

Special Report

**The European External  
Action Service's  
management of its  
buildings around the world**



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(pursuant to Article 287(4), second subparagraph, TFEU)

The ECA's special reports set out the results of its performance and compliance audits of specific budgetary areas or management topics. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was produced by Audit Chamber IV — headed by ECA Member Milan Martin Cvikl — which specialises in auditing revenue, research and internal policies, financial and economic governance and European Union's institutions and bodies. The audit was led by ECA Member Pietro Russo, supported by the Attaché of his private office, François Gautier; Mark Crisp, Director; Paul Stafford, Principal Manager; Mark Marshall, Head of Task; and Pascale Pucheux-Lallemand, auditor.



*From left to right: M. Marshall, P. Russo, F. Gautier, P. Pucheux-Lallemand, P. Stafford.*

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## **Reply of the EEAS**

**Building Committee:** The Building Committee is chaired by the head of the EEAS Headquarters Infrastructure Division and includes at least four other members of this division and one member of the Field Security Division. It adopts opinions on the building files it examines.

**Building file:** Delegations are required to prepare a building file before renting (including when renewing a rental agreement), buying, renovating or constructing offices or a residence for the head of delegation. Such building files have to be submitted to headquarters (the Building Committee) for approval if their total value is 60 000 euro or more. Delegations do not have to submit a building file for renting staff accommodation unless the rent exceeds the rental ceiling defined for that country.

**Building policy:** Guidelines laid down by EEAS headquarters for delegations to ensure that the management of buildings is effective and keeps within financial limits. The building policy is also intended to help to standardise the resources made available to delegations and ensure transparency.

**Co-location:** The sharing of delegation office space with EU Member States or other EU institutions or bodies (e.g. the European Investment Bank).

**Condition of office buildings and residences:** EEAS headquarters monitors the condition of office buildings and residences of heads of delegation through on-site visits. The assessment of building condition combines three criteria rated from '0' (unusable) to '5' (excellent): health and safety, security and general status (functionality/image/location).

**Delegation:** Around 140 EU delegations operate worldwide to promote EU interests and values and to deliver trade and development cooperation. Most delegations are responsible for EU relations with one country. Others are dedicated to maintaining relations with multilateral or international organisations such as the African Union or the United Nations. One third of delegation staff work for the EEAS; the others work for the European Commission, in directorates-general such as DG International Cooperation and Development, DG Neighbourhood and Enlargement Negotiations and DG Trade.

**European External Action Service (EEAS):** The European External Action Service is the European Union's diplomatic service. Its role is to coordinate the EU's foreign and security policy. The head of the EEAS is the High Representative for Foreign Affairs and Security Policy, who is also Vice-President of the European Commission. Formally launched on 1 January 2011, the EEAS was created by the Treaty of Lisbon. It brings together staff from relevant departments of the General Secretariat of the Council and of the European Commission as well as diplomatic staff from the EU Member States. The EEAS has its headquarters in Brussels and is responsible for running around 140 EU delegations worldwide.

**Head of administration:** The head of administration assists the head of delegation in the day-to-day running of the delegation. He/she coordinates the work of the administration section and is responsible for human resources and safety management, financial management and implementation of the delegation's budget, and management of logistics, purchasing and premises.

**Head of delegation:** The heads of delegation assist the High Representative and the Commission in fulfilling their mandates in the field of external relations. The head of delegation is responsible for the management of all the delegation staff and financial resources.

I  
On its creation in January 2011, the European External Action Service (EEAS) took over responsibility for running EU delegations around the world from the European Commission. It provides office space for 5 300 staff in around 140 delegations. The EEAS is also responsible for the residences of heads of delegation and for providing, or reimbursing the costs of, accommodation for 2 400 staff. The effective management of EU delegation buildings contributes to achieving the EU's objectives in foreign policy, trade and development cooperation. EEAS expenditure on delegation buildings in 2014 amounted to 165 million euro (see paragraphs 1 to 4).

II  
The European Court of Auditors examined whether delegation buildings meet the needs of the EEAS and provide value for money. It examined whether the EEAS has effective procedures for selecting the right buildings, monitoring the suitability of buildings and planning necessary changes (see paragraphs 5 and 6).

III  
The audit found that delegation buildings, whether office buildings, residences of heads of delegation or staff accommodation, generally meet the needs of delegations (see paragraphs 8 to 19). However, in some cases, buildings do not provide best value for money because:

- (a) space in most office buildings, and some residences, exceeds the ceilings in the building policy (see paragraphs 20 to 22);
- (b) the EEAS owns buildings which it no longer uses (see paragraphs 23 to 25);
- (c) where delegations share their office premises with EU Member States or EU institutions or bodies, some charges to hosted organisations do not recover full costs (see paragraphs 26 and 27).

IV  
The suitability of delegation buildings depends firstly on their initial selection and then on the way the EEAS ensures they continue to meet needs and provide value for money. The initial selection of buildings for rental or purchase is based on the building-file procedure. Before renting (or renewing a rental agreement) or buying, the delegation concerned submits a building file to headquarters for examination and approval. In providing a structured and documented basis for decision-making, the building-file procedure is an example of good practice (see paragraphs 30 and 31). However, there is a risk that the EEAS does not select the right buildings because there are some weaknesses in the practical application of each of the major stages of the selection procedure:

- (a) When some delegations search the local market, they have insufficient expertise to identify suitable options and do not receive sufficient support from headquarters (see paragraphs 32 to 35).
- (b) When delegations present options to headquarters, the proposed solution is sometimes not based on a sound technical and financial analysis (see paragraphs 36 to 43).
- (c) When the Headquarters Building Committee makes its final decision, it is sometimes too late to sign a contract and it does not always demonstrate that the decision represents best value for money (see paragraphs 44 to 47).

### V

Once the EEAS has selected buildings, it regularly assesses whether they continue to meet the needs of delegations through site visits, but it does not identify all shortfalls (see paragraphs 49 and 50). The EEAS does not take into account all relevant factors when it monitors the space per person in office buildings (see paragraphs 51 and 52); nor does it monitor that rents of office buildings and residences remain in line with market rates and that charges to co-located organisations recover full costs (see paragraph 53). Furthermore, the EEAS does not reliably record the results of its monitoring in its information systems (see paragraphs 54 to 59).

### VI

The lack of reliable basic information on delegation buildings is an obstacle to effective planning. Moreover, headquarters does not make effective use of the information which is available to draw up plans for taking corrective action (see paragraph 60). Planning focuses on addressing short-term needs (see paragraphs 61 and 62).

### VII

It is the long-term objective of the EEAS to purchase more delegation office premises. In 2015, under the new provisions in the financial regulation, the EEAS arranged terms for borrowing up to 200 million euro to buy real estate. However, the EEAS has limited experience in owning buildings and lacks real-estate management expertise. Consequently, it has not established effective systems to manage owned properties, for example to maintain properties in good condition or to sell buildings which it no longer uses (see paragraphs 63 to 66).

### VIII

On the basis of the observations in this report, the Court recommends that the EEAS should:

- (a) include environmental factors, access for disabled people and flexibility as objectives in the building policy for office buildings;
- (b) ensure charges paid by EU Member States or other EU institutions or bodies hosted in delegation buildings are consistent and recover full costs;
- (c) strengthen the application of the building-file procedure for selecting buildings;
- (d) use a central source of information to verify market rates for office buildings and regularly monitor consistency of office rents with market rates;
- (e) improve its real-estate management information system, so that it can provide more reliable and relevant information to feed into the planning process;
- (f) reinforce expertise in real-estate management at headquarters to develop a more strategic approach, improve planning and strengthen support for delegations;
- (g) establish priorities for rentals, purchases, sales, modifications and maintenance in rolling medium-term plans, using available information on floor space and building condition in order to comply with the building policy;
- (h) introduce systems to manage owned buildings effectively.

## 01

The European External Action Service (EEAS) coordinates the EU's foreign and security policy. The EEAS has its headquarters in Brussels and is responsible for running EU delegations around the world. The EEAS is structurally and financially independent from the European Commission, but cooperates with it on many issues.

## 02

On its creation in January 2011, the EEAS took over responsibility for all EU delegations from the European Commission. As a consequence, delegation buildings that are currently occupied are largely the result of past European Commission decisions. The EEAS provides office space for 5 300 staff in around 140 delegations. The EEAS is also responsible for the residences of heads of delegation and for providing or reimbursing the costs of accommodation for 2 400 staff.

## 03

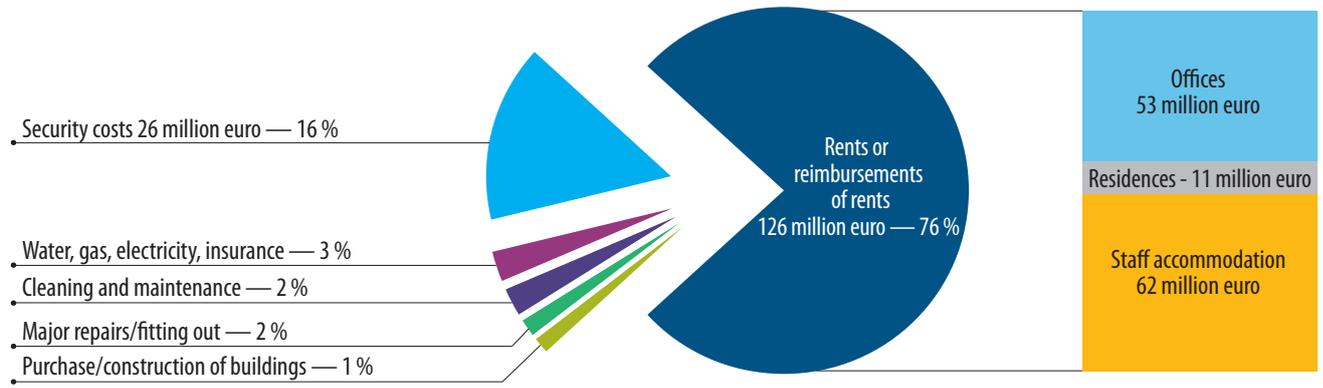
The effective management of EU delegation buildings contributes to achieving the EU's objectives in foreign policy, trade and development cooperation. Delegation offices aim to provide a stable, visible, functional and secure working and meeting environment for staff and visitors. Buildings should provide value for money, and sharing office premises with Member States or other EU institutions and bodies is actively promoted.

## 04

Some 80 % of delegation office buildings and residences of heads of delegation are rented, the rest are owned. EEAS expenditure on delegation buildings in 2014 amounted to 165 million euro (see **Figure 1**).

Figure 1

2014 expenditure on delegation buildings 165 million euro



Source: EEAS.

## Audit scope

### 05

The overall audit objective was to examine whether the EEAS manages delegation buildings well and the audit addressed the following sub-questions.

- (a) Do delegation buildings meet the needs of the EEAS and provide value for money?
- (b) Does the EEAS have effective procedures for selecting the right buildings?
- (c) Does the EEAS have effective systems for monitoring the continued suitability of buildings and planning necessary changes?

## Audit approach

### 06

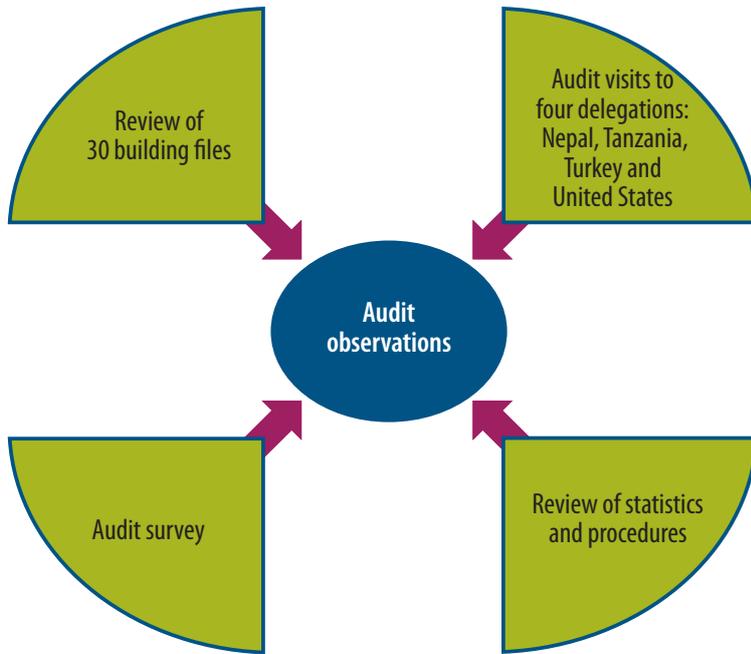
We based the audit observations on four main sources of audit evidence (see **Figure 2**).

- (a) We sent a survey to heads of administration in 133 delegations<sup>1</sup>. 112 heads of administration completed the survey, representing a response rate of 84 %.
- (b) We reviewed a sample of 30 building files submitted to headquarters in 2013 and 2014<sup>2</sup>. The decision to rent or buy a particular building, or whether or not to renew a lease, is taken on the basis of a building file submitted to headquarters by the delegation concerned.
- (c) We carried out visits to four delegations (Nepal, Tanzania, Turkey and United States — Washington DC) in order to examine building-management practices in delegations of different size, continent, space per person, ownership (three office buildings were rented), building condition, staff composition and experience of co-location. During the visits to these delegations we also discussed building-management practices with heads of administration of the Member States' embassies. Over the course of our visits we met with the embassies of Belgium, Denmark, Finland, Germany, the Netherlands, Sweden and the United Kingdom. We also visited the Ministry of Foreign Affairs in the Netherlands to obtain further information on their innovative policies and procedures for managing embassy buildings.
- (d) We reviewed documentation relating to policies, procedures and tools, carried out interviews at headquarters and analysed quantitative information relating to delegation buildings.

- 1 The survey was sent to all delegations except those located inside the EU (e.g. Delegation of the European Union to the OECD and Unesco in Paris) and those depending on another delegation.
- 2 The sample of 30 building files was selected using monetary unit sampling from the 148 building files submitted between January 2013 and September 2014.

Figure 2

## Sources of audit evidence



Source: European Court of Auditors.

## Section I — Buildings generally meet the needs of Delegations but in some cases do not provide best value for money because of excess space, unused properties and charges to tenants which do not recover full costs

### 07

The audit examined whether buildings meet the needs of delegations and provide value for money.

#### Buildings generally meet the needs of delegations

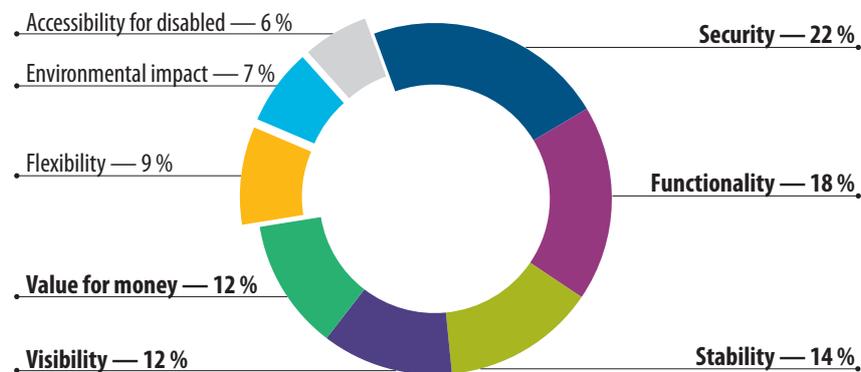
##### Office buildings

### 08

The EEAS building policy has the following objectives for delegation offices: stability, visibility, functionality, security and best value for money. The audit survey of heads of administration in delegations confirmed the relevance of all these objectives, shown in bold type in **Figure 3**.

