INTERNATIONAL LABOUR OFFICE

Governing Body
310th Session, Geneva, March 2011

GB.310/PFA/8

Programme, Financial and Administrative Committee **PFA**

FOR DECISION

EIGHTH ITEM ON THE AGENDA

Report of the Building Subcommittee

1. The Building Subcommittee of the Programme, Financial and Administrative Committee (PFAC) met in Geneva on 11 March 2011. The Officers of the Subcommittee were: Mr Moraes Leme (Government member, Brazil), Chairperson and Reporter; and Mr Lima Godoy (Employer member) and Mr Kurshid Ahmed (Worker member), Vice-Chairpersons. The Chairperson was replacing the regular Chairperson, Mr Sergio Pardo, who had been unable to arrive in Geneva on time. During the session all speakers expressed their solidarity with the members from Japan following the events in that country earlier in the day.

Update on the headquarters renovation project

2. The Employer Vice-Chairperson thanked Ms Patricia O'Donovan for her work with the Subcommittee and wished her success in her new function. While he appreciated the document on the renovation of the headquarters building, [1] he felt that future documents should provide more information, given the importance of the project. He wondered why the Office needed to rely on outside experts for some of the work and why the asbestos survey required so much time. He also requested information on the selection of the project pilot, which was a key element in the project. He asked for clarification regarding the membership of the Steering Committee and confirmation that the Director of the Department of Facilities Management (FACILITIES) was the project manager. While consultations with the staff were important, he did not feel that a staff survey would be appropriate at such an early stage in the project. He welcomed the consultations which the project manager was having with other organizations, provided that they did not imply a substantial financial burden.

3. The Worker Vice-Chairperson welcomed the information provided by the Office. He suggested that instead of mentioning "independent expert" or "independent consultant" in relation to the replacement of elevators and the structural interventions in the kitchens, the Office should have indicated who those persons or firms were. It was important to separate the tasks of designing the technical specifications for the bidding process and the evaluation of bids. He asked that the Bureaux for Workers' and Employers' Activities be included in the Project Steering Committee. It was essential to keep all parties informed,

[1] GB.310/PFA/BS/1.

including the secretariats of the Workers' and Employers' groups, and to make sure that FACILITIES would not simply inform the staff but work jointly with the Staff Union in order to allay possible anxieties, including in respect of the welcomed survey on asbestos. Regarding the discussions with the Swiss authorities, he asked for details of the nature of the reservations expressed by the Office, the World Health Organization and the United Nations Office in Geneva concerning the proposed "Jardin des Nations" plan. He further requested information on the temporary building and, in particular, the ways in which it would affect the information technology infrastructure proposals being discussed by the Governing Body. Finally, he cautioned against renting out office space to commercial organizations.

4. The representative of the Government of Brazil, speaking on behalf of the Group of Latin American and Caribbean States (GRULAC), welcomed the report. She emphasized the importance of the asbestos survey and considered that the optimal use of space following the renovation was very important to ensure closer cooperation between different departments. Office space layout should also be the subject of consultation with staff. She was pleased to note the consultations which the project manager was having with other organizations. The planned visit to the UN Secretariat in New York was particularly important in that respect. She requested further information on the Steering Committee, the communication strategy, the location of the temporary offices and the discussions with the Swiss authorities. She welcomed the fact that the Office was establishing a detailed risk register.

5. A representative of the Director-General (the Director of the Department of Facilities Management) indicated that the replacement of the elevators and the renovation of the kitchens were highly specialized subjects. For that reason the Office needed to rely on outside expertise. The Office was, however, in the process of recruiting additional architectural, engineering, legal and procurement staff for the project, which would reduce the need to rely on outside experts in the future. He confirmed that the asbestos survey was a high priority and that all the necessary measures were being taken to protect the health and safety both of ILO staff and of the workers undertaking the survey. That, together with the need to take samples outside office hours and the fact that the building was one of the biggest office buildings in Switzerland, explained why the survey process could take up to one year.

6. He noted that the services required from the project pilot essentially concerned architectural and engineering aspects. He explained that the Steering Committee consisted of the Executive Director of the Management and Administration Sector, who acted as Chairperson, a representative of the Director-General's office, the Legal Adviser, the Director of the Human Resources Development Department, the Chief of the Procurement Bureau, and a representative of the Financial Services Department. The Treasurer and Financial Comptroller and the Chief of the Office of Internal Audit and Oversight attended as observers, while the project manager acted as secretary to the Committee. The Project Team, which followed and supported the project on a day-to-day basis, included representatives from the same units, as well as all those units that had a direct interest in the project. An organizational chart to reflect the structure of the project would be included in the next report on the project.

