

SUBCOMMITTEE ON NATIONAL SECURITY, EMERGING THREATS  
AND INTERNATIONAL RELATIONS

Christopher Shays, Connecticut  
Chairman  
Room B-372 Rayburn Building  
Washington, D.C. 20515  
Tel: 202 225-2548  
Fax: 202 225-2382  
E-mail: hr.groc@mail.house.gov

April 2, 2003

## MEMORANDUM

To: Members of the Subcommittee on National Security, Emerging Threats, and International Relations

From: Thomas Costa, Professional Staff

Re: Briefing memo for the hearing *The President's Management Agenda: Rightsizing the U.S. Presence Abroad* scheduled for Monday, April 7, 2003 at 1:00 p.m. in room 2154 Rayburn House Office Building.

## PURPOSE OF THE HEARING

To examine the processes used to determine the appropriate size of the U.S. diplomatic and federal agency presence abroad.

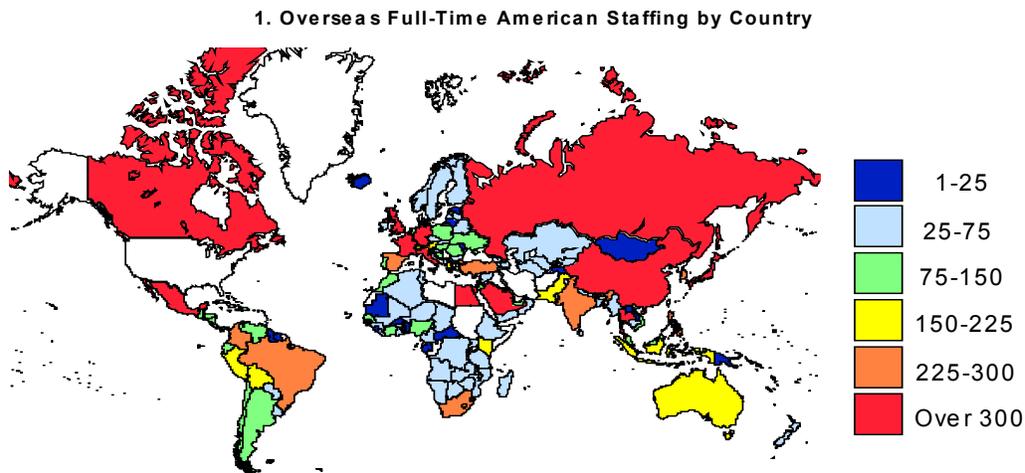
## HEARING ISSUES

- 1. How do U.S. departments and agencies determine overseas staffing levels to ensure mission effectiveness abroad?**
- 2. How do physical security requirements effect facility design and staffing levels abroad?**

## BACKGROUND

### RIGHTSIZING

The Office of Management and Budget (OMB) recently noted, “the U.S. overseas presence is costly, increasingly complex, and of growing security concern. U.S. national security interests are best served by deploying the right number of people at the right posts with the right expertise.” (**Web Resource 1, p. 59**) The process of determining the number and type of personnel and facilities necessary to achieve U.S. goals is called “rightsizing.”



(**Web Resource 1, p. 59**)

In reports from inside and outside government, rightsizing has been noted as a key challenge confronting the U.S. abroad. It is of growing concern in light of the expanded mission of the State Department and increased risks to U.S. personnel abroad. The end of the Cold War has brought to a close the simpler policies of a bipolar world, spawned new nations with which the U.S. must foster relationships, and exposed U.S. citizens to new threats and dangers. Moreover, the war on terrorism, increased AIDS funding in Africa and the Caribbean, the new Millennium Challenge Account program, changes to U.S. entry-exit rules, and a greater emphasis on foreign affairs all promise to increase the workloads of overseas missions.

