



THIRD ITEM ON THE AGENDA

Report of the Building Subcommittee

1. The Building Subcommittee of the Programme, Finance and Administrative Committee (PFAC) met in Geneva on 7 November 2006. The Officers of the Subcommittee were: Mr. S. Paixão Pardo (Government member, Brazil), Chairperson and Reporter; Mr. D. Lima Godoy (Employer member), Vice-Chairperson; Mr. Khurshid Ahmed (Worker member), Vice-Chairperson.

Premises for the ILO Office in Dar es Salaam

2. The Subcommittee had before it a paper¹ providing information on the newly built premises for the ILO Office in Dar es Salaam.
3. The Subcommittee was informed by the Chief of the Internal Administration Bureau that the staff had moved into the building on 20 September 2006 and that some completion work was ongoing.
4. The Worker members welcomed the fact that the building had been completed within budget and that the premises were now occupied. They requested more details on the Minimum Operating Security Standards (MOSS) requirements including the costs and the basis on which the standards evolved over time.
5. The Employer members expressed their satisfaction with the fact that the building had been completed within the budget and that there had been no accidents on site. They echoed the Workers' request for more information on MOSS requirements.
6. The representative of the Government of the United Kingdom was pleased to note that the building project had been completed within budget and close to the expected deadline. She hoped that the Office had a strategy and rolling plan for the maintenance and refurbishment of the building.
7. Replying to questions put forward by the Workers and Employers on MOSS requirements, the Safety and Security Coordinator confirmed that additional security measures had to be taken to comply with present security standards as the security requirements had evolved

¹ GB.297/PFA/BS/1.

since the beginning of the construction project. Those additional measures could not have been foreseen in the original plan of the building. Furthermore, security standards had been enhanced through the promulgation of country-specific MOSS requirements by the United Nations Department of Safety and Security. With regard to the MOSS-related expenditures, as they appeared in Appendix II of document GB.297/PFA/BS/4 to which the Workers referred, it was pointed out that the figures reflected the amount allocated from the central security budget. It should also be noted that security expenditure for field offices in common United Nations premises did not appear separately since it was often included in the rent of the office.

8. The Chief of the Internal Administration Bureau stated that the construction plan for the Dar es Salaam Office was MOSS-compatible at the time of its adoption. In answer to a request by the Worker members for the Office to be more specific in listing and costing the additional security-related requirements, the Chief of the Internal Administration Bureau stated that the estimated additional cost would be between US\$60,000 and US\$100,000.

Update of renovation work on the headquarters building

9. The Subcommittee had before it a paper² submitted for information on urgent repairs and refurbishment approved by the Governing Body at its March 2005 session.
10. The Worker members expressed concern over the delays and the possible financial implications. The Office was asked to provide a clearer explanation for the delays together with deadlines for completion of the work. The Workers also wished to obtain reassurance that the work carried out would be compatible with any future refurbishment. Concerning the fire protection equipment, they were pleased to note the progress that had been made.
11. The Employer members reiterated the questions put forward by the Workers and sought further clarification on the bidding process for the lift for persons with disabilities. They wished to know if there would be any cost increases for the lift and the escalators due to the delays. With regard to the partial refurbishment of the kitchens and restaurants at the north end of the building, they wondered if all the costs would be borne by the present contractor.
12. In addition to the points raised by the Employers and Workers, the representative of the Government of the United Kingdom found it worrying that the refurbishment of the interpreters' booths, considered urgent in March 2005 for safety reasons, had not yet been carried out.
13. The Chief of the Internal Administration Bureau stated that the Office expected the replacement of the escalators to begin after the June 2007 session of the International Labour Conference. The supplier had agreed that there would be no increase in the price of the escalators. The installation of the lift for persons with disabilities posed more complex structural problems related to fire safety. The Office was aiming to install the lift and the new escalators at the same time. With regard to the interpreters' equipment and booths, the first call for bids had been cancelled for technical reasons and the international competitive bidding process had been reopened in August 2006. The Office hoped to begin refurbishment early next year. The Subcommittee would be fully apprised of the status of the work at its March 2007 meeting.

² GB.297/PFA/BS/2.

14. The Worker members recalled a previous request to repair or replace the chairs in Room II which were in very poor condition and reflected badly on the image of the Organization.
15. The Chairperson indicated that the Subcommittee had taken note of the request and the Office undertook to examine the related cost implications.