7. With regard to the project pilot, the Office was using the same approach as other United Nations agencies. The project pilot would work closely with the internal project team under the guidance and supervision of the project manager. The speaker reassured the Worker Vice-Chairperson that all bidding processes would be completely transparent and follow the applicable rules. In that context, the role of external experts, including the project pilot, was strictly limited to verifying whether the bids submitted were in accordance with the technical specifications given in the request for proposals. He agreed that it was probably too early for a staff survey, and informed the Subcommittee that consultations were ongoing with the Staff Union and line managers. Information sessions were also planned, as was a website. With regard to the prefabricated temporary office building, the Office was currently in the process of determining where it would be built and what surface and office layout it would have.

8. A representative of the Director-General (the Treasurer and Financial Comptroller) informed the Subcommittee that, in addition to the meeting of the Working Group mentioned in the paper, the Director-General had recently met with Mr Mark Müller, President of the Council of State of Geneva, to discuss the outstanding issues. He confirmed that office space in the building would only be rented to organizations with direct or indirect links to the ILO, or to those that provided services to the Office and its staff.

9. A representative of the Director-General (the Legal Adviser) explained that the reservations expressed by the Office concerned three aspects of the proposed "Jardin des Nations" plan. First, the Office was concerned that some parts of the land were defined as forest zone, which imposed certain limits in terms of the construction perimeters. Second, the Office was concerned about the fact that the plan restricted the Office's right to construct a security perimeter in the future should the need arise. Even though those provisions were, strictly speaking, not applicable to the ILO, given the extraterritorial nature of its grounds, it was important to find a solution acceptable to all parties and consistent, to the extent possible, with Swiss law. The third issue was more problematic. It concerned the so-called right of first refusal ("droit de préemption" in French) foreseen in the plan, which would give the Canton and City of Geneva the right to buy ILO land, when offered for sale, at a price lower than that offered by other bidders and thus reduce the potential value of the land for the ILO.

10. The Worker Vice-Chairperson agreed that it was important to ensure that the valuation of the land would be fair. Returning to the renovation project itself, he pointed out that it was important to share all available information and to respect the provisions of all applicable ILO standards, starting with the Labour Clauses (Public Contracts) Convention, 1949 (No. 94), which should become the reference for the ILO's procurement policy, and those covering fundamental workers' rights, wages and safety and health during the works.

11. The Employer Vice-Chairperson inquired about the selection criteria for the external consultants. He wondered whether the issue of the right of first refusal had been raised before, and requested that the minutes of the Steering Committee meetings be made available to the Subcommittee.

12. A representative of the Director-General (the Director of the Department of Facilities Management) confirmed that available information would be shared with all concerned and that the applicable ILO safety and health standards would be fully respected. In that context, he indicated that the Project Team also included a safety expert. He further confirmed that all external contracts, with the exception of the one for the asbestos survey, were subject to international bidding. The Office's information technology infrastructure would not be affected during the first phase of the renovation since it was located in the south end of the building, which would only be renovated after 2015.

13. A representative of the Director-General (the Treasurer and Financial Comptroller) provided further details concerning the valuation of the ILO land and indicated that, in order to obtain a fair price, it was important to resolve the outstanding issues with the Swiss authorities.

14. A representative of the Director-General (the Legal Adviser) indicated that the issue of the right of first refusal had not been raised before. It had arisen for the first time in the context of the rezoning proposals in the "Jardin des Nations" plan.

Long-term strategy for the financing of future periodic refurbishment and renovation of ILO buildings

15. The representative of the Government of the United Kingdom, speaking on behalf the group of industrialized market economy countries (IMEC), introduced an amendment to the point for decision in the Office document. [2] He explained that his group considered it necessary to establish a clear hierarchy for the different sources of funds that could be used for periodic refurbishment and renovation of ILO offices worldwide; that was an important matter, given that it affected the safety and morale of staff. He reminded the Subcommittee that use of the net premium generated in the previous biennium for the renovation project was subject to approval of the long-term strategy. Since the net premium should be used only in very exceptional circumstances, his group considered that it should not be mentioned explicitly in the strategy.

