

GAO

Report to the Chairman, Committee on
Foreign Relations, U.S. Senate

January 2001

EMBASSY CONSTRUCTION

Better Long-Term Planning Will Enhance Program Decision-making



Contents

Letter	3
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Appendixes		
Appendix I:	Funding for the State Department's Embassy Security Construction Program	22
Appendix II:	Overview of State's Initial 10 Priority Projects	26
Appendix III:	Factors Contributing to Costs of New Embassies and Consulates	53
Appendix IV:	Initiatives to Improve Management and Project Delivery Processes at the Office of Foreign Buildings Operations	54
Appendix V:	Comments From the Department of State	57
Appendix VI:	GAO Contact and Staff Acknowledgments	63

Tables		
Table 1:	Expected Occupancy Date, Number of Personnel, and Estimated Cost for State's 10 Priority Projects	7
Table 2:	Status of U.S. Embassy and Consulate Security Construction Funds	22
Table 3:	State's Planned Use of 1999 Emergency Supplemental Funds to Begin Replacing Seven Highest-risk Embassies and Consulates	23
Table 4:	State's Planned Use of Fiscal Year 2000 Funds to Continue Replacement Program	24
Table 5:	New Embassy Project in Kampala, Uganda	27
Table 6:	New Embassy Project in Doha, Qatar	29
Table 7:	New Embassy Project in Tunis, Tunisia	32
Table 8:	New Embassy Project in Dar es Salaam, Tanzania	35
Table 9:	New Embassy Project in Nairobi, Kenya	38
Table 10:	New Consulate Project in Istanbul, Turkey	40
Table 11:	New Embassy Project in Zagreb, Croatia	42
Table 12:	New Consulate Project in São Paulo, Brazil	45
Table 13:	New Consulate Project in Rio de Janeiro, Brazil	48
Table 14:	New Embassy Project in Luanda, Angola	51

Figures		
Figure 1:	Construction Underway at Site in Kampala, Uganda, as of September 2000	9
Figure 2:	Existing Embassy in Kampala, Uganda	27
Figure 3:	New Embassy Planned for Kampala, Uganda	28
Figure 4:	Embassy in Doha, Qatar, Prior to Bombings in Africa	30
Figure 5:	New Embassy Planned for Doha, Qatar	31

Contents

Figure 6: Existing Embassy in Tunis, Tunisia	33
Figure 7: New Embassy Planned for Tunis, Tunisia	34
Figure 8: Embassy in Dar es Salaam, Tanzania, Before Bombing	36
Figure 9: Design for New Embassy in Dar es Salaam, Tanzania	36
Figure 10: Embassy in Nairobi, Kenya, Before Bombing	38
Figure 11: New Embassy Design for Nairobi, Kenya	39
Figure 12: Existing Consulate in Istanbul, Turkey	41
Figure 13: Design for New Consulate in Istanbul, Turkey	41
Figure 14: Existing Embassy in Zagreb, Croatia	43
Figure 15: New Embassy Planned for Zagreb, Croatia	44
Figure 16: Existing Consulate in São Paulo, Brazil	46
Figure 17: Existing Consulate in Rio de Janeiro, Brazil	49
Figure 18: Existing Embassy in Luanda, Angola	51
Figure 19: Design for New Embassy in Luanda, Angola	52

Abbreviations

USAID U.S. Agency for International Development



United States General Accounting Office
Washington, D.C. 20548

January 22, 2001

The Honorable Jesse Helms
Chairman, Committee on Foreign Relations
United States Senate

Dear Mr. Chairman:

The State Department has determined that about 80 percent of overseas U.S. diplomatic facilities do not have adequate security and may be vulnerable to terrorist attack. In August 1998, after the U.S. embassies in Nairobi, Kenya, and Dar es Salaam, Tanzania, were bombed by terrorists, the State Department began a program to replace its vulnerable facilities on an accelerated basis with new, secure embassies and consulates. State selected 10 projects that it believed should be built first.¹ State envisions a 10- to 15-year program costing \$15 billion or more for construction projects in more than 180 locations around the world where the existing facilities may be vulnerable. Planning and implementing this program will be a massive and difficult undertaking, requiring that State, other U.S. agencies, and the Congress work together to determine facility needs, priorities, and funding levels. The Congress has appropriated a total of about \$1.1 billion for this program for fiscal years 1999, 2000, and 2001.

In response to your concerns regarding the planning and execution of this multibillion dollar program, we (1) determined the status of the 10 priority embassy and consulate construction projects and (2) assessed State's plans for the overall construction program. As you requested, we also identified the steps State is considering to improve the management of its Office of Foreign Buildings Operations, which is responsible for managing the embassy construction program, as well as State's efforts to increase the efficiency of its embassy construction processes. This information is contained in appendix IV.

¹The priority projects are in Kampala, Uganda; Doha, Qatar; Tunis, Tunisia; Dar es Salaam, Tanzania; Nairobi, Kenya; Istanbul, Turkey; Zagreb, Croatia; São Paulo and Rio de Janeiro, Brazil; and Luanda, Angola.

Results in Brief

In September 1998, State expanded its capital construction program to accelerate replacing its most vulnerable embassies and consulates by acquiring sites and preparing plans at 10 priority locations. As of November 2000, seven projects are in the construction phase.² The remaining three projects are on hold pending agreement between State and congressional committees regarding the Department's construction proposals. The first replacement projects scheduled for completion are the embassies in Kampala, Uganda, and Doha, Qatar, in 2001; and Tunis, Tunisia, and Dar es Salaam, Tanzania, in 2002. Two more embassies and one consulate are expected to be completed in 2003, and completion dates for three projects have not yet been established.

Although State envisions a long-term, multi-billion dollar program and has ranked over 180 facilities it may need to replace, it has not prepared a long-term capital construction plan that identifies (1) proposed construction projects' cost estimates and schedules and (2) estimated annual funding requirements for the overall program. Long-term capital planning is a best practice that has proven useful to other organizations in the public and private sector for controlling capital costs and providing decisionmakers a rationale for allocating funding. Leading organizations develop long-term capital plans to guide implementation of organizational goals and objectives and help decisionmakers establish priorities over the long term. Moreover, preparation and use of a long-term capital construction plan would be in the mutual interests of both the executive and legislative branches in their efforts to reach consensus on the program's requirements. A long-term plan would facilitate congressional consideration of State's funding requests and could help to establish accountability for program results.

To enhance program decision-making and accountability, we are recommending that the Department prepare and present a long-term capital construction plan to the Congress. Because the State Department indicated that it does not plan to implement our recommendation, we are also including a matter for congressional consideration to require that State prepare such a plan and present it to the Congress.

²Construction is underway and/or a construction contract has been signed.

Background

The State Department has security standards for U.S. diplomatic facilities to protect employees and property.³ A key legal requirement is that new embassy and consulate buildings have a setback of 100 feet from the exterior wall of the building to the perimeter wall or fence to provide protection against blast and for other reasons. To provide adequate security, State has determined that it needs to replace most existing facilities that do not meet these standards.⁴ Although the Department of State has made substantial security enhancements at U.S. embassies and consulates,⁵ including acquiring adjacent properties to increase setback, building concrete barriers, and installing electronic cameras and sensors, these enhancements cannot bring most existing facilities in line with the desired setback and related blast protection requirements because the facilities are on small pieces of land. Larger building sites, which are expensive and frequently hard to acquire in urban areas, are typically needed to construct new facilities with sufficient setback to protect against attacks.⁶

After the Africa bombings, the administration established two Accountability Review Boards, pursuant to the Omnibus Diplomatic Security and Anti-Terrorism Act of 1986 (P. L. 99-399, 22 U.S.C. 4831, et seq., as amended), to review the circumstances surrounding the bombings and State's vulnerability to terrorist threats.⁷ In January 1999, the boards made recommendations on responding to terrorist threats, strengthening security standards and procedures, determining the size and composition

³State implements standards established by the Overseas Security Policy Board. These standards are contained in State's "Foreign Affairs Handbook."

⁴At some posts, State has been able to acquire property adjoining the existing embassy or consulate, or make other security modifications, thereby enhancing security without replacing the existing facility.

⁵On March 8, 2000, we reported on State's actions to improve security at existing facilities. (See *State Department: Overseas Emergency Security Program Progressing, but Costs Are Increasing* (GAO/NSIAD-00-83)).

⁶According to State, the blast mitigation standard permits a setback of less than 100 feet if the protection offered by modified construction techniques is equivalent to that offered by a standard blast-resistant building with a 100-foot setback.

⁷The two boards were led by Admiral William J. Crowe, Jr. One board focused on the bombing in Nairobi, Kenya, and the other focused on the bombing in Dar es Salaam, Tanzania. The boards issued a joint report in January 1999 entitled *Report of the Accountability Review Boards on the Embassy Bombings in Nairobi and Dar es Salaam*.

of U.S. missions, and providing funding for safe buildings and security programs in the future. The boards recommended that State receive \$1 billion annually over a 10-year period to construct new, secure facilities.

The State Department's Office of Foreign Buildings Operations is responsible for managing construction of embassies and consulates as well as performing construction-related security upgrades and maintaining overseas properties valued at over \$12 billion. Throughout the 1990s, this Office typically received about \$400 million yearly to carry out its routine, real property functions. In this time period, the Office also managed the completion of the construction of more than 20 new embassy and consulate facilities, most of which were authorized and funded under the Omnibus Diplomatic Security and Anti-Terrorism Act of 1986 (commonly called the "Inman Program").

In fiscal years 1999, 2000, and 2001, State received a total of about \$1.1 billion to build new, secure embassies and consulates.⁸ State had also requested an advance appropriation of \$3.35 billion for fiscal years 2002-2005 to ensure a steady stream of funding for an expanded construction program, but this was not approved by the Congress. The Conference Committee Reports on State's appropriations for embassy construction have directed State to submit a plan on how it plans to use the money. The reports also direct State to receive approval of the appropriations committees before an obligation or expenditure of funds for capital and rehabilitation projects.⁹ If issues arise with a particular proposal or project, State pursues a number of options with the Committees, including making adjustments to the planned project and/or reprogramming of appropriated funds for other projects. Appendix I provides greater detail on State's budget requests and related Committee actions.

⁸In addition to replacing vulnerable facilities under the embassy security construction program, State's budget included about \$40 million for other capital projects during fiscal years 1999 to 2000.

⁹Pursuant to the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (P.L. 105-277), the Consolidated Appropriations Act for Fiscal Year 2000 (P.L. 106-113), and the State Department's Fiscal Year 2001 Appropriations Act (P.L. 106-553), and the accompanying Conference Reports (H. Rept. 105-825, H. Rept. 106-479, and H.Rept. 106-1005, respectively).

