



# Governing Body

340th Session, Geneva, October–November 2020

Programme, Financial and Administrative Section

PFA

Programme, Financial and Administrative Segment

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## Update on building questions: Headquarters building renovation project and ILO-owned premises in Abidjan

### Purpose of the document

This document provides updates on the headquarters building renovation project and the ILO-owned premises in Abidjan, as well as the financial matters related to each.

On the headquarters building renovation project, the document provides information on the current status of phase 1, developments related to the sale of the vacant ILO land, conclusion of the lease agreement with the United Nations Children's Fund, and measures being put in place to prepare for phase 2, including the security perimeter. It also contains a proposal on the way forward for the project and a draft decision on advance use of the Building and Accommodation Fund to repay the loan from the host Government.

On the ILO premises in Abidjan, the document provides an update on the key developments since March 2018 and the Office's recommendation to redevelop the premises with consideration for potential future rental income from surplus space. It also contains a proposal on the way forward for the project and a draft decision on its pre-financing from the Building and Accommodation Fund.

(See the draft decision in paragraph 30).

**Relevant strategic objective:** None.

**Main relevant outcome:** None.

**Policy implications:** None.

**Legal implications:** None.

**Financial implications:** Yes.

**Follow-up action required:** Further reports at future sessions of the Governing Body.

**Author unit:** Office of the Deputy Director-General, Management and Reform (DDG/MR); Office of the Treasurer and Financial Comptroller (TR/CF); Internal Services and Administration Department (INTSERV).

**Related documents:** GB.337/PFA/2; GB.337/PFA/2(Add.1); GB.335/PFA/3; GB.335/PFA/3(Add.); GB.334/PFA/PV; GB.334/PFA/2; GB.332/PFA/3; GB.332/PFA/INF/1; GB.331/PFA/6/1; ILC.104 *Provisional Record* 8-2(Rev.); Financial Regulations, article 11.3.

## ► Introduction

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1. At its 309th Session in November 2010, the Governing Body approved a comprehensive plan for the renovation of the entire headquarters building subject to financing. Following further architectural and engineering analysis, the scope of the works was adapted to meet, inter alia, the relevant local standards, which had been significantly amended in the intervening period, particularly in relation to fire safety issues and additional regulatory requirements. The associated cost increase required the works to be divided into two phases, with the first phase tailored to meet the available budget of CHF205.9 million and completion of the second phase dependent on finance being available. The Office has provided regular updates on the status of the project to the Governing Body twice a year.
2. At its 332nd Session (March 2018), the Governing Body was informed of the nature and extent of the works necessary to rehabilitate the ILO's premises in Abidjan, Côte d'Ivoire, and of the options that were being considered by the Office.<sup>1</sup> The property had been gifted to the ILO in 1990 by the Government of Côte d'Ivoire for the purpose of housing the ILO Regional Office for Africa.
3. The current document contains updates on the status of both the premises mentioned above, the Office's proposals for the way forward, and related financial arrangements.

## ► Headquarters building renovation project

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### Current status of phase 1

4. At its 337th Session (October–November 2019), the Governing Body was informed that the renovation of the final third of the building had been completed several months ahead of the official planned completion date and within budget. The installation of insulated glass in the large bay windows and fire escapes in the conference rooms, which is part of the lower floors (phase 1, stage 4) works, was interrupted by the COVID-19 pandemic. It is expected to be completed on schedule in October 2020.
5. The settling of the final accounts for phase 1, stages 1 to 3, is now complete. The Office is pleased to report a realization of savings of some CHF1.7 million, arising from funds set aside to address potential contingencies. These savings allowed the glazing in Room II to be added to the scope of the stage 4 works.
6. The total budget for phase 1, including these works, remains within the limits of the financial plan previously endorsed by the Governing Body, namely some CHF205 million. It is expected that the phase 1 accounts will be completely closed by the 2020 year-end. Any additional savings are foreseen to supplement the financing of phase 2.

### Sale of plot 4057

7. At its 337th Session (October–November 2019), the Governing Body authorized the Director-General to finalize contractual terms for the sale of plot 4057 located in

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<sup>1</sup> GB.332/PFA/INF/1.

