

THE PRESIDENT'S MANAGEMENT AGENDA: RIGHTSIZING THE U.S. PRESENCE ABROAD

HEARING

BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY,
EMERGING THREATS AND INTERNATIONAL
RELATIONS

OF THE

COMMITTEE ON
GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

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THE PRESIDENT'S MANAGEMENT AGENDA: RIGHTSIZING THE U.S. PRESENCE ABROAD

MONDAY, APRIL 7, 2003

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON NATIONAL SECURITY, EMERGING
THREATS AND INTERNATIONAL RELATIONS,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:05 p.m., in room 2154, Rayburn House Office Building, Hon. Christopher Shays (chairman of the subcommittee) presiding.

Present: Representatives Shays, Duncan, Kucinich, and Ruppertsberger.

Staff present: Lawrence Halloran, staff director and counsel; R. Nicholas Palarino, Phd., senior policy advisor; Thomas Costa, professional staff member; Robert A. Briggs, clerk; David Rapallo, minority counsel; Earley Green, minority chief clerk; and Jean Gosa, minority assistant clerk.

Mr. SHAYS. A quorum being present, the subcommittee on National Security, Emerging Threats and International Relations hearing entitled, "The President's Management Agenda, Rightsizing the U.S. Presence Abroad" is called to order.

After the guns stop firing, the battle for freedom, peace and security in Iraq and throughout the world will continue to be waged with words and ideas.

Success in that global arena will be determined by the size, scope and skill of the U.S. diplomatic presence abroad. Today, America's diplomatic front lines are staffed by more than 60,000 people, representing up to 40 Federal agencies working at 260 embassies and consulates worldwide.

But that overseas posture appears to be the product of cold war habits and bureaucratic inertia rather than any systematic effort to put the right people in the right places to advance U.S. interests.

Currently, no one can even say with any accuracy how many executive branch employees are posted at foreign missions. No common accounting system measures the true cost of international activities by so many different Federal agencies and programs.

Ambassadors have little more than titular authority to manage the comings and goings of nonState Department personnel.

Many embassies are not safe and new buildings are being built without reliable projections of how many people will have to work there. The President's Management Agenda calls for a rightsized overseas presence to better shape, focus and secure the work of U.S. citizens and foreign nationals abroad.

Today we continue our assessment of how aggressively and effectively the State Department and the Office of Management and Budget are pursuing this important initiative. Last year at the subcommittee's request, the General Accounting Office [GAO], undertook a series of studies to assess rightsizing efforts. To rationalize and standardize decisionmaking, GAO developed an analytic framework that gives priority to security, mission and cost considerations.

In two new reports released today, GAO recommends broader application of that framework and an improved process to derive the staffing projections upon which new embassy designs are based.

More than a decade after the cold war, 5 years after terrorist targeted our embassies in Africa and 18 months since the attacks of September 11th, we still lack a systematic approach to determine who will be tasked to project U.S. ideals and policies into a more dynamic, more dangerous world.

International economic political military and cultural alignments are changing rapidly. The size and skill of U.S. diplomatic engagements must change with them. Sitting as one panel, all our witnesses this afternoon share one goal, a rightsized U.S. presence abroad that puts the right people with the right skills in secure facilities throughout the world. We truly appreciate their time, their dedication and their expertise, and we look forward to their testimony, the dialog that will take place among them and with us, as well as Members of Congress.

[The prepared statement of Hon. Christopher Shays follows:]

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Statement of Rep. Christopher Shays
April 7, 2003

After the guns stop firing, the battle for freedom, peace and security in Iraq and throughout the world will continue to be waged with words and ideas. Success in that global arena will be determined by the size, scope and skill of the United States diplomatic presence abroad.

Today, America's diplomatic front lines are staffed by more than 60,000 people representing up to 40 federal agencies working at 260 embassies and consulates worldwide. But that overseas posture appears to be the product of Cold War habits and bureaucratic inertia rather than any systematic effort to put the right people in the right places to advance U.S. interests.

Currently, no one can even say with any accuracy how many executive branch employees are posted at foreign missions. No common accounting system measures the true costs of international activities by so many different federal agencies and programs. Ambassadors have little more than titular authority to manage the comings and goings of non-State Department personnel. Many embassies are not safe, and new buildings are being built without reliable projections of how many people will have to work there.

The President's Management Agenda calls for a "right-sized" overseas presence to better shape, focus and secure the work of U.S. citizens and foreign nationals abroad. Today, we continue our assessment of how aggressively and effectively the State Department and the Office of Management and Budget are pursuing this important initiative.

Last year, at the Subcommittee's request, the General Accounting Office (GAO) undertook a series of studies to assess right-sizing efforts. To rationalize and standardize decision-making, GAO developed an analytical framework that gives priority to security, mission and cost considerations. In two new reports released today, GAO recommends broader application of that framework and an improved process to derive the staffing projections upon which new embassy designs are based.

More than a decade after the Cold War, five years after terrorists targeted our embassies in Africa, and eighteen months since the attacks of September 11th, we still lack a systematic approach to determine who will be tasked to project U.S. ideals and policies into a more dynamic, more dangerous world. International economic, political, military and cultural alignments are changing rapidly. The size and skill of U.S diplomatic engagements must change with them.

Sitting as one panel, all our witnesses this afternoon share one goal: a right-sized U.S. presence abroad that puts the right people, with the right skills, in secure facilities throughout the world. We appreciate their time, their dedication and their expertise and we look forward to their testimony.

Mr. SHAYS. Mr. Kucinich, thank you for being here, the ranking member.

Mr. KUCINICH. Thank you very much, Mr. Chairman. Good afternoon. Let me welcome our witnesses. Glad you could be with us today, and I want to begin by expressing my appreciation for the men and women who serve this country, not only in the Armed Forces but those who serve in the diplomatic corps at the many missions around the world.

Mr. Chairman, the idea of rightsizing is sound. We should determine goals and priorities; discern needed resources and implement an efficient plan while balancing costs and security concerns.

The State Department, indeed all agencies that utilize embassy space should rightsize. Not to do so would squander valuable resources.

But the concept of rightsizing is also broad. It forces us to ask whether this country is adequately supporting our international diplomatic corps in performing their critical mission. Recently, we've seen the dramatic impact diplomacy can make on this country's security when successful diplomacy has the potential to work wonders. In the wake of September 11th, Secretary of State Colin Powell assembled one of the largest coalitions in modern times, challenging terrorism in Afghanistan.

When diplomacy fails, however, it can have dire consequences. As we all know, the United Nations rejected the President's arguments for military action against Iraq. As a result, the President chose to launch this Nation on new and perilous course of action, embarking on a unilateral and unprovoked military attack without the support of the Security Council. Predictably, a majority of the world's nations do not support the President's action.

Part of this—the question is no doubt philosophical, what value does this administration place on the support of the international community, and part of the question is also resources. Mr. Chairman, if I may, I would like to provide some context.

The President's budget for fiscal year 2004 proposes \$9.8 billion for the State Department. This includes operations and maintenance for all embassies, consulates and missions in every country. The President's budget proposes \$379.9 billion for the Defense Department. In other words, the Defense Department will receive more than 38 times as much as the State Department, and this does not include about \$63 billion in additional spending in the supplemental appropriations bill to pay for the first installment of the war in Iraq.

If you combined that amount, the Pentagon gets about 45 times as much as the State Department. As another example, the State Department has proposed \$16 billion over the next 20 years to construct new embassies and secure existing U.S. structures around the world. Next year they are seeking a relatively modest \$890 million for new building construction.

Yet the Defense Department expects to pay more than \$60 billion for about 200 F-22 aircraft. Next year alone, the Pentagon will spend nearly \$8.7 billion, almost the entire budget of the State Department, just on missile defense programs.

Consider the irony. The U.S. unilaterally withdrew from the ABM treaty, a successful product of diplomacy. To spend almost

the entire annual State Department budget, an amount equal to the entire annual State Department budget, on a so-called missile defense system that has not been tested to work under realistic conditions. Some estimates for that system top \$200 billion.

In contrast, Mr. Chairman, allow me to point out the findings of the overseas presence advisory board whose report we will be discussing today.

The panel noted the gap between our Nation's goals and resources it provides its overseas operations. The world's most powerful Nation does not provide adequate security to its overseas personnel. The overseas facilities are the wealthiest Nation in history are often overcrowded, deteriorating and even shabby.

In addition to capital deficiencies, the panel also noted insufficiencies in staffing. Morale has suffered under staffing forces, many to work extensive overtime hours. Junior officers are often required to do back to back consular tours on the visa line. However the Bureau is unable to hire additional people to address workload problems, because of funding limitations that strict employment ceilings.

The panel made its conclusions in stark terms. The condition of U.S. posts, it said and missions abroad is unacceptable. The panel fears that our overseas presence is perilously close to the point of system failure.

Mr. Chairman, as this committee goes forward, I would point out that rightsizing is not statement as reducing, trimming or consolidating. Although each of these may occur. A true commitment to rightsizing includes a commitment to the men and women serving this Nation and risking their lives abroad.

In my opinion, rightsizing must also include a broad aggressive new commitment to substantially greater funding, not just for security, but also for pay, for benefits, for training, recruitment, state-of-the-art communications, modern facilities, all of which are critical components of the essential diplomatic mission of the United States.

It is time to recapitalize our international relations force.

Thank you, Mr. Chairman, and thank the witnesses.

Mr. SHAYS. I thank the gentleman.

The gentleman from Maryland, Mr. Ruppertsberger.

Mr. RUPPERSBERGER. Thank you, Mr. Chairman. I look forward to the testimony today. In this global environment and in our current international climate, we need to make sure that our mission abroad has the resources and adequate personnel to address any of the issues that may arise. Now, this is a new time, and we must and we will face the challenges abroad. And you're going to be a major part of it.

Our overseas mission is one of the most vital functions of the Federal Government. We need to make sure that we have the right number of persons stationed at specific areas. We have to make sure that they have the right technical, knowledge and expertise to address concerns in their designated assignments.

There are many concerns and issues with U.S. presence abroad. It is my understanding that there is some difficulty in determining the number of personnel abroad, and it is even harder to determine

the cost involved, and we need to make sure that our mission abroad has the personnel to do their jobs effectively.

Now, I know the administration has tasked the OMB with rightsizing the U.S. presence abroad. And I like the word "rightsizing." I think a lot of times our personnel in government are always concerned that any type of restructuring is downsizing. It is more rightsizing and getting the right people in the right positions.

Now, hopefully, this will provide for rightsizing action taken by the administration and to make sure that we have the adequate personnel. There is not one formula, or there is not one solution that can be applied to every situation. For example, in one country, we may need some narcotic specialists, and field agents, while in another country we may need a more cultural specialist.

One issue that we should be concerned about, though, is security for our personnel. I know that—I was with a group that was briefed by Secretary Powell. I was very impressed with the presentation. Talked about the—taking care of working with the infrastructure and a lot of our areas abroad and our embassies that it is needed, and it has been a long time coming. And I think that is the right step.

A few years ago, two of our advocate embassies were attacked. Again we have to make sure what we focus on the issue of security. And since then, we have started work to help secure our facilities in all of these foreign nations.

With the current war, I hope that our personnel have the protections that are necessary to keep them and their families safe. U.S. mission abroad is nuanced and faces serious real threats. Hopefully in today's hearing, we're going to get better insight into what is happening with U.S. staffing abroad. Again, Mr. Chairman, thank you for calling this hearing.

Mr. SHAYS. I thank the gentleman.

At this time let me just take care of some housekeeping. I ask unanimous consent that all members of the subcommittee may be permitted to place an opening statement in the record, and that the record remain open for 3 days for that purpose. Without objection, so ordered.

I ask further unanimous consent that all witnesses be permitted to include their written statements in the record. Without objection, so ordered.

I'll announce the panel, and then I'll swear them in.

Mr. Jess T. Ford, Director, International Affairs and Trade Division, U.S. General Accounting Office. The honorable Ambassador Ruth A. Davis, Director General, U.S. Department of State. The honorable Major General Charles E. Williams, retired, Director, Overseas Buildings Office, U.S. Department of State. Mr. Richard Nygard, Deputy Assistant Administrator for Management, U.S. Agency for International Development. The honorable Ambassador Anne Sigmund, Acting Inspector General, U.S. Department of State. And the honorable William. Itoh, Acting Deputy Inspector General, U.S. Department of State.

Let me state at the outset that we could have divided this in two panels. We could have divided it into 3 panels. We put you all together. Six is what we can fit on this table, because we do want

the exchange of dialog. And I have a feeling that we probably aren't going to disagree on too many things here, maybe, but I doubt it. But it would be healthy to have you respond to questions, and then if someone has answered a question and you want to qualify it or say how you agree or disagree with some new answer, that would be helpful as well.

At this point, if you would stand and raise your right hands, we'll swear you in.

[Witnesses sworn.]

Mr. SHAYS. Note for the record that all of our witnesses responded in the affirmative. And I think we have you by the order I read, also in line here. So we can just go that way. And we'll just start with you, Mr. Ford.

As you know, we do 5 minutes, and then we give you another 5 minutes. So the light will be green and then red and then it will go to green. But as close to the 5 minutes you can be would be helpful. But we wait a minute you to put on the word and publicly the things that you feel you need to. So we're happy to do a little listening. All right? Mr. Ford.

STATEMENTS OF JESS T. FORD, DIRECTOR, INTERNATIONAL AFFAIRS AND TRADE DIVISION, U.S. GENERAL ACCOUNTING OFFICE; AMBASSADOR RUTH A. DAVIS, DIRECTOR GENERAL, U.S. DEPARTMENT OF STATE; MAJOR GENERAL CHARLES E. WILLIAMS, RETIRED, DIRECTOR, OVERSEAS BUILDINGS OFFICE, U.S. DEPARTMENT OF STATE; RICHARD NYGARD, DEPUTY ASSISTANT ADMINISTRATOR FOR MANAGEMENT, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT; AMBASSADOR ANNE SIGMUND, ACTING INSPECTOR GENERAL, U.S. DEPARTMENT OF STATE; AND WILLIAM ITOH, ACTING DEPUTY INSPECTOR GENERAL, U.S. DEPARTMENT OF STATE

Mr. FORD. Thank you, Mr. Chairman, members of the subcommittee. I'm pleased to be here today to discuss GAO's work on rightsizing the overseas presence, that is, deciding the number and types of personnel that should be assigned to our embassies and consulates. U.S. overseas presence is significant, with more than 60,000 Americans and foreign nationals in over 260 posts overseas.

Because of the security threats facing many of our embassies, which are heightened due to the current war in Iraq, as well as changes in foreign aid policy, missions and priorities and the high cost of maintaining our significant presence, this effort is vitally important.

Today I will discuss three reports which we have issued on rightsizing issues, since I testified before this subcommittee last May, two of which are being released today.

These reports describe the rightsizing framework that we developed last year, the results of applying the framework in developing countries, and the process that is used to project staffing levels for new embassy construction and the proposals to share construction costs among U.S. agencies.

In July 2002, we presented a rightsizing framework that provides a systematic approach for assessing overseas work force size. The framework is a set of questions designed to link staffing levels to three critical elements of overseas diplomatic operations. Missions

and priorities, physical and technical security and the cost of operations.

The framework also provides rightsizing options that decision-makers could consider to adjust embassy staffing levels. In our report we recommended that OMB use it as a basis for assessing staffing levels as part of the administration's rightsizing initiative.

According to OMB, they are using this framework as part of their ongoing study of staffing in embassies and consulates in Europe and Eurasia.

Following our report in July and in response to your request, we examined whether our framework could be applied to U.S. embassy in developing countries. Today we are issuing a report on this work. Our analysis of three embassies that we have visited in West Africa indicates that the rightsizing framework can be applied in that environment. We found that if embassies used our framework to complete a full and comprehensive analysis of their services and their support to other embassies, then staffing levels could possibly be adjusted at some of the region's posts.

For example, we report that possible rightsizing actions that could be taken at three posts include regionalizing certain operations and exploring outsourcing of some support services.

Based on our work, it is clear that our framework has broad applications and that it provides a logical and common sense approach to systematically considering rightsizing issues in both developed and developing countries.

We are recommending that OMB, in coordination with the State Department, expand the use of our framework in assessing staffing levels at all U.S. embassies and consulates.

We are also recommending that the State Department include the framework as part of its mission performance planning process.

Today we are also issuing a report that demonstrates how the lack of a systematic process for determining staffing requirements can have serious repercussions in State Department's embassy construction program. The State Department has embarked on a multi-year, multibillion dollar facility replacement program. State plans to build new facilities at about a 185 locations around the world and an estimated cost of \$16 billion. The size and cost of these facilities depend on staffing projections that U.S. embassies develop.

Based on our analysis of 14 posts where State plans to build new embassy compounds, we found that agencies are not developing staffing projections using a systematic approach or a comprehensive rightsizing analyses. Officials at the post we visited approached the processes in different ways. For example, some of the better posts solicited inputs from all agencies and held several meetings at a high level to discuss future needs, while other embassies developed requirements without serious effort or review.

Although embassies play a key role in the projection process, the State Department headquarters officials did not provide embassies with much formal guidance on the factors that they should consider when setting requirements, nor did they stress the importance of accurate projections.

Moreover, at each of the posts that we visited, we found little or no documentation to show that staff had compiled a comprehensive

assessment of the numbers and types of people they would need in the year to which the compound was to be completed. In fact, a failure to account for recent growth in current staffing levels at one embassy we visited led to final projections that were too low and may result in significant overcrowding in the new facility.

Further complicating the process is the frequent turnover of embassy personnel who did not maintain documentation on projection exercises or the factors they considered when developing projections.

Finally, the staffing projections are not consistently vetted in all the agencies headquarters.

Building secure and modern facilities for the thousands of U.S. Government employees working overseas is extremely important and will require a significant investment. However, without a systematic process, the U.S. Government risks building wrong-sized facilities, which could lead to security concerns, additional costs and other inefficiencies and overcrowding.

To help ensure that the U.S. Government builds rightsized facilities, we are recommending that the State Department adopt a more disciplined and systematic process for projecting staffing requirements. State has indicated that it plans to implement their recommendations.

The report also discusses the administration's plan to require agencies to pay a greater share of costs associated with our overseas presence. Currently, most U.S. agencies are not required to fund capital improvements to overseas facilities. While we have not analyzed the cost-sharing proposals in detail, the concept of agencies paying a fair share of costs has the potential to put more incentive in carefully rightsizing the staffing needs.

OMB is working with State and other agencies through an inter-agency committee to develop a cost sharing mechanism that would provide more discipline when determining U.S. Government overseas staffing needs.

The administration is committed to implementing greater cost sharing among agencies that use overseas facilities, because it believes that if agencies pay a portion of costs commensurate with their overseas presence, they will think more carefully before posting people overseas.

There are numerous issues that will need to be resolved for the cost sharing program to be successful, such as how to best structure the program, how changes will be determined, and how payments will be made.

Mr. Chairman, the concept of rightsizing is as important today as it was following the bombings of our embassies 5 years ago. The key elements of our rightsizing framework, security, mission cost and rightsizing options, need to be considered collectively to determine embassy staffing and decisionmakers need to be looking for alternative ways of conducting business.

Our work in the past year has further demonstrated the feasibility of achieving a systematic and comprehensive approach. Such approach can have substantial payoffs if OMB, State and other agencies operating overseas support it.

I believe we all recognize that to be successful, rightsizing will be a long-term effort requiring the commitment of all agencies operating overseas.

I'm encouraged that the momentum for developing a meaningful approach to rightsizing continues. Both the State Department and OMB have endorsed our rightsizing framework and are working together with other agencies to improve the process.

Our recommendations to support this process in our reports issued today should help ensure that this momentum continues.

Mr. Chairman, that concludes my statement. I'll be happy to answer any questions.

Mr. SHAYS. Thank you very much, Mr. Ford.

[The prepared statement of Mr. Ford follows:]

United States General Accounting Office

GAO

Testimony
Before the Subcommittee on National Security,
Emerging Threats, and International Relations,
Committee on Government Reform,
House of Representatives

For Release on Delivery
Expected at 1 p.m., EST
Monday, April 7, 2003

OVERSEAS PRESENCE

Systematic Processes Needed to Rightsize Posts and Guide Embassy Construction

Statement of Jess T. Ford, Director
International Affairs and Trade



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April 7, 2003



Highlights of GAO-03-582T, testimony before the Subcommittee on National Security, Emerging Threats, and International Relations, House Committee on Government Reform

OVERSEAS PRESENCE

Systematic Processes Needed to Rightsize Posts and Guide Embassy Construction

Why GAO Did This Study

More than 60,000 Americans and foreign nationals work at about 260 diplomatic posts worldwide. Since the mid-1990s, GAO has highlighted the need for State and other federal agencies to establish a systematic process for determining their overseas staffing levels, particularly after the 1998 bombings of two U.S. embassies in Africa. GAO was asked to discuss three reports, including two being issued today, on rightsizing—that is, realigning the number and location of staff—at U.S. embassies and consulates: (1) the rightsizing framework GAO developed last year, (2) follow-on work to further test the framework, and (3) the processes to project staffing levels for new embassy construction and the proposals to share construction costs among U.S. agencies.

What GAO Recommends

GAO recommends that OMB expand the use of our rightsizing framework and that State adopt additional measures to ensure that U.S. agencies take a systematic approach to assessing workforce size that considers security, mission, and cost factors. GAO also recommends that State develop guidance on a systematic approach for developing and vetting staffing projections for new diplomatic compounds.

Both OMB and State agreed with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-03-582T.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Jess Ford at (202) 512-4128 or fordj@gao.gov.

What GAO Found

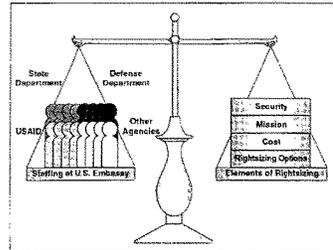
In July 2002, GAO presented a rightsizing framework outlining a systematic approach for assessing overseas workforce size that considers security, mission, and cost. GAO recommended that the Office of Management and Budget (OMB) use the framework as part of the administration's rightsizing initiative, and OMB is now using it to review posts in Europe and Eurasia.

After initially applying the framework at the U.S. Embassy in Paris, GAO further tested it at other U.S. embassies in three developing countries in West Africa to address concerns about whether the framework could be applied uniformly at all posts. GAO's analysis indicates that the rightsizing framework can be applied at U.S. embassies in developing countries.

GAO also found that U.S. agencies' staffing projections for new embassy compounds are developed without a systematic approach or comprehensive rightsizing analyses. Moreover, State provides little formal guidance on factors to consider when projecting staffing needs. Further, there is a lack of documentation on projection exercises and factors staff considered when developing projections. Finally, staffing projections are not consistently vetted with all other agencies' headquarters. These and other deficiencies could lead the government to build wrong-sized buildings.

OMB is leading an interagency committee to develop a cost-sharing mechanism that would provide more discipline when determining overseas staffing needs and encourage agencies to think more carefully before posting staff overseas. Numerous issues will need to be resolved for such a program to be successful, including how to structure the program and how payments will be made.