Rightsizing has proven difficult for a number of reasons: No one truly knows the number of U.S. personnel posted abroad at any given time. There is no systematic way to determine staffing overseas. There is no common accounting system to determine the costs involved. And the need for more physical security can constrain personnel decisions otherwise required by the embassy mission. **(Web Resource 1, p. 59-62)**

In November 1999, *America's Overseas Presence in the 21<sup>st</sup> Century, The Report of Overseas Presence Advisory Panel (OPAP)* recommended,

the President, by Executive order and with the support of Congress, create a process to right-size our overseas presence, reduce the size of some posts, close others, reallocate staff and resources, and establish new posts where needed to enhance the American presence where the bilateral relationship has become more important. The proper size and functions of all posts would be determined by the right-sizing process, which would apply to all agencies, not just the Department of State. **(Web Resource 2, p. 42)**

In response to the OPAP, in 2000 the State Department conducted a rightsizing pilot study at six posts: Amman (Jordan), Bangkok (Thailand), Mexico City (Mexico), New Delhi (India), Paris (France), and Tbilisi (Georgia). The aim of the study was to develop a staffing methodology and recommend staffing adjustments. The results of the study questioned the OPAP recommendations and produced few significant recommendations for change. The General Accounting Office (GAO) found the pilot study did not develop a methodology for rightsizing across the globe. **(Web Resource 3)**

President Bush voiced his support for rightsizing in his May 9, 2001 guidance to all U.S. ambassadors overseas, noting,

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. **(Attachment 1, p. 3)**

And in the August 2001, *Final Report on Implementing the Recommendations of the Overseas Presence Advisory Panel*, the State Department noted agreement with the recommendation:

The Bush Administration will analyze and review overall U.S. government presence and develop a credible and comprehensive overseas staffing allocation process. This process would provide the Administration with a means to link overseas staff with U.S. Government policy, funding, and agency construction planning. (**Attachment 2, p. 6**)

Toward this end, OMB has been tasked to rightsize the overseas presence and

will analyze and review overall U.S. government presence and develop a credible and comprehensive overseas staffing allocation process. This process will provide the Administration with a means to link overseas assignment with overall U.S. government policy, funding, and agency construction planning. (**Web Resource 1, p. 62**)

OMB expects to reconfigure U.S. staffing abroad “to the minimum necessary to meet U.S. foreign policy goals, develop government-wide, comprehensive accounting of overseas personnel costs and accurate mission, budget, and staffing information, [and] use staffing patterns to determine embassy construction needs.” (**Web Resource 1, p. 62**) OMB has since chosen Europe as a rightsizing test case. (**Web Resource 4**)

#### AMBASSADORIAL AUTHORITY

The Chief of Mission or ambassador to a foreign nation has the responsibility to direct, coordinate, and supervise all U.S. government personnel, regardless of agency, in that country (except for employees under a military commander). The June 1982 National Security Decision Directive 38 (NSDD 38) enhances this authority. (**Web Resource 5**) The ambassador is, in effect, “the leader of an overseas community, a mayor and manager responsible for the health, safety, living and working accommodations, and even schooling and recreation for the children, of all personnel in the mission.” (**Web Resource 2, p. 64-65**)

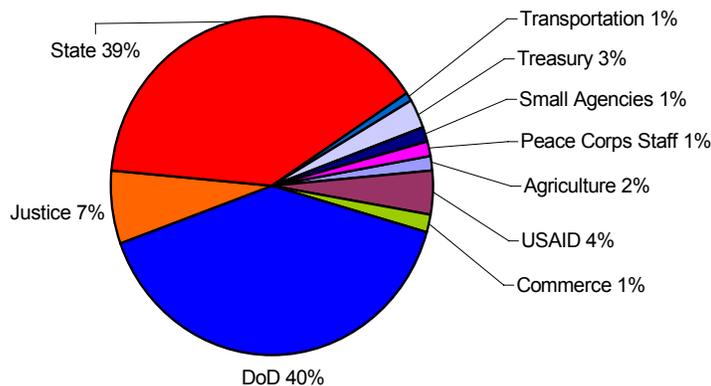
Every president since John F. Kennedy has issued a letter to U.S. ambassadors detailing their legal authority and responsibilities. In President Bush's May 9, 2001 guidance to all U.S. ambassadors overseas, he noted,

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]. (**Attachment 1, p 3**)

While Chiefs of Mission have authority, in practice the authority is not used. (**Web Resource 1, p. 60**)

While 30 federal agencies post staff in embassies overseas, State Department personnel now constitute less than half of the U.S. presence abroad.

