Clinton Presidential Records
Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: **STATE DEPT**

THE DEPARTMENT OF STATE
AGENCY TEAM REPORT

NATIONAL PERFORMANCE REVIEW

INTERNAL WORKING DOCUMENT--NOT FOR DISTRIBUTION

July 22, 1993

TABLE OF CONTENTS

Section I

Introduction

THE DEPARTMENT OF STATE

Introduction

The Department of State is the senior Cabinet department, created in 1789 by the first Congress. It employs approximately 26,500 people--including foreign service personnel, civil servants, and foreign service national employees. An estimated 16,000 of these personnel are located overseas. The Department of State has primary responsibility for the formulation, implementation, and articulation of the foreign policy of the United States. It does so pursuant to presidential guidance and congressional legislation, and in coordination with the National Security Council, the National Economic Council, and other executive branch agencies as necessary. Though the department's budget is little more than one fourth of the total international affairs budget, the Secretary of State is charged with the integration of all resources, planning and policies promoting U.S. interests abroad.

The department faces three principal challenges which make reinvention a timely imperative: the end of the Cold War and the advent of new global concerns and security priorities; the rising cost of conducting foreign affairs at a time when the resources available are diminishing; and the increasingly complex interagency coordination requirements both in Washington and in the field. With continued demands for U.S. involvement in world affairs, lessened resources, and a more complex range of participants in international affairs, it is clear that the stakes have never been higher for the effective integration of people, resources, and policy objectives in the foreign affairs arena.

As a result, the National Performance Review (NPR) State Department Team has developed a range of initiatives--some innovative and some merely common sense--which focus on defining the department's mission, improving its performance, and modernizing the management systems and infrastructure which support the conduct of U.S. foreign policy. Implementation of the recommendations will enable the Department to address these challenges while most effectively using constrained resources. Additionally, the State Department's own internal review has generated other excellent recommendations to "reinvent" the department's internal operations.

Using the principal themes of the NPR report, these issues are organized under three main headings: Shifting from Red Tape to Results, Doing More with Less, and Introducing Market Dynamics. It must be stated that these nine issues are by no means exhaustive; on the contrary, they are illustrative examples of the types of corrective actions required in order for the Department of State to become more efficient and effective and to embody a forward-looking management culture.

Shifting From Red Tape to Results

The Department of State must continue to provide strong interagency leadership in the development and implementation of foreign policy, as well as in the stewardship of increasingly scarce international affairs resources. The time is ripe for consideration of new conceptual approaches to managing the conduct of foreign affairs overseas and integrating policy and resources in Washington. Additionally, the department must ensure that its own strategic management systems and infrastructure provide maximum support for the department's core functions. As a result, this report proposes the adoption of new internal management mechanisms at the State Department that will enable it to face the challenges of the 21st century head-on. Barriers to reinvention must be lowered, and old ways of doing business replaced with new. Managers must be placed squarely in charge of the resources for which they are responsible. For example, the Secretary of State should be given the clear authority to coordinate and integrate the entire international affairs budget of the United States to ensure its consistency with the president's foreign policy objectives. We recommend specific steps to achieve this. Likewise, it is recommended that Chiefs of Mission control all overseas resources within their areas of responsibility, a bold step and a major change from current procedures. Immediate and world-wide implementation of such a change is neither feasible nor desirable, but a limited pilot test is suggested. The following papers provide suggestions to aid the department in making such a shift from red tape to results:

- Establish a Pilot Program to Grant Chiefs of Mission Authority to Allocate All Fiscal and Staff Resources
- Integrate the Foreign Affairs Resource Management Process

- Better Coordinate State Department Efforts to Promote U.S. Business Overseas
- Create a High-Level Position to Lead Current Migration Efforts and Coordinate Future Information Management Systems Policy

