

**SEVENTH ITEM ON THE AGENDA****Report of the Building Subcommittee**

The Building Subcommittee of the Programme, Financial and Administrative Committee met on 10 November 2003. The meeting was chaired by Ms. Gomes dos Santos (Government member, Brazil) who was also the Reporter. The Vice-Chairpersons were Mr. Barde (Employer member) and Mr. Ahmed (Worker member).

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

1. The Subcommittee reviewed a progress report¹ on construction of new premises for the Regional Office in Lima.
2. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) explained that arrangements for the overall management of construction projects had been strengthened in the light of past experience, with clear assignment of responsibilities for project management, accountability for results and attention being paid to the relationship between the local architect and contractor. The detailed documentation and the existence of a fixed-price contract limited risk factors for the Office and project progress was meticulously monitored against the original plans. Any modifications to the specifications were also carefully monitored and controlled. Regular site inspections were undertaken by headquarters experts from the Internal Administration Bureau (INTER), and progress payments were authorized on the basis of percentage completion against a detailed list of tasks that added up to the contract value. Some 27 per cent of the project budget had been disbursed to date net of reimbursable value added tax and the project was on target and within the budget fixed by the Governing Body.
3. In order to illustrate progress to date, there followed a slide presentation.
4. The Director of the Regional Office in Lima confirmed having inspected the construction site on a regular basis in order to ensure that health and safety standards for the workers as well as technical standards were being respected. He looked forward to the inauguration of the building in April 2004.

¹ GB.288/PFA/BS/1.

5. Mr. Ahmed (Worker member) wished to ensure that the sum of US\$2 million set aside for construction would not be exceeded and inquired what additional equipment would be required for the premises. He was pleased that the health and safety of the construction workers would be assured and wanted to be sure that environmental standards and provisions for the disabled would be respected. He requested that regular updates be provided to the Committee until the end of construction.
6. The representative of the Government of Kenya, speaking on behalf of the African Group, stated that he was impressed by the advanced stage of the construction. He was also pleased that attention had been paid to the safety of workers and wished to know whether standards with regard to facilities for disabled persons and emergency exits had been met. He also inquired whether salaries paid were in accordance with local collective agreements.
7. Mr. Barde (Employer member) wished to have a precise list of all supplementary expenses, such as the increase in local salaries, provision for the disabled and security measures which could be charged to the contingency reserve. He wondered whether the reserve of US\$79,000 would be sufficient to cover these items.
8. The Chief of INTER explained that the new building would be fully accessible for disabled persons and that toilets for such persons would be available on every floor. Emergency exits conformed to legal standards. Additional work had been carried out in order to create an emergency assembly point for staff, on the first level of the underground car park, which also had toilets and reinforced access doors.
9. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) clarified that, following a collective agreement, an increase of 4 per cent in local construction wages, amounting to approximately US\$15,000 for the entire project, was foreseen as a charge to the contingency reserve. The facilities for the disabled as well as security measures were already covered from existing funds. He noted that a large proportion of the former office's equipment and furniture had been recuperated and that any additional furniture and equipment for the offices and the conference room would not be charged to the contingency reserve.
10. The Subcommittee took note of the Office paper.

Proposed gifts of land from the Government of Chile and the Government of the United Republic of Tanzania

11. The Subcommittee had before it a paper² which proposed the construction of two office buildings, in Santiago and Dar es Salaam.
12. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) explained that the two proposals responded to the ILO's objective of providing suitable accommodation at the most affordable cost. He described the steps undertaken to ensure that accommodation requirements were appropriate. This entailed a critical assessment of local office requirements, which had resulted in some modifications to the initial proposals. The project cost estimates were considered reasonable in the light of a review of the alternatives available. He gave details of the competition process

² GB.288/PFA/BS/2.

amongst local architects for the selection of a suitable building design, and emphasized that the winner had been selected unanimously by a team composed of ILO managers, staff representatives and experts, using predefined selection criteria. The competing architects had submitted their building design plans at no cost to the Office. This phase had been followed by the submission of more detailed plans by the selected architects, which had cost US\$16,000 and US\$12,000 for the Santiago and Dar es Salaam projects respectively. A review of the detailed plans had permitted the Office to be assured that the accommodation requirements specified by the Office could be satisfied within the proposed cost limits.

