

**FIFTH ITEM ON THE AGENDA****Report of the Building Subcommittee**

1. The Building Subcommittee of the Programme, Financial and Administrative Committee met on 15 March 2004, chaired by Ms. M. Gomes dos Santos (Government, Brazil), who also acted as Reporter. The Vice-Chairpersons were Mr. Khurshid Ahmed (Worker member) and Mr. M. Barde (Employer member).

**Premises for the Regional Office
for the Americas, Lima**

2. The Building Subcommittee had before it a paper¹ giving an update on the construction of new premises for the Regional Office in Lima.
3. Mr. Khurshid Ahmed (Worker Vice-Chairperson), referring to the exclusion of general sales tax from the project budget, asked what the rate of tax was and whether there was a specific agreement in place, which would permit reimbursement to the ILO of any tax paid. He also wished to know whether representation at the inauguration of the premises would be tripartite. Having received the Chairperson's confirmation that this would be the case, he proposed that Ms. Anderson, as representative for the Latin America region, attend on behalf of the Workers.
4. Mr. Barde (Employer member) welcomed the progress being made and noted that the Governing Body had been very sensible to provide for a contingency reserve. He asked whether the expenses of representation at the inauguration of the new premises were included in the project budget.
5. The representative of the Government of Kenya, speaking on behalf of the Africa group, agreed that statutory wage increases should be paid to workers and that the tripartite delegation should be drawn from the region.
6. Ms. Anderson (Worker member) offered her congratulations on the achievement, which would provide the Regional Office with a modern building, which it would own and which would meet the expectations of the delegates in the region. She expressed her appreciation to the ILO that the office had been constructed without exceeding the project budget and

¹ GB.289/PFA/BS/1.

she now looked forward to it being equipped with the fittings and equipment necessary to ensure its smooth operation.

7. Mr. Blondel (Worker member) joined in the congratulations extended by the previous speakers and complimented the Office on the achievement. He was pleased to hear that the construction process had been free of any incidents.
8. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) was pleased to report that the building specifications established in the contract would be completed to a high standard, on time and within the budget ceiling. Comprehensive advanced planning, an enforceable fixed-price contract and regular supervision had ensured a satisfactory result and the Office would continue to apply the lessons learnt. The Office would initiate a retrospective review of the project to seek ideas and actions for improvements in the execution of construction projects elsewhere. Regarding general sales tax, this was charged at 19 per cent and was reimbursed relatively promptly by the local authorities. Assuming regional tripartite participation, which had been the practice in the past, the cost of representation at the inauguration would amount to some US\$10,000. As regards the furnishing of the building, the original budget covered construction costs only. Furniture currently in use would be installed and any new furniture would be financed from provisions made for this purpose in the regular budget.
9. The Director of the Regional Office in Lima (Mr. Muñoz) warmly thanked the members of the Building Subcommittee for their praise and confirmed that the office had been constructed with all possible care and attention to detail throughout the process. He confirmed that he was in the process of obtaining the fittings and equipment necessary for the smooth operation of the office and good working conditions for the staff. The inauguration was scheduled for May 2004.
10. The Chairperson concluded the discussion, expressing her very sincere thanks to the secretariat of the Office and to the Regional Director for having successfully completed the project. She also warmly thanked the Government of Peru for having provided the ILO with rent-free temporary premises while the new premises were being built.
11. *The Committee may wish to recommend to the Governing Body that the wage increases, which total US\$15,600, be charged to the contingency reserve of US\$79,000 that had been set aside for this project, thus leaving a balance on the reserve of US\$63,400.*

Premises for the Subregional Office in Santiago, Chile

12. The Building Subcommittee had before it a paper,² which described the result of the evaluation of bids received for construction of ILO premises in Santiago.
13. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) apologized for the late delivery of the document. During the short period from late November 2003 through to the end of February 2004, detailed tender documentation including 67 architectural plans had been prepared for distribution to eight carefully selected contractors. Tenders had been evaluated in late February, in consultation with the local architect in Santiago and the recommendations were forwarded to the ILO

² GB.289/PFA/BS/2.

Contracts Committee, which ensured that the process followed was in line with the financial rules. This process had produced two tenders which were of high quality. However, the Office had not yet been able to finalize the bidding process and establish a final price. Negotiations were still in progress and there was therefore a need for confidentiality, which explained why details of the two bids and of the architect's estimate were not provided in the document before the Subcommittee. He was confident of obtaining a fixed-price contract within the estimates made by the architect.

