



ELEVENTH 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 12 March 2007. The Officers of the Subcommittee were: Mr R. Estrela de Carvalho (Government member, Brazil), Chairperson and Reporter; Mr D. Lima Godoy (Employer member), Vice-Chairperson; Mr Khurshid Ahmed (Worker member), Vice-Chairperson.

Update of renovation work on the headquarters building

2. The Subcommittee had before it a paper¹ providing information on a number of instances of ongoing repairs and refurbishment relating to the headquarters building.
3. The Chief of the Internal Administration Bureau (INTER) provided additional information on the items mentioned in the Office paper. With regard to the renovation of the interpreters' equipment and booths, negotiations were ongoing with the enterprise that had made the best offer in terms of quality and cost. The work on the escalators was scheduled for the summer of 2007 and the old escalators would be maintained free of charge until then. The urgent repairs needed to the water mains had been completed in December 2006 and the provider had offered to include, at no cost to the ILO, additional water and gas mains for possible future use and connection to the "Genève Lac-Nations (GLN)" project. The Office had agreed to this proposal with the clear understanding that it should not be perceived as a commitment in any form. The Geneva authorities had invested some 40 million Swiss francs in the GLN project. A number of international agencies had already agreed to be connected to the GLN and regular discussions and meetings had taken place over the past three months among the international agencies and the persons responsible for the project. With regard to the kitchens and restaurants, the evaluation of the bids was being finalized. Lastly, the call for tenders mentioned in paragraph 15 for the replacement of seats in Room II would also include the seats in Rooms III, IV and VI, since they also failed to meet current ergonomic standards.

¹ GB.298/PFA/BS/1.

4. The Worker members regretted that work and repairs approved or requested by the Subcommittee more than 18 months previously had not been carried out. Diligence on the part of the Office was all the more important in cases where there were safety and health implications such as the poor state of the chairs in Room II or the refurbishment of interpreters' booths. The Worker members also expressed concern about the delay in installing a lift for persons with disabilities due to structural factors that had not been detected in time. More generally, the piecemeal approach that seemed to prevail in carrying out renovation work prevented the members of the Subcommittee from having an overall view or a clear understanding of how ongoing work would fit, for example, into the larger renovation project. The Office was requested to provide clarification on the financing of the partial refurbishment of the kitchens and restaurants. The Worker members asked why the Governing Body had not been informed about the GLN project at its November 2006 session.
5. The Employer members observed generally that the difficulties encountered with the refurbishment work as reported in the paper were a taste of what could be expected in undertaking a project of the scale of the renovation of the headquarters building. They echoed the Workers' concerns about the structural problems discovered after the publication of the call for tenders for the lift for persons with disabilities. That was symptomatic of the piecemeal approach that would inevitably lead to an increase of overall costs. The GLN project was a valuable initiative and a great opportunity to contribute to sustainable development. Finally, the Employer members requested that the Office confirm the availability of resources from the restaurant operator for the refurbishment of the kitchens and restaurants.
6. The representative of the Government of the United Kingdom, speaking on behalf of 35 industrialized market economy countries (IMEC), was pleased to note that some issues of concern raised in November 2006 had been dealt with or were in the process of being resolved. Nevertheless, the two-year interval between decisions and action was worrying when serious safety and health issues were at stake, as, for example, in the case of the interpreters' booths. She noted that it was difficult for the Subcommittee to examine ad hoc requests, and reiterated previous statements by IMEC on the importance of developing a comprehensive accommodation strategy with a rolling maintenance plan.
7. The representative of the Government of Kenya, speaking on behalf of the Africa group, expressed appreciation for the work already done. The ILO should lead by example on the critical issue of safety and health on all its premises, including its field offices. The Africa group asked the Office to address the delays experienced in following up on past decisions.
8. Looking to the future, the Worker members pointed out that it was important to have a clear understanding of the progression of energy costs over time and to undertake a serious study of alternative energy sources. They wished to have some assurance that the present technical analysis and projections would be relevant in ten years' time.
9. The Treasurer and Financial Comptroller indicated that the funding of the partial refurbishment of the kitchens and restaurants was included in the contract negotiated with the current operator of the restaurants. The required resources had already been transferred to the Office.

Follow-up to the technical study on the headquarters building: Financial considerations

10. The Subcommittee had before it a paper² submitted for decision on financial aspects relating to the renovation of the headquarters building.
11. The Treasurer and Financial Comptroller recalled that the Office had submitted to the Subcommittee in March 2005 an information note³ setting out a series of financing options for renovation work at headquarters. In subsequent discussions, the Office was asked to explore in greater detail the possibility of obtaining an interest-free loan from the host Government. Informal contact with the host Government indicated that there was little likelihood that such a loan would be approved to cover the full renovation costs of the building, estimated at 112 million Swiss francs (119.5 million Swiss francs less the funding approved from the Building and Accommodation Fund). An expression of interest had been received for the acquisition of the land owned and leased by the ILO. In order for the Director-General to be able to submit a complete financial package to the Governing Body for the renovation work, the Office was seeking authorization to negotiate the possible sale of the land and the leasehold with potential buyers. Before finalizing any proposed agreement, the Director-General would refer to the Governing Body for approval of the complete financing package. He explained that, as Conference approval would be required for the proceeds of any sale to be credited to the Building and Accommodation Fund, the Office had included as a possible point for decision a resolution to the Conference with a view to avoiding further delays should a financing package be subsequently approved.
12. The Worker members commented that, in light of the high cost of a new construction, the best option appeared to be that of renovation. More clarity was needed on the details of such an important renovation plan, including the environmental aspects and an assessment of the ILO's future needs. The Workers could not support any diversion of resources from the regular budget for the purpose of renovating the building. Any planned use of regular budget funds for this purpose would require a corresponding increase in the level of the budget. There would undoubtedly be expenditures under the regular budget to cover, for example, alternative offices or meeting rooms during the renovation period. The ILO should not lose sight of the fact that the Property Foundation for International Organizations (FIPOI) loan granted to finance the present building still stood at some 70 million Swiss francs. Governments should be encouraged to participate in the search for solutions and alternative financing. The Worker members would willingly participate with a tripartite group in discussions with the Swiss authorities, if that were required. Finally, the Workers insisted on the importance for the ILO of being exemplary and innovative in its treatment of all questions related to asbestos, for the benefit not only of its staff and visitors but also of the employees of enterprises working on site.
13. The Employer members agreed that the construction of a new building would not be a reasonable option in the present circumstances. Since a complete restructuring of the ILO, including movement of staff to field offices, was not on the table, renovation of the present premises would be the better solution. The time had come to propose a complete financing package. The sale of land would only partially cover the renovation costs, and the Subcommittee should be called on to approve financing that would cover the entire refurbishment of the building. The Employer members expressed their serious concerns

