

Governing Body

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Programme, Financial and Administrative Section
Programme, Financial and Administrative Segment

PFA

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SECOND ITEM ON THE AGENDA

Update on the headquarters building renovation and the security perimeter projects

Purpose of the document

This document provides information on the current status of phase 1 of the renovation of the ILO headquarters building. It also provides an update on developments related to the sale of the vacant ILO land and the security perimeter.

Relevant strategic objective: None.

Main relevant outcome/cross-cutting policy driver: None.

Policy implications: None.

Legal implications: None.

Financial implications: No immediate implications.

Follow-up action required: Further progress report in March 2020.

Author unit: Office of the Deputy Director-General for Management and Reform (DDG/MR).

Related documents: GB.335/PFA/3; GB.335/PFA/3(Add.); GB.334/PFA/PV; GB.334/PFA/2; GB.332/PFA/3.

1. At its 335th Session (March 2019), the Governing Body approved in principle the sale of plot 4057 on terms to be negotiated by the Director-General. The Governing Body authorized the Director-General to commence a tendering process to identify a potential development partner to collaborate with the Office through the planning and approval process and requested him to seek final approval from the Governing Body on the general terms of any sale arising from the tendering process. With respect to security measures, the Governing Body requested the Director-General to continue to engage with the Government of the host country regarding a potential financial contribution and coordination of the implementation of a revised security plan, and to report to the Governing Body at its 340th Session (October–November 2020) on the implementation of the enhanced security measures. This document provides information on the progress of phase 1 of the renovation of the headquarters building; an update on the process to identify a potential development partner as set out in the Governing Body decision of March 2019; and information on the review of the security perimeter project.

Background

2. It is recalled that in November 2010 the Governing Body approved a comprehensive plan for the renovation of the entire headquarters building subject to financing.¹ Following further architectural and engineering analysis, the scope of the works was adapted to meet, inter alia, the relevant local standards which had been significantly amended in the intervening period, particularly in relation to fire safety issues and additional regulatory requirements. The associated cost increase required the works to be divided into two phases, with the first phase tailored to meet the available budget of CHF205.9 million.
3. Phase 1 works (main building, floors 1–11) have brought the renovated areas of the main building into compliance with current local codes for fire safety, energy efficiency and occupational health. They also included the renewal of the associated mechanical, electrical and plumbing installations. In addition to the renovation of floors 1–11, phase 1 included upgrading the conference room glazing to meet with local energy requirements and introduce additional fire escapes, in line with fire safety regulations.
4. Financing for phase 1 was sourced through:

	CHF (rounded)
Net premium (Exchange equalization account)	48 000 000
Income surplus 2006–07	26 000 000
Long-term building reserve	8 000 000
Sale of land	54 000 000
Loan from Swiss Government	70 000 000
Total	206 000 000

5. The loan from the Swiss Government is for a 30-year period and is subject to an annual interest rate of 0.5 per cent. Annual repayments will commence following the completion of phase 1 and will be financed from rental income.

¹ [GB.309/11\(Rev.\)](#), para. 194.

6. Phase 2 works (lower floors: Conference Centre, general services, car park) would bring the remainder of the building into compliance with current local codes for fire safety, energy efficiency and occupational health and replace obsolete mechanical, electrical and plumbing installations, thereby extending the building's life expectancy by some 30–40 years.

Current status

7. The renovation of the final third of the building has been completed several months ahead of the official planned completion date of late 2019 and within budget.
8. The quality of the work remained high and the accident incidence rate remained low during the 1,800,000 worksite hours. Good relations with the local worksite inspectors were maintained and there have been no further issues raised by the construction sector unions since those reported to the Governing Body in November 2018.
9. The final relocation of headquarters staff commenced in September 2019 and will continue until early 2020, with the Department of Statistics and the International Social Security Association scheduled to return to the headquarters building in November 2019.
10. As funding has not yet been approved by the Governing Body to undertake phase 2 of the renovation project, most of the site infrastructure has been dismantled and will be removed by the end of October 2019. However, in order to minimize additional costs should financing for phase 2 be made available, some of the semi-permanent site infrastructure, such as site access roads, will remain.
11. A further independent audit was carried out in June 2019 by KPMG, which again concluded that the building renovation project had been implemented well in terms of time, cost and risk management.
12. The Governing Body will recall that the installation of insulated glass in the large bay windows and fire escapes in the conference rooms is part of the lower floors phase 1 works (stage 4) and that, as reported to the 335th Session (March 2019), CHF7 million has been allocated to implement these improvements to the safety and the thermal efficiency of the conference rooms. The contract has been issued and the works are under way. Completion is scheduled for late 2020.

Project budget

13. The total budget for phase 1 remains within the limits of the financial plan previously endorsed by the Governing Body, namely some CHF205 million.
14. The Office recalls that the international tendering process in early 2015 resulted in a best offer some 30 per cent above the expected cost. As a result, the project budget distribution had to be realigned with initial provisions for contingencies and inflation being reduced to remain within the approved budget of CHF205 million. This outcome has been achieved.
15. As a result of robust and continuous effort of the project team, with the collaboration of the contractor, to identify reduced cost and value engineering options, and with phase 1 nearly complete, the Office can report that during implementation, some CHF6 million of savings were generated for the ILO, from the contracted price of the phase 1 project. Some CHF2.5 million was invested in the works to cover various unforeseen expenses and additional works, with the balance of CHF3.5 million being allocated to the stage 4 works.

