



FOR INFORMATION

SECOND ITEM ON THE AGENDA

Refurbishment of the headquarters building: Financial considerations

Introduction

1. In March 2005, the Building Subcommittee recommended to the Governing Body through the PFAC that the Office commission “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 ...”.¹
2. In November 2006, the Building Subcommittee discussed a technical study on the renovation of the headquarters building. A detailed investment plan, spanning three phases between 2007 and 2016, was discussed as well as preliminary financial options. It concluded that renovation, rather than a new construction, was the better option for the ILO. The Subcommittee approved an expenditure from the Building and Accommodation Fund (BAF) of 7.7 million Swiss francs to finance phase I of most urgent renovation works. The Subcommittee requested the Office to submit more detailed financing options.²
3. In March 2007, the Building Subcommittee examined in more detail the financial options available to the ILO for the renovation plan. The land property held, in full or in lease, by the ILO, adjacent to its headquarters in Geneva, was discussed. The Subcommittee decided to recommend that “... the Office be authorized to enter into negotiations on the possible transfer or sale of land and of the leasehold, with a view to submitting a comprehensive plan for the financing of the renovation of the headquarters building ...”.³ The Governing Body endorsed this recommendation.

¹ GB.292/PFA/6.

² GB.297/PFA/3.

³ GB.298/PFA/11, para. 20.

External assistance to develop a comprehensive financial plan for the building renovation

4. In accordance with the Governing Body decision, and to ensure independent expert advice, the Office recruited the services of two consultants to carry out an assessment of financing options for the remaining 112 million Swiss francs required for the renovation of the building (estimate of 119.5 million Swiss francs less the investment of 7.7 million Swiss francs approved by the Governing Body).
5. The mandate of the consultants is to detail a set of options for the financing of the headquarters building renovation, including quantified financial options and an assessment of their political feasibility. With the help of these consultants, the Office is proceeding to finalize a comprehensive financial plan as well as pursuing discussions with the different parties involved.
6. The Director-General intends to report on the elements of a comprehensive financial plan, including related negotiations, at the next session of the Subcommittee in March 2008. Nevertheless it is appropriate for the Subcommittee to be informed of the main elements of the plan under development.

Initial parameters

7. The initial parameters are as follows:
 - (a) The ILO repays annually 3.7 million Swiss francs to the host Government, through the Fondation Immobilière pour les Organisations Internationales (FIPOI) until 2025 for the loan taken in 1975 to finance the construction of the headquarters building.
 - (b) The BAF shows a balance of uncommitted funds at 30 September 2007 of some US\$640,000. The 2008–09 budget includes an allocation of US\$2.5 million for the BAF.
 - (c) The State of Geneva has published an urban development plan entitled “Jardin des Nations” comprising the area between the Place des Nations and the commune of Grand-Saconnex, including the area owned and occupied by the ILO in Geneva. This plan is still under discussion.
 - (d) By implication the final zoning and density regulations within this urban development plan remain as yet undetermined. This makes it very difficult to determine the value of the three plots of land owned directly or indirectly by the ILO. A reference value of 1,000 Swiss francs per m² was provided in document GB.298/PFA/BS/2. These estimates will evolve depending on the outcome of the future “Jardins des Nations” plan.
 - (e) The Government delegate from Switzerland stated at the 96th Session of the International Labour Conference (June 2007) that “... the responsibility for maintaining and refurbishing a property lies with the owner of the building. In this case it is the ILO that is the owner of its headquarters building in Geneva. (...) The ILO must therefore provide in its regular budget a sufficient amount of resources to finance the maintenance and renovation of its infrastructure” (*Provisional Record* No. 25).

- (f) The Worker members of the Building Subcommittee have clearly indicated that, in their view, any planned use of regular budget funds for the purpose of renovating the building would require a corresponding increase in the level of the budget.⁴
- (g) The Employer members stressed the urgency of renovating the building and called on “joint efforts between the ILO and the Swiss authorities”.⁵
- (h) Countries hosting United Nations organizations have adopted varying arrangements to fund new buildings, as well the renovation of existing buildings.

