, that "it is premature to forecast the final balance expected in the account, as the dollar amounts required to complete the project may fluctuate depending on the currency rates during the period in which the construction is in progress."

5. Accordingly, the Advisory Committee recommends that the General Assembly take note of the Secretary-General's progress report (A/C.5/38/36) on United Nations accommodation at Nairobi.

B. Common services at the United Nations accommodation,  
Nairobi (A/C.5/38/35 and Corr.1)

Introduction

6. In paragraph 3 of the report of the Secretary-General on common services at the United Nations accommodation, Nairobi (A/C.5/38/35 and Corr.1), it is stated:

"Agreement has been reached between interested parties in Nairobi and at Headquarters on the proposed organizational structure, general procedures and the staffing for common services and the related functions of the administrative offices of UNEP and Habitat (UNCHS). Accordingly, the Secretary-General proposes that a United Nations Common Services Unit (UNCS) should be established in Nairobi, with effect from 1 July 1984, under a new subsection N of section 28 of the programme budget."

The reporting arrangements for the Office of the Chief, UNCS are described in paragraphs 48 to 50. In paragraph 5, the Secretary-General states, *inter alia*, that UNCS would be responsible for (a) common services to be provided to all tenants including the United Nations Environment Programme (UNEP) and Habitat and (b) joint services, which would be provided only to UNEP and Habitat.

7. The Secretary-General proposes in paragraph 6 (a) of his report that the cost of common services (as opposed to joint services) should, in the first instance, be charged exclusively to section 28N of the regular budget. A proportionate share, based on the allocation of office space, would be charged to extrabudgetary activities and specialized agencies, including the voluntary funds of UNEP and

Habitat, and credited to income section 2B. In addition, as noted in paragraph 58, an amortization factor would be charged, based on the cost of construction of the new office buildings. Common service costs are discussed in greater detail in paragraphs 32 to 47 of the Secretary-General's report and in paragraphs 16 to 18 below, while the related income is discussed in paragraphs 57 to 67 of the Secretary-General's report and in paragraphs 21 to 31 below.

8. As noted in paragraph 70 of the Secretary-General's report, the net additional cost to the regular budget is estimated at \$109,500 for the biennium, comprising additional expenditure of \$1,405,100 related to increased costs of occupancy of the accommodation, offset by additional income of \$1,295,600 from extrabudgetary activities and specialized agencies using the office space.

#### Financial overview

9. The Secretary-General provides a series of tables throughout the document which attempt to show the nature and extent of the redeployments and transfers between funding sources contained in his proposal. While the Advisory Committee was unable to reconcile all of the proposed redeployments or posts as reflected in the Secretary-General's report, it notes that in a number of areas proposed staffing levels are lower than current levels. On the other hand, the costs of occupancy of the accommodation are expected to rise. Accordingly, the Committee sought information on the net effect on the regular budget and UNEP and Habitat extrabudgetary funds of the Secretary-General's proposals contained in document A/C.5/38/35 and Corr.1, and was provided with the following information:

Net effect on regular budget and UNEP and Habitat extrabudgetary funds  
 of Nairobi common services proposal

	<u>Regular budget (RB)</u>	<u>Extrabudgetary funds (XB)</u>	
		<u>UNEP</u>	<u>Habitat</u>
	(in thousands of US dollars)		
<b>A. <u>Joint services</u></b>			
Legal liaison	-	-	-
Computer services	-	-	-
Conference services	-	-	-
Document reproduction and library	-	-	-
Financial services			
UNEP XB: decrease 2 P-3, 1 P-2			
increase 2 LL	-	(152.8)	-
Habitat XB: decrease 1 LL	-	-	(22.8)
Personnel services			
Habitat XB: decrease 2 LL	-	-	(45.6)
UNEP XB: decrease 1 LL	-	(22.8)	-
General services			
Habitat XB: decrease 2 LL	-	-	(45.6)
UNEP XB: decrease 3 LL	-	(68.4)	-
Total, joint services	-	(244.0)	(114.0)
<b>B. <u>Common services</u></b>			
General services			
1 P-3 reclassified to P-4	12.0	-	-
RB: 36 LL created	707.8	-	-
UNEP XB: decrease 1 P-2 and 22 LL	-	(561.2)	-
Additional non-staff requirements			
Overtime	27.0		
Maintenance of premises	200.7		
Utilities	181.3	a/	a/
Rental and maintenance of equipment	152.0		
Miscellaneous services	63.0		
Total, common services	1 343.8	(561.2)	-
<b>C. <u>Office of the Chief</u></b>			
RB: 1 new D-1. UNEP XB: increase			
1 LL	61.3	22.8	-
I. Subtotal A, B and C	<u>1 405.1</u>	<u>(782.4)</u>	<u>(114.0)</u>
<b>D. <u>Income</u></b>			
Cost of services - UNEP, Habitat	(495.1)	336.9	158.2
Others	(379.4)		
Amortization - Habitat	(123.9)	- b/	123.9
Others	(297.2)		
II. Total income	(1 295.6)	336.9	282.1
Net additional costs			
(savings) (I less II)	109.5	(445.5)	168.1

LL = Local level staff.

a/ Any adjustments that may be required will be presented to the governing bodies of the two organizations.

b/ The UNEP contribution towards amortization will be deferred (see para. 22 below).