Financial update as at 31 August 2019

	CHF ('000)
Approved budget	205 549
Expenditure to date	192 756
Forecasted final cost	204 566

Renovation of the lower floors (phase 1) – Stage 4

16. Replacement of the glazing of the conference rooms, incorporating escape doors within the glazed facade, and installation of escape ways and staircases on the outside of the building has commenced. This will improve both safety and the thermal efficiency of the conference rooms.
17. Room II is not currently included in the scope of the stage 4 works. It is expected that additional savings from the earlier phases will materialize as the final accounts are closed with the contractor, and that the project will thereby be able to include safety and thermal improvements to room II within the stage 4 scope.
18. The cost of CHF7 million for stage 4 has been confirmed and is financed by the resources previously earmarked for the renovation of the lower floors and the ILO's share of the savings generated with the main contractor, during phase 1 (CHF3.5 million).
19. Due to the scale of the works and the limited access to the meeting rooms, the works are scheduled over the periods between the Conference and Governing Body sessions in 2019 and in 2020.

Status of negotiations with potential tenants

20. The Governing Body will recall that the loan financing for phase 1, provided by the host State, is to be repaid from rental income. A letter of intent was signed with UNICEF in May 2019 to lease all available space in the headquarters building, some 4,200 square metres. The Office considers the co-location with one single organization, and in particular a sister UN organization, will be beneficial from an administrative and operational standpoint as well as being reflective of the calls for increased joint occupancy as part of the UN Secretary-General's reform agenda. Work continues to finalize the formal lease agreement and it is anticipated that UNICEF staff will move into the building between July and October 2020.

Phase 2 of the renovation project

21. In March 2018,² the Governing Body recalled that in 2014 the estimated cost of phase 2 was some CHF120 million, and that a margin of error of 15 per cent should be foreseen. The Governing Body was also informed that the cost of these works has not been re-estimated since 2014 and that their final cost would depend on the eventual commencement date of this second phase. Any interruption in project activities and any revised sequencing of the works would result in higher costs. The estimated revised costs for phase 2 resulting from a

² [GB.332/PFA/3](#), paras 7–13.

lack of continuity from phase 1 to phase 2 were reported as being between CHF128 to 131.1 million.

22. In March 2014, the Governing Body encouraged the Director-General to explore financing options to enable the full scope of the project to be realized,³ and in November 2014 reiterated the need to complete the full scope of the project.⁴ From November 2015 to November 2017, the Director-General continued to report to the Governing Body on efforts to secure funding to complete the renovation. In the absence of any external sources of funding, the most plausible option to finance the remaining works was considered to be the potential development and sale of vacant ILO land. In March 2019, the Governing Body decided, *inter alia*, to approve in principle the sale of ILO land plot 4057 and authorized the Director-General to commence a tendering process, following which the Governing Body's final approval could be sought for the general terms of any sale of the land.⁵

Development of vacant land

23. Since the last report to the Governing Body,⁶ the Office has issued a public request for proposals (RFP) for potential investors to purchase plot 4057.
24. At the time of writing this report, proposals have been received from 11 entities, including several joint ventures, confirming the initial informal expressions of interest from potential investors. The Office is currently analysing the offers received, with its expert consultants, and will provide a supplementary report to the Governing Body at its present session.

The way ahead

25. The Office will continue its work with the local authorities to seek to realize the full value of the ILO land to enable phase 2 to be undertaken. The Office will also remain open to proposals from member States and benefactors for innovative solutions to address the financing situation.
26. The phase 2 project documents will be updated and adapted, as previously scoped and described in Appendix I of the last report to the Governing Body, to enable phase 2 to commence as soon as funding is secured. Processes will also be put in place in preparation for the recruitment of staff for the project team and the engagement of consultants and contractors.

Update on security measures for ILO headquarters in Geneva

27. Following the advice received during the Governing Body's consideration of Office proposals on a security perimeter at its 335th Session (March 2019) and subsequent decisions by the Conference on additional financing, the Office has pursued the concept of

³ [GB.320/PV](#), para. 686.

⁴ [GB.322/PFA/3](#).

⁵ [GB.335/PFA/3\(Add.\)](#), para. 8.

⁶ [GB.335/PFA/3](#).

the “one-ring” approach that was presented as an alternative to the implementation of the comprehensive security plan. This approach would aim to secure only the ILO building instead of the entire ILO property.

28. The measures that would be included in the one-ring approach that were part of the comprehensive plan and have been retained for further study and implementation in 2020–21 are:
- (a) the installation of central locking systems activated by badges on all external doors to limit direct access to authorized staff and constituents;
 - (b) the modification and expansion of the current badging and access control system to provide cost-efficient badging solutions for current ILO badge holders, visitors and staff from other UN agencies;
 - (c) the temporary installation of screening equipment for external visitors (metal detectors and X-ray scanners) in the R2 North area of the building that could be later transferred to a separate visitor screening facility.
29. In the absence of the two-ring full perimeter security plan, at a minimum, the measures below will also need to be taken:
- (a) the closure of the multiple entrances to the parking area with fences and shutters;
 - (b) the construction of a dedicated, secure visitor screening and accreditation area outside the ILO building and secured access paths from this area into the building;
 - (c) enhanced vehicle traffic monitoring and control.
30. For each of these measures, the Office is currently studying, with the support of external consultants and United Nations Department of Safety and Security (UNDSS) experts, the technical specifications and related costs, the implications on the different flows into the building and the related impact on operational procedures and the coherence between the different measures. The results of these studies will then be shared with the host Government for its consideration.
31. In the current biennium, the Office has accelerated the installation of shatter-resistant film on the glass windows in the colonnade area, which is part of the protection layer of the building, and will complete the replacement and enhancement of the CCTV system to better monitor all building entry points.
32. A further update will be provided at the 338th Session (March 2020) of the Governing Body.

Draft outcome

33. *The Governing Body took note of the information provided in document GB.337/PFA/2 and welcomed the successful progress of phase 1 of the renovation project to date.*