Figure 3

#### Importance of objectives for delegation offices



Source: Audit survey of heads of administration in EU delegations.

09

Respondents gave the highest weighting to security and functionality, but also recognised the importance of other factors which are not currently objectives of the building policy.

- (a) Flexibility. The 2014 working document on the EEAS building policy stated that renting has the advantage of flexibility if needs change. Building needs may change, for example, as a result of an increase or decrease in staff numbers. Moreover, staff numbers can be outside the direct control of the EEAS, as it provides office space for European Commission staff and for other organisations.
- (b) Environmental impact. Although the EEAS is determined to put in place an environmentally friendly workplace both at headquarters and in delegations<sup>3</sup>, its building policy does not reflect this concern. For example, it has not yet committed itself to adopting EMAS (the eco-management and audit scheme)<sup>4</sup>. Actively promoting EMAS could provide an opportunity for delegations to lead by example and to demonstrate that it can also be useful for small organisations<sup>5</sup>. Nevertheless, the Washington DC and Tanzania delegations provided examples of good practice (see **Box 1**).

- 3 EEAS 2013 discharge — answers by the EEAS to the written questions.
- 4 Court of Auditors Special Report No 14/2014, 'How do the EU institutions and bodies calculate, reduce and offset their greenhouse gas emissions?' (<http://eca.europa.eu>).
- 5 The European Commission has published an 'EMAS toolkit for small organisations' and promotes a standardised methodology called 'EMAS easy'.

Box 1

Improving environmental impact in Washington DC and Tanzania

In 2012, the Washington DC delegation joined other diplomatic missions in Washington DC in a pledge to pursue policies aimed at improving environmental quality. The delegation had already led the way in obtaining the Leadership in Energy and Environmental Design (LEED) gold award for its new office premises leased in Washington DC, an example that the landlord of the building subsequently followed by obtaining LEED gold certification for the remainder of the building in 2013.

In Tanzania, the EEAS owns part of an office building together with Germany, the Netherlands and the United Kingdom. The building is managed by a Joint Management Committee, which produces an annual management report. The annual management report contains an analysis comparing monthly consumption of electricity, diesel and water for the previous 3 years in order to identify areas for possible future savings.

- (c) Accessibility for disabled people. Sometimes local requirements have to be met. This was the case for office renovations in Turkey and Washington DC. Moreover, health and safety inspections by the EEAS (see paragraph 49(b)) check the accessibility of premises for disabled people.

10

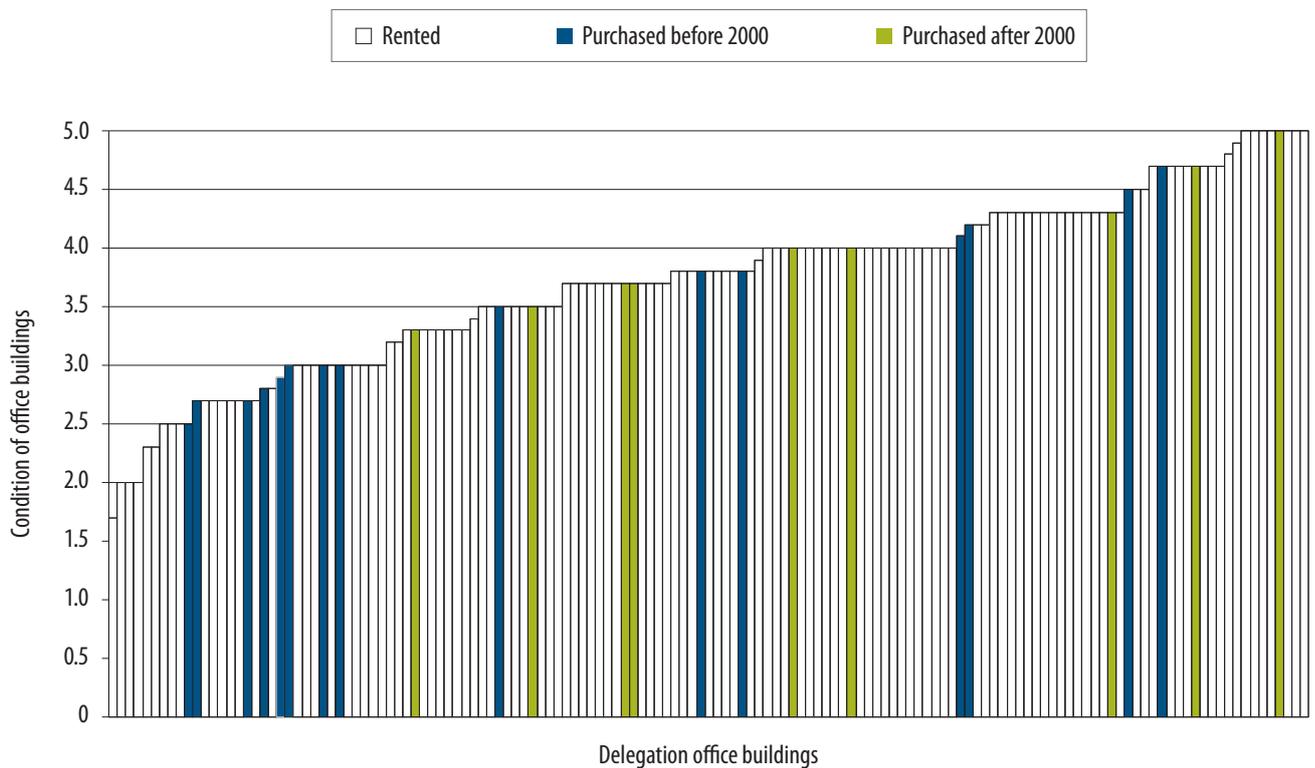
The Headquarters Infrastructure Division monitors the health and safety, security and general status of each Delegation office building<sup>6</sup>. The average condition of office buildings in 2014 was satisfactory (rated 3.7 out of 5) but there were deficiencies in some delegations<sup>7</sup> (see **Figure 4**).

6 The assessment of the condition of an office building combines three criteria rated from 0 (unusable) to 5 (excellent): health and safety (including structure, technical equipment, etc.), security and general status (functionality/image/location).

7 The four delegations assessed as being in the worst condition in 2014 were India, Egypt, Senegal and Sri Lanka.

Figure 4

Condition of delegation office buildings (5 = excellent)

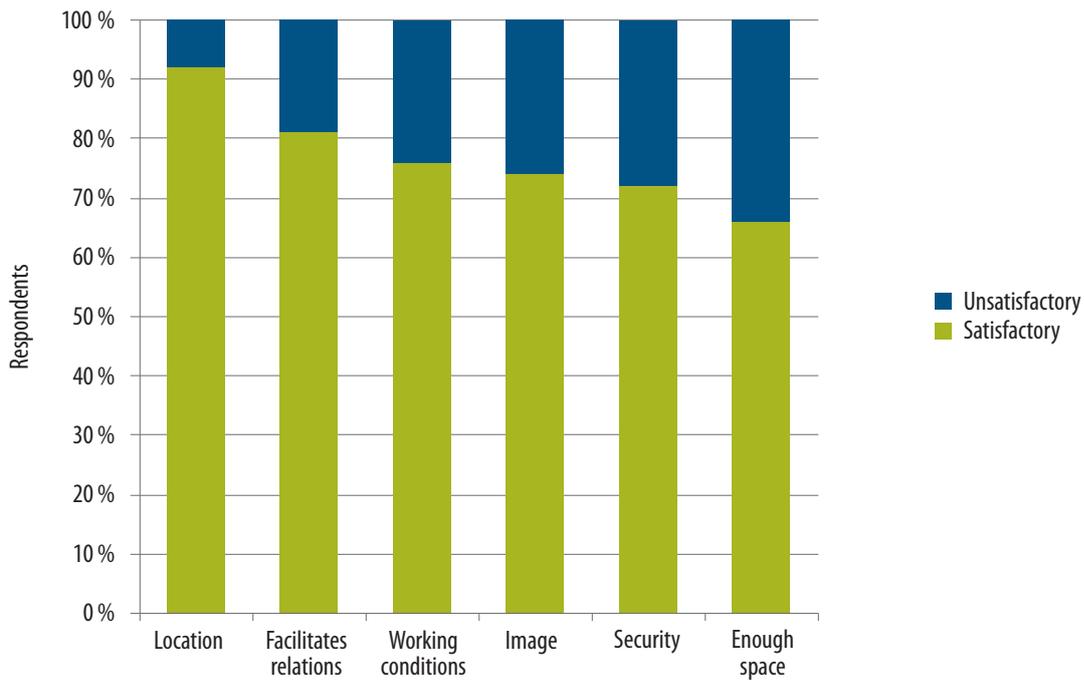


Source: European Court of Auditors based on EEAS data.

11

The assessment by headquarters was supported by the findings of our survey. Most respondents considered that delegation offices meet their needs in terms of location, facilitation of working relationships with partners, working conditions, image, security and space (see **Figure 5**). Over 90 % considered that the location is suitable. However, a quarter of respondents considered that security, image and working conditions are not appropriate. A third of respondents considered that delegation offices do not provide enough space.

Figure 5 Suitability of delegation office buildings



Source: Audit survey of heads of administration in EU delegations.

Residences

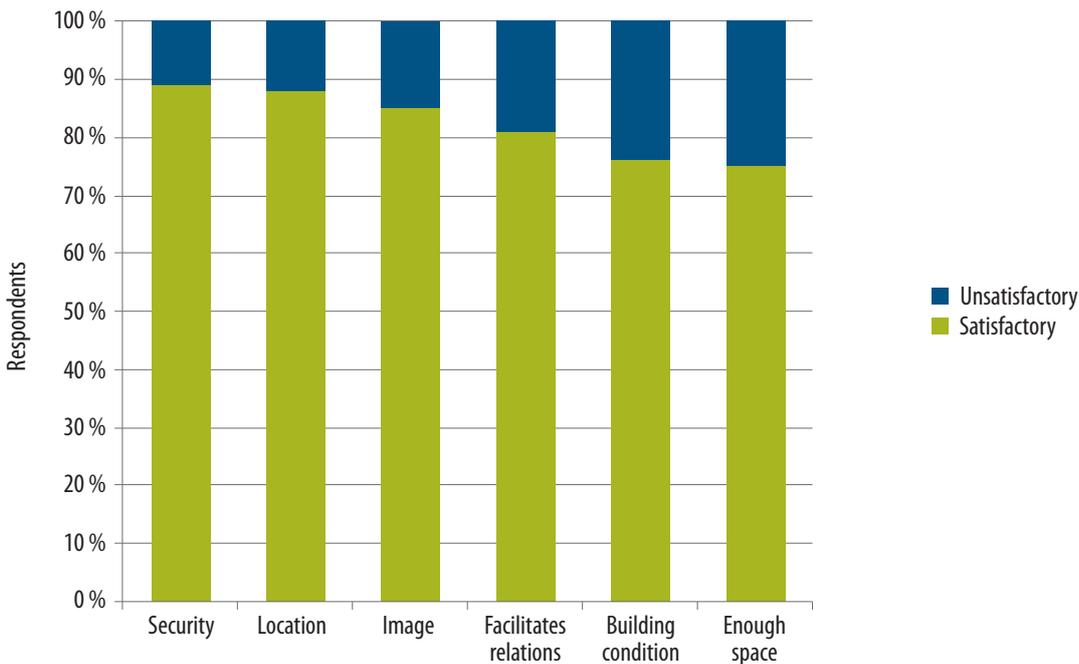
12

The residence of the head of delegation is provided by the EEAS. It has a double function: it is the private home as well as the venue for official receptions. Normally, the residence should not change when the head of delegation changes. The building policy states that it should have a representative image, should not be excessively ostentatious and should provide best value for money. The location of the residence and the steps taken to ensure its safety should take into account the security situation in the host country.

13

Most respondents to our survey considered that residences of heads of delegation meet needs in terms of security, location, image, facilitation of relationships with partners, condition and space (see **Figure 6**). However, a quarter of respondents considered that the head of delegation’s residence does not provide enough space and that the condition of the residence is not satisfactory.

Figure 6 Suitability of residences of heads of delegation



Source: Audit survey of heads of administration in EU delegations.

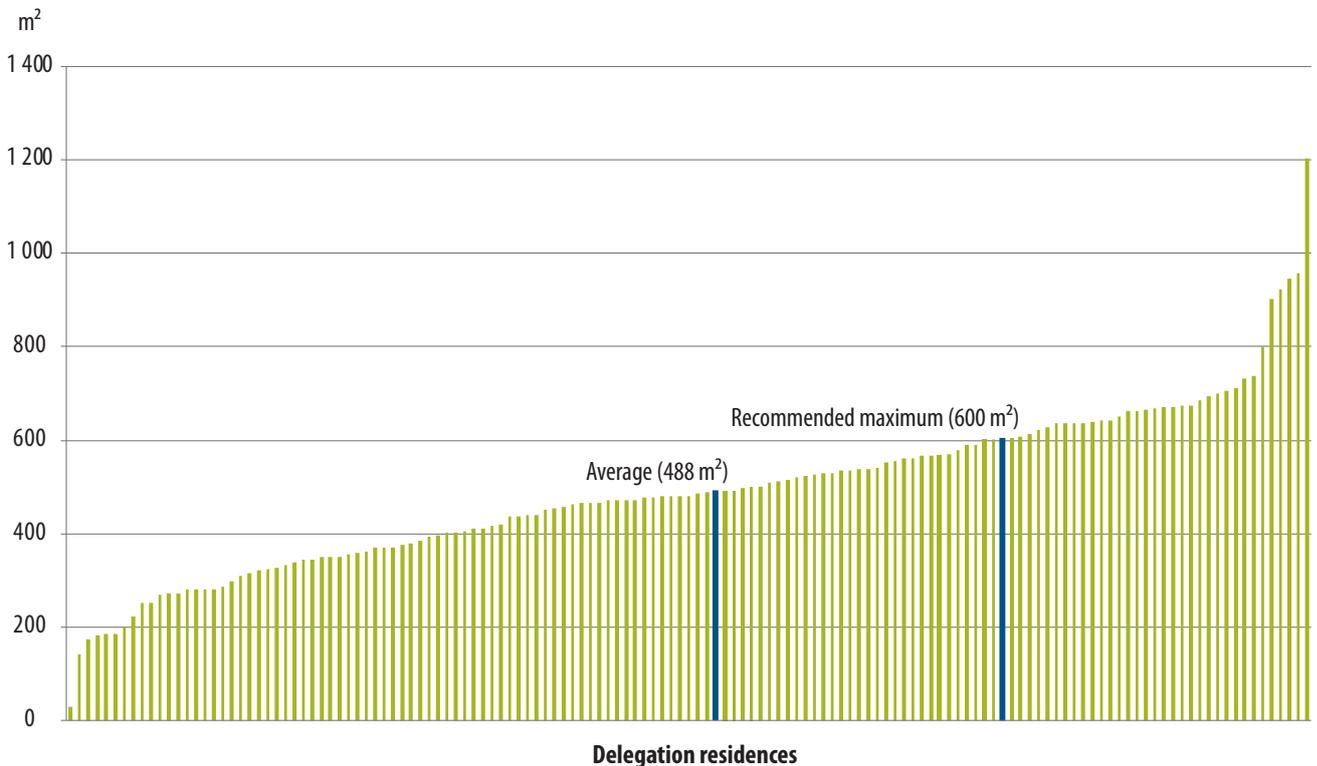
14

The surface area of the residence should be a maximum of 600 m<sup>2</sup> (see paragraph 22). The surface area of the residence and the surrounding land should be in the range of the size of residences of ambassadors of Member States in the same country<sup>8</sup>. Over 40 % of respondents to the survey considered that the head of delegation’s residence provides less space than most embassy residences. The average surface area of EU delegation residences in 2014 was 488 m<sup>2</sup> (see **Figure 7**). There were some 40 residences (30 %) under 400 m<sup>2</sup>.