Assessing Overseas Workforce Size Using GAO's Rightsizing Framework



Source: GAO.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here to discuss GAO's work on rightsizing the U.S. overseas presence—that is, deciding the number and types of personnel that should be assigned to our embassies and consulates. The U.S. overseas presence is significant—more than 60,000 Americans and foreign nationals representing approximately 40 U.S. departments and agencies overseas work at about 260 diplomatic posts worldwide. Since the mid-1990s, we have highlighted the need for the Department of State and other federal agencies to establish a systematic process for determining their overseas staffing levels. The administration, through the *President's Management Agenda*,¹ has directed all agencies operating overseas to rightsize their presence. The administration's initiative aims to put the right people in the right places overseas—and to station the minimum number necessary—to meet U.S. foreign policy goals. Because of the security threats facing many of our embassies, which are heightened by the current war in Iraq, as well as changes in foreign policy missions and priorities and the high costs of maintaining our significant presence, this effort is vitally important.

Today I will discuss the three reports we have issued on rightsizing issues since I testified before this subcommittee almost a year ago,² two of which are being released today.³ These reports describe (1) the rightsizing framework we developed last year, (2) the results of applying the framework in developing countries, and (3) the processes used to project staffing levels for new embassy construction and proposals to share construction costs among U.S. agencies.

Summary

Because the U.S. government does not have a sound process for determining overseas staffing requirements, in July 2002 we presented a

¹Office of Management and Budget, *The President's Management Agenda, Fiscal Year 2002* (Washington, D.C.: Aug. 2001)

²U.S. General Accounting Office, *Overseas Presence: Observations on a Rightsizing Framework*, GAO-02-658T (Washington, D.C.: May 1, 2002).

³U.S. General Accounting Office, *Overseas Presence: Rightsizing Framework Can Be Applied at U.S. Diplomatic Posts in Developing Countries*, GAO-03-386 (Washington, D.C.: Apr. 7, 2003), and U.S. General Accounting Office, *Embassy Construction: Process for Determining Staffing Requirements Needs Improvement*, GAO-03-411 (Washington, D.C.: Apr. 7, 2003).

rightsizing framework⁴ that provides a systematic approach. The framework is a set of questions designed to link staffing levels to three critical elements of overseas diplomatic operations: (1) physical/technical security of facilities and employees, (2) mission priorities and requirements, and (3) cost of operations. This is the same framework that I described in testimony before this subcommittee in May 2002. Our framework provides guidance for assessing overseas workforce size and identifying options for rightsizing by using a set of standard criteria to help ensure greater accountability and transparency. Therefore, we recommended that the Office of Management and Budget (OMB) use it as a basis for assessing staffing levels as part of the administration's rightsizing initiative. OMB is using our framework in its ongoing review of staffing at embassies and consulates in Europe and Eurasia. (See app. 1 for our rightsizing framework.)

Following our July report and in response to your request, we examined whether our framework could be applied at other U.S. embassies in developing countries. We are issuing a report on this work today.⁵ Our analysis of three embassies we visited in West Africa indicates that the rightsizing framework can be applied at U.S. embassies in developing countries. Officials in State's Bureau of African Affairs and other geographic bureaus agreed that broad application of the framework and its corresponding questions would provide a logical and commonsense approach to systematically considering rightsizing issues in both developed and developing countries. We are recommending that the Director of OMB, in coordination with the Secretary of State, expand the use of our framework in assessing staffing levels at all U.S. embassies and consulates. We are also recommending that the Secretary of State include the framework as part of State's mission performance planning process.⁶ In response to a draft of our report, State has agreed to incorporate elements of the framework into its future planning processes.

⁴U.S. General Accounting Office, *Overseas Presence: Framework for Assessing Embassy Staff Levels Can Support Rightsizing Initiatives*, GAO-02-780 (Washington, D.C.: July 26, 2002).

⁵GAO-03-396.

⁶Mission Performance Plans (MPP) are annual embassy plans that link performance goals and objectives to staffing and budgetary resources needed to accomplish them in a given fiscal year.

Today we are also issuing a report that discusses how the lack of a systematic process for determining staffing requirements can have serious repercussions.⁷ State has embarked on a multiyear, multibillion-dollar facility replacement program. The size and cost of these facilities depend on the staffing projections developed by U.S. agencies. We found that staffing projections for new embassy compounds are developed without a consistent, systematic approach or comprehensive rightsizing analyses. Moreover, State headquarters provides little formal guidance to embassy teams—those who develop the projections—on factors to consider when projecting staffing needs, nor does it stress the importance of accurate projections. Further complicating the process is the frequent turnover of embassy personnel responsible for developing projections, combined with posts' failure to document how projections were developed or the underlying support for staffing decisions. Finally, staffing projections are not consistently vetted with all other agencies' headquarters. To help ensure that the U.S. government builds rightsized facilities, we are recommending adoption of a more disciplined and systematic process for projecting staffing requirements. In comments on a draft of our report, State agreed to implement our recommendations.

The report also discusses the administration's plan to require agencies to pay a greater share of the costs associated with their overseas presence, which could include the costs of embassy construction. Currently, most agencies are not required to pay for new embassy construction. The administration believes that implementing such a plan could encourage all agencies to weigh cost considerations more carefully before posting personnel overseas. OMB is leading an interagency effort aimed at creating a cost-sharing mechanism. It may be reasonable to expect agencies to share the costs of new embassy construction, but there are many factors and questions to consider before an effective and equitable cost-sharing program can be implemented.

Background

Following the 1998 terrorist bombings of two U.S. embassies in Africa that resulted in more than 220 deaths and 4,000 injuries, a series of high-level and independent studies called for the reassessment of staffing levels at

⁷GAO-03-411.

U.S. embassies and consulates.⁴ In August 2001, the *President's Management Agenda* directed all agencies to rightsize their overseas presence to the minimum personnel necessary to meet U.S. policy goals.

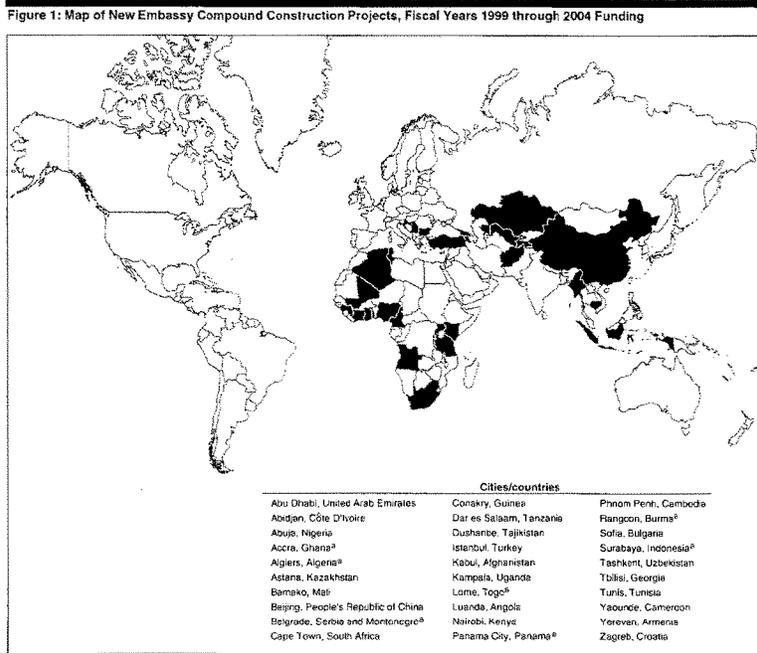
In May 2002, we testified before this subcommittee on a rightsizing framework we developed to guide decisions on the appropriate number of staff to be assigned to a U.S. embassy.⁵ The framework includes questions about (1) the security of embassy buildings, use of existing space, and vulnerability of staff to terrorist attack; (2) justification of agency staffing levels relative to embassy priorities and the extent to which it is necessary for each agency to maintain or change its presence in a country; and (3) development and consolidation of cost information from all agencies at a particular embassy to fully document operational costs and permit cost-based decision making. Our framework also includes questions that assess the feasibility of rightsizing options, such as reassigning staff to the United States or to regional centers and competitive sourcing.⁶

In addition to recommending that agencies rightsize their overseas presence, one group of experts recommended major capital improvements to U.S. overseas facilities. In response, State initiated a major building program to provide new facilities at about 185 locations worldwide. This is a large-scale program that will cost an estimated \$16 billion to complete. State received close to \$2.6 billion for new embassy compound construction in fiscal years 1999 through 2003 and has requested approximately \$760 million for projects in fiscal year 2004. Figure 1 shows the locations where State plans to build new compounds with these funds.

⁴Former Secretary of State Madeleine Albright appointed Accountability Review Boards to investigate the facts and circumstances surrounding the 1998 embassy bombings. Department of State, *Report of the Accountability Review Boards on the Embassy Bombings in Nairobi and Dar Es Salaam* (Washington, D.C., Jan. 1999). Secretary Albright also established the Overseas Presence Advisory Panel to consider the organization and condition of U.S. embassies. Department of State, *America's Overseas Presence in the 21st Century, The Report of the Overseas Presence Advisory Panel* (Washington, D.C., Nov. 1999).

⁵GAO-02-659T.

⁶With enactment of the Federal Activities Inventory Reform Act of 1998 (P.L. 105-270), Congress mandated that U.S. government agencies identify activities within each office that are not "inherently governmental," that is, commercial activities. Competitive sourcing involves using competition to determine whether a commercial activity should be performed by government personnel or contractors. The *President's Management Agenda* states that competition historically has resulted in a 20-to 50-percent cost savings for the government.



Source: Department of State.

Note: The facilities in Cape Town, Istanbul, and Surabaya are U.S. consulates. We did not include other projects, such as the construction of new annex buildings on existing compounds, for which State has received or requested funding during this period.

^aIndicates new compound projects for which State has requested funding in fiscal year 2004.

GAO's Rightsizing Framework and Its Use

As a follow-up to our testimony on developing a rightsizing framework, in July 2002 we issued a report that presented the framework in more detail.¹¹ We recommended that OMB use the framework as a basis for assessing staffing levels as part of the administration's rightsizing initiative, starting with its planned assessments of staffing levels and rightsizing options at U.S. embassies in Europe and Eurasia. OMB adopted the basic elements of our framework in its ongoing assessment of staffing at these posts. OMB adapted the framework into a questionnaire, which it sent to all U.S. agencies at all posts in this region. It expects to finish analyzing responses to the questionnaire later this year. More recently, OMB has convened an interagency rightsizing committee comprising agency staff from throughout the federal government to 1) reach agreement on a common set of criteria to be applied when assessing staffing at posts worldwide, and 2) develop standard accounting procedures for assessing embassies' operating costs.

In addition, Mr. Chairman, other agencies have taken rightsizing initiatives that are consistent with our framework. For example, State's Bureau of European and Eurasian Affairs has urged chiefs of mission¹² to review all current and future staffing requests filed under National Security Decision Directive number 38 (NSDD-38) "through the optic of rightsizing and regionalization."¹³ In addition, the Department of the Treasury now requires that all proposals for adding staff positions overseas be accompanied by an analysis of the costs associated with that position. For the first time, the U.S. Agency for International Development is pursuing a strategic human capital initiative, and has sought GAO's advice on how to use our framework to align its staffing overseas. We have also briefed others on the framework at their request, including geographic bureaus at State, the OMB-led interagency rightsizing task force, and congressional staff. In addition, State's Office of the Inspector General has incorporated a standard set of rightsizing questions in its methodology for conducting

¹¹GAO-02-780.

¹²According to the Foreign Service Act of 1980 (P.L. 96-465), as amended, "chiefs of mission" are principal officers in charge of diplomatic missions of the United States or of a U.S. office abroad, such as U.S. ambassadors, who are responsible for the direction, coordination, and supervision of all government executive branch employees in a given foreign country (except employees under a military commander).

¹³NSDD-38, "Staffing At Diplomatic Missions and Their Overseas Constituent Posts," signed June 2, 1982, requires all agencies with staffs operating under the authority of chiefs of mission to seek the chief of mission's approval on any proposed changes in size, composition, or mandate of any staff elements at an overseas facility.

post inspections. These questions incorporate the basic elements of, and include some of the same questions as, our rightsizing framework. Finally, State recently purchased a former military hospital in Frankfurt, Germany, in part as a rightsizing effort to provide a secure facility for personnel who furnish diplomatic, programmatic, and administrative services to embassies throughout Europe, the Middle East, and Africa. At your request, we are currently reviewing State's plans for this facility, which we will report on later this year.

State has expressed concerns about the relative importance assigned to security, mission, and cost in our framework. State believes the most important question for decision makers is whether the United States has a compelling reason to assign staff to a particular location, noting that it may be necessary to station staff in certain locations despite security concerns and high costs. We agree that in some circumstances, the mission benefits of stationing staff in a certain location may carry more weight than either security or cost considerations. However, there may be other circumstances where security or cost carry more weight. For example, in testimony last month before the Senate Foreign Relations Committee, we reported that there are serious security concerns at many embassy and consulate facilities around the world and that thousands of employees may be at risk.¹⁴ At one post we visited, staff are assigned to a building that does not meet all of State's key security standards. This building is very vulnerable to terrorists because it is bordered on three sides by public streets and on one side by a public gas station (see fig. 2). Decision makers need to carefully consider the security risks to staff stationed in this building. Our framework encourages decision makers to analyze security, mission, and cost collectively in deciding whether they are willing to accept the risk and pay the cost of stationing personnel overseas to meet mission requirements.

¹⁴U.S. General Accounting Office, *Overseas Presence: Conditions of Overseas Diplomatic Facilities*, GAO-03-557T (Washington, D.C.: Mar. 20, 2003).

Figure 2: Public Gas Station behind an Embassy Annex Building Poses Security Concern



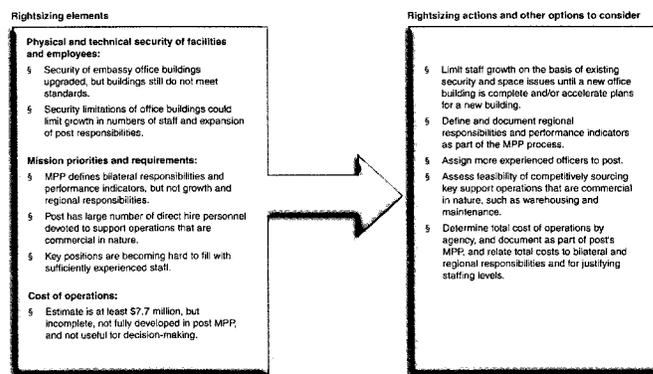
Source: GAO.

GAO Rightsizing Framework Can Be Applied at Posts Worldwide

Our work at three embassies in West Africa illustrates that our framework could be used to address the importance of facility security in making decisions to change staffing levels. It could also be used to identify and exercise rightsizing actions and options, such as adjusting staffing requirements, competitively sourcing certain commercial goods and services, and streamlining warehousing operations. For example, if the U.S. embassy in Dakar, Senegal, used our framework to complete a full and comprehensive analysis of the services it provides or could provide to other embassies in the region, in conjunction with analyses of mission priorities and requirements of other embassies in West Africa, then staffing levels could be adjusted at some of the region's posts. One rightsizing option suggests assessing the feasibility of competitively sourcing the work of painters, upholsterers, electricians, and others currently employed by the embassy to yield cost savings and reduce staff requirements. This could have a particularly significant impact at Embassy Dakar, which employs more than 70 staff working in these types of

positions.¹⁵ Applying elements of the rightsizing framework and the corresponding questions collectively can lead decision makers to rightsizing actions and other options. Figure 3 illustrates the application of the framework at Embassy Dakar.

Figure 3: Applying Rightsizing Framework and Corresponding Questions at U.S. Embassy Dakar, Senegal



Source: OAC.

In our report released today, we are recommending that OMB, in coordination with State, ensure that application of our framework be expanded as a basis for assessing staffing levels at embassies and consulates worldwide. In comments on a draft of our report, OMB agreed. In addition, in light of State's predominant role in conducting foreign policy and the responsibilities of chiefs of missions at overseas posts, it is critical that State strengthen its management planning processes by

¹⁵During our work at the embassy in Paris, we identified as many as 50 positions at the post that are commercial in nature and responsible for providing services or goods that have the potential to be competitively sourced to the private sector or performed at another location.

systematically addressing rightsizing issues. Therefore we are recommending that State adopt the framework as part of its mission performance planning process. State generally agreed with our recommendation.

Systematic Effort to Project Staffing Needs for New Embassies Is Lacking

Planning for the construction of new embassies illustrates the importance of having a systematic process for determining staffing levels. The size and cost of new facilities are driven by the number of staff and the type of work they do. Therefore, it is imperative that staffing levels be projected as accurately as possible. This is difficult because it requires managers to project staffing needs 5 to 7 years in the future. State's Bureau of Overseas Buildings Operations (OBO) has designed a reasonable process for developing staffing projections needed to design buildings that are the right size, but we found this process was not adopted uniformly across all of the posts and geographic bureaus that we studied.¹⁶ In addition, State is not providing embassies with sufficient guidance on factors to consider in developing staffing projections. Agencies at the posts we contacted lacked a systematic approach, such as our framework, to conduct rightsizing analyses. Moreover, none of the posts we contacted conducted a rightsizing analysis of existing staffing levels prior to projecting future requirements. Such an analysis would help identify options for adjusting staffing levels for new embassies. We also found little evidence that staffing projections were consistently vetted with all other agencies' headquarters. Finally, the process was further complicated by the frequent turnover of embassy personnel who did not maintain documentation on the projection process, as well as breakdowns in communication among multiple agencies.

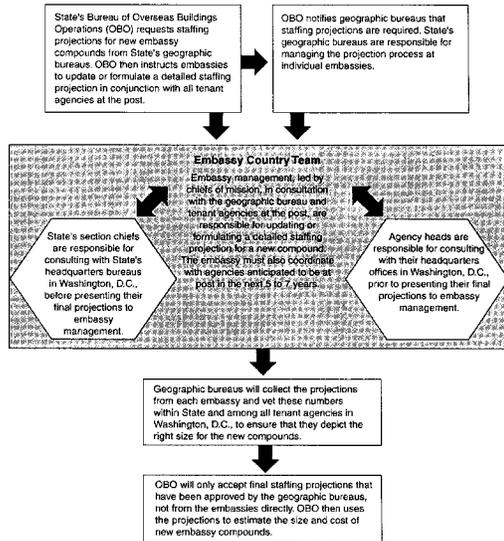
Before I discuss our findings in more detail, let me explain the process OBO designed to help ensure that new compounds are designed as accurately as possible. Developing staffing projections is a key component of the planning process for new embassy compounds. OBO's projection process encourages the active participation of embassy personnel, officials in State's geographic bureaus,¹⁷ and officials from all other

¹⁶We visited seven posts in Europe and Eurasia and contacted seven additional embassies worldwide, which represent about one-quarter of the new compounds OBO plans to fund between fiscal years 2002 and 2005.

¹⁷There are six geographically defined bureaus that report to the Undersecretary of State for Political Affairs—bureaus for Africa, East Asia and the Pacific, Europe and Eurasia, the Near East, South Asia, and the Western Hemisphere.

relevant federal agencies (see fig. 4 for OBO's staffing projection process). It also calls on embassy management and geographic bureaus to review and validate all projections before submitting them to OBO. Embassies and geographic bureaus generally have the opportunity to submit staffing projections several times before they are finalized. However, OBO will not accept changes after the projections are final because this could result in construction delays and additional costs.

Figure 4: Components of OBO's Staffing Projection Process



Source: Department of State.

Efforts to Develop Staffing Projections Vary Significantly across Embassies and Geographic Bureaus

Staffing projection exercises were not consistent across the posts we contacted, and indeed, State officials acknowledged that efforts to develop and validate projections were informal and undisciplined. Some management teams (the chiefs of mission, deputy chiefs of mission, and administrative officers) were more engaged in the projection process than others. For instance, at several posts we contacted, chiefs of mission or deputy chiefs of mission led interagency—or country team—meetings to

discuss the post's long-term priorities and the staffing implications. However, management teams at other posts we contacted were less engaged. At the U.S. embassy in Tbilisi, Georgia, management did not document recent growth in staffing levels, which led to final projections that were too low. Therefore, the new facility may be overcrowded upon opening, according to embassy officials. If embassy and geographic bureau officials communicated earlier to OBO the likelihood of large staffing increases by the time construction was completed, OBO might have been able to better accommodate these needs in its plans.

In addition to inconsistencies in the field, we found that officials in the geographic bureaus in Washington, D.C., whose staff are responsible for working most closely with embassies and consulates, have varied levels of involvement in the projection process. For example, officials from the U.S. embassy in Beijing, China, said that representatives from their geographic bureau in Washington, D.C., were very involved in developing their projections. Conversely, officials at Embassy Belgrade said State's geographic bureau did not request justifications for or provide input into the final projections submitted to OBO. Based on our review, the more these officials were involved in the process, the more confidence we had that their projections were accurate.

Embassies Do Not Receive Consistent, Formal Guidance on Staffing Projection Process and Importance of Rightsizing

Our analysis indicates that State is not providing embassies with sufficient formal guidance on important timelines in the projection process or factors to consider when developing staffing projections for new embassy compounds. Officials from each of the 14 posts we contacted said their headquarters bureaus had not provided specific, formal guidance on key factors to consider when developing staffing projections. Although OBO informed the geographic bureaus that final projections for fiscal year 2004 funding were due in spring 2002, officials at some of the posts we examined did not realize that additional requirements they might submit at a later date would not result in a larger-sized building.

According to OBO, individual embassies should have conducted rightsizing exercises before submitting the staffing projections used to develop and update the Long-Range Overseas Buildings Plan, a planning document that outlines the U.S. government's overseas facilities requirements and guides implementation of State's expansive and

unprecedented overseas construction program.¹⁸ In addition, in January 2002, OBO advised all geographic bureaus that staffing projections should incorporate formalized rightsizing initiatives early in the process so that building designs would accurately reflect embassy needs. However, OBO's mandate is to manage property, and it is not in a position to know what processes the geographic bureaus use when developing staffing projections. Indeed, OBO officials stated that they cannot hold the geographic bureaus accountable for policy-related decisions and can only assume the bureaus have incorporated rightsizing exercises into the projection process.

We found that agencies at the posts we examined did not conduct comprehensive rightsizing analyses when determining future staffing requirements. Decision makers did not analyze existing positions before projecting future requirements and did not consider rightsizing options, such as competitive sourcing or relocating certain positions to the United States or regional centers. In addition, we found that most agencies with staff overseas did not consistently consider operational costs when developing staffing projections. In general, for these posts, rightsizing exercises were largely limited to predictions of future funding levels and workloads.

Little Evidence of Long-term Staffing Assessments

At each of the seven posts we visited, we found little or no documentation that staff conducted comprehensive assessments of the number and types of people they would need in the year that their new facility would open. Officials from several of these posts told us they had considered factors such as operating costs or the potential to streamline administrative functions—yet they did not consistently document their analyses or the rationales for their decisions. Moreover, we found little or no documentation explaining how previous projections were developed or the justifications for these decisions. As a result, future management teams will not have accurate information on how or why previous decisions were made when they update and finalize staffing projections.