Status of Initial Projects

Following the 1998 embassy bombings, State placed a priority on 10 projects.¹⁰ These projects were for five posts in Africa—Kampala, Uganda; Dar es Salaam, Tanzania; Nairobi, Kenya; Tunis, Tunisia; and Luanda, Angola—and five posts in other regions—Doha, Qatar; Istanbul, Turkey; São Paulo and Rio de Janeiro, Brazil; and Zagreb, Croatia. Seven of the 10 projects are moving forward, and 3 are on hold. State also began to identify sites and perform preliminary planning for projects at more than 30 other posts. (See app. I.)

Table 1 shows scheduled occupancy dates, planned number of personnel at the post, and estimated cost for State’s first 10 priority projects, as of November 2000. Appendix II provides a detailed description of the status of the 10 priority projects.

Table 1: Expected Occupancy Date, Number of Personnel, and Estimated Cost for State’s 10 Priority Projects

Dollars in millions

Location of project	Project phase	Expected occupancy date	Facility size by number of personnel	Estimated cost ^a
Kampala, Uganda	Construction	Jan. 2001	96	\$32.5
Doha, Qatar	Construction	Apr. 2001	74	22.5
Tunis, Tunisia	Construction	Sept. 2002	104	86.0
Dar es Salaam, Tanzania	Construction	Nov. 2002	98	51.2
Nairobi, Kenya	Construction	Mar. 2003	278	67.8
Istanbul, Turkey	Construction	Apr. 2003	141	83.2
Zagreb, Croatia	Construction	May 2003	142	66.9
São Paulo, Brazil	Design (on hold)	Undetermined	Undetermined	101.9 ^b
Rio de Janeiro, Brazil	Site purchase (on hold)	Undetermined	Undetermined	96.8 ^b
Luanda, Angola	Design completed (on hold)	Undetermined	98	39.2 ^c
Total				\$648.0

^aAccording to State, project costs are not easy to compare to each other because of unique local conditions, such as local economy and workforce, taxes, fees and permits, delivery system, weather, and site topography.

^bPreliminary cost estimates.

¹⁰In addition, State reestablished operations in interim facilities in Nairobi, Kenya, and Dar es Salaam, Tanzania, and moved the embassy in Doha, Qatar, into more secure interim facilities.

°Cost estimates are based on initial State assumptions that a construction contract would have been awarded in October 2000.

Source: Department of State data.

The estimated costs for these projects ranged between \$22 million and about \$100 million. According to State, these costs are much higher than for a typical commercial office building of similar size in the United States due to several factors, including basic structural requirements, the unique access control and security requirements, and the difficulties associated with construction in developing countries. Appendix III provides more information about some of the factors contributing to the costs for constructing diplomatic facilities.

Seven Projects Moving Ahead

Seven of the 10 priority projects are progressing and are in the construction phase. The first project scheduled for completion is in Kampala. State signed a design/build contract for this project with a major U.S. contractor in September 1999 and move-in is scheduled for January 2001. Because of security concerns at the post, the Kampala project was “fast-tracked” on the most compressed schedule ever attempted by State. Construction is scheduled to be completed in about 15 months, which is about half the time normally required for the construction phase of a project of similar size.¹¹ Figure 1 illustrates the status of construction.

¹¹According to State, in the past it has taken 5 to 7 years to acquire a site, design, and construct a typical new embassy under traditional (design, bid, and build) delivery systems.

Figure 1: Construction Underway at Site in Kampala, Uganda, as of September 2000



Source: State Department.

The second project scheduled for completion is in Doha, Qatar. State has leased an unfinished building in Doha to replace its current embassy. Construction by a local firm began in August 1999 to retrofit the building to meet embassy requirements, and the move-in is scheduled for April 2001.

In Nairobi and Dar es Salaam, the contractor is preparing the site for construction (site mobilization). In September 1999, State hired a major U.S. construction firm to design and build these embassies.¹² Construction contracts have been signed for the projects in Zagreb, Tunis, and Istanbul.

Three Projects Are on Hold

As of November 2000, State's site acquisition/design proposal for a new consulate in Rio de Janeiro, its design proposal for a new consulate in

¹²The compounds include separate facilities for the embassy and offices for the U.S. Agency for International Development (USAID). Construction funding for the USAID facility in Dar es Salaam has been received, and funding for the USAID facility in Nairobi was included in State's fiscal year 2001 budget request.

São Paulo, and its construction proposal for a new embassy in Luanda, were on hold.

According to State officials, State's site acquisition proposal for Rio de Janeiro encountered congressional concerns that State had not adequately considered options for reducing post size by (1) combining some post functions in regional operations and (2) right-sizing consular operations in Brazil, which include major operations in both Rio de Janeiro and São Paulo. In addition to the existing embassy in Brasilia, Brazil, State proposed to spend about \$200 million to build two new consulates—one in Rio de Janeiro to accommodate about 145 personnel and one in São Paulo to accommodate 97 staff. The congressional concerns are consistent with overseas staffing issues identified in our prior work.¹³ For several years, we have encouraged the executive branch to rethink its overseas presence with a view to right-sizing posts and conducting regional operations where feasible. Because the Congress has not approved State's proposal for the Rio de Janeiro project, State has notified the Congress of its intent to reprogram \$22.8 million from the fiscal year 1999 supplemental appropriation for this project to partially fund the project in Abu Dhabi, United Arab Emirates.¹⁴ In September 2000, State signed a design/build construction contract for a new embassy in Abu Dhabi.

For the project in São Paulo, site acquisition has been approved but according to State officials, the Senate Appropriations Committee has not approved State's plan to demolish buildings on the site. The Committee suggested that State attempt to incorporate the existing buildings into its overall construction design. State does not believe that it would be feasible to bring the existing buildings up to security standards and plans to discuss other options with the Committee.

The proposed construction project in Luanda is not moving forward because of congressional concerns that it does not meet the 100-foot setback requirement. State proposed building a facility with a 65-foot setback, which is 35 feet less than required by State's current security

¹³Our July 19, 2000, testimony high-lighted the ongoing attempts to right-size U.S. overseas presence at embassies and consulates as one of the management challenges facing State (*State Department: Progress and Challenges in Managing for Results* (GAO/T-NSIAD/AIMD-00-254)).

¹⁴State had initially planned to use \$2 million in fiscal year 2000 funds to conduct a site survey and initiate design for a new facility in Abu Dhabi.

standards. The Secretary of State granted a waiver from the security standards based on State's plan to design the building to meet blast standards at the lesser distance. According to State, potential blast effects on the planned facility would be mitigated by strengthened construction methods and techniques, providing equal security performance to that of a standard blast-resistant building with a 100-foot setback, thus providing the same level of protection. State indicated that the alternative sites it had identified that would meet the setback requirements did not have a secure title due to uncertainties regarding land ownership in Luanda. According to State officials, as of November 2000, the Congress had not agreed to provide security appropriations for the Department's Luanda project.

State Has Ranked Future Projects, but Has Not Developed a Long-Term Construction Plan

State envisions a long-term program, but it has not prepared a long-term capital construction plan for facility replacement that identifies the estimated cost and construction schedules for planned projects, as well as projected annual funding requirements for the overall program. According to State officials, it is difficult to accurately estimate long-term construction costs and schedules and they cited changing staffing needs and space requirements as one of the primary reasons. State also indicated that construction schedules will depend on the level of funding provided by the Congress. Industry and local government leaders use long-term capital plans as management and oversight tools even when the plans are based on preliminary assumptions and estimates. Those estimates and assumptions are typically revised and refined as information becomes available, further enhancing the decision-making process.

State has ranked the more than 180 facilities that it proposes to replace and/or provide with major security enhancements into groups or "bands" of 20 in order from the most vulnerable to the least vulnerable to terrorist attack. The ranking, which is provided to the Congress annually, is intended to serve as a guide for which embassies and consulates State would replace first. In addition to its 10 priority projects, State's planned uses of funds appropriated and/or requested for fiscal years 1999-2001 included initial project planning, site identification, and/or site acquisition stages for potential construction projects at more than 30 posts. State had also requested an advance appropriation of \$3.35 billion as part of the fiscal year 2001 budget to continue the replacement program in fiscal years 2002

through 2005.¹⁵ In its budget request, State did not identify specific projects, or their potential costs and replacement schedules, for the requested advance appropriation. According to State officials, although the request did not identify specific projects, costs, and schedules, they had intended to use the funds to address projects primarily in the first three bands.

However, State officials said that some of State's initial site acquisition proposals at these posts have encountered congressional opposition. For example, the Senate Appropriations Committee approval was denied in April and later in September 2000 for the acquisition of proposed sites in Antananarivo, Madagascar; Bamako, Mali; Bujumbura, Burundi; Karachi, Pakistan; and Sarajevo, Bosnia-Herzegovina. According to State officials, issues that have led to difficulties in obtaining Committee approval included questions about the location of proposed sites and the priority of projects. State indicated that it is working to resolve these issues and that it hopes to receive congressional support so it can move forward on proposals and will remain able to acquire its preferred sites in the future.

State's planning for the program focuses on its ranking of banded projects along with a more detailed budget submission for the upcoming fiscal year. State does not clearly indicate the order that projects will be done; identify estimated costs for critical project elements, such as site acquisition and construction; or indicate project completion schedules beyond the upcoming fiscal year.

State officials questioned the value of preparing and presenting a longer-term, more detailed plan at this time largely because of uncertainties involving future funding and the limited availability of acceptable sites. They also cited uncertainties about estimating project costs early in the program cycle; the difficulties sometimes encountered with other "tenant" agencies in planning their personnel and space requirements in new embassies; and the risks associated with working in overseas environments. While we agree such factors affect programs, their existence dictates the need for sound planning to ensure program objectives are met in the most effective and efficient manner. The advantages of long-term planning have been endorsed by industry and local government leaders as

¹⁵As mentioned earlier, the Conference Report on State's Fiscal Year 2001 Appropriations Act did not include this amount (H.Rept. 106-1005).

an effective management tool for controlling costs and making more effective decisions.

Industry and Local Government Leaders Prepare Long-Term Capital Plans

In our December 1998 Executive Guide on Capital Decision-Making,¹⁶ we reported that leading private sector and local state organizations not only rank their future capital projects based on applicable criteria, but they also prepare long-term capital plans based on preliminary assumptions and estimates to identify specific planned projects, plan for resource use over the long term, and establish priorities for implementation. These plans usually cover 5-, 6-, or 10-year periods and are updated either annually or biennially. Industry and state government leaders have also found that long-term plans help control capital costs. Developing long-term capital plans also enables these organizations to review and refine a proposed project's scope and cost estimates over several years, which helps reduce cost overruns.