16. Following an extended discussion, during which most members of the Subcommittee intervened to propose modifications to the original amendment and the representative of the Government of Australia was given permission to address the Subcommittee as observer on behalf of the Asia–Pacific group of countries, agreement was reached to amend paragraph 8 of the Office paper as follows:

> Maintaining the Part IV provision at its current level in real terms would ensure adequate provision for the future refurbishment and renovation of non-headquarters properties. The long-term strategy is to provide an annual provision of 1 per cent of the insurance value of the buildings, in line with industry professional recommendations. To provide a secure annual provision of $4.3 million for all ILO buildings, including headquarters, once the renovations are completed in 2018, the current provision within Part IV of the regular budget would have to be increased by a further $2.8 million per year ($5.6 million per biennium). This will be achieved through the following mechanisms, listed in descending order of preference:
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> (a) Rental income: The Financial Regulations provide for net rental income to be transferred to the BAF. [3] Any net income generated from leasing surplus office space in the headquarters building or any other ILO buildings, and not required to finance borrowings for the headquarters renovation, would be transferred to the long-term reserve in the BAF. The current standard annual rental rate is 450 Swiss francs (CHF) per square metre. If the equivalent of an entire floor were leased at this rate, some CHF1.8 million of gross rent would be generated (net CHF1.2 million). The financial plan for the headquarters renovation envisages a commercial loan that would have servicing costs at current interest rates of CHF1.8 million, or 1.5 floors. The full rental capacity of the renovated offices will be known once detailed planning and drawings have been completed over the next 18 months, but current estimates range from one to three floors. The opportunity to lease surplus office space will arise once the renovation project has been completed in 2018.
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> (b) Interest earned on temporarily surplus funds in the BAF would continue to be retained in the BAF and apportioned to the accounts from which it derives. In 2008–09, the funds in the long-term reserve accrued $84,316 in interest. As the balance available in the BAF increased, interest earnings should similarly increase.

[2] GB.310/PFA/BS/2.

[3] ILO Financial Regulations, article 11(3).

(c) Partial use of funds from the income surplus as transferred to the Special Programme Account and approved by the Governing Body.

(d) An increase in the amount provided under Part IV of the regular budget to complement rental and interest income. The Governing Body will consider the use of savings and efficiency gains identified elsewhere within the budget, together with opportunities to rationalize and prioritize resource usage in order to increase the current provision, and achieve the targeted level of 1 per cent. Given the decisions taken on the use of part of the current regular budget contribution as part of the financing plan for the first phase of the headquarters renovation (paragraph 6 above), an advance accumulation in the reserve in respect of headquarters would begin in 2016–17. An opportunity to increase this accumulation would exist in the 2018–19 biennium with the full provision planned for the Programme and Budget for 2020–21 (the first full biennium following completion of the headquarters renovation). Within the context of its consideration of each programme and budget, it will be for the Governing Body to make recommendations to the International Labour Conference on the level of the provision within the regular budget each biennium, based on the Director-General’s proposals.

(e) Under very exceptional circumstances other unforeseen sources of additional income could be considered by the Governing Body for transfer to the long-term reserve. Such a decision would be subject to the Governing Body’s consideration of other priorities at that future date.

17. ***The Subcommittee proposes that the Programme, Financial and Administrative Committee recommend to the Governing Body that it endorse the long-term strategy for the financing of periodic refurbishment and renovation of all ILO buildings contained in the Office paper and amended by the Subcommittee as reflected in paragraph 16 above.***

Urgent repairs

18. Taking note of the Office document, [4] the Employer Vice-Chairperson wondered why it had taken so long to undertake the necessary repairs in the data centre, given that there were sufficient resources earmarked for urgent repairs. The damage caused by the power supply interruption had occurred in February 2010, while the contract for the works had been awarded only at the end of 2010. The Worker Vice-Chairperson shared that concern. He considered that the Office should have noted the need to undertake the works in question earlier.

19. The representative of the Government of Brazil, speaking on behalf of the group of Latin American and Caribbean States, asked for a breakdown of the cost of the repairs. A representative of the Director-General (the Treasurer and Financial Comptroller) provided the information requested and explained that the delay in starting the works was due to the need to clearly identify the causes of the problem, prepare the detailed technical specifications and complete the international bidding process.

Geneva, 15 March 2011

Point for decision: Paragraph 17

[4] GB.310/PFA/BS/3.