

SENATE COMMITTEE ON FOREIGN RELATIONS

Richard G. Lugar, Chairman
Joseph R. Biden, Jr., Ranking Member

TESTIMONY OF

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on

PROVIDING SECURE DIPLOMATIC AND CONSULAR FACILITIES

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Thank you, Mr. Chairman and Members of the Committee, for this opportunity to discuss the efforts of the Department of State and the Overseas Buildings Operations Bureau (OBO) to provide secure diplomatic and consular facilities for U.S. Government personnel overseas.

OBO's mission, reshaped by the 1998 bombings of the U.S. Embassies in Dar Es Salaam and Nairobi, and reinforced by the events of 9/11, is to accelerate the construction of new facilities that can satisfy the Department's stringent security standards and provide our diplomatic personnel safe, secure, and functional office and residential environments.

As you know, Congress and the Executive Branch have identified OBO in the Department of State as the single property manager for diplomatic, consular, and other related civilian support properties of the United States Government overseas.¹ I want to take this occasion to thank the Committee and the Congress for their recent efforts to reinforce OBO's role as the single real property manager, as recommended by the GAO, both in the Foreign Relations Authorization Act in the 107th Congress and in the Omnibus Appropriations Act in the 108th Congress.² Managing the U.S. Government's overseas properties is a delicate and complex set of responsibilities, involving properties with a value of approximately \$12 billion, and the centralization of this function in the

¹ GAO Report, entitled Current Law Limits the State Department's Authority to Manage Certain Overseas Properties Cost Effectively, July 11, 2002, lays out the origins of this arrangement, from Congressional Report language, to OMB direction, to Department guidance documents. See page 2 of the Report.

² Section 213 of the Foreign Relations Authorization Act, 2003, Pub. L. 107-228, reversed section 738 of the USDA Appropriations Act, which conflicted with the Department of State's role as the single real property manager. GAO Report GAO-02-790R included in its recommendations, "Congress may wish to consider repealing section 738." Similarly, section 215 of the Omnibus Appropriations Act, Pub. L. 108-7, modified an earlier appropriations act (Section 220, Pub. L. 106-554 App. A) that gave the Centers for Disease Control independent authority to lease real property overseas, restoring that authority to the Secretary of State.

Department of State allows for professional, business-like management of these assets.

When I joined Secretary Powell's transition team in December of 2000 to evaluate the Department's overseas facilities status and program, I reviewed the Inman Report, the Crowe Report, the Overseas Presence Advisory Panel (OPAP) Report, and various GAO reports on the challenges facing our government in providing secure, safe, functional facilities from which to conduct our foreign policy mission. The OPAP Report stated flatly that "The condition of U.S. posts and missions abroad is unacceptable. . . . [I]nsecure and often decrepit facilities . . . threaten to cripple our nation's overseas capability." And GAO reported in January 2001 that "The need to adequately protect employees and their families from threatened terrorist attacks overseas may very well be the single most important management issue facing the State Department."

Our Government currently employs almost 60,000 people, representing over 30 agencies at 260 overseas posts. The Diplomatic Security Bureau of the Department has concluded that at least 160 of those posts do not meet current security standards and should be replaced with new embassy compounds. Yet our Government was building new embassies at the rate of about one a year – a "business as usual" approach that could never catch up to the needs identified by OPAP and GAO. Inadequate funding was defended in part on the ground that the Department did not have the capacity to build more rapidly even if it were given the funds.

Secretary Powell persuaded me to take on the task of reshaping the Department's overseas buildings operations so it could handle the task that needed to be done. With strong support and encouragement from Secretary Powell, I instituted significant organizational and management reforms in the structure and operations of what is now

OBO. Over the last two years, we have already seen significant successes in cutting costs, putting in place standard designs and an integrated design review process, and reducing the construction period for new embassies through a “fast track” process. Congress has rewarded OBO with increased support and flexibility to carry out our mission, for which we are very thankful. In Fiscal Year 2002 we demonstrated the capacity to manage \$1.8 billion. The capacity-building task is not completed, and I am determined to continue working to improve our operations.

Let me briefly address the reforms I have instituted with respect to managing the process of constructing secure new diplomatic facilities and improving security at existing facilities, so the Committee can see why I believe OBO is now capable of handling the tasks that need to be done.

Restructuring OBO. My first order of business as Director and Chief Operating Officer of OBO was to take advantage of its elevation to Bureau status as the occasion for a comprehensive reorganization. The new organizational structure reflects the life cycle of our properties: Planning and Development, Project Execution, Operations and Maintenance, and Real Estate and Property Management.

Equally as fundamental as the new organization chart is a new organizational philosophy: every employee at OBO must be accountable, just as the organization as a whole must be held accountable for performance, and both senior management and staff must focus on results, not just business as usual.

I have also put in place performance measures and a number of specific management tools that improve OBO’s ability to accomplish its mission:

- We set up a systematic process to gather the most accurate information possible about long-term staffing plans not only of the Department of State, but also of other agencies and departments, including Treasury, Justice, and Defense, who occupy many of the Department's facilities.
- We prepared and published a Long-Range Overseas Buildings Plan to establish construction priorities among posts, based on a weighing of security risks and practical capability to execute projects. The LROBP sets out in detail how the Department will address its many competing facilities requirements over the next six years, and it is the linchpin to State's Overseas Buildings Operations. The first Plan, prepared in July 2001 and released to Congress in April 2002, encompasses 72 security capital projects estimated at more than \$6.2 billion, 9 other regular capital projects totaling \$1.6 billion, 70 major rehabilitation projects estimated at \$436 million, general maintenance and repair needs of over \$500 million, and real estate acquisitions and disposals. The first annual revision and update is in the process of being finalized.
- We established an Industry Advisory Panel to take advantage of industry expertise.
- We chartered an Interagency Facilities Committee, which met for the first time in July, 2002 and will meet quarterly, to provide a forum for all agencies that occupy Department facilities overseas to discuss their needs and concerns.