13. In order to illustrate progress to date, there followed a slide presentation.

Santiago

14. Mr. Ahmed (Worker member) wondered whether further financial assistance could be requested from the Government of Chile in obtaining a loan on favourable terms. The project constituted a future asset for the Organization and it should therefore adhere to all known standards with regard to security and provision for disabled persons.
15. Mr. Barde (Employer member) expressed his support for the project. He wished to know why the project was to be financed by a commercial loan and not by the Building and Accommodation Fund.
16. The representative of the Government of the United Kingdom asked whether the need for new accommodation in Santiago had been identified before or after the proposed gift of land had been made and what would happen to the current lease. She requested information on the evolution of rents and asked whether the property currently occupied was less secure than those generally available on the local market. She also wished to clarify the security situation compared with other ILO office locations. With reference to the lack of proximity to UN conference facilities, she inquired whether these facilities could not, in any event, be used in spite of the distances involved. She further inquired about the likely cost of a commercial loan and repeated her request for details of the Office's overall property strategy and its priorities. She also wished to know the timetable for taking the decision with regard to the Santiago project.
17. The representative of the Government of Japan asked whether the Financial Regulations of the Organization would allow a loan and whether this would be the first loan ever contracted by the Office.
18. The representative of the Government of Kenya, speaking on behalf of the African Group, supported the point for decision. He explained that the Santiago office was currently located in a residential area and therefore subject to logistical and security problems. He believed that there were two important selection criteria: the need for premises which responded to the requirements of the Santiago office, and security.
19. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller), replying to questions raised, clarified that the project was economically viable and justified even if the Office could not obtain a soft loan with the assistance of the Government of Chile. It was estimated that the available balance on the Building and Accommodation Fund would be some US\$5.3 million at the year end, and the Subcommittee was free to examine the preferred funding mechanisms for the project. He noted that, even though interest rates had risen in the past six months, the current climate continued to make borrowing attractive. Commercial borrowing was not prohibited by the Financial Regulations and the Governing Body could therefore approve the

undertaking of a loan as part of an eventual approval of the construction project, without any derogation of the Financial Regulations. A loan was already in place for the headquarters building and this option had been initially considered for the office construction in Abidjan.

20. In response to the questions raised by the representative of the Government of the United Kingdom, the representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) noted that the aim of an accommodation strategy was to ensure that the ILO had suitable property in the right locations when needed at an affordable cost. A suitable property was one that met the ILO's current and substantiated future needs, reduced operational costs, enhanced staff productivity and addressed health, safety and security concerns. A response to this strategy was the acquisition of property at the most appropriate moment. An offer of a gift could not be planned for in any accommodation strategy, and he hoped that the Committee would accept that there should be no harm in reacting to a valuable gift, on a case-by-case basis, if its acceptance could save resources in the long term, as was the case with this proposal. The gift had prompted the Office to consider the suitability of the premises currently occupied in Santiago, which were in a residential area protected by an alarm system. The maximum interest cost of a commercial fixed rate loan was currently estimated at US\$100,000 per year. A fixed rate loan would be a preferred borrowing option since it facilitated long-term financial planning, even though costs would be considerably higher than those of a variable rate loan. The rental cost of the Santiago office had recently increased from US\$7,000 to US\$10,000 per month, which has strengthened the case for constructing new premises rather than continuing to rent. Moreover, the rental cost of a property of similar size to the proposed construction was reliably estimated at US\$18,000 to US\$21,000 per month, which produced a payback period on the capital investment of eight years and implied an excellent internal rate of return. Preliminary discussions with the current landlord had already taken place and the Office was confident that the termination of the lease could be negotiated by mutual consent. He emphasized that the existence of adjoining UN premises in the new location would greatly facilitate the use of conference and other amenities, including common security initiatives.

21. *The Committee may wish to recommend to the Governing Body that:*

- (a) it give effect to the proposal to build new premises for the ILO office in Santiago;*
- (b) it accept the gift by the Government of Chile of a plot of land for this purpose in accordance with the authority delegated to it by the Conference at its 91st (June 2003) Session;*
- (c) the cost of the building may not exceed US\$1.8 million, which should be entirely financed by a commercial loan; and*
- (d) it request that the result of the bidding evaluation process and more details on the modalities for financing the construction work be submitted to the Building Subcommittee at the Governing Body's next session in March 2004.*

22. The representative of the Government of the United Kingdom expressed her reservations with regard to the point for decision, and wished to have the record show that she could not support it, given the continued lack of an overall worldwide strategy for the Organization's office space although she acknowledged that the project had a number of positive aspects.

Dar es Salaam

23. Mr. Ahmed (Worker member) supported the project but wanted to know whether the Office had included all foreseeable costs in the estimate and whether all the appropriate health and safety measures had been considered. He also inquired about the likely timetable.
24. The representative of the Government of the United Kingdom stated there was a clearer case for the premises in Dar es Salaam but wondered why significant maintenance charges were the responsibility of the tenant.
25. The representative of the Government of Kenya, speaking on behalf of the African Group, supported the project which would finally provide a permanent base for the office in Dar es Salaam. The Organization had been present in Dar es Salaam since 1962 but had been obliged to move premises on several occasions. Premises had always been rented and had not necessarily met operational requirements.
26. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) indicated that the US\$1.7 million cost of the project provided for 1,635² m of covered area excluding parking and included all equipment such as lifts, air conditioning and telephones. It did not include conference room equipment which could be rented, as well as certain additional furniture. If the proposed resolution on the construction of premises is accepted by the Governing Body, the project could commence in May 2004 for completion by August 2005. Regarding the high maintenance charges, the residential villa currently occupied in Dar es Salaam did not meet health and safety requirements, with very limited sanitation and unsafe electrical facilities. Local practices regarding the responsibilities of landlords and the below-market rent (US\$72,000 per annum) paid by the ILO for the current premises, made it difficult to pass on repair and renewal charges to the landlord. Each member of staff had on average 7² m of office space, and the new construction was also necessary for operational reasons.
27. With regard to the earlier reservations made by the representative of the Government of the United Kingdom, the representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) recalled that in 1999, a draft accommodation strategy had been produced. Requirements had evolved during the intervening period and the matter was being given priority by first collecting up-to-date information of field and headquarters accommodation through an Internet-based application. This involved collecting comprehensive information from all offices on numerous aspects of infrastructure, including land (e.g. ownership, size), building (e.g. type, size, renovations, facilities, utilities), technical installations (e.g. phone systems, computers), furniture, insurance provisions, security (e.g. guards, electronic security, access checkpoints, emergency system plans), safety, staffing information and measures of satisfaction with office accommodation. The analysis of the completed information will facilitate property operations and decision-making.
28. *The Committee may wish to recommend to the Governing Body that:*
 - (a) *it give effect to the proposal to build new premises for the ILO office in Dar es Salaam;*
 - (b) *it accept the gift by the Government of the United Republic of Tanzania of a plot of land for this purpose in accordance with the authority delegated to it by the Conference at its 91st (June 2003) Session;*

