



Governing Body

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

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SIXTH ITEM ON THE AGENDA

Other financial questions

Financial arrangements for the renovation of the premises of the ILO Country Office for Brazil

Purpose of the document

The Governing Body is invited to decide that the unfunded portion of the cost of the renovation of the premises of the ILO Country Office for Brazil, which is estimated at US\$1.15 million, will be charged to the Building and Accommodation Fund (see the draft decision in paragraph 8).

Relevant strategic objective: All.

Main relevant outcome/cross-cutting policy driver: Enabling outcome C: Efficient support services and effective use of ILO resources.

Policy implications: None.

Legal implications: None.

Financial implications: It is proposed that the renovation be partially financed through the use of US\$1.15 million from the Building and Accommodation Fund.

Follow-up action required: None.

Author unit: Internal Services and Administration Department (INTSERV).

Related documents: None.

Premises of the ILO Country Office for Brazil

Introduction

1. The ILO Country Office for Brazil, located in the northern part of Brasilia, currently accommodates some 28 staff and was constructed on a plot of land donated to the ILO in May 1984 by the Government of Brazil. The premises consist of a main building with a surface of approximately 1,000 square meters, a small exterior building and a garden. The premises have not undergone any major renovation since construction.

Condition of the premises

2. A recent survey conducted by a reputable local architectural and engineering company has shown that the premises no longer meet elementary standards of functionality and are not fully compliant with the United Nations minimum operating security standards (MOSS). The premises regularly require ad hoc repair, which is expensive and disruptive, and they contain obsolete technical installations. Poor insulation and deficiencies in the building envelope result in high energy consumption generating avoidable costs and an undesirable environmental impact. The major deficiencies are described below:
 - (a) There are structural cracks in a number of walls; the structure shows signs of carbonation and the roof is no longer airtight nor waterproof and generally lacks insulation.
 - (b) The external windows lack the required security protection to make them MOSS compliant and the guard building is currently unusable.
 - (c) Work has commenced to undertake the partial renovation of the electricity, telephone, data and water networks, which are in a highly critical and precarious condition, but further investment will be required in order to ensure full compliance with functional and safety standards.
 - (d) The internal fit-out of the offices is in need of refurbishment.

Options

3. The survey prompted consideration of a number of possible options to remediate the situation, as set out below:
 - (a) *The renovation of the current premises.* This option, with an estimated total cost of US\$1.61 million,¹ would solve all technical issues, improve working conditions and render the building safe and secure.
 - (b) *The sale of the property.* The plot of land was donated to the ILO with a condition that any sale would require Government approval and the remittance of the land value content of the sale (estimated at US\$3,128,810 in December 2016) to the Government. Taking into account the obsolescence of the building and the high value of the land, the ILO would obtain little benefit from such a sale.

¹ As estimated by the architect as part of the comprehensive survey.

- (c) *The complete demolition of the building and the construction of a new building.* Discussions with the local authorities have indicated that, while the terms of the donation do not contain any limitation with respect to the buildings and annexes that could be constructed on the land, the building is widely considered to be part of Brasilia's cultural heritage. It was designed by the office of Oscar Niemeyer, the architect of most of the emblematic buildings in Brasilia. While no objections are anticipated with regard to renovations that respect the architectural characteristics of the building, the complete demolition of the building and the construction of a new building is not considered to be a viable option.
- (d) *The rental of alternative premises on a permanent basis.* Extensive market research was carried out to identify suitable rental accommodation. The research found that the United Nations House in Brasilia currently has no space available for long-term rental. Furthermore, no commercial properties with sufficient office space, complying with MOSS and basic office requirements, were identified in the sector designated for embassies and international organizations. In other sectors of the city, some commercial properties were identified. Renting a property in a sector other than the one designated for embassies and international organizations would require approval from various Brazilian ministries and security clearance by the United Nations Department of Safety and Security. The least expensive option identified would represent an annual rent of US\$338,000. Comparing this amount to the estimated total cost of the renovation would show a payback period of some five years, which would reduce further if the one-time costs of setting up in the rented building were included.

Preferred option

4. The Director-General considers that, taking into account the above factors, the Office's requirements would be best met by the renovation of the existing ILO premises in order to make them more functional, fully MOSS compliant and more cost efficient in terms of operation and maintenance.

Project duration

5. The duration of the renovation work is estimated at 12 months and would involve the temporary relocation of staff. The Country Office would have the possibility to rent temporary space in the United Nations House at a convenient distance from the existing ILO premises. An indicative timetable has been prepared, which envisages the launch of tendering process in November 2017; the finalization of contracts in March 2018; the relocation of staff and commencement of project works in April 2018; and project completion in April 2019.

Financial arrangements

6. The total renovation cost is estimated at US\$1.61 million. A summary of the estimated costs is provided in the appendix. Of the total cost of the project, a number of elements related to safety and security would be funded from provisions existing within the regular budget for maintenance and security, and these have already been initiated due to the urgent need. This internal funding reduces the funding requirement by US\$460,000. It is proposed that the remaining US\$1.15 million be financed from the Building and Accommodation Fund.

7. The Building and Accommodation Fund is used, subject to the authorization of the Governing Body, to meet the costs of construction, alterations and significant repairs to real estate that is owned by the ILO. Routine maintenance and ongoing premises repair costs are covered by the regular budget. As of 31 July 2017, the balance available on the Building and Accommodation Fund amounted to some US\$8 million.

Draft decision

8. *The Governing Body authorizes the use of the Building and Accommodation Fund in order to cover the unfunded portion of the cost of the renovation of the premises of the ILO Country Office for Brazil, which is estimated at US\$1.15 million.*

Appendix

Breakdown of the estimated cost of renovating the premises of the ILO Country Office for Brazil (US\$)

Item	Description	Cost	Available funds	Building Accommodation Fund
1.	Preliminary work	40 080	–	40 080
2.	Relocation cost	47 030	–	47 030
3.	Building envelope	129 960	–	129 960
4.	Internal fit-out	564 250	–	564 250
5.	Thermal and acoustic insulation	211 335	100 000	111 335
6.	Technical and security installations	370 100	360 000	10 100
7.	Engineering and project management	250 000	–	250 000
Total cost		1 612 755	460 000	1 152 755