For example, one medium-sized state government we have studied prepares a 5-year capital plan that assists the government in refining the scope and cost estimate of individual project requests. An annual review of capital project proposals in the plan allows the state budget office to determine if a project continues to meet the goals and objectives outlined by the agencies. State governmental officials believe that this up-front planning and continuous reviews are key factors in why the state has limited cost overruns and few surprises once project funding is approved.

While the cost estimates contained in long-term capital plans are preliminary, they provide decisionmakers with an overall sense of a project's funding needs. Moreover, the Office of Management of Budget encourages federal agencies to develop long-term agency capital plans as part of their capital planning process. Our prior work at the General Services Administration has shown that long-term strategic planning for federal courthouse construction is critical to helping congressional decisionmakers compare and evaluate the merits of project proposals and priorities and to providing a rationale for providing resources to the highest priority projects.¹⁷

¹⁶ *Executive Guide: Leading Practices in Capital Decision-Making* (GAO/AIMD-99-32, Dec. 1998).

¹⁷ *Courthouse Construction: Improved 5-Year Plan Could Promote More Informed Decision-Making* (GAO/GGD-97-27, Dec. 31, 1996).

Moreover, in a recent prepared statement for the Congress,¹⁸ Admiral Crowe, Chairman of the Accountability Review Boards set up to investigate the embassy bombings in Africa, supported the formulation of a long-term capital plan for embassy construction in view of the threats staff face at overseas embassies and consulates.

Studies Undertaken for Planning and Managing Construction Program

While State has expressed a reluctance to prepare a long-term plan for embassy and consulate replacements, it is conducting a series of studies that could provide valuable inputs into the preparation of a long-term plan that would strengthen the overall management process. These studies represent a significant part of State's efforts to determine future resource and funding needs of the program. In May 2000, the Office of Foreign Buildings Operations initiated several studies. One study is underway to identify alternative construction schedules for the life of the program based on preliminary cost and funding assumptions. Preliminary results of the study have been submitted to Office management, but completion dates for the study have not been set.

A second study is assessing potential industry bottlenecks that could affect construction. Potential problems to be addressed include availability of appropriately cleared U.S. labor; construction materials; and unique security materials, such as glazing for windows and forced entry- and ballistic-resistant doors. The Office of Foreign Buildings Operations expects that the study will be completed in fiscal year 2001.

A third study is determining what additional staffing and contractor resources may be necessary to implement and manage the program. The Office of Foreign Buildings Operations has had a staffing increase¹⁹ since the Africa bombings, but its officials indicated that additional staffing or contracting resources to manage the construction program may be required. Although no date has been set for completion of this study, the Office expects that preliminary results will be available in the third quarter of fiscal year 2001.

¹⁸House Committee on International Relations, Feb. 2, 2000.

¹⁹As of September 30, 2000, the Office had filled 71 of 84 of the direct hire and personal services contractor positions authorized under the emergency security appropriation. Approximately 771 personnel were on board at that time.

The State Department is also studying the size and deployment of the U.S. overseas presence, which are key factors affecting construction requirements and costs at overseas posts. The January 1999 report of the Accountability Review Boards concluded that as the United States works to upgrade the physical security of U.S. missions, it should also consider reducing the costs and number of embassies through the use of modern technology and regional operations. To begin implementing this recommendation, a State-appointed panel reviewed the overseas operations of the U.S. government and concluded that the U.S. presence has not adequately adjusted to the new economic, political, and technological landscape. In November 1999, the panel recommended that the President establish an interagency committee to determine the right size and composition of overseas posts.

In March 2000, State announced that a committee had been formed to look at how to implement right-sizing and to conduct pilot programs at selected posts.²⁰ According to State officials, the Department has prepared a draft report on the results of the pilot programs that may help the Department determine the size of and other requirements for new embassies and consulates.

Results of the studies by the Office of Foreign Buildings Operations, as well as efforts to right-size embassies and consulates, could provide valuable inputs to preparation of a long-term capital plan. Although not all the studies and efforts have been completed, the studies' preliminary results could be used by State to develop an initial capital plan, with modifications after additional study results become available.

Conclusions

State's large-scale embassy and consulate construction effort is underway, and State is making progress on most of its initial priority projects. Sustained funding will be needed for State to make substantial progress in replacing its vulnerable embassies and consulates, and State must work effectively with the Congress in charting the future course, priorities, and funding levels for the program. State has asked for advance appropriations through fiscal year 2005 for the program but has not developed a detailed capital construction plan detailing how these funds would be used that

²⁰These posts are Amman, Jordan; Bangkok, Thailand; Mexico City, Mexico; New Delhi, India; Paris, France; Tbilisi, Georgia; and Lagos and Abuja, Nigeria.

would provide a sound foundation for moving this important and costly program forward.

Long-term capital plans have been used by leading organizations to effectively establish project priorities, plan for resource use, control costs, and provide decisionmakers a rationale for allocating funding. A long-term capital construction plan will strengthen State's ability to support and sustain its funding needs, encourage dialogue with congressional committees, and promote consensus by decisionmakers in the executive and legislative branches on funding levels and expectations for program progress. A long-term plan would also improve accountability and transparency (openness) over State and congressional decision-making for a program that is likely to be in the forefront of the U.S. government's foreign affairs agenda for many years.

Recommendation for Executive Action

To enhance management and decision-making regarding the replacement of embassies and consulates that are vulnerable to terrorist attack, we recommend that the Secretary of State prepare and present to the Congress a long-term capital construction plan that identifies proposed construction projects and their estimated costs and when the Department plans to start and complete site acquisition, design, and construction. This plan should cover at least 5 years and be updated annually. It should be modified periodically as funding decisions are made and cost estimates and building schedules are revised, as well as to adjust to key management factors that could potentially influence program implementation, such as program staffing and private industry supply capacity and other significant factors that may affect construction requirements and priorities, including future decisions concerning right-sizing of overseas posts. Recognizing that precise estimates cannot be easily made in the later years, we nevertheless believe that State's plan should include notional estimates of the overall program cost and duration, including estimated annual funding requirements over the life of the program.

Matter for Congressional Consideration

The State Department indicated that it does not plan to implement our recommendation to prepare, and does not see the merits of, a long-term capital plan for its multiyear, multibillion-dollar program to replace embassies and consulates. In view of the State Department's position, the Congress may wish to consider requiring that State prepare such a plan, consistent with our recommendation, to assist the Congress in considering

State's requests for program authorizations and appropriations and for conducting program oversight.

Agency Comments and Our Evaluation

In commenting on a draft of this report, the State Department disagreed with the report's conclusions and recommendation regarding long-term planning. State indicated that it had already established a long-term capital plan based on its ranking of facilities into bands of priority. It said that these priority bands, combined with the information it provides the Congress on projects to be executed in the current fiscal year and the semiannual reports on these projects, constituted a sound approach to program decision-making and accountability. State said that development of a capital plan along the lines that we recommend would be of no value because it would be prone to guesswork, would be impractical given uncertain future funding levels and project costs, and would be resource intensive. State also emphasized that sustained long-term funding was needed for its program, and criticized our report for not adequately addressing this need and the interrelationships between program planning and funding. State's comments are reprinted in appendix V. State also provided technical comments that we incorporated in the report where appropriate.

Despite the best practices of leading organizations and the need to work with the Congress to determine funding needs, State's comments reflect a view that no change is needed in its approach to planning and implementing a multibillion-dollar overseas construction program. State believes it should wait until it knows how much funding it is likely to receive before preparing a long-term plan consistent with our recommendation. In contrast, we believe that State should prepare a long-term plan with project cost estimates and schedules for at least a 5-year period, to assist decisionmakers in deciding program scope and funding. We also believe that the information that State has provided the Congress is not sufficient to guide judgments regarding long-term program funding and direction because it does not clearly indicate the order that projects will be done, their estimated costs, or when the projects will be completed. Our report noted that leading organizations use long-term capital plans to define capital asset decisions, promote informed choices about resource needs, and provide decisionmakers with an overall sense of projects' merits and funding needs. Information on the scope and composition of the overall program envisioned by State would encourage dialogue with congressional committees regarding funding levels and program expectations over the life of this long-term program. Without a

long-term capital plan that includes such information, it will be difficult for State and congressional decisionmakers to accurately judge how much the program will cost; when it can be reasonably expected to be completed; and how key factors, such as funding and changes in the size of overseas posts, may affect program implementation. A long-term capital plan would also improve the accountability and transparency of decisions made by State, other agencies, and the Congress that affect this important program.

State's comments indicate that it has interpreted our recommendation as requiring the development of detailed plans that accurately predict the exact space requirements, precise cost, and construction schedule of each of more than 180 projects over the life of this program. This was not our intention. Our recommendation was intended to provide decisionmakers with better information on the potential long-term costs and schedules for this effort to enable them to weigh the merits of individual projects and make related funding decisions. We believe it is reasonable for State to prepare a detailed plan over a 5-year or longer period. As noted in our report, leading organizations not only rank projects by priority, but they also provide more detailed cost estimates and other information in plans covering 5-, 6-, or 10-year periods. State already has the foundation to adopt this best practice. We share State's view that precision in planning estimates becomes less practical and important for the later years of the overall program. However, we believe that it is reasonable to expect notional estimates for the program's later years so that decisionmakers have better information on the overall cost and duration of the program. We have modified our recommendation accordingly.

Scope and Methodology

To determine the status of the 10 priority embassy and consulate projects, we met with project managers in State's Office of Foreign Buildings Operations and officials that oversee the work of the Office. In addition to obtaining overall information on the status of the construction effort, such as State's quarterly internal reports on its progress in implementing the emergency security supplemental program, we obtained detailed information on the history and status of the 10 priority projects for replacement identified by the Department shortly after the bombings of the two embassies in Africa. Those priority posts were Kampala, Uganda; Doha, Qatar; Tunis, Tunisia; Dar es Salaam, Tanzania; Nairobi, Kenya; Istanbul, Turkey; Zagreb, Croatia; São Paulo and Rio de Janeiro, Brazil; and Luanda, Angola.

We also met with a representative of J.A. Jones Construction Co., which is the contractor responsible for building the new embassy complexes in Nairobi, Dar es Salaam, and Zagreb. Issues discussed included cost and implementation challenges facing those projects as well as potential options for reducing the time to construct new embassies.

