



SECOND ITEM ON THE AGENDA

Report of the Building Subcommittee

1. The Building Subcommittee of the Programme, Financial and Administrative Committee met on 8 November 2004. The Committee Officers were as follows: Mr. P. Saldanha (Government member, Brazil): Chairperson and Reporter; Mr. M. Barde (Employer member): Vice-Chairperson; Mr. K. Ahmed (Worker member): Vice-Chairperson.

Premises for the Regional Office for the Americas, Lima

2. The Chairperson said that there was no Office paper for this agenda item. The building had been opened on 25 May 2004 by President Toledo of Peru, in the presence of a tripartite delegation from the Building Subcommittee. The building had been completed within the planned time frame and budget.
3. Ms. Anderson (Worker member) said that she had attended the opening ceremony. The building was very functional and had won a number of architectural awards. The opening had been an important event in terms of the importance and image of the Organization throughout Latin America.
4. Mr. Blondel (Worker member) welcomed the fact that the project had kept within the planned time frame and budget, and above all the fact that there had been no safety incidents. He requested that maintenance costs be taken into account in order in the longer term to avoid the maintenance problems that had arisen at headquarters.
5. The representative of the Government of the United Kingdom also recalled the importance of identifying long-term maintenance costs. Referring to the supplementary costs for the Lima Office mentioned in the External Auditor's report, she said that in future, estimates should include all equipment costs, including air conditioning, safety and fire-prevention systems.
6. The representative of the Government of Kenya noted that the success of the project was due largely to the close monitoring exercised by the Administration and the regional management team, and said it should serve as an example for other projects.

7. The Chief of the Internal Administration Bureau said that on 29 October 2004, the building had been awarded first prize in Peru for all architectural categories. Maintenance costs for the building were included in the regional budget and would be reviewed in collaboration with the regional management team.

Premises for the Subregional Office in Santiago, Chile

8. The Subcommittee had before it a paper on progress in the construction of the Subregional Office in Santiago.¹
9. The Chief of the Internal Administration Bureau recalled that the site, where work had started in July 2004, should be completed by May 2005. About 40 per cent of the major building work had been completed. The exemption from local sales tax, to which the Government had agreed, was expected to be officially confirmed in the near future. In the event that a tenant were found for the Office's current premises, ECLAC was able to provide temporary accommodation while the work was completed.
10. Mr. Ahmed (Worker member) said he welcomed the outcome of talks on local sales tax and the start of work, and requested that in future, the initial budget also include estimated cost fluctuations. He hoped that talks on the current tenancy would be successful and that any temporary move would be kept to a minimum. He recalled the importance of close monitoring of the building work, especially with regard to ensuring compliance with occupational safety and health standards.
11. Mr. Barde (Employer member) asked if the contract included a clause relating to currency fluctuations, and why estimates were presented in dollars when the contract had not been signed with the builder.
12. The representative of the Government of Kenya agreed that it was essential to ensure the safety of workers on the site. He hoped that the Office would be able to find a new tenant for its current premises, and that any interim solution regarding accommodation would not affect the project costs.
13. The representative of the Government of the United Kingdom said that in future any financial information should be presented more clearly in tabular form.
14. Mr. Blondel (Worker member) recalled the importance which the Workers' group placed on the safety of workers at the site. In that area, the Office had a duty to set an example by respecting the conditions laid down in international labour Conventions, as well as national law. He asked for further information on currency fluctuations and on the issue of renting temporary premises.
15. Replying to the questions of the Subcommittee, the Chief of the Internal Administration Bureau said that the fall in the value of the dollar during the period that had elapsed from the Governing Body's approval of the budget allocation for the project until the start of the work had meant an inevitable increase in the project cost in dollars, while the cost in local currency had not changed. However, once the contract had been signed, the Office had sought to fix the exchange rate in order to prevent further fluctuations. With regard to the rent for temporary premises, the cost would be US\$2,700 a month. As for the matter of safety at the construction site, he recalled that the material used was regularly inspected by

¹ GB.291/PFA/BS/2.

the inspection and testing institute (IDIEM), and that the builder was required to observe Office standards and national legislation, under the supervision of the Subregional Office. He also recalled that, under national law, the work was monitored by a technical works inspector responsible for verifying the quality of the material used and monitoring compliance with safety and health standards on site.

