



Governing Body

338th Session, Geneva, 12–26 March 2020

GB.338/PFA/5/1

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

PFA

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FIFTH ITEM ON THE AGENDA

Other financial questions

Repayment of loan for the renovation of headquarters

1. The Governing Body will recall that the financial plan for the renovation of the headquarters building included loan finance of CHF70 million provided by the Government of the Swiss Confederation (host Government) at preferential rates. In order to avoid an ongoing regular budget impact, the repayment of the loan was to be financed from rental income generated from the newly renovated office space. The International Labour Conference at its 104th Session authorized the contracting of this loan.¹
2. At its 337th Session (October–November 2019),² the Governing Body was informed that the United Nations Children’s Fund (UNICEF) would be leasing most of the available space in the headquarters building, with an anticipated occupancy between July and October 2020. Negotiations with UNICEF have now been concluded and full occupancy and rental payments will commence on 1 December 2020. Once the loan from the host Government has been fully repaid, all rental income from UNICEF and other tenants will be paid into the Building and Accommodation Fund (BAF), in accordance with the Financial Regulations.³
3. Under the terms of the loan agreement with the host Government, the first of 30 annual payments of approximately CHF2.7 million (principal and interest) will be due for payment on 31 December 2020. Due to the delayed occupancy by UNICEF, a full year’s rental income will not have been received. After taking into account other rental income from the headquarters building, a shortfall of approximately CHF2 million is anticipated for 2020 with respect to the first payment due to the host Government which has advised that it will

¹ [ILC Provisional Record 8-2\(Rev.\)](#).

² [GB.337/PFA/2](#).

³ [Financial Regulations, article 11.3](#).

not be possible to delay or reduce the amount of the first instalment. Consequently, supplemental financing will be required.

4. It is proposed that the Governing Body authorize an advance of up to the full amount of the first instalment, namely, CHF2.7 million from the BAF, to meet the shortfall in available funds. The use of BAF resources for this first repayment would have no long-term impact since rental income received subsequently from UNICEF and other tenants will replenish the advance once the loan has been fully paid. An advance for 2020 would mean that, ultimately, rental income would flow into the BAF one year earlier, that is, in 2050 rather than in 2051 if it had been possible to defer the repayments for one year.

Draft decision

5. *The Governing Body authorized the Director-General to use up to CHF2.7 million from the Building and Accommodation Fund towards the repayment of the Swiss Government's loan for the renovation of the ILO headquarters building.*