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### PROGRAMME BUDGET FOR THE BIENNIUM 1982-1983

#### UNITED NATIONS ACCOMMODATION AT NAIROBI

#### Report of the Secretary-General

##### I. INTRODUCTION

1. At its thirty-second session, by resolution 32/208, the General Assembly approved, "in principle, the construction of permanent headquarters facilities for the United Nations Environment Programme and accommodation for the other United Nations offices at Nairobi". The General Assembly also decided by resolution 32/162 that "the location of the United Nations Centre for Human Settlements (UNCHS) should be in Nairobi". Due to the space implications of establishing UNCHS at Nairobi, the General Assembly, by resolution 34/233 approved the construction of additional space. By the same resolution, the Assembly also made provision for "expanded conference and common services facilities".
2. At its thirty-fifth session, the General Assembly approved, by resolution 35/222, the proposals by the Executive Director of the United Nations Environment Programme (UNEP) for a more economical alternative for the accommodation of the United Nations at Nairobi, and also decided "to restore the two major conference rooms as envisaged in the original project as approved by the Assembly in 1977, and the necessary adjustment of catering, library and documentation facilities within the total appropriation of 254,944,000 Kenya shillings (KSh.) approved by the Assembly in 1979".
3. Furthermore, at its thirty-sixth session, the General Assembly, by section IX of its resolution 36/235, approved "the revised construction project at Nairobi" based on the estimated costs of construction at the time of the thirty-sixth session of the General Assembly. An appropriation of \$US 19,135,800 for the biennium 1982-1983 was approved, increasing the total appropriated funds for the

construction of the United Nations accommodation at Nairobi to \$US 27,078,200. By the same resolution, the Secretary-General was authorized "to enter into commitments, with the prior concurrence of the Advisory Committee on Administrative and Budgetary Questions, in excess of the appropriations, provided that the total cost of the project in United States dollars remains within the dollar equivalent of 254,944,000 Kenya shillings at the time the General Assembly specified that amount as the limit of the cost of the project".

## II. PROGRESS REPORT

### A. Tendering and award of contract

4. In order to secure the widest participation of building contractors in the bidding procedures, the Executive Director of UNEP invited all Governments of States Members of the United Nations to draw the project tendering to the attention of contractors in their countries. Applications for prequalification were received from 57 contractors in 22 countries, and accepted from 37 contractors representing 18 countries. From these 37 contractors, 19 bids were received and opened at the office of the architect on 11 January 1982. Eighteen other prequalified contractors failed to submit tenders. The 19 bids which were received are listed in the attached annex I.

5. The advice and recommendations of the consultants as to the award of the contract were contained in a report submitted to UNEP on 1 February 1982. The Quantity Surveyor reported that although it was normal local practice to examine in detail only the three lowest bids, in view of the number of unexpectedly low offers, the six lowest tenders were examined in detail, so as to include the lowest bid from a local firm, whose prices, together with the Quantity Surveyor's estimates, provided a market-price basis for comparison. The six lowest bids ranged from KSh. 149,619,634 to KSh. 191,392,181.

6. The consultants decided that if the bids were judged only in terms of "tender viability" (which they described as ability of contractors to complete a contract on the basis of normal commercial criteria) and known technical capability, the sixth lowest tender of KSh. 191,392,181 should be accepted. However, the consultants acknowledged that "tender viability was not necessarily relevant in the circumstances of the tender". Nevertheless, the consultants stressed that should any of the lower bids be accepted, official guarantees and safeguards would be required to protect the United Nations. In this sense it was recommended that an additional performance bond over and above a performance bond for the agreed contract sum should be obtained to cover the difference between the accepted bid price and the Quantity Surveyor's estimate of a reasonable bid which might have been received from an overseas contractor, i.e. KSh. 210,000,000.

7. The UNEP Committee on Contracts (Building) met in early February 1982 to consider the reports of the consultants and discuss the award of the construction contract in accordance with financial rule 110.17.

8. The Committee recognized that the four lowest bids, although advantageous to the United Nations, were very low. It was evident that they could only have been achieved by partly or fully discounting overhead expenses and profit margins. To a lesser degree, that was also true of the fifth lowest bid. The Committee also noted that the preliminary section of the Bills of Quantities provides that:

"Tenders containing abnormally high or abnormally low unit prices and/or lump sums may be rejected. Before such rejection, however, the contractors will be given the opportunity of providing a detailed explanation."

