



SECOND ITEM ON THE AGENDA

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

1. At its 286th Session (March 2003), the Governing Body was informed¹ that the Governments of Chile and of the United Republic of Tanzania had decided to cede to the Office, free of charge, unconditionally and irrevocably, the ownership of plots of land for the construction of offices in Santiago and Dar es Salaam respectively. At the same session, the Director-General was authorized to draw up outline plans and cost estimates for submission to the Building Subcommittee at its current (November 2003) session.
2. Since the acceptance of these gifts would involve a financial liability for the Members of the Organization, authorization by the Conference was required in accordance with article 12, paragraph 1, of the Financial Regulations. In order to avoid delays and increased costs, the Conference at its 91st Session (June 2003) authorized the Governing Body to accept, if it thinks fit after a full examination of each individual proposal, the gifts of land.
3. This paper provides background information on ILO premises in Santiago and Dar es Salaam together with outline plans and cost estimates for construction projects in both sites. The last section sets out elements based on which an accommodation strategy is being further developed.

Santiago

4. Historically, Chile has played a key role in ensuring the ILO's presence in the Latin American region. Santiago was the venue for the First Conference of American States Members in 1936 and a permanent ILO presence was established in 1937. The ILO set up an office in August 1961 and, from 1968 onwards, the activities generated by PREALC greatly enhanced the stature and visibility of the Santiago office. The Santiago Subregional Office for the Southern Cone of Latin America covers Chile, Paraguay and Uruguay.
5. The Santiago office was located in the building of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) from 1961 to 1991 when it

¹ GB.286/PFA/11/2.

moved to rented premises in a residential area of the city. It has 1,300 m² of total floor space spread over three floors and accommodates some 35 officials. Annual rental costs for the present premises are approximately US\$125,000, with provision for future rental increases, and recurring expenditure is incurred for maintenance charges and external rental of conference rooms. The ILO presently has a ten-year contract where an early termination would be negotiated so as to avoid financial liability for the Office.

6. The Government of Chile has dedicated within the district of Vitacura an area for international organizations so as to reinforce its relations with these organizations and promote cooperation and common services among them. The ILO has been offered a plot of land in this international zone, of an estimated current market value in excess of US\$1 million. The premises of ECLAC, the United Nations Development Programme (UNDP), the Food and Agriculture Organization (FAO) and the Latin American Faculty of Social Sciences (FLACSO) are already located in this expanding zone.
7. Following the Governing Body's request for outline plans and cost estimates, a request for proposals was published in the Chilean press to select a reputable firm of architects. Some 60 firms responded to the request, of which 11 were invited to submit construction plans and financial estimates to the Office based on an overall design specification defined to meet the ILO's requirements in areas such as security, conditions of work, access, parking facilities, adaptability of the building to meet changing needs, etc.
8. A selection jury was designated to examine the 11 projects based on 13 agreed selection criteria pertaining to building quality, concept and environment. Following extensive analysis of the office plans and the proposals for common and service areas, the jury unanimously concluded that the firm of Boza y Asociados provided the best design and a viable construction cost.
9. The building project submitted by Boza y Asociados proposes a five-storey building with two underground levels (1,997 m² for offices and common areas, and 1,671 m² for underground parking, archives, services and storage space). The building would be finished in white concrete, aluminium and glass so as to blend in harmoniously with the other adjoining buildings. The proposal combines an open architectural design with clear space distribution and high functionality of the building. The jury particularly appreciated the special attention given in the design to make full use of natural light by locating all the offices around a central open patio overlooking a park, a design feature which provides for excellent flexibility and will leave sufficient open space to allow for future adaptations. Total construction costs, including local architect's fees, are estimated at US\$1.8 million.
10. In view of the substantial value of the donated land, which could be used as collateral, the project could be funded through a long-term loan. Commercial borrowing would allow the Office to take advantage of the exceptionally low market rates of interest for both variable-rate loans and fixed-rate borrowing at present, and avoid a significant draw-down of the Building and Accommodation Fund (BAF). Moreover, the Government of Chile has offered to assist the ILO in obtaining a loan on favourable terms. Although market rates of interest for fixed-rate loans over three years, five years or longer are higher than variable-rate loans, a fixed-rate loan is considered a more prudent method of financing, as the ILO would be assured of its repayment stream over the medium term.
11. Based on present market rates for fixed-rate loans, the interest cost and most of the capital repayment costs could be offset by the value of the rent and regular maintenance costs of the rented premises, which are funded from the regular budget. Construction of ILO premises in Santiago is therefore economically viable.