¹⁸The current version of the Long-Range Overseas Buildings Plan covers fiscal years 2002 through 2007. State plans to publish an updated version of the plan covering fiscal years 2003 through 2008 by late April 2003.

Geographic Bureaus Do Not Consistently Vet Staffing Projections

According to OBO, the relevant geographic bureaus are expected to review and verify individual embassies' staffing projections and confirm these numbers with other agencies' headquarters before they are submitted to OBO. However, we found that the degree to which staffing projections were reviewed varied. In addition, we found little evidence that staffing projections were consistently vetted with all other agencies' headquarters to ensure that the projections were as accurate as possible. Indeed, State officials acknowledged that (1) State and other agencies' headquarters offices are not required to conduct formal vetting exercises once embassies submit their projections; (2) there is no formal vetting process; and (3) geographic bureaus expect that officials in the field consult with all relevant agencies and therefore the bureaus rarely contact agency headquarters officials.

Additional Factors Complicate Staffing Projection Process

We found additional factors that complicate the staffing projection process. First, frequent turnover of embassy personnel responsible for developing staffing projections disrupts continuity in the projection process. Embassy staff may be assigned to a location for only 2 years, and at some locations, the assignment may be shorter. Given that personnel responsible for developing the projections could change from year to year and that posts may go through several updates before the numbers are finalized, the projection process lacks continuity. Staff turnover combined with little formal documentation may prevent subsequent embassy personnel from building upon the work of their predecessors.

Second, we found that coordinating the projected needs of all agencies could be problematic. Following the 1998 embassy bombings, a law was passed requiring that all U.S. agencies working at posts slated for new construction be located in the new compounds unless they are granted a special co-location waiver.¹⁹ However, agencies are not required to submit these waiver requests prior to submitting their final staffing projections to OBO. To ensure that OBO has the most accurate projections, waiver requests must be incorporated early in the staffing projection process so that OBO is not designing and funding buildings that are too large or too

¹⁹22 U.S.C. § 4865 requires the Secretary of State, in selecting a site for any new U.S. diplomatic facilities abroad, to ensure that all U.S. personnel under chief of mission authority be located on the site. However, this requirement may be waived if the Secretary, together with the heads of those agencies with personnel who would be located off site, determines that security considerations permit off site location and that it is in the U.S. national interest.

small. Post officials acknowledged that these decisions must be made before the staffing projections are finalized. In Yerevan, for example, the Department of Agriculture office projected the need for 26 desks in the new chancery, yet Agriculture officials in Yerevan plan to use only 13 of these desks and to locate the remaining personnel in their current office space. However, Agriculture has not yet requested a co-location waiver for these remaining 13 positions. If Agriculture receives a waiver and proceeds according to current plans, OBO will have designed space and requested funding for 13 extra desks for Agriculture staff.

Finally, separate funding requirements for USAID annexes could complicate the projection process. In compounds where USAID is likely to require desk space for more than 50 employees, USAID attempts to secure funding in its own appropriations for an annex building on the compound.²⁸ However, officials from at least two of the posts we examined had trouble determining where USAID would be located, which could delay planning and disrupt OBO's overall plan for concurrent construction of the USAID annexes with the rest of the compounds. For example, at Embassy Yerevan, confusion among USAID officials in Washington and the field over whether USAID would fund a separate annex has caused annex construction and funding to fall behind OBO's schedule. Therefore, USAID may be forced to remain at a less secure facility—at an additional cost—until its annex is completed, unless alternative arrangements can be made. In addition, chancery and USAID annex construction has not proceeded on the same schedule in some countries because funding for USAID's annexes is behind schedule. According to USAID officials in Washington, D.C., two-track construction could lead to security concerns, work inefficiencies, and additional costs.

To ensure that U.S. agencies are conducting systematic staffing projection exercises, we are recommending that the Secretary of State (1) provide embassies with formal, standard, and comprehensive guidance on developing staffing projections; (2) require chiefs of mission to maintain documentation on the decision-making process including justifications for

²⁸Pursuant to an informal agreement between OBO and USAID, USAID is required to pay for a separate annex in a compound when it requires desk space for 50 or more employees. However, if USAID projects it will need fewer than 50 desks, its offices will be in the chancery building in the compound, which State would fund, as it would for all U.S. government agencies in the chancery. According to OBO and USAID headquarters officials, there is some flexibility in the maximum number of USAID desk spaces allowed in a chancery, and this issue is handled on a case-by-case basis.

these staffing projections; and (3) require all chiefs of mission and geographic bureaus to certify that the projections have been reviewed and vetted before they are submitted to OBO. In comments on our draft report, State agreed to implement our recommendations.

Efforts to Implement a Capital Cost-sharing Mechanism

As part of the *President's Management Agenda*, OMB is leading an effort to develop a cost-sharing mechanism that could require agencies that use U.S. overseas facilities to pay a greater share of the costs associated with their overseas presence. The administration believes that requiring agencies to pay a greater portion of the costs associated with their presence could give them an incentive to scrutinize long-term staffing more thoroughly when assessing their overseas presence. OMB officials also believe greater cost sharing could more clearly link the costs of new facilities that result directly from agencies' presence.

State historically has been responsible for funding the construction and maintenance of U.S. embassies and consulates, while most other U.S. government agencies traditionally have not been required to help fund capital improvements to overseas facilities. In 1999, the Overseas Presence Advisory Panel noted a lack of cost sharing among agencies that use overseas facilities, particularly for capital improvements. As a result, the panel proposed the development of cost-sharing arrangements to help fund construction of new facilities. In summer 2000, an interagency body formed to develop a capital cost-sharing mechanism recommended that agencies be assessed a surcharge based on the space they actually use in overseas facilities, but this plan was never implemented. Recently, State proposed a cost-sharing program that would require agencies to fund an annual share of the capital construction program based on their respective proportions of total U.S. overseas staffing. State believes that, in addition to generating funds for the construction program, linking the costs of capital construction to agency staffing levels would provide incentive for all agencies overseas to initiate rightsizing actions.

The administration is committed to implementing a new cost-sharing program by fiscal year 2005 that would require agencies to pay a greater portion of the total costs associated with their overseas presence, which could include requiring agencies to help fund the cost of new embassy construction. In January 2003, OMB developed a virtual budget for how much each agency would be charged in fiscal year 2004 based on State's

capital cost-sharing proposal.²³ During 2003, OMB is requiring agencies to complete a census of the total overseas staffing. Also during 2003, OMB will lead an interagency committee to develop a mechanism for capital cost sharing.

Mr. Chairman, it may be reasonable to expect that agencies pay for all U.S. government costs associated with their presence in overseas facilities. Moreover, charging agencies a portion of the costs of new embassy construction may encourage them to fully consider how their presence affects the government's overall costs for new embassies and consulates. We agree with OMB, State, and the Overseas Presence Advisory Panel that implementing a new cost-sharing arrangement may add greater discipline to the staffing projection and rightsizing processes. However, in deciding how costs will be shared, decision makers at affected agencies need to develop consensus on the equity of a new arrangement, while designing a system that is relatively easy to administer.

Rightsizing is More Relevant than Ever

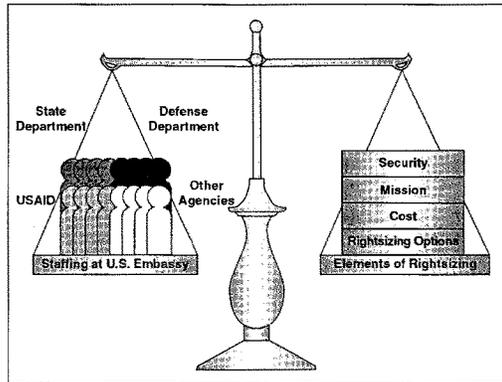
The concept of rightsizing is as important today as it was following the bombings of our embassies in Africa nearly 5 years ago. As figure 5 illustrates, the key elements of our rightsizing framework—security, mission, cost, and rightsizing options—need to be considered collectively to determine embassy staffing, and decision makers need to be looking for alternative ways of conducting business, such as transferring functions to the United States or to regional centers, where appropriate. Recent events illustrate the significance of maintaining a rightsized overseas presence:

- Security concerns continue today and are probably much greater in view of the September 11, 2001, terrorist attacks and the ongoing war in Iraq. Security deficiencies at many of our facilities overseas place personnel at risk. While State's new embassy construction program will, over time, help reduce the security risk, this program will take many years to complete. In the meantime, thousands of employees will be assigned to embassies and consulates that do not meet security standards, placing them at risk.
- The changing needs of U.S. foreign policy will continue to affect rightsizing initiatives. Ensuring that the U.S. government has the right people in the right places to support U.S. goals and objectives may require reallocation of staff among posts. Furthermore, creation of the Department of Homeland Security, the war on terrorism, and post-war

²³Because the State proposal and OMB assessment were completed after the budget submission deadline, OMB told agencies that they would not actually be charged in 2004.

- engagement with Iraq will affect foreign policy missions and priorities and may also require staffing adjustments.
- Maintaining a large overseas presence is an enormous expense, particularly with current budget deficits. For example, State estimates that it costs roughly \$300,000 annually to station an employee overseas. Moreover, plans for a multibillion-dollar, multiyear embassy construction program highlight the importance of linking staff size to the size and cost of new embassies and consulates.

Figure 5: Assessing Overseas Workforce Size Using GAO's Rightsizing Framework



Source: GAO.

In conclusion, our work in the past year has further demonstrated the feasibility of achieving a systematic and comprehensive approach to rightsizing the U.S. overseas presence. Such an approach can have substantial payoffs if OMB, State, and other agencies operating overseas support it. I believe we all recognize that, to be successful, rightsizing will be a long-term effort requiring the commitment of all agencies operating overseas. I am encouraged that the momentum for developing a meaningful approach to rightsizing continues. Both State and OMB have

endorsed our rightsizing framework and are working together and with other agencies to improve the process for determining overseas staffing levels. However, to support this process, we are recommending in our reports additional steps that agencies should take to adopt a systematic approach that considers security, mission, and cost factors in assessing overseas workforce size and to improve the staffing projection processes for new embassies and consulates.

Mr. Chairman, this concludes my prepared statement. I will be happy to respond to any questions you or other members may have.

**Contacts and
Acknowledgments**

For future contacts regarding this testimony, please call Jess Ford or John Brummet at (202) 512-4128. Individuals making key contributions to this testimony included David G. Bernet, Janey Cohen, Kathryn Hartsburg, Lynn Moore, Ann Ulrich, and Joseph Zamoyta.

Appendix I: Rightsizing Framework and Corresponding Questions

Physical/technical security of facilities and employees

- What is the threat and security profile of the embassy?
- Has the ability to protect personnel been a factor in determining staffing levels at the embassy?
- To what extent are existing office buildings secure?
- Is existing space being optimally utilized?
- Have all practical options for improving the security of facilities been considered?
- Do issues involving facility security put the staff at an unacceptable level of risk or limit mission accomplishment?
- What is the capacity level of the host country police, military, and intelligence services?
- Do security vulnerabilities suggest the need to reduce or relocate staff?
- Do health conditions in the host country pose personal security concerns that limit the number of employees that should be assigned to the post?

Mission priorities and requirements

- What are the staffing levels and mission of each agency?
- How do agencies determine embassy staffing levels?
- Is there an adequate justification for the number of employees at each agency compared with the agency's mission?
- Is there adequate justification for the number of direct hire personnel devoted to support and administrative operations?
- What are the priorities of the embassy?
- Does each agency's mission reinforce embassy priorities?
- To what extent are mission priorities not being sufficiently addressed due to staffing limitations or other impediments?
- To what extent are workload requirements validated and prioritized and is the embassy able to balance them with core functions?
- Do the activities of any agencies overlap?
- Given embassy priorities and the staffing profile, are increases in the number of existing staff or additional agency representation needed?
- To what extent is it necessary for each agency to maintain its current presence in country, given the scope of its responsibilities and its mission?
 - Could an agency's mission be pursued in other ways?
 - Does an agency have regional responsibilities or is its mission entirely focused on the host country?

Cost of operations

- What is the embassy's total annual operating cost?
- What are the operating costs for each agency at the embassy?
- To what extent are agencies considering the full cost of operations in making staffing decisions?
- To what extent are costs commensurate with overall embassy strategic importance, with agency programs, and with specific products and services?

Consideration of rightsizing options

- What are the security, mission, and cost implications of relocating certain functions to the United States, regional centers, or to other locations, such as commercial space or host country counterpart agencies?
- To what extent could agency program and/or routine administrative functions (procurement, logistics, and financial management functions) be handled from a regional center or other locations?
- Do new technologies and transportation links offer greater opportunities for operational support from other locations?
- Do the host country and regional environments suggest there are options for doing business differently, that is, are there adequate transportation and communications links and a vibrant private sector?
- To what extent is it practical to purchase embassy services from the private sector?
- Does the ratio of support staff to program staff at the embassy suggest opportunities for streamlining?
- Can functions be reengineered to provide greater efficiencies and reduce requirements for personnel?

-
- Are there best practices of other bilateral embassies or private corporations that could be adapted by the U.S. embassy?
 - To what extent are there U.S. or host country legal, policy, or procedural obstacles that may impact the feasibility of rightsizing options?
-

Source: GAO.

*Embassy priorities are the U.S. government priorities in that country.

Mr. SHAYS. Ambassador Davis.

Ms. DAVIS. Thank you very much.

Mr. SHAYS. I don't think your mic is on. I never looked. Does a light come on when they're on?

Ms. DAVIS. It is on now? Can you hear me?

Mr. SHAYS. Yes.

Ms. DAVIS. Thank you. Good afternoon, Mr. Chairman and other members of the subcommittee—

Mr. SHAYS. You've got a great smile. Nice way to start out my day.

Ms. DAVIS. I'm very happy to be here. I'm happy for your interest. I'm really very pleased, as I said, to participate in this hearing on the President's Management Agenda: Rightsizing the U.S. Presence Abroad. The Department of State welcomed the decision to include rightsizing as one of the initiatives of the President's Management Agenda. We're working very closely with the Office of Management and Budget as it leads the inner agency effort to move the initiative forward, and we are committed to working with OMB in the development and implementation of a successful rightsized initiative.

The General Accounting Office has kept us informed of the status of its rightsizing work, including the rightsizing framework that it has developed. GAO has stated that rightsizing means aligning the number and location of staff assigned overseas with foreign policy priorities and security and other constraints. GAO notes that rightsizing may result in the addition or reduction of staff or in a change in the mix of staff at a given embassy or consulate.

We agree with that. We do not believe that the rightsizing necessarily means—we don't agree that rightsizing necessarily means downsizing. Quite the contrary. We're in the second year of increased hiring with our Diplomatic Readiness Initiative [DRI]. DRI was launched by the Secretary of State with congressional support to address the serious staffing gaps created during the 1990's when we hired under attrition. This initiative seeks to strengthen our U.S. diplomatic corps with almost 1,200 new-hires beyond attrition, and we are grateful for your support.

These new positions will allow us to fill unmet needs overseas and to provide for enough personnel to respond to crises and to go to training without leaving staffing gaps.

The DRI is therefore a part of our efforts to have the right sized State Department staffing overseas to meet our mission requirements. GAO lists 3 elements as part of its rightsizing framework. Security, mission and cost. We strongly believe that the top priority is without question mission. The first question that must be asked before all others is whether the United States has a compelling reason to be in a particular location.

If the answer is yes, then it may be necessary to place personnel there, even in the face of serious security concerns or excessive cost.

As an example, the opening of the U.S. embassy in Kabul Afghanistan. But if we're going to have people overseas, we must ensure their security as best as we can and at the lowest possible cost.

Mission requirements can change, as you well know, and we have a dynamic system to respond to these changes.

Now, let me address what the department is ultimately responsible for, our own staffing overseas and how we manage our overseas presence. Rightsizing is an ongoing process. We continually review changing priorities and emerging issues and make staffing changes between regions or between functions, reallocating people so that higher priority needs are met. We have done this recently by putting more people overseas in consular sections to meet increased border security needs, post and regions have moved resources to meet the priority counterterrorism mission at the expense of lesser priorities. Sometimes we can accomplish this without strain, because other requirements are in decline. But oftentimes we pull people to address new issues while old ones still exist.

With the increased staffing under the DRI, we will have a better capacity to respond without leaving day-to-day work neglected. Ultimately rightsizing of the State Department staffing is accomplished through our strategic planning and budgeting process and is supported by our work force planning process. Chiefs of mission have the primary responsibility for deciding U.S. staffing in their missions. They are in the best position to make decisions on staffing needs that accurately reflect U.S. foreign policy priorities. Their mission performance plans cover the policy objectives of the entire mission, including all other agencies.

The Department's regional bureau's review and use these mission plans to prioritize and justify position requirements in support of strategic goals. Bureaus request any additional staffing in their performance plans at an interagency annual senior policy and resource review chaired by the deputy secretary.

To assist the department's leadership in assessing staffing needs and requests, we have the overseas staffing model ESOM. This work force planning tool identifies the staffing requirements at overseas posts based on specific categories and criteria and provides a comparative assessment of posts. The OSM evaluates each post rationally, using key work load and host country factors. We use the results of the OSM as a baseline in assessing staffing needs and then add to our assessment the recent changes in foreign policy requirements that are not captured in the model such as the changes needed for staffing in Kabul.

The new-hires under the diplomatic readiness initiative are being placed overseas based largely on needs identified in the OSM. The department's senior leadership makes final decisions on the department's staffing requirements and hiring plans based on emerging priorities, funding potential, overseas staffing model projections as well as the senior reviews. This ensures that staffing decisions are made in support of mission requirements. We believe that the strong linkage between strategic priorities and resource decisions with senior management involvement ensures our ability to meet our mission.

Other important factors in our strategic planning process include the use of local-hires, security, staff reallocation to meet crises and regionalization. Maintaining a safe environment overseas is a top priority for the Secretary of State. So we look for ways to ensure

that we are not doing functions overseas that would be better done in the United States or via regional centers.

The Department of State has looked at administrative, consular and certain policy functions in various regions, and we have regionalized some of these functions. We've put people in more centralized locations, either overseas or in the United States from which they now support multiple posts. This regionalization is consistent with both our rightsizing efforts and the principle of universality. While we maintain universality of our embassies, many functions can be managed regionally. State makes extensive use of regional offices with regional centers in U.S. locations such as Charleston, SC, Fort Lauderdale, FL, and Portsmouth, NH, and at major overseas hubs such as Frankfurt and Bangkok. All of these considerations, mission security cost are part of our decisions on overseas staffing.

Let me close by saying that we are working with OMB on its rightsizing effort as part of the President's Management Agenda. We believe that it is the appropriate mechanism to further study this issue. Thank you for your interest in this issue and for your support of our overseas presence. And I welcome any questions.

Mr. SHAYS. Thank you very much, Ambassador.

[The prepared statement of Ms. Davis follows:]

PREPARED STATEMENT FOR THE RECORD

Ambassador Ruth A. Davis
Director General of the Foreign Service and
Director of Human Resources
United States Department of State

for the

House Government Reform Subcommittee
on National Security,
Emerging Threats, and
International Relations

April 7, 2003

Good afternoon, Mr. Chairman. I am pleased to participate in this hearing on “The President’s Management Agenda: Rightsizing the U.S. Presence Abroad.”

Explaining the inherent rationale for the USG’s overseas presence – an objective of successive Administrations since the 1960s – is no easy task. Past efforts to develop an interagency staffing methodology have not succeeded. Nevertheless, the size of the USG’s total overseas presence has been of concern to the Department of State, successive Administrations, and the Congress for decades.

The Department of State welcomed the decision to include rightsizing as one of the initiatives in the President’s Management Agenda. We are working closely with the Office of Management and Budget (OMB) as it leads the interagency effort to move the initiative forward. The General Accounting Office (GAO) has kept us informed of the status of its rightsizing work, including the rightsizing framework it has developed. We are committed to working with OMB in the development and implementation of a successful rightsizing initiative.

The GAO has proposed a definition of rightsizing with which the Department agrees:

Rightsizing [is] aligning the number and location of staff assigned overseas with foreign policy priorities and security and other constraints. Rightsizing may result in the addition or reduction of staff, or a change in the mix of staff at a given embassy or consulate. (GAO-02-780 *Overseas Presence: Framework for Assessing Embassy Staff Levels Can Support Rightsizing Initiatives*, p. 1, July 2002)

However, the Department does not agree with the idea that rightsizing necessarily equals downsizing or that the current number of overseas staff is greater than the minimum number necessary. This is especially true for the State Department.

The Overseas Presence Advisory Panel (OPAP), which looked at overseas staffing after the 1998 bombings of the US embassies in Nairobi and Dar es Salaam, concluded in its November 1999 report:

In this new era when goods and services, criminals and terrorists, and health and environmental threats all cross national borders with relative ease, a universal, on-the-ground overseas presence is more critical than ever to the nation’s well-being. Only by maintaining a robust global presence can America protect its interests and promote its values in the coming decades.

We are in the second year of our Diplomatic Readiness Initiative (DRI), which is one of the Secretary’s top priorities. We thank the Congress for its support. The increased hiring under the DRI addresses fundamental staffing needs in order to reverse the trend of the 1990s when we hired under attrition, resulting in a serious staffing gap. This initiative seeks to strengthen our diplomatic corps with almost 1200 new hires beyond those required to replace attrition.

We need these new positions to fill unmet needs overseas and to provide for enough personnel to respond to crises and go to training without leaving staffing gaps. Without adequate staffing, we will not be able to carry out the foreign policy priorities of the President.

To determine specific allocation of those new resources by bureau and post, we assessed their human resource requests during our planning and budgeting process. We made decisions about where we need new positions based on recommendations from our budget and human resource offices and based on the priorities identified in our planning process which I will discuss later.

Finally, we will allocate new positions based on our decisions about policy initiatives. These can change, as you well know, and we have a dynamic system to respond to those changes.

The DRI is therefore part of the State Department's efforts to have the right staff overseas to meet the United State's foreign policy mission overseas.

Administration Rightsizing Policy

The Bush Administration has continued the USG's long-standing policy to maintain lean overseas staffing for reasons of foreign policy, security, and economy. The President's letter of instruction to COMs echoes those of his predecessors:

Every executive branch agency under your [the COM] authority must obtain your approval before changing the size, composition, or mandate of its staff regardless of the employment category (or where located in your country of assignment). I ask that you review programs, personnel, and funding levels regularly, and ensure that all agencies attached to your Mission do likewise. Functions that can be performed by personnel based in the United States or at regional offices overseas should not be performed at post.