8 EEAS building policy: Residences — policy and selection.

Figure 7

Surface area (m<sup>2</sup>) of residences



Source: European Court of Auditors based on EEAS data.

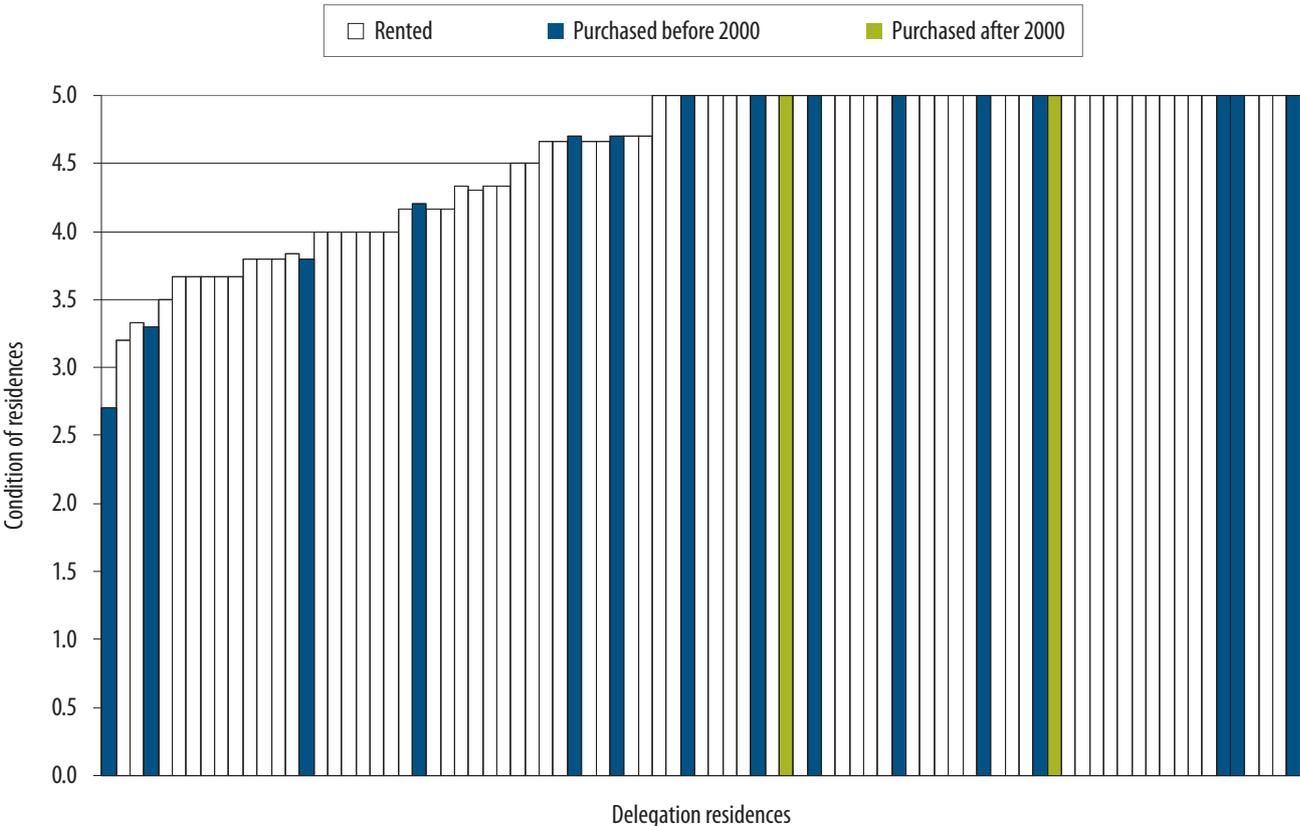
15

The Headquarters Infrastructure Division monitors the condition<sup>9</sup> of delegation residences (see **Figure 8**). The average condition of residences in 2014 was 4.6 out of 5. This is higher than the average condition of offices, rated 3.7 out of 5 (see paragraph 10).

9 The assessment of the condition of a head of delegation's residence combines three criteria rated from 0 (unusable) to 5 (excellent): health and safety (including structure, technical equipment, etc.), security and general status (functionality/image/location). The EEAS has no data on the condition of 53 residences (see paragraph 57(b)).

Figure 8

Condition of residences (5 = excellent)



Source: European Court of Auditors based on EEAS data.

## Staff accommodation

### 16

The EEAS manages accommodation for around 2 400 staff in delegations<sup>10</sup> through the following two methods provided for in the Staff Regulations.

- (a) EU delegations provide accommodation free of charge for around 1 400 staff. With a few exceptions, this accommodation is rented rather than owned. Since January 2014 EU delegations have been able to provide accommodation on this basis mainly in high-risk countries or in countries where rental market conditions make it difficult to find suitable accommodation<sup>11</sup>.
- (b) EU delegations reimburse the cost of accommodation rented by around 1 000 staff.

### 17

In both cases, the rent paid or reimbursed by the delegation is limited by a rental ceiling drawn up for each place of employment outside the EU. This ceiling is based on the composition of the staff member's family and takes into account the local rental market.

### 18

The EEAS building policy states that accommodation of expatriate staff should comply with EEAS security standards, for example it should be located in permitted areas only. It should also reflect an appropriate image of the EU<sup>12</sup>.

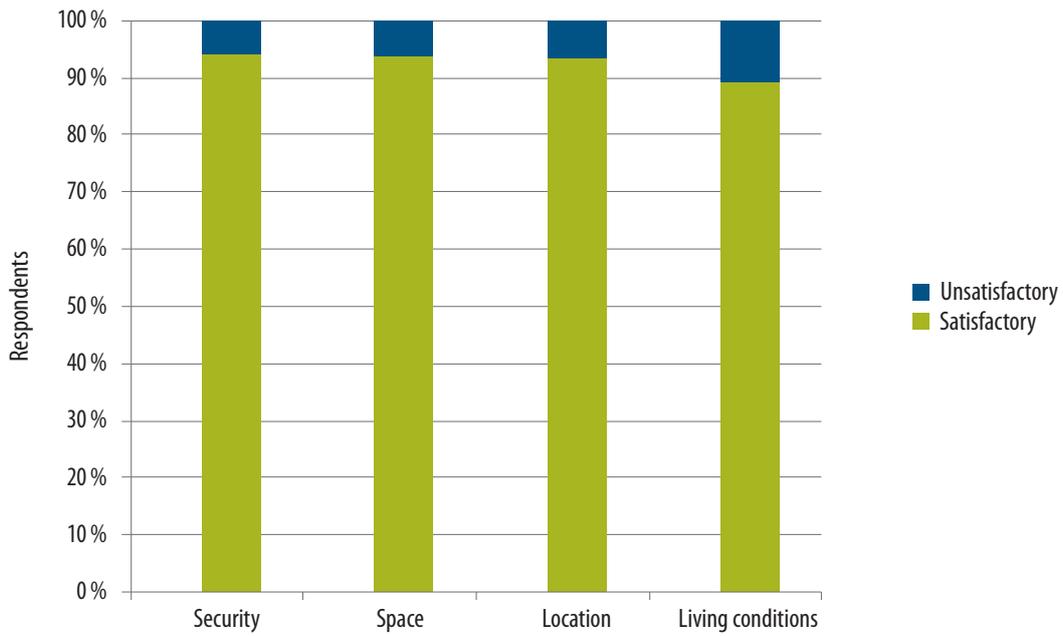
### 19

Respondents to our survey expressed a high level of satisfaction with staff accommodation. Around 90 % of respondents considered that the security, space, location and living conditions of staff accommodation are suitable (see **Figure 9**).

- 10 All staff in delegations except local employees.
- 11 Decision of the High Representative of the Union for Foreign Affairs and Security Policy of 17.12.2013 regarding the rules for the implementation of housing policy in EU delegations (HR DEC(2013) 011).
- 12 EEAS building policy: Accommodation policy for officials serving in third countries.

Figure 9

Suitability of staff accommodation in delegations



Source: Audit survey of heads of administration in EU delegations.

## Space in most office buildings, and some residences, exceeds the building policy ceilings

### Average space per person in delegation offices exceeds the building policy ceiling

#### 20

The EEAS building policy recommends that delegation offices should have a maximum size of 35 m<sup>2</sup> per person (the maximum in the building policy before 2013 was 42 m<sup>2</sup>)<sup>13</sup>. The calculation is based on all areas (not only offices but also common areas) divided by all permanent posts, except for posts which do not need an office (e.g. drivers). The building policy provides for the exclusion of certain areas from the calculation such as an additional conference room to meet the needs of the presidency function under the Lisbon Treaty. New delegation offices should consist of a mixture of individual offices, shared offices for 2-4 people and open-space areas. Individual offices should be reserved for a small number of staff whose function requires one.

#### 21

In 2014, some 85 delegations exceeded the maximum space of 35 m<sup>2</sup> per person<sup>14</sup>. The average space per person was 41 m<sup>2</sup> (see **Figure 10**)<sup>15</sup>. Reducing the average space per person would lead to savings on rent<sup>16</sup> and running costs.

### Some residences exceed the ceiling in the building policy

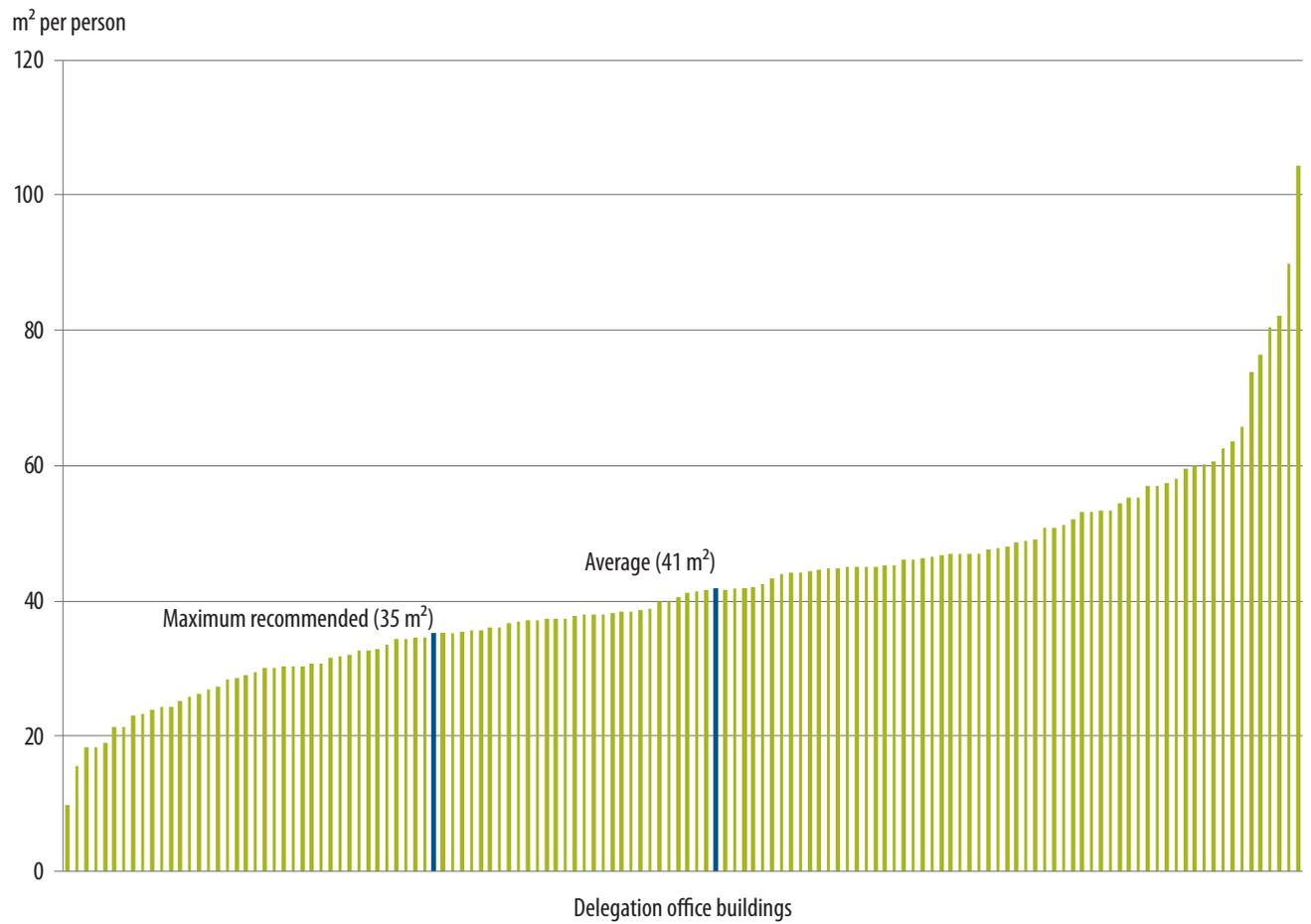
#### 22

The EEAS building policy states that the maximum total surface area of all rooms of the residence of the head of delegation should be 600 m<sup>2</sup>. Although the average surface area of EU delegation residences in 2014 was under this ceiling (see paragraph 14), 34 residences (24 %) exceeded the ceiling (see **Figure 7**)<sup>17</sup>.

- 13 Newly purchased buildings should be large enough to accommodate a 10 % increase in staff.
- 14 The delegations with the highest office space per person were the delegation to the United Nations in New York (90 m<sup>2</sup> per person) and the delegation to the United Nations in Geneva (104 m<sup>2</sup> per person).
- 15 This analysis deducts office space rented to other organisations. It excludes delegations with fewer than 10 staff, all of which have more than 35 m<sup>2</sup> per person. The analysis is based on permanent posts. The inclusion of around 200 temporary trainees and national experts would reduce the average space per person to 40 m<sup>2</sup>.
- 16 The total annual rent of delegation offices in 2014 was 53 million euro (see **Figure 1**), which means that each m<sup>2</sup> of the average space per person cost 1.3 million euro.
- 17 The residence in Indonesia, at 1 200 m<sup>2</sup>, was one of the largest residences. A contract has been signed to rent a new residence of 580 m<sup>2</sup> from September 2015.

Figure 10

Office space per person in delegations



Note: Excludes delegations with fewer than 10 staff members.

Source: European Court of Auditors based on EEAS data.