**2. Authorized Full-Time Permanent American Position Overseas Under Chief of Mission Authority, April 2001**



Source: Department of State, June 2001

(**Web Resource 1, p. 60**)

U.S. agencies abroad have different statutory mandates, separate missions, and goals. These differences increase the management challenges faced by ambassadors. (**Web Resource 2, p. 26-27, 64-66**)

The OPAP recommended the ambassador's authority be reinforced, the Deputy Chief of Mission's (DCM) role be enhanced, and ambassadors be given more freedom to innovate across the breadth of their responsibilities. President Bush's guidance and the ongoing work of OMB address many of these recommendations. (**Web Resource 2, p. 64-66**)

## INTERAGENCY COORDINATION

In February 1999, the State Department published the *United States Strategic Plan for International Affairs*. (**Web Resource 6**) The plan included the input of over 20 government agencies, as well as many non-governmental organizations and private sector partners, among others. It is intended to set out the United States' foreign policy goals in the broadest terms. These goals include seven national interests and 16 strategic goal issue areas, including:

- regional stability,
- weapons of mass destruction,
- open markets,
- U.S. exports,
- global growth and stability,
- economic development,
- American citizens,
- travel and immigration,
- international crime,
- illegal drugs,
- counterterrorism,
- democracy and human rights,
- humanitarian assistance,
- environment,
- population, and
- health.

The document is intended to provide guidance to all U.S. government agencies abroad as they determine missions and objectives.

At the same time, Mission Performance Plans (MPP), which are intended to detail the overall goals of each post, are generally prepared without the significant input from agencies outside the State Department. Consequently, the OPAP recommended mission statements and country budgets for each mission include all U.S. agencies and cross-agency teams to encourage interdisciplinary work. (**Web Resource 2, p. 66**)

## SIZE AND LOCATION CRITERIA

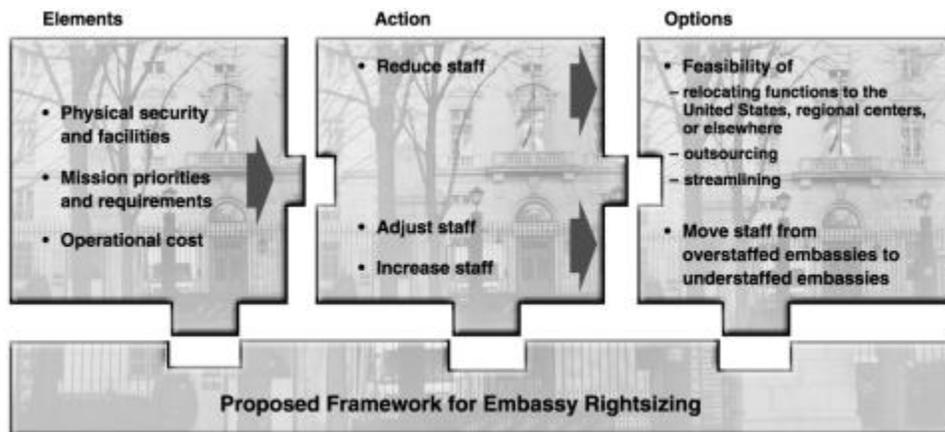
In the fiscal year 2003 budget, OMB noted “there is no comprehensive resource available that can explain how many people serve in embassies and posts overseas, let alone describe what they are doing. This lack of information results in both cost and security problems. There is no basis on which to make rational decisions.” (**Web Resource 7, p. 237**) OMB has since begun collecting this data. (**Web Resource 4**)

The OPAP noted, “Decisions about the location of overseas posts must be made in Washington in consultation with Congress. However, cost cutting and staffing changes are often best accomplished at the post level.” The OPAP called for the creation of a uniform methodology to guide size and location decisions. (**Web Resource 2, p. 44**)

### GAO FRAMEWORK

To address how rightsizing can improve efficiency of staffing decisions overseas, while ensuring U.S. foreign policy goals are met, the Subcommittee on National Security, Veterans Affairs, and International Relations requested, in an October 10, 2001 letter, GAO work with OMB to develop a methodology to address rightsizing. (**Attachment 3**) The GAO methodology focused on “three critical elements of overseas operations: (1) physical security and real estate, (2) mission priorities and requirements, and (3) operational costs.” While acknowledging all three are important, State commented mission was more important than either security or costs. (**Web Resource 8**)

Figure 1: Proposed GAO Framework for Embassy Rightsizing



(**Web Resource 8**)

The original GAO work focused on Paris, France. GAO is expected to testify about subsequent work that demonstrates the applicability of the methodology to other posts.