² GB.298/PFA/BS/2.

³ *Information note on possible options for financing renovation work at headquarters.*

about the lack of progress over the years on the question of renovation. There was a pressing need to renovate the building and to establish a mechanism to make provisions for future renovations so that this situation would not recur. A long-term strategy was no doubt important, but time was running out. The state of the building was a real concern and the situation could suffer no further delays. Joint efforts between the ILO and the Swiss authorities were needed to find ways to shoulder the financial costs. There was an urgent need to include a budget line for building renovation that would reflect the ILO's commitment to the elaboration of a holistic approach in that matter.

14. The representative of the Government of Japan, speaking on behalf of the Asia and Pacific group (ASPAG), asked that the Office provide complete information on a full renovation package that could be partially financed by the sale of land. A full and feasible financing package was necessary before ASPAG could agree to any such sale. She also recalled previous requests addressed to the Office that it elaborate an accommodation strategy covering both headquarters and the field, as well as other factors such as ongoing discussions of the field review and United Nations reform.
15. The representative of the Government of the United Kingdom, speaking on behalf of IMEC, recalled that, at the last Subcommittee meeting in November 2006, IMEC had suggested that the renovation should be firmly linked to the Programme and Budget for 2008–09. The programme and budget proposals submitted to the present Governing Body session did not reflect that recommendation, although it concerned the largest single project that the ILO would be faced with in the coming years. The allocation of US\$2 million to the Building and Accommodation Fund (BAF) was a helpful but inadequate start that fell well short of the amount mentioned in the Subcommittee. The Office needed to set its priorities in order to be able to face what was a huge and unavoidable issue that ought to be properly addressed. It also needed to prepare concrete proposals and options including grants, gifts and commercial loans. IMEC was not, in principle, opposed to the sale of land, but considered it unwise to envisage a sale if it did not form part of a complete financial package.
16. The representative of the Government of Kenya, speaking on behalf of the Africa group, voiced support for a comprehensive and long-term solution. He expressed the group's reluctance to support a sale of land in the present circumstances.
17. In response to requests for clarification by the Subcommittee, the Treasurer and Financial Comptroller stated that the views expressed in the course of the discussion closely reflected the Director-General's position. He reiterated his earlier comments that approval to sell or transfer the land and leasehold was not being sought at the present time. Only on the basis of the negotiations would it be possible to identify and cost the different financing options. The Office's intent was to present a proposal in the form of a complete financial package to the Subcommittee once formal negotiations had been undertaken.
18. The Worker members suggested that members of the Subcommittee should be apprised in June 2007 of any new elements that could usefully be brought to their attention on the ongoing discussions or negotiations.
19. The representative of the Government of the United Kingdom agreed that consultations should take place between sittings of the Subcommittee so as to intensify its work pace. The members could share expertise and thoughts with the Office through informal consultations conducted in Geneva or by electronic mail.

20. *The Building Subcommittee wishes to propose that the Programme, Financial and Administrative Committee recommend to the Governing Body that the Office be authorized to enter into negotiations on the possible transfer or sale of land and of the leasehold, with a view to submitting a comprehensive plan for financing the renovation of the headquarters building to the members of the Subcommittee for consultation prior to any decision, if necessary, by the Officers of the Subcommittee, of the Programme, Financial and Administrative Committee, and of the Governing Body.*
21. *The Building Subcommittee also wishes to invite the Programme, Financial and Administrative Committee to propose that the Governing Body recommend to the International Labour Conference at its 96th Session (June 2007) that, in derogation of article 11.1 of the Financial Regulations, the net proceeds from any transfer or sale of land and of the leasehold in Geneva, Switzerland, be credited to the Building and Accommodation Fund and that it adopt a resolution in the following terms:*

The General Conference of the International Labour Organization decides, in derogation of article 11.1 of the Financial Regulations, to credit the net proceeds from any transfer or sale of land and of the leasehold in Geneva, Switzerland, to the Building and Accommodation Fund.

Other questions

22. The Worker members requested that the Office submit a document to the November 2007 sitting of the Subcommittee providing full information on the ILO's assets and offices. That would be useful for the discussion on the governance of the United Nations and any adjustments that might be needed or proposed.
23. The representative of the Government of the United Kingdom suggested that the Office should integrate such a document in the work related to the field structure review so as to avoid confusion.

Geneva, 14 March 2007.

Points for decision: Paragraph 20;
Paragraph 21.