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INFORMATION

From:	General Secretariat of the Council
To:	Budget Committee
Subject:	EEAS policy on purchase of real estate for Union Delegations

Delegations will find attached a note from the European External Action Service on its policy on purchase of real estate for Union Delegations.

EUROPEAN EXTERNAL ACTION SERVICE



Brussels,

EEAS policy on purchase of real estate for Union Delegations

In order to achieve its strategic objective to increase ownership, the EEAS seeks the endorsement of the Budgetary Authority for a framework of principles and criteria for assessing purchase projects of both Offices as Residences for Union Delegations.

Such common understanding would facilitate future scrutiny by the Budget Authority of building projects submitted by the EEAS for consultation and approval in accordance with Article 266(3) and (5) of the Financial Regulation.

The EEAS purchase strategy developed on the basis of these principles and criteria will be assessed and reviewed on a regular basis to define yearly priorities, notably in the context of the presentation of the annual working document on Real Estate Policy to the Budgetary Authority in accordance with Article 266(1) of the Financial Regulation.

The main questions to be addressed to reach a common understanding on principles and criteria could be summarised as follows:

1. Under which circumstances should the EEAS favour a purchase over a rent for Offices or Residences?
2. In which countries or regions should the EEAS consider purchase options as a priority?
3. What characteristic should a potential purchase option fulfil to be considered?

The attached note provides the EEAS views on these questions as a contribution to the discussion.

1. Introduction

The aim of this note is to present an EEAS policy on purchase of real estate for Union Delegations and to propose a framework of principles and criteria for assessing purchase opportunities.

An endorsement of such principles and criteria would enable the EEAS to prepare a strategy that would define mid-term priorities in terms of regions and countries. The list of priorities will be assessed and reviewed on a regular basis, in particular in the context of the submission to the Budgetary Authority of the annual working document on the Real Estate Policy of the EEAS based on Article 266(1) of the Financial Regulation.

2. Real estate property of the EU for Union Delegations – current situation

The EEAS manages a total of 335 buildings for the 145 Delegations and Offices of the EU. 185 are office buildings and 150 Residences. 68 buildings (20% of the total) are property of the EU¹, of which 29 are Residences. All property of the EU in Delegations are listed in the Annex.

Buildings property of the EU and Delegations concerned, per region

Region	No. of buildings			No. of Delegations
	Offices	Residences	Total	
AFRICA	22	16	38	28
AMERICAS	9	2	11	10
ASIAPAC	5	7	12	8
EURCA	2	1	3	4
GLOBAL	1	2	3	-
MENA		1	1	1
Total	39	29	68	51

The majority of these buildings (75%) were purchased by the European Commission more than 20 years ago. Together, they represent a historical asset value of EUR 1.2 billion and a residual asset value, after amortisation, of EUR 200 million. Today's market value of these assets is expected to be much higher; in many cases their value has increased manifold.

Taking into account the 2021 average rent per square metre, the office buildings owned by the EU (57,000 m²) represented global savings of EUR 15.8 million per year. Similarly, the 29 Residences property of the EU (18,000 m²) represented savings of EUR 3.3 million per year².

¹ Properties held by the EU under a title of property and emphyteutic leases.

² Average rental costs per square meter times the number of square meters owned by the EU.

3. EEAS purchase policy

The EEAS has been encouraging purchases of real estate almost since its creation. The percentage of owned real estate in Delegations (20%) is far below the ratio of Member States. Purchasing, when financially interesting, provides long-term stability to the Delegation and removes the uncertainty (and burden) of having to negotiate extensions to the lease contracts every n years. It also helps the EU protect its investment in the buildings (notably in costly fit-out or security works). Continuity is also important from a sound financial management perspective; for the administration, the cost of change are considerable, both from a financial and from a human resources point of view.