Doing More With Less

Logistical and administrative support associated with managing more than 275 diplomatic posts abroad has become increasingly complex and inefficient, and a growing strain on resources. As the number of players with overseas presence increases and the associated costs continue to rise, it is imperative that we look for efficiencies and economies that result from the elimination of redundant programs, duplicative functions and excess capacity in the infrastructure that supports the conduct of foreign affairs. Furthermore, the transition to a new era in foreign policy necessitates a reassessment of the diverse programs created to fight the Cold War. As an illustration, the success of Radio Liberty and Radio Free Europe cannot be underestimated, but it came at a high financial price. In the future, similar public diplomacy successes can be expected, but they must be achieved at maximum cost efficiency. Consolidation of international broadcasting resources is suggested, but the NPR also urges more subtle adjustments such as greater concentration on what appears to be the medium of the future--television. It is clear the U.S. cannot afford to reach every possible foreign audience, so the nation's message abroad must target those with the greatest return. In sum, more must be done with less. The following papers offer recommendations in that regard:

- Reduce Mission Operating Costs by Eliminating Duplicative Services, Reforming Security Procedures, and Examining USIA Libraries
- Consolidate and Relocate the State Department's Regional Administrative Management Centers in a Single U.S. Center
- Consolidate U.S. Non-Military International Broadcasting and Address Related Strategic and Resource Imbalances

Introducing Market Dynamics

The State Department, along with all federal agencies, is operating under principles inherited from another period. The tenets of a bureaucratic organization shape the way the department operates. Rules and standard operating procedures, rather than an entrepreneurial spirit, order day-to-day operations. The report suggests the adoption of some market principles would be beneficial for the department. This realignment involves creating new incentives and new ways of thinking. Accountability is a key element. All managers must be accountable for results, as well as adherence to policy. For example, the notion that the department should improve its collection of receivables appears a simple recommendation on the surface and not necessarily a "reinvention" precept. However, managers are not currently motivated to spend time and resources collecting debts. If the department injected market dynamics into its daily operations, it would be strongly motivated to collect receivables as a matter of survival. The two papers presented in this section are illustrative of the need for improved performance, greater managerial accountability, and organizational responsiveness to the realities of market dynamics:

- Improve the Collection of Receivables
- Change U.N. Budgeting, Reporting, and Assessment Procedures

Agency Reinvention Activities

The Department of State has been a willing partner in the Vice President's National Performance Review. Through the creation of three reinvention laboratories: Consular Affairs, Business Facilitation, and Diplomatic Security, the department began early-on to implement reinvention principles in its internal operations. In addition, recommendations generated by the department's three cluster groups: People and Personnel, Organization, and Financial Management will ensure that the process of change will be continuous. A more detailed description can be found in Section III.

Fiscal Impact Summary

The final section of this report summarizes the estimated fiscal impact of these recommendations. While the primary thrust of this report is to bring about significant change in the Department of State and the U.S. Information Agency, the recommendations would also generate sizable cost savings. Taken together, the nine issues covered in the report would save in excess of $500 million over five years, and result in savings of approximately 65 full-time equivalents.

Section II

Issue Papers and Recommendation

II. A. Shifting from Red Tape to Results

ESTABLISH A PILOT PROGRAM TO GRANT CHIEFS OF MISSION AUTHORITY TO ALLOCATE ALL FISCAL AND STAFF RESOURCES

Background

The U. S. Department of State is responsible for managing 276 diplomatic and consular posts abroad, the largest diplomatic presence in the world. Of these, 163 are embassies, and the remaining consist of a variety of specialized diplomatic facilities which include Consulates General, Consulates, Liaison Offices, and Missions to International Organizations. All facilities and personnel in a given country are under the control of a Chief of Mission (COM).[1]

The seminal shift in foreign affairs in the wake of the Cold War demands reconsideration of how our overseas missions are staffed and managed--in essence, a fundamental reassessment of what their role should be. At the height of the Cold War, the U.S. was compelled to maintain a presence at least equal to that of the Soviet Union. Ironically, the fall of the Soviet empire has led the United States to expand, not contract, its overseas presence. As more countries join the roster of independent nations, the demand for U.S. official presence will continue to grow. Few will argue with the notion that there is still a pressing need for the U.S. to project its presence in order to protect its national interests and maintain its leadership role in the world community. But what should be the composition of that presence? How should the new emphasis on trade and economics--as opposed to the military--manifest itself in our presence overseas? And do we have the mechanisms in place to "get there from here"?