### The EEAS owns buildings which it no longer uses

#### 23

EU delegation office buildings purchased before 2000 and still used by the EEAS are among the office buildings in the worst condition (see **Figure 4**). Delegation staff in Gabon have relocated to small temporary offices, as the office building purchased in 1996 now has serious structural problems.

#### 24

Owned residences are smaller and easier to maintain. The average condition of owned residences purchased before 2000 and still used by the EEAS is 4.6 out of 5 (see **Figure 8**). This is considerably better than the average condition of 3.4 of owned delegation offices purchased before 2000.

#### 25

Although the EEAS no longer uses 20 % of the delegation buildings it owns (7 out of 33 office buildings and 6 out of 30 residences), it has retained them. The unused office buildings in Chad, the Central African Republic and Rwanda are rented to other organisations, such as DG Humanitarian Aid and Civil Protection or a Member State's embassy. Other buildings, however, are retained unoccupied. For example:

- (a) Owned office buildings in Botswana and The Gambia have been unoccupied since 2004.
- (b) The residences in South Africa and Cape Verde have been unoccupied since 2012.
- (c) In Tanzania, the ex-residence of the head of delegation (see **Figure 11**) and a staff house have been unoccupied since 2009 at a cost of 25 000 euro per year for security, utilities and gardening. They are located outside the area recommended by the regional security officer. Another house owned by the delegation, which is located within the recommended security area, has been unoccupied since April 2014.

**Figure 11** Former residence in Tanzania empty since 2009, but retained by the EEAS



Source: European Court of Auditors.

**Some charges for co-location in office buildings do not recover full costs**

**26**

The EEAS encourages solutions which involve sharing office premises with Member States or other EU institutions and bodies, including DG Humanitarian Aid and Civil Protection. Co-location aims to ensure better visibility of the EU, facilitate cooperation with Member States and also save costs<sup>18</sup>. There were 45 delegations sharing their office premises with either EU Member States or EU institutions and bodies in 2015. The number of delegations hosting or hosted by Member States’ embassies increased from 14 to 17 between May 2014 and May 2015<sup>19</sup>. **Annex I** shows the 17 delegations where there was co-location with one or more Member States in 2015.

18 EEAS building policy: Delegation offices — policy and selection. EEAS building policy: Sharing delegation offices or co-location with third parties.  
 19 2014 and 2015 working documents on the EEAS building policy.

## 27

Member States and EU institutions and bodies should pay their fair share of the costs involved in co-location<sup>20</sup>. In practice, there are different methods for calculating charges to co-locating organisations, some of which do not recover full costs. For example:

- (a) In Washington DC, the delegation has co-location agreements with five different organisations. However, only the two most recent agreements (with Europol and the European Investment Bank) include a contribution to administrative overheads.
- (b) In Nepal, DG Humanitarian Aid and Civil Protection contributes to cleaning, maintenance, utilities and security guards. However, it makes no contribution to office rent, which would amount to a further 8 000 euro per year. Similarly, in Tanzania, where the delegation owns the building, the delegation charges EUCAP Nestor<sup>21</sup> only for running costs (maintenance, utilities, security and cleaning).
- (c) The 2013 guidance to delegations on calculating the rent charged to other organisations required all new agreements, and existing agreements when renewed, to charge for common areas. Charges set before 2013 only take into account the net office area of the tenant. As a result, the tenant uses the common areas for free and pays less than its fair share of rent and operating costs.

## Section II — There is a structured procedure for selecting delegation buildings but there are some weaknesses at each of the major stages when it is applied in practice

## 28

Section I examined the suitability of delegation buildings: whether they meet the needs of delegations and provide value for money. Whether or not delegation buildings are suitable depends first of all on the way they were selected. The audit therefore examined whether the EEAS has effective procedures for selecting the right buildings.

20 European Parliament Decision of 3 April 2014 on the discharge for 2012.

21 EUCAP Nestor is an EU civilian mission, with some military expertise. It supports the development of maritime security systems in Horn of Africa and Western Indian Ocean states, to enable them to fight piracy and other maritime crime more effectively.

## Observations

### 29

The building-file procedure provides a structured basis for selecting delegation buildings. However, there are some weaknesses when the building-file procedure is applied in practice. As a consequence, there is a risk that the EEAS may not select the right building. The weaknesses occur at each of the major stages of the building-file procedure:

- (a) when the delegation searches for suitable buildings;
- (b) when the delegation compares options and presents them to the Headquarters Building Committee;
- (c) when the Building Committee makes and explains its decision.

### **The building-file procedure provides a structured basis for selecting delegation buildings**

### 30

The selection of buildings for rental or purchase is based on the EEAS building-file procedure.

- (a) For offices and residences, delegations have to prepare a building file before renting, buying or constructing a new building, or when renewing a rental agreement. Delegations are required to submit such building files to the Headquarters Building Committee for examination and approval if they have a total value of 60 000 euro or more.
- (b) Delegations also have to submit a building file to the Building Committee before any acquisition of land.
- (c) When renting staff accommodation, delegations have to submit a building file if the rent exceeds the ceiling set by the EEAS for the country concerned and for the countries where no ceilings have been set.

### 31

In providing a structured and documented foundation for decision-making based on guidance from headquarters, the building-file procedure is an example of good practice. Building files use the objectives set out in the EEAS building policy as a basis for the selection criteria. The building file should contain a shortlist of suitable options resulting from the delegation's research of the local property market, a discussion of whether to rent or buy, the delegation's assessment of suitable options and its proposal to the Building Committee. The building-file procedure helps ensure that the selected buildings meet the needs of delegations whilst providing value for money.

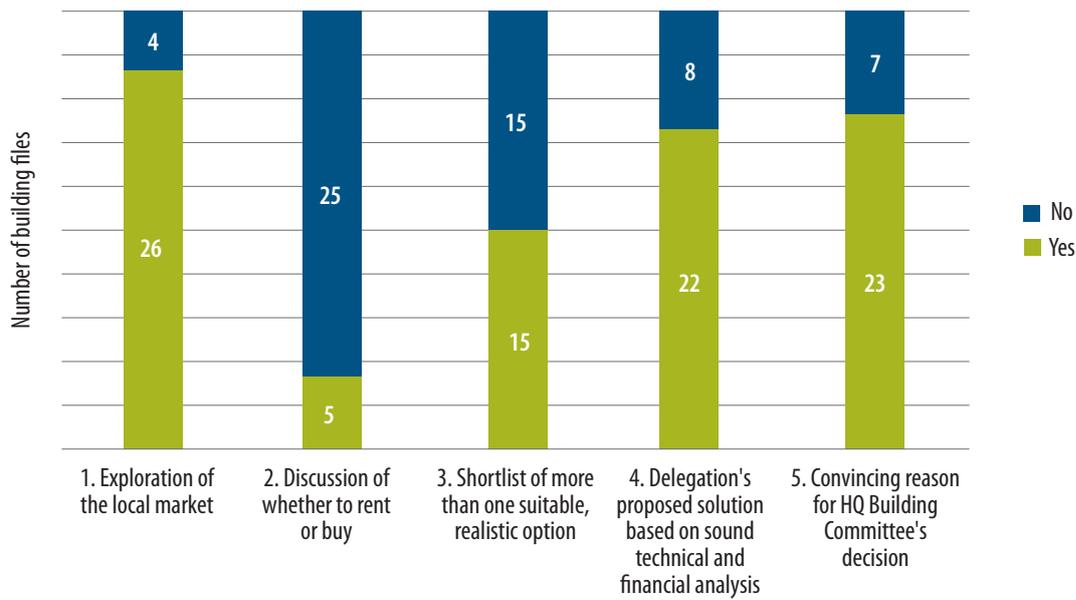
**Delegations have insufficient expertise to identify suitable buildings and do not receive sufficient support from headquarters**

**32**

Our audit review of 30 building files (see *Annex II*) found that in most of them (26 out of 30), the delegation had explored the local market. However, only 15 of the 30 building files included a shortlist of suitable, realistic options (see *Figure 12*).

Figure 12

**Summary results of audit review of 30 building files**



Source: European Court of Auditors based on review of 30 building files.

## Observations

### 33

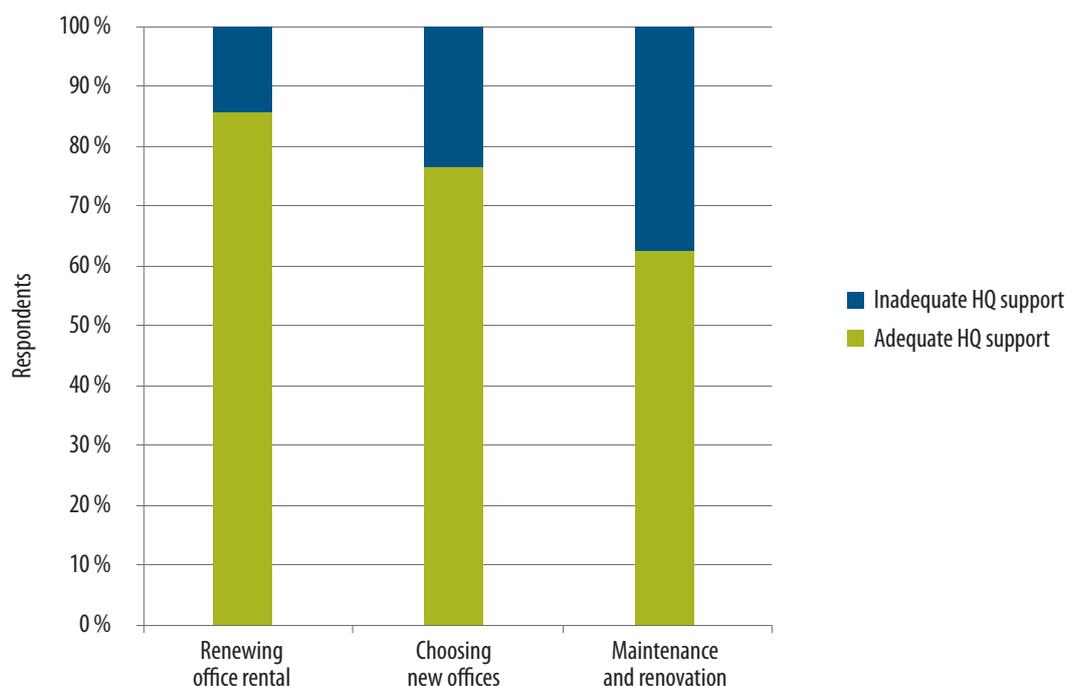
In the audit survey, almost half of heads of administration considered that their delegation does not have sufficient staff and expertise to manage its buildings. Heads of administration are not building-management specialists and do not receive specific training in this area. In order to manage building projects (e.g. moving to a new office building or carrying out works), they may therefore require approval to bring in the necessary expertise (e.g. to analyse the market, carry out a rent-versus-buy analysis, negotiate with landlords or design and monitor building works). For example, in Washington DC the delegation hires a broker locally to research the market and to negotiate with landlords on its behalf. In countries where such expertise cannot be bought in, delegations require more involvement and support from headquarters.

### 34

The audit survey showed that 85 % of heads of administration were satisfied with the support they receive from headquarters when renewing office rentals. The level of satisfaction was lower for the support received when choosing new offices (76 %) and when choosing new offices (76 %) (see **Figure 13**).

Figure 13

### Support to delegations for building-management activities



Source: Audit survey of heads of administration in EU delegations.

## 35

A number of responses to the audit survey highlighted the need for more intensive support from headquarters, particularly where there is a lack of suitable buildings on the local market<sup>22</sup>. Some delegations visited, for example Nepal (see **Box 2**), also highlighted the need for on-site visits, particularly when searching for new premises. In 2014 the Headquarters Infrastructure Division visited 36 delegations to provide on-site support. As an example of good practice, when German embassies are seeking new premises, once the head of administration has identified possible locations, staff from headquarters arrive on site to check their suitability and to help with negotiations.

22 This was identified by respondents to the survey as one of the main obstacles when it comes to finding better premises.

## Box 2

**Need for headquarters support to find an office building in Nepal**

In Nepal, because of a lack of space in the main building, since 2007 a third of staff have been working in converted garages. Since 2009, another third have been working in second-hand prefabricated cabins installed in the garden, presenting a poor image of the delegation (see **Figure 14**). The June 2011 evaluation of the delegation to Nepal recommended that a move to more appropriate and modern offices should be planned by the time the lease came to an end in 2014.

The delegation did not have the time and expertise necessary to produce a high-quality building file. It considered that a visit from a team of property-management experts from headquarters (e.g. a negotiator, an architect and a security officer) could help to search for new premises, negotiate the best arrangements and identify and compare suitable solutions. However, headquarters was unable to carry out such a visit, despite written requests from the delegation in 2011 and 2012. Headquarters did write to the delegation to encourage it to develop its proposal to purchase land from the French embassy and to construct offices and a residence, but then rejected the proposal due to lack of funds. The delegation was unable to identify a suitable alternative and so submitted a building file to renew the existing lease until 2024 which was approved by headquarters in November 2013.

Figure 14

**Pre-fabricated cabins used as offices in Nepal**



Source: European Court of Auditors.

**There are some weaknesses in the way delegations present options to headquarters**

**36**

The building policy requires delegations to present to headquarters, through building files, the results of their research into the local property market. This should include a discussion of whether to rent or buy, their assessment of suitable options and their proposal to the Building Committee. However:

- (a) delegations do not produce building files for all new contracts;
- (b) building files are unnecessarily detailed when delegations have no intention of moving;
- (c) building files rarely discuss the possibility of buying and do not compare it with the cost of renting;
- (d) in some building files, delegations do not present options in a comparable way;
- (e) guidance on preparing building files does not take into account space rented to other organisations and income generated by co-location.

## Delegations do not produce building files for all new contracts

### 37

Delegations sometimes sign a building contract without producing and submitting a building file to the Building Committee, as required. For example, there was no building file for the 230 000 euro contract for Venezuela offices signed in 2013 or the 240 000 euro contract for the residence in Nepal signed in 2011.

## Building files are unnecessarily detailed when delegations have no intention of moving

### 38

Stability is an objective of the building policy, so there is good reason for preferring to continue with the lease for an existing building if it meets the delegation's needs and provides value for money. This also avoids the cost and disruption of moving<sup>23</sup>. In any case, the standard lease agreement has a clause enabling the delegation to terminate the contract with 3 months' notice at any time.

### 39

However, there is currently no difference between the guidance for preparing building files which aim to continue an existing lease and the guidance for preparing building files which aim to select — when a move is needed — the best building among a number of options. In the first case, a comparison with alternative options is artificial and less meaningful than demonstrating that the building still meets the delegation's needs in accordance with the building policy and in line with market rates (see **Box 3**). In the second case, delegations may require more support from headquarters to carry out a more comprehensive assessment, including a comparison of suitable and realistic shortlisted options.

23 For German embassies, for example, there is an assumption that embassies will remain where they are, unless there is a particularly compelling reason to move.

## Box 3

### When delegations intend to stay put, examining alternatives can be artificial and of limited value

The objective of the 2013 building file for Rwanda offices (see **Annex II**) was to justify continuing the existing rental agreement. This was clear from a mission report from headquarters annexed to the building file instructing the delegation to negotiate an extension to the lease agreement for the office buildings quickly after exploring the market as required for the purposes of a report to the Building Committee. Therefore, although the building file included an analysis of a shortlist of suitable, realistic options, this had limited value because there was no intention of moving.