Geneva; <sup>2</sup> decided to recommend to the International Labour Conference that it approve the transfer of the net proceeds of the sale to the Building and Accommodation Fund; and also decided that the proceeds of the sale required for the completion of Phase 2 of the renovation of the headquarters building, including the security perimeter, be allocated for that purpose. It will be recalled that the primary purpose of the sale of plot 4057 was to finance Phase 2 of the renovation project.

8. The unconditional sale of plot 4057 has been finalized and the land was sold for a base price of CHF150 million. This base sale price is subject to increase should the local authorities approve a building density greater than the statutory minimum of 1.8.

## Phase 2 of the renovation project

9. The Governing Body will recall from its previous discussions, most recently at its 335th (March 2019) and 337th (October–November 2019) Sessions, that the estimated cost of phase 2 has risen from CHF120 million to CHF128–131.1 million, as a result of a lack of continuity from phase 1 to phase 2, and that a margin of error of 15 per cent should be foreseen. <sup>3</sup>
10. The Office proposes to launch a call for bids in late September 2020 for the phase 2 works as described in Appendix I to the Office's update to the Governing Body at its 335th Session. <sup>4</sup> This would include a request for proposals on elements of the renovation of the lower floors previously removed from the scope of phase 2, such as the refurbishment of the cinema room and of Room VIII.
11. The phase 2 works will impact the availability of conference rooms and meeting spaces, as one third of the space will be closed at any given time over a three-year period. It is expected that works in the conference area will commence as of July 2021 and will affect Governing Body sessions and Conferences until the end of March 2024. Options for temporary conference facilities are being explored.

## Security perimeter

12. At its 337th Session, the Governing Body was informed of the security measures that had been implemented during the biennium 2018–19 and the measures to be further studied and implemented in 2020–21. <sup>5</sup>
13. As the commencement of phase 2 of the renovation project is expected for the third quarter of 2021, the Office proposes to integrate the upgrading of the security environment into the scope of the renovation works.
14. Work on a revised comprehensive security plan has been interrupted following the measures required to address the various issues related to the COVID-19 pandemic. The Office expects to be in a position to present a comprehensive plan to the Governing Body at its 341st Session in March 2021, following which an addendum to the call for bids for phase 2 of the renovation project will be issued. Further discussions will be scheduled with the Government of the host country with a view to presenting a plan for its consideration and to seek advice regarding its proposed contribution to its financing.

<sup>2</sup> GB.337/PFA/PV, para. 189.

<sup>3</sup> GB.335/PFA/3 and GB.337/PFA/2.

<sup>4</sup> GB.335/PFA/3.

<sup>5</sup> GB.337/PFA/2.

## Repayment of loan provided by the host Government

15. 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 (the host Government) at preferential rates. In order to avoid ongoing impact on the regular budget, 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.<sup>6</sup>
16. At its 337th Session (October–November 2019),<sup>7</sup> the Governing Body was informed that the United Nations Children's Fund (UNICEF) would be leasing most of the available rental space in the headquarters building, with anticipated occupancy beginning 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, in accordance with the Financial Regulations.<sup>8</sup>
17. 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. As a result of the delayed occupancy by UNICEF, a full year's rental income will not have been received by that date. 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 not be possible to delay or reduce the amount of the first instalment. Consequently, supplemental financing will be required.
18. 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 Building and Accommodation Fund, to meet the shortfall in available funds. The use of Fund 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.

## The way ahead

19. The Office is reviewing all phase 2 project documents, which were drawn up in 2015, to ensure that they still respond to current and future needs. In addition, it is developing the necessary documentation on the additional works. The terms of reference will then be completed and a formal bidding process initiated.
20. The Office will present the proposed final scope and estimated budget of phase 2 to the Governing Body at its 341st Session (March 2021). It is anticipated that the main contract for phase 2 will be awarded in early 2021 following the Governing Body's endorsement of the final scope and estimated budget, with work commencing mid-2021, taking some five years to complete.

<sup>6</sup> ILC 104 *Provisional Record* 8-2(Rev.).