To assess State's plans for the overall program, we met with senior State officials to discuss their vision for the program, their method for establishing project priorities, and their approach to requesting funding. We also examined State's requests for appropriations in fiscal years 1999-2001 and the supporting material. We received briefings on State's ongoing studies to identify program requirements, alternatives, and obstacles. We also identified leading best practices in capital planning decision-making that could be applied to State's construction program.

To identify steps State is taking to improve the management of the Office of Foreign Buildings Operations and the efficiency of its construction processes, we received briefings from the Office on its initiatives and plans.

We conducted our review from March through November 2000 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Secretary of State and interested congressional committees. We will make copies available to others upon request.

Please contact me at (202) 512-4128 if you or your staff have any questions about this report. An other GAO contact and staff acknowledgments are listed in appendix VI.

Sincerely yours,

A handwritten signature in black ink that reads "Jess T. Ford". The signature is written in a cursive style with a large, looping initial "J" and a distinct "T" and "F".

Jess T. Ford, Director
International Affairs and Trade

Funding for the State Department's Embassy Security Construction Program

The Department of State has received about \$1.1 billion for security construction since the bombings in Africa. As of September 30, 2000, State estimates that it had obligated over half of the \$604 million it had received for fiscal years 1999 and 2000. In December 2000, State received its fiscal year 2001 appropriation of about \$515 million for the program. State also requested \$3.35 billion in advanced appropriations to continue the program through fiscal year 2005,¹ but this request was rejected. This appendix describes in more detail the funds requested and received, as well as the planned uses of the funds.

Of the \$604 million State received in fiscal years 1999 and 2000 for its embassy security construction program, State estimates it obligated about \$341 million through the end of fiscal year 2000, mostly for large-scale construction contracts, as well as to acquire sites and procure design and other immediate goods and services. Table 2 provides appropriation, obligation, and expenditure data for State's embassy and consulate replacement program.

Table 2: Status of U.S. Embassy and Consulate Security Construction Funds

Dollars in millions

Status of funds	Fiscal year 1999	Fiscal year 2000	Fiscal year 2001
Appropriated	\$304.1	\$300	\$515
Obligated (as of Sept. 30, 2000) ^a	\$230.3	\$110.8	—
Unobligated (as of Sept. 30, 2000) ^b	\$73.8	\$189.2	—
Expended (as of Sept. 30, 2000) ^c	\$75.3	\$16.5	—

^aAccording to State, obligations represent orders placed, contracts awarded, services purchased, or any other actions requiring the U.S. government to make a payment.

^bAccording to State, this represents funds that will be obligated in accordance with project schedules for activities such as project supervision, construction security, furniture, and furnishings.

^cExpenditures reflect the issuance of checks, cash disbursements, and the electronic transfer of funds to liquidate an obligation.

Source: Department of State data.

¹The Secure Embassy Construction and Counterterrorism Act of 1999 authorized \$900 million a year for embassy security, construction, and maintenance for fiscal years 2000 through 2004, Title VI of Division A of the Foreign Relations Authorization Act for Fiscal Years 2000 and 2001, Public Law 106-113.

Emergency Supplemental Funding in 1999

Included in State's 1999 emergency security supplemental funding was about \$119 million to build new embassy compounds in Nairobi, Kenya, and Dar es Salaam, Tanzania. State also allocated \$185 million of its emergency supplemental appropriations to begin replacing facilities at other posts. Table 3 provides State's planned uses for most of these funds. In May 1999, State notified the Congress that it intended to also use part of the funds to pursue the acquisition of construction sites for embassies and consulates in 26 other locations.

Table 3: State's Planned Use of 1999 Emergency Supplemental Funds to Begin Replacing Seven Highest Risk Embassies and Consulates

Dollars in millions

Location of project	Funding	Planned use of funds
Doha, Qatar	\$22.5	To retrofit an unfinished building for use as an embassy.
Istanbul, Turkey	\$2.0	To reserve a site and begin design of a new consulate.
Kampala, Uganda	\$31.6	To design and build a new embassy.
Rio de Janeiro, Brazil	\$23.2	To acquire a new site and design a new consulate.
São Paulo, Brazil	\$26.8	To acquire a new site and design a new consulate.
Tunis, Tunisia	\$6.7	To design a new embassy.
Zagreb, Croatia	\$66.9	To acquire a new site; design and build a new embassy.

Source: State Department data.

Fiscal Year 2000 Funding

State requested and received \$300 million in fiscal year 2000 funds for security construction projects. Specific planned uses of the funds cited by State in March 2000 included the projects listed in table 4.

**Appendix I
Funding for the State Department's Embassy
Security Construction Program**

Table 4: State's Planned Use of Fiscal Year 2000 Funds to Continue Replacement Program

Dollars in millions

Location of project	Funding	Planned use of funds
Abu Dhabi, United Arab Emirates	\$2.0 ^a	To study site characteristics and initiate design of a new embassy.
Cape Town, South Africa	\$4.0	To acquire a site and determine scope of new embassy compound.
Damascus, Syria	\$8.0	To acquire a site and determine scope of new embassy compound.
Istanbul, Turkey	\$80.8	To complete design and construction of a new consulate.
Kingston, Jamaica	\$7.0	To acquire a site (a hotel complex) and begin renovations for a new embassy and staff housing.
Luanda, Angola	\$37.0	To construct a new embassy.
Sofia, Bulgaria	\$4.0	To acquire a site and determine scope of new embassy compound.
Tunis, Tunisia	\$79.3	To construct a new embassy.

^aOn July 25, 2000, State notified the Congress of its intent to allocate an additional \$91 million in fiscal year 1999 and 2000 funds to award a contract for the design/construction of a new embassy in Abu Dhabi, United Arab Emirates.

Source: State Department data.

State also identified 13 posts for potential site acquisition using fiscal year 2000 funds. These posts are Asmara, Eritrea; Conakry, Guinea; Dakar, Senegal; Harare, Zimbabwe; Peshawar, Pakistan; Phnom Penh, Cambodia; Tbilisi, Georgia; Yerevan, Armenia; Antananarivo, Madagascar; Bamako, Mali; Bujumbura, Burundi; Karachi, Pakistan; and Sarajevo, Bosnia-Herzegovina.

Fiscal Year 2001 Funding Request

State requested \$500 million for fiscal year 2001 to continue replacing its highest risk facilities. Projects identified by State as having priority for construction were Cape Town, South Africa; Damascus, Syria; Rio de Janeiro² and São Paulo, Brazil; Sofia, Bulgaria; and Yerevan, Armenia. In

²Due to a lack of congressional concurrence with State's proposal, the project in Rio de Janeiro has been delayed. State hopes to acquire a site in fiscal year 2001, with construction to follow.

addition to these projects for which site acquisition and/or design was to be funded in previous years, State planned to use the funds to acquire five to eight additional sites for which construction funding would be sought in subsequent years. State's request for fiscal year 2001 included \$50 million to construct separate, on-compound U.S. Agency for International Development (USAID) facilities in Kampala, Uganda, and Nairobi, Kenya. State also requested an additional advance appropriation of \$3.35 billion to continue the facility replacement program through fiscal year 2005. However, it did not indicate the projects it planned to construct with this advance appropriation or provide estimates of project costs and construction schedules.

The House Committee on Appropriations³ recommended full funding of State's \$500 million request for security construction but did not recommend approval of the request for an advance appropriation in its June 19, 2000, report to the full House. The Committee also did not approve the use of \$50 million to construct USAID facilities, explaining that funding requirements for USAID would first have to be considered by another Subcommittee with jurisdiction.

In its September 2000 report, the Senate Appropriations Committee also rejected the request for an advance appropriation and recommended funding for fiscal year 2001 totaling \$271.6 million for replacing embassies and consulates (planning, site acquisition, design, and construction), which is about \$228 million less than State had requested. The Committee expressed concerns that State was accumulating large, unfunded construction requirements. The Committee report recommended that the Congress limit the number of new construction starts and, where possible, only fully fund ongoing projects to prevent the unfunded requirements from growing. Projects recommended for construction funding in the report were Sofia, Bulgaria (\$78.3 million); Yerevan, Armenia (\$64 million); Damascus, Syria (\$69.7 million); and Abidjan, Côte d'Ivoire (\$6.2 million).

The Conference Report on State's Fiscal Year 2001 appropriations, issued in October 2000, provided \$515 million for the program (H.Rept. 106-1005). Legislation enacting this provision was passed in December 2000.

³Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, Fiscal Year 2001.

Overview of State's Initial 10 Priority Projects

This appendix provides an overview of the 10 embassy and consulate projects State gave priority for replacement shortly after the 1998 bombings in Africa. These projects are in Kampala, Uganda; Doha, Qatar; Tunis, Tunisia; Dar es Salaam, Tanzania; Nairobi, Kenya; Istanbul, Turkey; Zagreb, Croatia; São Paulo, Brazil; Rio de Janeiro, Brazil; and Luanda, Angola. The overview presents a description of the facilities' status and history, as well as tables showing construction cost estimates and pictures of the current and planned facilities, where available.

Kampala, Uganda

Project History and Status

The existing embassy in Kampala is located on a major street whose activities cannot be controlled, and it lacks adequate setback on three sides. Unclassified functions are in an annex, which also is not secure. State had initiated the design of a new embassy before the August 1998 embassy bombings in Africa. In fact, State had planned to build a new facility as part of the Diplomatic Security Construction (Inman) program of the late 1980s/early 1990s. The project did not proceed at that time largely due to problems in obtaining title to a site. In the aftermath of the 1998 bombings, relocation of the embassy became a high priority. In December 1998, State issued a solicitation seeking qualified firms to bid on the building project. State prequalified three contractors to bid and in September 1999 awarded a design/build contract to Washington Group International, formerly Morrison Knudsen Corporation. (See table 5 for the project cost estimates,¹ fig. 2 for the existing embassy, and fig. 3 for the planned new embassy.) The master plan for the new embassy compound includes a USAID annex, but its construction has not started. Building costs for the annex are estimated at \$19.5 million. Fiscal year 1999 and 2000 funds are being used for the design and preconstruction site improvements of the USAID facility. Fiscal year 2001 State funds will be used for the construction of the new USAID facility, assuming congressional approval.

¹Project cost estimates include site acquisition, design, construction, and support.

Appendix II
Overview of State's Initial 10 Priority
Projects

Table 5: New Embassy Project in Kampala, Uganda
Dollars in millions

	Initial estimates^a	Current estimates
Cost ^b	\$21.4	\$32.5
Number of personnel	64	96
Occupancy date	Apr. 2002	Jan. 2001

^aShortly after the bombings in Africa, State developed rough estimates for its internal use based on replacement facilities having the same square footage and number of occupants as existing facilities.