**Building files rarely discuss the possibility of buying and do not compare it with the cost of renting**

**40**

Of the 30 building files examined, only five discussed the possibility of buying (see **Figure 12**), and in all cases buying was rejected. None of the building files examined presented a comparison of renting with buying that included a comparison of the estimated future costs. In March 2015, headquarters informed heads of delegation that, in future, the Headquarters Infrastructure Division will carry out the calculations to compare buying with renting<sup>24</sup>. However, the method used is not disclosed in the EEAS building policy. The previous building policy explained how to calculate the financial return on an investment as a basis for comparing purchasing with renting over a suggested period of 20 years<sup>25</sup>. In practice, rent-or-buy discussions do not demonstrate that the proposed solution represents better value for money (see **Box 4**).

- 24 Note from managing director administration and finance to heads of delegation of 30 March 2015.
- 25 The residual value of purchased property is an important factor in this calculation and one which is difficult to estimate accurately. For example, the value of the residence in Washington DC purchased in 1971 for the equivalent of 2.4 million euro has trebled whilst the value of the office building in Argentina, purchased in 1992 for the equivalent of 1.5 million euro is estimated at 1.6 million euro.

**Box 4**

**Delegations do not show that purchasing is better value for money than renting**

In 2010-2011, when the delegation in Nepal was proposing to purchase a plot of land from the French embassy and to construct offices and a residence, it was not required by headquarters to demonstrate that purchasing and construction represented better value for money than renting.

The same occurred in Washington DC, when the delegation had the opportunity to purchase the office building in 2010. Purchasing was excluded without exploring financing options and tax advantages, even though ownership of the building could have improved the delegation’s presence and the additional space could have been used for co-location with another embassy.

**In some building files, delegations do not present options in a comparable way**

**41**

A good practice found in some building files was the comparison of shortlisted options against the selection criteria in the form of a table. By way of illustration, **Figure 15** is a composite table based on those found in the building files for the Rwanda, Guatemala and Laos offices. The allocation of points and the comments are for illustrative purposes only. A table such as this makes it easy to compare the different options in order to arrive at a balanced overall assessment. The table could also be extended, for example, to include the one-off costs associated with moving buildings (e.g. fitting-out and security works), running costs or revenue from co-location.

Figure 15

Illustrative good practice example of a table comparing options

Building	Quality criteria				Price criteria		Size criteria	
	Safety and security <i>(max 50)</i>	Functionality <i>(max 30)</i>	Location and image <i>(max 20)</i>	Total quality points <i>(max 100)</i>	Total annual rental euro	Price per m <sup>2</sup> euro	m <sup>2</sup> total	m <sup>2</sup> per person <i>(for offices)</i>
Option 1	Some concerns 20	Modern building 24	Good image 16	<b>60</b>	25 000	16.67	1 500	38
Option 2	Excellent 38	New building 28	In diplomatic area 18	<b>84</b>	22 000	15.71	1 400	35
Option 3	Can be adapted 25	Some concerns 14	Outside diplomatic area 10	<b>49</b>	20 000	12.5	1 600	40

Source: European Court of Auditors based on building files for offices in Rwanda, Guatemala and Laos.

42

This approach contrasted with other building files which examined the options in a less readily comparable way, for example, by randomly presenting particular advantages and disadvantages. Delegations sometimes omit key information from building files such as cost per m<sup>2</sup>, or space per person for office buildings, or non-compliance with the space ceiling. In 8 of the 30 building files examined, the solution proposed to the Building Committee was not based on a sound analysis by the delegation (see **Figure 12**). Moreover, although building files often show the cost of the proposed solution after negotiations, they compare this with the cost of alternative buildings before negotiations.

## Guidance on preparing building files does not take into account space rented to other organisations and income generated by co-location

### 43

The 2014 report on co-location<sup>26</sup> explains that the EEAS does not have the necessary manpower to develop common standards and produce reference documents for co-location. Consequently, guidance on preparing building files (see paragraph 31) does not explain how office space rented to Member States' embassies and other EU institutions and bodies should be taken into account in the calculation of space per person. Guidance also omits to explain how the associated income should be taken into account in calculating the cost per m<sup>2</sup>.

## Some Headquarters Building Committee opinions are not timely or convincing

### 44

In the final stage of the building-file procedure, the Headquarters Building Committee examines the delegation's proposal and issues its opinion. The Building Committee's approval is necessary before a contract can be signed<sup>27</sup>. However:

- (a) lengthy procedures prevent the signature of some contracts;
- (b) some decisions do not convincingly demonstrate that the selected solution is in line with market rates;
- (c) some decisions do not sufficiently take floor space into consideration.

## Lengthy procedures prevent the signing of some contracts

### 45

The Building Committee adopts opinions on the building files it examines. Some comments in building files explain that, rather than wait for lengthy EEAS procedures, landlords would rent out buildings to other tenants. This point of view was echoed by comments in the audit survey. One respondent wrote: 'The time from having identified a building until the approval from headquarters is far too long and landlords rent to other organisations in the meantime.' As a consequence, the approval of a building file does not necessarily lead to the signing of a contract. For example, although the building files for the residences in Israel and Sri Lanka were approved, contracts were not subsequently signed (see **Annex II**).

26 Report on co-location, 2014, 11 July 2014, EEAS.

27 For any building project likely to have significant implications for the budget of the EU (for example, acquisition of land and acquisition of buildings exceeding 3 million euro or any new building related contract with an annual charge over 750 000 euro) the approval of the budgetary authority (the European Parliament and the Council) is also required (financial regulation, Article 203(7)). A building acquisition project financed through a loan is also subject to prior approval by the budgetary authority (financial regulation, Article 203(8)).

### Some decisions do not convincingly demonstrate that the selected solution is in line with market rates

#### 46

Of the 30 building files examined, seven did not contain a convincing reason for the Building Committee's decision (see **Figure 12**). In four of these cases, this was because they did not demonstrate that the selected solution was in line with market rates. The Building Committee did not compare the cost per m<sup>2</sup> of the solution proposed by the delegation with an independent source of market rates in any of the 30 building files examined during the audit. This meant that in those cases where the delegation had not demonstrated that its proposed solution was in line with market rates, the Building Committee did not address this weakness. This was the case for the offices in Togo, the residences in Mauritania and Sri Lanka and accommodation in Kenya (see **Annex II**).

### Some decisions do not sufficiently take floor space into consideration

#### 47

In three of the seven building files which did not contain a convincing reason for the Building Committee's decision, this was because they did not give sufficient consideration to the amount of office space per person and the recommended ceilings in the building policy (see **Annex II**).

- (a) In 2013, the Building Committee approved the proposed solution in the building file of the Jordan delegation for renting offices of 43 m<sup>2</sup> per person (23 % higher than the recommended ceiling). An alternative solution was rejected because it was considered too small, even though it was 35 m<sup>2</sup> per person, exactly in line with the ceiling, and was over 20 % cheaper (a difference of 110 000 euro per annum) than the proposed solution.
- (b) In 2014, the Building Committee approved the proposed solution in the building file of the Washington DC delegation for expanding office space. Headquarters calculated the space per person as 40 m<sup>2</sup> (14 % higher than the ceiling). However, it arrived at this figure by adding 20 staff, for which there was no clear basis. This increase had not occurred at the time of the audit visit in May 2015. It also excluded the ground-floor press room from the calculation, although there was no reason for this in the building policy<sup>28</sup>. The space per person was in fact 56 m<sup>2</sup>, i.e. 60 % higher than the ceiling. The Washington DC delegation considered that the building policy does not give sufficient recognition to the increased coordination role of the EEAS in certain countries, such as the United States. However, neither the delegation nor the Building Committee mentioned that an exemption from the ceiling was necessary.

28 It also excluded an additional conference room from the calculation, which was provided for in the building policy (see paragraph 20).

- (c) The selection criteria in the 2014 building file for a new residence in Sri Lanka specified a building with a minimum size of 600 m<sup>2</sup>. This was inconsistent with the building policy in which 600 m<sup>2</sup> is the maximum, not the minimum, size. The solution proposed by the delegation, and approved by the Building Committee, was a building of 930 m<sup>2</sup>. Headquarters did not mention that this exceeded the ceiling of 600 m<sup>2</sup> by 55 % and that an exemption was necessary.

### Section III — Information on the suitability of buildings is not reliable and is not used for planning, which is too short term and particularly weak for owned properties

#### 48

The suitability of delegation buildings depends not only on their initial selection, but also on the way the EEAS ensures they continue to meet needs and provide value for money. The audit therefore examined whether the EEAS monitors the suitability of buildings once they have been selected, and plans necessary changes and maintenance to ensure they continue to meet needs and provide value for money.

#### Central monitoring systems do not provide reliable basic information on the suitability of all delegation buildings

#### Site visits assess whether buildings meet the needs of delegations, but do not identify all shortfalls

#### 49

Headquarters assesses delegation buildings through the following mechanisms to ensure they continue to meet the needs of delegations.

- (a) The Delegation Support and Evaluation Service carries out **evaluations** of delegations on average every 4 years, which include an assessment of offices and residences.
- (b) On behalf of the EEAS, an external contractor carried out **health and safety inspections** of nearly all offices and residences of delegations between 2010 and 2015.
- (c) The regional security officer carries out **security assessments** of the delegation's buildings at least once a year.

### 50

These assessments of buildings recommend corrective action (for example, setting up security systems, carrying out works or moving premises) to remedy the shortfalls identified. However, these assessments do not identify all shortfalls. For example, the November 2013 report of the regional security officer in Nepal did not address the fundamental issue of how to provide the same level of security for garages and prefabricated cabins as for the main building (see **Box 2**).

### **The monitoring of space per person in office buildings does not take account of all relevant factors**

### 51

The EEAS building policy recommends that delegation offices should have a maximum size of 35 m<sup>2</sup> per person (see paragraph 20). The building policy provides for certain areas to be excluded from the calculation. However, headquarters cannot accurately identify all office buildings for which there is too much or too little space, because it does not separately identify the following surface areas when monitoring the space per person:

- (a) office space rented to another organisation;
- (b) an additional conference room when necessary to meet the needs of the presidency function under the Lisbon Treaty;
- (c) space used by temporary trainees and seconded national experts, when a delegation employs such staff regularly.

### 52

The monitoring system does not keep track of the buildings for which exemptions concerning the surface area ceilings have been granted. It does not therefore monitor whether such exemptions are still justified.

## Observations

### The EEAS does not monitor whether rents of office buildings and residences remain in line with market rates

#### 53

Headquarters has the necessary information to calculate the cost per m<sup>2</sup> for each office building and residence. However, it does not regularly compare these costs per m<sup>2</sup> with market rates to identify significant differences. Such an exercise was carried out for staff accommodation in 2014: it found significant differences between some rental ceilings and market prices. Similarly, headquarters does not monitor charges to co-located organisations to ensure they recover full costs.

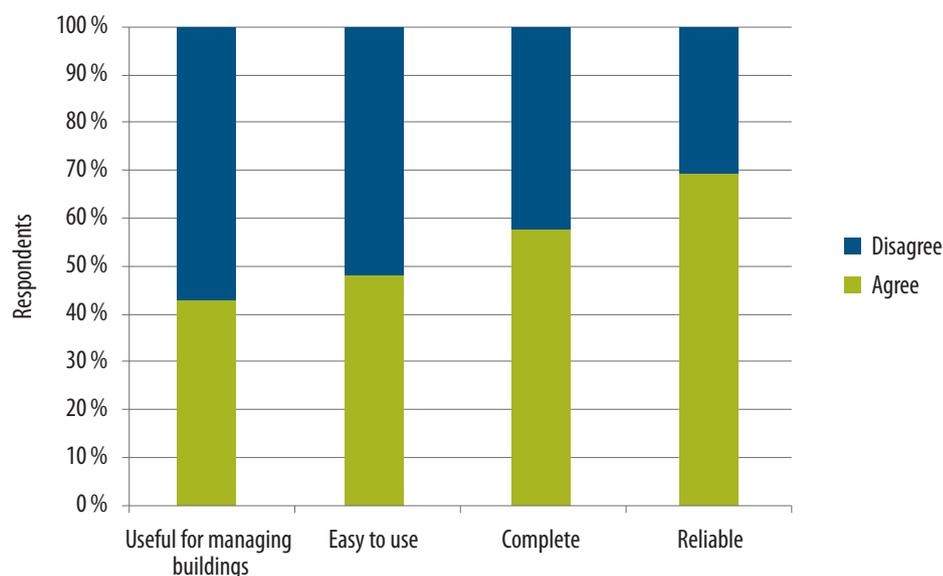
### The EEAS does not reliably record the results of its monitoring in its information systems

#### 54

Before the creation of the EEAS, the European Commission had developed an information system for managing delegation real estate: ImmoGest. This buildings information system, in use since 2008, has the potential to provide information to feed into the planning process in line with best practice. However, more than half of the respondents to the audit survey considered that ImmoGest is not useful for managing buildings (see **Figure 16**).

Figure 16

#### Opinions on ImmoGest



Source: Audit survey of heads of administration in EU delegations.

### 55

Each delegation is responsible for entering information on its office buildings, residence and staff accommodation in ImmoGest. However, around 35 % of office buildings and residences were not recorded in ImmoGest in 2014. More than half of the respondents to the audit survey considered that the system is not easy to use and more than 30 % of respondents considered that the data are not complete or reliable (see **Figure 16**).

### 56

The following findings from the audit visits to delegations reinforced the results of the survey.

- (a) The ImmoGest system is not user friendly. It has bugs which have not been fixed and in Nepal, for example, the system functions slowly and is sometimes inaccessible.
- (b) The information is not linked to business processes and the ImmoGest system does not, for example, provide practical reminders when rental payments are due or when lease end dates are approaching.
- (c) Headquarters does not make effective use of the information entered by delegations. For example, although ImmoGest contains information on building rents, headquarters does not use this information to compile the budget.
- (d) Most of the information describing staff accommodation where costs are reimbursed serves no purpose.
- (e) Because the system is not used to perform practical functions, delegations do not regularly update data in the system. Moreover, there are a number of mistakes in the data. For example, some buildings are recorded in ImmoGest as owned when they are rented.

## Observations

### 57

Instead of using ImmoGest, the EEAS Infrastructure Division maintains a central Excel spreadsheet containing information on all delegation offices and residences, including information obtained through site visits. However, some of the information in the spreadsheet is also incomplete or inaccurate. For example:

- (a) The condition of unoccupied buildings is not recorded.
- (b) There are no data on the condition of 53 residences (38 %).
- (c) The office space of some office buildings is inaccurate. For example, office space in the office building in Nepal was recorded in the spreadsheet as 1 225 m<sup>2</sup>, but the delegation confirmed it was 947 m<sup>2</sup>.
- (d) The condition of some office buildings and residences is not consistent with the assessment. For example, the health and safety report assessed the office building in Nepal as 4 out of 5, but the spreadsheet recorded 3 out of 5. The condition of the residence in Washington DC was assessed as 5 out of 5, even though major maintenance work is needed.

### 58

The EEAS Infrastructure Division maintains a separate inventory of owned properties. Some of the information in this inventory is also inaccurate or incomplete. For example, in 2014, the residence owned in Zimbabwe was recorded as offices, the former residence in Tanzania was not included and the inventory did not indicate which buildings were still in use.