9. The Committee was concerned that a tender providing the maximum financial advantage for the United Nations should be accepted, but recognized that all of the four lowest bids involved a greater element of risk than those which were commercially viable. As it was imperative to minimize the risks involved, the Committee would therefore require, in addition to the information provided by the consultants in the tender report, further details concerning the financial standing, technical capacity and workmanship of the four lowest bidders, together with an assurance that the companies concerned would be able, if necessary, to fulfil their contractual obligations while absorbing a possible financial loss of up to \$US 5 million. It was therefore decided to send representatives of the Architect, Quantity Surveyor and Structural Engineer to Kuwait to obtain the required information, at the same time allowing the four lowest bidders to provide their own detailed explanations. The results of their mission were available to the Committee on 9 February 1982.

10. From the information available to the Committee, it was evident that the lowest and third and fourth lowest tenderers were all viable firms. The Committee noted the comments of the consultants that the responses of the second lowest bidder during their interview were "insufficiently plausible to warrant further consideration". The lowest bidder remained the most advantageous to the United Nations financially. However, its extremely low tender was erratic in its details before the discount was applied, indicating a possible misjudgement of local costs and raising the possibility of large losses. In the case of the third lowest tender, there was also a probable misjudgement of local costs and a possibility of losses, although this tender was unusually high before discount and the local costs had presumably been misjudged in the reverse direction. The Committee was satisfied that in the fourth lowest tender, detailed prices were generally realistic and consistent before discounting. There was also the advantage that this tenderer was the only one among the first four to offer a performance bond with a local Kenyan bank, and was already registered locally as a Grade AI contractor with the Kenyan Ministry of Works.

11. In the light of the foregoing considerations and in accordance with financial rule 110.21, which provides that contracts shall be awarded to the lowest acceptable bidder, the Committee unanimously agreed to recommend that the offer of Messrs. Mohammed Abdulmohsin Kharafi of Kuwait, the fourth lowest bidder, should be accepted. From the information available to the Committee it has been established that this is an enterprise of substance, technically competent to carry out the contract and financially able to absorb losses should that prove necessary.

12. The Committee also recommended that if the contract was awarded to the fourth lowest bidder, guarantees and safeguards along the lines set out in paragraph 6 above should be incorporated into the contractual arrangements, as an essential part thereof, in order to ensure that construction is completed to the required standard, at the quoted prices and on time.

13. In February 1982, the Executive Director approved both the above recommendations. Acceptance of this bid means that when consultants' fees, administrative costs and a contingency allowance are taken into account, the construction will be carried out within the already approved appropriations, in accordance with the provisions of General Assembly resolution 35/222, as detailed below. Therefore, no action by the Advisory Committee on Administrative and Budgetary Questions has been required.

14. The contract was concluded in March 1982 and the contractor took possession of the site at Gigiri and initiated the building works on 19 April 1982. Since the construction contract period agreed with the contractor is 24 months, the construction of the United Nations Accommodation at Nairobi is expected to be completed by the end of April 1984.

15. In table 1, the estimated construction cost for contract III is presented, based on the contract sum of KSh. 174,263,462. It includes the additional site supervision fees as recommended to the Executive Director of UNEP by the Contracts Committee (Building).

Table 1. Estimated construction costs of contract III

	KSh.	\$US
1. Estimated cost of construction including allowances for furniture and equipment provided in conference and catering facilities	174 263 462	15 842 133 <u>a/</u>
2. <u>Estimated fees:</u>		
(a) Fees for normal services 14.05% of consultant's recommended tender of KSh. 191,392,181 (inclusive of tax/duty allowance of 14.75%)	30 856 956	3 565 270 <u>b/</u>
(b) Additional site supervision	<u>3 825 000</u>	<u>347 730 <u>c/</u></u>
Subtotal (a + b)	34 681 956	3 913 000
3. Estimated cost at completion (1 + 2)	208 945 418	19 755 133
4. Administrative costs (1.53% of (3))	3 196 865	302 254
5. Contingencies (3.49% of (3))	<u>7 292 195</u>	<u>689 454</u>
6. Total estimated cost at completion (3+4+5)	219 434 478	20 746 841

a/ Estimated at September 1982 exchange rate (KSh. 11.00 = \$US 1), the rate used throughout this table.