Joint services and UNEP and Habitat administrative offices

10. The Secretary-General's proposals for joint services may be found in paragraphs 10 to 31 of his report. He also discusses related functions of the UNEP and Habitat administrative offices in paragraphs 51 and 52. The joint services would be provided to UNEP and Habitat only and would include legal liaison, computer services, conference and language services, document reproduction and library, financial services, personnel services, including the medical service, and general services, comprising local transportation, communications, messenger and mailroom services. Staffing proposals for each of these services would be provided by redeployment (see paras. 10 to 29).

11. It is proposed to provide joint services entirely by redeployment, both within the regular budget (from sections 18 and 19 to 28N) and from extrabudgetary resources. According to paragraph 6 (b) of the Secretary-General's report, the contribution by both UNEP and Habitat would, for the time being, constitute adequate reimbursement for services rendered to them in 1984-1985. The Advisory Committee was informed that this meant, in effect, that both UNEP and Habitat proposed to contribute to the joint services approximately the levels of resources each was now devoting to the activities in question, pending the development of work-load statistics which could be used to establish a simple and fair formula for reimbursement. The initial contributions would be reviewed and, if necessary corrected in the light of this formula (para. 6 (b) of the Secretary-General's report).

12. The Advisory Committee recalls that the issues relating to common services at Nairobi have been the subject of study for some years. <sup>1/</sup> In the present proposals for joint services, the Advisory Committee notes that certain functions, (e.g., the documents reproduction service) are already operating de facto as a joint service for UNEP and Habitat (para. 14 of the Secretary-General's report). Other functions are proposed not to be entrusted to the joint services (e.g., project finance control for Habitat (para. 18), and certain general services functions (paras. 25 and 26)). As regards conference services, the Secretary-General concludes that "for practical reasons ... the most opportune time to integrate the services will be January 1986 ... bearing in mind that there will need to be a settling-down period before the basic administrative support services of UNCS are functioning smoothly ..." (para. 13).

13. Having considered the Secretary-General's proposals, the Advisory Committee is of the view that the principle of joint services remains valid where it leads to improved efficiency and economy or the elimination of duplication of effort. However, in view of the complexities involved both in the management of the proposed joint services and their financing, the Committee considers that the phasing of their implementation should be considered carefully. As experience is gained in the new accommodation in each of the cited functions, the Committee believes that practical opportunities will emerge for mutually beneficial co-operation between the organizations and for effecting the economies envisaged in joint services. Accordingly, the Committee recommends that no fixed date for the implementation of joint services should be set at this time. However, in making this recommendation, the Committee hopes that all parties concerned will continue

to review this question with a view to determining whether some of the proposed joint services may be entrusted to the Common Services Unit. The Committee further recommends that the proposed budgetary transfer from sections 18 and 19 to section 28N in respect of joint services should not be made at the current session of the General Assembly. The transfer to section 28N would therefore be reduced by \$2,538,600, with corresponding increases in section 18 (\$1,721,000) and section 19 (\$817,600). For the same reasons, the Committee does not recommend the establishment of a P-2 post through redeployment of temporary assistance funds as proposed in paragraph 20 of the Secretary-General's report.

14. The Committee also recommends that the Secretary-General should report to the General Assembly at its fortieth session on the progress that has been made in integrating administrative services, including conference services, at Nairobi.

15. As to the proposal in paragraph 52 of the Secretary-General's report that the temporary D-1 and two temporary Local level posts to be retained in Habitat should now be regularized and converted to an established post basis, the Advisory Committee does not consider the report on common services in Nairobi to be an appropriate medium for such a request, and accordingly recommends that the conversions should not be approved.