In August 2001, President Bush reemphasized the importance of safety, efficiency, and accountability in USG overseas staffing by identifying rightsizing as one of the initiatives in the PMA. We believe that two features augur well for the success of the PMA rightsizing initiative:

- **White House leadership.** The inclusion of rightsizing as a PMA initiative led by OMB provides a degree of high-level attention often absent from previous efforts. History has shown that the efforts to rationalize the USG's overseas presence that have met with the most success are those with Presidential involvement.
- **Accounting for and allocating costs.** Historically, accurate operational costs and full information on interagency staffing levels have not been available, and there was no single system for collecting and analyzing these data. In addition, agencies have often been unaware of the true costs associated with their overseas presence. Many agencies' budgets have not broken out overseas and domestic costs, and the Department of State has funded many requirements generated by other agencies (e.g., construction, security, communications). By accurately and consistently identifying overseas staffing levels along with the costs associated with them, and allocating those costs to the agencies responsible for them, the PMA initiative will give agencies a strong incentive for on-going rightsizing.

The GAO Rightsizing Framework

The Department of State welcomes GAO's work on developing a rightsizing framework. The questions in the framework lay out a common sense approach that asks the kinds of questions COMs and other decision-makers have always routinely addressed through formal and informal processes when considering staffing issues. In the FY 2005 mission planning process, State is beginning to address many of the issues raised in the GAO rightsizing questions. These reflected planning policy priorities and the management requirements to support them, including assessments and justifications for staffing and resource levels. The aim is to determine and plan for the necessary staffing and resources to support agency foreign affairs programs and strategic objectives, with State's overseas missions serving as the platform for numerous USG agencies with overseas presence. State plans to incorporate additional elements of the GAO embassy rightsizing questions for the future planning processes.

GAO lists the three elements of its rightsizing framework in an unprioritized order of security, mission, and cost. We strongly believe that the top priority is Mission. The first question that must be answered before all others is whether the United States has a compelling reason to be in a particular location. If the answer is "Yes," then it may be necessary to place personnel there, even in the face of serious security concerns or excessive costs (e.g., the opening of the U.S. Embassy in Kabul, Afghanistan). But if security concerns suggest that people will be at risk, then the need to manage presence is paramount.

Chief of Mission Authority and Staffing Decisions

COMs have the primary responsibility for deciding USG staffing in their missions. They are in the best position to make the decisions.

President Bush's letter of instruction gives COMs broad authority over all mission staffing and gives them guidance on how to exercise it:

Every Executive Branch agency under your authority must obtain your approval before changing the size, composition, or mandate of its staff regardless of the employment category [or where located in your country of assignment]. I ask that you review programs, personnel, and funding levels regularly, and ensure that all agencies attached to your Mission do likewise. Functions that can be performed by personnel based in the United States or at regional offices overseas should not be performed at post. In your reviews, should you find staffing to be either excessive or inadequate to the performance of priority Mission goals and objectives, I urge you to initiate staffing changes in accordance with established procedures.

NSDD 38 is the Presidential guidance process by which COMs get the information needed to make decisions on the size, composition, and mandate of full-time, permanent mission staffing. The President's guidance makes it clear that this authority is to be used to assure the right staffing at a particular mission.

In addition, current procedures for implementing Presidential guidance require agencies proposing changes in the size, composition, or mandate of their staffs to consider the policy to maintain lean overseas staffing; Mission Performance Plan goals; alternative staffing arrangements; and security, cost, and administrative support implications.

Many COMs share a perception that their authority to make staffing decisions is circumscribed in practice. While the COM has the authority to decide staffing of mission, often their decisions are superceded by Congressional action, decisions in Washington, or overarching foreign policy goals affecting more than one post. Early consultation with COMs is critical. We hope to address this issue as part of the PMA rightsizing initiative.

State Department Overseas Staffing

Now let me turn to what the Department is ultimately responsible for - our own staffing overseas - and how we manage our overseas presence. Rightsizing is accomplished through our strategic planning and budgeting processes.

Elements of strategic human capital planning and embassy right-sizing planning are reflected in documents ranging from our Strategic Plan, to the mission and bureau performance planning documents. For example, our new Strategic Planning Framework and draft Strategic Plan include strategic human capital planning as part of the Department's high-level vision and road-map for achieving foreign affairs objectives.

State has made significant improvements in the mission performance planning cycle by integrating strategic human capital planning elements into the planning process with the categorization of staffing and funding resources by strategic goals, as required by the Government Performance and Results Act (GPRA). This enables each mission's senior management to assess the commitment of human resources across the strategic goals, and also assists regional bureaus to better distribute limited State Operations and Foreign Operations funding across the strategic goals.

Chiefs of Mission carefully consider staffing needs to ensure their mission plans accurately reflect the highest priorities of the Mission, and that the resources and staffing requirements identified therein are appropriate and essential to the successful achievement of their mission's goals, the Department's goals, and ultimately the President's goals.

Regional bureaus review and use mission plans to prioritize and justify position requirements to meet strategic goals. Bureau Performance Plans are a key component of the planning process and serve as the basis for the interagency annual Senior Policy and Resource Reviews chaired by the Deputy Secretary. The requests - and current staffing - are analyzed and that assessment is provided to the Deputy Secretary.

The Department's senior leadership makes final decisions on the Department's staffing requirements and hiring plans based on emerging priorities, funding potential, Overseas Staffing Model projections as well as senior bureau planning reviews. This ensures that staffing decisions are made in support of mission requirements.

State plans to incorporate additional elements of GAO's rightsizing framework in future planning processes.

As we prepare the senior Department leadership for making overseas staffing decisions we must assess those staffing recommendations from several perspectives.

One of our tools for assessing staffing needs and requests is the Overseas Staffing Model (OSM). This workforce planning tool assists management in allocation of resources, including those needed to support the USG diplomatic platform.

The OSM was completed in 1996 and has been run three times since then. It provides an objective, flexible tool to measure what resources are needed to meet the President's and the Secretary's foreign policy priorities and objectives. The OSM gives Department management an analytical tool to allocate rationally full-time permanent American personnel resources worldwide in line with the Administration's foreign policy objectives, International Affairs Strategic Goals, and Department priorities. It also allows the Department to assess resources needed to meet legislated mandates and to fulfill our responsibilities to support the full USG presence overseas. The model, made up of seven components, identifies the staffing requirements at overseas posts, based on specific categories and criteria, and provides a comparative assessment of posts. It evaluates each post rationally using key workload and host country environmental factors. We use the results of the OSM as a baseline in assessing staffing needs and then add to our assessment the current foreign policy requirements that are not captured in the model.

Secondly, we must assess whether the work must be done by cleared Americans or locally hired staff. Our Foreign Service National (FSN) colleagues are a vital part of our team. The management of FSNs is a decentralized process run by managers at posts where they take into account available local talent pool, cost, and need for training opportunities for Junior Officers. Centrally, the budget process is where management ensures that, in allocating resources for new American personnel or for FSNs, post management has taken into account the options for arranging their workforce to meet their needs. We do have tools in the consular work area to manage the FSN requirements and we use the International Cooperative Administrative Support Services (ICASS) to manage FSNs doing administrative work in support of other agencies. The ICASS Service Center tracks costs for each post and publishes summary reports which allow managers at posts to compare and measure their cost structures with those of other posts, by region, and globally.

Another important consideration is security. Security and threat issues can affect how much staff we need to provide security, facility requirements, whether we can rely on local hires or require cleared American staff, and even if we will have a presence at all. Maintaining a safe environment overseas is one of the Secretary's top priorities, so we look for ways to ensure that we are not performing tasks or functions overseas that could be better managed by staff in the U.S., or in regional centers. Because conditions change frequently overseas we deal with many security issues at the post level. If there is a threat to post security we can place that post in authorized departure status or ordered departure status in order to minimize risk to employees

and families. In longer-term situations, we may designate a post as “unaccompanied” - meaning no dependents accompany the employee - which reduces the numbers of Americans at risk.

All of these considerations are part of our decisions on State Department staffing overseas. We believe that the strong linkage between strategic priorities and resource decisions - with senior management involvement - ensures that we are able to meet our mission.

Let me say something about another way we ensure the right staffing overseas to meet our mission. Many changes are made within staffing levels in order to ensure we have the right sized presence. This under-the-surface activity may not be as obvious as changes to staffing levels but nevertheless it is key to how we meet our constantly changing requirements. We continually review changing priorities and emerging issues and make staffing changes between regions or between functions reallocating people so that higher priority needs are met. Sometimes we can accomplish this without strain because other requirements are in decline but oftentimes we pull people to address new issues while old ones still pertain. With the increased staffing under the DRI, we will have a better capacity to respond.

Regionalization

Secure facilities for overseas staff are crucial to the rightsizing initiative. Where upgrading is not possible or cost effective, mission staff may be relocated. The Administration is committed to using regional centers from which appropriate USG personnel can perform duties that must be done overseas. The Department of State defines regionalization as locating administrative, consular, and certain policy functions (e.g., labor and environmental officers) in more centralized locations, either overseas or in the United States.

This regionalization is consistent with both our rightsizing efforts and the principle of universality. While we maintain universality of embassies, many functions can be managed regionally.

The Department is building a new Frankfurt (Germany) Regional Center, converting a former US Army hospital into a facility to serve Europe, Eurasia, Africa, and the Middle East. The remodeled facility will meet security requirements, including a 100-foot set back, and will house numerous USG employees now scattered among six inadequate and insecure sites in Frankfurt and Berlin.

Frankfurt has served as a major regional hub for the State Department and other agencies in Europe and Eurasia as well as Africa and the Near East for many years. The consolidation of staff into one secure facility and centralizing functions into one location will strengthen Frankfurt as a model regional center. Construction of a new office complex for all Frankfurt personnel was estimated at \$260 million; the acquisition and renovation of the Creekbed hospital is approximately \$80 million.

This major project continues the Department of State’s and other USG agencies’ long reliance on regionalization. State makes extensive use of regional offices, with regional centers in US locations (such as Charleston, South Carolina; Fort Lauderdale, Florida; and Portsmouth, New

Hampshire), at major overseas hubs (Frankfurt, Germany; Bangkok, Thailand), and at smaller sub-hubs on an *ad hoc* basis (Dakar, Senegal; Hong Kong, China; etc.). These arrangements exist as practical solutions to meet the business requirements of specific sub-regions and posts and are generally not appropriate models for replication at other locations.

In addition to the service centers, a large number of embassy staff will have regional responsibilities. For example, many medical and security functions are managed by employees on a regional basis. While we can gain economies (usually in the management field) by regionalizing some functions, this does not eliminate the need for more people at some of our posts.

Conclusion

We are working with OMB on its rightsizing effort as part of the President's Management Agenda and look forward to working with the OMB staff and the GAO to develop the worldwide rightsizing methodology over the next year..

Thank you for your interest in this issue and support of our overseas presence. I welcome your questions.

Mr. SHAYS. Just so I'm clear, when we talk of the director general, does that make you head of the Foreign Service and in charge of all personnel for—

Ms. DAVIS. Yes.

Mr. SHAYS [continuing]. The Department of State?

Ms. DAVIS. For the Department of State. I'm the Director General of the Foreign Service and the Director of Human Resources, which includes all personnel in the Department of State.

Mr. SHAYS. The term director general is used only in your case or are there—

Ms. DAVIS. Yes. There is only one director general.

Mr. SHAYS. It's a great title.

OK. General.

General WILLIAMS. Thank you, Chairman Shays and other members of the subcommittee, for this opportunity to discuss with you the role of the overseas buildings operations [OBO], in implementing the President's Management Agenda directive toward rightsizing the U.S. presence abroad.

The OBO mission reshaped by the 1998 bombings of our embassies in Dar es Salaam, Tanzania, and Nairobi, Kenya, it was reinforced by the September 11th events, is to accelerate construction of new facilities that can satisfy the Department's stringent security requirements and provide domestic—provide our diplomatic personnel with safe, secure and functional office and residential environment.

Rightsizing the U.S. presence overseas will help OBO ensure that we have the right facilities in place to conduct the effective U.S. foreign policy.

As you know, Congress and the executive branch have identified the overseas building operations in the State Department as the single property management for diplomatic consular and other related civilian support properties of the United States overseas.

I want to take the opportunity now to thank the Congress for its recent effort, in reinforcing this single manager role as recommended by the GAO.

When I joined Secretary Powell's transition team early on in December 2000 to evaluate the Department's overseas facilities status and program, I reviewed the Inman Report, the Crowe Report, the overseas presence advisory panel report and anything else I could get my hands on, because the files were quite hefty.

All of these reports in summary basically said the same thing, we were experiencing facilities overseas that were unsafe, many of them, many not secure, and of course, overcrowded. And as a result of that, we were creating in presenting a very negative image for our country.

Our government currently employs about 60,000 people represented from 30 or so agencies at those 260 overseas posts. The Diplomatic Security Bureau of the Department has concluded that at least 160 of these posts do not meet current security standards and should be replaced by new embassy compounds.

Over the last 2 years, we have already seen significant successes in being able to bring on board a program that would attack this problem. We have had successes in cutting costs. We have put in

place standard embassy designs. We have an integrated design review process, and we have put our program on a fast track.

In the 19—I'm sorry. In the fiscal year 2002 awards, we presented savings of \$65 million, and we also anticipate substantial savings in 2003 by using best practices.

Let me briefly address the reforms that we have put in place to manage this program. First of all, Mr. Chairman, and members, I would like to report that we now have developed a capacity to manage at least \$1.8 billion of work per year. We obviously had a close-out year last year at \$1.75. We have increased the contractor pool from 3 contractors 2 years ago participating in our work to 15. This gives us a tremendous capacity to move forward.

We have restructured the entire organization around a results-based operational concept, and this is yielding us tremendous results.

We have set up a systematic process now for gathering information for our long-range plan. This was the first strategic document that we put in place during the first 6 months of our tenure. This plan now guides our program over a 6-year period.

It is currently in its second year of being, and it is causing a very good framework and a road map to accomplish our work.

We have also established an industry advisory panel. Nine members from industry advises us on a quarterly basis on the best practices from industry. We have chartered an interagency facilities council to facilitate the interaction among the agencies who operate and do business in our platforms. We have also put in place, as I mentioned before, standard designs so that now we can move very quickly with the process. We reduced the time from the traditional 4½ to 2 years for construction. And we have an integrated process for all of the vetting partners.

We are getting results, Mr. Chairman, and members, and to that extent, the Congress has responded and provided us with some additional funds, not all that we would like to have. As I mentioned, the capacity is at \$1.8, and we have a program which is slightly under \$1 billion this year. But I do want to report that we have 22 new embassy complexes underway. We'll be cutting the ribbon this year for the first time for eight new complexes. The average for our Department through many, many years, at as far as we can research, show the maximum of 2 per year.

We have opened the facilities in Tunis. We have opened facilities in Dar es Salaam, both our embassy and our USAID facility. Also in Nairobi. We are planning, in the next couple of months, to open facilities in Istanbul, Zagreb, Croatia; Abu Dhabi in the Emirates, Sao Paulo in Brazil, etc. So we'll have 8 new openings this year, in much the same way we'll have 10 groundbreaking as well. So we are getting results, and things are moving along very nicely for us.

Also we have have launched a new initiative. This new initiative is cost sharing. This was highlighted in the overseas presence advisory panel, at that time referred to as a rent surcharge-type of program. This cost sharing program will allow those participating tenants to pay a cost associated with the type seat that they would be requesting from the State Department.

We think, Mr. Chairman and committee, that a combination of the introduction of standard designs where we have parametrically built a building size to control costs and we've significantly reduced the time for delivery and linked to this new initiative of cost sharing will serve as a very good path forward for our colleagues to connect the rightsizing methodology too.

Again, I appreciate the opportunity of appearing before you, and I look forward to answering any of your questions.

Mr. SHAYS. Thank you, General Williams.

[The prepared statement of General Williams follows:]

**HOUSE COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON NATIONAL SECURITY, EMERGING THREATS,
AND INTERNATIONAL RELATIONS**
Christopher Shays, Chairman
Dennis Kucinich, Ranking Member

TESTIMONY OF

MAJOR GENERAL (RET.) CHARLES E. WILLIAMS
Director and Chief Operating Officer
Overseas Buildings Operations Bureau
United States Department of State

on

**THE PRESIDENT'S MANAGEMENT AGENDA:
RIGHTSIZING U.S. PRESENCE ABROAD**

April 7, 2003

Room 2154
Rayburn House Office Building

Thank you Mr. Chairman and Members of the Subcommittee, for this opportunity to discuss with you the role of the Overseas Buildings Operations Bureau (OBO) in implementing the President's Management Agenda directive on rightsizing the U.S. presence abroad.

OBO's mission, reshaped by the 1998 bombings of the U.S. Embassies in Dar Es Salaam and Nairobi, and reinforced by the events of 9/11, is to accelerate the construction of new facilities that can satisfy the Department's stringent security standards and provide our diplomatic personnel safe, secure, and functional office and residential environments. Rightsizing the U.S. presence overseas will help OBO ensure that we have the right facilities in the right places to conduct an effective U.S. foreign policy.

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

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

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

billion, and the centralization of this function in the Department of State allows for professional, business-like management of these assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, we have 68 major rehabilitation projects underway and expect to initiate another 42 such projects with Fiscal Year 2003 funds, for a total of \$576 million in rehabilitation and security upgrade projects in process. I believe that OBO has the capacity to manage \$1.8 billion in NEC projects on an annual basis.

Frankfurt Regional Center. One particularly successful FY 2002 project was the acquisition of the former 469th Contingency Hospital in Frankfurt, Germany, referred to as Creekbed, for use as a regional center and Consulate General offices. When completed, this 23-acre complex of buildings will provide secure, consolidated office facilities for over 800 U.S. and FSN employees of the Consulate, including the U.S. personnel who will shortly lose their facilities at the Rhein Main base. The Creekbed site will also provide space for over 40 State and regional law enforcement personnel who will be relocated from Berlin when the New Embassy Building opens at Pariser Platz. Finally, it will facilitate the relocation of a small number of regional activities from Paris and Abidjan.

The U.S. Government currently operates out of six locations in Frankfurt, the Department's primary regional operations center in Europe. None of these facilities meets current security standards. The Department's European Bureau has identified the primary regional activities as the Regional Procurement and Support Office (RPSO), the Regional Support Center (RSC), 40 Diplomatic Couriers, 88 State regional communications and security personnel, and 40 FAA/TSA personnel. Acquiring this facility allows projected growth by law enforcement agencies like the U.S. Secret Service and U.S. Customs Service, now part of the Department of Homeland Security, at a single location, avoiding a further scattering of U.S. activities in Europe.

The provision of these facilities is being accomplished at a cost to the taxpayer that OBO estimates is about a quarter of the cost of comparable new facilities. While Creekbed was a unique opportunity that is unlikely to be replicated anywhere else in the world, its timely acquisition is a measure of the current State Department's determination to manage its resources in the most efficient manner possible.

Incentives for Rightsizing. Rightsizing the U.S. presence overseas is a vital precondition for the achievement of OBO's mission. Our goal is to build facilities of the right size and configuration in the right locations, and accomplishing that objective requires that the Government make thoughtful decisions about what level of staffing should be located at each post. This need is particularly important at those posts where the Department is scheduled to construct New Embassy Compounds, which will be designed to serve U.S. Government needs for the next half-century.

Over the last two years the Department has made substantial efforts to develop accurate information about projected staffing levels for all agencies from posts where NECs are scheduled. Unfortunately, as the GAO Report indicates, post personnel do not always recognize the significance of the projections they are asked to assemble. To address this gap, the Department is developing a formal guide for Chiefs of Mission and Country Teams on the process for developing their projections, which we will share with other agency headquarters. The guide will emphasize that thorough consultation among all U.S. agencies is an essential element in planning for an NEC. As GAO acknowledges, however, projecting staffing levels five to seven years in the future is difficult at best. Even the most carefully constructed estimate can become obsolete in the face of changing international circumstances and emerging policy priorities. Two recent examples are the new requirements of the Homeland Security Department and the additional needs for visa application processing personnel.

Over the past two years we have also become aware of a structural difficulty with asking representatives of other agencies at post to provide staffing projections for out-years. The tendency is for post personnel to base their projections on the assumption that expanded staffing will be funded in a near future budget. The Department of State does not determine the staffing levels other agencies need to perform their missions, but we are taking certain steps to encourage careful, realistic projection of facilities needs at posts where NECs are scheduled:

First, OBO is instituting a new approach to projecting future staffing that we believe is more in line with the existing Federal budgetary realities. In the FY 2005 update of the Department's Long-Range Overseas Buildings Plan, OBO will assume a

staffing baseline of existing levels plus a 10% margin for growth. If the Regional Bureau or another agency believes that building a New Embassy Compound based on that estimate will not provide it with sufficient space to conduct its business, it will be asked to provide a full justification explaining the need for an exception. This justification must include reason to believe that funding and personnel will actually be available, not just that a policy need exists. The agency or Bureau must be prepared to brief the Office of Management and Budget (OMB) and the Congress with regards to staffing increases over the current authorized levels. OBO will ask the agency's headquarters and OMB to verify that the projections are plausible.

Second, over the last two years the Department and OMB have been developing a Capital Security Cost-Sharing Program that will dramatically accelerate our embassy construction program and encourage agencies to right-size their overseas presence. This Program implements the OPAP Report recommendation for a new financing mechanism for embassy construction and supports the President's Management Agenda item on rightsizing. The initiation of this Program was announced in the President's Budget for Fiscal Year 2004, and each agency will begin paying its share in FY2005.

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

thoroughly examined various structures and alternatives, and consultations with the OMB and other agencies. The Department and OMB will be consulting further with all affected agencies over the coming months.

In addition to funding the urgent needs for secure facilities, this capital cost-sharing arrangement will encourage each agency to right-size its staffing, by reflecting more closely the true cost of stationing employees overseas and encouraging agencies to think through their overseas staffing requirements annually. The Cost-Sharing charge will apply to all personnel under Chief of Mission authority, other than those granted waivers, whether coming from the U.S. or locally hired. The overall effect on agency budgets could add about 10%-15% to what agencies now report as their total cost of stationing an American U.S. Government employee overseas.

Third, we are contemplating incorporating into the Capital Security Cost-Sharing Program an additional adjustment to address projected staff growth at posts where NECs are being planned. The Cost-Sharing charge allocated to each agency will include in the count all projected positions at those posts where the staffing level has been used as the basis for determining the size, configuration of space, and budget for a New Embassy Compound. Thus, for example, if the FBI, with a staff of 10 at a post slated for an NEC, projects that it will need space for 15 in the NEC, those additional positions will be added to the count of FBI positions overseas when the FBI's cost share is calculated for the next fiscal year, even before the NEC is complete. If it reduces its presence, it will pay less overall. The Department and OMB believe that attaching this financial consequence to the projected level of staffing will encourage all agencies to conduct more careful reviews of projections to assure their feasibility and accuracy.

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

I hope this testimony demonstrates the efforts we are making to rationalize and rightsize the overseas presence of the U.S. Government. OBO and the Department are committed to achieving the goal of ensuring that every U. S. Government employee overseas has secure, safe, and functional facilities in which to conduct the foreign policy of the United States. We believe that getting the right size facilities in the right locations is a crucial element in achieving that goal.

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

Mr. SHAYS. Mr. Nygard.

Mr. NYGARD. Thank you, Mr. Chairman. Mr. Chairman, members of the subcommittee, I'm pleased to appear before you today to discuss the efforts of the U.S. Agency for International——

Mr. SHAYS. Can you move the mic a little closer to you?