Not only must the current composition of our missions overseas be examined, but also the costs associated with operating them, as well as the process by which increasingly scarce U.S. budgetary resources are allocated. While the demand for overseas presence may be increasing, the resources available to meet that demand are decreasing. With international affairs budgets unlikely to rise dramatically in the next several years, it is imperative that the U.S. do the essential with less in overseas representation. To maximize the benefit of each dollar spent, the U.S. must introduce flexibility into its administration of and organization for foreign affairs. This process involves the Congress and all executive branch agencies having overseas interests.

Over the past decade, the staffing levels at overseas missions by agencies other than the State Department have grown at an unprecedented rate. The Department of State, which is the principal agency responsible for conducting foreign affairs, typically comprises less than one-third of the total staff at an overseas mission. The remaining two-thirds represent the institutional interests of more than 30 federal departments and agencies. These staffing levels do not include foreign service national employees, part-time employees, contractors, or government employees on long-term temporary duty at overseas posts.

This situation has caused a diffusion of responsibility, authority, and operational prerogatives among the diverse organizations with overseas interests, making coordination difficult. In the field, for example, "defense and intelligence have their own channels of communication to Washington. In many diplomatic missions, such channels are used without control of the ambassador, and sometimes even without the ambassador's knowledge as to policy recommendations going to Washington via such channels. This is a situation that can easily lead to different departments in Washington receiving divergent recommendations from their officers overseas, recommendations that have been reached without any effective effort at coordination with the ambassador and officers of other agencies and departments."[2] The maintenance of redundant communications facilities is also costly, given current physical protection standards.

Similar fragmented management of program and staff resources from Washington is less efficient than if they were managed in the field. With control of personnel and fiscal resources from numerous parochial agencies and departments currently centered in Washington, the COM is denied the ability to shift resources to respond to changing requirements and evolving U.S. foreign policy objectives. It can also be argued that the centralized management systems of the Department of State and other agencies are more expensive than if decision making and priority setting were done locally or on a regional basis.

While some may argue that COMs are already vested with the required authority to manage their missions as a result of Section 207 of the Foreign Service Act, the president's letter, and National Security Decision Directive (NSDD)-38, the NSDD's appellate procedures and strong Washington control in many cases often make the COM's authority more theoretical than real. According to former Ambassador John W. Tuthill, "The ambassador should be prepared to take on the unpleasant, time-consuming problem of resisting unnecessary personnel; sending some ineffective personnel home; refusing to waste time answering foolish inquiries from Washington; and, in effect, taking on a large part of the Washington establishment. Without ... [a] willingness to take on time-consuming and difficult tasks, and hard support from the White House, the job will simply not be done."[3] The same is true in making difficult tradeoffs between programs and agencies operating in similar fields. Ambassadors should have the option to decide which programs best fulfill U.S. objectives and which are more cost-effective.

Strengthening the COM's role is particularly crucial at a time when the authority of the Secretary of State appears to be waning vis-à-vis that of other departments operating overseas.[4] In short, the COMs, who derive their authority directly from the president but report through the Secretary of State, must become true "corporate leaders" of their country teams. This implies there must be a sense of "jointness" as well as positive but prudent management leadership in the operation of any overseas mission.[5]

The COMs should have direct control of all resources--fiscal, human, and material--within specified broad guidelines, as currently provided in the letters of instruction of the Secretary of State, which are based on U.S. policies and goals.[6] This control would give them the clear authority to make critical management decisions and the ability to fashion an appropriate country team with a staff capable of addressing the most important foreign policy objectives. This means that the COMs should determine what department and agency presence is required--and at what levels. It also means that program objectives and resources would fall under the direct control of the COMs. Ambassadors should receive the president's guidance and then mold a team and a program to best achieve those objectives, with regional and global tradeoffs worked out in Washington.

