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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**

### **Eleventh report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for 2021**

#### **I. Introduction**

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the seismic mitigation retrofit and life-cycle replacements project at the premises of the Economic and Social Commission for Asia and the Pacific (ESCAP) in Bangkok ([A/75/235](#)). During its consideration of the report, the Committee met online with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses dated 30 October 2020.

2. The seismic mitigation retrofit and life-cycle replacements project at the ESCAP premises in Bangkok is one of the near-term major construction projects identified in the report of the Secretary-General on the strategic capital review ([A/72/393](#)).<sup>1</sup> The seismic mitigation project was proposed for the ESCAP secretariat and service buildings, which were built in 1975 and were found not to meet the current seismic codes. The report of the Secretary-General on the seismic mitigation retrofit and life-cycle replacements project, submitted pursuant to section XII of General Assembly resolution [74/263](#), provides information on progress made since the previous report of the Secretary-General on the subject.

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<sup>1</sup> The Advisory Committee provided related observations and recommendations in its report on the strategic capital review ([A/72/7/Add.9](#)). The Committee has addressed a number of specific matters in its previous reports on the ESCAP project ([A/74/7/Add.8](#), [A/73/425](#), [A/72/7/Add.6](#), [A/71/570](#) and [A/70/7/Add.3](#)).



## II. Progress on the implementation of the project

### Cooperation with the host country Government and other Member States

3. The host country has continued to support the project in a number of ways and has provided assistance, including by facilitating discussions and meetings with local and national authorities; assisting the project team in engaging with key local technical experts; and working closely to support ESCAP in planning a business seminar to attract potential local vendors for the project. Furthermore, ESCAP has continued to solicit voluntary contributions from Member States through the Advisory Committee of Permanent Representatives and Other Representatives Designated by Members of the Commission. In June 2019, ESCAP shared the job openings for Junior Professional Officers with Member States (A/75/235, paras. 32–38). Upon enquiry, the Advisory Committee on Administrative and Budgetary Questions was informed that the job openings had to be reposted because no favourable responses to the initial postings had been received. At the present time, no firm commitments to the positions have been made by Member States. The Committee was also informed that it was challenging at the present time to obtain voluntary contributions, but that ESCAP would continue its efforts in that regard.

4. **The Advisory Committee expresses its gratitude to the host country for its support for ESCAP and trusts that the Secretary-General will continue to engage with the host country to ensure the success of the project. Furthermore, the Committee encourages the Secretary-General to continue to engage with other Member States to seek voluntary contributions and other forms of support for the project. The Committee looks forward to an update on the status of the positions of Junior Professional Officers in the context of the next progress report.**

### Project governance and management

5. Details with respect to project governance and management, including the project team, are described in the report of the Secretary-General (ibid., paras. 8–16). The project owner is the Executive Secretary of ESCAP, and the project governance structure has remained unchanged, with the overall management of the project as follows:

(a) A stakeholders committee meets regularly and, according to information provided to the Advisory Committee upon enquiry, has recently been expanded to include, on a rotational basis, the heads of the 26 agencies, funds and programmes, and the Secretariat, which rent space at the ESCAP premises;

(b) Coordination with the Global Asset Management Policy Service at Headquarters is continuing through regular meetings, general project oversight, technical guidance and advice;

(c) An independent risk management firm working on four United Nations construction projects, namely, at ESCAP, the Economic Commission for Latin America and the Caribbean, the Economic Commission for Africa and the United Nations Office at Nairobi, is on board, with the contract to continue until November 2024.

6. The ESCAP project management and support team will continue to comprise the following positions: 1 P-5 (Project Manager), 1 P-4 (Architect/Engineer), 1 P-3 (Procurement Officer), 2 National Professional Officer (Building Mechanical-Electrical-Plumbing Engineer and Logistics and Coordination Officer), and 5 Local level, as well as a cost-shared P-4 (Project Coordinator). Upon enquiry, however, the Advisory Committee was informed that the Project Coordinator, located within the

Global Asset Management Policy Service at Headquarters, would no longer be working with ESCAP but would for now be cost-shared between the United Nations Office at Nairobi and the Economic Commission for Africa; the related resources had therefore not been included in the requirements for 2021. The Committee was also informed that the need for the functions of the Project Coordinator position at ESCAP would be revisited in 2022, when more details on the ESCAP construction contract are available and the status of the other global projects are clearer.