^bAccording to State, cost estimates are difficult to compare among projects overseas because of unique local conditions, such as local economy and workforce, taxes, government procedures, fees and permits, weather conditions, and site topography.

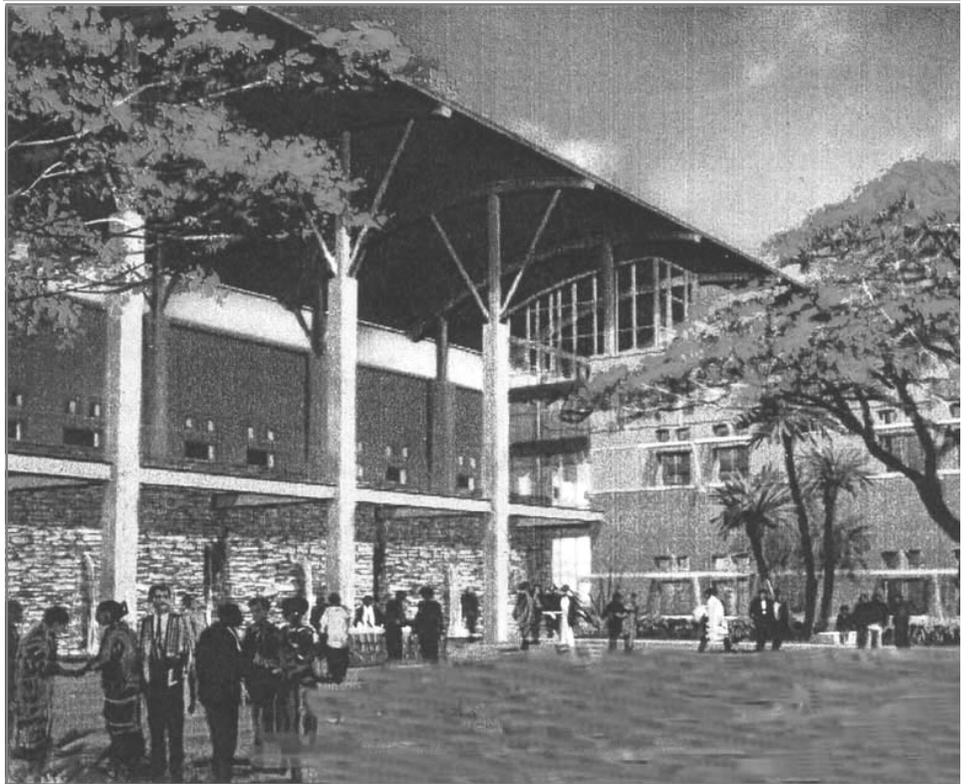
Source: State Department.

Figure 2: Existing Embassy in Kampala, Uganda



Source: State Department.

Figure 3: New Embassy Planned for Kampala, Uganda



Source: State Department.

Doha, Qatar

Project History and Status

Plans to build a new embassy in Doha began with State's diplomatic security construction program that started in the late 1980s. Funding allocated for the new embassy totaled nearly \$19 million under that program, but the project did not progress beyond the design stage because of high estimated costs and other factors. The current project is an operating lease and construction agreement for an unfinished villa that is locally owned. The Qatari owners will finish construction of the facility based on State's floor plan and other specifications. The Qatari landlord hired the design and building contractors, both uncleared local firms. All work is being coordinated on site by State personnel, and certain secure

Appendix II
Overview of State's Initial 10 Priority
Projects

areas of the facility will be completed by cleared American contractors after the building is turned over to State, scheduled for late 2000. A contract for construction of a limited, controlled access area by cleared Americans has been awarded, and most of the orders for furniture and furnishings have been issued. Construction began in August 1999, and occupancy is scheduled for April 2001. The estimated project cost of \$22.5 million (see table 6) includes the cost of a temporary embassy (about \$3 million) and the first 2 years of lease payments (about \$1.2 million per year). The initial lease is for 6 years but can be renewed for five additional 6-year periods. Over 36 years, the total cost will be more than \$60 million: \$22.5 million for the project plus more than \$40 million in lease costs. See figures 4 and 5 for the embassy prior to the attacks in Africa and the planned embassy in Doha.²

Table 6: New Embassy Project in Doha, Qatar
Dollars in millions

	Initial estimates^a	Current estimates
Cost ^b	\$20.0	\$22.5
Number of personnel	57	74
Occupancy date	June 2001	Mar. 2001

^a Shortly after the bombings in Africa, State developed rough estimates for its internal use based on replacement facilities having the same square footage and number of occupants as existing facilities.

^b According to State, cost estimates are difficult to compare among projects overseas because of unique local conditions, such as local economy and workforce, taxes, government procedures, fees and permits, weather conditions, and site topography.

Source: State Department.

² After the attacks on embassies in Nairobi and Dar es Salaam, State moved embassy functions into a more secure interim embassy.

Appendix II
Overview of State's Initial 10 Priority
Projects

Figure 4: Embassy in Doha, Qatar, Prior to Bombings in Africa



Source: State Department.

Figure 5: New Embassy Planned for Doha, Qatar



Source: State Department.

Tunis, Tunisia

Project History and Status

Efforts to construct a new, fully secure embassy compound in Tunisia began with the Inman program initiated in the late 1980s. A 21-acre site was purchased in 1992 but, due to funding priorities and other reasons, the project did not enter the construction phase. After the 1998 bombings in Africa, this project again became a high priority. Facility design by Tai Soo Kim Partners began in September 1999. State also prequalified five construction firms as potential builders of the new facility. Bids for construction were solicited in August 2000. (See table 7 for estimated project costs.) A construction contract was awarded to Bill Harbert International Construction Company in September 2000. The embassy compound will be a campus-style complex and include a classified chancery as well as separate general services, marine security guard, and warehouse buildings. Figure 6 shows the existing embassy, and figure 7 depicts the planned new embassy.

Appendix II
Overview of State's Initial 10 Priority
Projects

Table 7: New Embassy Project in Tunis, Tunisia

Dollars in millions

	Initial estimates^a	Current estimates
Cost ^b	\$96.3	\$86.0
Number of personnel	144	104
Occupancy date	Nov. 2003	Sept. 2002

^aShortly after the bombings in Africa, State developed rough estimates for its internal use based on replacement facilities having the same square footage and number of occupants as existing facilities.

^bAccording to State, cost estimates are difficult to compare among projects overseas because of unique local conditions, such as local economy and workforce, taxes, government procedures, fees and permits, weather conditions, and site topography.

Source: State Department.

Appendix II
Overview of State's Initial 10 Priority
Projects

Figure 6: Existing Embassy in Tunis, Tunisia



Source: State Department.

Figure 7: New Embassy Planned for Tunis, Tunisia



Source: State Department.

Dar es Salaam, Tanzania

Project History and Status

Following the August 1998 terrorist bombing that destroyed the embassy in Dar es Salaam, State started the process to relocate the embassy. To temporarily restore embassy operations, State converted a residential compound to function as the interim embassy, which opened in February 1999 at a cost of approximately \$12.3 million. Concurrent to that activity, State issued a solicitation in November 1998 seeking qualified firms to bid on the design and construction of a new permanent embassy. Three design/build contractors were prequalified and allowed to compete. However, in May 1999, the project was placed on hold because the purchase of the proposed site fell through, and State had to look for another site. Once State identified a second site and was reasonably certain that the acquisition would go through, the competition resumed.

State awarded a design/build contract to J.A. Jones Construction Co. in September 1999. The contractor began the design of the new embassy in

**Appendix II
Overview of State's Initial 10 Priority
Projects**

October 1999. Initial groundwork at the 21-acre site began in August 2000, and occupancy is expected in November 2002. (See table 8 for estimated project costs.) Figure 8 shows the embassy before the 1998 bombing, and figure 9 shows the design for the new embassy. All other U.S. agencies are scheduled to be in the compound, including USAID, whose facility will be constructed as a separate, unclassified facility. According to USAID data, \$15 million was available in its fiscal year 2000 budget for construction.

Table 8: New Embassy Project in Dar es Salaam, Tanzania

Dollars in millions

	Initial estimates^a	Current estimates
Cost ^{b, c}	\$51.2	\$51.2
Number of personnel	59	98
Occupancy date	Dec. 2002	Nov. 2002

^aShortly after the bombings in Africa, State developed rough estimates for its internal use based on replacement facilities having the same square footage and number of occupants as existing facilities.

^bAccording to State, cost estimates are difficult to compare among projects overseas because of unique local conditions, such as local economy and workforce, taxes, government procedures, fees and permits, weather conditions, and site topography.

^cDoes not include USAID costs.

Source: State Department.

Appendix II
Overview of State's Initial 10 Priority
Projects

Figure 8: Embassy in Dar es Salaam, Tanzania, Before Bombing



Source: State Department.

Figure 9: Design for New Embassy in Dar es Salaam, Tanzania



Source: State Department.

Nairobi, Kenya

Project History and Status

Following the August 1998 terrorist bombing that destroyed the embassy in Nairobi, the embassy temporarily moved into the offices of USAID. Subsequently, State searched for an office building to renovate and use as an interim embassy. Renovation of the building started in January 1999, and the interim embassy became fully operational in August 1999, at a cost of about \$21.7 million. Concurrently, State issued, in November 1998, a solicitation seeking qualified design/build firms to bid on the design and construction of a new, permanent embassy compound. Three contractors were prequalified and allowed to compete.

State awarded a design/build contract to J.A. Jones Construction Co. in September 1999. (See table 9 for estimated project costs.) The contractor started the design of the new embassy in October 1999. Initial groundwork at the 16-acre site began in August 2000, and occupancy is expected in March 2003. Figure 10 shows the previous embassy in Nairobi, and figure 11 depicts the new embassy. All other U.S. agencies are scheduled to be in the compound, including USAID, whose facility will be constructed as a separate unclassified facility. Additional building costs for USAID's facility are estimated at \$36.1 million. Fiscal year 1999 State funds are being used for the design and preconstruction preparation of the new USAID facility.³ Fiscal year 2001 funds were requested to fund the facility's construction.

³According to State officials, USAID will reimburse State for these costs.

**Appendix II
Overview of State's Initial 10 Priority
Projects**

Table 9: New Embassy Project in Nairobi, Kenya

Dollars in millions		
	Initial estimates ^a	Current estimates
Cost ^{b, c}	\$67.8	\$67.8
Number of personnel	194	278
Occupancy date	May 2003	Mar. 2003

^aShortly after the bombings in Africa, State developed rough estimates for its internal use based on replacement facilities having the same square footage and number of occupants as existing facilities.

