



FIRST ITEM ON THE AGENDA

**Premises for the Regional Office
for the Americas, Lima****Addendum**

1. As indicated in document GB.286/PFA/BS/1, a request for tenders for the construction of the premises for the Regional Office for the Americas in Lima¹ was submitted to five contractors following the verification of their general standing, financial position and construction experience.
2. The tender documents prepared by the architect were very detailed with respect to the project's design, structure and specifications, thus allowing little room for deviation by the contractors from the architect's original estimate. This is reflected in the very close bids submitted by the five contractors.
3. All five contractors replied to the ILO's invitation to tender and submitted their respective proposals by the deadline date of 21 February 2003. All bids were declared valid and fully acceptable from a technical aspect. A summary of their financial proposals for the construction of five storeys and a sixth floor shell is set out below:

	Architect's estimate ¹ (US\$)	J.E. Construcciones Generales S.A. (US\$)	ARCO Constructora (US\$)	GYM Contratistas Generales (US\$)	HV S.A. Contratistas (US\$)	Arbulu & Chaparro (US\$)
Structure	659 713	613 436	665 770	742 660	600 418	611 280
Architectural/finishing	679 229	741 681	760 637	753 187	818 116	907 061
Installation (Electrical, sanitary and mechanical)	364 662	404 099	418 736	422 361	435 445	410 603
General administrative costs and overheads	170 361	219 902	259 426	242 738	319 336	318 291
Total	1 873 965	1 979 118	2 104 569	2 160 946	2 173 315	2 247 235
Percentage increase on architect's estimate		6%	12%	15%	16%	20%

¹ It is noted that, after preparing his detailed plans, the architect's final estimate amounted to US\$1,873,965, which was slightly higher than his initial provisional estimate of US\$1,850,000.

¹ It is noted that the ILO project has won the national architectural prize, granted by the Peruvian Society of Architects (*Concurso Nacional de Calidad Arquitectónica*).

4. As can be seen from the above table, the lowest bid was received from J.E. Construcciones Generales S.A. (J.E.). Although this submission was some 6 per cent higher than the architect's estimate, the main differences related to technical aspects and to general administrative costs and overheads which, in the view of the Office, could be open to negotiation before arriving at a definitive contract price.
5. The Office therefore sought the approval of the Contracts Committee to enter into post-tender discussions with J.E. and further negotiations were authorized prior to the finalization of recommendations for submission to the Acting Treasurer and the Governing Body. Negotiations with J.E. took place during the first week of March and focused on the technical and commercial aspects of the project. All prices were individually re-examined in relation to quantities and unit price and, in cases where the architect's estimate differed materially from those of the contractor, these were reviewed and checked against current prices charged by local building contractors in Lima. This negotiation process resulted in a revised offer price by J.E. of US\$1,896,790. The ILO's Legal Adviser was also involved in these negotiations to ensure a comprehensive examination of all the legal and contractual arrangements.
6. The possible completion of the concrete structure on the sixth floor was also discussed with J.E. as it was felt that carrying out this additional work as part of the main construction project would enable the Office to negotiate a very reasonable price.
7. The result of the post-tender negotiations is shown in the table below, which compares J.E.'s final prices with the architect's estimates. J.E. has agreed to construct the ILO Office for US\$1,896,790, including the demolition of the present ILO building. Should the Office decide to complete the concrete structure of the sixth floor, the cost would amount to US\$1,921,000. This compares with a ceiling of US\$2,000,000 approved by the Governing Body. The difference of US\$79,000 could be kept by the Office as a contingency reserve exclusively.

Item	Architect's estimate (US\$)	J.E (US\$)
Structure	659 713	632 187
Architectural/finishing	679 229	685 988
Electrical installations	288 668	305 310
Sanitary installations	29 917	47 985
Mechanical installations	46 077	29 687
Total direct cost	1 703 604	1 701 157
General expenses	85 181	110 575
Utilities	85 180	85 058
Total	1 873 965	1 896 790

8. After reviewing the results of the negotiations, the Contracts Committee recommended to the Acting Treasurer that the construction contract be awarded to J.E. On the basis of the Contracts Committee's recommendation, the Acting Treasurer has authorized the awarding of the contract to J.E., subject to the approval of the Governing Body. Although the proposed construction cost is higher than the original estimate of US\$1,850,000, it will include the concrete structure for the sixth floor and will avoid any supplementary costs being incurred at a later stage.

- 9. *The Building Subcommittee may therefore wish to propose that the Programme, Financial and Administrative Committee recommend to the Governing Body that it authorize the Office, upon completion of all contractual arrangements, to award the contract for the construction of the ILO Regional Office for the Americas in Lima to J.E. Construcciones Generales S.A. for an amount not exceeding US\$1,921,000, including the demolition of the present building and the completion of the concrete structure for the sixth floor of the building.***

Geneva, 14 March 2003.

Point for decision: Paragraph 9.