Cooperation among the various executive departments and agencies with conflicting overseas interests can best be realized if the full authority of the president is behind the country team concept. Former Ambassador Tuthill indicated that his well-known Operation

Topsy, which was successful in reducing the overall size of U.S. presence in Brazil by 30 percent in 1968, was possible only because it was perceived that the process had the full backing of President Lyndon B. Johnson.[7] NSDD-38, which currently gives the COMs their authority within a country, is not strong enough in concept or practice to allow COMs to exercise meaningful control. A new document clearly placing the COM in charge of the country team must be promulgated. The most radical step would be the eventual surrendering of personnel and program dollars to the control of the COMs.

The organizational approach outlined here makes the most sense when it allows the COMs to "reduce and realign resources" according to specified goals and strategies.[8] The unification of plans, programs, budgets, personnel, operations, and reporting under the Chief of Mission should also produce cost savings, coupled with incentives to attain major changes and cost reductions. A primary goal should be to operate the country team on a decreased budget, including both administrative and program costs.

Recommendations

1. The president should issue an Executive Order to establish a three-year pilot program at five overseas missions to give Chiefs of Mission management authority over the allocation of all fiscal and staffing resources. While the ideas outlined above have tremendous potential for strengthening the ability of the U.S. to achieve foreign policy objectives and cut costs simultaneously, they are a radical departure from current practice. With such a divergence from standard operating procedures, and until the 150 budget function is expanded, a pilot test of the process--rather than worldwide implementation--would be prudent. Such a pilot test should be initiated immediately and concluded during the current administration. A special provision in appropriations legislation should be sought, if necessary.

Recommendations on potential pilot test countries, generated by a distinguished panel of experts, included Egypt, Thailand, the United Kingdom, and the Philippines.[9] Others to be considered might include Senegal, Argentina, Saudi Arabia and Austria, where several international organization and regional operations are found. Selection criteria for the pilot missions should include geography, size, and political and economic diversity.

Whatever the case, the decision on the five overseas missions for the pilot test should be left to the Secretary of State.

Placing such authority and responsibility in the hands of the COMs is a dramatic step, whether the COM is a career foreign service officer or a political appointee. Therefore, careful consideration must also be given to the role of the Deputy Chief of Mission (DCM). The clear implication is that every DCM must be prepared to serve as the Chief Operating Officer of the mission. The DCMs must be skilled in financial and operational management, having received management training or experience at all levels of their careers. They must be charged with the day-to-day administration of what amounts to a corporation with several diverse subsidiaries. Specific training will be required to prepare both the COMs and the DCMs for their enhanced roles under the pilot project, and assignments should be clearly based on competency.

2. Each pilot mission should receive a defined "country-wide" appropriation reflecting a 20 percent reduction in overall spending over the three years of the project. The mechanics of such a reduction are simple. At present, each department or agency has its own budget within a country. Under this proposal, each department and agency budget would be reconfigured and arrayed to reflect a unitary country budget. Given administrative and other staff consolidations through improved workload management, the country budget would be reduced by an appropriate amount (20 percent is suggested here) from the aggregate country budget. This approach would force the COMs to set program priorities and find efficiencies and economies in operations. The COMs should not be told what programs or areas to cut over the life of the pilot project, but to do the most possible toward achieving key U.S. foreign policy objectives within the resources allocated, consistent with an expanded Mission Program Planning Process involving all agencies in-country.