## PHYSICAL SECURITY

The State Department has made a number of improvements to physical security at overseas missions over the last four years, building perimeter walls, anti-ram barriers, improving access controls, and providing safety training. However, despite improvements, GAO has noted:

most office facilities do not meet security standards. As of December 2002, the primary office building at 232 posts lacked desired security because it did not meet on or more of State's five key current security standards of (1) 100-foot setback between office facilities and uncontrolled areas; 2) (*sic*) perimeter walls and/or fencing; (3) anti-ram barriers; (4) blast-resistant construction techniques and materials; and (5) controlled access at the perimeter of the compound. Only 12 posts have a primary building that meets all 5 standards [and 81 meet none of the requirements].... Moreover, many of the primary office buildings at embassies and consulates are in poor condition. In fact, the primary office building at more than half of the posts does not meet certain fire/life safety standards. State estimates that there is a backlog of about \$730 million in maintenance at overseas facilities.... At least 96 posts have reported serious overcrowding. (**Web Resource 9**)

State, meanwhile, has shifted funding to new building construction. State needs to replace 160 posts at a cost of \$16 billion. Funding for new buildings has increased from \$9.5 million in FY 1998 (the year of the embassy bombings in Africa) to \$890 million in FY 2004. At this rate, despite a 10-year goal, it will take 20 years to complete proposed construction projects. (**Web Resource 9**)

## PERSONNEL COSTS

According to OMB, the cost of a new overseas position can be as high as \$600,000 a year for some agencies in some regions. The State Department estimates average costs at about \$339,000 a year. (The chart below details the estimated costs involved.)

It is unclear why there are such widely variant costs between agencies. Developing accounting tools is one goal of the rightsizing work of OMB. (**Web Resource 1, p. 61-63**)

<u>Approximate Annual Cost Average (New Position Family of Four)</u>	
<u>American Salaries and Benefits (FO-02 Step 2/3)</u>	<u>\$88,100</u>
<u>International Cooperative Administrative Support Services (ICASS)</u>	<u>\$59,300</u>
<u>Office Furnishings/Equipment and IRM (classified networks)</u>	<u>\$16,000</u>
<u>Housing (lease cost)</u>	<u>\$22,300</u>
<u>Residential Furnishings/Equipment</u>	<u>\$40,000</u>
<u>Educational Allowance (two children)</u>	<u>\$19,500</u>
<u>Danger Pay</u>	<u>\$800</u>
<u>Language Incentive Pay</u>	<u>\$3,100</u>
<u>Post Allowance (COLA)</u>	<u>\$4,100</u>
<u>Post Differential</u>	<u>\$8,700</u>
<u>Field Travel</u>	<u>\$2,300</u>
<u>Post Assignment Travel</u>	<u>\$20,400</u>
<u>R&amp;R Travel</u>	<u>\$3,000</u>
<u>Miscellaneous Expenses (supplies, utilities maintenance)</u>	<u>\$24,600</u>
<u>Representation (estimate)</u>	<u>\$1,000</u>
<u>Diplomatic Security (local and residential guards, alarms)</u>	<u>\$25,900</u>
<b><u>TOTAL</u></b>	<b><u>\$339,100</u></b>

**(Web Resource 1, p. 62)**

### COST SHARING

In order to share the costs of new overseas buildings, OMB has supported the creation of a capital cost-sharing mechanism. OMB has begun to work with the Department of State Overseas Building Office (OBO) and other agencies to develop a proposal. OMB believes “this will require each agency to determine at the outset whether the overseas presence is worth the capital investment. And with approximately 160 overseas facilities remaining to be made secure over at least the next 10 years, the capital contribution of any agency operating overseas is unquestionably significant.” **(Web Resource 4)** State and GAO are expected to discuss cost sharing proposals.

This hearing continues an investigation begun with a May 1, 2002 hearing, *Rightsizing the U.S. Presence Abroad*, which included witnesses from the Departments of State, Treasury, Defense, and Justice, Office of Management and Budget, GAO, and the former chair of OPAP.

## DISCUSSION OF HEARING ISSUES

### 1. How do U.S. departments and agencies determine overseas staffing levels to ensure mission effectiveness abroad?

Mission effectiveness is arguably the most important goal of any rightsizing effort. The OPAP found overseas staffing was determined more by traditional Cold War levels than by current strategic goals. (**Web Resource 1, p. 60-61, and Web Resource 2**) Divorcing staffing levels from goals hampers mission effectiveness.