Mr. NYGARD. Sure. To assure the number of U.S. staff deployed overseas is the right number to assure effective and efficient planning and management of programs.

We have reviewed the three criteria proposed by the General Accounting Office for determining overseas staffing levels. We agree with them, and we've been using them in setting our field staffing levels, though perhaps not in a fully systematic way.

USAID is a critical instrument of U.S. foreign policy. The Agency carries out development, transitional and humanitarian assistance programs in more than 150 countries and maintains some 70 bilateral and regional field missions abroad.

We have found that a significant field presence is key to the success of our program. There are two main reasons for our overseas presence: Influence and oversight. Our overseas employees understand the capacity of our programs and the needs of the countries in which they work, and their presence helps assure successful results. Their presence also promotes programmatic and financial accountability. Our people oversee the work being done by contractors and grantees who implement their programs.

The main determinants of USAID's overseas presence are effective program management, or mission, and cost. Security has also taken on increased importance in recent years and will be a major factor in the future. The Agency has been rightsizing its overseas presence for many years. Number of U.S. direct-hire staff posted overseas by our Agency has fallen from 1,256 in 1990 to 687 as of last September 30th, despite level or rising assistance levels worldwide and the expansion of USAID operates to 27 countries in eastern Europe and the former Soviet Union in the past 13 years.

Individual country missions are therefore significantly smaller than they were 15 years ago. USAID has taken a number of measures to keep the costs of our overseas presence to a minimum. We work with the Department of State and other overseas agencies of the U.S. Government to provide common administrative services through the International Combined Administrative Service System. ICASS has proved very effective for allocating costs fairly among users, and all agencies are working to make it a stronger tool for efficiency as well.

USAID is currently providing ICASS services to other agencies at nine posts where it is cost effective to do so. We provide certain services, contracts, finance and legal, through regional offices in some parts of the world. We use modern information technology to facilitate both voice and data communications among our field missions, USAID headquarters and the offices of our contractors and grantees.

We utilize our Foreign Service national staffs in recipient countries for professional, as well as support work, reducing the costs of many functions without sacrificing quality. And we have closed down USAID in countries where our work has been completed. Over the past 5 years, overseas missions in Poland, the Czech Re-

public, Slovakia and the Baltic republics has been closed as programs in those countries ended.

An area where the factors of cost and security come together is that of office space for our field missions. USAID must assure that our overseas staff work in the safest possible environment.

Consistent with the Secure Embassy and Counterterrorism Act of 1999, the Agency seeks to collocate with embassies wherever possible. At present, we are collocated in less than half of our overseas posts. We have worked closely with General Williams and his office over the past 2 years to assure that USAID is an active participant in the Department of State's worldwide building program.

Our fiscal 2003 appropriation provides funding for a USAID building on the embassy compound in Nairobi. We will continue to work with State and with the Congress to assure that safe and secure facilities are provided for our overseas staff.

USAID is also undertaking a number of additional steps related to overseas rightsizing, including the following. We are updating our financial procurement and other business processes to be many efficient and effective, increase the provision of services regionally and adopt common information technology and process approaches worldwide.

We're exploring with the Department of State the extent to which our financial systems and operations can be integrated.

An initial study has demonstrated the feasibility of at least partial integration. Next steps will include determining the specifics of putting portions of our systems together.

We're developing a template, or model, for a standard overseas USAID mission to permit the optimum allocation of what will continue to be limited human resources to best fulfill our mission. And we're finalizing a comprehensive human capital plan that will describe the specific core competencies needed by overseas staff for effective and efficient Agency operations, and the steps that must be taken such as recruitment and training to produce these competencies.

As you're aware, Mr. Chairman, President Bush has stipulated that the rightsizing of overseas official U.S. presence will be a part of his management agenda. We look forward to building on our efforts to date, working with the Office of Management and Budget, the Department of State and other overseas agencies to find broad, lasting approaches to assuring the most effective overseas presence.

Mr. Chairman, that concludes my statement. I'll be happy to respond to any questions the committee may have.

Mr. SHAYS. Thank you, Mr. Nygard.

[The prepared statement of Mr. Nygard follows:]

Richard C. Nygard
Deputy Assistant Administrator for Management
United States Agency for International Development
Testimony before the
House of Representatives
Committee on Government Reform
Subcommittee on National Security, Emerging Threats and International Relations

April 7, 2003

Mr. Chairman, members of the Subcommittee, I am pleased to appear before you today to discuss the efforts of the U.S. Agency for International Development (USAID) to assure that the number of U.S. staff deployed overseas is the right number to assure effective and efficient planning and management of programs. At the outset, let me say that we have reviewed the main criteria proposed by the General Accounting Office for determining overseas staffing levels. I can say that not only do we agree with them, we have been using them in setting our field staffing levels, though perhaps not in a fully systematic way.

USAID has been for more than 40 years a critical instrument of U.S. foreign policy. The Agency carries out development, transitional and humanitarian assistance programs in more than 150 countries and maintains some 70 bilateral and regional field missions abroad. We have found over the years that a significant field presence is key to the success of our programs. There are two basic reasons for our overseas presence: influence and oversight. Our overseas employees understand the capacity of our programs and the needs of the specific countries in which they work. USAID staff are recognized by the donor community as resident experts in the field, and their knowledge of local conditions and political reality allows them to have a great deal of influence in assuring that our programs are directed to solving the development or humanitarian problems of each country. Our in-country presence also allows us to leverage and influence other multilateral and bilateral donors to support our program priorities and strategic interests. The presence of USAID American staff in each country also helps to ensure programmatic and financial accountability; our people oversee the work being done by contractors and grantees who implement our programs. They also monitor the appropriate use of resources we provide to counterparts from the recipient country. The head of each USAID mission functions as part of the Ambassador's country team, ensuring that our economic assistance program is an integral part of overall U.S. strategy toward the country.

The main determinants of USAID's overseas presence worldwide and in any given country have always been effective program management balanced by cost. The need for greater security has taken on increased importance in recent years and will continue to be a major factor in the future. The Agency has been engaged in "rightsizing" its overseas presence almost constantly over the past three decades. As an example, the number of U.S. direct-hire staff posted overseas by USAID has fallen from 1256 in 1990 to 687 as

of last September 30, despite the facts that USAID in the early 1990s opened 27 new missions in Eastern Europe and the former Soviet Union and assistance levels in most other parts of the world have remained constant or increased since 1990. Our individual country missions are therefore significantly smaller than they were 15 years ago, resulting in greater spans of program and administrative control for our people overseas. Cost has been the major factor that has impelled USAID to reduce overseas presence; the expense of maintaining field missions has constantly risen, significantly outpacing U.S. inflation rates.

USAID has taken a number of measures to keep the costs of our overseas presence to a minimum.

- We have worked and will continue to work with the Department of State and other overseas agencies of the U.S. government to provide common administrative services through the International Combined Administrative Services System. ICASS has proved very effective as a system to allocate costs fairly among users, and all agencies are working to make it a stronger tool for efficiency as well.
- We have moved to providing some services (contracts, finance, legal) regionally rather than bilaterally in some parts of the world.
- We have used modern information technology to facilitate both voice and data communications among our field missions, USAID headquarters and the offices of our contractors and grantees.
- We have increasingly utilized our Foreign Service National staffs in recipient countries for professional as well as support work, reducing the costs of many functions without sacrificing quality.
- We have closed down USAID missions in countries where our work has been completed; over the past five years overseas missions in Poland, the Czech Republic, Slovakia and the Baltic republics have been closed as programs in those countries ended.

Looking to the future, an area where the factors of cost and security come together is that of office space for our field missions. A prime objective for USAID is to assure that our overseas staff work in the safest possible environment. Consistent with the Secure Embassy and Counterterrorism Act of 1999, USAID seeks to collocate with the embassies wherever possible. At present we are collocated in less than half of our overseas posts. We have worked closely with General Williams and his Office over the past two years to assure that USAID is an active participant in developing and implementing the Department of State's worldwide building program. We will continue to work with State and with the Congress to assure that safe and secure facilities are provided for our overseas staff.

USAID is also undertaking a number of additional steps related to overseas rightsizing, including the following:

- We are revising our finance, procurement and other business processes to be more efficient and effective. These efforts will build on past efforts to regionalize functions and will adopt common IT and process approaches worldwide;
- We are exploring with the Department of State the extent to which our overseas financial systems and operations can be integrated; we have completed an initial study which demonstrated the feasibility of at least partial integration; next steps will include determining the specifics of putting parts of our systems together.
- We are working to develop a template, or model, for a more "standard" overseas USAID mission, to permit the optimum allocation of what will continue to be limited human resources to best fulfill our mission.
- We are finalizing a comprehensive human capital plan that will describe the specific core competencies needed by overseas staff if the Agency is to operate effectively and efficiently, and the steps that must be taken, such as recruitment and training, to produce those competencies.

As you are aware, President Bush has stipulated that the rightsizing of overseas official US presence will be a part of his management agenda. We look forward to building on our efforts to date, working with the Office of Management and Budget, the Department of State and other overseas agencies to find broad, lasting approaches to assuring the most effective overseas presence.

Mr. Chairman, that concludes my prepared statement. I will be happy to respond to any questions the Subcommittee may have.

Mr. SHAYS. We'll now hear from the acting Inspector General, Ms. Sigmund.

Ms. SIGMUND. Mr. Chairman, members of this subcommittee, thank you for the opportunity this afternoon to comment on the Department's rightsizing initiatives. The Department has made real progress in its rightsizing of its overseas posts. The Bureau of Overseas Buildings Operations has introduced significant improvements in planning and management that bring transparency and sound business practices to the construction of suitable and safe facilities for U.S. Government personnel overseas.

The Department is defining more systematically personnel requirements through its overseas staffing model and working with geographic bureaus energetically to rightsize embassies.

The Department should be commended for aggressively recruiting much-needed Foreign Service staff under its diplomatic readiness initiative.

Acknowledging the sacrifices that staff and their families make in serving in many parts of the world, the Department is looking for creative ways to mitigate the hardships of service at some posts where staffing gaps often exacerbate already difficult conditions.

The emphasis the Department is placing on rightsizing today, however, cannot immediately resolve problems that are the result of inadequate planning in earlier years, insufficient resources or inherently difficult environments which can change from benign to dangerous overnight.

Of the 48 embassies we inspected since January 2002, we found a number of posts to be rightsized in terms of staff. Among them are Oslo, Helsinki, Stockholm, Freetown, Monrovia and Abidjan. However, we also found embassies with deteriorating buildings without setback and key positions unfilled or staffed by officers committed but without the necessary experience and sometimes supervision always to do their jobs well.

In addition, since January 2002, we completed 49 security inspections. Only nine posts had sufficient setback; 40 did not.

We found inadequate staffing, lack of work space and unsafe facilities to be acute in Africa and in the new independent states. In Nigeria, for example, Embassy Abuja suffers from an inability to fill many mid-level positions. This was true in 1993 and 1997 when we inspected Nigeria. It was still true in 2002 when we returned.

At the same time, U.S. Government agencies are placing a greater priority on Nigeria with a concomitant increase in programs. The embassy does not have the staff or infrastructure to support this expansion.

The NSDD-38 process is an important tool for rightsizing. However, we find that some agencies lose sight of NSDD-38 in their haste to implement programs. The assignment of advisers directly to host government entities or back to back temporary duty personnel circumvents NSDD-38 and undermines the efforts of chiefs of mission to rightsize.

To take Nigeria once more, much of the growth of Embassy Abuja and the consulate in Lagos have been the result of added positions from other U.S. Government agencies. A number of these new positions are currently listed as temporary and are not subject to the NSDD-38 review.

The Department is developing regional support centers to alleviate staffing and administrative problems at some posts. Consolidated services out of Frankfurt are directed to the Balkans and the NIS and out of Florida for the embassies of Latin America are proving to be effective mechanisms for supporting posts, particularly those where staffing gaps and lack of administrative experience have a negative impact on operations.

Frankfurt is also beginning to provide valuable consular support for African posts. In recent inspections of Port of Spain, Georgetown and Paramaribo, OIG found that all three receive excellent support from the Florida center that is mitigating the negative effects of staffing gaps.

I would also note that in keeping with OPAP'S support for phasing out of the financial services center in Paris and moving its functions to Charleston, the Department expects to complete the project this year, at which time Charleston will provide financial services to 84 posts previously serviced by FCS Paris.

Finally, I would like to comment briefly on GAO's proposed framework for rightsizing. The framework provides a clear articulation of criteria that should be considered in determining mission size. The Department has begun to incorporate rightsizing guidelines in its mission performance plan process. I want, however, to introduce a cautionary note. Although not implicit in the framework, there is the potential for drift in staffing size. The staffing of an embassy should not become only a reflection of the agencies that can afford to be there. Mission and the national interest are critical in defining the most effective personnel profile for an embassy in any given country.

Policy objectives must be clearly defined and agreed to by all. Important to remember, too, is that no building, regardless of the resources and planning it represents, can ever be completely safe. The security of an embassy is not merely the sum of protections a building can provide, but the totality of programs, procedures, and host-country relationships that embassy management uses to supplement the physical limitations of its building. In the last analysis, some degree of risk will always remain.

Thank you, Mr. Chairman. I am happy to respond to your questions.

Mr. SHAYS. Thank you very much, Ms. Sigmund.

[The prepared statement of Ms. Sigmund follows.]

HOUSE COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON NATIONAL SECURITY, EMERGING THREATS
AND INTERNATIONAL RELATIONS
COMMITTEE ON GOVERNMENT REFORM

TESTIMONY OF
AMBASSADOR ANNE M. SIGMUND
ACTING INSPECTOR GENERAL OF THE DEPARTMENT OF STATE
AND BROADCASTING BOARD OF GOVERNORS

APRIL 7, 2003

Chairman Shays and Members of this Subcommittee:

Thank you for the opportunity to comment this afternoon on the Department's efforts to rightsize its embassies and to align resource requirements with mission objectives and with operating environments. Clearly at the heart of this daunting challenge is how to plan and provide safe, cost effective buildings and to staff them appropriately. The Department has made real advances in rightsizing its overseas posts. I especially want to commend the Bureau of Overseas Buildings Operations (OBO), under General Williams' leadership, for significant improvements in planning and management. Although much remains to be done, OBO has initiated a proactive partnership with the Department and developed a long-range overseas buildings plan, which has introduced transparency and sound business practices to the difficult problem of constructing suitable and safe installations for U.S. government personnel overseas. OBO has created a standard embassy design concept for embassies, which should help to control costs. OBO also has proposed a new funding mechanism, which will establish greater cost-sharing in the construction of new embassies and will encourage agencies to assess more accurately the true costs attached to assigning personnel overseas. I would note that we are currently reviewing OBO's management of the embassy construction program. We expect to conclude our review this summer and can share the results of our work with you at that time.

The Department has also sought to define more systematically personnel needs through its overseas staffing model and to work with geographic bureaus to rightsize embassies

overseas. With new resources for diplomatic readiness, the Department has aggressively recruited much-needed Foreign Service staff. As a result of budget constraints in the mid-nineties, Department hiring was less than its rate of attrition. Consequently, we entered the new millennium with a serious shortage of midlevel officers, a situation that persists today and hampers the effectiveness of some embassies. Acknowledging the sacrifices that staff and their families make in taking assignments in many parts of the world, the Department is looking for ways to mitigate the hardships of service in some posts, where staffing gaps and inexperience exacerbate the already difficult conditions in which these missions operate. The Department is making leadership and management training a priority with a view to improving the planning skills of its managers. I cite this new training effort because key to rightsizing are astute and able chiefs of mission who can effectively weigh national interest against risk, needs against costs. Equally important, we must have managers who can mentor and supervise the junior officers we are assigning to responsibilities that are not always commensurate with their Department experience. We will examine the effectiveness of overseas staff planning in upcoming work.

The emphasis the Department is placing on rightsizing today, however, cannot immediately resolve problems that are the result of inadequate planning in earlier years, insufficient resources, or the inherently difficult environments in which our missions find themselves and which can change from benign to dangerous almost overnight. Of the 48 embassies we inspected since January 2002, we found a number of posts to be rightsized in our estimation. Staff size was appropriate to the mission assigned these embassies. Among them were Helsinki, Oslo, Stockholm, Freetown, Monrovia, and Abidjan. However, we also found embassies with deteriorating buildings that failed to meet setback requirements and key positions unfilled or staffed by junior officers valiantly struggling to do their jobs without the necessary experience and sometimes supervision always to do them well. For example, since January 2002, our Office of Security and Intelligence Oversight completed 49 security inspections. Of the embassies reviewed, only nine had sufficient setback; 40 did not. Although 30 embassies had sufficient

security staff, 19 did not have enough American staff to operate their security programs effectively.

During this period we found inadequate staffing, lack of workspace, which impeded employees' ability to function efficiently, and deteriorating, unsafe facilities to be particularly acute in Africa and the New Independent States (NIS). In Nigeria, for example, Embassy Abuja suffers from an inability to fill many midlevel positions. This was true in 1993 and 1997 when the Office of Inspector General (OIG) inspected Nigeria. It was still true in 2002 when we returned. At the same time, U.S. government agencies are placing a greater priority on Nigeria with a concomitant increase in programs. Unfortunately, the mission does not have the program and administrative staff or infrastructure to support this expansion. Consular operations, almost entirely based in Lagos, are worrisome. Steadily increasing visa and American citizen services workloads threaten to overwhelm a short-staffed section. First tour officers are expected to fill midlevel positions in a fraud-ridden, high-volume environment.

Or taking other examples:

- In recent years, our embassy in Nouakchott has been unable to maintain stable American staffing despite a post differential of 25%, two R&R trips in a two-year tour of duty and a special 15% differential for extensions for a third year.
- Embassy Tbilisi has tripled in size since 1998. Embassies Baku and Yerevan also have grown dramatically in the last five years. Their isolation, poor communications, facilities, and overcrowded conditions, coupled with the Department's shortage of midlevel officers, make it hard to find qualified personnel willing and able to serve there. Many positions remain vacant for prolonged periods and officers at post often lack the experience needed to do their jobs properly.
- Embassy Tashkent has one of the most overcrowded chanceries imaginable, posing a serious challenge to staff morale, health, and safety. By exercising

careful control over staff growth, including temporary duty personnel, the embassy is trying to manage the problems of overcrowding until a new chancery is available. OBO will break ground on a new chancery this year.

- Embassy Minsk is alarmingly overcrowded and in need of major renovation.
- In Riga, no U.S. government building meets basic standards on setback. Moreover, the chancery's structural deficiencies are a further serious safety issue and need to be assessed to determine the building's suitability for continued occupancy.

Even a European post like Embassy Bern is not immune to problems. The chancery's location does not meet minimal setback requirements and keeping residential streets around the embassy closed is only a temporary measure. – The city wants them reopened. The Department is aware of all these problems and is trying to address them. Resources remain a critical factor in their successful resolution.

The NSDD-38 process is an important tool for rightsizing. It requires agencies proposing changes in the size, composition, or mandate of their staffs to take a "lean approach" that is in keeping with Mission Performance Plan goals, security, attendant costs, and administrative support implications. In our post management inspections, however, we find that practice sometimes departs from principle. Some agencies seem to be unaware of the NSDD-38 process or lose sight of it in their haste to implement programs. The assignment of advisors directly to host government entities or back-to-back temporary duty personnel, in our view, circumvents the spirit of NSDD-38 and undermines efforts on the part of chiefs of mission to rightsize. There have been occasions when new personnel arrive at post with little advance notice and no NSDD-38 coordination. While an ambassador could, in theory, send such new arrivals back to Washington, the pressure from Washington, including the determination of an agency to get a program up and running and couching that program in terms of national interest, make it very difficult for him or her to do so. In Abuja, for example, much of the growth at the mission has been a

result of added positions from other U.S. government agencies. When the embassy was moved from Lagos to Abuja as a result of a Nigerian decision to shift the capital, it was expected that the size of the consulate in Lagos would decrease; in fact, this did not occur, largely due to growth of other agencies. Similarly in Abuja, new assistance programs, which are being developed, will require an increase in personnel from law enforcement and other agencies. Many of these new positions are listed as temporary, for periods of a year or less, and, therefore, not regarded as subject to the NSDD-38 process. Now, Embassy Abuja has reached the limits of its capacity to provide office space and administrative support.

One of the approaches the Department is taking to the problem of staffing its posts, including those in hardship locations, is the creation of regional support centers. Consolidated services out of Frankfurt directed to the Balkans, the NIS, and small embassies in other parts of Europe and out of Florida for the embassies of Central and South America are proving to be an effective mechanism for supporting posts on administrative, consular, and financial issues, particularly those where staffing gaps and lack of experience have a negative impact on post operations. Frankfurt is also beginning to provide consular support for African posts that is making a real difference. In our recent inspection of Madagascar, OIG commended consular support out of the Frankfurt Regional Service Center. OIG believes that Frankfurt is an ideal location because of its good communications and transportation infrastructure. It is within relatively close flying distance to the missions it serves and is in a time zone that permits consultations during business hours. Florida offers many of the same advantages. In Fort Lauderdale, administrative support staff from the Bureau of Western Hemisphere Affairs (WHA) hosts personnel from the Bureaus of Information Resource Management, Administration, Diplomatic Security, the Office of Medical Services, and the Marine Security Guard program, all of whom provide support to the embassies and consulates in the region. The various units share the support costs of the center in a practical burden-sharing arrangement described by memoranda of understanding. The Florida center's operational budget from WHA is about \$1 million a year, two-thirds of which represents the cost of travel to missions in the region. Embassies and consulates without resident expertise

receive regular visits from financial, human resources, and medical specialists. Roving information management and office management specialists help to cover staffing gaps. In recent post management inspections of Embassies Port of Spain, Georgetown, and Paramaribo, OIG found that all three posts receive valuable regional financial, human resources, information management and medical support from the Florida center. That regional support was mitigating the negative effects of staffing gaps and some persistent administrative problems that had developed over the course of years.

In an audit last fall of regional procurement support offices, OIG also found these regional centers doing a commendable job of providing needed procurement services and were valued by the posts making use of them. However, we believe that they are not realizing their full potential as a provider of regional services. In our review, we determined that these regional procurement offices were accounting for only eight percent of overseas procurement. Moreover, some regions like eastern and southern Asia were not effectively covered.

Another issue that we review when we inspect posts overseas is the Mission Performance Plan, assessing how well it addresses policy issues, how effectively it ties resources to mission, whether its development involves all those at the mission who need to be engaged, including public diplomacy, and whether embassy activity is consistent with the goals the MPP describes. We find that the MPP process has improved over the years since its inception and that, by and large, most plans are reasonable and clear. Predictably in a number of cases plans are overly ambitious and need to be fine-tuned. In general, though, we find embassies realistic and responsive to the interests of numerous agencies in Washington. For the effort embassies put into the development of the MPP, we still find that there is sometimes a break down in communication between embassies and their geographic bureaus, which do not always provide their posts with a detailed or timely reaction to their submissions. Embassies occasionally take their bureaus' non-response for concurrence with their resource requests and proceed to attempt to reconcile operations with unrealistic expectations with respect to future resources. I would note, however, that the Secretary and Deputy Secretary take the BPP process seriously and

scrutinize bureau requests in open fora that are giving these requests greater grounding and substance.

