



## SIXTH ITEM ON THE AGENDA

**Report of the Building Subcommittee**

1. The Building Subcommittee of the Programme, Financial and Administrative Committee met on 14 March 2005. The Committee Officers were as follows: Mr. S. Paixão Pardo (Government member, Brazil): Chairperson and Reporter; Mr. M. Barde (Employer member): Vice-Chairperson; Mr. K. Ahmed (Worker member): Vice-Chairperson.

**Current construction projects: Update**

2. There was no Office paper for this agenda item. The Chief of the Internal Administration Bureau informed the Committee that there were two construction projects currently in progress which were for the ILO offices in Santiago and Dar es Salaam.
3. Construction of the Santiago premises was proceeding on budget and according to schedule and it was foreseen that the premises would be completed in May 2005 and handed over to the ILO at the end of June 2005. With regard to the local sales tax (IVA), a decree exempting the ILO from the payment of this tax was prepared and awaiting signature by the Government of Chile. The Office was also engaged in negotiations with the landlord of the current premises and was confident that a suitable tenant will be found.
4. Following discussion of the construction of the ILO office in Dar es Salaam last November, the Office renegotiated modifications to the project with the same contractor. The modifications reduced costs to the level authorized by the Governing Body but did not require fundamental structural changes. A letter of intent has already been signed and construction work is scheduled to start in April 2005 and to be completed in June 2006.
5. Mr. Ahmed (Worker member) welcomed the Office's updates on the Santiago and Dar es Salaam construction projects and hoped that the space made available by the projects will be used productively. He added, however, that he would have liked to have some information regarding the problems currently being experienced by the ILO offices in Abidjan and Port-of-Spain.
6. Mr. Barde (Employer member) supported Mr. Ahmed's comments.
7. The representative of the Government of the United Kingdom also supported Mr. Ahmed's comments and requested further information concerning the Abidjan and Port-of-Spain offices, as well as on expenditure in the various projects.

8. Concerning the construction project in Santiago, the Chief of the Internal Administration Bureau reported that US\$630,000, out of the total envelope of US\$1,685,000, had already been spent, while the balance was almost committed in full.
9. The Executive Director of the Management and Administration Sector said that, with regard to Abidjan, ongoing discussions were being held with the Government concerning staff issues and no final decisions had been taken to date. The Regional Director for Africa had visited Abidjan to discuss the situation with staff and the Government.
10. The acting Regional Director for Latin America and the Caribbean said that, following the fire at the Port-of-Spain office, staff had been relocated to temporary offices in the annex to the main building and in rented hotel rooms. New suitable premises had now been identified at a reasonable rent and a lease was to be entered into shortly with a new landlord. It was planned to move into the new rented premises in May 2005.
11. Mr. Blondel (Worker member) welcomed the information given by the Office regarding the Port-of-Spain office but was concerned about the situation in Abidjan. He requested further clarification and asked whether a decision had been taken as to whether the ILO would maintain an office in Abidjan and whether staff security could be guaranteed. Mr. Ahmed further requested information on the number of local staff remaining in the Abidjan office and also asked if the Office intended to set up a fully staffed office in a different location, rather than have staff spread out in different countries.
12. The Executive Director of the Management and Administration Sector emphasized that staff security was of utmost importance. Some staff were relocated to Dakar and Geneva and the security of staff still in Abidjan was closely monitored. There were still some 25-30 local staff in Abidjan. Their situation was being reviewed on a daily basis in consultation with them.
13. The Chief of the Policy and Administration Branch of the Human Resources Department added that all necessary security measures were being taken in Abidjan in coordination with the United Nations security system.