14. Mr. Khurshid Ahmed (Worker Vice-Chairperson) expressed concern about the 19 per cent general sales tax and wished to know whether there was a written agreement in place for its reimbursement. He also wished to know whether the negotiations currently under way with the owner of the present accommodation would incur liabilities. Regarding the fluctuation in the peso, he preferred quotes in the document to appear in US dollars. He also inquired about the total resources of the Building and Accommodation Fund.
15. Mr. Barde (Employer member) supported the comments of the Workers' representative and recalled the problems of the current lease. He also asked that a contingency reserve be established, along the lines of that which had been set up for Lima.
16. The representative of the Government of Japan, speaking on behalf of the Asia-Pacific group, was pleased to see that the project was to be funded from the Building and Accommodation Fund rather than from a commercial loan. He requested that any accommodation strategy restrict the possibility of raising commercial loans.
17. The representative of the Government of Kenya, speaking on behalf of the Africa group, wished to know what would happen to the existing premises in Santiago. A lease running to 2011 had been signed and he wondered whether there was a diplomatic clause in the agreement enabling the ILO to give notice or find another party to take over the lease. He noted that the property was residential and wanted to know if it had been converted to office use and if it would be returned as residential. He stated that, in his view, projects should be funded from the Building and Accommodation Fund rather than through commercial loans.
18. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) was confident that a written agreement would be reached with the Government of Chile for exemption from sales tax. As regards the lease, the diplomatic clause could only be exercised if the ILO left Chile. Negotiations were under way with the owner of the premises and, by negotiating early, the owner would be able to make plans for new tenants. He advised that a small contingency reserve had been included in the proposal made in November 2003 together with local architects' fees, which was therefore more inclusive than the budgetary proposals made for earlier construction projects. With regard to exchange rates, it was not normal practice in Santiago to denominate tenders in US dollars but to apply the local currency, although the reporting of expenditure in ILO accounts would be in US dollars. This implied some risk of currency fluctuation as described in paragraph 9 of the document and the Governing Body had generally been sympathetic in the past to the effect of such currency movements. As of 1 January 2004 the Building and Accommodation Fund had resources of 9.7 million Swiss francs (US\$7.4 million). After covering all the estimated expenditure relating to Santiago and Dar es Salaam, the projected balance at 31 December 2005 would be 5.5 million Swiss francs (US\$4.2 million).
19. Mr. Blondel (Worker member) asked for clarification of the conditions for terminating the lease.

20. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) stated that the fixed-term lease for the current premises in Santiago would expire in 2011 and had been signed two years ago. The Office was making good progress in its negotiations with the owner and it would ensure that suitable arrangements were in place before entering into further financial commitments on the construction.
21. Mr. Khurshid Ahmed (Worker Vice-Chairperson), referring to paragraph 10, asked if a specific amount from the Building and Accommodation Fund was to be allocated to the cost of the construction.
22. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) clarified that the Governing Body had agreed in November 2003 on a ceiling of US\$1.8 million, which would be applied for the construction costs and charged to the Building and Accommodation Fund.
23. Mr. Barde (Employer member) brought the discussion to a close by suggesting that a sentence be added to the recommendations on the conditions for terminating the lease agreement, which should be done as quickly and as smoothly as possible.
24. Mr. Blondel (Worker member) agreed with Mr. Barde's suggestion.
25. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) stated that, prior to construction of premises in Lima, budgetary ceilings had been established for construction of premises and responsibility for construction and financial management had been given to the Office. The Lima premises had marked a change in practice as the Governing Body had requested the Office to report back to the Building Subcommittee with the results of the bidding process. This was due to a bidding range having been approved by the Governing Body. For Santiago and Dar es Salaam no such range had been established and he therefore asked whether the Committee felt comfortable to leave the financial management of the Santiago project with the Office.
26. *The Committee may wish to recommend to the Governing Body that:*
- (a) *the cost of the building be funded from the Building and Accommodation Fund and that the Office be authorized to enter into contractual arrangements within the approved ceiling of US\$1.8 million authorized by the Governing Body at its November 2003 session; and*
 - (b) *the Office be requested to report on the state of progress of the project to the next session of the Building Subcommittee in 2004 and, in particular, on the conditions for terminating the current lease agreement, which should be done as quickly and as smoothly as possible.*

Premises for the ILO Office in Dar es Salaam, United Republic of Tanzania

27. The Building Subcommittee had before it a paper,³ which described the current status of the project for the construction of new premises in Dar es Salaam.

³ GB.289/PFA/BS/3.