### **Project schedule and risk management**

7. Details with respect to risk management and the overall project schedule are described in the report of the Secretary-General (*ibid.*, paras. 23–31 and 63–64). Owing to delays in 2019 in the tendering process for the general construction works, the contract will now be awarded in the first quarter of 2021, with construction to commence in the second quarter of 2021 instead of the third quarter of 2020. The construction process will be accelerated by reducing the number of construction phases, and the project is therefore still expected to conclude on schedule, by December 2023. Upon enquiry, the Advisory Committee was informed that the design component had commenced about one year later than planned, as the related contract was signed in January 2020, but that the delay would also not impact the completion date because the design was complete. Together with the lessons learned and the independent studies conducted, it is now possible to establish a clear scope of work for the construction administration services (see para. 16 below). Upon enquiry, the Committee was also informed that the construction of the swing space was on schedule, as construction in the host country was permitted with the application of the appropriate precautions relating to the coronavirus disease (COVID-19). **The Advisory Committee notes the measures taken but expresses concern that the construction will only commence in the second quarter of 2021 instead of the third quarter of 2020.**

8. The most recent cost sensitivity analysis has identified the following top five risks as at June 2020:<sup>2</sup> (a) currency exchange risk, in view of the COVID-19 pandemic; (b) exterior: marble cladding/exterior façade and glazing; (c) owner-directed changes: late design requirements and/or optional scope additions; (d) mechanical, electrical and plumbing; and (e) schedule delay in construction start as a result of the COVID-19 pandemic and the related supply chain uncertainty and mandatory safety measures during construction (*ibid.*, paras. 29–31 and figure II, and paras. 10–12 below).

9. The Secretary-General indicates that the first quantitative analysis of risks (Monte Carlo simulation<sup>3</sup>) was generated in 2018 and showed that, at the United Nations benchmark “P80” level,<sup>4</sup> the project was expected to come in at approximately \$42.5 million, or \$2.5 million over budget, with a confidence level of 12 per cent (see [A/74/317](#), para. 39). The third and most recent Monte Carlo analysis, conducted in June 2020, reveals that the confidence level has increased to 20 per cent. The cost histogram produced as a result of that Monte Carlo simulation illustrates that

<sup>2</sup> The Advisory Committee recalls that, as at March 2019, the top five risks were as follows: (a) marble cladding/exterior façade and glazing; (b) owner-directed changes (late design requirements and/or optional scope additions); (c) office space conversion; (d) structural deficiencies; and (e) electrical distribution (see also [A/74/317](#), para. 44).

<sup>3</sup> A Monte Carlo simulation is a statistical analysis method used to better understand the impact of risks in a project, by using a range of minimum to maximum values with regard to time frames and cost estimates for stages and components, through a computer-based simulation that runs multiple random project scenarios (see [A/74/7/Add.11](#), para. 9 (footnote)).

<sup>4</sup> The “P80” benchmark is a target confidence level that the project cost will not exceed the total cost 80 per cent of the time.

the level of confidence for the project to be completed within the approved budget, without any further mitigation action, has risen 5 percentage points compared with the 2019 simulation. The confidence level remains relatively low for the project to be completed within the approved budget of approximately \$40 million, with a “P80” confidence level at \$41.3 million, or approximately \$1.2 million over budget (A/75/235, paras. 23–26 and figure I).

#### *COVID-19 pandemic risk mitigation measures*

10. The Secretary-General indicates that integrated risk management will continue, with the aforementioned top five risks given the highest priority. The Advisory Committee notes that the COVID-19 pandemic is among the top five risks and is expected to have an impact on all other risks. The Secretary-General describes a number of comprehensive measures to mitigate the potential impact of the COVID-19 pandemic, including the following:

(a) The general contractor request for proposals will stipulate the advance purchase, at fixed pricing, of construction materials. However, in recent years, the local currency has continually appreciated against the United States dollar, resulting in an estimated increase in the project cost of \$1.5 million, and, in view of the current COVID-19 pandemic, the impact on the exchange rate is unclear (ibid., para. 31 (a));

(b) The development of workspace solutions to ensure physical distancing and the health and safety of occupants, and obtaining project owner and stakeholder approvals, with due consideration of accessibility (ibid., paras. 50–51, and paras. 13–14 below);

(c) Proactive procurement measures, including preparation for onboarding the general contractor for the start of the construction works in 2021, monitoring the status and impact of the COVID-19 pandemic in the host country and region and addressing the related risks with potential bidders during the tendering process (ibid., para. 31 (e));

(d) Extension through 2021 of the position of Procurement Officer (P-3), owing to the shift of procurement activities from 2020 to the following year as a result of the COVID-19 pandemic, including with respect to the general construction contract (ibid., para. 16).