The State Department six-post pilot study in 2000 appeared flawed and designed to fail. By looking at single posts and not the entire mission, the study ignored other consulates and any benefits that might be attained through the creation of smaller one- or two-person American Presence Posts (APP). And by choosing six posts as distant from one another as possible, the Department precluded any examination of regionalization. Not surprisingly, the State study found all the posts were either understaffed or already the proper size, with the exception of Paris, where the ambassador had already spoken out about the size of the staff. The study also failed in its chief goal to develop a rightsizing methodology. (**Web Resource 3**)

As the Administration has pointed out, “there is no comprehensive resource available that can explain how many people serve in embassies and post overseas, let alone describe what they are doing.” (**Web Resource 7, p. 237**) For that matter, there is no accurate count of how many personnel the U.S. has overseas. OMB has stated, “Estimates run as high as 60,000 with people representing over 30 agencies,” of which the State Department is only one. Moreover, there is no common accounting system that captures all costs. And the widely divergent costs of placing personnel overseas suggest certain agencies either are not bearing the full costs of their overseas personnel or are wasting taxpayer dollars. (**Web Resource 1, p. 60**)

Challenges to mission effectiveness are exacerbated by the lack of interagency coordination. Each U.S. agency has different missions and goals. It is unclear to what extent agencies, aside from the Department of State, make use of the *United States Strategic Plan for International Affairs* in determining overseas mission and goals, and the MPP is not representative of all of those missions and goals. (**Web Resources 5 and**

**Web Resource 2, p. 26-27, 64-66)** Moreover, other agencies view the MPP as exclusively a State Department document and a “send and forget” exercise. This lack of coordination only makes the setting of priorities and personnel decisions more difficult.

Despite the lack of interagency coordination, Chiefs of Mission have the explicit authority to determine overall staffing. However, in practice the authority is not used. (**Web Resource 1, p. 60**) Discussions between Subcommittee staff and Chiefs of Mission suggest two reasons. Overseas staffing and budget decisions are made by agencies in Washington without prior consultation with the ambassador. And, once a decision is made, challenging the decision requires the ambassador to pick a political battle with a Cabinet Secretary in Washington, a battle which may not be won and could prove costly. In effect, the ambassador, who is responsible for all U.S. personnel assigned to the post regardless of agency of origin, has budget and staffing decisions over less than half the personnel in the post. An apparent cultural resistance to rightsizing State Department personnel further weakens the ambassador’s authority.

## **2. How do physical security requirements effect facility design and staffing levels abroad?**

In the wake of the 1998 embassy bombings, the State Department undertook a massive effort to secure U.S. property around the globe and construct new buildings, primarily embassies and consulates, where necessary. The effort is expected to cost \$16 billion dollars over the next 10 to 20 years. (**Web Resource 9**) These efforts will continue in light of increased and continued threats to U.S. personnel abroad.

Physical security requirements also effect staffing levels. Insecure posts should have fewer staff. Mission effectiveness may require more staff. Balancing these sometimes-conflicting requirements is a challenge. However, the lack of any sort of methodology or even adequate record keeping at most posts, leaves OBO and other agencies to develop building requirements on an *ad hoc* basis.

Without an understanding of the staffing requirements of a post, there is no way construction plans can meet current or future needs. For example, the State Department and GAO are expected to testify about the regionalization

of a number of functions, including certain FBI and support services, throughout Europe in a new facility to be developed in Frankfurt, Germany. The facility will collocate U.S. personnel in the region and serve as an important regional hub for several U.S. policy and State administrative functions. However, without having a firm grasp on the number of staff overseas and the number that need to be located in specific sites, developing a planning model for Frankfurt is proving difficult. Moreover, despite the facilities usefulness and necessity, the situation in Frankfurt is exacerbated by faulty estimates of the facility's capacity. Initially, State suggested Frankfurt would have room for approximately 1200 people (**Web Resource 4**) and bring in about 200 personnel from other locations in Europe. The estimates are now down by about 200 personnel and involve moving only a handful of people from other European locales.

