

UNICEF PROCEDURE ON CONSTRUCTION PROJECTS

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RATIONALE

1. Construction projects can involve significant expenditure and are often complex and high risk due to the number of actors involved, the need to coordinate multiple contracts and the potentially severe consequences of substandard work.
2. While the procurement of construction projects follows the procurement procedures as laid out in the UNICEF procedures and guidance on supply, specific planning is needed to ensure sufficient capacity for construction, supervision and oversight, to coordinate multiple stakeholders and to select the appropriate implementation modality and contractual arrangement.

APPLICABILITY / SCOPE

3. This procedure applies to COs, ROs and HQ involved in planning to engage in construction activities. It applies to construction projects to be implemented via UNICEF Standard Construction Contracts, Programme Corporation Agreements (PCA), Memoranda of Understanding (MOU), or Direct Cash Transfers (DCT).
4. This procedure outlines requirements for planning construction projects and contracting construction projects. Further details are available in the UNICEF Guidance on Construction Projects (GUIDANCE/SD/2022/008).

PROCEDURE STATEMENTS

5. Construction includes all activities associated with the construction, reconstruction, retrofitting, demolition, repair or renovation of buildings or structures, or activities such as site preparation, foundation, erection, building, installation of materials and finishing. It comprises new buildings or structures and the rehabilitation of existing buildings or structures.
6. UNICEF engages in construction projects where the following conditions are fulfilled:
 - programme goals are clearly established with the Host Government, or construction is required to establish or expand UNICEF operations;
 - UNICEF has access to the necessary funding;
 - UNICEF has allocated appropriate in-house capacity to support technical and project planning, procurement, implementation and oversight of the project; and
 - the level of risk is acceptable.
7. Construction activities are conducted locally, but follow normative guidance from SD, and for certain scopes and values require an LPA.
8. Construction activities are subject to Local Procurement Authorisation (LPA) for certain project scope and values. See UNICEF Procedure on Supply Strategy and Planning (PROCEDURE/SD/2022/002) for details on the LPA requirement. The Project Manager consolidates the outcome of the planning process in the LPA request.

Planning the Implementation Modality and Contractual Arrangements

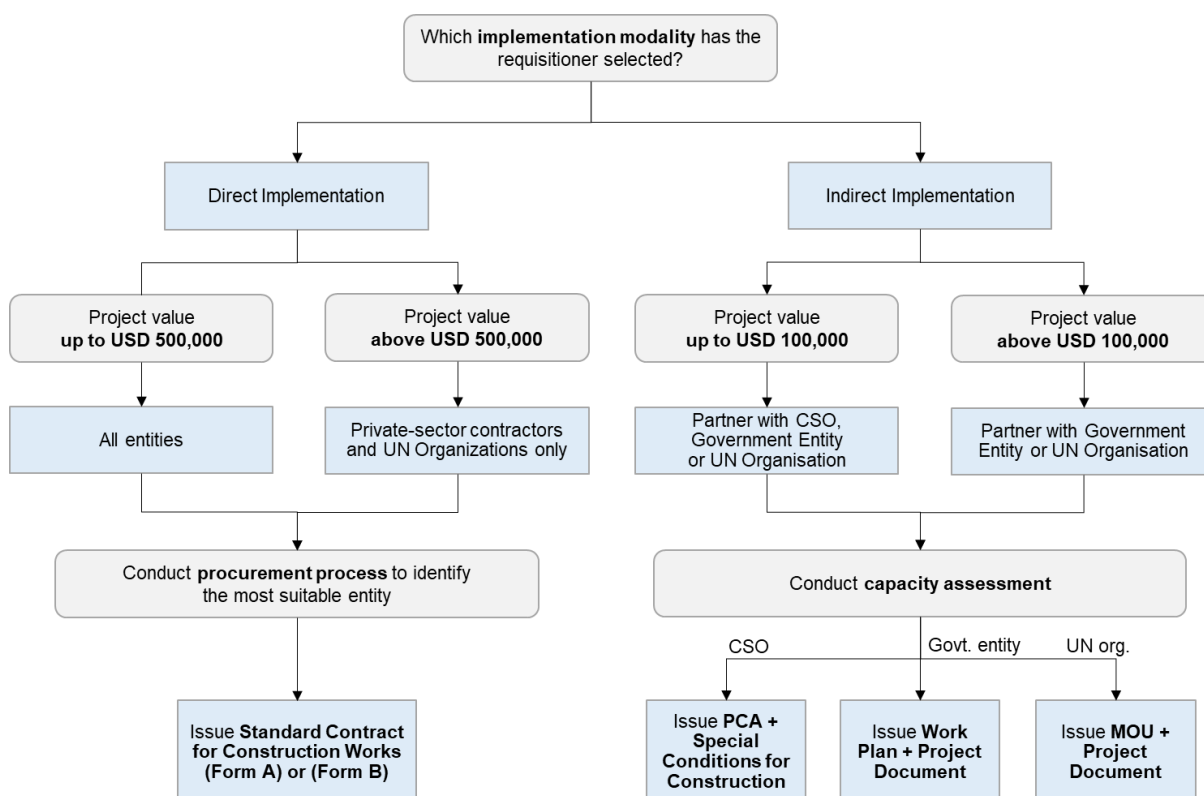
9. UNICEF implements construction projects:

- a. directly through contractors¹, CSOs or another UN organization² following a procurement process; and
- b. indirectly through CSOs, government entities or another UN organisation following the partnership process.

10. UNICEF implements construction projects through the following options:

- **Direct implementation** for construction projects of any value – follow a procurement process in accordance with Paragraphs 23 to 29; direct implementation with a CSO can only be conducted for value up to USD 500,000.
- **Indirect implementation** with CSOs for construction projects up to USD 100,000 per CSO in a calendar year, where the CSO has the capacity and makes financial or non-financial contributions to the project – follow Procedure for Country and Regional Office CSO Implementing Partnerships ([FRG/PROCEDURE/2019/001](#)) and use the [Special Conditions for Construction under PCA](#); indirect implementation with CSOs for values above USD 100,000 is not possible;
- **Indirect implementation** for construction projects of any value with a government entity – follow [Financial and Administrative Policy 5, Supplement 3 \(Cash Transfers\)](#) and Procedure on Harmonized Approach to Cash Transfers to Implementing Partners ([FRG/PROCEDURE/2018/001](#));
- **Indirect implementation** for construction projects of any value with another UN Organisation – follow UNICEF Procedure on UN Cooperation (PROCEDURE/SD/2022/012).

11. The course of action to take when engaging in construction projects as described in the previous paragraph is depicted in the flowchart below:



Planning the Governance Structure

¹ In the context of construction projects, a contractor is always a company, or an CSO selected through a procurement process, not an individual.

² UNICEF puts emphasis on developing local capacity. If local vendors can offer a service or good, it shall be sourced through a procurement process. In such a case, other UN organizations can be invited to participate in the procurement process and their offers are treated equally to any other bidder without any special preference or disadvantage.

12. In both direct and indirect implementation, the budget owner remains accountable for adequate fund utilisation and project execution. To that aim, UNICEF uses a three-party approach:
- the UNICEF Office is responsible for planning, securing funding, procurement of contractor or selection of Implementing Partner (CSO, government entity or UN Organisation), managing contracts and agreements, payments, coordination, stakeholder management and oversight;
 - the contractor or Implementing Partner is responsible for execution of works in accordance with the signed contract or agreement; and
 - the entity providing engineering services (engineering firm or a government entity) is responsible for the assigned engineering services such as site assessment, design and site supervision, in accordance with the signed contract or agreement.
- It is important to note that it is UNICEF who is ultimately accountable for all of the above activities.
13. Where there are compelling reasons for exceptions to the three-party approach outlined in Paragraph 12, the requisitioner documents the reasons such that this is available when making the submission to the Contracts Review Committee (CRC) or Partnerships Review Committee (PRC).
14. A Project Manager is accountable for the overall project management including that the project is implemented in the expected budget, timeline, and quality. The Project Manager:
- Ensures that adequate staffing is provided for managing and monitoring the entire project;
 - Coordinates all stakeholders involved, including government counterparts, donors, contractors, implementing partners and communities;
 - Coordinates all project related contracts and agreements, including those for engineering services and construction works;
 - Ensures effective budget monitoring and management; and
 - Ensures site supervision and quality assurance during the execution of the project.
15. The function within a UNICEF office who provides the Project Manager depends on the type of construction project. For programme-related construction projects, this would usually be the Chief of Programmes or equivalent position. For UNICEF premises, this would usually be the Deputy Representative (Operations) or equivalent position.