**11. The Advisory Committee recognizes the fluid situation of the COVID-19 pandemic and trusts that the Secretary-General will provide a status update on the potential impact to the General Assembly at the time of its consideration of the present report (see also A/75/7, para. XI.9).**

**12. The Advisory Committee recommends that the General Assembly request the Secretary-General to closely monitor and mitigate project risks, to ensure the delivery of the project within the scope, budget and timeline, as approved by the General Assembly, and to include in the next progress report an update on risk management and the related mitigation measures, including with respect to the impact of the COVID-19 pandemic.**

#### **Planning and design activities**

13. The progress made in planning and design activities is described in the report of the Secretary-General (A/75/235, paras. 50–62). In terms of the potential impact of the COVID-19 pandemic and the project objective of achieving a 20 per cent increase in space efficiency, the Secretary-General indicates that creating a greater distance between workstations may result in a higher square meterage per workstation. ESCAP has leveraged alternate working arrangements and preventative measures to mitigate the risks of COVID-19. While no significant changes in office

space layouts have been proposed at the present stage, the project management team will evaluate how to incorporate best practices and lessons learned from other United Nations locations and from the public and private sectors. The report also indicates that 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 Secretary-General indicates that the final design will deliver an accessible and inclusive secretariat building for persons with disabilities through a number of modifications and measures (*ibid.*, para. 7 (g)).

**14. While the Advisory Committee notes that the flexible workplace project is supposed to address all user and workspace requirements, the current and potential post-COVID-19 pandemic considerations regarding staff safety, health, well-being and productivity, as well as the financial impact, may have implications for the intended benefits of the project. The Committee therefore recommends that the General Assembly request the Secretary-General to provide an assessment of the flexible workplace project, taking into consideration all the challenges and opportunities, including flexible working arrangements, and present an update thereon in the context of the next progress report (see also [A/75/7/Add.13](#), [A/75/7](#), paras. 15 and XI.10 (a), [A/74/7/Add.18](#) and Assembly resolution [73/279 A](#), section VI).**

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

15. The removal of hazardous materials is one of the main objectives of the ESCAP project. In the first survey, conducted in 2016, asbestos-containing material was identified in the secretariat building, and preparations for a request for proposals for a second hazardous materials survey commenced thereafter, for issuance in 2019, but were then delayed further. The Advisory Committee enquired as to the reasons for the delay of the second hazardous materials survey and was informed that the request for proposals had been cancelled and then reissued in September 2020, with an expanded scope and updated requirements following consultations with staff representatives and technical experts from the International Labour Organization. The Committee was also informed that the results of the second survey were expected in the first quarter of 2021, which would allow information on additional hazardous materials in need of removal to be included in the contractor's scope of work prior to the start of the construction phase in the second quarter of 2021. **The Advisory Committee welcomes that the outcome of the second survey will be incorporated into the scope of work for the general construction works. The Committee recommends that the General Assembly request the Secretary-General to provide an update on progress in the removal of hazardous materials in future progress reports.**

#### **Procurement and use of local materials and knowledge**

16. Details with respect to procurement activities and the use of local materials and knowledge are described in the report of the Secretary-General ([A/75/235](#), paras. 39–49). As indicated in the report of the Secretary-General, efforts to incorporate local resources into the project have included an independent market survey of the local construction industry, an independent cost assessment to confirm that estimated costs are aligned with current market rates for the main construction works, and knowledge-sharing with the Council of Engineers of Thailand on matters such as the local construction market, local health and safety management practices and lessons learned from the seismic retrofit works completed for another high-rise building in Bangkok. In addition, separate construction administration services would require a greater degree of local presence and experience in managing similar projects in the host country. The related request for proposals has been aligned with the general

construction tender, with a contract award expected in December 2020. Upon enquiry, the Advisory Committee was informed that the scope of work for the construction administration firm provided for support by locally licensed engineers and architects for the administration of the main construction contract, the supervision of the construction works and the coordination of the main works with service providers. **The Advisory Committee reiterates the importance of ensuring the use of locally sourced and manufactured materials, as well as local labour and expertise, and looks forward to updates thereon in future progress reports.**