16. The acting Regional Director for Latin America and the Caribbean said that the Ministry of Labour was responsible for implementing labour standards, for both the Lima and the Santiago project. Furthermore, representatives of the Santiago Office (including the head of administration, a social security expert and the workers' activities specialist) had undertaken to carry out regular inspections at the site, and remained in contact with the principal contractor and with workers' trade union representatives in order to monitor all issues relating to quality, conditions of work and workers' safety.
17. *The Committee may wish to recommend to the Governing Body that:*
- (a) *it authorize the Office to increase the estimated project cost by US\$120,000, to be financed out of the Building and Accommodation Fund, in order to reflect the fall in the value of the dollar in relation to the peso between the autumn of 2003 and the start of construction;*
 - (b) *it take note of the action taken by the Office with regard to local sales tax reimbursements and notice to terminate the current lease;*
 - (c) *it request the Office to report on progress to the Building Subcommittee in March 2005.*

Premises for the ILO Office in Dar es Salaam

18. The Building Subcommittee had before it an information document on the construction of new premises for the ILO Office in Dar es Salaam.²
19. The Chief of the Internal Administration Bureau stated that, notwithstanding the maximum amount of US\$1.7 million that was approved for that project, the results of the second invitation to tender showed that an additional US\$170,000 would seem to be required, as follows: US\$60,000 to take into account currency fluctuations, US\$50,000 as a reserve, US\$20,000 for further engineering assessments and US\$40,000 for further inspections linked to safety and health on the worksite. In that case, although the price had been negotiated in dollars, the fluctuations in the exchange rates related more to the materials, the majority of which were imported.
20. Mr. Barde (Employer member) wondered whether the Office should remain the owner given the significant currency fluctuations.
21. Mr. Ahmed (Worker member) highlighted that any delay in construction would only increase the cost of materials. He wondered why the Office had not acted immediately following the Governing Body's approval of the project in March 2004. He hoped that the project would rapidly become a reality. It was crucial that the Office undertook to monitor the quality of materials and respect for labour standards.

² GB.291/PFA/BS/3.

22. The representative of the Government of Kenya, on behalf of the African group, noted that the building had already been reduced and that any delay would involve additional costs. It should be noted in that regard that the Office annually spent US\$110,000 for renting conference facilities in addition to US\$72,000 for renting offices. Therefore, he recommended that the project be rapidly implemented both for the benefit of the staff there and for better visibility for the Organization in Africa, taking account of the fact that that was the only project under way in the region.

Overview of ILO office accommodation

23. The representative of the Director-General, the Executive Director for the Management and Administration Sector, submitted the information document concerning the overview of ILO office accommodation³ and emphasized that the aim of the document, while not replying to the Governing Body's desire to have a property strategy for the whole of the Organization, was to start discussion of the method for drawing up the strategy. Based on information that the Building Subcommittee could provide and the information already to hand, the Office would be in a position to submit to the Subcommittee, at a subsequent session of the Governing Body, specific options, including financing arrangements, according to the priorities and the cost estimates that those implied. However, it was understood that the Office would inform the Subcommittee separately of any urgent need for repairs at headquarters.
24. Mr. Ahmed (Worker member) asked for information on the measures envisaged to ensure that all offices respect safety and health standards, in particular, the recommendations of the Minimum Operating Security Standards (MOSS). He had hoped to have more information on the situation of the Abidjan and Port-of-Spain Offices and on the level of security in the common premises of the United Nations in Manila and Jakarta. The health and safety of workers should be a priority and should be taken into account when preparing the budget. Recalling the recent events at the Port-of-Spain Office, he emphasized that the strategy needed to take into account the occurrence of unexpected events, and the appropriate insurance to cover those. With regard to headquarters, he noted that certain installations were in a very bad state of repair and that there was a lack of signposting.
25. Mr. Barde (Employer member) pointed out that the crucial question of any strategy would be to identify the financing arrangements of the very significant and necessary costs for repairs and structural adjustments to the Geneva headquarters. He noted that the Building and Accommodation Fund was not sufficient and that the Subcommittee should propose ad hoc financing arrangements, taking into account the priorities, for the approval of the Governing Body, through the PFA.
26. The delegation of the Government of Japan wished the Office to examine other financing arrangements, namely loans, when it examines financing arrangements through the Building and Accommodation Fund. When developing the strategy and the financial and other needs, the Office should take all aspects into account, including security. It was also useful to know the practices of the other international organizations in that area and, in particular, in their relations with the countries in which their headquarters were located. Moreover, it was necessary to have information on whether the numbers of staff in each of the external offices mentioned in the document covered only staff on the regular budget or also included technical cooperation staff.