Planning Engineering Capacity

16. The Project Manager ensures in-house capacity for technical planning and oversight, as per the following minimum requirements:

Construction Portfolio (all ongoing projects managed by a CO at a given time)	Minimum Requirements
Below USD 500,000	An existing staff member with construction expertise can be assigned.
Between USD 500,000 and USD 2 million	Senior National Construction Specialist (NO-C or above) with the qualifications outlined in the generic TOR for Construction Specialist (available on the construction webpage)
Above USD 2 million	International Construction Specialist (P-3 or above) with the qualifications outlined in the generic TOR for Construction Specialist (available on the construction webpage)
Additionally	
For every 10 sites implemented in parallel	An additional national Construction Officer (NO-B or above)

17. The Project Manager also ensures proper design and site supervision through an external entity, which may be an engineering firm (see list of available [LTAs for engineering services](#)), or a government entity, where the government has adequate capacity. Site supervision must, among other things, ensure that works are executed in accordance with local bylaws, national

and international health and safety, and accessibility standards. In-house staff conduct site supervision only where the number of sites is low and sites can easily be visited or when works are simple and can be supervised by a civil engineer. In-house staff need to undertake regular site visits in such cases.

Planning Timelines

18. Construction projects often take a long time to complete. Substantial completion, i.e. when a construction project is deemed sufficiently completed to the point where the owner can use it for its intended purpose, is only an interim milestone. Financial planning for construction projects should consider that construction projects are only finally completed after the Defect Liability Period has expired and defects have been remedied, if any. Therefore, it needs to be ensured that grants are valid until final completion.

Standards for Design

19. UNICEF promotes accessibility and universal design with Governments and other partners. UNICEF also recognizes the impact construction can have on the environment and promotes the application of sustainable and environmental-friendly construction practices. UNICEF is committed to meeting the requirements of the United Nations Disability Inclusion Strategy, in particular the Indicators 6 and 8 of the Entity Accountability Framework which relate to accessibility of the built environment.
20. All designs comply with government norms and standards and local infrastructure regulations and take into account local climatic conditions and the risks of natural disasters and risks for child safety. Designs also comply with requirements defined by Programme Division (PD) and DFAM and other UNICEF standard and norms as applicable.
21. All programmatic construction and rehabilitation works implemented directly or indirectly by UNICEF adhere to UNICEF's commitments towards accessible buildings as per the Executive Directive on Accessibility in UNICEF's Programme-Related Construction Activities ([CF/EXD/2017-004](#)), which is embodied in [UNICEF's Accessibility Technical Cards](#).
22. All construction and rehabilitation works for UNICEF premises and operations need to adhere to UNICEF's commitment to making its premises accessible and inclusive for all and to improving the eco-efficiency of its operations as per the UNICEF Procedure on Eco-Efficiency and Inclusive Access in UNICEF Premises and Operations ([PROCEDURE/DFAM/2020/001](#)) and Decision Memo from May 20, 2015: [UNICEF Climate Neutral Strategy, 2015](#). All UNICEF offices are expected to attain at least "level 1" accessibility (see [Accessibility Levels of UNICEF Facilities document](#)).

Procurement

23. Where direct implementation is used, the procurement process follows the UNICEF procedures and guidance on supply as available on the [Regulatory Framework Library](#). The procurement process for construction works and engineering services uses the Request for Proposals solicitation method.
24. The following material group codes are used in service requisitions for construction:
 - ZX005001 for construction works (covering all types of constructions works including, e.g. WASH construction, education construction, etc.); and
 - ZX005002 for engineering services.
25. Where a UNICEF Standard Construction Contract is issued for construction projects, the appropriate contract template is selected based on the following:
 - contracts for engineering services of any value use the UNICEF Standard Contract for Engineering Services;
 - contracts for construction works with a value below USD 1 million, use the UNICEF Standard Contract for Construction Works (Form A)
 - contracts for construction works with a value equal to or above USD 1 million, use the UNICEF Standard Contract for Construction Works (Form B)
26. Where a UNICEF LTA for Construction Works or UNICEF LTA for Engineering Services has been established, the appropriate contract template is selected based on the following:

- contracts against an LTA for engineering services of any value use the UNICEF LTA Standard Contract for Engineering Services;
 - contracts against an LTA for construction works with a value below USD 1 million, use the UNICEF LTA Standard Contract for Construction Works (Form A)
 - contracts against an LTA for construction works with a value equal to or above USD 1 million, use the UNICEF LTA Standard Contract for Construction Works (Form B)
27. Due to the high risks involved and level of financial and reputational exposure, the UNICEF Office ensures the following minimum bank guarantees and insurances for construction projects:
- performance security;
 - advance payment guarantee where an advance payment is made;
 - insurance against all risks; and
 - retention money security during the defects liability period.
28. When construction projects are implemented through Implementing Partners such as CSOs, government entities or UN organizations, the UNICEF Office requests and keeps on file, manages copies of the guarantees and insurances of the IP's contractors.
29. When a contractor or Implementing Partner fails to perform its obligations under the terms of the contract (e.g. non-performance when an advance payment has been made), UNICEF will ultimately call on the security and/or bank guarantee to recover any financial loss to UNICEF after appropriate contract management and providing possibilities for remedy.
30. Contracts are managed in accordance with the UNICEF Procedure on Contract Management (PROCEDURE/SD/2022/011).

Special Considerations in Emergency Contexts

31. None.

Transitional Measures

32. This procedure enters into force immediately.
33. Any construction projects already underway remain governed by the provisions of the Supply Manual.

RISK MANAGEMENT

Document Title: Construction Projects	
Corporate Risk Category: Supply and Logistics	
Typical Risks	Minimum Expected Mitigation Measures
UNICEF Office selects inappropriate implementation modality or partners for construction projects.	Guidance and thresholds provided for selection of implementation modality. Partners subject to capacity assessment or qualification checks through a procurement process. Implementation modality assessed as part of the LPA process.
UNICEF Office fails to allocate adequate in-house capacity , including engineering capability to effectively plan manage and implement construction projects.	In-house capacity assessed as part of the LPA process. Clear Project Management assignment and understanding of role and effort needed. Guidance provided on resourcing requirements.
Insufficient quality assurance during construction or insufficient in-house capacity to undertake construction projects	Site supervision outsourced to external parties with sufficient capacity and defined responsibilities. Construction unit at SD to support COs in risk assessment and resource requirement planning prior to taking on construction projects. LPA required for construction projects during which it will be reviewed if sufficient capacity available at CO.
Lack of resources or funding to ensure sustainable use and maintenance of infrastructure following handover.	National ownership and funding confirmed by programme staff during planning stages.
Lack of bank guarantees and insurances	Use of bank guarantees and insurances mandated by this Procedure. Additional Guidance document created to provide further information on these. Training courses and roll-out for this procedure and the internal control framework that ensure compliance with policy and guidelines. LPA requirement for construction projects ensures sufficient capacity available at CO.

DOCUMENT MANAGEMENT INFORMATION PAGE

Document Title	UNICEF Procedure on Construction Projects
Document Number	PROCEDURE/SD/2022/016
Effective Date	1 July 2022
Mandatory Review Date	1 July 2024
Responsible Business Owner	Supply Division
Responsible Manager	Suvi Rautio, Katinka Rosenbom
Document Summary	This procedure outlines requirements for planning construction projects and contracting construction projects. Further details are available in the UNICEF Guidance on Construction Projects.
Regulatory content the Document Replaces	Supply Manual
Topics Covered	Planning and contracting construction projects, Planning implementation modality and contractual arrangements, Planning engineering capacity, Planning timelines
Corporate Risk Area	Supply & Logistics
Reference / Links to Enabling Legislation and Background	
Links to Relevant Policy	CF/EXD/2017-004 on Accessibility in UNICEF's Programme-Relegated Construction Decision Memo: UNICEF Climate Neutral Strategy, 2015 Financial and Administrative Policy 5
Links to Relevant Procedure	DFAM/PROCEDURE/2018/001 on Eco-friendly and Inclusive Access in UNICEF Premises and Operations Procedure on UN Cooperation (PROCEDURE/SD/2022/012). Procedure for Country and Regional Office CSO Implementing Partnerships FRG/PROCEDURE/2019/001 Procedure on Harmonized Approach to Cash Transfers to Implementing Partners
Links to Relevant Guidance	Supply Overview Guidance (GUIDANCE/SD/2022/001) Guidance on Construction Projects (GUIDANCE/SD/2022/008)
Links to Relevant Training Materials	
Links to Other Knowledge & Information Resources	