

**Statement of  
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**Before the  
House Oversight and Government Reform Committee**

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Chairman Chaffetz, Ranking Member Cummings, and Members of the Committee  
– I appreciate the opportunity to appear before you today to discuss the U.S.  
Department of State’s construction project at the U.S. Embassy in Kabul,  
Afghanistan.

I am Lydia Muniz, Director of the Bureau of Overseas Buildings Operations  
(OBO). As the single real property manager for all U.S. government diplomatic  
properties overseas, OBO manages the worldwide design, construction,  
acquisition, sale and maintenance of overseas real property. OBO’s portfolio  
includes the real property platform supporting 275 missions in 190 countries  
around the world; over \$5 billion of projects in design and \$8 billion in  
construction; and over 85 million square feet of owned and leased office and  
residential property.

With over 1,000 employees serving in Washington and abroad, OBO administers  
an annual capital construction budget of \$2.5 billion and an operating budget of  
over \$800 million. To this base, Congress has provided additional funds as well as  
supported reprogramming of funds necessary to meet emergent needs for projects

in Iraq, Afghanistan, and other high threat locations, as well as facilities to expand the Marine Security Guard program.

In all cases, OBO's mission is the same – working closely with colleagues from the Bureau of Diplomatic Security – to provide safe, secure and functional facilities that support the needs of our personnel serving abroad and the foreign policy objectives of the U.S. government.

Since enactment of the Secure Embassy Construction and Counterterrorism Act (SECCA) of 1999 and the development of the Department's Capital Security Construction Program, OBO – with the support of Congress – has completed construction of 79 new embassies or consulates, with 22 more under design or construction. Together, we have moved over 32,500 people into safer, more secure facilities – and plan to move another 14,420 within the next 5 years.

The United States re-opened the U.S. Embassy in Afghanistan in December 2001. The mission first made use of the existing chancery building, completed in 1971. In 2005, OBO completed a new office building, three new residential buildings and support facilities to sustain the growing needs of the Embassy. These permanent facilities provided 250 desks and 158 residential units, including 12 in the Marine Security Guard Residence.

In FY 2009 and 2010, OBO awarded two contracts to different contractors that would provide for additional capacity on the embassy compound. The scope of these projects included a classified annex, an unclassified annex, three residential facilities, recreation and dining facilities, parking and vehicle maintenance facilities, a power plant and other infrastructure upgrades needed to support the

growing embassy population, and additions to the existing Marine Security Guard Residence and to the warehouse; as well as new perimeter walls, guard towers and compound access control facilities. The project also provided for non-permanent facilities to meet mission needs as efforts moved forward to complete permanent construction and to provide capacity for surge requirements. The total project budget was \$881 million.

When completed, the current project will provide 1,237 desks (917 unclassified and 320 classified) and 658 residential units in permanent facilities; as well as 575 desks and 540 beds in temporary facilities.

From the beginning, the goal has been, and continues to be, to press forward to deliver permanent, safe and secure facilities to support those serving in Afghanistan. In spite of fluid conditions and the logistical challenges of managing an ongoing construction project on an occupied compound and in a war zone – I am pleased to report that the unclassified annex, with a capacity of 917 desks, will be completed this month. In November of this year, the first residential facility will be delivered with 226 residential units. Less than one year later, in October 2016, the classified annex, with a capacity of 320 desks, will be completed. And the following October will see the delivery of the final two residential facilities with 432 units.

When completed, the Embassy Compound – to include the existing old Chancery building, existing office building and 3 existing residential facilities – will have the capacity for 1,487 desks and 806 residential units. If compressed, the facilities could accommodate up to 1,771 desks and 1,330 beds. In addition, temporary

facilities, if left in place for surge requirements, could provide an additional 575 desks and 540 beds.

These accomplishments have been and will be achieved in the face of significant challenges. I will outline here some of the challenges and modifications that have had the most significant impact on the original cost and schedule of the project.

- **The 2009 contract.** The scope of the 2009 project included an unclassified annex to accommodate 545 desks, one residential facility with 193 units, support facilities and infrastructure, as well as temporary facilities to accommodate 875 desks and 432 beds, a cafeteria and recreation facilities.

The Department, based on concerns with the contractor's ability to deliver both the temporary and permanent facilities on schedule, terminated the contract for convenience and added the permanent facilities to the scope of the 2010 contract. While this increased the cost and duration of the original project, it was the best course of action to move forward as expeditiously as possible.

- **An increase in scope from 545 permanent desks to 1,237 desks.** This change to provide additional desks in Kabul added significant scope to the original project after the award of the 2009 contract. Both the original and the added scope were later transferred to the 2010 contract.
- **Additional security requirements as the security situation in Afghanistan, including in Kabul, deteriorated.** These include a new Tactical Operations Center, upgraded walls, guard towers, an additional

compound access control facility and sidewall protection for temporary facilities.