12. The advantages associated with the construction of the Subregional Office on land donated by the Government compared with the present rented premises would include:
- protection from rental increases which exceed the rate of inflation and independence associated with owned premises;
 - improved security arrangements associated with the better intrinsic design of a newly constructed property built to ILO's current specifications, and the possibility of cost-effective sharing of security expenditure with the adjoining international agencies;
 - other advantages associated with what is equivalent to a UN common premises environment, including use by the ILO of conference facilities in an adjoining UN building.
13. Should the Governing Body, on the advice of the Subcommittee, decide to adopt the proposals concerning the construction of the ILO Subregional Office in Santiago in accordance with the financial limits and funding modalities described above, the result of the bidding evaluation process for the construction of the new office would be submitted to the Subcommittee in March 2004. This would enable the Subcommittee to examine detailed plans and up-to-date financial information, and formulate appropriate recommendations before the Office enters into an external commitment on the construction of the building.
14. *The Building Subcommittee may wish to propose to the Programme, Financial and Administrative Committee that it 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.*

Dar es Salaam

15. The ILO office in Dar es Salaam was established in 1962 and covers at present the United Republic of Tanzania, Kenya, Somalia and Uganda.
16. The ILO has occupied various rented premises since 1962. There is a very limited choice of appropriate offices and the present accommodation, which houses 48 persons in what was originally a residential building, is not considered suitable for a number of reasons. The office is in an isolated location, which has potential security implications, office space is very limited for the ILO staff stationed in Dar es Salaam (990 m²), the premises lack adequate meeting facilities (a temporary hall has been built in an annex to the building),

there is insufficient storage, archive and car parking space, and the building lacks a lift or any other facilities for the handicapped.

17. Annual rental costs for the present premises amount to US\$72,000. In addition, ILO-incurred repairs and maintenance charges have been very high in the past two years but are expected to settle around a figure of US\$20,000 per annum. Maintenance costs are high due to the age of the building, with substantial recurring expenditure foreseen for electrical and plumbing works. Some structural modifications must also be foreseen if the ILO office is to remain in the rented premises. The office in Dar es Salaam has also increasingly incurred rental costs for conference facilities in local hotels, with the cost in 2002 amounting to US\$110,000. This is considered representative of future costs.
18. The ILO has been offered by the Government of the United Republic of Tanzania two contiguous plots of land totaling 1,577 m² with an estimated market value of US\$250,000 in central Dar es Salaam for the construction of a building to accommodate the ILO office. The donated plots of land are in a prime location, being within walking distance of other UN agencies (UNDP and UNICEF) and government departments (Ministry of Labour, Youth and Sports and Ministry of Foreign Affairs).
19. Following the Governing Body's request for outline plans and cost estimates, a request for proposals was published in the Tanzanian press to select a reputable firm of architects. Twenty firms responded to the request of which seven were invited to submit construction plans and financial estimates to the Office based on an overall design specification to meet the ILO's defined specifications for security, conditions of work, access, meeting facilities, parking facilities, expandability, etc.
20. In August 2003, a selection jury was designated in collaboration with the Director of the Dar es Salaam office and a representative of the local Architects and Quantity Surveyors Registration Board. The selection process was based on predefined criteria pertaining to building quality, concept and environment, including factors such as the integration of the proposed building within the area, design identity, use of natural light for working places, quality of interior concept and consideration of security measures within the basic building design.
21. The jury unanimously favoured the building project proposed by Landplan-Icon Architects Limited. This project proposed a three-storey construction in reinforced concrete with natural stone cladding, with two underground levels (2,001 m² of office space and 2,860 m² for parking and services). Special attention was given to providing natural ventilation to the underground levels and making full use of natural light by locating all the offices around a central atrium, a design feature which also provides for excellent flexibility in terms of any changes or expansion that may be required in the future. The building's design also envisaged full access for the disabled and passive security features in three of its four sides.
22. The advantages associated with the construction of the Dar es Salaam office would include:
 - offering adequate working conditions for staff in an environment ensuring compliance with present security standards;
 - protection from rental increases for the Office;
 - savings on rental costs for conference facilities;
 - increased visibility for the ILO in the field, where the needs are most pressing.

23. Based on building cost indicators, the Office is of the view that the cost estimates should not exceed US\$1.7 million, including architect's fees. The construction of the new building could be funded from the Building and Accommodation Fund.
24. Should the Governing Body, on the advice of the Subcommittee, decide to adopt the proposals concerning the construction of the ILO office in Dar es Salaam in accordance with the financial limits and funding modalities described above, the result of the bidding evaluation process for the construction would be submitted to the Subcommittee in March 2004. This would enable the Subcommittee to examine detailed plans and up-to-date financial information, and formulate appropriate recommendations before the Office enters into an external commitment on the construction of the building.
25. *The Building Subcommittee may wish to propose to the Programme, Financial and Administrative Committee that it 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.*

Accommodation strategy

26. During the discussion by the PFAC in March 2003 on the proposed gifts of land by the Governments of Chile and of the United Republic of Tanzania, a number of members requested that the Office provide an outline for office accommodation in the coming years to allow them to see the bigger picture as concerns ILO office space worldwide. In June 2003, the International Labour Conference adopted the Programme and Budget for 2004-05 which endorsed a shift of resources from headquarters to the regions, with the aim of strengthening significantly services to constituents and will, in effect, have an impact to a varying degree on accommodation needs in the different locations. Elements are provided below to the Subcommittee for an initial discussion on the Office's accommodation strategy.
27. In 1999, the ILO developed a draft accommodation strategy which provided an overview of the extent to which the ILO's worldwide accommodation would support operational requirements, and a property plan that included guidelines and standards for bringing office accommodation into line with these requirements. In 2001, a property and equipment management manual was issued, containing uniform guidelines and procedures for the management of the ILO's premises, to assess the matching between facilities available and demand, assess property adaptability and ensure control over property costs.
28. The strategy is being further developed and adapted in order to become an effective tool for identifying and prioritizing availability of accommodation versus requirements for space. This strategy draws upon three distinct dimensions of information:

- the existing and potential supply of office facilities including the need for compliance with evolving security standards and latest technical needs such as the provision of an adequate telecommunications infrastructure;
 - the current and future demand for staff accommodation; and
 - qualitative factors such as the need to strengthen social dialogue and tripartism in countries, or synergies with UN agencies where appropriate.
- 29.** Priority is being given to gathering up-to-date information on office accommodation through a Web-based system which can be periodically updated directly by focal points in the ILO offices worldwide. The consolidated data will provide a comprehensive information repository of the existing worldwide office accommodation and facilitate property operations and decision-making.
- 30.** Information on current and future staffing levels is one of the essential factors for identifying the suitability of present accommodation and any future adaptation. Staffing projections for the next 12-24 months can be developed within an acceptable range, based primarily on the approved Programme and Budget for 2004-05 and a review of the ongoing extra-budgetary projects as well as those likely to be approved or extended shortly. Regular budget staffing in field offices has been broadly stable for a number of years, with modest growth in the number of local staff and no significant changes in international staff. The reinforcement of fixed capacity by 10 per cent through a transfer of resources from headquarters to the regions as agreed in the Programme and Budget for 2004-05 will lead to an increase of ILO staff working in external offices.
- 31.** Long-range plans for the extra-budgetary programmes are also an important element in determining future accommodation requirements in the external offices. However, such projections cannot be realistically developed with accuracy, in view of the fluctuating levels of voluntary contributions from donors, the relatively short time span between project conception and initiation and the limited duration of extra-budgetary funded projects. The trend to decentralize further technical cooperation projects will also result in reinforcing the number of project staff in field locations.
- 32.** The Office will further develop a balanced risk approach in relation to the inherently long-term commitments arising from self-owned premises and long-term leases. This would be achieved by seeking to match individual office size with staffing levels that can be reasonably foreseen.
- 33.** Heightened security awareness and compliance with safety standards in ILO offices at all duty stations remain a top priority. Ensuring the implementation of security measures including passive security, regulations and procedures is an obligation that comes with a cost. Adequate security arrangements are easier and less costly to integrate in the planning stages of a construction rather than if they are added or adapted to an older existing construction.

Property portfolio

34. The ILO's estate covers the headquarters building in Geneva and 47 external offices,² comprising 13 offices each in Africa and Asia, nine in the Americas, ten in Europe and two in the Arab States.
35. Out of its 47 external offices, seven premises in external offices are ILO owned – one in Africa (Abidjan), two in Asia (Islamabad and New Delhi), three in the Americas (Lima, Buenos Aires and Brasilia) and one in Europe (Brussels). The first acquisition of ILO premises was in 1983 (Brasilia) and the most recent property activity is the ongoing construction of the new Regional Office building in Lima.
36. With regard to the remaining external offices, the ILO is located in UN common premises in nine locations and has individual lease arrangements with private individuals or governments in the remaining 31 locations in commercial premises or residential homes converted into ILO offices. The arrangements are essentially on market or near-market terms in all but eight sites,³ where the property is offered rent free by the host country.

Financing arrangements

37. The Building and Accommodation Fund is used, subject to the authorization of the Governing Body, to meet the costs of construction, alterations and significant repairs to real estate that is owned or occupied by the ILO. Routine maintenance and ongoing premises repair costs are covered from the regular budget.
38. The construction or acquisition costs of six out of the seven external office buildings owned by the ILO were primarily funded from the Building and Accommodation Fund, while one acquisition was partially funded from the 1992-93 surplus (Buenos Aires). Moreover, in five out of these seven sites, financial assistance was provided by the host government concerned (e.g. donation of land), whereas in the remaining two cases it was considered more cost effective to purchase the property on account of high local rents.
39. There are no financial or legal limitations prohibiting the ILO from funding construction projects through commercial or soft loans. While the headquarters construction works were financed by a specific loan for the purpose, such arrangements have not hitherto been implemented for the external offices. In view of the limited resources available in the Building and Accommodation Fund and historically low long-term interest rates at present, borrowing for building construction is considered a reasonable financing option where the proposal can be justified on economic grounds.

Geneva, 24 October 2003.

Points for decision: Paragraph 14;
Paragraph 25.

² This excludes the ILO presence through national correspondents' offices, the International Training Centre in Turin and CINTERFOR.

³ Rent-free premises are available in Lagos, Yaoundé, Jakarta, Ankara, Budapest, Madrid, Beirut and Kuwait.