28. Mr. Khurshid Ahmed (Worker Vice-Chairperson) noted his concerns that the bids received were higher than the architect's original estimates and that modifications to the building might compromise the original design.
29. Mr. Barde (Employer member) expressed the same concerns as Mr. Khurshid Ahmed and asked whether there was any real possibility of remaining below the budgetary ceiling already established. He also expressed concern over the modifications described by the architect to reduce costs, which, in fact, merely postponed certain expenses (the mezzanine) to a later date.
30. The representative of the Government of Kenya, speaking on behalf of the Africa group, could not understand why three of the bids received had been 60-75 per cent higher than the architect's original estimate. He asked whether the tendering process should not be repeated. Referring to paragraph 5, he was concerned that proposals to modify the structure would lead to a building unsuitable for ILO purposes.
31. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) acknowledged that there had been oversights during the tender documentation preparation, as described in paragraph 4 of the paper. In particular, the building specifications in the tender documentation assumed a larger size of construction than the proposal which was the basis of the Governing Body approval in November 2003 and the principal modifications detailed in paragraph 5 would in fact bring the building back to its intended size. The pre-selection process for identifying bidders had been comprehensive and exhaustive checks had been made on participating contractors. He was sure that it would be possible to reopen the tender and negotiate with those contractors identified in the pre-selection process in order to bring the project back on track. He clarified that the Office preferred repeating the tender with the pre-selected contractors as opposed to issuing a new public tender.
32. Mr. Blondel (Worker member) insisted that the Office needed to check carefully that the architectural plans corresponded to the projected building surface area and to obtain guarantees from the construction companies that the invitations to tender, once revised, would remain within the project budget agreed by the Governing Body.
33. The representative of the Government of the United Kingdom was not clear on what agreement was now being sought: whether to reduce the size of the building previously agreed upon or whether to reduce the size of the building included within the tender documentation.
34. The representative of the Government of Kenya, speaking on behalf of the Africa group, questioned the modifications being suggested in paragraph 5. He wondered whether the building would meet requirements in the future if the surface area was to be reduced.
35. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) explained that the resolution of the Committee in November 2003 had placed a financial ceiling on the project of US\$1.7 million but had not referred to the size of the building. However, in the report of the Subcommittee, details had been given of the size of the office as 1,635 square metres of covered area. He reiterated that through an oversight the bids had specified a significantly larger size of office, which had materially affected the quotes and wished to reassure the Subcommittee that the next phase of the project did not seek to propose a different size from what had been foreseen in November 2003. The US\$1.7 million ceiling should continue to provide for 1,635 square metres of covered office area excluding parking, which would be suitable for the ILO Office in Dar es Salaam, and the Office would carefully examine the revised architectural plans before they were sent to contractors for their new bids. He also noted that approval was not

being sought for the building modifications suggested in paragraph 5, which were merely tentative indications of changes in order to satisfy the Subcommittee that the budgetary ceiling could be respected and took note of the observation that building works should not remain unfinished.

36. Mr. Khurshid Ahmed (Worker Vice-Chairperson) accepted the reassurance given.

37. *The Committee may wish to recommend to the Governing Body that:*

- (a) it note the substantial price variations in the submitted bids as compared to the architect's original estimate;*
- (b) it authorize the Office to obtain revised bids from the pre-selected contractors, so as to conform with the approved budget ceiling of US\$1.7 million authorized by the Governing Body at its November 2003 session; and*
- (c) it request the Office to report on the progress of this project to the Building Subcommittee at its next session in November 2004.*

Overview of ILO office accommodation

38. The Building Subcommittee had before it a report,⁴ which gave details on how information was being collected on the ILO's property portfolio.
39. Mr. Blondel (Worker member) noted that analysis of statistical information should serve to improve employees' working conditions. The decision to build a new ILO office was mainly a political one and should not be based solely on statistical analysis; the premises must satisfy the needs of the Organization.
40. Mr. Barde (Employer member) pointed out that good working conditions meant good productivity. He asked that the Office provide an inventory of the condition of the headquarters building, the measures required to maintain it and how to finance them, if possible to the November 2004 session of the Building Subcommittee. He stated that the employees' well-being went hand in hand with the smooth running of the institution.
41. The representative of the Government of the United Kingdom asked what the timing was for the completion of the process of information gathering. She still wished to see an overall strategy particularly with regard to security and safety of staff. This had been a long-standing request. For the next meeting she asked for a strategy and a list of priorities.
42. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) explained that comments in the paper regarding staff productivity referred to an improvement in working conditions, which would lead to an improvement in productivity. The questionnaire and financial analysis were important decision-support tools but were not meant to sidestep the political process in deciding where to site ILO premises. There was a lack of knowledge about the Organization's property portfolio and these tools would provide indicators to guide future operational decisions. To date, 20 offices had responded and results for all the ILO offices should be complete by November 2004.

⁴ GB.289/PFA/BS/4.

43. The representative of the Office (Mr. Girod) outlined the questionnaire on occupancy for 20 offices and presented some statistical examples of the types of occupancy and the costs of managing the offices in question. The results were currently being analysed and a document would be submitted on the occupancy and management of offices to the next session of the Building Subcommittee in November 2004.
44. The Subcommittee took note of the Office paper.

Geneva, 16 March 2004.

Points for decision: Paragraph 11;
Paragraph 26;
Paragraph 37.