### 59

EEAS headquarters does not, therefore, have reliable basic information on all office buildings and residences, although such information is essential to feed into the planning process by identifying where changes are necessary. At the end of 2015, the EEAS was taking steps to make ImmoGest more relevant and user friendly.

## Planning makes insufficient use of available information and is short term

### Available relevant information is not used to create plans

#### 60

The lack of reliable basic information on delegation buildings and the weaknesses in central monitoring systems (see paragraphs 50 to 59) are obstacles to effective planning by headquarters. Moreover, headquarters does not make effective use of available information to draw up plans for maintaining or changing buildings. For example:

- (a) Headquarters does not prioritise, budget for or integrate into maintenance plans the recommendations from on-site assessments which delegations do not have the resources to implement<sup>29</sup>. Delegations implement some recommendations from assessments regarding their buildings to address shortfalls<sup>30</sup>, but not others. Respondents to the audit survey explained that delegations do not implement many recommendations from assessments because of the lack of human and financial resources, and local constraints. Health and safety recommendations, for example, are based on EU legislation, regardless of local conditions. One respondent summed up the difficulties as follows: 'Lack of human resources, lack of budget and general local conditions and procurement issues substantially undermine scheduled implementation.' The delegation in Nepal did not have the resources to rectify certain issues repeatedly highlighted in reports by the regional security officer.
- (b) Although headquarters has information on buildings in poor condition or with too much or too little space, it does not fully use it to prioritise where changes are the most needed, and to plan the related maintenance works, co-location or moves. This results, for example, in the deterioration of the condition of office buildings, especially those acquired before 2000 (see **Figure 4** and paragraph 23). The audit survey showed that 42 % of respondents realised that their office space per person exceeded the recommended maximum. However, 47 % of these were taking no action to reduce office space and align it with the ceiling. In Turkey, even though office space per person exceeded the recommended maximum, there was insufficient space due to the unpractical floor layout (see **Box 5**).

29 For example, headquarters did not prioritise or estimate the cost of recommendations following the health and safety inspection to Nepal of November 2012. Headquarters did not follow up in any way the recommendations regarding the residence (which the delegation did not implement).

30 For example, the 2012 evaluation of the delegation in Tanzania found that the office premises were too small and had reached their capacity. The delegation subsequently rented part of the fourth floor from the Netherlands embassy from April 2013.

- (c) Headquarters does not plan how to dispose of owned buildings no longer occupied by delegations. There are no plans for most of the 20 % of owned buildings which are not used by delegations (see paragraph 25). As an example of good practice, when German embassies move to a new building, they are required to plan how to dispose of the former building, if owned, before buying or renting something else.
- (d) Headquarters does not plan the review of contributions paid by co-locating organisations. In 2013 the EEAS required delegations to charge for common areas (see paragraph 27(c)). The EEAS has also recognised that hosted organisations should contribute to the administrative burden. However, the EEAS has not planned which existing agreements to review as a priority.

### Box 5

#### Managing office space in the delegation in Turkey

The surface area of the delegation offices in Turkey was 5 500 m<sup>2</sup> for 150 staff, which is equivalent to 37 m<sup>2</sup> per person. Although this exceeds the ceiling of 35 m<sup>2</sup> per person, the October 2008 evaluation report found that the unpractical floor layout of the building resulted in insufficient office space for staff.

In 2015, the project to rearrange office space within the current building and to increase office sharing has released some space and reduced the space per person to 34 m<sup>2</sup>.

### Planning focuses on addressing short-term needs

#### 61

The EEAS Infrastructure Division produces planning documents which incorporate elements of sound practice. However, these planning documents focus on short-term needs (around 2 years) and building projects currently being prepared or explored. For example:

- (a) The 2014 and 2015 annual working documents on the EEAS building policy, which describe projects under preparation and exploration, show no planned changes in office space after 2015. They state that changes in surface areas and locations will follow political decisions and the availability of resources.

- (b) A 2014 note to heads of delegation on the development of the building policy for 2015 and 2016 identified building projects planned for the next 2 years and asked heads of delegation to keep an eye on opportunities to purchase in case the EEAS ends the year with a budgetary surplus which needs to be committed quickly.
- (c) There is a medium-term plan which identifies purchases, works and rent renewals for the 2014 to 2020 period. However, it only shows planned building purchases and construction projects which address pressing needs. The EEAS does not sufficiently establish priorities for changing premises, closing delegations, merging delegations, opening new delegations or changing the size of delegations until 2020<sup>31</sup>. This is partly because the EEAS does not make sufficient use of available information (see paragraph 60), but also because the European Commission only provided the EEAS with its delegation staffing proposals<sup>32</sup> for the next 2 years.<sup>33</sup>

## 62

Because the EEAS planning process is reactive and focuses on projects that address current needs, there is a risk that major projects are not built into plans until they become urgent. A medium-term plan (around 7 years) for delegation buildings would reflect best practice in other Member States and would enable the EEAS Infrastructure Division to play a more strategic role. Unforeseen political developments may result in a change in the level of the EU presence in certain countries and necessitate a reactive approach to planning certain building projects. Nevertheless, the existence of a medium-term plan would enable the EEAS Infrastructure Division clearly to show strategic policymakers the impact of these unforeseen changes in terms of adjustments to the plan.

- 31 The EEAS 2014 report on co-location recognises that medium-term plans should include this information.
- 32 Since the creation of the EEAS, EU delegations have consisted of two types of staff: 1 900 EEAS staff and 3 400 European Commission staff. In order to take account of the European Commission's plans regarding the number of its staff working in delegations, the EEAS consults with the Commission on decisions regarding resource allocations in delegations through the 'EUDEL mechanism'.
- 33 A 'regionalisation approach', currently under consideration at DG International Cooperation and Development, may result in the medium term in the need to obtain additional space in delegations playing a role as regional centres, and to reduce staffing levels in other delegations.

## Planning systems for owned properties are particularly weak

### The EEAS has a long-term objective of purchasing more delegation office premises and arranged terms for borrowing up to 200 million euro ...

#### 63

Currently less than 20 % of delegation office buildings and residences are owned. However, the 2014 and 2015 working documents on the EEAS building policy stated that it would often be more economical to purchase rather than to rent buildings. Over 80 % of respondents to the audit survey considered that purchasing delegation buildings is better value for money than renting.

#### 64

It is the long-term objective of the EEAS to purchase more delegation office premises. An obstacle to this goal was the limited budget available to the EEAS for the purchase or construction of new delegation buildings (in the order of 5 million euro per year<sup>34</sup>). The audit survey found that in half of the cases where the delegation wanted to purchase offices or the residence, this had been prevented by a lack of funds. However, in 2015, under the new provisions in the financial regulation<sup>35</sup>, the EEAS arranged terms for borrowing up to 200 million euro over 4 years to buy real estate.

### ... but it has not set up systems to manage owned properties effectively

#### 65

The 2015 guidelines and procedures for buying real estate in third countries state that priority should be given to the purchase of office buildings rather than residences. However, ownership offers less flexibility than renting (see paragraph 9(a)). The reduced flexibility of ownership is less of an issue for residences than for offices, because they do not have to respond to changes in staff numbers. Moreover, because of their smaller size, they are easier to buy, maintain (see paragraphs 15 and 24) and sell than offices.

34 2014 working document on the EEAS building policy.

35 The 2012 revisions to the financial regulation (Article 203(8)) enable the institutions to borrow money to purchase buildings.

## 66

When renting buildings, the EEAS benefits from external expertise in property management. Whilst lack of funds is no longer a constraint to its long-term objective of increased ownership, the EEAS has limited experience in owning buildings, lacks property-management expertise and has not established effective systems for buying, maintaining and selling buildings. For example:

- (a) The system for deciding whether it would be better to buy or rent should be improved (see paragraph 40).
- (b) There is no property maintenance strategy or effective system to maintain owned property. This results in the deterioration of the condition of buildings (see paragraph 23). Over one third of respondents to the audit survey considered that headquarters support for building maintenance is inadequate (see **Figure 13**). Embassies of Member States (for example, Denmark, Germany, the Netherlands, Sweden and the United Kingdom) emphasised the importance of planning for, and investing in, the maintenance of owned buildings. The delegation office building in Tanzania, for example, which is owned together with Germany, the Netherlands and the United Kingdom, is maintained in good condition.
- (c) The lack of a mechanism for managing fluctuations in exchange rates may prevent delegations from carrying out planned works projects<sup>36</sup>. The embassy of the Netherlands explained, in contrast, how their exchange rate for the year is fixed centrally in order to protect operations such as planned maintenance work from exchange-rate fluctuations. Any exchange-rate gain or loss is borne by their headquarters.
- (d) There are disincentives and obstacles to the disposal of surplus property, resulting in the retention of buildings which are no longer used (see paragraphs 25 and 60(c)). For example, the funds received from the sale of owned properties are not available to the EEAS Infrastructure Division to purchase a replacement building. Furthermore, the EEAS does not own certain premises but was merely given the right of usage by national authorities.
- (e) The EEAS guidance on charging tenants for co-location does not cover owned properties. Consequently, some charges do not recover full costs because they do not reflect the rental value of the building (see paragraph 27(b)).

36 Note from EEAS headquarters to heads of delegation, 20 January 2015: Budget 2015 — Impact of the falling value of the euro for expenditure in delegations.

# Conclusions and recommendations

## 67

To contribute effectively to achieving the EU's objectives in foreign policy, trade and development cooperation, the buildings provided by the EEAS have to meet the needs of delegations. They should also provide good value for money. The following paragraphs set out the main conclusions of the Court's audit, followed by relevant recommendations. The implementation of the recommendations should begin immediately and should be completed by the end of 2017.

## 68

Delegation buildings, whether they are office buildings, residences of heads of delegation or staff accommodation, generally meet the needs of delegations, although the building policy omits some objectives for office buildings (see paragraphs 8 to 19). However, buildings do not provide best value for money because:

- (a) space in most office buildings, and some residences, exceeds the ceilings in the building policy (see paragraphs 20 to 22);
- (b) the EEAS keeps owned buildings which it no longer uses (see paragraphs 23 to 25);
- (c) where delegations share their office premises with EU Member States or EU institutions or bodies, some charges to hosted organisations do not recover full costs (see paragraphs 26 and 27).

### **Recommendation 1 — Complete objectives for office buildings**

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The EEAS should include environmental factors, access for disabled people and flexibility as objectives in the building policy for office buildings.

### **Recommendation 2 — Ensure charges to co-located organisations recover full costs**

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The EEAS should ensure charges paid by EU Member States or other EU institutions or bodies hosted in delegation office buildings are consistent and recover full costs. For example, it should charge all tenants for use of common areas and for administrative support. Where the offices are owned, it should include a charge to reflect the rental value of the building.

The method for calculating these charges should also be applied to buildings owned by the EEAS, but no longer occupied by a delegation and rented to other organisations.

## Conclusions and recommendations

### 69

The suitability of delegation buildings depends on the way they were selected. It also depends on the systems used by the EEAS to ensure that buildings continue to meet needs and to take corrective action where necessary. **Annex III** summarises the weaknesses in the systems for selecting buildings, monitoring their suitability and planning future changes.

### 70

Before renting (or renewing a rental agreement) or buying, the delegation concerned submits a building file to headquarters for examination and approval. This is an example of good practice (see paragraphs 30 and 31). However, there is a risk that the EEAS may not select the right buildings because there are some weaknesses when the building-file procedure is applied in practice.

- (a) Delegations have insufficient expertise to identify suitable solutions (see paragraphs 32 to 35).
- (b) There are weaknesses in the technical and financial analysis carried out by delegations to compare options (see paragraphs 36 to 43).
- (c) Final decisions made by the Headquarters Building Committee are sometimes not timely or convincing (see paragraphs 44 to 47).

### Recommendation 3 — Strengthen the application of the procedure for selecting buildings

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The EEAS should strengthen the application of the building-file procedure for selecting buildings.

- o Produce a building file for all new contracts.
- o Introduce a streamlined building file for rent renewals. Such building files could be limited to demonstrating that the proposed solution continues to meet needs in accordance with the building policy and remains in line with market rates.
- o Compare options in the form of a table to arrive at a sound and balanced overall technical and financial assessment which demonstrates that the selected solution is in line with market rates and gives sufficient consideration to floor space.
- o Produce guidance on how to take into account space rented to other organisations and income generated by co-location.
- o Take decisions promptly to minimise the risk that buildings may no longer be available.

## Conclusions and recommendations

### 71

Once the EEAS has selected buildings, it regularly assesses whether they continue to meet the needs of delegations through site visits, but does not identify all shortfalls (see paragraphs 49 and 50). The EEAS does not monitor the space per person in office buildings against the criteria of the building policy (see paragraphs 51 and 52); nor does it monitor that rents of office buildings and residences remain in line with market rates or that charges to co-located organisations recover full costs (see paragraph 53). Furthermore, the EEAS does not reliably record the results of its monitoring in its information systems (see paragraphs 54 to 59).

#### Recommendation 4 — Verify market rates

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EEAS headquarters should use an independent source of information to verify market rates for office buildings and residences, and regularly monitor the consistency of rents with market rates. This monitoring could trigger the renegotiation of a lease or the search for a new building for rent or purchase.

#### Recommendation 5 — Improve the real-estate management information system

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The EEAS should improve its real-estate management information system, so that it has more reliable and relevant information to feed into the planning process. This information should focus on office buildings, residences, staff accommodation provided by the delegation and owned buildings no longer occupied by delegations. Information on office space per person should be refined by separately identifying office space rented to other organisations, conference rooms necessary to meet the needs of the presidency function and space used by trainees and seconded national experts.

### 72

The lack of reliable basic information on delegation buildings is an obstacle to effective planning of necessary changes by headquarters. Moreover:

- (a) headquarters does not make effective use of the information which is available to draw up plans for taking corrective action (see paragraph 60);
- (b) planning focuses on addressing short-term needs (see paragraphs 61 and 62);
- (c) Although the EEAS has a long-term objective of purchasing more delegation office premises and arranged terms for borrowing up to 200 million euro it has not set up systems to manage its owned properties effectively (see paragraphs 63 to 66).

## Conclusions and recommendations

### Recommendation 6 — Reinforce real-estate management expertise

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The EEAS should reinforce expertise in real-estate management at headquarters (e.g. through training or recruiting staff with appropriate skills) in order to develop a more strategic approach, improve planning, strengthen support for delegations and realise significant savings from improved management of space.

### Recommendation 7 — Establish medium-term plans

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The EEAS should establish rolling medium-term plans for its delegation buildings, covering around 7 years. These plans should include priorities for rentals, purchases, sales, modifications and maintenance. They should use available information on floor space and building condition in order to plan, for the medium term, how to comply with the criteria in the building policy. For example, they should plan to align office space more closely with the number of staff, and use surplus space for co-location where appropriate.

### Recommendation 8 — Identify where purchasing offers better value for money and manage owned buildings effectively

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The EEAS should enhance systems to identify where purchasing offers better value for money and to manage owned buildings effectively.