^bAccording to State, cost estimates are difficult to compare among projects overseas because of unique local conditions, such as local economy and workforce, taxes, government procedures, fees and permits, weather conditions, and site topography.

^cDoes not include USAID costs.

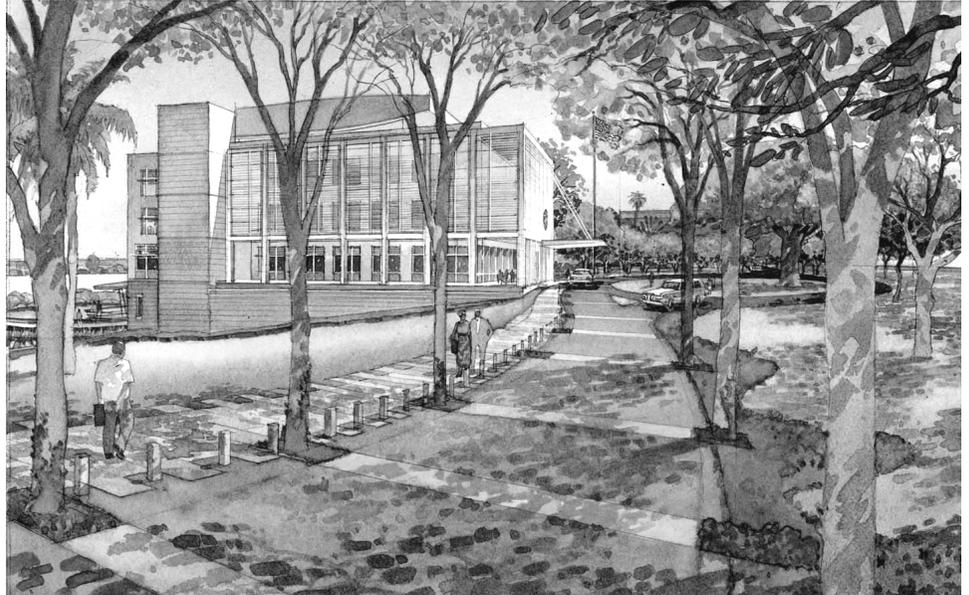
Source: State Department.

Figure 10: Embassy in Nairobi, Kenya, Before Bombing



Source: State Department.

Figure 11: New Embassy Design for Nairobi, Kenya



Source: State Department.

Istanbul, Turkey

Project History and Status

The existing consulate office building is 125 years old and is built on unreinforced masonry construction, which makes it unstable in case of earthquakes. It also has insufficient setback and is very vulnerable to attack because narrow and busy urban streets bound the property on three sides. Planning for a new facility began as part of the Inman program; funding allocated for the facility totaled \$34.9 million as of November 1990. This Inman project did not proceed largely because of difficulties encountered at that time in acquiring a suitable site. In the aftermath of the August 1998 embassy bombings in Africa, the relocation of the consulate again became a high priority. State awarded the office building concept design to Zimmer Gunsul Frasca Partnership. (See table 10 for estimated project costs.)

The building site was under purchase contract as of August 2000. Occupancy is expected in April 2003. For construction of the consulate,

Appendix II
Overview of State's Initial 10 Priority
Projects

State issued a solicitation in December 1999 seeking qualified construction firms to bid on the project. Five contractors were prequalified to bid, and State awarded a construction contract in September 2000 to Caddell Construction Company. See figure 12 for the existing consulate and figure 13 for the design of the new consulate.

Table 10: New Consulate Project in Istanbul, Turkey

Dollars in millions		
	Initial estimates^a	Current estimates
Cost ^b	\$78.7	\$83.2
Number of personnel	138	141
Occupancy date	June 2003	Apr. 2003

^aShortly after the bombings in Africa, State developed rough estimates for its internal use based on replacement facilities having the same square footage and number of occupants as existing facilities.

^bAccording to State, cost estimates are difficult to compare among projects overseas because of unique local conditions, such as local economy and workforce, taxes, government procedures, fees and permits, weather conditions, and site topography.

Source: State Department.

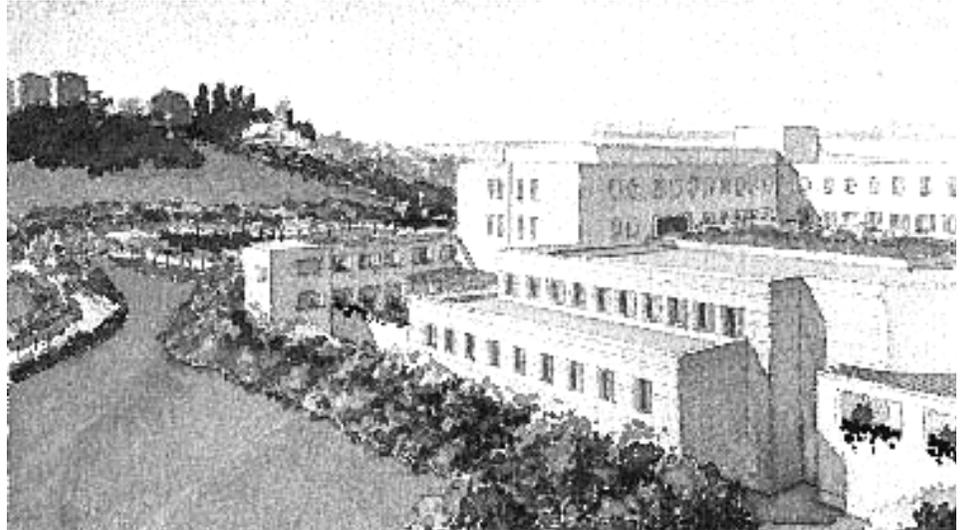
Appendix II
Overview of State's Initial 10 Priority
Projects

Figure 12: Existing Consulate in Istanbul, Turkey



Source: State Department.

Figure 13: Design for New Consulate in Istanbul, Turkey



Source: State Department.

Zagreb, Croatia

Project History and Status

The planned new embassy in Zagreb will replace the existing facility located on the corners of two very busy streets in the center of the city. All U.S. mission elements in Zagreb will be consolidated into the new embassy. State started the process for replacing the existing facility in January 1999. Because the selected site had multiple parcels with different owners, the acquisition negotiations were prolonged, lasting until March 2000. Concurrent with this activity, State issued a solicitation in March 1999 seeking qualified firms to bid on the design and construction of a new office building. Three contractors were prequalified and allowed to compete. State awarded a design/build contract to J.A. Jones Construction Co. in September 1999. (See table 11 for estimated project costs.) Occupancy is expected in May 2003. Figure 14 shows the present embassy, and figure 15 depicts the planned new embassy.

Table 11: New Embassy Project in Zagreb, Croatia

Dollars in millions

	Initial estimates^a	Current estimates
Cost ^b	\$36.1	\$66.9
Number of personnel	199	142
Occupancy date	Sept. 2001	May 2003

^aShortly after the bombings in Africa, State developed rough estimates for its internal use based on replacement facilities having the same square footage and number of occupants as existing facilities.

^bAccording to State, cost estimates are difficult to compare among projects overseas because of unique local conditions, such as local economy and workforce, taxes, government procedures, fees and permits, weather conditions, and site topography.

Source: State Department.

Appendix II
Overview of State's Initial 10 Priority
Projects

Figure 14: Existing Embassy in Zagreb, Croatia



Source: State Department.

Figure 15: New Embassy Planned for Zagreb, Croatia



Source: State Department.

São Paulo, Brazil

Project History and Status

The existing consular facility in São Paulo is considered highly vulnerable to terrorist attack because of the lack of setback and other undesirable security characteristics. The consulate consists of floors 1 through 5 of a 14-floor commercial office building, and several other agencies are located in even more vulnerable space at separate locations. A new consular site costing \$19 million has been located, and site negotiations were complete as of August 2000 (see table 12 for estimated project costs). State prepared to demolish existing buildings on the site. Congressional committees approved site acquisition, but the Senate Appropriations Committee is encouraging State to make use of existing buildings on the site. State does not believe that it would be feasible to bring the existing building design up to security requirements and is working with the Committee to discuss options. Figure 16 shows the current consulate in São Paulo; the new consulate has not yet been designed.

Appendix II
Overview of State's Initial 10 Priority
Projects

Table 12: New Consulate Project in São Paulo, Brazil

Dollars in millions		
	Initial estimates^a	Current estimates
Cost ^b	\$95.4	\$101.9 ^c
Number of personnel	97	Undetermined
Occupancy date	Aug. 2003	Undetermined

^aShortly after the bombings in Africa, State developed rough estimates for its internal use based on replacement facilities having the same square footage and number of occupants as existing facilities.

^bAccording to State, cost estimates are difficult to compare among projects overseas because of unique local conditions, such as local economy and workforce, taxes, government procedures, fees and permits, weather conditions, and site topography.

^cThe cost estimates are preliminary, as discussions are ongoing concerning construction options.

Source: State Department.

Appendix II
Overview of State's Initial 10 Priority
Projects

Figure 16: Existing Consulate in São Paulo, Brazil



Source: State Department.

Rio de Janeiro

Project History and Status

Similar to the situation in São Paulo, the existing Rio de Janeiro consular facility is considered highly vulnerable to terrorist attack because of the lack of setback and other undesirable security characteristics. The 13-story consulate office building had served as the U.S. embassy until Brazil's capital was moved to Brasilia in the 1960s. The consulate is in a crowded, high-crime area of the city. Progress on the project has been slow due to a number of factors, including difficulties in finding suitable sites. State officials eventually identified a potential site and negotiated a price (see table 13 for estimated project costs). As of August 2000, State documents indicated that the Senate Appropriations Committee had not approved the acquisition of this site. According to State officials, the Committee cited concerns that State had not sufficiently considered options for reducing the size of the post by regionalizing its operations in Brazil. (In addition to its existing embassy facility in Brasilia, State was proposing to spend \$200 million to build two consulate facilities in Brazil—one in Rio de Janeiro and the other in São Paulo.) According to State, the purchase contract on the Rio de Janeiro site has expired, and State is no longer pursuing its purchase. Figure 17 shows the existing consulate in Rio de Janeiro; a design for the new consulate is not available.

On July 25, 2000, State notified the Congress of its intent to reprogram \$22.8 million of the funds appropriated for Rio de Janeiro to meet part of the requirements for a new embassy in Abu Dhabi, United Arab Emirates. The Congress approved the reprogramming and in September 2000 State signed a design/build contract for a new embassy in Abu Dhabi. August 2000 State documents indicate that the Department is developing a revised staffing pattern for the Rio de Janeiro facility, that State officials have visited the post to review additional potential sites, and that State is evaluating alternative uses of the existing consulate site.

