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PROGRAMME BUDGET FOR THE BIENNIUM 1988-1989

Revised estimates, including plans of the Secretary-General for the implementation of recommendation 5 on construction of United Nations conference facilities, as requested by the General Assembly in resolutions 41/213 and 42/211

Report of the Secretary-General

1. At its forty-second session, the General Assembly, by resolution 42/211 of 21 December 1987, took note of the report of the Secretary-General (A/C.5/42/4) and invited him to proceed as necessary on both already approved projects in accordance with the provision of section I, paragraph 1 (a) of Assembly resolution 41/213 of 19 December 1986, on the understanding that no additional appropriation would be required in that regard for the biennium 1988-1989. It will be recalled that in section I, paragraph 1 (a) of resolution 41/213, the Assembly had noted that the implementation of recommendation 5 of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations ^{1/} should not prejudice the implementation of projects and programmes already approved by the General Assembly.

2. In accordance with the above resolutions, measures have been taken on the implementation of both construction projects as outlined below:

(a) Work on the construction projects at Addis Ababa and Bangkok has resumed on the basis of the scope of facilities as originally approved in sections III and XI of General Assembly resolution 39/236 of 18 December 1984;

(b) Work on the projects is proceeding within the level of resources available from previous appropriations. No new appropriation will be required during the current biennium.

3. The present report reviews the developments and progress on the Addis Ababa and Bangkok projects since the last report submitted by the Secretary-General (A/C.5/42/4) and contains updated timetables for the implementation of both projects and the related financial considerations.

I. EXPANSION OF THE CONFERENCE FACILITIES OF THE ECONOMIC COMMISSION FOR AFRICA AT ADDIS ABABA

A. Status and development of the project

4. Owing to the deferral of the construction project in 1986, work was suspended after the completion of the architectural design competition and designation of the winning architect/engineer firm. During 1988 various steps have been taken in connection with the resumption of the project pursuant to the terms of General Assembly resolution 42/211. Accordingly, the project is proceeding on the basis of the scope of facilities originally approved and as subsequently reflected in the design developed by the winning architect/engineer firm selected during 1986.

5. The activities undertaken during the first nine months of 1988 included the following:

(a) Contracts were negotiated with the quantity surveyor and with the architect/engineer selected during the architectural design competition in 1986. The consultants were briefed and the schematic design of the project started. Arrangements were made for a detailed topographic survey of the site and for soil investigations. In addition there were discussions with the host Government regarding various details of the arrangements that would be necessary during the construction period and engineering consultants reviewed with local authorities the various utility arrangements and connections for the project;

(b) Up-to-date project cost estimates using September 1988 construction costs in Addis Ababa and Europe were prepared by the quantity surveyor, based on the competition design and the latest available schematic design drawings. A projection was made of the related financial commitments that would be entered into until the completion of the project.

B. Summary timetable

6. On the basis of activities undertaken during the first half of 1988 and as a result of discussions with the consultants, the following timetable was developed for implementation of the project at Addis Ababa:

1988

June-December

Schematic design and review of design drawings
by the United Nations

1989

January-November Detailed design and preparation of tender documents by architect/engineer and quantity surveyor

July-October Frequalification of general contractors

December International tendering commences

1990

January-February International tendering continues

March-April Evaluation of tenders and award of construction contract

May-June Mobilization begins, followed by construction period of 36 months

1991-1992

Construction continues

1993

Second half Completion of main construction, followed by final testing, furnishing and commissioning of the building

1994

Guarantee period and final payments to contractors and consultants

C. Financial aspects

7. The cost estimates summarized below were developed by the quantity surveyor based on the latest available schematic designs for the project and will be refined as the design work progresses. These estimates reflect the results of the review of local construction costs completed in June 1988, projections of future trends of labour, material and equipment costs in Addis Ababa and Europe, inflation and exchange rates as of September 1988, and assume the timely resolution of various problems concerning transportation, availability of materials and labour. These assumptions will be kept under review and the necessary adjustments made as required.

8. The estimated total cost of the construction project at Addis Ababa in the amount of \$73,501,000 approved in principle by the General Assembly in section III of resolution 39/236 was based on a project duration of six years through the completion of construction, with an allowance for escalation in construction costs of 7.5 per cent per year on a compounded basis, or 31.34 per cent over the course of the project. Although basic construction costs as expressed in local and

European currencies have increased during the period of suspension of the project, the effect on the project budget has been partially offset by lower rates of inflation in construction costs than those originally foreseen in 1984.