- Apply a tool (e.g. for use in rent-or-buy assessments in building files) and only purchase buildings where this offers better value for money than renting. The EEAS should estimate costs and revenue for the whole life cycle of the building, including financing and maintenance costs. In this renting versus buying comparison, the EEAS should also take into account the residual value of the building, the discount rate and risk factors such as the political or economic instability of the country and the instability of staffing levels for office buildings.
- Plan major purchases, giving priority to buildings (whether offices or residences) where purchasing offers best value for money.
- Develop a strategy to maintain owned property, linked with recommendations of health and safety inspections.
- Protect the buildings-maintenance budget from exchange-rate fluctuations
- Plan how to dispose of surplus owned properties before buying or renting something else.

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 16 February 2016.

*For the Court of Auditors*



Vítor Manuel da SILVA CALDEIRA  
*President*

## Co-location with EU Member States in EU delegations

Delegation	EU Member States
Afghanistan	Lithuania
Azerbaijan	Spain, Croatia
Belarus	Austria
Colombia	Finland, Czech Republic
East Timor	France
Ethiopia	Luxembourg
Georgia	Slovakia
Honduras	France
Iraq	United Kingdom
Mauritania	United Kingdom
Myanmar	Spain
Nigeria	Italy, Netherlands, Greece, France, Germany, Austria, Slovakia
South Sudan	Denmark, France, Germany, Italy, Netherlands, Spain, United Kingdom
Tanzania	Finland, Germany, Netherlands, United Kingdom (co-ownership)
Turkey (Gaziantep)	France, Denmark, Germany
Vietnam	Finland
Yemen	Spain

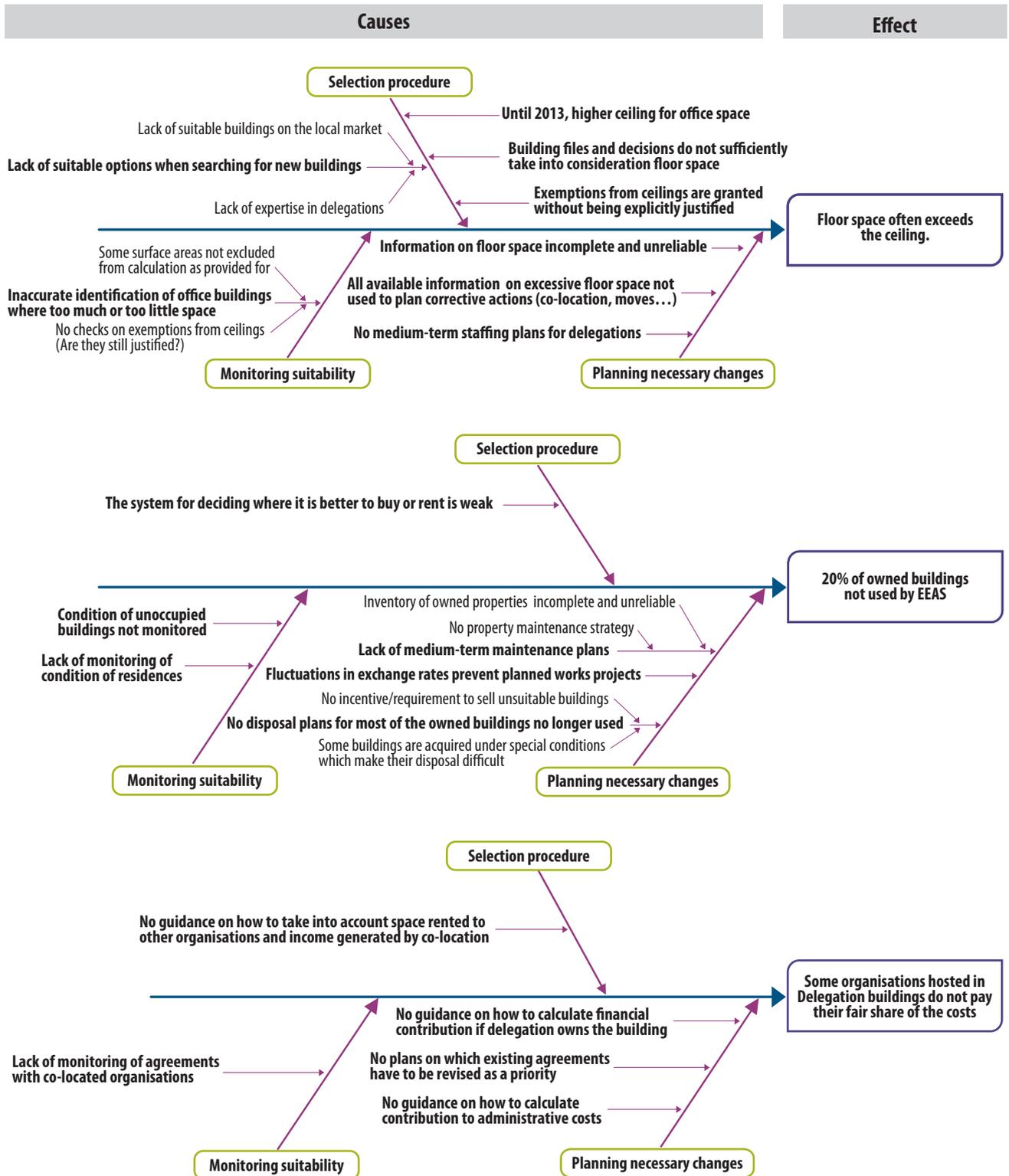
Source: 2015 working document on the EEAS building policy.

## Details of review of 30 building files

File ref	Delegation	Building	Proposed solution involves a change of building	1. Exploration of market	2. Discussion whether to rent or buy	3. Shortlist of more than one suitable, realistic option	4. Delegation's proposed solution based on sound technical and financial analysis	5. Convincing reason for HQ Building Committee's decision
2013.01	Pakistan	Residence	No	● Yes	● No	● No	● Yes	● Yes
2013.11	Angola	Offices	Yes	● Yes	● No	● No	● Yes	● Yes
2013.18	India	Residence	Yes	● Yes	● No	● Yes	● No	● Yes
2013.19	Uganda	Offices	No	● Yes	● No	● Yes	● Yes	● Yes
2013.20	Rwanda	Offices	No	● Yes	● No	● Yes	● Yes	● Yes
2013.27	Jordan	Offices	No	● Yes	● No	● Yes	● No	● No
2013.36	Hong Kong	Offices	No	● Yes	● No	● Yes	● Yes	● Yes
2013.42	Guatemala	Offices	No	● Yes	● No	● Yes	● Yes	● Yes
2013.46	Mauritania	Residence	No	● Yes	● No	● No	● No	● No
2013.48	Libya	Offices	Yes	● Yes	● No	● Yes	● Yes	● Yes
2013.52	Kenya	Offices	No	● No	● No	● No	● Yes	● Yes
2013.56	Kenya	Accomm.	Yes	● Yes	● No	● Yes	● No	● No
2013.70	Myanmar	Offices	Yes	● Yes	● No	● Yes	● Yes	● Yes
2013.73	Peru	Residence	Yes	● Yes	● No	● No	● Yes	● Yes
2013.75	Angola	Residence	Yes	● Yes	● No	● Yes	● Yes	● Yes
2013.90	China	Offices	No	● Yes	● Yes	● No	● Yes	● Yes
2013.93	Gabon	Offices	Yes	● Yes	● No	● No	● Yes	● Yes
2014.01	Pakistan	Offices	No	● Yes	● Yes	● No	● No	● Yes
2014.07	Laos	Offices	Yes	● Yes	● Yes	● Yes	● Yes	● Yes
2014.10	Côte d'Ivoire	Accomm.	Yes	● Yes	● No	● Yes	● Yes	● Yes
2014.15	Colombia	Offices	No	● No	● Yes	● No	● Yes	● Yes
2014.16	Fiji	Offices	Yes	● Yes	● Yes	● No	● Yes	● Yes
2014.26	India	Offices	Yes	● Yes	● No	● No	● Yes	● Yes
2014.27	Israel	Residence	Yes	● Yes	● No	● Yes	● Yes	● Yes
2014.31	Vietnam	Offices	Yes	● Yes	● No	● Yes	● Yes	● Yes
2014.35	United States	Offices	No	● No	● No	● No	● No	● No
2014.45	Togo	Offices	No	● Yes	● No	● No	● No	● No
2014.48	Sri Lanka	Offices	Yes	● Yes	● No	● Yes	● Yes	● Yes
2014.55	Sri Lanka	Residence	Yes	● Yes	● No	● No	● No	● No
2014.61	Timor-Leste	Accomm.	Yes	● No	● No	● No	● Yes	● No

Source: European Court of Auditors based on review of 30 building files.

Reasons why delegation buildings do not provide best value for money



Source: European Court of Auditors.

## Executive summary

I  
The EEAS agrees that there are some shortcomings in its management of infrastructure in EU delegations, and work is in hand in a number of areas to address these. Yet the complexity and political sensitivity of managing 180 office buildings and 140 official residences in 138 countries throughout the world, each with its own specific legal system and property market, has to be underlined.

Given the acute, well-known budget constraints and the commitment on staff cuts, this huge portfolio is managed by a HQ team of only 13 staff backed by local administrative support at the level of delegations. Unfortunately, it has not been possible to accompany the significant expansion of the delegation network over recent years with a commensurate increase in the number of staff devoted to this task, which has been a management challenge.

We also agree that the existing tool for real-estate inventory management is in need of replacement. A new system will be fully implemented at the end of 2016. This will allow the EEAS to develop a more effective system for advance planning and programming of expenditure.

III  
Regarding the space in delegations' buildings, it should be noted that in 2013 the guidelines for maximum office space per person were reduced from 42 m<sup>2</sup> to 35 m<sup>2</sup> as a general rule, with the possibility of additional space for specific needs such as meeting rooms for meetings with Member States. These new guidelines apply for all new acquisitions, but it will take some time for the average to come down towards the new target. In cases where delegations have spare capacity, we actively seek possibilities for co-location with Member State embassies or other EU bodies.

It is also true that some residences for EU heads of delegation exceed our normal ceiling of 600 m<sup>2</sup>, even if the overall average size is 461 m<sup>2</sup> of useable space. In five of these cases, the residences are owned by the EU, but in the others we will ask the delegations to explore alternatives when the present lease contracts expire.

Regarding the owned buildings, there are indeed a number of properties that are owned by the EEAS that are no longer used, either because of the security environment or other local conditions. The relevant delegations have been asked to sell these properties, but this can be a lengthy and politically sensitive process for several reasons explained in the reply of the EEAS.

## Observations

### 09 (b) Environmental impact

The EEAS encourages and supports eco-friendly projects primarily for owner-occupied premises. In case of rented premises the necessary investment must be amortised within the expected, normally short, duration of the lease contract.

For example, in 2014 the EEAS approved the installation of solar panels on the newly owned office building in Cape Verde. Likewise, the 2016 renovation project of our offices in Mexico will include eco-friendly features.

In view of the workload it entails the EMAS system has not yet been adopted. However, efforts will be made to enhance awareness of the environmental impact of the buildings of delegations.

### 09 (c) Accessibility for disabled people

The EEAS recognises that only a small number of EU delegations are fully accessible to disabled people. According to a health and safety survey in September 2014, only seven delegations were fully compliant, and a further 16 delegations could be made accessible to people with reduced mobility with relatively minor adaptations.

In addition, where technically and financially possible and where required by local legislation, adaptations of offices to improve the accessibility for disabled people are systematically considered. Finally, access for those with disabilities will be systematically assessed for new buildings.

### 10

The India and Egypt delegations moved in 2014/2015 and the Sri Lanka delegation moved in January 2016. Possible alternatives have already been analysed for Senegal but it has not yet been possible to identify an appropriate one.

### 11

The survey provides interesting qualitative insights into the views of respondents on the working environment in delegation offices. However, the results may reflect the differing circumstances of each respondent.

### 14

As general remarks:

- the delegation's guide states that 'local building' tradition may mean that this 600 m<sup>2</sup> limit cannot always be respected;
- the EEAS allows some flexibility on the calculation method for surface areas of buildings, taking account of local practice;
- having less space than most embassy residences is a positive point, moreover this difference can be explained for historical reasons.

The average usable floor area of residences is now 461 m<sup>2</sup>.

### 20

- (1) The EEAS has allowed some flexibility on how to calculate the surface area of the buildings rented or owned by the EEAS in the light of local practice. This can therefore lead to difficulties in interpreting aggregate figures.
- (2) Delegations have been instructed to give due consideration to the amount of office space per staff member. Any deviation from the buildings policy has to be justified. It will take some time for the average to come down towards the new capacity.

In case of excess space, co-location with Member State embassies or other EU bodies is actively pursued. However, co-location cannot always be implemented from one day to the next.

- (3) In case of reduction in staff, it is not always possible or cost-effective to move immediately to a smaller building. The cost of the move and the cost of the securing of the new buildings may be higher than the saving expected from the reduction of space.
- (4) In some case, it is not possible to rent part of a floor only.
- (5) It is not cost-effective to terminate an existing lease contract of an office with excess space while the rent at current market prices for smaller offices would be the same or higher.
- (6) In some cases, the number or the size of meeting rooms/conference rooms required for the fulfilment of the role and responsibilities of EU delegations under the Lisbon Treaty are increasing significantly the ratio of space per person. This is for example the case for:
  - United States (Washington) — 5 458m<sup>2</sup> of usable floor space, 89 staff, 55 m<sup>2</sup>/staff member (co-location deducted);
  - United States (New York) — 4 217m<sup>2</sup> of usable floor space, 57 staff, 74m<sup>2</sup>/staff member;
  - Switzerland (Geneva — delegation to UN) — 2 500m<sup>2</sup> of usable floor space, 25 staff, 100 m<sup>2</sup>/staff member.

### 21

Although mathematically correct, the figure of price for excess square metres in footnote 16 may vary depending on where the reductions in space occur, as these prices differ significantly between countries.

In addition, investments (security and infrastructure works) made in office buildings need to be offset against the potential aforementioned savings.

### 22

It is true that some residences exceed our ceiling of 600 m<sup>2</sup>. At the beginning of 2016, 26 residences (18 %) exceeded the ceiling of 600m<sup>2</sup>. In five of these cases, the residences are owned by the EU. The other delegations will be asked to explore alternatives when the present lease contract expires.

### 25

There are indeed a number of properties that are owned by the EEAS that are no longer used, either because of the security environment or other local conditions. The relevant delegations have been asked to sell these properties, but this can be a lengthy and politically sensitive process.

More specifically on:

- The Gambia: The EU had to leave the offices end of 2003 after 18 years of occupation, due to the presence of asbestos. These offices were under a long-term lease contract of 99 years with the government of The Gambia with a provision stipulating that offices must be handed over refurbished. Under such circumstances it was financially more advantageous to keep the offices. In May 2014 it was decided to reopen negotiations with local authorities for the disposal of the offices in the present conditions before the end of the long lease. This negotiation will resume with the arrival of a new head of delegation.
- Botswana: Offices were acquired in 1987. In 2003, these offices became too small and the delegation had to relocate. However, at that time it was decided to keep the premises since the land is located in a prime location, and to investigate the feasibility of projects such as the construction of new offices or accommodations on this plot. None of the projects have materialised so far, mainly for budgetary reasons. Recently, the delegation was invited again to launch a feasibility study for the construction of new offices on the plot of land.
- South Africa: The residence was auctioned but the price proposed was far too low. The delegation has been instructed to reconsider the sale.
- Tanzania: The Delegation does not have any title of ownership for the houses, among which the former residence, are located outside the areas recommended by the regional security officer. Following instructions from EEAS HQ of 2013, the delegation is investigating options with local authorities to return these houses. The houses have been valued at ~ 1.8 million euro by the Tanzania Building Agency. The Ministry of Foreign Affairs confirmed the principle of compensation.

