



THIRD ITEM ON THE AGENDA

**Premises for the ILO Office in
Dar es Salaam**

1. At its 91st Session (June 2003), the International Labour Conference authorized the Governing Body to accept the gift of a plot of land made by the Government of the United Republic of Tanzania and to present for its final approval the preliminary plans and cost estimates for construction of the ILO Office in Dar es Salaam, at the 288th Session (November 2003) of the Governing Body.
2. At its 288th Session, the Governing Body gave effect to the proposal to build new premises for the ILO Office in Dar es Salaam at an estimated construction cost of US\$1.7 million to be funded from the Building and Accommodation Fund, and to submit the result of the bidding evaluation process at the March 2004 session of the Governing Body.¹
3. At its 289th Session in March 2004, the Governing Body took note of the substantial price variations in the submitted bids as compared to the architect's original estimate and authorized the Office to obtain revised bids from the preselected contractors, so that the total cost of the project would conform with the approved budget ceiling of US\$1.7 million authorized by the Governing Body at its November 2003 session and report on the progress of the project at the Governing Body's November 2004 session.²
4. There were in fact two reasons for the substantial price variation between the estimates submitted when the project was authorized by the Governing Body and the results of the invitation to tender: firstly, the larger size of building compared to the original proposal authorized by the Governing Body and, secondly, the negative effects of some structural elements of the building, requiring a significant revision of those elements. The Office had therefore called on a top Genevan engineering company to examine and check the measurements and the structure of the building against the foundation plans. Concurrently, the Office, in collaboration with local architects, re-examined the dimensions of the building in order to bring it back down to the size approved by the Governing Body. Once those revisions had been completed, at the end of May 2004, the Office invited the preselected contractors to revise their bids to take into account these two changes.

¹ See doc. GB.288/PFA/7.

² See doc. GB.289/PFA/5.

5. Four contractors responded to the ILO's invitation to tender, the fifth contractor having in the meantime retracted its bid. The bids submitted by the four contractors were significantly lower than the proposals made by the same contractors in the first invitation to tender and are closer to the architect's original estimates. The results of the invitation to tender, as well as a cost analysis, were then submitted to the Contracts Committee in August 2004. The Office began negotiations to clarify certain technical issues, check the quality of the materials proposed, be assured of the working conditions of the workers employed by the contractors, visit various construction sites and examine the quality of the finish. It was a matter of negotiating favourable financial conditions, in particular a fixed price that would make it possible to avoid any subsequent price increase.
6. Whilst the price negotiated for this contract is considerably lower than that obtained during the first bidding process, it is still higher than the architect's initial estimates prepared in mid-2003. This difference is largely due to a substantial cyclical increase in the price of raw material imports, as well as current prices on the construction market. In order to complete the project according to the revised specifications a total budget of some US\$1.87 million would be required.
7. Given that such a budget would exceed the approved allocation by US\$170,000, the Office will revert to the architect to request specifications for a less costly construction, which will be the basis of further negotiations with the successful bidder. The Subcommittee will be informed of the results of these negotiations at its next session.

Geneva, 21 October 2004.

Submitted for information.