Appendix II
Overview of State's Initial 10 Priority
Projects

Table 13: New Consulate Project in Rio de Janeiro, Brazil

Dollars in millions		
	Initial estimates^a	Current estimates
Cost ^b	\$90.6	\$96.8 ^c
Number of personnel	145	Undetermined
Occupancy date	Aug. 2003	Undetermined

^aShortly after the bombings in Africa, State developed rough estimates for its internal use based on replacement facilities having the same square footage and number of occupants as existing facilities.

^bAccording to State, cost estimates are difficult to compare among projects overseas because of unique local conditions, such as local economy and workforce, taxes, government procedures, fees and permits, weather conditions, and site topography.

^cCost estimates are preliminary because decisions on the site and other project elements have not been made.

Source: State Department.

Appendix II
Overview of State's Initial 10 Priority
Projects

Figure 17: Existing Consulate in Rio de Janeiro, Brazil



Source: State Department.

Luanda, Angola

Project History and Status

Luandan embassy functions are housed in prefabricated buildings and trailers, some of which are virtually on the perimeter wall. The lack of setback from the streets on three sides and the temporary nature of the facility make its occupants unusually vulnerable to attack. Other functions are housed outside the embassy above an auto repair shop, which provides no perimeter protection and also gives no protection from violence or terrorist actions. State has proposed to construct the embassy on the present site, even though it would have a setback of 65 feet and therefore would not meet the 100-foot minimum security standards for setback. State indicated that alternative properties it has identified that would permit the required setback were not in desirable locations or did not have secure titles because of land ownership uncertainties. The very small size of the existing site dictated a design for a compact, multistory building located in the center of the compound, completed in phases to minimize disruptions to embassy operations. (See table 14 for estimated project costs.) All other U.S. agencies, including USAID, would be co-located in the new embassy. The Secretary of State granted an exception to the setback policy based on State's plans to achieve blast resistance through other means, such as thicker walls and windows. According to State, the blast effects on the proposed new embassy would be mitigated by strengthened construction methods and techniques, which would provide performance equivalent to that of a standard blast-resistant building with a 100-foot setback.

According to State officials, the project design is complete, but the House and Senate Appropriations Committees have not approved the use of fiscal year 2000 funding for construction. The House Committee believed that all new construction should result in buildings that fully comply with State's own standards, and therefore it rejected State's plan to spend \$39.2 million in appropriations on a facility with insufficient setback. The House Committee reconsidered its position, granting State approval to move ahead if it uses the proceeds from the sale of other properties to finance the project. As of September 2000, the Senate Committee had not approved the project. If that Committee does not approve the current plan, State plans to reprogram funds to other projects until it can find another site in Luanda and prepare a new facility design. In November 2000, State officials said that the Congress had not agreed to provide security appropriations for this project. Figure 18 shows the existing embassy, and figure 19 depicts the design for the new facility.

Appendix II
Overview of State's Initial 10 Priority
Projects

Table 14: New Embassy Project in Luanda, Angola

Dollars in millions

	Initial estimates^a	Current estimates
Cost ^b	\$25.6	\$39.2 ^c
Number of personnel	67	98
Occupancy date	Dec. 2002	Undetermined

^aShortly after the bombings in Africa, State developed rough estimates for its internal use based on replacement facilities having the same square footage and number of occupants as existing facilities.

^bAccording to State, cost estimates are difficult to compare among projects overseas because of unique local conditions, such as local economy and workforce, taxes, government procedures, fees and permits, weather conditions, and site topography.

^cThis estimate is based on State's proposal, which has not been approved.

Source: State Department.

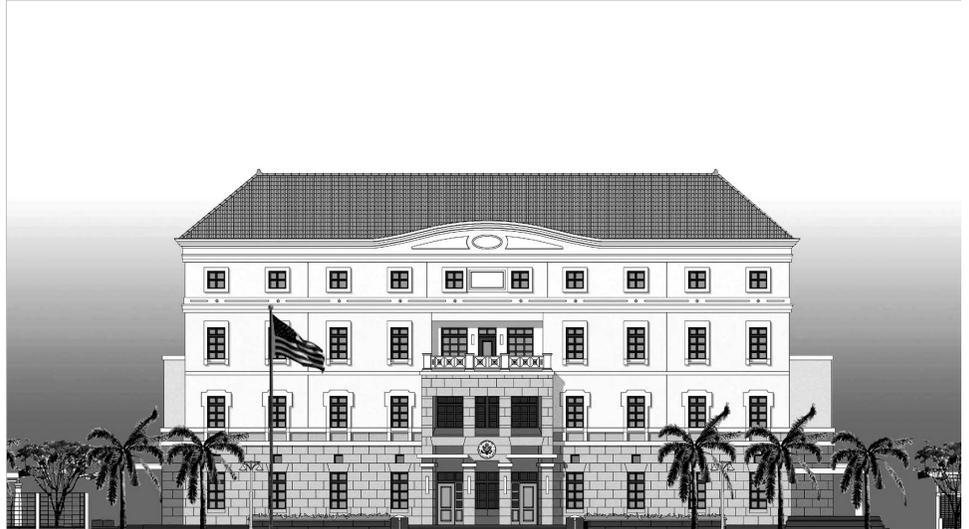
Figure 18: Existing Embassy in Luanda, Angola



Source: State Department.

Appendix II
Overview of State's Initial 10 Priority
Projects

Figure 19: Design for New Embassy in Luanda, Angola



Source: State Department.

Factors Contributing to Costs of New Embassies and Consulates

The estimated costs for the 10 initial priority new office buildings vary between \$22 million to retrofit a leased facility in Doha¹ to about \$100 million for constructing a government-owned facility in Sao Paulo. State officials believe that in some other locations, costs to replace existing facilities could exceed \$200 million. State estimates that constructing a new embassy costs roughly three times as much as it would cost to build a commercial office building of similar size in the United States.

Several factors contribute to the additional expenses of constructing a new embassy compared to the costs of constructing a typical commercial building. For example, the basic structure for a typical commercial building uses steel columns and one-way steel beams, steel decks/light-weight concrete floors, and steel joisted roofs and a steel deck. In comparison, a new embassy is typically constructed almost entirely of reinforced concrete, thicker roof and floor slabs, and other elements to meet State's blast standards.

Other key cost factors include substantially higher design costs partially due to unique perimeter access control and communications requirements; specialty construction for communications and access control; use of American contractors overseas; perimeter walls; material shipping and transit security; shielding against electronic surveillance; substantial construction supervision and site security costs; and unique designs and tailoring of each building to the requirements of each co-located agency. Seismic concerns, and the costs of large sites in urban areas, further contribute to the high costs of new embassies and consulates. Another fundamental issue affecting costs is the special difficulties often associated with performing construction in developing countries. These difficulties involve obtaining host country permits in a timely fashion, ensuring work quality, planning for worker illness and disease, adjusting to cultural differences, and working out technical communication difficulties.

¹The capital investment amount for Doha does not include an estimated \$40 million in long-term lease costs.

Initiatives to Improve Management and Project Delivery Processes at the Office of Foreign Buildings Operations

This appendix briefly describes State's key initiatives to improve management and project delivery processes at the Office of Foreign Buildings Operations.

Management Processes

A key recommendation of State's November 1999 overseas presence panel dealt with the management capacity of State's Office of Foreign Buildings Operations. The panel recommended that a new, federally chartered government corporation be established to replace that Office. Such a corporation would exercise responsibility for building, renovating, maintaining, and managing the federal government's overseas civilian facilities. The issues that led to the panel's recommendation included the perception that projects managed by the Office of Foreign Buildings Operations took longer and cost more than comparable private sector projects, that time lines were not always met, and that staffing levels appeared too high for the number of projects managed. State has not agreed with the recommendation in the belief that the staff work leading to the recommendation was faulty and did not give due consideration to security requirements and special overseas needs. State noted, however, that it has established special study teams that are giving serious attention to related panel proposals.

Special teams are studying the critical business practices and other issues affecting the performance of State's Office of Foreign Buildings Operations. These include

- business process reengineering, with the objective of optimizing current processes and identifying and resolving overlaps, gaps, inefficiencies, and non-value-added activities;
- capital funding issues, with the goal of developing alternative sources of financing to supplement congressional appropriations, such as charging capital rent, making asset sales, and seeking federal loans;
- organizational structure, with the goal of providing an assessment of the benefits and consequences of becoming a performance-based organization;
- communications strategy, with the goal of better communicating internally and externally and addressing what the Office perceives to be a lack of confidence in its work by overseas posts, headquarters agencies, and the Congress; and
- customer focus, with a goal of developing a strategy to better meet State and external needs.

These studies and related efforts are scheduled to be completed after 2001. Actions that may be taken on the study results will depend on several factors, including “doability”, other agency participation, and costs.

Project Delivery Process

- **Design/Build Contracting:** State is using this contracting method, which involves providing design and construction services under a single, lump-sum contract. This is being used for projects in Nairobi, Kenya; Dar es Salaam, Tanzania; Zagreb, Croatia; and Kampala, Uganda. State’s objective is to receive faster product delivery through concurrent design and construction activities. Generally, it is anticipated that total project implementation time can be reduced as much as 6 months using this contracting method. Construction industry experience also indicates that project costs can be reduced slightly by this form of contracting. However, deterrents to greater use of the approach are the reductions in time available for project definition, design, development and review, and overall quality control.
- **Fast-tracking:** State is implementing its first fact-track project in Kampala, Uganda. Essentially, fast-tracking involves using innovative scheduling to speed up delivery of the completed facility. The post is the first one set to move into a secure replacement facility since the bombings in Africa. State officials acknowledge that the compressed schedule has added costs to the project, but said that its subsequent development of an “evaluated total cost method” for determining a contract’s best value award, validated its contract award decision for the Kampala project.
- **Site-adapted Office Building:** State has initially identified projects in the Africa region for potential use of this concept, which involves a single building design that can be used at a number of posts with similar functions, staffing, and tenant agency complement. The base building would be modified to respond to unique site conditions and local culture, and the concept is expected to save design time and costs by reusing design documentation. Posts identified as potential candidates include Addis Ababa, Ethiopia; Bamako, Mali; Bujumbura, Burundi; Kigali, Rwanda; Yaounde, Cameroon; Nouakchott, Mauritania; Antananarivo, Madagascar; Asmara, Eritrea; Conakry, Guinea; Dakar, Senegal; Lomé, Togo; Maputo, Mozambique; and Harare, Zimbabwe.
- **Standard Delivery Approach:** State reported that it has developed a standard delivery approach based on standardizing elements of project designs. Benefits expected include replicating project design elements on multiple projects. Posts identified by State for potential application

**Appendix IV
Initiatives to Improve Management and
Project Delivery Processes at the Office of
Foreign Buildings Operations**

of this initiative included Abidjan, Côte d'Ivoire; Damascus, Syria; Tashkent, Uzbekistan; and Yerevan, Armenia.