- **A delay in vacating space needed by the contractor to build the unclassified annex.** Due to national security priorities that drove embassy staff numbers, the embassy was not able to vacate temporary facilities on schedule to allow the contractor to move forward with construction of the permanent unclassified annex.
- **Modifications to the old chancery building to make it more functional for post in the short term.** This included re-configuration and the addition of classified space to the old chancery building.
- **The elimination of scope planned for property occupied by the Afghanistan Ministry of Public Health.** The United States Agency for International Development (USAID) had an agreement with the Ministry to provide new facilities with increased capacity in exchange for property the Ministry occupied adjacent to the U.S. Embassy compound. After significant delays, the agreement fell through and the property was never transferred to the U.S. government. The scope planned for that property was eliminated from the contract – but triggered efforts to accommodate the original scope elsewhere on the Embassy compound. Many of those requirements remain outstanding.
- **The closure at the Pakistani border from November 2011 to July 2012.** 92 containers, with 622 tons of bulk materials, were held in Pakistan for over 7 months. This temporarily eliminated the most direct ground shipping

route for the project, forcing the Department to ship 374 unclassified containers via the much longer – and thus more expensive – “northern route.” In addition, an estimated 180 containers of classified materials will be sent to Kabul by air.

The cumulative impact of these changes is the addition of over two years to the project schedule and \$250 million. Cost increases have been funded using a combination of the following sources: a modification to the FY 10 budget before contract award, use of a management reserve and project contingency, as well as reprogrammings submitted to Congress. In spite of all of these challenges, OBO has done everything possible to press forward with one of our most complex projects, maintaining the goal of moving as many people into safer, more secure facilities as quickly as possible.

I would now like to address concerns expressed by GAO regarding OBO’s planning and development of the project in Kabul. The GAO report suggested that the cost and schedule of the project increased, in part, due to incomplete cost and risk assessments. While value engineering and risk assessments are important tools in conducting our work, and while – per the GAO recommendation – we have updated our policies and procedures on value engineering and risk assessments, I reject the notion that more thorough cost and risk assessments would have had a material impact on the cost or schedule of the Kabul Embassy project. Instead, I would argue that additional assessments would have risked further delaying delivery of permanent facilities.

As outlined above, the material changes and challenges to the project were not known and could not have been known at the time of the development and award

of the project. And while the Department, in theory, might have spent longer analyzing the evolving situation on the ground – this analysis would have delayed the contract award, and ultimately, the delivery of the project – without materially improving it. Cost increases and project delays were not avoidable.

The GAO also suggested that the Kabul project was not appropriately planned to take into account the mission's needs to the maximum extent possible. I also reject this notion.

The Embassy Kabul project, when awarded, was planned and designed to provide for the full complement of office and residential facilities – as well as all necessary support and infrastructure – required at that time. The plan and design were based on the assumption of a stand-alone embassy – with a continued Department of Defense (DoD) presence, until a draw-down of that presence was announced.

Fluid situations, such as the one in Afghanistan, differ markedly from normal operations. It is unrealistic to expect the development of a static master plan that would have captured all requirements at the beginning of an 8-year project – without periodic reviews, during and after the execution of the project, to ensure that the mission's evolving needs were captured to the maximum extent possible.

A second planning effort was initiated in January of 2014 in anticipation of the Administration's announcement in May of that year that, by the end of 2016, the U.S. military would draw-down to a normal embassy presence in Kabul with a DoD security assistance component.

The GAO report further suggested that OBO should have developed a strategic facilities plan for Kabul and referenced OBO's rescinded policy and procedure on Long Range Facility Plans (LRFP) as a model that should have been used in Kabul. The rescinded policy and procedure reads that:

“[the] LRFP program... will be directed at those posts not covered in OBO's regular capital or security capital programs.... [the] LRFP is intended to provide a clear definition of posts requirements such that stakeholders and decision-makers have the relevant data prior to making decisions to fund and execute projects.”

The Department's plans and projects in Kabul are clearly excluded from the category of posts for which an LRFP would have been conducted because Kabul had already been included in the Capital Security program. The policy and procedure on long range facilities plans – referred to in the GAO report – was rescinded because it was outdated and assigned responsibility to offices that no longer exist. The goals of the former long range facilities plans have been superseded by a more dynamic system that is managed by offices responsible for master planning and facilities operations.

Our work in Afghanistan represents some of our most important efforts. We know the Department and all U.S. government personnel serving there rely on OBO to provide a safe and secure platform. We know that any delay to the project affects hundreds of people who take risks every day to serve their country. Every day and with every decision, we do our best to deliver a safe platform that allows them to perform their duties safely and securely. And we will continue to do so until our work in Kabul is complete.

As with every project OBO undertakes, whether it is a normal operating environment or those experienced in Afghanistan and Iraq, we learn valuable lessons which we apply to future projects. We will continue to work with post, other stakeholders and Congress to meet our requirements to provide 1,487 desks and 806 beds in permanent, secure facilities by fall 2017.

I want to conclude by acknowledging that Congress has been an important partner in helping to ensure that our staff serve abroad in more secure facilities. Congress has consistently supported the cost sharing program – and, in FY 2013, provided increased funding to help the program keep pace with inflation. We will continue to live up to our commitments to place our staff in safe and secure facilities.

I look forward to answering your questions.