9. As part of the cost management process, separate estimates have been prepared for local and non-local components of construction costs. As had been indicated in the report of the Secretary-General to the General Assembly at its thirty-eighth session (A/C.5/38/82), cost estimates for foreign labour and imported materials for construction are based on sources in Europe. Inasmuch as non-local costs comprise 70 to 80 per cent of the total construction costs, the estimated total project cost expressed in United States dollars would be sensitive to fluctuations in rates of exchange between the dollar and European currencies. Based on the September 1988 rate of 1.11 dollars to the European currency unit and a composite inflation rate of 4.5 per cent per year compounded, the cost of construction excluding contingency and administrative costs is estimated at \$71,534,700. The summary breakdown is given below:

	\$
Construction cost at 1988 rates (including site work and connections to existing buildings)	50 106 000
Furnishing and equipment	4 270 500
Consultants and construction supervision	<u>6 210 400</u>
Subtotal	60 587 500
Inflation compounded over the remaining five year project duration (4.5 per cent per annum)	<u>10 947 200</u>
Estimated construction cost, excluding contingency and administrative costs	<u>71 534 700</u>

10. The estimated total cost of construction project at Addis Ababa approved in principle by the General Assembly in section III of resolution 39/236 amounted to \$73,501,000. Given the estimated construction cost of \$71,534,700, this would provide an allowance of less than \$2 million for contingency and administrative costs, which is substantially less than the usual provision of 5 to 10 per cent. Consequently, actual experience regarding currency fluctuations during the next 18 to 24 months, and to a lesser extent inflation, would determine whether the original estimated total project cost of \$73,501,000 as approved by the Assembly can be maintained. These factors as well as the assumptions mentioned in paragraph 7 above will be carefully monitored and the necessary adjustments made during the duration of the project.

11. During the bienniums 1984-1985 and 1986-1987 expenditures in the amount of \$312,000 were incurred, leaving a balance of \$2,808,000 from the initial \$3,120,000

appropriated for 1984-1985. Estimated expenditures during 1988-1989 of \$2,708,000 for administrative costs and fees for the architect/engineer and quantity surveyor firms can therefore be met from the balance available in the construction-in-progress account.

12. Based on projections of future trends of labour, material and equipment costs in Addis Ababa and Europe, and inflation and exchange rates as of September 1988, expenditures of \$5,900,000 and \$21,900,000 are estimated for 1990 and 1991 respectively. Taking into account the estimated carryover of \$100,000 from 1989, appropriations of \$5,800,000 and \$21,900,000 would be required for 1990 and 1991 (\$5,400,000 and \$19,200,000 at 1988 rates). These amounts would be requested in the context of the Secretary-General's proposed programme budget for the biennium 1990-1991. The award of the construction contract to the selected construction contractor in April 1990, as indicated in the summary timetable contained in paragraph 6 above, would commit the Organization to the total cost of the project, which would be payable through 1994, i.e. over three bienniums. The schedule of estimated expenditures and appropriations required is given below:

	<u>Carryover from prior appropriations</u>	<u>Estimated expenditures, including administrative costs and contingency</u>	<u>Appropriations a/</u>
	\$	\$	\$
1984-1987		312 000 b/	3 120 000 c/
1988	2 808 000	628 000	-
1989	2 180 000	2 080 000	-
1990	100 000	5 900 000	5 800 000
1991	-	21 900 000	21 900 000
1992-1993	-	34 700 000	34 700 000
1994-1995	-	<u>7 981 000</u>	<u>7 981 000</u>
	Total	<u><u>73 501 000</u></u>	<u><u>73 501 000</u></u>

- a/ Rounded.
 b/ Actual.
 c/ Approved.

II. EXPANSION OF THE CONFERENCE FACILITIES OF THE ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC AT BANGKOK

A. Status and development of the project

13. Due to the deferral of the construction project in 1986, work was suspended after the completion of the tender drawings, specifications and bills of quantities. Additionally, the remaining demolition work was postponed and the prequalification review of general contractors then in progress was suspended.

14. During 1988, various steps have been taken in connection with the resumption of the project pursuant to the terms of General Assembly resolution 42/211. Accordingly, the project is proceeding on the basis of the scope of facilities originally approved and as reflected in the existing plans and drawings.

15. The activities undertaken during the first nine months of 1988 included the following:

(a) Arrangements were made for remobilization of the quantity surveyor and architectural/engineering consultants engaged for the project. A formal ground-breaking ceremony, presided over by the Prime Minister of Thailand, was held on 1 July 1988. The prequalification process was resumed following renewed advertising in domestic and international media inviting expressions of interest from construction contractors. Additionally, the remaining demolition work was undertaken;

(b) Up-to-date project cost estimates based on the completed bills of quantities and June 1988 construction costs in Thailand were prepared by the quantity surveyor in preparation for the commencement of actual construction in 1989. A projection was made of the related financial commitments which would be entered into until the completion of the project.