Comments From the Department of State

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



United States Department of State

Chief Financial Officer

Washington, D.C. 20520-7427

December 19, 2000

Dear Ms. Westin:

The Department has completed its review of the draft report, "Embassy Construction – Long-Term Plan Will Enhance Program Accountability and Decision-Making," GAO-01-11, November 2000, Job Code 711492. Specific, detailed comments are included in the enclosure. While we appreciate the efforts taken by GAO to accommodate many of our previous requests for revision, we note that our most important concerns still have not received the level of attention and visibility we believe they deserve. We therefore request the GAO reconsider these important views.

The recommendation for Executive Action and the title of the report itself are based on a false premise. The recommendation states:

RECOMMENDATION FOR EXECUTIVE ACTION

To enhance management and decision-making regarding the replacement of embassies and consulates that are vulnerable to terrorist attack, we recommend that the Secretary of State prepare and present to the Congress a long-term capital construction plan that identifies (1) proposed construction projects and their estimated costs; and when the Department plans to start and complete site acquisition, design, and construction; and (2) estimated overall annual funding requirements over the life of the program. The plan should be flexible enough to allow for periodic modifications as funding decisions are made and cost estimates and building schedules are revised, as well as to adjust to key management factors that could potentially influence program implementation, such as program staffing and private industry supply capacity and other significant factors that may affect construction requirements and priorities, including future decisions concerning right-sizing of overseas posts.

Ms. Susan S. Westin
Managing Director,
International Affairs and Trade,
U.S. General Accounting Office,
Washington, DC 20548.

See comment 1.

The report's basic premise is that the Department has no long-term capital construction plan or that our plan is seriously deficient. This is simply incorrect or at best misleading. The Department has established, as required by law, a long-term capital construction plan based on "bands" of priority projects. Each band consists of 20 projects of the same relative priority. We have ranked in this manner the nearly 190 embassies and consulates that need to be replaced. This prioritization of posts represents and in-depth methodology that incorporates several measures of risk and necessity. Accordingly, it should be viewed as our long-term plan. The plan is revised annually (or more often as circumstances require) and is resubmitted to Congress each February. We also provide to Congress the following:

- a) A more detailed short-term plan identifying specific projects from the highest priority bands that we intend to execute in our annual budget submission for the following fiscal year.
- b) A financial plan of the projects we intend to execute in the current fiscal year.
- c) Semiannual reports on the status of these projects.

See comment 2.

We believe this is a sound approach to program decision-making and accountability.

See comment 3.

To go beyond this type of long-term plan to one as envisioned by the GAO would not be planning; it would be soothsaying – predicting the future. To attempt to divine 5 to 10 years into the future the availability and costs of sites, materials, and labor, as well as the exact space requirements for all USG agencies at the post is so risky and prone to guesswork that it has no value as a tool.

See comment 4.

Another significant concern that needs to be addressed is that of the report title. The Department believes that the report title is a half-truth that incorrectly implies that long-term planning is the key to enhanced program decision-making. Long-term planning, as envisioned by GAO, by itself, becomes an exercise in potentially wasteful resource consumption if funding is not a definitive part of the planning and decision-making equation. Our position, as previously discussed and reported, is that funding is also an integral part of the long-term planning and decision-making process. Indeed, the GAO draft report discusses funding at great lengths, yet the GAO fails to mention funding as part of the title or in the conclusion. We are firm in our belief that the report title should be amended to include planning and funding, as previously discussed with senior GAO representatives. GAO's reluctance to be more forthright concerning the significance of funding in the planning and decision making process is further noted by selective deletions and changes made by GAO from the October 10, 2000, draft report to the November 2000 draft report.

See comment 5.

Comments made by the Senate Appropriations Committee, which were paraphrased and reported by GAO in the October 10, 2000, draft, were selectively deleted and changed by GAO in the November 2000 draft. The Senate Appropriations Committee comments are significant in terms of the Department's position that funding and planning go hand in hand. The GAO-paraphrased comments, as reported in the October 10, 2000, draft, follow.

*The House and Senate Appropriations Committees recommended that the Department's request for advance appropriations be rejected. Furthermore, the Senate Committee recommended appropriations for Fiscal year 2001 of \$271.6 million for replacing embassies and consulates (**planning** [emphasis added], site acquisition, design, and construction), which is \$228 million less than State had requested. The Senate Committee expressed concern that by starting **initial planning** (emphasis added) on many projects, State was accumulating excessive amounts of unfunded construction requirements that might exceed future appropriations levels. The Committee recommended that State limit the number of new starts. State indicated that funding levels recommended by the Senate Appropriations Committee would be insufficient for it to quicken the pace of the overall program.*

See comment 6.

Suffice it to say that even the Senate Appropriations Committee recognizes that planning and funding go hand in hand – if you withhold funding, it is most difficult to proceed with meaningful planning. We request that this section, in its entirety, be added back into the report as it provides a more accurate and balanced view of the Department's position regarding the need for funding and planning to proceed together. This section is also significant in the sense that it demonstrates that while the Department responded expeditiously to a tragic situation, our efforts were, and continue to be, thwarted by cumbersome administrative and financial processes.

See comment 7.

As noted above, the Appropriations Committees do not intend to fund long-term planning efforts out of concern that future funding may not be available to execute multiple-planned new starts. However, the Congress did authorize a 5-year, \$900 million per year security construction program and the Appropriations Conference Committee did recommend full funding of our FY 2001 request. We are pleased with these actions. In an ideal world with unlimited resources, the Department could conceivably initiate detailed planning for all proposed projects. However, this is not an ideal world. To engage in a detailed planning effort of the magnitude envisioned by the GAO (over 180 projects) would be (1) resource intensive and (2) it would mostly result in plans that would be shelved due to lack of timely funding, and subsequently require significant review and updating prior to implementation. In a 10-year long-term plan, for example, nearly 190 project plans would have to be revised annually to keep them current. This makes no sense and is truly a waste of valuable and scarce resources.

GAO notes that private industry uses 5-, 6-, and 10-year plans without much difficulty. Private industry can raise capital on equity markets, has access to long-term loans, and is not dependent on an outside organization that controls funding separate from planning. The Department believes that long-term construction planning can only be enhanced with concurrent funding made available through the Congressional budget

Appendix V
Comments From the Department of State

process. To do otherwise is unacceptable, since it would prolong the time U.S. Government employees assigned overseas must remain in unsafe facilities and daily risk injury or loss of life.

Thank you for the opportunity to respond. Please see the enclosure for additional comments. We would be pleased to meet with GAO to go over these additional comments.

Very Truly Yours,



Bert T. Edwards

Enclosure: As Stated

The following are GAO's comments on the Department of State's letter dated December 19, 2000.

GAO Comments

1. The basic premise of our report is that State can do a better job of planning its capital construction program to help decisionmakers make more informed decisions about the program in the long term. Our report acknowledges that State has ranked more than 180 projects for potential replacement. However, as noted in our report, leading organizations not only rank capital projects by priority, but they also provide more detailed cost estimates and other information in plans covering 5-, 6-, or 10-year periods. State has the foundation to adopt this best practice, which we believe would be useful to the Department, other agencies operating overseas, and the Congress for decision-making and other purposes.
2. We believe that the planning information that State has provided the Congress is not sufficient to guide judgments regarding long-term program funding, accountability, and direction. Our report noted that leading organizations use long-term capital plans to define capital asset decisions, promote informed choices about resource needs, and provide decisionmakers with an overall sense of projects' merits and funding needs. Information on the scope and composition of the program envisioned by State, including the estimated cost and schedule of planned projects, would encourage dialogue with congressional committees regarding funding levels and program expectations over the life of this program. Without a long-term capital plan that includes such information, it will be difficult for State and congressional decisionmakers to accurately judge how much the program will cost; when it can be reasonably expected to be completed; and how key factors, such as funding and changes in the size of overseas posts, may affect program implementation. A long-term capital plan would also improve the accountability and transparency of decisions made by State, other agencies, and the Congress that affect this important program.
3. We disagree with State's view that implementing our recommendation would involve too much guesswork because of uncertainties regarding funding and future projects' exact scope and estimated costs. A long-term plan is typically based on assumptions about the future and estimates that are imprecise and subject to change. Once prepared, a plan can be adjusted to reflect changes and refinement of estimates in

projects' scope, cost, and implementation schedule, and to adjust to funding decisions and other factors. State has many years of experience in estimating construction schedules and costs and has already begun several studies that would provide valuable inputs to such a plan.

4. We agree that sustained funding will be needed for State to make substantial progress in replacing its vulnerable embassies and consulates, and we have modified the report's conclusion to recognize this. However, we do not agree with State's view that it should wait until it knows how much funding it is likely to receive before preparing a long-term plan consistent with our recommendation. Our report title reflects the message of the report that better planning will enhance program decision-making. Regarding funding, our report describes State's requests for funding and the appropriations it has received in detail, including State's request for \$3.35 billion in advance appropriations for fiscal years 2002-05 that was rejected.
5. In appendix I, we describe the concerns expressed by the Senate Appropriations Committee in September 2000 that State was accumulating large, unfunded construction requirements. We also describe the Committee's recommendations that the Congress limit the number of new construction starts and provide substantially less funding for the program than what State requested.
6. In its September 2000 report, the Senate Appropriations Committee did not say that it did not intend to fund long-term planning efforts. Rather, the report expressed the view that land acquisition, site preparation, and building design are relatively inexpensive, allowing the Department to pursue a large number of projects at a very modest up front cost, and that this had led to the accumulation of large, unfunded construction requirements.
7. State's comments indicate that it has interpreted our recommendation as requiring the development of detailed plans that accurately predict the exact space requirements, precise cost, and construction schedule of each of more than 180 projects over the life of this program. This was not our intention. We have modified our recommendation, calling for State to prepare a long-term plan that covers at least 5 years and to provide notional estimates of the overall program's cost and duration.

GAO Contact and Staff Acknowledgments

GAO Contact

John Brummet (202) 512-5260

**Staff
Acknowledgments**

In addition to the contact named above, Lynn Moore, Jesus Martinez, and Rona Mendelsohn made key contributions to this report.

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