## **ILO accommodation strategy**

14. The Committee had before it a paper<sup>1</sup> concerning the ILO accommodation strategy.
15. The Executive Director of the Management and Administration Sector said that the paper had been prepared following a request by the Governing Body for the preparation of a detailed accommodation strategy. The document provided information on how the Office made decisions concerning the construction of office premises, the creation of new projects, health and safety and security issues as well as the current rules and procedures involved. Decision-making procedures and the involvement of the Governing Body were also covered.
16. The document provided an insight into the three main gaps that existed in the current strategy and requested guidance from the Subcommittee in that connection. Firstly, the document referred to reviewing the network of ILO field offices, a matter that was also subject to discussion in the context of the Programme and Budget proposals for 2006-07. Secondly, the paper also drew the Subcommittee's attention to the fact that a consistent set of guidelines was required to deal with ILO offices accommodating technical cooperation

<sup>1</sup> GB.292/PFA/BS/2.

projects with the possibility of projects making contributions to ILO office budgets in the future. Lastly, there was currently no medium- or long-term planning for the refurbishment of ILO buildings, especially the headquarters building. Here again, the Subcommittee's guidance was required in order to identify and develop those issues at a later date. It was suggested that the information note on possible options for financing renovation work at headquarters, also submitted to the Subcommittee, be considered together with the Office paper.

17. Mr. Barde (Employer member) referred to the standards of accommodation mentioned in the paper under paragraph 28(b), and wondered whether it was for the Subcommittee to determine that such standards were adequate. He also asked whether the review of the network of offices referred to in paragraph 28(c) was purely a building and accommodation issue, or was it a wider policy question. If so, it seemed to be outside the remit of this Subcommittee. Similarly, concerning paragraph 28(d), it was also debatable whether accommodation of technical cooperation activities was merely a technical issue.
18. He questioned why the proposed investment plan would be for five years, which seemed a short period. An investment plan was essential to avoid a similar situation to the one the Office had found itself in due to a lack of proper maintenance planning and the use of the Building and Accommodation Fund for purposes other than those it was originally set up for. At the same time, it would be extremely difficult to fund the five-year investment plan referred to in paragraph 28(e) without disrupting ILO programmes. Concerning the management of office space, he noted that the annex building which was originally constructed to house the IRIS project team was now being used only for language training.
19. With regard to the information note, the possibility of a new loan from FIPOI was an interesting proposition and it would also be interesting to know what the Office thought were the most feasible options and whether any consultations had been undertaken by the Office.
20. Mr. Ahmed (Worker member) shared the views of the Employers regarding long-term planning for repairs and maintenance and welcomed the Office's commitment to respecting safety and health standards in paragraphs 1(b) and 28(b) of the Office document. He wondered why staff were not happy with the working environment in the headquarters annex building and felt that a more comprehensive approach was required to tackle the issues involved.
21. With regard to the information note, although a further charge to technical cooperation projects for their use of ILO office accommodation would act as a disincentive to donors who are already charged 13 per cent to cover backstopping expenses, some funding for office maintenance was recognized as being essential, although this should have been foreseen earlier. Similarly, the substantial increase in the insurance premium of the headquarters building could have been avoided had a comprehensive maintenance programme been implemented earlier.
22. The possibility of funding repairs and maintenance through a new FIPOI loan seemed to be a reasonable option as was the rental of office space in the headquarters building, although it was not clear as to what impact this would have on security measures. The overall degradation of the headquarters building was a serious cause for concern.
23. Mr. Blondel (Worker member) agreed with both Mr. Ahmed's and Mr. Barde's comments regarding paragraph 28. Ensuring that standards are respected and deciding whether they are adequate or not is not the role of the Subcommittee. Similarly, decisions concerning reviews of the current network of established offices in developed countries and accommodation arrangements relating to technical cooperation projects could have

significant negative repercussions and were not considered to be part of the Subcommittee's role. Technical cooperation activities needed to be protected and charging projects for office rent would not be acceptable. The Committee's role did however include the discussion and consideration of the proposals put forward in the information note and the elimination of those which were not considered viable. The one proposition that seemed to be reasonable was that of a new interest-free loan from FIPOI. The renting of space at headquarters was another possibility but did not seem to be a viable option in view of the security and other issues involved. In addition, he questioned that there was any space free for rental, as an annex building had recently been constructed to address space shortage at headquarters.