#### Common services

16. The Secretary-General's proposals for common services are outlined in paragraphs 32 to 47 of his report, and the additional costs have been summarized in the table in paragraph 12 above. Common services would include utilities, security, local transportation of some staff, and buildings and grounds management (including switchboard operations). In view of the expanded size of the premises, the Advisory Committee has no objection to the reclassification of a P-3 Buildings Management Officer post to the P-4 level, or to the establishment of a P-2 post for a deputy chief of security, through redeployment of temporary assistance, requested in paragraph 35. The Committee agrees that common services should be provided from the regular budget, subject to reimbursement, and accordingly concurs with the transfer of 22 Local level posts to the regular budget, namely 7 in buildings management (para. 37), 10 for security (para. 39) and 5 for switchboard operations (para. 41). The Committee also recommends approval of 14 additional Local level posts (10 for security and 4 for switchboard operations) for the reasons given in paragraphs 38, 39 and 41 of the Secretary-General's report. However, in view of the need for maximum flexibility referred to in paragraph 3 of the Secretary-General's report, the Advisory Committee recommends that the 36 Local level posts be approved in the first instance as temporary posts.

17. The non-staff requirements for common services are summarized in paragraph 42 and explained in greater detail in paragraphs 43 to 47 of the Secretary-General's report. Of the total amount of \$873,400, \$249,400 is proposed for redeployment from sections 18 and 19 to section 28N and the balance of \$624,000 represents new requirements. The new requirements include \$200,700 for contractual services for the maintenance of premises and grounds and \$152,000 "in respect of the need to extend the existing bus service for all Local-level staff at the site" (para. 46). Upon inquiry, the Advisory Committee was informed that there is no local bus

service within a reasonable distance of Gigiri, and that transportation is being provided at United Nations expense. The Committee finds this practice open to question and recommends that the Secretary-General, in consultation with the staff, should consider an arrangement whereby those who benefit from this service should make some contribution towards its cost. Subject to this observation, the Committee has no objection to the additional requirements for non-staff costs.

18. Concerning the amount of \$249,400 proposed for redeployment from sections 18 and 19, the Advisory Committee was informed that the source of this transfer was:

	\$
UNEP	117 800
Habitat	<u>131 600</u>
	<u>249 400</u>

The Committee was not satisfied that a sufficiently rigorous analysis has been undertaken of the continuing needs of UNEP and Habitat once the common services have been established, particularly for rental and maintenance of equipment and miscellaneous services. Accordingly, it recommends that the amount to be transferred to common services should be reduced by \$19,400 to \$230,000, of which \$110,000 would be contributed by UNEP and \$120,000 by Habitat.

#### Office of the Chief, UNCS

19. In paragraph 48 of his report, the Secretary-General describes the reporting arrangements for the Chief of UNCS, stating in conclusion that he believes that the best reporting arrangement would be for the head of UNCS to report to both Executive Directors. The Advisory Committee was informed that the appointment of the Chief of the Unit would be made by the Under-Secretary-General for Administration and Management, in agreement with the two Executive Directors.

20. In view of its recommendations concerning the phased implementation of joint services, the Advisory Committee has concluded that the post should be established at the P-5 level in order to provide direction for the common services and to act as a focal point in the development of joint services. The consequential reduction in section 28N is \$6,800.

#### Estimates of income

21. The nature and proposed amount of the rental income related to the use of the United Nations accommodation at Nairobi is described in paragraphs 57 to 67 of the Secretary-General's report. As noted in paragraph 59, rental charges will include elements related to:

- (a) Amortization of construction costs;
- (b) Maintenance of the buildings and gardens;
- (c) Cleaning of offices;
- (d) Rental and maintenance of equipment;
- (e) Utilities.

Rent will be charged to all users of the office space other than those financed by the regular budget.

22. The amortization to be charged in respect of construction costs will be based on the final cost of the new office blocks, amortized over 25 years, at an interest rate of 9 per cent (para. 61 to 63). Pending final determination of the actual cost of office block construction, the Secretary-General has calculated amortization at \$42.56 per gross square metre per year. In paragraph 64, it is proposed that, subject to the approval of the General Assembly, the Environment Fund will be granted remission from amortization charges for the first four and a half years of occupancy. This will enable the Fund to recoup the current value of an investment of \$640,000 which it made at the time of the construction of the original buildings. The current value, per square metre, of the original buildings, after refurbishment, is estimated by the Secretary-General to be the same as the cost, per square metre, of the new buildings. This assumption enables the Secretary-General to charge amortization to tenants at the same rate whether they are located in the original buildings or the new buildings.

23. The Advisory Committee recalls that the proposal of the Secretary-General to the thirty-second session of the General Assembly indicated his intention to negotiate a rental arrangement with the specialized agencies which would provide, in addition to annual maintenance and operating costs, "an element representing retroactive participation in part of the construction costs." <sup>2/</sup> It was on that understanding that the Advisory Committee recommended <sup>3/</sup> and the General Assembly endorsed the proposal that the full costs of construction be charged to the regular budget.

24. The Committee notes that it is not the intention of the Secretary-General to recoup any of the construction costs of the conference or common facilities, or common areas such as the cafeteria, from the extrabudgetary funds (para. 62). According to the Secretary-General, these costs would have had to be met in any case, whether or not there were extrabudgetary or specialized agency tenants.