Renovation plan of the headquarters building: Review of the independent study and financial plan

16. The Subcommittee had before it a paper³ submitted for decision on the review of the independent study and financial plan for the renovation of the headquarters building.
17. The Worker members raised a number of questions relating to different aspects of the financing options proposed in the paper. The plots proposed for a possible sale were part of the ILO's heritage. Selling two plots of land and renouncing the leasehold on a third plot would need further study and would have to be carefully measured against the potential gains. The Workers drew the attention of the Subcommittee to paragraphs 12 and 13 of the paper, which related to asbestos in the building. They urged the Office to set up an effective monitoring system with a view to protecting the health of staff and other users and drawing up appropriate preventive measures. At this stage, the Worker members could support the recommendation in the first bullet point of paragraph 35 to carry out the urgent repairs identified in the study and to charge them to the Building and Accommodation Fund (BAF).
18. The Employers thanked the Office for an interesting and comprehensive paper. They had taken due note of the conclusions of the study. The Employers wished to caution against an exclusive focus on the renovation of the headquarters building without taking into account the needs of premises owned by the ILO in other countries. The Employers were pleased with the level of information provided in the paper including the proposal to renovate in three phases, which in their view was prudent. The different sources of financing needed further study and consideration. The idea to sell plots of ILO land should be reconsidered. The sources of financing listed in paragraph 30 of the paper seemed unrealistic except for the commercial loan, which would place an excessive financial burden on the Office. The Employers requested information on potential purchasers of the land, the use that would be made of the land and the different types of construction possible in the area. They also asked for further information on the leasing of office space in the headquarters building.
19. The Workers added that the decisions made in the context of a possible renovation would have considerable impact on the ILO. The question of going beyond basic standards and moving towards a more environmentally friendly building could be examined. This raised the feasibility of constructing a new building rather than undertaking a costly renovation of the existing building. Financing the renovation would be difficult and it was not realistic to envisage voluntary contributions. The idea was not to cause unnecessary delays but there was a need to think carefully about what was best for the ILO over a 15-20 year period.
20. The representative of the Government of the United Kingdom, speaking on behalf of the group of 35 industrialized market economy countries (IMEC), recalled that her Government had made a request in 2005 for such a paper to be submitted to the Subcommittee. It was unacceptable that a paper on such important issues and with major

³ GB.297/PFA/BS/3.

financial consequences had been made available only a few days before the meeting of the Subcommittee.

21. The IMEC members were pleased with the study and the work done by the consultants. Now the ILO had to look at the bigger picture. The Office was commended for looking into different self-financing options. Other questions to be raised included the likely impact of the review of the field structure. Changes in the number of staff at headquarters would have consequences. The review of the field structure could also lead to the sale of ILO properties as could the possible introduction of one United Nations at the field level. The Office could also consider identifying areas that were no longer a priority and attribute the savings generated to the BAF. Discussion of these issues should be firmly linked to the programme and budget of the forthcoming biennium.
22. The representative of the Government of the United Kingdom recalled previous requests for a comprehensive accommodation strategy. The Office was invited to provide an update in this regard, now that the renovation study had been completed. The accommodation strategy should be closely interrelated with the master plan mentioned in paragraph 22 of the paper. Once finalized, the master plan should form one strand of a comprehensive accommodation strategy that should be regularly updated.
23. In the paper, the Office did not address the question of in-house capacity to manage a complex project. The speaker invited the Office to identify the members of an ILO project management team. She also expressed concerns about possible delays in the implementation of such a project and the absence of provision for inflation. The Office was also asked to clarify its position on compliance with Swiss construction norms.
24. Finally, the representative of the Government of the United Kingdom indicated that it was premature to put the second and third bullet points of paragraph 35 and paragraph 36 to the PFAC. She could support the first bullet point of paragraph 35, a view shared by the Governments of Australia, Germany and the Netherlands.
25. In answer to a previous question about a recently constructed building by the World Intellectual Property Organization (WIPO), the Employers indicated that the building was much smaller than the ILO premises. When considering the options of building or renovating, other points merited attention such as the use that would be made of the present building and the amortization of some 70 million Swiss francs that still remained.
26. The representative of the Government of Japan, speaking on behalf of the Asia-Pacific group (ASPAG), thanked the Office for its efforts to tackle a difficult issue and expressed appreciation for the survey carried out and the concrete proposals put forward. ASPAG supported the first bullet point of paragraph 35 but could not endorse the other points for decision under paragraphs 35 and 36, due in part to the late distribution of the paper and the need for additional information.
27. ASPAG wished to comment on some important issues raised in the paper. The projected cost was higher than previously announced and an explanation from the Office would be welcome. Even if the plots of land belonging to the ILO were sold, substantial financing would still be needed. The Office was invited to submit further feasible and practical options for consideration by the PFAC at the 298th Session (March 2007) of the Governing Body. In concluding, the speaker pointed out to the Subcommittee members that the funding of maintenance and renovation should be carried out in a proactive manner so as to avoid difficult situations in future. Speaking as the representative of the Government of Japan, he strongly urged the Office to do its utmost to keep the costs as low as possible.