- 24.** The representative of the Government of the United Kingdom said that IMEC has expressed concerns about the absence of a coherent accommodation strategy for the ILO for several years. Requests were made in successive Governing Body sessions to receive a strategy in line with the ILO's Strategic Policy Framework, its Human Resources Strategy, the draft budget and its security needs. Last November, the Office was again requested to speed up production of a first draft for consideration by the Building Subcommittee well before the Governing Body meeting. This latest document was therefore very disappointing and showed limited development and effectively delayed the introduction of an accommodation strategy indefinitely. At the same time, the Office was asking the Governing Body to consider the need for maintaining and upgrading the headquarters building at an estimated cost of US\$75-85 million. This was not good management practice and was damaging to the credibility of the Organization. It was difficult to understand why progress on the strategy had been so slow when work on new building projects supported by the Office seemed to have moved comparatively quickly.
- 25.** The disparate policies and practices currently governing accommodation decisions in the Office were noted and that was in part why the Office had been asked to adopt a more professional approach. Decisions taken using these policies had resulted in ad hoc decisions on building projects, and did not include any coherent information about renovation requirements elsewhere in ILO premises. There were therefore serious concerns that the ILO found it difficult to refuse gifts of land or accommodation. The ILO should have a policy of not accepting property donations unless the Office has already gone through a decision-making process involving the Governing Body, and determined that it had a need for a presence in a particular country. As a result of the ad hoc decision-making over the last few years, the Building and Accommodation Fund had therefore been depleted of funds that would have gone some considerable way towards meeting urgent requirements at headquarters, resulting in a request for a substantial budget increase. Compiling various documents in a compendium was no substitute for a fully integrated strategy, even as a temporary measure and little benefit could be gained from the proposal in item (a) of the proposed point for decision.
- 26.** What was needed was a document that combined the information in the appendices to GB.292/PFA/BS/2 with that contained in GB.291/PFA/BS/4, along with prioritized details of any urgent security or health and safety, or renovation work requirements in all ILO offices. Such a document could surely be produced within a few weeks, and certainly before the November 2005 Governing Body session.
- 27.** IMEC had requested, in its general statement on the budget, that any review of field offices should consider the whole ILO field structure and not just those offices in developed countries. IMEC also requested that the aim must be to provide more focused ILO assistance in line with the Strategic Policy Framework, while ensuring value for money and providing more effective services to constituents with the greatest need.