<sup>7</sup> GB.337/PFA/2.

<sup>8</sup> Financial Regulations, article 11.3.

## ► ILO premises in Abidjan

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### Key developments

21. After a careful review of the options presented to the Governing Body at its 332nd Session in March 2018,<sup>9</sup> the Director-General considered that the Office's current and future requirements would be best met by the option consisting of the demolition of the main building, the construction of a smaller main building and the renovation and extension of the annex building. This preferred option was designed to accommodate 56 staff and was estimated at the time to have a cost of some US\$6 million. However, since March 2018, the number of ILO staff in Abidjan has increased to 63, which includes 43 staff working in the Regional Office and Country Office and 20 staff working on development cooperation projects.
22. Discussions have been held between United Nations (UN) agencies in Abidjan in the context of UN accommodation requirements. The UN Resident Coordinator submitted a formal request for the establishment of a UN House to the Government of Côte d'Ivoire in February 2020. At this stage, no response has been received from the Government.
23. The Office could at this point consider adding two floors to the ILO building, which could be made available to other UN agencies for rent in the future. These two additional floors would represent a surface area of 300 square metres (150 square metres per floor) and could accommodate around 30 staff. The investment cost for these two floors would be approximately US\$410,000 (US\$205,000 per floor). Based on the rent that the ILO currently pays to lease premises from the African Development Bank, the Office estimates an annual rental return of US\$72,000.
24. Further consultations on the subject have taken place with the Government of Côte d'Ivoire and, in December 2019, the ILO and the Government agreed to set up an appropriate mechanism of high-level collaboration in support of the redevelopment project. The Government will provide administrative support to the ILO, to facilitate the necessary permit and concessions.

### Proposed way forward

25. The Office is still in the process of reviewing the technical design of the preferred option and the associated financial estimates, in order to approve the preliminary study and prepare the necessary information and documentation to start the procurement process for construction project management services and the future redevelopment works. This is the same successful model that the Governing Body previously approved for the renovation of the premises of the ILO Country Office for Brazil, in Brasilia.<sup>10</sup>
26. The process of tendering for a construction management company and then for a construction company is expected to take 18 months, and it is anticipated that the actual works will start in mid-2022. The total duration of the project is estimated at four years, during which time the Regional Office and Country Office will continue to be accommodated in space leased from the African Development Bank.

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<sup>9</sup> GB.332/PFA/INF/1.

<sup>10</sup> GB.331/PFA/6/1.

## Financial arrangements

27. The total cost of the project is currently estimated at US\$6.35 million, or up to US\$7.2 million if an additional two floors are to be built. A number of elements related to safety and security would be funded from provisions within the region's regular budget for maintenance and security.
28. It is proposed that the redevelopment project be pre-financed from the Building and Accommodation Fund. Any future savings to the regular budget on the cost of renting ILO accommodation in Abidjan would be used to reimburse the Fund once the project is completed. The repayment period using the anticipated rental savings is estimated at 10 to 12 years. Any future rental income received from external parties such as UN agencies or from development cooperation projects will be credited to the Fund, as currently required under the Financial Regulations.
29. The Office will continue its discussions with the Government of Côte d'Ivoire in order to explore the possibility of Government assistance to finance the redevelopment project as an alternative to or to complement ILO direct financing.

## ► Draft decision

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### 30. The Governing Body, by correspondence:

#### (a) with regard to the headquarters building renovation project:

- (i) requested the Director-General to present to it, at its 341st Session (March 2021), the proposed final scope and estimated budget of phase 2 of the project; and
- (ii) 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, with reimbursement of this amount to the Fund from future rental income.

#### (b) with regard to the ILO premises in Abidjan:

- (i) authorized the use of the Building and Accommodation Fund to finance the redevelopment of the ILO premises in Abidjan, at an estimated cost of US\$7.2 million, on the understanding that this amount will be re-credited to the Fund using future savings on the cost of renting ILO accommodation in Abidjan and income from the rental of any surplus space; and
- (ii) requested the Director-General to continue to engage with the Government of Côte d'Ivoire regarding a potential financial contribution to the project.