Finally, I would like to comment briefly on the GAO's proposed framework for rightsizing. The framework provides a useful and clear articulation of criteria and questions that should be asked in determining mission size. The questions are not new and the Department itself has been trying to systematize its rightsizing processes and has begun to formally consider these questions in the MPP process. Clearly, the issues of security, mission, and cost are fundamental to determining staffing levels overseas and for developing a reasonable construction schedule for embassies. Without question the Department should engage in an even more systematic review of these questions within the context of its planning process. I think, however, that it is important to introduce a cautionary note. Although not implicit in the framework, there is the potential for a certain drift in staffing size. The staffing of an embassy should not become merely a reflection of the agencies with the necessary resources to be there. Mission and the national interest are critical in defining the most effective personnel profile for an embassy in any given country. Mission and policy objectives must be clearly defined and agreed to by all. Important to remember, too, is that no building, regardless of the resources and planning it represents, can ever be completely safe. The security of an embassy is not merely an assessment of the protections a building can provide, but the totality of programs, procedures, and host country relationships that embassy management uses to supplement the physical limitations of its buildings. In the last analysis, some degree of risk will always remain.

Thank you, Mr. Chairman, Members of this Subcommittee, for this opportunity to comment on these issues. I am happy to respond to any questions you may have.

Mr. SHAYS. At this time, we will invite William Itoh to comment, and then we will have a little dialog and kind of get at this stuff.

I am going to be questioning whether my staff is telling me the truth, so you all are going to get in the middle of a little internal fight here.

Mr. Itoh.

Mr. ITOH. Thank you, Mr. Chairman, members of the subcommittee.

I appreciate the opportunity to join you today. As a member and executive secretary of the Overseas Presence Advisory Panel, I am pleased to give you my personal perspective on recent efforts to respond to the issues that we highlighted in our report. I want to emphasize that I am speaking today in my OPAP role, not as the Acting Deputy Inspector General.

At the time of the release of the OPAP report, we emphasized the need to consider our recommendations in their entirety. We recognized, however, that in an election year and in the transition to a new administration, we could not realistically expect a wholesale adoption of our proposals.

A number of our recommendations relating to security, human resources, information and communications technology, consular services, administrative services, and Ambassadorial authority were embraced by the Department. The Department continues to work toward full implementation of many of those recommendations.

OPAP's recommendations on the management and financing of overseas facilities called for the creation of a new government corporation, the Overseas Facilities Authority. We envisioned the OFA as an organization following private sector practices which could manage the construction and operation of our facilities overseas with costs allocated proportionately to all agencies. Linking facilities costs to staffing decisions would not only create a more equitable means for sharing those costs, but could also reinforce our efforts on rightsizing by identifying for each agency the real costs of assigning personnel overseas.

The OPAP proposal on overseas facilities generated a great deal of discussion, and the Department did not accept our recommendation on the creation of a new OFA. However, with the arrival of Secretary Powell, the Secretary agreed to seek solutions to the many issues we raised, short of creating a new entity outside of the Department.

As a result, FBO was taken out of the Bureau of Administration and restructured as the Bureau of Overseas Building Operations in May 2001. Under the direction of General Williams, OBO has moved to become a more results-based organization run on private sector lines. OBO has developed a 5-year capital program plan that provides long-term planning for the construction of new facilities, and security upgrades for many existing facilities.

I believe that much has been accomplished to implement the OPAP recommendations which should address the deficiencies that we found in the past.

In addition to our proposals regarding facilities overseas, our OPAP recommendations on rightsizing generated considerable debate within the Department. OPAP found that there was no overall

system to link the size and composition of our missions to the primary foreign policy goals of those missions.

While the International Affairs Strategic Plan outlined executive branch goals and foreign policy, actual decisions on Agency staffing overseas seemed coincidental to the goals stated. The Mission Performance Plan, required of each embassy, received little feedback from Washington, and was almost irrelevant to the allocation of resources. The NSDD-38 process seemed to be broken. Staffing decisions appeared to be largely based on the success of various agencies in obtaining the necessary support from Congress for additional positions abroad.

OPAP recommended that a permanent interagency committee be created by the President and chaired by the Secretary of State to establish the criteria to be used in determining the size and composition of our overseas missions. The committee would determine appropriate staffing levels at all of our embassies based on an understanding of our foreign policy objectives. This was to clearly link mission size to mission objectives and was meant to be a dynamic process making adjustments as necessary.

We used the term rightsizing to describe the proper allocation of resources to mission objectives, but we caution that rightsizing and downsizing were not necessarily synonymous. In some cases, we would have to increase staffing levels at some posts to reflect changing circumstances, while reducing staff elsewhere. We believed, however, that real savings could accrue to the government over time if rightsizing were embraced along with many other recommendations to improve our operations abroad, including proper cost allocations by Agency, safer and better facilities, improved communications, consolidation of certain administrative functions, and improved human resource practices including training.

At the time of the release of the OPAP report in November 1999, the Department did not accept the principle recommendation among our proposals for rightsizing, namely, the creation of an interagency panel on rightsizing to be established by the President.

However, the panel at the time believed that any serious effort at rightsizing could only come through a process initiated by the White House that clearly had the President's strong support. The rightsizing recommendations of OPAP were included in the report of the Independent Task Force on State Department Reform published in January 2001 and conveyed to the incoming administration of President Bush. In August 2001, the President's Management Agenda was released, and included rightsizing as a major goal of the administration with OMB leading an effort to establish a comprehensive overseas staffing allocation process.

The White House, through OMB, has established an interagency working group to look at overseas presence issues, starting with fundamental questions such as the real costs associated with having personnel overseas. OMB's role in the budget process gives it leverage in using budget levels to force agencies to provide justification for positions overseas.

Within the Department of State, an effort is under way to address rightsizing by using a strategic planning framework and by improvements into the Mission Performance Plan and Bureau Performance Plan process.

The Department and USAID are committed to complete a joint strategic plan by June 2003. Elements of strategic human capital planning and embassy rightsize planning are included in the draft 2004 to 2009 Strategic Plan, as well as in the MPPs and the BPPs.

With the new Strategic Plan and a much more rigorous MPP and BPP process, we will have in place the foundations for an effective means of linking resource allocations to policy objectives.

From an OPAP perspective, what still needs to be done is to create a rightsizing process that clearly applies to all agencies overseas. It is my judgment that we also need to do a better job of looking at long-term trends and developments, and to make that part of a process of defining our foreign policy goals.

The International Affairs Strategic Plan, last issued in 2000, should be updated and should reflect the views of all agencies operating overseas. Once such a comprehensive state of foreign policies goals is established, there should be a coherent process to make responsible allocations of resources across all agency lines. That is the essence of our OPAP recommendation on rightsizing.

I am encouraged that many of the OPAP conclusions and recommendations on overseas presence and rightsizing have been accepted, though by any assessment, we still have far to go. As the Agency traditionally responsible for shaping and executing our foreign policy abroad, the State Department must continue to demonstrate a strong interest in making any process of rightsizing an effective one.

Other agencies must see it in their own interests to carry out their specific functions as part of an effective country team. The White House must bear ultimate responsibility for making any rightsizing process work across agency lines.

Finally, Congress will have an important contribution to make as you consider the proposals that will come before you as we try to establish a more effective process for shaping our overseas presence.

Thank you very much.

Mr. SHAYS. Thank you very much, Mr. Itoh.

I think this is a huge issue. I think we had, you know, some pretty long presentation, and it seems like it is a lot of numbers and formulas and so on. But, for me, going to an embassy and seeing such dedicated workers, but looking at their facilities just from the standpoint of security, we pack people in. They are practically in hallways in some places. And then we have to have places for them all to live. I was amazed—amazed may be a strong word. I was very surprised to realize how we break down—how few in the State Department are actually—how few people in our embassies are actually in the State Department, and I am looking for that, for the—it was 39 percent.

Ms. DAVIS. It is about one-third, sir.

Mr. SHAYS. Yeah. It just blows me away, and then Defense is 40 percent. I notice Transportation, 1 percent, and Treasury and so on.

In May 2001, we had a hearing on rightsizing, and we had the tenants. You know what I mean by tenants?

Ms. DAVIS. Other agencies.

Mr. SHAYS. Other agencies. That's kind of what State Department feels it's like. It's a tenant for all the other agencies.

So let me just ask in terms of—and not that these missions aren't important. But let me just ask you in terms of cost, and I will start with you Mr. Ford.

Is it likely that if you were able to attach the true cost to every person who is assigned to an embassy and the payment had to be made by the Department that sent them there? Is it likely that we might see less people in some of our facilities? In other words, all the costs, not just the salary; the staff support, the facility, and if it is a U.S. Government facility, the cost of that facility. And security? All the things added to it, their housing.

Mr. FORD. As far as I know, there is nobody in the government who knows what those costs are. OMB is in the process of trying to identify costs for all of the tenants as was mentioned earlier at overseas posts. I noticed in their statement for the record they had some very interesting numbers for—at different costs for individuals in the same Agency.

For example, I think they had the FBI, they showed the cost of an FBI agent in three different locations, and the costs varied—I don't have their statement here in front of me—but as much as a couple hundred thousand dollars, which indicates to me that either the estimates aren't very good or the FBI needs to take a hard look at how it assigns its people, since, if they have an agent at one place that costs three times as much as another, they may not want to make that kind of investment.

But the bottom line is, the overall costs by an agency overseas, as far as I know, is not known, and I know that that is one of the key objectives of the OMB project. I don't know where they are with it right now in terms of whether they feel like they can give hard numbers, but I think that's one of the first things you need to find out before you make the right kind of decisions about who you are going to assign overseas.

Mr. SHAYS. Ms. Sigmund, do you have anything to add to the comments that were made by Mr. Ford?

Ms. SIGMUND. With respect to costs?

Mr. SHAYS. Yeah. He didn't really answer the one question I asked though. If you were able to determine the full costs, would it be likely that some of those individuals sent overseas, that the departments might send less? And that's the question that Mr. Ford began. Yes or no? You don't know?

Mr. FORD. I can't speak for the executive branch, sir.

Mr. SHAYS. No. You're not hearing my question.

Mr. FORD. You want to know if they would send—

Mr. SHAYS. The answer, is a free service overutilized? And the answer is yes. So, to the determination of a free service. No, it's just by just the actual laws of it.

Ms. SIGMUND. Of course, it's difficult to say concretely, but I'm assuming that it would certainly be an influential factor in rightsizing on the part of other agencies.

Mr. SHAYS. I guess what I'm—with our formulas and the concept that we would look at the cost and the mission and security, we look at all three of those. It would just strike me that one of the things we could do pretty quickly is determine costs, and at least

make sure that the cost is borne not by the State Department but borne by the tenants who go there. And it would strike me that we would probably need some—you would probably see some right then some contraction.

You wanted to make another comment, Ms. Sigmund?

Ms. SIGMUND. Well, only that there are processes at work in the embassy itself that assign various administrative costs. They are not perfect, but they do attempt to distribute and share costs.

I think part of the problem, if I understand it, is that the formula that different agencies use is different in calculating those costs. And so I think that, for example, some in Washington, administrative costs are attached to the cost of serving overseas. I think there has to be agreement among all of the participants on a standard formulation of what would be counted in those costs.

Mr. SHAYS. The Department of Defense cannot pass an audit. There are over \$1 trillion, \$1.7 trillion of basically points that—of transactions that aren't auditable. It blows me away, and we are working on it, but would someone explain to me why the State Department—we use as the number 260 the number of missions. I want to know. It is just too neat, 260, 60,000 people overseas.

Ms. Davis, I'm sorry, I have not been properly addressing you. Ambassador Davis, Ambassador Sigmund, and Ambassador Itoh, I apologize.

Ms. DAVIS. Actually, the number that I was using is about 263.

Mr. SHAYS. 263. OK. That's the number we're going to use here.

How about the number of employees overseas?

Ms. DAVIS. The number of employees we use, the number of direct American-hire employees is about 19,000. That's Americans across the board, not just for State Department, but the number of employees, total, that we use overseas is about 46,000.

Mr. SHAYS. And those are—

Ms. DAVIS. That includes direct-hire Americans, it includes foreign-service Nationals, and it includes personal-service contractors and others.

Mr. SHAYS. Why has it taken so long to agree on a common set of criteria for rightsizing? What's the dispute, and who's involved in this dispute?

Ms. DAVIS. Sir, it's—when you talk about rightsizing, I guess you have to talk about it in two parts.

There is no dispute in terms of rightsizing within the State Department, but the difficulty I suppose is the rightsizing in terms of the other agencies. And I believe that the problem has been that there has not been sufficient interest to get the job done, and I believe that the interest is there now.

For instance, rightsizing is now a part of the President's agenda, and that gives an impetus to really, focusing much more on the actual process of rightsizing.

Mr. SHAYS. And obviously a focus of the Secretary's.

Ms. DAVIS. Yes. Most definitely.

Mr. SHAYS. Because when he was before the Budget Committee, he was very clear about his support.

We've had a little bit of trouble getting GAO to get information from State, and I'd like to know. Mission and Bureaucratic Program Plans are an important part of planning documents, which

State talks about as key to rightsizing. And what I'm told is that GAO has had difficulty getting these from State because State lawyers assert the program plans are predecisional.

Is this being resolved, and can I be pretty comfortable that GAO is going to get this information from now on? Is this striking you out of the blue here?

Ms. DAVIS. Excuse me. Just a second.

Sir, you are correct. We will have to take this discussion back to the Under Secretary for management, and I will get you an answer.

Mr. SHAYS. Yeah. We've had a little bit of trouble getting information out of State. And in order for us to do our job, and when we ask GAO or the Inspector General to do certain things, we would really like, before the next year and a half, to really make a dent, a significant dent in this problem. And I think you would as well. And we could work I think better as a team.

Mr. Kucinich.

Mr. KUCINICH. Thank you very much, Mr. Chairman.

To Ambassador Sigmund, do you believe the Department has all the resources it needs right now to secure its overseas facilities?

Ms. SIGMUND. I think that the Department today is better positioned than it has been in previous years. I think it still needs more resources, yes.

Mr. KUCINICH. Now, your description of the U.S. post in Nigeria.

Ms. SIGMUND. Yes.

Mr. KUCINICH. I found it troubling. In fact, a staffer from our committee entered the Foreign Service, and her first post was in Nigeria. She had some extremely troubling accounts of working there, both in terms of security and insufficient staffing.

Do you think additional resources could be used throughout the world to enhance security?

Ms. SIGMUND. Yes, sir. I do.

Mr. KUCINICH. Even if we are not talking about building new facilities, couldn't many posts use significant upgrades that could be done more quickly than, let's say building?

Ms. SIGMUND. I think it's important for the Department to put in place processes and plans to use additional resources wisely. And I think it's—it is doing that now.

Mr. KUCINICH. In your testimony, you state that rightsizing cannot resolve all the problems we have today. Specifically, you cite insufficient resources. Where could Congress most quickly and effectively bring about additional resources?

Ms. SIGMUND. I'm sorry, I'm not sure I understand your question.

Mr. KUCINICH. At what point—do you have any specific recommendations for the Congress about what resources should be brought to bear?

Ms. SIGMUND. I think in my statement I was referring to previous years when, in fact, staffing shortages were allowed to develop. Decisions were taken, for example, in the 1990's to compensate for budget shortfalls by not hiring, so that hiring levels went lower than attrition. It's in those areas that I was referring to, sir.

Mr. KUCINICH. Thank you.

Mr. Ford, you state on page 19 of your written testimony that maintaining our overseas presence is, "An enormous expense, particularly with current budget deficits." I was surprised to hear this, in part, because the current budget deficits did not begin until the President and this Congress passed a tax cut which primarily benefited those in the top bracket. I was also surprised because I think the State Department budget—it's my own opinion—was an absolute bargain when you compare it to the Defense Department budget, which I did in my statement.

Do you have any thoughts about the disparity between the money that this country spends on the Department of Defense and the Department of State? And do you ever think that maybe if we spent more money in the Department of State, we may not have to spend as much in the Department of Defense?

Mr. FORD. I don't think GAO has a view on that. I mean, you know, we want the money that is going to be spent to be spent efficiently. That's the bottom line. Whether it's spent by DOD or State Department or anybody else in the Federal Government.

Mr. KUCINICH. Ambassador Davis.

Ms. DAVIS. Sir, we always welcome additional resources, such as the resources that we got for the Diplomatic Readiness Initiative. I think that this is an instance that I can happily, happily cite that the Congress has been extraordinarily supportive of the State Department. And we have shown that we have utilized those resources properly and are continuing to show that we are utilizing resources properly.

So we appreciate increased resources with our increased responsibilities in the world.

Mr. KUCINICH. Thank you, Ambassador.

To Ambassador Itoh. I am glad you are here to represent the Overseas Presence Advisory Panel, a panel that does a significant amount of work. I'd like to ask you to focus on one aspect of this work, which you refer to in your testimony, the question of overall resource and staffing.

According to the report, the panel noted the gap between our Nation's goals and the resources it provides its overseas operations. The world's most powerful nation does not provide adequate security to its overseas personnel. Despite its leadership in developing and deploying technology, U.S. overseas facilities lack a common Internet and e-mail communications network. The overseas facilities of the wealthiest nation in history are often overcrowded, deteriorating, and even shabby.

Ambassador Itoh, from what we have heard here today, it sounds like the panel's conclusion that the Nation's overseas presence is essentially severely undercapitalized still holds. Is that right?

Mr. ITOH. I think that members of the panel—and I have communicated with several of them before I came here to testify today in order to try to speak on their behalf and not just from my personal impressions—I think members of the panel are generally encouraged by a number of trends that they have seen.

Back at the time when we were actually writing the report, we consulted with a number of Members of Congress. During that particular process Members of Congress made the point that, yes, they recognized that the Department of State did not have adequate re-

sources, but they also argued that when given money in the past, on occasion the Department of State did not spend those resources wisely. So one of the messages we brought back as a panel to the Department was that we needed to make a commitment within the Department to reform.

So it wasn't just an issue of resources. We could argue that if you made a commitment to reform practices in the Department of State to try to improve how we allocate these resources that we do get, we would actually improve the ability to make that argument to get additional resources.

One of the areas where I think we are most encouraged is the overseas facilities issue. At the time of the OPAP report, we recognized that there were serious deficiencies in many of our overseas missions, and yet the rate at which we were able to address those deficiencies in our current strategy under FBO was totally inadequate. It would take us 10 or 20 years in order to get just the embassies that were critically deficient in security to—come up to speed. And that's one—

Mr. KUCINICH. Thank you, Ambassador.

I want to ask, I was struck by the panel's conclusion which was made in harsh terms, said: The condition of U.S. posts in missions abroad is unacceptable. The panel fears that our overseas presence is perilously close to the point of system failure. And you stated: New resources will be needed for security, technology, and training to upgrade facilities. In some countries where the bilateral relationship has become more important, additional posts may be needed to enhance the American presence or to meet new challenges.

Where do you think we are in terms of getting overseas facilities up to minimum acceptable levels?

Mr. ITOH. I think that one of the areas which has been a success story in terms of our recommendations and in terms of the Department and administration's response is what OBO is doing now. It really does meet the requirements and the goals of our panel at this particular time.

Likewise, on personnel resources, this is another area where we argued that there should be additional resources for the Department, because we were seeing staffing gaps and lots of problems as a result of inadequate in-flows of new Foreign Service officers. And, as Ambassador Davis indicated, the diplomatic readiness initiative has been supported by the Congress. We on the panel argued that we needed 10 or 15 "percent training float"—I don't think we are quite there yet—in order to be able to train the people that we think need to come into the Foreign Service and also move upwards in terms of the management skills.

I think in terms of all three of those issues that you mentioned, starting with facilities, human resources terms and information technology, we have made considerable progress. We haven't gotten there yet in terms of the unclassified communications technology, but we certainly are in much, much better shape than we were in 1999.

Mr. KUCINICH. Thank you. Mr. Chairman.

Mr. SHAYS. Thank you. And thank you, sir, for your patience. Mr. Ruppertsberger.

Mr. RUPPERSBERGER. Thank you, yes. It was a good committee.

I know there's some questions you can't ask, and we would like to get into more detail, but I think overall my impression of the committee is that we are starting—there is a beginning of a reform.

I think before you can start a reform, you have to have support from the top. And you've discussed that, and you have stated today that the President and Secretary Powell—and I know I feel strongly that Secretary Powell is supporting, just based on some of the briefings that we have had.

I think part of what I see here is, the first thing, you have different agencies and there is always a problem with interagency, be it cooperation or different systems or whatever. But what we need to do, I think, from an international point of view, based on what I'm hearing today, is set up a system that is going to work and a system that will develop accountability. You are never going to get to the next level until you have accountability of what you're doing and to be able to justify the expenses.

And I agree with you, Mr. Ford, that right now there is still not that system in place. And that it needs to be if you are going to get the support to spend the money. And yet we have got to do it quickly, because I think we can all agree, after we hopefully win this war, you are going to have more burden on you than ever. And you have got to be able to perform that mission, have the right people in the right place and the right facilities to do the job.

Now, let me just ask you a couple questions just to try to get to the system arena. No. 1. Do we have a data base on personnel? Is there any—I mean, just forget just State Department as an example. I don't see how we can manage without having information. And with the technology that exists here today, do we have a data base about where, how many overseas personnel we have, what they are doing? And can we tie in to find out how we can judge their performance? Does that exist at all? I don't care who asks the question. Maybe I should ask you, and then I'll ask Mr. Ford.

Mr. FORD. For all of the agencies that are over seas, I'm not aware of any centralized data base.

I know the State Department has probably the best data base that is available. And if I had to go there to—if I had to go and get that answer, I'd probably go to Ruth and ask her if they have that information.

But in terms of all of the presence overseas, I don't know if the State Department data base has that or not. I'd have to defer to her on that.

Ms. DAVIS. This is a problem. It is a problem that is being worked on. Let me give you some elements, however.

Mr. RUPPERSBERGER. Including some security problems that might exist because of that data base?

Ms. DAVIS. No. It's a problem that we haven't pulled together all of the various technical applications that we have. For example, this is another one that we have to look at in two forms. First of all, how many State personnel do we have overseas? And, second, how many other Agency personnel?

In terms of the other Agency personnel, we do have some read on the number of full-time, direct-hire personnel, and we have that under the NSDD-38 process. We keep relatively good records on that. The problem being that we have more people than the people

who are direct hire. We have, as I said, we have contractors, we have Foreign Service nationals, we have people who are hired on personal services contracts. And so we don't have one data base that captures all of these people.

Now, ICASS captures some of that data. We have a personnel system called GEMS that captures the data for the State Department. We also now have a new system called the Post Profile system, which is a central data base, a new central data base at our post that has the information about a direct hire as well as FSNs and other personnel.

What I'm trying to say is, that we have got a lot of strands out there, and we need to develop a system to consolidate and to pull it all together, so that we can get the information that we need.