Main elements of a possible comprehensive financial plan for the renovation of the headquarters building

8. From the outset it is clear that only a combination of modalities would enable the ILO to put together a viable financial package. Such a package should take account of financially, legally and politically feasible options. It would require close consultations and coordinated actions with and between the various interested parties. Subject to further discussions and negotiations with all interested parties, the possible elements of a financial package could include the following:

(a) *Moratorium on the current ILO building loan*

One option is to negotiate a possible agreement with the host country, through the FIPOI, for a 20 to 25 years’ moratorium on the repayment of the current loan of the ILO (3.7 million Swiss francs per year).

(b) *A commercial loan*

Based on the current annual repayment of the existing loan, the ILO could negotiate a structured and syndicated loan on the international financial market of a duration of 20 to 25 years.

(c) *A commercial loan guaranteed by the Swiss Government*

No United Nations organization currently benefits from a financial “rating”. A financial guarantee from the Swiss Government, which enjoys an excellent rating on the international capital market, would enable an ILO loan to benefit indirectly from a financial rating. It would also improve the terms of a possible commercial loan.

(d) *Sale of land property held by the ILO*

As summarized in document GB.298/PFA/BS/2 the ILO owns two plots of land (respectively 40,500 m² and 7,200 m²) adjacent to the grounds of its headquarters. The ILO also holds building rights on a plot of land (21,100 m²) along the avenue de Ferney. As indicated above, the sale value of these plots is still subject to varying estimates depending on the outcome of ongoing consultations of the urban development “Jardin des Nations” plan. The outcome of a possible sale has implications for option (b) above.

⁴ GB.298/PFA/11, para. 12.

⁵ GB.298/PFA/11, para. 13.

(e) *State of Geneva interest in the leasehold of 22,000 m²*

In preliminary discussions with ILO consultants, the State of Geneva has indicated its interest in the plot of land along the avenue de Ferney that is central to the urban development “Jardin des Nations” plan.

(f) *Lease of office space in a renovated ILO building*

Subject to different office space arrangements, it would be feasible for the Office to lease out a part of the renovated ILO building. The demand for office space is sustained in Geneva, particularly among United Nations organizations. This would provide the Office with a source of income that could be channelled to the BAF.

9. Two other options could merit examination in the context of a comprehensive financial package, namely contributions from the ILO regular budget to the BAF, as well as extraordinary contributions from member States. These latter options could be considered following an assessment of the options identified above.
10. Taken together, the above options point to one conclusion: given certain assumptions it would be possible for the ILO to raise some 112 million Swiss francs to finance the renovation of the ILO headquarters building. The assumptions and options at hand seem compatible with the initial parameters identified in paragraph 7.
11. This possibility is, however, highly dependent on two variables. First the decision of the Governing Body regarding the sale of all or parts of the plots of land held directly and indirectly by the ILO. This decision would be informed by an assessment of the long-term interest of the ILO and by the market value of all or parts of the plots of land. The second variable is the outcome of ongoing discussions and possible negotiations with the State of Geneva and with the host government over the options identified herewith.
12. The Director-General would appreciate the views of the Subcommittee as the Office pursues discussions and negotiations with all interested parties in order to prepare, for submission in March 2008, a comprehensive plan for the financing of the renovation of the headquarters building whilst attending to the ILO’s long-term interests and needs.

Geneva, 9 October 2007.

Submitted for information.

Appendix

Information on arrangements for renovation works in United Nations buildings in various host countries

Recent examples include:

- UN Office in Vienna, Austria: The Vienna International Centre was recently renovated, including the removal of asbestos. This renovation was almost entirely financed by the host government.
- FAO in Rome, Italy: Major renovation works are carried out regularly depending on requirements. These are entirely financed by the host government as and when the need arises. Recent investments include the renovation of the library and the roofing of the FAO building.
- UNESCO in Paris, France: The host government has provided and guaranteed an interest-free loan to finance the complete renovation of the UNESCO headquarters.
- UN in New York: A capital master plan for the renovation of the UN headquarters building has been prepared for an estimated investment of US\$1.9 billion. Member States have agreed that "... the costs of the capital master plan are expenses of the Organization to be borne by member States ..." (General Assembly resolution A/RES/61/251 of 8 March 2007). Assessments on member States will be based on the regular budget scale of assessments applicable for 2007.