b/ Actual expenditure as at 30 April 1982 for phases I, II and III corresponding to full payment of fees \$ 2 618 820  
 Remaining fees supervision, estimated at September 1982 exchange rate (KSh. 10 410 942) 946 450  
 \$ 3 565 270

c/ Site supervision:

Clerk of works	=	645 000	
Structural engineer	=	250 000	
Civil engineer	=	265 000	
Elect./mech. engineer	=	995 000	
Architect	=	1 237 000	
Estimated additional supervision by other consultants	=	<u>433 000</u>	
		3 825 000	= \$ <u>347,730</u>

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## B. Construction

16. As at 30 September 1982, the construction work was on schedule. Substructure works had been completed in the documents and publications building and in five of the new office blocks, while the foundation works had almost been completed for the rest of the new buildings. In the documents and publications building, which was expected to be operational by April 1983, 55 per cent of the superstructure frame was complete.

17. The renovation of the existing buildings is part of the construction contract. In order to ensure the normal functioning of UNEP headquarters and the UNICEF regional office for the East African region during renovation of the buildings they are presently occupying, criteria for reduced space allocation standards have been adopted in the UNEP secretariat. These temporary arrangements will allow for the initiation of renovation works in two of the existing office blocks by the end of 1982; two additional office blocks will be renovated in May 1983 and the rest of the existing buildings will be renovated during the period October 1983-May 1984. In order to ensure minimal disturbance to the functioning of UNEP and the UNICEF Regional Office, this may entail an extension of a maximum of six weeks beyond the end of April 1984 completion date mentioned above. Should this extension be needed, it would affect only the completion of the renovation works in the existing buildings; the new buildings are still expected to be handed over by the contractor on the dates agreed upon in the contract. The transfer of the relevant parts of the UNEP secretariat to three new office blocks is now expected by October 1983.

## C. Design considerations

### 1. Reassessment of space requirements

18. A reassessment of the office space requirements of the various United Nations bodies to be housed in the United Nations accommodation at Nairobi has been carried out during the past months. New space requirements have been confirmed so far by the regional offices of UNICEF and UNESCO, as well as by UNEP, UNCHS and UNIC, while ICAO has also decided that its new regional office for Eastern Africa will be set up in the Gigiri complex. In addition it has been decided to establish a permanent unit of the Internal Audit Division at Nairobi; its first four staff members already occupy offices at Gigiri. Table 2 indicates the new requirements identified so far, namely 3,045 m<sup>2</sup> of office space.

Table 2. Reassessment of office space requirements

	<u>Approved areas</u> (1981 project) (M <sup>2</sup> )	<u>Additional</u> <u>required area</u> (M <sup>2</sup> )	<u>Total</u> (M <sup>2</sup> )
<u>Office accommodation</u>			
UNEP	6 730	973 <u>a/</u>	7 703
UNCHS	3 828	792 <u>a/</u>	4 620
UNESCO	1 450	390 <u>b/</u>	1 840
UNICEF	1 024	330 <u>c/</u>	1 354
UNDP	944	- <u>d/</u>	944
UNIC	274	158 <u>e/</u>	432
ICAO	-	330 <u>f/</u>	330
Audit Unit	-	72	72
	14 250	3 045	17 295

a/ The additional required area for UNEP and UNCHS includes new office space requirements. (See para. 19.)

b/ Confirmed by UNESCO's regional office in September 1982.

c/ Confirmed by UNICEF's regional office in July 1982.

d/ UNDP will confirm its requirements.

e/ Confirmed by UNIC's Director in October 1982.

f/ Requested by the Secretary-General of ICAO in May 1982.

19. The assessment of the space requirements of the future common services servicing the various United Nations bodies to be housed at Gigiri has not yet been completed as organizational and staffing arrangements are still being worked out (see A/C.5/37/49). Accurate space requirements will have to be assessed when decisions are made concerning the common services unit and the functions remaining with UNCHS and UNEP, but some additional space is foreseen other than that previously identified.

20. Table 3 indicates the distribution of office space requirements within the available constructed office area. The additional office space area as indicated in table 2, minus the space available in the office areas, indicates a requirement of 1,647 m<sup>2</sup> in excess of space already approved. Consequently, at least one additional office block of 1,440 m<sup>2</sup> would be required, leaving a space deficit of 207 m<sup>2</sup>.