Mr. RUPPERSBERGER. Let me ask you this question about your mission.

It seems to me the two areas of reform that you need to get a better hold on are who is there and what they're doing and how they're performing from accountability.

We also need to look at the facilities' end capital, so to speak, and to develop the planning techniques as far as what do we need from a security, from an intelligence point of view, and from a communications point of view, to make sure that we are looking down the road.

Now, do we have a committee? I guess Mr. Itoh, you might maybe answer this question. I believe—I have always felt very strongly that if you are going to get the information on what you need, you go to the front line. I mean, managers sometimes get in the way of doing business. And are we asking the users, the front line throughout, where the needs are as it relates not only to now but maybe down to the future on the capital ends?

And I know Secretary Powell is looking at this and is trying to get it moving, so to speak. Even the amount of money that is being put in, it seems very, very small because it is over a 15-year period, I think, \$16 billion. Is it a 15-year period or 20-year period? Are we addressing that and looking and talking to front line about what we need from a facilities point of view? And, where do you think we are right now, and what do we need?

Mr. ITOH. I'll have to defer to General Williams. But just as a general observation, I think that what the Department has done since the time of our report is to try to strengthen the planning process. And that is, to come up with a strategic plan that they are working on right now, and also the MPP, the Mission Performance Plans, and the BPP, Bureau Performance Plans, which require the missions to take a careful look at what their policy objectives are and identify what resources they require, both in terms of human resources and also physical resources, obviously, to try to protect those personnel over time.

As far as the panel is concerned, one of the things that we pointed out is the fact that we needed a long-term comprehensive set of foreign policy goals that all of the agencies agreed to. What we have right now is something called International Affairs Strategic Plan, which actually is out of date as it does not reflect this administration's interests.

This strategic plan was issued in 2000, and it was an overarching set of objectives, foreign policy objectives, for all U.S. Government agencies overseas. Our panel position was that we need to continue to have a document like that, and not just a strategic plan that basically represents the views of the State Department with some other agencies, but an overarching plan for all agencies, and then try to project your requirements both in personnel and in physical security over time.

I've always thought that the military does a reasonably good job of planning, because with force projection requirements and also the procurement of weapons systems, they're really required to look 10 years or 20 years down the road. I'm afraid that we at the State Department and other foreign policy agencies don't tend to have those kind of far horizons. I think that's one of the things that we should do.

Mr. RUPPERSBERGER. And we should implement it then. I mean, I agree with you. And we need to start implementing.

I think my time is almost up, but the gentleman—

Mr. WILLIAMS. If you would allow me.

I would just like to speak specifically the facilities side of it. One of the first tasks that Secretary Powell and I agreed upon at the early part of 2001 is that we needed a strategic capital plan, which was never in existence.

We prepared this during the first 120 days of 2001, had it ready for publication, and put it into the system the early part of the next year. This plan captured all of our expected work and requirements over the next 6 years. It's a roadmap. It guides us. It has a priority. Everyone understands it. The Ambassadors have it. Members of our committees here in the Congress, OMB, and also the Secretary. So it puts us all on the same page. We know exactly what we are asking for and what the project is expected to cost and how it will be executed⁴.

In addition to that, we zero-based every post—every post, and policed-up all of the deferred maintenance which had never been done before. We put that in a data base in our operation. So, that's valued, for example, today at about \$700 million of about deferred maintenance. So, that coupled with the 160 or so buildings or new embassies that we need to apply new capital to is the program that we are currently executing. And we update these plans and this data base on a continuous basis.

Mr. RUPPERSBERGER. Just a conclusion. I think that what I'm seeing and hearing so far, the first thing, I think you have a good leader and that's the first prerequisite to management. You have good people, and that's the second. And then you have to give them their mission and hold them accountable for performance and also give the resources.

I think the one area that I think we need work on here is to be able to put together the assistance based on the technology that we have today and to pull that together so that we can then analyze where we need to go. Because, as performance goes up, cost goes down, and that cost can go right back into your operation to increase the moneys that we need to do the things that we need to help you down the road. Thank you.

Mr. SHAYS. I'd just like to note the presence of Mr. Tierney from Massachusetts, who has been very involved in this issue. And also point out the last questioner, while he's a new member, serves on the Intelligence Committee and obviously is getting some insights into this—probably learning more than you wanted to know.

I want to kind of feel a little more comfortable about what we are doing with this panel, because you all are wonderful resources here, and we've got six of you.

Mr. Ford, your perspective is that we basically asked you to task this issue of rightsizing from our perspective, and you have done that quite well and you continue to do.

Ms. Davis, my sense is that you are in charge of this whole issue of rightsizing as it relates to personnel primarily.

Ms. DAVIS. Yes. In the State Department.

Mr. SHAYS. In the State Department. As well, General Williams, in the State Department. You are focused on the building sides of this whole issue of rightsizing.

And Mr. Nygard, you are here, I think, primarily because you are a part of the State Department. We made you that, AID, and I think there is probably some tension in terms of whether you should be in your own separate place or part of State, and that's something that's worked out by powers higher than you. But I would be interested to know how you see AID and where it should be, so I'm going to come to you first in my questioning.

And Ambassador Sigmund, you are here as your role as Inspector General. Your people do a lot of post or mission visits. Is that correct?

Ms. SIGMUND. That's correct, sir.

Mr. SHAYS. And you're looking to see, you know, are things working. Even forgetting rightsizing, how are things going. You're kind of doing the audit. You are making, you are viewing the sites and you're looking at it from the standpoint of rightsizing.

Ms. SIGMUND. That's correct. In fact, we have made rightsizing one of the issues that we look at now at every post.

Mr. SHAYS. And Ambassador Itoh, you are here primarily, obviously, as part of Inspector General, but because of your being on the President's Advisory Panel. That's kind of the perspective. So when I ask you some questions, I want you to all feel free to jump in from your perspective.

Mr. Nygard, if you would tell me, how is AID doing by State? You have, for instance, a huge presence in South Africa. Huge is a strong word. You have a very large presence. Is it the intent of the State Department to kind of consider you as embassy employees and put you there? Are they saying we're going to send you into the field a little bit?

What can you tell me about that?

Mr. NYGARD. Well, I can tell you that in general, and in South Africa in particular—South Africa is one of our largest missions; I think we have 15 direct-hire Americans there.

So, huge is a relative term, but we also have a lot of the other categories of employees that Ambassador Davis was talking about, personal-services contractors, Foreign-Service nationals. I think these days, post-1990's, both the law and common sense tell us that

we should be collocated with the Department of State wherever possible, largely for security reasons.

Obviously, AID goes back a long way. We started out as part of State. In 1979 we were separated from State, and for the past 4 years we have been back a part of State. We have always been, however, an instrument of U.S. foreign policy and see ourselves very much as part of the Secretary's team. We have some preferences on the part of individuals within AID that they'd rather be outside, but I think our policy is clearly that we want to be part of State's operation overseas.

Mr. SHAYS. Yes, sir.

Mr. WILLIAMS. Chairman Shays, if I could just chime in from the facilities side. You are absolutely right. USAID has a very large presence in Africa. The two facilities that we just opened, which we are very proud of, Dar es Salam in Tanzania, one of the largest USAID facilities we have in recent times, was just opened at the same time conjunctively with our new embassy opening.

We have plans but not the funds sorted out for Nairobi. We did site work on the grounds, and we are waiting now just simply for the funds, and we will do the same thing in Nairobi.

We have a similar situation—these are new facility I'm talking about—in Kampala, Uganda, which was built over a year and a half ago. We have site-prepped the grounds and landscaped and masterplanned for a USAID facility, again waiting on funds. Six other locations in Africa. South Africa, a new consulate going in Abidjan, Cote d'Ivoire.

Mr. SHAYS. But that are part of a compound?

Mr. WILLIAMS. These are separate buildings.

Mr. SHAYS. In the compound? Or—

Mr. WILLIAMS. On the compound with us.

Mr. SHAYS. See, I would think—and Mr. Nygard, you can tell me—as a former Peace Corps volunteer, we were obviously attempting to do right by the countries that we served.

We knew that we were American citizens who were bringing the ideals of our great country overseas and respecting the culture of the people we were serving in, but we didn't think of ourselves as in a sense an instrument of our Foreign Policy. And there would be a desire on the part of Peace Corps volunteers to be with the men and women and children and so on that—the host country folks, to be among them. I would think that the culture and idea is somewhat similar.

Mr. NYGARD. I think the culture is somewhat similar, Mr. Chairman. I think we'll probably find that almost a majority of our Foreign Service officers are former Peace Corps volunteers. So they have the same background that you do in that respect.

However, I mentioned in my prepared statement that the size of our overseas direct-hire staff, now, is just slightly more than half of what it was 13 years ago. The result in part is that AID is not really implementing programs. In other words our people, are not out in the field as much as they used to be 15, 20 years ago, perhaps when you were overseas.

Mr. SHAYS. And so it's the indigenous folk.

Mr. NYGARD. I beg your pardon?

Mr. SHAYS. It's indigenous people that are there, basically the host-country nationals that are basically carrying out the work?

Mr. NYGARD. We have a good number of indigenous host-country private and voluntary organizations and firms. We also have a good number of U.S. universities, PVO's, contractors, companies working for us—

Mr. SHAYS. Contractors.

Mr. NYGARD. Contractors. Who generally are not co-located with us. One difference that we have from the embassy lately is that our interests, as you say, is primarily in dealing with the people. Our needs for security in terms of classified information are much less than those of the State Department.

That is what bodes in terms of perhaps having a separate building in some cases on the embassy compound. And we've worked very closely with General Williams and his staff to see the cases where we can do that.

Mr. SHAYS. Let me just be clear, Ambassador Davis. When I hear the number 46,000 total, 19,000 American citizens, is that correct?

Ms. DAVIS. Sir, I was saying 19,000, it represents the number of U.S. direct hire. That includes the other agencies as well.

Mr. SHAYS. Right. You anticipated my question. But does it also include contractors?

Ms. DAVIS. No. Only U.S. direct hire.

Mr. SHAYS. And so whose obligation and security wise—and housing wise we don't have a challenge. Is that right, General? We don't have to house the contractors?

Mr. WILLIAMS. No.

Mr. SHAYS. But in terms of security, obviously American citizens that have to be—

Ms. DAVIS. Falls under the responsibility of the Chief of Mission.

Mr. SHAYS. Right. But not your responsibility as head of personnel?

Ms. DAVIS. The security? No.

Mr. SHAYS. Yeah. The focus—well, even the contract. You don't interface directly or have control over the contractors?

Ms. DAVIS. No.

Mr. SHAYS. OK.

Ms. DAVIS. No.

Mr. SHAYS. I want to say Ms. Davis, Ambassador Davis, you kind of won my heart early on by your answer to one of my questions: Why has it taken so long to agree on a common set of criteria for rightsizing? I love honest, succinct answers: It wasn't a priority, it is now. And that explains a lot. It got rid of a lot of questions I wanted to ask you after that, I would like to know, why should State incorporate the GAO rightsizing framework into its Mission Performance Plan? That would be open, I guess, to you and the General.

Ms. DAVIS. First of all, I would like to say that we obviously have reviewed the plan, and we find it very useful. We find that it addresses with the three basic legs, which is: Mission, security, and cost. It addresses issues that we are very interested in, and it also addresses issues that our Chiefs of Missions just generally do address. Consequently, we have taken a look at the framework and have utilized it to a certain extent in our Mission Program Plan.

Mr. SHAYS. OK.

Mr. WILLIAMS. Mr. Chairman, I would like to say, for our business, getting the seat number right from the beginning is really what drives the size.

Mr. SHAYS. Getting the what? I'm sorry.

Mr. WILLIAMS. The seat. The presence number. Getting the number of personnel that's going to be served at a particular post is absolutely paramount for our business, because it drives the size of the building which ultimately drives the budget.

So we are very interested in getting the number of the population that is anticipated to be served right in the beginning, so that we can size and build a building correctly. Our formula today is to build to the rightsize, and also build in some growth percentages so that, over time, if there are some tweaks to that number, we can do that. So we are very interested in the whole issue of rightsizing.

Mr. SHAYS. OK. Would you explain to me how the State plans to implement the GAO criteria? In other words, accepting it is one thing, how does it get implemented?

Mr. WILLIAMS. Well, first of all, we would hope once the plan is put in place we would use the results of this plan to ensure that we—as I said—do that front end planning correctly, get in the types and number of seats, whether they are unclassified or classified correct, so that we can size and build the building correctly.

Mr. SHAYS. Ambassador Davis, how would we be implementing the GAO criteria? What would be a concrete way that you are starting to do that?

Ms. DAVIS. We have included some of the elements in our Mission Performance Plan. A number of Chiefs of Missions have taken a look at the framework, and they have said that, as a matter of fact, it encompasses many of the issues that they have talked about and studied in terms of developing the Mission Program Plan in any event.

I think that what we are doing is our Resource Management bureau is taking a look at how it might be better incorporated into the planning process.

Mr. SHAYS. How do we—and maybe Mr. Ford you would want to jump in. How do you integrate the cost of security in the mission between the tenants, for lack of another name, and the State Department? In other words, I can see the State Department using this as a basis for their own allocation, but the 19,000 employees include more than State. Correct? Ambassador Davis.

Ms. DAVIS. Yes.

Mr. SHAYS. And so you technically have about how much control over—of the 19, only a third are approximately your State Department, you clearly have direct control over them. Describe to me now what kind of control you would have on the two-thirds that aren't State.

Ms. DAVIS. OK. Sir, the Chief of Mission has a responsibility as designated to the Chief of Mission by the President of the United States in the President's letter of instructions.

Mr. SHAYS. And we have a few Presidents—we have a few Presidents that have made that point.

Ms. DAVIS. Yes.

Mr. SHAYS. But we don't really have an example yet that it's been implemented, that part of it, control by State over the tenants in a sense. In theory, it's there. In practice, it's not.

Ms. DAVIS. In theory it is there. The chief of mission is charged with working with the various—

Mr. SHAYS. I know that. I visited with too many Ambassadors and chiefs of missions, and they all make it very clear that in theory that is true, but, in fact, they don't have day-to-day control. They might have general—

Ms. DAVIS. That is correct.

Mr. SHAYS. They don't know what they are doing. They don't know why they are there in some cases. You know, if we're being—in the spirit that you answered my question, you know, they don't know why they're there. They assume that they're doing some good, and they know in many cases they are. There's interaction with State Department individuals and non-State. They interact, but there's no master plan where the Ambassador says, this is really great for my mission.

Ms. DAVIS. I guess there are two issues here, sir. No. 1, it would be better if the Ambassadors were able to get on the NSDD-38 process earlier in the game. In many instances when people are assigned—when agencies wish to put new positions at the mission, they have already run the request by OMB, and they've already received the funding for the position. So the chief of mission doesn't have very much say-so at that late stage of the game.

The other thing is that the chief of mission would benefit a great deal if the chief of mission were able to designate that funding from various programs from agencies be utilized, sort of the cross-jurisdictional possibility of utilizing funding.

Mr. SHAYS. One of the things that I saw and my staff saw as well was the fact that some of the tenants had greater resources than others.

Ms. DAVIS. Yes.

Mr. SHAYS. So they could do things that their counterparts in State couldn't do and—

Ms. DAVIS. And the chief of mission does not have the authority to say that if you have a healthy—more healthy amount of funds than another agency or another program, then you can't tell another agency that you're going to reprogram some of those funds. That's the problem.

Mr. SHAYS. So my question was to you. Does the chief of mission have the tools to properly rightsize his or her post? The answer, I think, from your answers is no. I didn't ask the question, but you basically have answered that.

And what I would want to know is what authority does the chief of mission have to have to prevent new staff from coming on post?

Ms. DAVIS. The authority is there. The authority is there in the President's letter and in the law, but in practice what happens is that the chief of mission gets involved in the process at a later date, once a number of decisions are already made back in Washington.

What the chief of mission needs is to be involved in the process right up front. When agencies start to discuss new positions, before

they get the OK of OMB and before they are included in the budgets, chiefs of missions should be consulted.

Mr. SHAYS. Would it be fair to say that a chief of mission has the ability to remove someone from post who is State Department, but really does not have the authority to move someone who is a tenant?

Ms. DAVIS. Oh, you mean in terms of the position or in terms of the person?

Mr. SHAYS. I have 400 employees in the embassy. I'm the Ambassador.

Ms. DAVIS. Uh-huh.

Mr. SHAYS. One-third are State. Two-thirds are non-State. They are good government officials. They are Treasury. They are FBI. They are Transportation. They are Agriculture. They are Justice folks. They are Commerce. OK. They're all there. Do I have the ability to say that we don't need any of these individuals and ask them to leave?

Ms. DAVIS. NSDD-38 actually does provide for the reduction of—the process through which a chief of mission would go to reduce the staff at another agency.

Mr. SHAYS. Can you cite an example where you know this authority has been used?

Ms. DAVIS. To reduce the staff? No, I cannot.

Mr. SHAYS. Ambassador Itoh, tell me—this dialog that I'm having right now, tell me how you react to it, that we're having with this—

Mr. ITOH. Well, Mr. Chairman, in my prepared remarks, I think I gave you a fairly upbeat assessment as an OPAP panel member in terms of how well our recommendations across the board, have been accepted, and certainly exceeded our expectations in many areas. But I think one of the areas where we've been disappointed is in rightsizing. As I suggested, I think that getting OMB involved is certainly a good thing, and the State Department certainly is taking this process much, much more seriously.

Mr. SHAYS. If I could interrupt you just for a second, I mean, OMB would strike me as being key, because they basically have budgetary oversight over all departments.

Mr. ITOH. That's correct, and the fact that the administration has chosen for OMB to get involved, I think, is a good development for that reason. But our original OPAP recommendation was the creation of a committee which would be created by the President of the United States and chaired by the Secretary of State, with all of the major foreign policy agencies represented in this committee, to review all staffing requirements worldwide and to determine appropriate levels of staffing and link those appropriate levels of staffing directly to the international affairs strategic plan. That was our goal.

We still feel like anything short of that probably is not going to work, because much of what we've been talking about here is rightsizing, but only involving the Department of State and maybe a few other agencies that are willing to go along in the process. But ultimately I would think that the process that we described back in 1999, that the NSDD-38 structure was basically flawed or was not working properly at that time, has not really changed fun-

damentally. We do have a much stronger letter from the President in terms of underscoring chief of mission authority, but I think in practical terms, rightsizing is really not going to work unless you've got the authority from the very top, and judgments taken at the very top, to determine what overseas our staffing should be.

I should just cite the example from my 3 years in Thailand. Certain agencies did not have a successful time in terms of going to the Appropriations Committee and getting resources, and specifically the State Department, USAID and USIS, we found that staffing numbers went down considerably during that period of time.

On the other hand, law enforcement agencies were quite successful in making the argument to their committees that by stationing people overseas, you were actually serving the best interest of the American people by having those resources overseas.

So from an NSDD-38 perspective, and in my role as Ambassador, it was very, very difficult for us to assess those particular requests.

Mr. SHAYS. You were an ambassador for how long in Thailand?

Mr. ITOH. Three years in Thailand.

Mr. SHAYS. And about how many of your—at the mission were State Department employees there? About a third or—

Mr. ITOH. We had—at one point we had 570 authorized positions, of which State Department had approximately 35 percent of those positions.

Mr. SHAYS. Now, is it fair to say that you knew you had direct control over that 35 percent, but that the others you were more in a negotiating role?

Mr. ITOH. Well, I don't think negotiating role is quite it. I think it depends a lot on the individual Ambassador, and you are the President's representative and not just the State Department's representative. But much of how it works on a practical basis is the relationship that an ambassador establishes with the heads of the different agencies at post, and I think Bangkok is a good example of how you do get fairly good interagency cooperation on U.S. foreign policy goals such as counternarcotics.

On the other hand, it is very, very clear that since we don't have budget control over the other agencies that send their personnel to post, you really don't ultimately have control over the numbers. You can make tactical arguments back and forth, but the reality is that agencies that are able to make the case in terms of mission, and are able to fund their positions overseas, are the ones that are going to put their people overseas.

Mr. SHAYS. So you might have DEA officials, and they are doing—and I think it's important for the record to note they're doing very important roles; for instance, dealing with illegal drugs, Treasury, illegal financing, commerce, promoting businesses, all of those are noble. But did you feel intuitively that you had the right combination, or did you feel that it was sometimes weighted toward certain areas and not enough in other areas?

Mr. ITOH. Well, I think that what disturbed me was the fact that while at that point we had arguably the second or third largest U.S. embassy operating overseas, because we did a lot of functional regional operations out of Bangkok, what was happening was that

over time a lot of the tools of foreign policy that were engaging with the public at large in Thailand were being cut back.

For example, 2 years before I arrived at post, we cut two of our consulates, in Songkhla down south and in Udon in the north. We also closed USAID's bilateral mission in 1995, and in 1996 we went ahead and closed the regional mission. We also closed our Cultural Affairs Office in Chiang Mai. We also cut half of our U.S.-based USIS information service people in the embassy in Bangkok.

Mr. SHAYS. USIS is—

Mr. ITOH. U.S. Information Agency Personnel.

Mr. SHAYS. Right. But is that under the State Department?

Mr. ITOH. Well, at that point they were not. My point is, is that at a time when we were actually increasing law enforcement and intelligence-gathering activities in Thailand, all of which were totally understandable and something that I supported, nonetheless decisions were made in Washington, largely on budgetary reasons, to cut personnel in individual agencies that could not sustain their presence overseas. So the end result was that after a 4 or 5-year period, we had a much different profile in Thailand than we started out with. And I would also argue that—

Mr. SHAYS. And that is in spite of the fact that they weren't paying the true costs.

Mr. ITOH. That's true.

Mr. SHAYS. And so if they were paying the true—I believe in the concept of opportunity costs. I mean, you do one thing. And you give up doing something else. And I do think cost is an important factor in how much you value that activity. But at any rate, even then given what we were doing in budgets, you were seeing some reductions.

Mr. ITOH. Well, part of that, of course, is the function, as I suggested, of some agencies being more successful than others. At that time the State Department was not doing well, and so one of the arguments for closing our consulates and, in fact, reducing some of our reporting positions, had to do with other priorities as we were opening posts elsewhere.

So we ended up having after 4 or 5 years, I think, a much different kind of an embassy in terms of where our priorities were. I guess the argument I would make about relating staffing to a strategic plan is that I'm not entirely sure that we ended up where our overall foreign policy interests are best served. Yet for a whole variety of reasons, that's what we ended up with, a much, much different kind of embassy than we started 5 years before.

Mr. SHAYS. Anybody want to jump in before I get to another—I won't keep you much longer. Anybody want to comment on what we talked about in the last few minutes?

How have staffing levels changed since the attacks on September 11th overseas?

Ms. DAVIS. There have been some changes, and basically those changes are in the increase of other agencies overseas. The State Department has grown as well, but the numbers—there's not been any sort of uncontrollable growth, I'd say, because the numbers have stayed pretty stable. But the increase basically has been in other agencies overseas because of issues such as the focus on

counterterrorism, because of increasing demands on our consular service for our border security and those types of issues.