### 27

A revision of the co-location agreements with DG Humanitarian Aid and Civil Protection (ECHO) and the EIB is under discussion. The intention is to harmonise the way it is calculated for all the ECHO and EIB co-locations. New framework memoranda of understanding should be signed in 2016.

Old memoranda of understanding should also be completely revised and adapted to the full cost recovery policy.

### 32

Discussion of whether to rent or buy was not useful at the time, as it was difficult to buy as there were limited budgetary appropriations until 2015.

The ability to draw up a shortlist depends on the local market. It is not always possible to have more than one realistic option.

### 33

The EEAS recognises that not all delegations have sufficient expertise to manage building projects.

The EEAS also agrees that ideally there should be more capacity in the relevant division in HQ to support delegations on infrastructure projects including additional site visits.

Given the acute, well-known budget constraints and the inevitability of further staff cuts, this huge portfolio is managed by an HQ team of only 13 staff backed by local administrative support at the level of delegations. Unfortunately, it has not been possible to accompany the significant expansion of the delegation network over recent years with a commensurate increase in the number of staff devoted to this task.

The regionalisation of the administration of the delegation will also constitute an answer to this problem as specialised staff in the regionalised centre will be able to deal with several delegations buildings at the same time.

### 35

Nepal has since been visited three times: in April 2014, in May 2015 and in November 2015. The EEAS unfortunately cannot match all Member States in term of the resources available in HQ to support delegations with buildings projects.

### 36

See detailed comments 39 and 40.

### 37

These cases are quite exceptional and are mainly due to a misinterpretation of the rules to be applied by the head of administration or the head of delegation. The new delegation's guide now provides clearer/more user-friendly guidelines.

### 39

To demonstrate that the building still meets the delegation's needs in accordance with the building policy and in line with market rates can only be done with a market survey.

With the result of the market survey, the delegations may also have good arguments to negotiate a better deal with the landlord of the building which is occupied by the delegation.

Procedures for building contracts are regulated by the financial regulation applicable to the general budget of the Union.

Any real-estate transaction, which includes the renewal of existing lease, should be decided after a real-estate market prospection.

The EEAS is ready to explore scope for a streamlined building file for rent renewals, subject to the constraints of the financial regulation.

## Reply of the EEAS

### 40

Until very recently, the use of the limited resources for delegation infrastructure has been a significant obstacle to the purchase of premises. Now, the EEAS agrees that with the 200 million euro facility the purchase of buildings has become a realistic option to renting. The relative costs/benefits of purchase and renting will now be a standard element in building files. Guidelines have been circulated to the delegations to this effect.

Headquarters will calculate the financial benefit of buying compared to renting according to standard theories of financial management or corporate finance (e.g. NPV methodology). This is not included in the delegation's guide as this calculation will be done by the HQ.

Appropriate financial justifications have also to be provided to the budgetary authority in case of a purchase financed with a loan.

For Nepal, there was no budget available at that time.

For Washington, the building to be bought was too big for the needs of the delegation. Furthermore it was occupied by other tenants. Should the EEAS have bought this building, it would have meant that the delegation would have had to manage lease contracts with other occupants of the building. The timing to purchase the building was also too short to consult the budgetary authority. Finally, co-location was not necessarily an option as all the Member States present in Washington already had their own premises.

### 42

The delegation guide was updated in 2015, and includes instructions on how to present options in a comparable way on the basis of an example of good practice.

### 43

The EEAS recognises the need to improve these guidelines to include more detailed information on, inter alia, how office space rented to Member States' embassies and other EU institutions and bodies should be taken into account in the calculation of space per person and in calculating the cost per m<sup>2</sup>.

### 44

See the EEAS reply to paragraphs 45 and 47.

For decisions regarding building files which depend on the approval of the budgetary authority, this can take between 6 and 8 weeks.

### 45

Procedures for building contracts are regulated by the financial regulation applicable to the general budget of the Union. The EEAS agrees that accelerated procedures should be used whenever it is possible. Unfortunately, the scope is quite limited.

The EEAS cannot force landlords to wait until the compulsory, legal and administrative procedures are terminated.

Lengthy procedures are sometimes due to the complexity of the project.

The Sri Lanka contract was not signed not because of a lengthy procedure but because the landlord changed his mind.

### 46

Comparison with an independent source is however more difficult than for accommodations as the value of a building depends on its quality and location, as well as the general conditions of the real-estate market at a particular point in time.

For Mauritania, there was no other solution than the one proposed.

For Togo, there were no offers competing with the present offices, where an investment of 200 000 euro had just been made.

### 47

In 2015, delegations were instructed to give due consideration to the amount of office space per staff, and that from now on any deviation from the buildings policy will have to be justified, approved and recorded.

In addition, this element is also discussed during each Building Committee.

In general, the exemption to the ceiling in terms of m<sup>2</sup> is automatically given if the Building Committee gives a favourable opinion (see also reasons for exemption listed at paragraph 20).

Jordan. The proposed solution was to renew the existing lease contract with a reduced rent. Given the investments already made in the building, the good location, the security standards and the reduced rent, the Building Committee issued a favourable opinion despite the excess of office space. However, the Building Committee also indicated that if the number of staff were to decrease further, the delegation would be requested to investigate other alternatives.

The EEAS recognises that the residence in Sri Lanka is too large. However, finding a residence of less than 600 m<sup>2</sup> in Sri Lanka is very difficult.

Washington. The main reason for expanding space was the need to create a secure meeting facility for meetings with Member States and for transatlantic negotiations in the context of the Snowden leaks. The present meeting room located on the ground floor with windows that face the street is impossible to secure.

In addition, office space for an additional 20 staff was required on the basis of an anticipated increase of the delegation's staff, and derogations provided for in the delegation's guide for temporary staff (e.g. ENDS, trainees, etc.).

Early in 2016, the total number of staff of the EU delegation was increased by three permanent staff and, according to the most recent information, could further increase over 2016 and 2017 by another six or seven permanent staff.

Importantly, there was no other choice but to rent an entire floor, bigger than the actual requirement, to create the extra space required for these needs.

### 49

The evaluation team does not have the technical capacity to assess the buildings. However, they do include any specific issues arising from building quality in their reports.

### 51

The new ImmoGest will refine the calculation of the different types of surface (co-location, specific meeting rooms, etc.) to enable the EEAS to calculate more accurately the average space per staff member in the delegation and to facilitate its monitoring.

### 52

Delegations have been instructed to give due consideration to the amount of office space per staff member, and that from now on any deviation from the buildings policy will have to be justified, approved and recorded.

### 53

The EEAS is ready to consider the establishment of a methodology to monitor market rates for offices and residences. However, until now, with the well-known resource limitations and the commitment on staff cuts, the development and the implementation of such a methodology is not possible.

Comparison with an independent source is indeed more difficult than for accommodations, as the value of a building depends a lot on its quality and its location, as well as the fluidity of the real-estate market in each country.

The exercise which was carried out in 2014 compared data gathered by a private company using more or less the same system used by the delegations to calculate the housing norms. The data gathered by this private company can differ from the housing norms mainly because it is using data from locations which are not authorised by the regional security officer.

### 54

The observations of the Court regarding ImmoGest are well known and integrated into the work programme of the EEAS.

The EEAS agrees that the existing IT tool for real-estate inventory management (ImmoGest) is outdated and in need of replacement.

This, together with limited resources for delegation infrastructure development, has been a significant obstacle to effective planning beyond a 2-3-year time frame.

A new system is being developed and will be fully implemented by the end of 2016. In the first place the new ImmoGest will be more user friendly. It will also support reporting, analysis, budgeting and, in a wider sense, project planning. The new ImmoGest will allow better monitoring/tracking of the suitability of delegation buildings.

### 59

EEAS headquarters considers that it has sufficient reliable basic information on all office buildings and residences to draw up planning documents focusing on a 2-3-year time frame, which it considers as appropriate.

### 60

See also the EEAS reply to paragraphs 59 and 61.

Headquarters develops the following, on a yearly basis.

- Since 2015, a 5-year plan with the ambition to identify major potential projects for offices and residences such as purchases, construction, relocations and rent renewals.
- A programme of work for offices and residences for the next 2 years. This programme is sent to all delegations, and is developed on the basis of the information available in central monitoring systems. It presents for each delegation the main actions to be taken in accordance with priorities set by HQ, derived also from various reports (e.g. mission reports, evaluation reports), and budget availability.

In addition, headquarters reports on sensitive and/or high-priority files to the EEAS hierarchy on a 3-monthly basis.

Regarding more specifically the implementation of recommendations from on-site assessments, it is important to distinguish recommendations such as, for example, relocations to new premises and co-location plans from recommendations related to minor security works, minor renovation and maintenance, which are to be dealt with locally under the responsibility of the delegation, and which are not necessarily reflected in the 2-year programme of work.

The EEAS agrees that, subject to the availability of resources, the follow-up of the aforementioned recommendations as well as planning in general can be further improved.

HQ took the necessary actions to correct the situation in Chad, Egypt, Sri Lanka and India. No solution has yet been found for Senegal.

### 61

Similarly to the experience of Member States' ministries of foreign affairs, it is extremely difficult to develop meaningful long-/medium-term plans for delegation buildings.

There are a number of reasons for this. Firstly, political considerations play often a decisive role. The opening of delegations in Libya, Myanmar/Burma, Iran and South Sudan are recent examples where the need/opportunity for a new delegation responds to political development and hence could not have been foreseen many years in advance.

Secondly, severe budgetary constraints have also been an impediment towards longer-term planning, as priority often had to be given to short-term, more pressing, needs. The creation of an investment facility (as from 2015) will introduce an element of stability in the funding of medium-term building projects. Yet it is important to underline the unpredictable and dynamic political and security context.

Nevertheless, the EEAS is exploring options to improve the forward planning of building management and programming of expenditure. In view of the political and practical uncertainties, a 2-3-year planning horizon is more realistic than a longer-term 6-7-year plan, except in the case of construction.

The EEAS therefore believes that it makes sufficient use of available information. This situation will improve when ImmoGest is fully operational.

The best example is Member States' practices. During co-location meetings, Member States were asked to exchange their 5-year planning, but this information was not available.

The EEAS Infrastructure Division meets every year in September in order to discuss the work programmes for the next 2 years. During this discussion more long-term planning is also discussed, but is not included in the work programme which is transmitted to the delegation.

### 62

The EEAS agrees that there is room for improvement with medium-term planning. This will be the case when ImmoGest and the management system of the owned properties are fully operational, as more information will be available.

See also the EEAS reply to paragraph 61.

### 63

The EEAS believes that, in the long term and in principle, owning is generally better than renting. In the past, this has not been an option because of budget constraints. Now that the EEAS has a loan facility discussions on buying/renting will be easier, as the possibility to buy has become a reality. Ownership may however not always be the best option (mainly for financial reasons) or may not always be possible for legal reasons.

### 65

The purchase of residences is only considered when there is a good financial opportunity, and importantly if its size is sufficient to cover the needs of most possible cases.

### 66 (a)

The relative costs/benefits of purchase and renting will now be a standard element in building files. Guidelines have been circulated to the delegations to this effect.

The March 2015 note to heads of delegation on the 200 million euro credit line facility states that MDRA4 will carry out the calculations to compare buying with renting.

### 66 (b)

The EEAS agrees on the need for an improved property maintenance strategy. To take this work forward, the following steps are being taken in 2015 and 2016.

- (1) A questionnaire was sent to all delegations where we have real-estate property. This includes questions on the quality of infrastructure, technical installations, historical works, maintenance, feedback and comments on the general operational state of the building.
- (2) A maintenance plan will set out a schedule of major planned renovations. This will be a multiannual plan subject to annual updating. The plan will be the basis for budgetary planning.
- (3) In parallel with the definition of a maintenance plan, guidelines will be issued providing clear maintenance standards for property-owned buildings.

The new framework contract for health and sanitation inspections will allow the use of external expertise in the implementation of this property maintenance strategy.

### 66 (c)

The EEAS agrees that exchange-rate fluctuations are a major obstacle to the programming of infrastructure projects. As far as possible it is tried to have the contracts in euro, but this is not always possible. The EEAS is open to discussing solutions in this area (not just for infrastructure spending) with the budgetary authority.

## Reply of the EEAS

### **Recommendation 1 — Complete objectives for office buildings**

The EEAS accepts the recommendation.

The EEAS will give further prominence to the importance of flexibility, environmental factors and the issue of access for disabled people in the building policy. This is, however, not always possible due to local constraints.

### **Recommendation 2 — Ensure charges to co-located organisations recover full costs**

The EEAS accepts the recommendation.

### **Recommendation 3 — Strengthen the application of the procedure for selecting buildings**

The EEAS accepts the recommendation subject to the limits of the financial regulation.

The EEAS has taken work forward on all these issues and a number of steps have already been taken to strengthen the procedure for building files.

### **Recommendation 4 — Verify market rates**

The EEAS accepts the recommendation.

The EEAS is ready to analyse the efficiency and the feasibility of an improved methodology to verify and monitor market rates for offices and residences if resources allow.

Until now, with the well-known resources limitations and the commitment on staff cuts, the development and the implementation of such a methodology has not been possible.

### **Recommendation 5 — Improve the real-estate management information system**

The EEAS accepts the recommendation.

The EEAS agrees that the existing IT tool for real-estate inventory management (ImmoGest) is outdated and in need of replacement. A new system should be fully implemented by the end of 2016.

### **Recommendation 6 — Reinforce real-estate management expertise**

The EEAS accepts the recommendation.

The Human Resources policy of the EEAS promotes the mobility of staff except for positions requiring specific expertise. Consideration will be given to establishing more flexible mobility criteria for some expert posts. The regionalisation of delegation management will also enable expertise to be built and maintained.

### **Recommendation 7 — Establish medium-term plans**

The EEAS partially accepts the recommendation.

The EEAS considers that a planning horizon of more than 2-3 years can only be indicative, as the information required for the development of such plans is subject to political and practical uncertainties (e.g. evolution of staff, security context, Member States' plans) which are difficult to predict beyond such a time frame. Moreover, regarding modifications and maintenance in particular, such forward-looking planning can only be relevant for major projects.

### **Recommendation 8 — Identify where purchasing offers better value for money and manage owned buildings effectively**

The EEAS accepts the recommendation subject to the availability of resources.

The new IT tool for real-estate inventory management under development will also support analysis, budgeting and, in a wider sense, project planning.

However, with a team of only 13 staff, there are limitations as to the possibilities for the EEAS to manage effectively such a huge portfolio.

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The European External Action Service (EEAS) provides office buildings for EU staff and residences for heads of delegation in around 140 EU delegations around the world. In this report the Court of Auditors examines whether buildings meet the needs of the EEAS and provide value for money. It concludes that buildings generally meet the needs of the EEAS but in some cases do not provide best value for money: most offices have too much space, the EEAS owns buildings which it no longer uses and the charges to some organisations renting space in delegations do not recover full costs. The audit examines the reasons for these shortfalls and makes recommendations to strengthen systems, particularly in view of EEAS plans to invest in purchasing, rather than renting, buildings.



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