B. Summary timetable

16. On the basis of the activities undertaken during the first half of 1988 and as a result of discussions with the consultants, the following timetable was developed for implementation of the construction project at Bangkok:

1988

July

Ground-breaking ceremony

August-November

Completion of demolition work.
United Nations review of tender documents
concurrent with prequalification of
general construction contractors

November-December

International tendering begins

1989

January International tendering continues
February-March Evaluation of tenders and award of main construction contract
April Mobilization by construction contractor
May Commencement of construction

1990

Construction continues

1991

Construction continues

December

Completion of main construction

1992

January-March Final testing, furnishing and commissioning of the building

1993

Guarantee period and final payment to contractors and consultants

C. Financial aspects

17. The estimated total cost of the construction project at Bangkok in the amount of \$44,177,700 approved in principle by the General Assembly in section XI of resolution 39/236 was based on a project duration of four years through the completion of construction, with an allowance for escalation in construction costs of 5 per cent per year on a compounded basis, or 13.28 per cent over the course of the project. Although basic construction costs have increased during the period of suspension of the project, the effect on the project budget has been moderated by favourable exchange rate movements and lower rates of inflation in the construction sector than those originally foreseen in 1984.

18. The cost estimates summarized below were developed by the quantity surveyor based on the plans, drawings and specifications completed at the time of the suspension of the project in 1986 and reflect the results of the cost review completed in June 1988 which included projections of future trends of construction costs in Bangkok. The summary breakdown of the total cost is given below:

	\$
Construction cost at 1988 rates (including demolition and relocation costs and alterations to existing buildings)	28 369 700
Furnishing and equipment	4 391 200
Consultants and construction supervision	<u>3 487 200</u>
Subtotal	36 248 100
Inflation compounded over the remaining four year project duration (4.6 per cent per annum)	<u>4 079 700</u>
Estimated construction cost, excluding contingency and administrative costs	<u>40 327 800</u>

19. The estimated total cost of the construction project at Bangkok approved in principle by the General Assembly in section XI of resolution 39/236 amounted to \$44,177,700. Given the current estimated construction cost of \$40,327,800, this would provide an allowance of \$3,849,900 for contingency and administrative costs, which is considered adequate at this stage in the project. On the assumption that no major change from the current situation would occur during the duration of the project, it is estimated that the total project cost of \$44,177,700 already approved by the General Assembly at its thirty-ninth session would be sufficient to cover the cost of the construction project in Bangkok. These assumptions will be kept under review and the necessary adjustments made as required.

20. During the bienniums 1984-1985 and 1986-1987, expenditures in the amount of \$1,996,600 were incurred, leaving a balance of \$2,388,300 from the initial \$4,384,900 appropriated for 1984-1985. This balance, together with \$18,313,100 appropriated for 1986-1987, brought the total appropriations still available in the construction-in-progress account on 1 January 1988 to \$20,701,400. The estimated expenditures for 1988 amount to \$503,400, representing fees for the architect/engineer and quantity surveyor firms, and administrative costs.

21. The award of the main construction contract to the selected construction contractor in March 1989, as indicated in the summary timetable contained in paragraph 16 above, would commit the Organization to the total cost of the project which would be payable in 1989 and during the 1990-1991 and the 1992-1993 bienniums. The estimated expenditures of \$4,700,000 during 1989 would be primarily for payments to the construction contractor.

22. Taking into account projections of future trends of construction costs in Bangkok indicated in paragraph 19 above, expenditures of \$14,350,000 and \$17,300,000 are estimated for 1990 and 1991 respectively and the balance of \$5,327,700 would be required for 1992. The requirements estimated for 1990 could be met from the balance remaining at the close of the 1988-1989 biennium.

Additional appropriations required for 1991 in the amount of \$16,152,000 (\$14,100,000 at 1988 rates) would be requested in the context of the Secretary-General's proposed programme budget for the biennium 1990-1991.

23. The schedule of estimated expenditures and appropriations required is given below:

	<u>Carryover from prior appropriations</u> \$	<u>Estimated expenditures including administrative costs and contingency</u> \$	<u>Appropriations a/</u> \$
1984-1987		1 996 600 b/	22 698 000 c/
1988	20 701 400	503 400	-
1989	20 198 000	4 700 000	-
1990	15 498 000	14 350 000	-
1991	1 148 000	17 300 000	16 152 000
1992-1993	-	<u>5 327 700</u>	<u>5 327 700</u>
	Total	<u>44 177 700</u>	<u>44 177 700</u>

a/ Rounded.

b/ Actual.

c/ Approved.

III. SUMMARY

24. In summary, the implementation of the Addis Ababa and Bangkok construction projects will not require additional appropriations for the biennium 1988-1989. The non-recurrent requirements for 1990-1991 are estimated at \$43,852,000 (\$38,700,000 at 1988 rates), consisting of \$27,700,000 for ECA and \$16,152,000 for ESCAP (\$24,600,000 and \$14,100,000 respectively at 1988 rates). These amounts would be requested in the context of the proposed programme budget for the 1990-1991 biennium.

25. In accordance with General Assembly resolution 39/236, progress reports on both projects would be submitted to the Assembly annually until construction is completed.

Notes

1/ Official Records of the General Assembly, Forty-first Session, Supplement No. 49 (A/41/49).