#### **Energy efficiency strategy and related cost savings**

17. Information with respect to the project's energy efficiency strategy is described in the report of the Secretary-General (*ibid.*, paras. 6 and 7 (e)). Upon enquiry, the Advisory Committee was informed that the 16–18 per cent energy savings target would be achieved through a number of measures, including the design of a new façade with insulated concrete surfaces and a double-glazed window wall, and, in the interior of the building, the installation of LED lighting and of a variable air volume ventilation system. The Committee recalls the detailed information with respect to an energy efficiency strategy and related cost savings in the context of the Committee's report on progress on the renovation of the North Building at the Economic Commission for Latin America and the Caribbean ([A/74/7/Add.11](#), paras. 18–22), including with regard to passive and active strategies aimed at achieving energy efficiency, generating photovoltaic energy and treating wastewater, as well as the related quantifiable figures and calculations. The Committee notes that the North Building renovation project would result in a “net-zero” building, defined as a building where the total amount of energy used by the building on an annual basis is equal to or less than the amount of renewable energy generated on site.

18. **The Advisory Committee recommends that the General Assembly request the Secretary-General to include in the next progress reports more information on the energy efficiency strategy and related cost savings of the ESCAP project. Furthermore, with respect to the sharing of best practices and applicable lessons learned in all aspects of the project, the Committee reiterates that knowledge gained in other United Nations construction projects should be shared for possible application at ESCAP (see also [A/74/7/Add.11](#), para. 22).**

### **III. Project expenditure and anticipated costs**

19. Details with respect to project expenditure and anticipated costs, as well as estimated rental income, are provided in the report of the Secretary-General ([A/75/235](#), paras. 65–71 and annex). The ESCAP renovation project continues to be recorded under a multi-year construction-in-progress special account, approved by the General Assembly in its resolution [71/272 A](#), whereby funding does not expire at the end of a financial period and, upon the completion of the project, expenditures are to be reported, with any unused amounts to be returned to Member States.

20. The Secretary-General indicates that the overall cost of the project has remained unchanged at \$40,019,000. As at 31 July 2020, a projected unused balance of \$7,296,200, owing mainly to the aforementioned delayed start of the main construction works in 2021, would be carried forward according to the stipulation of the multi-year construction-in-progress special account. The net funding requirement for 2021 would amount to \$6,321,600, comprising projected expenditures of \$13,617,800 less the aforementioned projected unused balance from 2020. The projected expenditures comprise the following:

(a) \$889,700 under section 19, Economic and social development for Asia and the Pacific, for the continuation of existing project team positions (1 P-5, 1 P-4, 1 P-3, 2 National Professional Officer and 2 Local level) and the three Local level positions approved in 2019 but not recruited in 2020, but 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.

21. Upon enquiry, the Advisory Committee was informed that, as at 30 September 2020, the projected unused balance would remain unchanged at \$7,296,200, compared to 31 July 2020. **The Advisory Committee trusts that an update on the unused balance will be provided to the General Assembly at the time of its consideration of the present report.**

#### *Rental income*

22. The Secretary-General indicates that 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 per m<sup>2</sup> for commercial tenants have been maintained for 2020 and 2021, and that the rental rates for 2022 and thereafter will be reassessed. Upon enquiry, the Advisory Committee was informed that the long-term impact of the COVID-19 pandemic on future rental income could not be predicted at the time but that no tenants had so far requested reduced space. **The Advisory Committee trusts that an update on the impact of the COVID-19 pandemic on rental income and an update on the reassessment of the rental rates, including with respect to the projected space efficiency gains, will be included in the next progress report.**

## IV. Conclusion

23. The recommendations of the Secretary-General on proposed actions to be taken by the General Assembly are set out in paragraph 73 of his report. **Subject to its recommendations and observations above, the Advisory Committee recommends that the General Assembly:**

(a) **Take note of the report;**

(b) **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.**