Financially, the extra costs of buying property (the financial costs of the loan and the additional obligations as an owner, in terms of maintenance, taxes and fees) should be lower than (or at most, the same as) renting the same property over a period of x years. In general, the greatest advantage of a purchase over a rent is that, even if the financial flows of both transactions are equivalent in the long run, in the first case, the EU acquires an asset whose value is bound to increase over time and can be sold at any time, with a capital gain for the EU budget.

In its 2016 Special Report on the “EEAS management of its buildings around the World”, the European Court of Auditors included among its recommendations *‘to identify where purchasing offers better value for money and manage owned buildings effectively’*.

The current EEAS purchase policy is largely driven by market opportunities and budget availability. The overall principle is to favour purchase over rent, without distinguishing offices and residences.

Purchases have been financed in the past both from own resources (EEAS budget) and through loans. The baseline is the amount foreseen for purchases in the Annual Budget; for purchases beyond that level, a loan needs to be acquired. In that respect, a loan facility should be put in place in order to dissociate purchase opportunities from budget availability. The EEAS has recently launched a tendering procedure for that purpose.

Any purchase likely to have significant financial implications for the Union budget requires prior approval of the Budgetary Authority in accordance with Article 266(3) of the Financial Regulation. Article 266(5) of the Financial Regulation sets out the building projects that are considered to have such implications. In accordance with Article 266(6) of the Financial Regulation, any building acquisition financed through a loan shall get prior approval of the Budgetary Authority.

4. Purchasing real estate – strategic principles and criteria

The EEAS seeks to endorse a framework of strategic principles and criteria to serve as guidelines for assessing purchase opportunities.

The EEAS real estate purchase policy should aim at the best value for money, i.e. to provide in the long term the economically most advantageous solution for the EU budget.

The assessment of purchase opportunities should take duly into account the conditions of the local real estate market and the political environment, as well as the viability and appropriateness of the property.

4.1. Country-based criteria

For a country or a Delegation to be considered of interest for acquiring EU property, it should meet the following criteria:

- (i) the country should be **politically stable** and the risk of evacuation low;
- (ii) the EU envisages **long-term relations** with the host country (e.g. G7/G20/partnership, stabilisation, association/etc.);
- (iii) the number of **staff** working in the Delegation and/or the **budget** is **significant**;
- (iv) the rented property **market** is **restricted** or characterised by **high rents**.

4.2. Property-based criteria

Both office buildings and residences should be considered for purchase. Staff accommodations should only be bought in exceptional circumstances when there is no other possibility to have accommodations available or if it would clearly be highly advantageous to do so, i.e. very attractive financially for the EEAS, with a short writing-off period. Acquisition of plots of land and construction projects could also be considered, but only in exceptional circumstances.

In the search for office premises for purchase, the option of colocation should be systematically considered.

For a purchase project to be considered viable, it should meet the following criteria:

- (i) the **property should be adequate**, i.e. it should meet all the EEAS selection criteria for Offices or Residences;
- (ii) there should be a **clear financial benefit of buying over renting**; in practice, it should be possible to prove that the investment can be written off in a reasonable time-frame (15 to 20 years); a longer payback period could exceptionally be considered when justified by local real estate market conditions;
- (iii) office building being considered for purchase should be large enough to accommodate a 10% expansion in staff or to enable the Delegation to make “active” use of the equivalent amount of extra space. This ensures that there will be enough space for Delegation to grow and/or to accommodate potential requests for colocation. **The standard applied for office space is 35m²/staff on average and should only be derogated in exceptional and duly justified circumstances**;
- (iv) the purchase of a building as the Head of Delegation's Residence may be considered provided it has enough space for a family with three children (i.e. minimum four bedrooms) plus one bedroom for high level guests in order to

accommodate various family compositions which may arise over time. **There should be a clear separation between the representation and private areas. The maximum surface foreseen for Residences is 600m² and should only be derogated in exceptional and duly justified circumstances³.**

The building selection criteria of the EEAS are:

- **Functionality:** office buildings must be fit for purpose to enable Delegations to carry out their mission. Residences must have an appropriate separation between private and representation areas; the latter must be large enough to host representation activities with (at least) all EU Ambassadors present in the country; the former should be large enough to accommodate different family compositions (i.e. at least 4 bedrooms).
- **Visibility & representativeness:** they must enhance the image of the EU in host countries and in so far as possible, reflect EU values.
- **Location:** should be located in diplomatic areas, close to the main local interlocutors, to the Residence or to the Delegation offices and to Member State Embassies and/or Residences.
- **Efficient use of space:** the surface of the offices of EU Delegations should stay below 35 m²/staff; Residences should not be larger than 600 m². Exceptions are only granted on duly justified cases and if approved at Director level.
- **Security:** buildings should respect the security recommendations of the Security Division of the EEAS, which vary from one country/city to another, and be equipped with the necessary security installations. This may entail a limitation of the areas where the building may be located.
- **Safety:** buildings should comply with local Health & Safety regulations, including, where applicable, seismic regulations. Insofar as possible, EU standards apply.
- **Quality:** the overall architectural aspect and construction materials are taken into account to ensure a building of good quality over time.
- **Environmental aspects:** the EEAS policy is to ensure that our buildings incorporate features to minimise the ecological footprint of the EU.
- **Accessibility:** EU buildings must be accessible to persons with reduced mobility.
- **Sound financial management:** the price must be in line with local Real Estate market prices and with those paid by other Member States in the same city.

³ The maximum of 600m² is based on a representation area of 260m² (reception area, dining, kitchen, restrooms, guest bedroom etc.) and a private area of 340m² (minimum 4 bedrooms, living room, kitchen facility, bathrooms, etc.) taking into account the maximum standard of surface area for each room.

In cases where some of the criteria are not fulfilled, purchase could nevertheless be envisaged if the property is fit for purpose, it is financially far more advantageous than renting and if the amount can be written off over a short period or the rented-property market is completely closed.

List of all buildings property of the EU (by region)

	Region	Delegation	City	Office/Residence	Purchase year
1	AFRICA	BENIN	Cotonou	Office	1992
2	AFRICA	BOTSWANA	Gaborone	Office	1987
3	AFRICA	BOTSWANA	Gaborone	Residence	1982
4	AFRICA	BURKINA FASO	Ouagadougou	Office	1997
5	AFRICA	BURKINA FASO	Ouagadougou	Residence	1984
6	AFRICA	CABO VERDE	Praia	Office	2015
7	AFRICA	CABO VERDE	Praia	Residence	1980
8	AFRICA	CENTRAL AFRICAN REP.	Bangui	Office	1983
9	AFRICA	CHAD	NDjamena	Office	1991
10	AFRICA	CHAD	NDjamena	Residence	1991
11	AFRICA	COMOROS	Moroni	Office	1986
12	AFRICA	CONGO REP	Brazzaville	Office	1994
13	AFRICA	GABON	Libreville	Office	1996
14	AFRICA	GAMBIA	Banjul	Office	1989
15	AFRICA	GUINEA BISSAU	Bissau	Office	1995
16	AFRICA	GUINEA BISSAU	Bissau	Residence	1984
17	AFRICA	GUINEA EQUATORIAL	Malabo	Residence	1986
18	AFRICA	IVORY COAST	Abidjan	Residence	1993
19	AFRICA	KENYA	Nairobi	Residence	2005
20	AFRICA	LESOTHO	Maseru	Office	1990
21	AFRICA	LESOTHO	Maseru	Residence	1985
22	AFRICA	MALAWI	Lilongwe	Residence	1982
23	AFRICA	MOZAMBIQUE	Maputo	Office	2009
24	AFRICA	NAMIBIA	Windhoek	Office	2009
25	AFRICA	NAMIBIA	Windhoek	Residence	1992
26	AFRICA	NIGERIA	Abuja	Office	2012
27	AFRICA	RWANDA	Kigali	Office	1980
28	AFRICA	RWANDA	Kigali	Residence	1982
29	AFRICA	SENEGAL	Dakar	Residence	1984
30	AFRICA	SOUTH AFRICA	Pretoria	Office	1996
31	AFRICA	SOUTH AFRICA	Pretoria	Office	1994
32	AFRICA	SOUTH AFRICA	Pretoria	Office	2019
33	AFRICA	SOUTH AFRICA	Pretoria	Residence	1994
34	AFRICA	SOUTH SUDAN	Juba	Office	2012
35	AFRICA	TANZANIA	Dar Es Salaam	Office	2003