Table 3. Overall office space requirements

	<u>m<sup>2</sup></u>
1. Office space approved by General Assembly resolution 36/235, section IX Requirements of United Nations bodies	14 250
2. New office space requirements (see table 2)	<u>3 045</u>
Total required	17 295
3. Available office area	
(a) Existing buildings	8 238 <u>a/</u>
Less non-office areas	<u>(1 350)</u>
Sub-total	6 888
(b) Approved new office space	<u>8 760 <u>b/</u></u>
Total approved office space available	15 648
5. Additional required office area (2-3)	1 647

a/ In remeasuring the existing buildings for construction purposes, it has been found that the actual area available in these buildings is 8,238 m<sup>2</sup> instead of the 8,375 m<sup>2</sup> used in the project planning stage.

<u>b/</u> Six new office blocks = 6 x 1,440	=	8,640 m <sup>2</sup>
Usable area in block-linking points	=	<u>120 m<sup>2</sup></u>
		8,760 m <sup>2</sup>

21. It should be noted that, as stated in document A/C.5/35/35/Add.1, paragraph 35, office space has been designed in such a way that the cost of adding extra office blocks can be kept at a minimum. The linkage connections between office blocks under construction, which contain all the necessary staircases, toilets, coffee stations, etc., can cater for two new additional office blocks and thus reduce the unit price of net usable office space.

22. The Secretary-General is of the opinion that it would be economical to construct an additional office block while the contractor is on the premises since the discounted price would be utilized, thus enabling the block to be constructed without requesting additional resources.

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2. Visitors' and tours pavilion

23. Owing to the increasing interest of the general public, both local and international, in the work performed by the various United Nations bodies to be housed at Nairobi, it is now considered advisable to construct the planned visitors' and tours pavilion (A/C.5/36/57, table 1) during the present stage of works.

D. Proposed additions to the construction contract

24. On the basis of the above considerations, it is recommended that the following areas be approved by the General Assembly and added to the present construction contract:

	<u>m<sup>2</sup></u>	<u>Cost including fees</u> (KSh.)
One additional office block	1 440	9 300 000 a/
Visitors' and tours pavilion (semi-covered)	200	<u>960 000 b/</u>
Subtotal		10 260 000
Estimated professional fees		<u>1 654 156 c/</u>
Total		11 914 156

a/ Cost of office block is the tender price for such a building.

b/ Quantity surveyor's estimated cost based on contractual unit prices.

c/ Estimated at 14.05 per cent plus tax/duty allowance of 14.75 per cent.

25. As at 30 September 1982, out of the total appropriated funds of \$US 27,078,200 an amount of \$7,650,000 had been disbursed, \$3,755,362 of this amount having been spent under the present construction contract (contract III). If the exchange rate in force as of September 1982 is utilized (i.e. KSh. 11 to \$US 1) the remaining estimated obligations amount to \$16,991,539 leaving a balance of \$2,436,661. A summary of the status of appropriations, disbursements and obligations as at 30 September 1982 is indicated in annex II.

26. It should be noted that although construction has only just started and the work is, at present, on schedule it is premature to predict that it will remain so in the future. There is, however, no reason to expect that the contingencies would not be sufficient if the work were to fall behind schedule.

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27. Within the basic construction budget, a very limited amount of furniture and equipment was allowed for, namely simultaneous interpretation equipment and conference room furniture. In order to equip the new construction areas with furniture and equipment on a timely basis, and in view of the balance expected in the construction, it is requested that authorization be given to purchase certain items for the public areas, such as the delegates' and staff coffee lounges and the cafeteria so that the United Nations accommodation at Nairobi could be fully operational on completion of the building works. The list of furniture and equipment requested is as follows:

	<u>KSh.</u>
Delegates' lounge	825 000
Coffee lounge	220 000
Cafeteria	220 000
Small restaurant	77 000
Executive Directors' suites	341 000
Interpreters' lounge	55 000
Mall	176 000
Electronic voting system	1 540 000
In-house security equipment	825 000
Film projectors/spot lights/loudspeakers	<u>935 000</u>
	5 214 000
Plus 20 per cent shipping and costs	<u>1 042 800</u>
Total	<u><u>6 256 800</u></u>

28. Therefore, should the General Assembly approve the construction of additional areas as indicated in paragraph 24, as well as the furniture and equipment indicated in paragraph 27, the additional costs are estimated at KSh. 18,170,956 or \$US 1,651,905 at the end September rate of exchange of KSh. 11 to \$1. This additional construction could thus be covered by the appropriated funds of which, as is indicated in paragraph 25, it is estimated that a balance of \$2,436,661 is available. The Secretary-General is of the opinion, however, that it is premature to indicate the exact balance expected 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.