28. The representative of the Government of Brazil thanked the Office for the interesting report which presented important technical considerations as well as a brief explanation of financing options. He supported the call by the representative of the Government of Japan for more information before they could make the necessary decisions. Phase III of the renovation plan, which was also the most costly, needed to be developed and further details provided to allow the Governing Body to make a proper assessment. The speaker supported the Employer members in their call for a portion of investments to be made in ILO buildings outside of Geneva, in order to reflect properly the priorities of the Organization.
29. The Executive Director of the Management and Administration Sector underlined the usefulness of the discussion that had taken place. There was a clear need for more debate and information on the issues before the Subcommittee. The independent external study carried out at the request of the Governing Body provided an essential starting point and a solid technical foundation on which the Subcommittee and the PFAC could base future discussion on the renovation of the headquarters building.
30. In response to the request for clarification of paragraph 5 of the paper from the Employer members, referring to the exclusion of the restaurants and meeting rooms from the scope of the study, she recalled that the work discussed under the second item on the agenda of the Subcommittee had already been approved and provision made for financing by the Governing Body. It was thus excluded from the study.
31. The IMEC group had inquired about the safety standards applied by the Office. The ILO certainly took Swiss and Genevan standards into consideration but, given its status as an international organization, it was not necessarily required to comply with the local system. The renovation study had been based on the safety recommendations of the Institut de Sécurité de Neuchâtel, an international institute based in Switzerland which set and monitored safety standards in line with European and American standards.
32. The question of asbestos had been raised by the Worker members who stressed the need for regular monitoring of its effects upon the health of staff and for prevention measures. Additional findings by the technical experts were already being addressed. The tests undertaken confirmed that the levels were so far below the maximum threshold that they did not register. The Office's Advisory Committee on Safety and Health had been briefed on the safety aspects of the study, including the findings on asbestos and the remedial measures being taken by the Office. The issue raised by the Workers of making the building more environmentally sound was in fact addressed in many of the recommendations made by the independent study such as, improving insulation, water conservation and other energy-saving features.
33. In spite of its best efforts, the Office found it difficult to respond in a satisfactory manner to consistent requests by members of the Subcommittee for a comprehensive accommodation strategy. This strategy depended on a number of broad and complex issues including decisions on the renovation of the headquarters building, the review of the field structure and the impact of wider United Nations reform. Pending direction and decisions by the Governing Body on these interrelated issues, it was difficult for the Office to respond to this request beyond what it had already provided.
34. The Treasurer and Financial Comptroller informed the Subcommittee that the leasehold agreement provided for an annual payment of 1,000 Swiss francs. Under an informal understanding with the Swiss authorities, this amount had never been claimed. The first period of the leasehold would soon be up for review and the amount of the lease payment could be renegotiated. Since the Office had not paid anything, there would logically be no savings if it renounced the leasehold. With regards to the BAF, its use was intended to

cover the requirements for all ILO premises. He clarified that the expenditures from the BAF have related in large part to field activities and not to headquarters. The Office agreed that the level of funds in the BAF was insufficient, as had been discussed in previous meetings of the Subcommittee. This issue has been raised in the Preview of Programme and Budget Proposals for 2008-09 submitted to the PFAC at the present session.

35. The Financial Regulations provided that any rental income should be credited to the BAF but proceeds from such a sale of assets would be treated as “miscellaneous income”. In the absence of a specific derogation of the Financial Regulations, sale proceeds could not be credited to the BAF. The Treasurer and Financial Comptroller confirmed that the indicated price range of the two plots of land was based on market rates and potential zoning decisions. The third plot, which was on leasehold, could not be sold by the Office. Finally, inflation was not factored in at this stage as it would be very difficult to forecast what the cumulative rate would be between now and 2016.
36. *The Building Subcommittee wishes to propose that the Programme, Financial and Administrative Committee recommend to the Governing Body that up to 7.7 million Swiss francs of the cost of the urgent repairs identified in phase I of the renovation of the headquarters building be charged to the Building and Accommodation Fund; and that the Office be requested to present a further document to the Subcommittee at its 298th Session (March 2007) with a more detailed analysis of the financing options.*

Overview of ILO accommodation

37. The Subcommittee had before it a paper⁴ providing financial and statistical information concerning external offices and headquarters.
38. The Worker members expressed appreciation for the comprehensive information provided in the paper. They noted the number of buildings owned by the ILO in different regions and inquired whether it was more advantageous to own or lease offices in the field. Appendix II indicated an increase in spending on security-related aspects as well as variations between regions. It appeared from the figures in Appendix III that technical cooperation staff had increased in terms of percentage from 29.5 in 2004 to 40.5 in 2005. Further explanation from the Office on these figures would be welcome.
39. The Employer members recognized the importance of this report and believed that the subject warranted more in-depth study. A number of points could already be made. For example, it was clear from the figures in Appendix II that the ILO was still very centralized. The Employer members often received requests for increased activities in the field, with more local staff in contact with national realities. It would be very useful for the PFAC to have those data. The figures in Appendix III revealed a positive trend showing a marked increase of technical cooperation staff. Technical cooperation was a priority for the Employers.
40. The Treasurer and Financial Comptroller stated that, when there was a proposal to move to new premises, the Office always undertook a business case analysis to determine the costs and benefits of different alternatives such as rental, sharing, purchase or construction. The latter involved large capital costs and the ILO simply did not have sufficient reserves to build premises in every field location. He pointed out that expenditure figures for the first year of the biennium (2004) were a snapshot based on actual recorded disbursements

⁴ GB.297/PFA/BS/4.

whereas the figures presented for 2005 reflected accounting adjustments to ensure that the full biennium's expenditure was included in the 2004-05 accounts. The Subcommittee was advised that the amount reported as 2005 rent for the Regional Office in Bangkok should be corrected to read US\$224,901.

Geneva, 8 November 2006.

Point for decision: Paragraph 36.