Mr. SHAYS. I'm going to conclude when I do and ask what the biggest obstacle is for rightsizing. And I'd like each of you to be able to tell me what you think the biggest obstacles are. So I'd just like you to think about that.

But let me—before I do that, I'd like to talk about the whole issue of cost. Excuse me. I would like to first have some of you describe to me the tension between mission and security, and maybe, General Williams, you could do this.

When you get in a dialog, when you look in an embassy, is your first focus mission, or is your first focus security or what?

Mr. WILLIAMS. First of all, the foremost concern in our mind is to build a secure facility for the number of people that we have been told will occupy the facility. So our focus is to make absolutely certain that the number that we provide in this secure facility is right and then focus on doing a secure building.

Ms. DAVIS. I think the first focus would be on mission, because if the mission does not fit into the priorities and the goals and objectives of U.S. foreign policy, then we don't get as far as the security. So for me I think that mission is actually the first.

Mr. SHAYS. And then a higher power will resolve the differences, right?

It's fair to say, General, that there are some facilities that are extraordinarily vulnerable, and it's no secret. They are right along major streets.

Mr. WILLIAMS. That is correct.

Mr. SHAYS. It makes me think when I've had dialog with some of my constituents, as threatened as they feel and as concerned as first responders are, there's no question that in terms of a priority, we still have a significant way to go with our embassies. Is that not true?

Mr. WILLIAMS. That is correct. And, Congressman Shays, I would just add this in. I travel an awful lot, and when we encounter a particular facility that obviously is in harm's way from a security standpoint, we feel it's our duty to come back and point this out to our regional bureaus to make certain that we're looking at this in a holistic way. And there is dialog, and I might point out it's healthy dialog, that is taking place. So I think it's working quite well.

The CHAIRMAN. I'm going to try to finish up in the next 15 minutes.

Let me just be clear. We talked about costs. I'd like to—I'd like to just make sure we have a little bit of a dialog about it. I'd like to know what the unresolved issues in cost-sharing proposals, what are the unresolved issues?

Mr. WILLIAMS. As it stands now, this—quite frankly I'm glad to—

Mr. SHAYS. And I'm throwing this up to everybody, and I'm happy to have you gentlemen jump in.

Mr. WILLIAMS. I'm happy to get to this one, Mr. Chairman, because I frankly believe that this gives us the best opportunity, I think, to help the chief of mission and our Department get the rightsizing, because if a tenant knows that before new additions or

initial personnel are sent to a particular post, there's a cost-sharing mechanism in place, this makes the process ordered from the very beginning. And one of the reasons now I think that it's a little difficult to control is because the only effort involved here is to make a request, and we think that this cost-sharing issue will do two things. No. 1, it will put more money in the coffer to allow us to move ahead and build facilities quicker and get out of harm's way and get this matter behind us that was identified——

Mr. SHAYS. Why do you think it would be quicker?

Mr. WILLIAMS. Pardon me, sir?

Mr. SHAYS. Why do you think it would be quicker?

Mr. WILLIAMS. Well, because if we're able to implement the cost-sharing along the lines that we have suggested, the additional funds that would be generated as a function of a tenant paying a prorated share receipt and the type receipt, this would generate more available funds per year in order to apply to the new embassy construction.

Mr. SHAYS. Anybody else want to jump in?

Mr. FORD. Yes.

Mr. SHAYS. Mr.——

Mr. FORD. Ford, yeah.

I think some of the issues is the devil is in the details. I think there's a lot of unresolved issues based on what we've heard from discussions with the General and with OMB on issues of how you're going to calculate cost-sharing, whether or not the tenants will be able to secure funding from the various funding agencies here and in Congress, the differentials in costs between, say, classified space and unclassified space. So there's a lot of details to this that I think are going to have to be worked out in order to create an incentive for everybody to sign up to this.

Mr. SHAYS. And is this, in a sense, almost buying a space in a condominium, or, in other words, once they've paid this cost, does that entitle them to use this space indefinitely even if they don't need it? Or do they sell it? How does that work?

Mr. FORD. I think that is a possibility. We did some work recently with the Department of Agriculture in which they felt that some residences that they had lived in for many, many, many years should be managed by them instead of General Williams, and so I think it's a possibility that if someone feels like, hey, I paid my fair share, therefore it's my place, I can stay there forever, I think that is an issue.

Mr. SHAYS. And that is not a healthy issue. It's easier for us to allocate cost in rented space; is that correct?

Mr. WILLIAMS. That is correct.

Mr. SHAYS. So why can't we just determine the square footage based on capital and just charge them a rent?

Mr. WILLIAMS. Well——

Mr. SHAYS. I just think if you start getting them to pay the capital costs, you end up with some challenges in the future.

Mr. WILLIAMS. Well, we have looked at this, Mr. Chairman, very, very hard. We've had the support and the advice of our industry advisory panel which helps us along these lines, and they suggested very strongly that we stay away from the rent type of concept and deal with a sharing formula that was very simple to im-

plement on seats. If you require—in the case of USAID—a certain type of space which would be an unclassified space primarily in the USAID situation, it's only fair to charge USAID for what they're really buying, and that's an unclassified seat.

On the other hand, if the Department of Defense, my old world, require classified space, and most of them do, then you pay a prorated share for that.

Mr. SHAYS. That part I understand, I truly understand, but I—and I don't want to have to spend the time of the hearing to really—it's just a question that we won't probably resolve now. I just—it seems to me having these various departments and agencies almost have ownership creates problems in the future and takes away even more—takes away even more control from State.

I would—maybe I could just ask our Inspector General to comment, or maybe even AID would like to comment based on past experience, or Mr. Ambassador Itoh. Does it make sense to try to have them capitalize the cost, or does it make—and to basically feel like they've bought a part of the facility, or does it make better sense to have them be paying a cost of what would be a square footage cost in any other building?

Mr. ITOH. Actually, in the OPAP recommendations, we actually recommended both. We thought that there should be rent, in other words, a situation similar to what GSA does domestically in the United States, and that there also should be an assessment for future capital construction, particularly to meet the security requirements that we were faced with in this building campaign.

The other interesting point in our discussions is that we felt that by moving these costs to all of the agencies with personnel overseas, that in fact they would then have to go to all of their subcommittees to make the case that the costs associated with their presence overseas was going to be considerably more than it had been in the past, and we thought that was a good thing, because it would actually involve a broader sector of the Congress, an effort to understand exactly what all these agencies—

Mr. SHAYS. But what you're describing is, to me, making sure we identify the true costs and have them pay the true costs.

Let me ask each of you what has been, in your judgment, the largest obstacle to meaningful rightsizing in the Federal Government? Why don't I start with you, Ambassador Itoh.

Mr. ITOH. Well, I think to me the answer is really leadership and the commitment of leadership to be able to accomplish this. This is not an easy task, particularly the rightsizing concept, and I must say that while we did come together with a suggestion that there be an interagency committee on rightsizing created by the President, and chaired by the Secretary of State, getting that to a point in reality, we all recognize, is a very, very difficult undertaking.

But I think what needs to be done is just as in the State Department, I think the Secretary of State and certainly General Williams have demonstrated that the engagement of the leadership at the very top on management issues like this really makes the difference. I'm a little worried, quite frankly about what happens if General Williams decides to leave us any time soon, because I hope that what we've been able to create under his leadership can be sustained over time. I think the point is—

Mr. SHAYS. Not to knock heads together.

Mr. ITOH. Exactly.

But the point is I think it takes a commitment of leadership at the very top to be able to accomplish these very, very difficult undertakings.

Ms. SIGMUND. I also think that Ambassador Davis was correct in that rightsizing has to be made a priority. I think in principle our chiefs of mission have been empowered to engage in rightsizing through the NSDD-38 process, but in practice they haven't been, and all too often we find that through the use of TDY processes or through assigning Americans directly to a host government entity, that NSDD rightsizing instrument is weakened considerably. All too often Ambassadors get last-minute notification that personnel will be arriving, and it's a tradeoff at that point between implementing important programs or refusing personnel who have been identified as being in the national interest, and that's a lot of pressure to put on an ambassador. He needs to be in the process at the beginning, and he needs to be truly empowered to make those rightsizing decisions.

Mr. SHAYS. If I had said he, my wife would have questioned me right away. So it was really fun for me to have that opportunity. Thank you.

Mr. Nygard.

Mr. NYGARD. I would say leadership, too, Mr. Chairman. I guess it's not so much the case with USAID, but for the other Cabinet agencies who are overseas, who believe their missions are different from that of the Department of State. I think the exercise that OMB is now going to be going through on rightsizing that will involve not only the Department and us, but the other agencies as well will bring a new equality or equity, if you will, to the rightsizing process. And the fact that the administration has taken this one on and is prepared to run with it, I think, gives us the first hope that it really will be a priority, as Ambassador Davis said earlier. That's been the problem.

Mr. WILLIAMS. Without question, Chairman, it's leadership and the general acceptance of reality. We simply have to do something different and pronounced that will allow us to get out of this fix.

Ms. DAVIS. I would agree with all of my colleagues. I would simply add that I think one of the blocks to appropriate rightsizing is the attitude that rightsizing means downsizing, and that is a dangerous proposition. Rightsizing does not, as the counsel said earlier in his presentation, mean downsizing.

Mr. SHAYS. I figured out why I have an affection for you, Ambassador and General, because my first contact with the State Department, I felt they spoke in tongues. And I can actually understand what you men and women are saying to me, which is wonderful. I hope it spreads.

Mr. Ford.

Mr. FORD. I'm with everyone else on the panel. I think you have to have leadership, you have to have commitment, and we've got to create some incentives for all of the agencies that post people overseas to want to do this. And I think that's going to be the big hurdle, because the Ambassadors clearly don't have the wherewithal or the interest in pursuing this, and unless we get somebody

at a fairly high level, be it the Secretary of State or OMB, to really force this issue and make it sustained—because I'm afraid, you know, these things can come and go, there's not a sustained level of effort here—then I'm afraid that the fruits of labor are not going to carry—be carried on in this program.

Mr. SHAYS. I'm very impressed with all of you and feel we're very fortunate as a country to have your service. So I thank you for that. I'd allow you to—encourage you to make any closing comment. Is there anything that we need to put on the record we haven't put on the record that you feel should be put on the record?

Mr. WILLIAMS. I would just like to leave, Mr. Chairman, with one point, because it's very significant and has so much linkage to this difficult situation and discussion we have had today.

I think the fact that we have worked hard and put in place with great support from our Secretary of State—he's been leading the battle here—to put in place a framework now, framework for our government to get out of this situation that the OPAP so rightly pointed out, that we try our very best to make this go.

I will commit to work as hard as I can, as I've done for the last 2 years, to try to point this in the proper direction. It's a lot of work to be done, and I appreciate the support of the Congress to date, and I hope that we can continue to have the support to stay the course.

Mr. SHAYS. Any other comments?

Well, the promise is if we do it right, we may have more or less people working, but they will—we will have used our resources better. We'll be better focused. We'll be better able to protect them, and the mission of our government will make a lot more sense. It's clearly a task that we should all want to do, and I think that we are seeing that leadership, and we are seeing that priority being given. And we're also seeing it being backed up with, I think, very outstanding employees who want to make it work.

So with that, we will adjourn this hearing. Thank you.

[Whereupon, at 3:30 p.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]

HOUSE COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON NATIONAL SECURITY, EMERGING THREATS
AND INTERNATIONAL RELATIONS
COMMITTEE ON GOVERNMENT REFORM

TESTIMONY OF
AMBASSADOR WILLIAM H. ITOH
ACTING DEPUTY INSPECTOR GENERAL OF THE DEPARTMENT OF STATE
AND BROADCASTING BOARD OF GOVERNORS
APRIL 7, 2003

Mr. Chairman, Members of the Subcommittee:

I appreciate the opportunity to join you today as the Committee considers the question of rightsizing our overseas presence. As a member and executive secretary of the Overseas Presence Advisory Panel (OPAP), I am pleased to give you my personal perspective on recent efforts by the Administration to respond to the issues that we highlighted in the report. I want to emphasize that I am speaking today in my OPAP role, not as the Acting Deputy Inspector General.

In early 1999, OPAP was presented with a broad mandate to "think creatively about the way the United States organizes its activities overseas" following the tragic bombings of our Embassies in Dar Es Salaam and Nairobi. The 25 members of the Panel represented a broad range of interests and experience in foreign affairs and included present and former officials, representatives from the private sector and non-governmental organizations, and former Members of Congress. The final report, issued in November 1999, responded to the challenge presented to us and reflected a strong consensus among the members of the Panel. The OPAP report presented a series of recommendations in eight areas: (1) security; (2) rightsizing and overseas presence; (3) managing and financing overseas facilities; (4) human resources; (5) information and communications technology; (6) consular services; (7) administrative services; and (8) ambassadorial authority.

At the time of the release of the OPAP report, we emphasized the need to consider our recommendations in their entirety, as a package of interconnected proposals that, if taken together, would serve our nation well in the challenging international environment of the new century. We recognized, however, that in an election year and in the transition to a new Administration, we could not realistically expect a wholesale adoption of our proposals. Two of our major recommendations, on rightsizing and on overseas facilities, represented a major departure from existing practices and, quite frankly, met with considerable resistance.

A number of other recommendations relating to security, human resources, information and communications technology, consular services, administrative services, and ambassadorial authority were embraced by the Department. The Department continues to work towards full implementation of many of those recommendations including our

proposals for a common IT platform and the goal of a “training float” of 10% to 15% of the Foreign Service workforce. The Department is in the second year of its Diplomatic Readiness Initiative (DRI), which is one of Secretary Powell’s top priorities. The increased hiring under the DRI addresses fundamental staffing needs in order to reverse the trend of the early 1990s when the Department hired at a rate lower than attrition, resulting in a serious staffing gap. This initiative seeks to strengthen the diplomatic corps with almost 1200 new hires beyond those required to replace attrition – an example where rightsizing requires more staffing, not less. On ambassadorial authority, the new letter from the President to outgoing chiefs of mission, adopted in May 2001, serves to reinforce the role of the ambassador as the President’s personal representative.

OPAP’s recommendations on the management and financing of overseas facilities called for the creation of a new government corporation, the Overseas Facilities Authority (OFA), with the capacity to manage the required capital improvements called for by the Accountability Review Boards after the Africa bombings. The conclusion of the Panel was that the existing FBO structure did not have the management structure, flexibility or capacity to undertake an extensive capital improvement program dictated by critical security considerations, while also managing and maintaining existing properties. We envisioned the OFA as an organization, run on private sector lines, which could manage the construction and operation of our facilities overseas, with costs allocated proportionally to all agencies with personnel in our missions abroad. Linking facilities costs to staffing decisions would not only create a more equitable means for sharing those costs but would also reinforce our efforts on rightsizing by identifying for each agency the real costs of assigning personnel overseas.

The OPAP proposal on overseas facilities generated a great deal of discussion and the Department did not accept our recommendation on the creation of a new OFA. However, with the arrival of Secretary Powell, the Secretary agreed to seek solutions to the many issues that we raised short of creating a new entity outside the Department. As a result, FBO was taken out of the Bureau of Administration and restructured as the Bureau of Overseas Buildings Operations (OBO) in May 2001. Under the direction of General Charles E. Williams, the new Director and Chief Operating Officer, OBO has moved to become a more results-based organization run on private sector lines. OBO has developed a five-year capital program plan that provides long-term planning for the construction of new facilities and security upgrades to many existing facilities on a priorities-based schedule.

The Congress has given the Department adequate funding to begin this intensive capital construction program that is so urgently needed to bring our missions up to acceptable security standards. OMB is moving forward on a proposal to incorporate a capital surcharge applicable to all agencies with personnel in missions overseas in the FY2005 budget process. OMB and the Department are also considering options for providing OBO with greater flexibility in financing arrangements.

While the Department has chosen not to follow the OPAP recommendation to create a new Overseas Facilities Authority, I believe that much has been accomplished to

implement many of the OPAP recommendations. These changes should address the deficiencies we found in the operations of FBO in the past. I know that this judgment is also shared by several of my panel colleagues, who have followed the Department's response to these recommendations.

In addition to our proposals regarding facilities overseas, our OPAP recommendations on rightsizing generated considerable debate within the Department. OPAP found that there was no overall system to link the size and composition of our missions to the primary foreign policy goals of those missions. While the International Affairs Strategic Plan outlined executive branch goals in foreign policy, actual decisions on agency staffing overseas seemed coincidental to the goals stated. The Mission Performance Plan (MPP) required of each embassy to establish coherent and measurable goals received little feedback from Washington and seemed almost irrelevant in the allocation of resources. The NSDD-38 process seemed to be broken, with other issues often prevailing over Ambassadorial authority. Staffing decisions were, therefore, largely based on the success of various agencies in obtaining the necessary support from Congress for additional positions abroad.

OPAP recommended the creation of a permanent interagency committee, created by the President and chaired by the Secretary of State, to establish the criteria to be used in determining the size and composition of our overseas missions. This committee would determine appropriate staffing levels at all of our embassies based on a clear understanding of our foreign policy objectives. This was to clearly link mission size to mission objectives and was meant to be a dynamic process, making adjustments as necessary. We used the term "rightsizing" to describe the proper allocation of resources to mission objectives, but cautioned that "rightsizing" and "downsizing" were not necessarily synonymous. In some cases, we would have to increase staffing levels at some posts to reflect changing circumstances, while reducing staff elsewhere. We believed, however, that real savings could accrue to the government over time if rightsizing were embraced along with many other recommendations to improve our operations abroad, including proper cost allocations by agency, safer and better facilities, improved communications, consolidation of certain administrative functions, and improved human resource practices including better training.

At the time of the release of the OPAP report in November 1999, the Department did not accept the principal recommendation among our proposals for rightsizing, namely the creation of an interagency panel on rightsizing to be established by the President. Instead, the Department acknowledged many of the findings that led to our recommendations, but chose to address these problems through a process under the direction of the Secretary of State. Given that State commanded only one-third of the personnel staffing our missions abroad and that other agencies were experiencing much more success in obtaining Congressional support for an expanded overseas role, it seemed to the Panel that any serious effort at rightsizing could only come through a process initiated by the White House that clearly had the President's strong support.

Fortunately, the rightsizing recommendations of the OPAP report survived thanks to the Independent Task Force on State Department Reform co-sponsored by the Council on Foreign Relations and the Center for Strategic & International Studies. The Chairman of this task force was Frank Carlucci, who had chaired the Stimson Report, and OPAP Chairman Lew Kaden was the Vice-Chair. The task force report was published in January 2001 and incorporated many of the OPAP findings in a new document that consolidated the conclusions of a number of recent studies of the State Department and the foreign policy process. OPAP's recommendations on rightsizing were part of the recommendations of the task force conveyed to the incoming Administration of President Bush. Task Force Chairman Carlucci and Vice Chairman Kaden also discussed these reforms in detail with Secretary Powell on the Secretary's first day in the Department of State. In August 2001, the President's Management Agenda was released and included rightsizing as a major goal of the Administration, with OMB leading the effort to establish "a comprehensive overseas staffing allocation process."

The White House, through OMB, has established an interagency working group to look at overseas presence issues, starting with fundamental questions such as the real costs associated with having personnel overseas. OMB's role in the budget process gives it leverage in using budget levels to force agencies to provide justification for positions overseas. Unfortunately, it appears to be a slow and difficult process to establish an accurate picture of what we have overseas and how much it actually costs. An even more difficult task will be to identify foreign policy objectives on a global, regional and bilateral basis and to use them effectively to determine the allocation of resources abroad across agency lines.

Within the Department, an effort is underway to address rightsizing by using a Strategic Planning Framework and by improvements in the Mission Performance Plan (MPP) and Bureau Performance Plan (BPP) process. The new Office of Strategic and Performance Planning has been created to improve the budget and planning process, and the link between resources and policy objectives has been more sharply drawn.

The Department and the U.S. Agency for International Development (USAID) have developed a consolidated Strategic Planning Framework and efforts are underway to complete a joint Strategic Plan by June 2003. The new Strategic Plan will cover Fiscal Years (FY) 2004 – 2009 and will be updated every three years. The new Strategic Planning Framework includes a broad mission statement: "Create a more secure, democratic, and prosperous world for the benefit of the American people and the international community." Four overarching "Strategic Objectives" cover the major areas of work involved, with twelve Strategic Goals linked to them. Relevant performance goals, closely linked to the Strategic Goals that address the Department's progress in achieving its objectives on an annual basis, are also included in the new framework.

Elements of strategic human capital planning and embassy right-sizing planning are included in the draft FY2004-FY2009 Strategic Plan, the Mission Performance Plans (MPPs) and the Bureau Performance Plans (BPPs). Specifically, the MPP process

integrates strategic human capital planning elements into the planning process with the categorization of staffing and funding resources by strategic goals, as required by the Government Performance and Results Act (GPRA). This enables each mission's senior management to assess the commitment of human resources across the strategic goals, and also assists regional bureaus to better distribute State Operations and Foreign Operations funding across the strategic goals.

Posts are asked to develop staffing tables, which reflect how current American direct-hire personnel from all agencies distribute their time in carrying out the strategic goals, taking into account existing mission priorities, and adjusting the time distributions to reflect MPP priorities. These tables list all American direct-hire positions and include justification of projected staffing changes in the out/plan years. Chiefs of Mission are expected to carefully consider staffing needs in the preparation of the MPPs and certify that Performance Goals included in their MPP submissions accurately reflect the highest priorities of the mission, and that the resources and staffing requirements identified are appropriate and essential to the successful achievement of goals.

Following completion of the MPPs, regional bureaus develop Bureau Performance Plans using information from the MPP documents and the formal and informal MPP review sessions. BPPs are a key component of the planning process and serve as the basis for the interagency annual Senior Policy and Resource Reviews chaired by the Deputy Secretary. The Department's senior managers make final decisions on the Department's staffing requirements and hiring plans based on the Senior Policy and Resource Reviews.

I believe the State Department has improved its ability to deal with and plan for the complex issues, which we face in a global environment that has changed dramatically. State has also moved to institutionalize rightsizing in the planning and resource allocation process. With the FY2004-FY2009 Strategic Plan and a much more rigorous MPP and BPP process, we will have in place the foundations for a process that does tie resource allocations to policy objectives.

From an OPAP perspective, what still needs to be done is to create a rightsizing process that clearly applies to all agencies with personnel in our missions overseas. It is my judgment that we need to do a better job of looking at long-term trends and developments and make that part of a process of defining our foreign policy goals on a regional or global basis. The International Affairs Strategic Plan, last issued in 2000, should be updated and should reflect the views of all agencies operating overseas. Once such a comprehensive statement of foreign policy goals is established, there should be a coherent process to make responsible allocations of resources across all agency lines, including personnel overseas. That is the essence of our OPAP recommendation on rightsizing.

I am encouraged that many of the OPAP conclusions and recommendations on overseas presence and rightsizing have been accepted, though by any assessment, we still have far to go. As the agency traditionally responsible for shaping and executing our foreign policy abroad, the State Department must continue to demonstrate a strong interest in