29. The cost limit for the construction specified by the General Assembly in resolution 36/235, section IX, is \$33,992,530 (KSh. 254,944,000 at KSh. 7.50 = \$US 1, the exchange rate in December 1980). Even if all the appropriated funds are spent, the expenditure under the above proposals would thus be \$6,914,330 below that limit. However, total costs in local currency including the costs for the additional office block and furniture and equipment are now estimated at KSh. 270,730,774.

30. As required by General Assembly resolution 35/222, the Secretary-General will submit a further progress report at the thirty-eighth session.

Annex I

List of tenders received in order of price

	<u>Alternative 1</u> <u>104 weeks</u> <u>Completion</u> (KSh.)	<u>Alternative 2</u> <u>130 weeks</u> <u>Completion</u> (KSh.)
1. Ahmadiyah Contracting & Trading Co. (Kuwait)	149 619 634.00	149 619 634.00
2. International Contracting Co. (Kuwait)	157 732 147.00	157 732 147.00
3. Al-Hani Construction & Trading Bureau	165 997 804.00	165 997 804.00
4. Mohd Abdul Mohsin Kharafi (Kuwait)	174 263 462.00	174 263 462.00
5. China Sichuan Corporation for International Techno Economic Co-operation (China)	184 149 830.00	-
6. Jadva Mulji & Sons (Kenya)	191 392 181.05	191 392 181.05
7. Solel Boneh International Ltd. (Kenya)	191 975 000.00	191 975 000.00
8. Coronation Builders (1974) Ltd. (Kenya)	196 997 316.90	194 997 316.90
9. Pan African Builders & Contractors Ltd. (Kenya)	197 344 320.00	194 344 320.00
10. Jina Ramji & Co. (Kenya)	198 131 972.60	196 131 972.60
11. N.K. Brothers Ltd. (Kenya)	199 340 000.00	202 940 000.00
12. Yuksel Insaat A.A. (Turkey)	199 930 659.27	220 000 000.00
13. Laxmanbhai Contractors Ltd. (Kenya)	203 033 252.20	202 533 252.20
14. Lalji Meghji Patel & Co. (Kenya)	203 392 781.52	203 392 781.52
15. Zakhem International Construction Co. (Kenya)	219 920 000.00	-
16. Mowlem Construction Co. Ltd. (Kenya)	227 117 254.00	227 117 254.00
17. Genel Muhendslik Group	235 277 140.00	235 277 140.00
18. Facta Construction Co. Ltd.	-	239 266 209.40
19. Prance (Philippines)	753 781 454.49	-

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Annex II

Status of appropriations, disbursements and obligations  
(as at 30 September 1982)

	KSh.	\$US
1. Appropriated funds (1978-1983)	279 532 380 <u>a/</u>	27 078 200 <u>b/</u>
2. Disbursements (Kenya shilling equivalent at various exchange rates prevailing at the time of payment)		
(a) Contract I/II	33 125 340	3 894 638
(b) Contract III	<u>32 696 840</u>	<u>3 755 362</u>
<u>Subtotal</u>	65 822 180	7 650 000
3. Balance of appropriated funds (1-2)	213 710 200	19 428 200
4. Estimated obligations/Contract III		
(a) Estimated construction budget	219 434 478	20 746 841
(b) Disbursements as of 30 Sept. 1982	<u>32 696 840</u>	<u>3 755 302</u>
Balance	186 737 638	16 991 539
5. Estimated balance of appropriations (3-4)	26 972 562	2 436 661

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	KSh.
<u>a/</u> 1978-1982 actual disbursements	65 822 180
Balance of appropriated funds at 30 September 1982 = \$US 19,428,200 at September 1982 exchange rate KSh.11 = \$US 1	<u>213 710 200</u>
Total	<u>279 532 380</u>

	\$US
<u>b/</u> Appropriations:	
1978 allotment	2 000 000
1979 allotment	2 024 400
1980 allotment	600 000
1981 allotment	3 318 000
1982-1983 appropriation	<u>19 135 800</u>
Total	<u>27 078 200</u>