25. In the proposed allocation of common services, a similar approach is followed. While the costs noted in paragraph 65 (a) of the Secretary-General's report will be apportioned in full to users of office space, the costs in paragraph 65 (b), including buildings management and utilities, are to be apportioned over all built space. As may be seen from paragraph 66, this means that the share of buildings management and utilities not apportioned to the office space (approximately 40 per cent) will be absorbed by the regular budget.

26. A similar situation arises in respect of security, where the Secretary-General proposes, (in para. 40), that the two supervisory posts and 30 Local-level posts should be charged to the regular budget and only the balance of 16 Local-level posts should be apportionable to organizations.

27. The result of the Secretary-General's calculations is reflected in paragraph 66 of his report, namely, that the apportionable costs of common services (\$54.32) and amortization charges (\$42.56) give rise to a total rental charge of \$96.88 per square metre.

28. Having reviewed these calculations, the Advisory Committee considered whether it was appropriate for the regular budget to assume so large a share of the



construction and common service costs in Nairobi given the relatively small number of regular budget staff located there as compared with extrabudgetary staff. While paragraph 8 of the Secretary-General's report indicates that approximately 63 per cent of the office space is allocated to extrabudgetary staff, a rough calculation of the allocation of the costs of common services between the regular budget and extrabudgetary funds shows that in financial terms the proportions are almost reversed, with the regular budget assuming nearly 62 per cent of the cost.

29. On the other hand, the Advisory Committee recalls that an element in the original understanding concerning the charging of rent is that the rate to be charged should be less than current commercial rates. <sup>4/</sup> It was also the understanding of the Committee that the full costs of construction should not be charged. Furthermore, inasmuch as the Governing Council of the United Nations Environment Programme and the Commission on Human Settlements are subsidiary bodies of the General Assembly and the Economic and Social Council respectively, it is to be expected that costs related to those bodies, including conference facilities, should be borne by the regular budget. Under the circumstances, therefore, the Advisory Committee does not object to the proposals of the Secretary-General on the rates to be charged, subject to the following observations:

(a) Rental charges should be apportioned on the basis of office space allocated rather than office space actually used. Space allocation to specialized agencies should be made sufficiently far in advance to ensure the orderly planning of available space;

(b) Allocation of space for costing purposes as between the regular budget and extrabudgetary funds of UNEP and Habitat should be adjusted annually;

(c) In order to ensure orderly financial planning, cost allocations per square metre should not be adjusted too frequently;

(d) The total cost of security services should be apportioned over all built space;

(e) Amortization of the cost of office blocks should be on the basis of net space rather than gross, so that an organization occupying a whole office block would pay the whole cost, and not just the portion relating to office space within the block;

(f) Arrangements should be made whereby non-United Nations users of conference facilities will reimburse the United Nations at rates to be determined, based on costs.

30. The Advisory Committee was informed that negotiations with the specialized agencies on the financial aspects of their occupancy of the United Nations accommodation are still at an early stage. The Committee trusts that, once the General Assembly has taken action on the question of common services at its current session, negotiations will be concluded without delay, and the results reported to the General Assembly at its thirty-ninth session.

31. In view of the provisional nature of many of the components of the rental rate reflected in paragraphs 66 and 67 of the Secretary-General's report, and in the absence of concluded agreements with the agencies, the Advisory Committee is not recommending any adjustment in the estimate for income section 2, namely \$1,295,600. However, it expects that the observations in paragraph 29 above will be taken fully into account in the conclusion of agreements with tenants.

#### Recapitulation

32. In paragraphs 13 and 18 above, the Advisory Committee recommends reductions totalling \$2,558,000 in the amounts to be transferred from sections 18 and 19 to 28N, and in paragraph 20 a reduction in section 28N of \$6,800. Accordingly, it recommends that the General Assembly should approve a revised appropriation in the following amounts:

	\$
Section 18	(447 400)
Section 19	(479 300)
Section 28N	<u>2 325 000</u>
Total expenditure sections	1 398 300
Income section 2	<u>1 295 600</u>
Net difference between income and expenditure	<u><u>102 700</u></u>

In addition, should the General Assembly approve the Advisory Committee's recommendation, an amount of \$250,600 will be required for staff assessment under section 31, offset by an equal amount under income section 1.

#### Notes

1/ See, for example, documents A/C.5/36/39, A/C.5/37/49 and Official Records of the General Assembly, Thirty-seventh Session, Supplement No. 7 (A/37/7/Add.17), para. 15.

2/ A/C.5/32/19.

3/ Official Records of the General Assembly, Thirty-second Session, Supplement No. 8 (A/32/8/Add.10), para. 18.

4/ Ibid., para. 17.

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