- 28.** Speaking as the United Kingdom Government representative, the speaker stated that it was acceptable for the review to start with ILO offices in developed countries. Given the pressures on the ILO budget, such a review was needed urgently. The goal was to fund accommodation for any new location through self-imposed discipline by terminating leases elsewhere, or by generating proceeds of sale from disposal of an owned property. Such a review should not only cover the buildings, but would need to detail personnel and other costs, alongside the services provided. The aim of increasing the ILO resources available for the regions was to ensure that greater resources reached constituents in developing countries. Therefore field offices also needed to be reviewed in developing countries to ensure that such offices were being put to the best possible use. It was therefore hoped that a rationalization of offices in developed countries would free up resources for use elsewhere.
- 29.** A more consistent approach on accommodation of technical cooperation projects was welcomed. However, there was no need for a separate policy framework. Instead, this should form an integral part of the accommodation strategy and should mirror best practice established by other UN funds and agencies, and take full advantage of the benefits and cost-saving possibilities of co-location.
- 30.** The Office should begin to find cost savings in other areas so that it can start setting aside resources for building renovations. In addition, the Office should also decide now that unexpected savings, or leftover funds, be earmarked for this purpose. The proposal by the Office to prepare a medium-term investment plan for construction and infrastructure maintenance requirements of ILO buildings, as recommended by the External Auditor, was welcomed. This will have to be carefully prioritized, and should either include all the information we have requested for the accommodation strategy, or be designed to be easily read alongside the strategy.
- 31.** The Office needed a plan that addresses the short-, medium-, and long-term needs of the headquarters building. The first step was to identify all requirements by hiring an independent architectural and engineering consultant to undertake a comprehensive building survey. This would not only identify immediate needs, but should also provide prioritization and cost information. The Office should focus on the essentials and provide the members with a ten to 15-year plan that addresses the highest priority needs first, with a reasonable approach that phases remaining work throughout the later years of the plan.
- 32.** Regarding the information note, the options presented were welcomed, but more work was needed on the detail. The initial response of the United Kingdom Government was as follows: funding from regular budget was not ruled out for at least part of the total requirement, given the dire situation in the Building and Accommodation Fund as a result of previous decisions; one-off contributions by member States were not supported, but there was no objection to member States making earmarked voluntary contributions for renovation work; a more proactive policy of renting out meeting rooms and car parking spaces was supported; the use of a conventional mortgage was not supported, but the potential for loans from the host country through FIPOI should be further explored; the sale of vacant plots of land belonging to the ILO, subject to any relevant UN headquarters security standard requirements, could also be explored; a PPP contract could be considered but the cost implications would need careful consideration. To conclude, a number of amendments to the decision paragraph were required in order that the United Kingdom could support the point for decision.
- 33.** The representative of the Government of Brazil stated that more details were required and that he would like to see the amendments to the point for decision, proposed by the United Kingdom representative, in writing before supporting the changes. The investment plan set out in paragraph 28(e) was supported, but more details were required with regard to the

funding options. Following a preliminary review, options 28(a), (d) and (f) seemed to be the most appropriate, but it was difficult to draw any conclusions without further details.

- 34.** The representative of the Government of Japan supported the statement made by the United Kingdom representative and agreed with the suggested amendments to the point for decision. The five-year investment plan for the headquarters and field office buildings which was proposed by the Office was also supported and should be submitted to the Governing Body as soon as possible. More details of the possible options for financing the investment should be submitted to the Building Subcommittee first, before being presented to the Governing Body, and none of the options should be excluded at that stage.
- 35.** In response to the question raised by the Employer members, the Treasurer and Financial Comptroller indicated that the various possibilities mentioned in the information note had been drawn up by the Office alone. However, to the extent that a number of those possibilities involved the host country, the Office had informed the Swiss authorities of the request by the Building Subcommittee for such a note. No detailed discussions about the feasibility of any specific option had taken place.
- 36.** Further to a series of consultations, the Chairperson provided a revised point for decision as follows:
- 37.** *The Committee may wish to recommend to the Governing Body that:*
- (a) it note the policy and practices currently governing accommodation decisions, and request that they be compiled in a compendium to be regularly updated by the Office, as a first step towards a more comprehensive accommodation strategy;*
  - (b) it request that the Office monitor and update its accommodation standards, as appropriate, according to evolving needs, especially in the area of safety and health;*
  - (c) it request the Office to prepare and distribute before the November 2005 session an accommodation strategy which sets out clearly the details of all ILO established offices, their running costs, the countries they cover, the staff they employ, whether the premises are owned, rented, provided by the host country or UN common premises, as well as a prioritized list of any urgent security, health and safety and renovation work requirements;*
  - (d) it request the Office to evaluate the accommodation arrangements relating to technical cooperation projects and to report to the Building Subcommittee in November 2005;*
  - (e) it request the Office to commission as soon as possible an independent technical survey of the headquarters building as a first step towards a ten to 15-year investment plan, and to consider possible sources of financing of such an investment plan for the updating and modernization of the headquarters building and the field offices, including possible changes to the rules governing the use of the Building and Accommodation Fund.*

Geneva, 15 March 2005.

*Point for decision:* Paragraph 37.