USAID and State are expected to testify about difficulties USAID has obtaining and coordinating funding to build secure buildings. While building funds for the State Department are included in the Commerce, Justice, State and Judiciary appropriations, funds for USAID are included in the Foreign Operations, Export Financing and Related Programs appropriations. The different sources, levels, and pace of funding for State and USAID result in several difficulties. For example, all U.S. personnel in an overseas mission must be co-located in the same facility whenever possible. However, in countries where USAID has a large presence, USAID is responsible for constructing its own building on the same grounds as State. If USAID lacks the funds to begin construction at the same time as State, State must estimate the size of the facility USAID will eventually need. In the meantime, postponing construction increases costs and leaves USAID personnel in unsafe facilities.

## **WITNESSES**

**Mr. Jess T. Ford**

Director  
International Affairs and Trade Division  
U.S. General Accounting Office

**The Honorable Ruth A. Davis**

Director General  
U.S. Department of State

**The Honorable Maj. Gen. Charles E. Williams, USA Ret.**

Director, Overseas Buildings Office

**Mr. Richard Nygard**

Deputy Assistant Administrator for Management  
U.S. Agency for International Development

**The Honorable Anne Sigmund**

Acting Inspector General  
U.S. Department of State

**The Honorable William H. Itoh**

Acting Deputy Inspector General  
US Department of State

## **TESTIMONY SUBMITTED FOR THE RECORD**

**The Honorable Mitchell E. Daniels, Jr.**

Director  
Office of Management and Budget

## ATTACHMENTS

1. *President George W. Bush's Letter of Instruction to Chiefs of Mission*, May 9, 2001.
2. *Final Report on Implementing the Recommendations of the Overseas Presence Advisory Panel (OPAP)*, August 2001, Report Pursuant to the Conference Report Accompanying the Departments of Commerce, Justice, and State, The Judiciary, and Related Agencies Appropriations Act, 2001, as enacted in PL. 106-553 GAO.
3. October 10, 2001 letter from Chairman Christopher Shays to Comptroller General David M. Walker.

## WEB RESOURCES

1. *The President's Management Agenda, Fiscal Year 2002*, Executive Office of the President, Office of Management and Budget.  
<http://www.whitehouse.gov/omb/budget/fy2002/mgmt.pdf>
2. *America's Overseas Presence in the 21<sup>st</sup> Century*, The Report of the Overseas Presence Advisory Panel, November 1999.  
[http://www.state.gov/www/publications/9911\\_opap/rpt-9911\\_opap\\_instructions.html](http://www.state.gov/www/publications/9911_opap/rpt-9911_opap_instructions.html)
3. *Overseas Presence: More Work Needed on Embassy Rightsizing*, General Accounting Office, November 2001, GAO-02-143. <http://www.gao.gov/>
4. Statement of Nancy Dorn, Deputy Director, Office of Management and Budget, May 1, 2002.  
[http://www.house.gov/reform/ns/statements\\_witness/statement\\_of\\_nancy\\_dorn.htm](http://www.house.gov/reform/ns/statements_witness/statement_of_nancy_dorn.htm)
5. *NSDD 38: Staffing at Diplomatic Missions and their Overseas Constituent Posts*, June 2, 1982.  
<http://www.fas.org/irp/offdocs/nsdd38.htm>
6. United States Strategic Plan for International Affairs, February 1999.  
<http://www.state.gov/m/rm/rls/iastrat/>

7. *The Budget of the United States, The Budget for Fiscal Year 2003.*  
<http://www.whitehouse.gov/omb/budget/fy2003/budget.html>
  
8. Overseas Presence: Framework for Assessing Embassy Staff Levels Can Support Rightsizing Initiative, GAO-02-780, July 2002.  
<http://www.gao.gov/new.items/d02780.pdf> and  
  
Overseas Presence: Observations on a Rightsizing Framework, Statement of Jess T. Ford, Director, International Affairs and Trade, GAO-02-659T, May 1, 2002 before the Subcommittee on National Security, Veterans Affairs, and International Relations, House Committee on Government Reform.  
[http://www.house.gov/reform/ns/statements\\_witness/testimony\\_ford\\_may\\_1.htm](http://www.house.gov/reform/ns/statements_witness/testimony_ford_may_1.htm) or <http://www.gao.gov/new.items/d02659t.pdf>
  
9. Overseas Presence: Conditions of Overseas Diplomatic Facilities, Statement of Jess T. Ford, Director, International Affairs and Trade, GAO-03-557T, March 20, 2003 before the Senate Committee on Foreign Relations. <http://www.gao.gov/new.items/d03557t.pdf>