- We have adopted a holistic, business-case approach to evaluating real property acquisition, lease-purchase, management, and disposal decisions.
- We use Standard Embassy Designs for the first time in the Department's history, and modular construction where appropriate, both of which can improve quality, reduce costs, and shorten design and construction duration.
- We conduct Integrated Design Reviews and interagency coordination to ensure that our designs will meet applicable health, safety, security, and functional standards and serve the needs of all of the agencies that will be using the facilities.
- We have put in place the first completely secure system for handling sensitive documents with designers and contractors.
- I personally conduct monthly accountability and performance reviews of every OBO Division and project.

In pursuing these reforms, OBO has worked to develop a progressively closer relationship with the Bureau of Diplomatic Security. This effort extends across the board, from careful coordination of the security requirements in planning New Embassy Compounds, major rehabilitations, and perimeter and compound security projects, to integrated scheduling of post-construction security certifications that allow the Department to make use of completed structures without delay. I am pleased to say that Ambassador Taylor has continued the policy of active cooperation between our Bureaus that has made our projects move smoothly to successful conclusions. He and his staff have made concerted efforts to understand and accommodate the needs of the planners and construction managers in OBO, and I am happy to take this opportunity to thank them

publicly for that vital cooperation. I am also pleased to report that OBO has developed an outstanding relationship and working arrangements with the intelligence community.

These changes have produced results. OBO's increased capacity has gone hand-in-hand with a dramatic increase in funding requested by the Administration and appropriated by Congress. As a result, OBO is currently planning and executing new facilities on a larger scale than the Department has ever managed before. As of today, OBO has 22 New Embassy Compound (NEC) projects underway, involving \$1.5 billion, and we intend to obligate funds for another 9 NEC projects involving \$883 million in Fiscal Year 2003.

Over the course of 2003, OBO expects to break ground for New Embassy Compounds in Abuja, Nigeria; Beijing, China; Cape Town, South Africa; Conakry, Guinea; Dushanbe, Tajikistan; Kabul, Afghanistan; Phnom Penh, Cambodia; Tashkent, Uzbekistan; Tbilisi, Georgia; and Yaounde, Cameroon.

I am even more pleased to say that we will be cutting ribbons to open New Embassy/Consulate Compounds in Istanbul, Turkey, and Zagreb, Croatia. Earlier this month Under Secretary Grant Green and I had the pleasure of presiding over the dedication of our New Embassy Compounds in Nairobi, Kenya and Dar Es Salaam, Tanzania, replacing the embassies that were destroyed in 1998.

I want to assure you that all of these new facilities are secure, safe, functional, and aesthetically appropriate to their surroundings. They will provide excellent diplomatic platforms for the execution of U.S. foreign policy for decades to come.

In addition, we have 68 major rehabilitation projects underway and expect to initiate another 42 such projects with Fiscal Year 2003 funds, for a total of \$576 million in

rehabilitation and security upgrade projects in process. OBO now has the capacity to manage \$1.8 billion in NEC projects on an annual basis.

Over the last two years the Department has developed a major new initiative: a Capital Security Cost-Sharing Program that will dramatically accelerate our embassy construction program and encourage agencies to right-size their overseas presence. This Program implements the OPAP Report recommendation for a new financing mechanism for embassy construction and supports the President's Management Agenda item on rightsizing. The initiation of this Program was announced in the President's Budget for Fiscal Year 2004, with actual allocations to other agencies to commence in FY2005.

As designed by the Department, the Capital Security Cost-Sharing Program will ensure that all agencies and departments share in the cost of new, secure diplomatic and consular facilities. When fully implemented, it will allocate funding on the basis of each agency's overseas presence in classified and unclassified space. We will seek a Program at the Washington level that will result in minimal administrative burden and controversy over agency shares. This structure for the program will reflect the advice we received from the Office of Management and Budget and from the Department's Industry Advisory Panel, which both thoroughly examined various structures and alternatives.

In addition to funding the urgent needs for secure facilities, this capital cost-sharing arrangement will encourage each agency to right-size its staffing, by reflecting more closely the true cost of stationing employees overseas. The overall effect on agency budgets could add about 10%-15% to what agencies now report as their total cost of stationing an American U.S. Government employee overseas.

The combination of administrative reforms in the planning, design, and construction of new embassy compounds and the implementation the cost-sharing program will go a long way toward implementing recommendations of OPAP and GAO for long term planning and construction of new facilities and for proper operation and maintenance of existing facilities.

I hope this testimony demonstrates the efforts we are making to bring rational and efficient management to OBO and the Department of State. We take our new results-based management philosophy very seriously, and we are committed to achieving the goal of ensuring that every U. S. Government employee overseas has secure, safe, and functional facilities in which to conduct the foreign policy of the United States.

Thank you for your interest and attention. I will be happy to address any questions you may have.