36	AFRICA	UGANDA	Kampala	Residence	1986
37	AFRICA	ZAMBIA	Lusaka	Office	1975
38	AFRICA	ZIMBABWE	Harare	Residence	1985
39	AMERICAS	ARGENTINA	Buenos Aires	Office	2021
40	AMERICAS	ARGENTINA	Buenos Aires	Office	1992
41	AMERICAS	BRAZIL	Brasilia	Office	1994
42	AMERICAS	CANADA	Ottawa	Residence	1977
43	AMERICAS	COLOMBIA	Bogota	Office	2017
44	AMERICAS	COSTA RICA	San Jose	Office	1995
45	AMERICAS	ECUADOR	Quito	Office	2019
46	AMERICAS	HAITI	Port-au-Prince	Office	2011
47	AMERICAS	MEXICO	Mexico	Office	1995
48	AMERICAS	UNITED STATES	Washington	Office	2019
49	AMERICAS	UNITED STATES	Washington	Residence	1971
50	ASIAPAC	AUSTRALIA	Canberra	Office	1990
51	ASIAPAC	AUSTRALIA	Canberra	Residence	1981
52	ASIAPAC	CAMBODIA	Phnom Penh	Office	2005
53	ASIAPAC	CAMBODIA	Phnom Penh	Residence	2009
54	ASIAPAC	CHINA	Beijing	Office	1995
55	ASIAPAC	CHINA	Beijing	Residence	1995
56	ASIAPAC	JAPAN	Tokyo	Office	2006
57	ASIAPAC	JAPAN	Tokyo	Residence	2011
58	ASIAPAC	NEPAL	Kathmandu	Office	2017
59	ASIAPAC	NEW ZEALAND	Wellington	Residence	2017
60	ASIAPAC	PAPUA NEW GUINEA	Port Moresby	Residence	1974
61	ASIAPAC	SOLOMON ISLANDS	Honiara	Residence	1990
62	EURCA	ALBANIA	Tirana	Residence	2015
63	EURCA	KOSOVO	Pristina	Office	2004
64	EURCA	UNITED KINGDOM	London	Office	2010
65	GLOBAL	OECD/UNESCO	Paris	Office	1990
66	GLOBAL	OECD/UNESCO	Paris	Residence	1990
67	GLOBAL	UN/NY	New York	Residence	1987
68	MENA	MOROCCO	Rabat	Residence	1987

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The Secretary-General

Brussels,
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NOTE FOR THE ATTENTION OF

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Mr Johan Van Overtveldt
Chair Committee on Budgets
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Ms Thérèse Blanchet
Secretary General
Council of the European Union

Mr Frida Nannesson
President of the Budget Committee
Council of the European Union

Subject: EEAS purchase strategy – principles and criteria

Further to the discussions in Council and European Parliament Budget Committees as regards building projects of the EEAS, please find herewith a working document providing the policy framework for a EEAS purchase strategy.

In order to facilitate future discussions on purchase projects of the EEAS, I am seeking your opinion and agreement on the main principles and criteria to be applied for such projects.

I would be pleased presenting this framework during an upcoming COREPER and EP Budget Committee meeting.

(e-signed)
Stefano Sannino

Enc.: EEAS Purchase Strategy – Principles and Criteria

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