³ GB.291/PFA/BS/4.

27. The representative of the Government of the United Kingdom was disappointed at the lack of an actual strategy, the paucity of the information provided in the document and the late distribution of the document. For example, she noted with disappointment that some dozen external offices did not conform to the MOSS recommendations. It would have been constructive to identify those at the same time as providing estimates of the required costs and the proposed financing arrangements. With regard to the general framework of the strategy, she stated that her Government attached the greatest importance to the location and geographical coverage of the external offices according to the programmes being carried out, while taking into account the issues linked to security. A more coherent approach and better planning were crucial to face up to unforeseen events. With regard to headquarters, she wished for more information on the nature of the work envisaged, the costs and the balance of the Building and Accommodation Fund. She wondered about other financing arrangements, including the possibility of obtaining interest-free loans in the host countries, the allocation of a part of the programme support income or the balance of the surplus from the 1990-91 and the 1992-93 financial years.
28. Mr. Blondel (Worker member) wished to have a full inventory and statement of state of repair and he recalled that the Governing Body must retain control of any decisions relating to the network of external offices according to the needs of the Organization. With regard to headquarters, he asked for more information on the estimates submitted by the Office. A programme of operations with priorities and stages should be submitted. He expressed reservations about the effective possibility of financing such work in a framework of zero budgetary growth. With regard to security, he said that he understood the need for improvement but he did not want that to lead to surveillance of the people in the building.
29. Mr. Godoy (Employer member) wished to have more detailed proposals of improved security for the renovations at headquarters.
30. Concerning the Building and Accommodation Fund (BAF), the Director of the Financial Services advised that the transfer of US\$2.75 million from the 2000-01 surplus to the Fund was included in the amounts referred to in paragraph 7 of the document. He also explained that the balance reported in the External Audit Report of US\$10.7 million (or 14 million Swiss francs) was the Fund balance as at 31 December 2003. The available balance of 9.4 million Swiss francs reported in the document was arrived at after deducting the amounts approved for new premises in Santiago and Dar es Salaam as well as final expenditure for the Lima building, together with an estimate for income to be received within the biennium. With respect to balances reported against earlier surplus appropriation, some residual amounts might be available for transfer to the Fund once a review currently under way had been completed. The balance carried forward in the Programme Support Income Account which had been declining over recent biennia, provided funding to support the delivery of technical cooperation activities. The Office policy was to maintain the equivalent of one year's expenditure in that account to ensure continuity of support to the technical cooperation programme in advance of income being earned in any year. The Office therefore strongly advised against any transfer from the Programme Support Income Account to the Building and Accommodation Fund.

31. With regard to the situation at the Manila Office, the Chief of the Internal Administration Bureau pointed out that security problems also affected the other United Nations bodies located in the same areas. The ILO had been the first organization to move to new premises and had been followed by the other organizations. With regard to the Port-of-Spain Office, while awaiting a mid-term solution, the ILO had temporarily rented premises in a hotel until February 2005. He also noted the comments on the state of repair of the headquarters buildings, particularly the toilet facilities and the lifts. Given the deadline for producing the report of the Building Subcommittee, the Office would provide separately to all its Members the replies to any other questions.

Geneva, 9 November 2004.

Point for decision: Paragraph 17.