- (c) *the cost of the building may not exceed US\$1.7 million, which should be funded from the Building and Accommodation Fund; and*
- (d) *it request that the result of the bidding evaluation process be submitted to the Building Subcommittee at the Governing Body's next session in March 2004.*

Optimal use of space at headquarters

- 29. The Subcommittee had before it a paper³ reporting on the progress of work carried out regarding the use of space at headquarters.
- 30. The Chairperson explained that the Director-General would be addressing the Programme, Financial and Administrative Committee on the subject of security, and invited members of the Subcommittee to contribute their thoughts on this subject.
- 31. Mr. Ahmed (Worker member) expressed his concern for safety and health at work. He requested that more details about the optimal use of space at headquarters be made available to the Subcommittee in March 2004.
- 32. Mr. Barde (Employer member) explained that this subject had been discussed at several meetings and that, rather than incurring further costs, it would be better to decide whether the priority was to improve security or to modify the structure of the office in order to provide additional space. An indication of the resources that might be available for headquarters renovation would also be useful.
- 33. The representative of the Government of Kenya expressed his concern about the cost of renovating the office space. The building had been constructed 30 years earlier, in accordance with standards prevailing at that time. He wished to see alternative studies of the use of space before taking a decision.
- 34. The representative of the Government of the United Kingdom recalled that discussion on the optimal use of space at headquarters commenced in March 2002, but the topic had evolved into a much wider discussion on health and safety concerns and discussions on common and service areas. She asked for a more detailed plan to be made available at the next session in March 2004.
- 35. The Subcommittee took note of the Office paper.

Other questions

Master plan for the “Jardin des Nations” area and site plan for the “Campagne du Grand Morillon” site

- 36. The Subcommittee had before it a paper⁴ on progress made in negotiations with the local authorities through the Swiss mission with regard to the “Jardin des Nations”.

³ GB.288/PFA/BS/3.

37. The Chief of INTER showed a slide which depicted the master plan currently proposed by the local authorities. This plan was submitted to the Office by the Swiss mission at the end of August 2003 for observations. He further explained that the Director-General had recently written to the Swiss mission, seeking clarification of several points which were raised in November 2002 and March 2003: first, that the master plan seemed to allow for the construction of the headquarters for an international organization on the ILO's land; second, part of the Organization's property along avenue Appia and route des Morillons would be given over to "esplanades, public spaces and village roads", a use not previously envisaged; third, the plan suggested that public access to green spaces belonging to the Organization was now a question of fact and not at the discretion of the ILO; fourth, permission to extend the privately owned property at the corner of Appia and Morillon on to the Organization's property would be granted without any need to negotiate beforehand with the Organization; finally, certain building permissions mentioned mixed use and it was difficult to envisage a combination of residential and office use for the Organization's property, if only from the aspect of security.
38. Mr. Ahmed (Worker member) stated that it seemed as though the Canton of Geneva's policy of urban planning for the Organization's property was different to that which it employed with regard to other international organizations. He stressed that Switzerland was very much appreciated as host country to the Organization and asked whether Mr. Barde, as the Employer representative for Switzerland, could intervene.
39. Mr. Barde (Employer member) expressed the view that the situation was far from satisfactory but believed that local authorities could not impose such changes on the Office without its agreement.
40. The representative of the Government of Kenya stated that this was an important issue for the Office because it was not desirable to share rights regarding property with others. Members of the public should not be given access to the Organization's grounds if no such right had been granted by the Organization. He called for further negotiations in this respect, employing the Swiss mission as intermediary.
41. The Subcommittee recalled the previous resolutions passed by the Governing Body at its 285th (November 2002) Session and 286th (March 2003) Session, which instructed the Director-General to pursue his discussions with the competent Swiss authorities, and took note of the Office paper.

Geneva, 12 November 2003.

Points for decision: Paragraph 21;
Paragraph 28.

⁴ GB.288/PFA/BS/4/1.