To achieve the reduction, the COM would have the authority and responsibility to: prioritize the expenditure of fiscal resources; initiate the closure or realignment of elements of the mission (AID missions, intelligence facilities, or administrative support services, for example); and reduce or augment key components of his staff (such as adding more trade specialists), within the prescribed fiscal guidelines. In addition, communications facilities should be combined into the Diplomatic Telecommunications Service-Program Office (DTS-PO).

3. Within 90 days after issuance of the Executive Order and selection of the pilot countries, each pilot country ambassador should submit recommendations to the Secretary of State for reapportioning the country-wide budget and staffing levels for the following fiscal year. Concurrently, each pilot country ambassador should develop and submit a three-year strategic management plan, based on a thorough zero-based review of all current and programmed assets in-country. This three-year strategic plan should clearly articulate staffing requirements as well as goals, objectives and attendant performance measurements for each of the fiscal years covered by the pilot program. An accompanying implementation strategy would highlight the fiscal and staffing requirements for implementation of the plan, noting where these diverge from currently programmed resources. The Secretary of State or his designee would chair a senior-level interagency committee to consider and approve those plans.

4. As part of the pilot project, Chiefs of Mission should encourage open exchanges of views on policy and resource matters within appropriate channels, but divergent views should be reported only after extensive country team or other consideration within the mission.

5. Upon completion of the pilot test, the executive order detailing the test should become the basis for a revised NSDD-38. This new directive would include lessons learned during the pilot test and set specific, but obtainable goals for savings at other missions. The intent of the revised NSDD-38 would be to strengthen the role of the COMs, give them clear authority to allocate all resources in-country, and promote "jointness" in the conduct of U.S. foreign affairs.

Implications

Rigorous implementation of the above-described pilot program will ultimately provide the selected COMs the authority to align mission resources with defined goals and objectives. More importantly, the proposed program will establish not only a means to assess growth at overseas missions by federal agencies and departments, but also a means of determining whether such growth is necessary or merely agency-driven to meet parochial interests at the expense of mission operations. The proposed pilot test will provide an important benchmark for assessing how the department, and the U.S. diplomatic community, should operate into the 21st century. Full achievement of these objectives, however, will depend upon congressional cooperation in crossing appropriations lines.

There will undoubtedly be opposition to granting COMs such wide authority and responsibility, even under guidance of the Secretary of State. Additionally, there may be bureaucratic resistance to waiving established rules, regulations and procedures to implement the pilot program. However, granting the COMs the authority and responsibility both to allocate the fiscal resources of their mission towards established objectives--which lies at the heart of effective Mission Program Planning--and to align staffing levels to accomplish these goals will achieve the following:

- It will enable the Chief of Mission to focus on value-added programs and personnel and provide a means to eliminate the rest.
- It will vest the Chief of Mission with authority and responsibility and hold him accountable for the performance of all personnel and programs.
- It will allow the United States to speak with one voice in-country.
- And it will promote a sense of unity of purpose and foster "jointness" among personnel assigned to overseas missions.

Fiscal Impact

The pilot test should achieve a 20 percent reduction in total costs in the selected countries by fiscal year 1997.[10] If this reduction is achieved for five sample missions, the following savings will be realized:

In Millions of Dollars

	1994	1995	1996	1997	1998	Total
Budget Authority	18.3	18.3	18.3	0.0	0.0	54.8
Outlays	18.3	18.3	18.3	0.0	0.0	54.8
Change in FTEs	0.0	0.0	0.0	0.0	0.0	0.0

NOTE: OMB review of this fiscal estimate is not yet complete.

Endnotes

1. Chief of Mission to a foreign country means the principal officer in charge of a diplomatic mission of the United States, or of a United States office abroad which is designated by the Secretary of State as diplomatic in nature, including any individual assigned under Section 502(c) to be temporarily in charge of such a mission or office. Foreign Service Act of 1980, Section 102, P.L. 96-465.

2. John W. Tuthill, "U.S. Foreign Policy, the State Department, and U.S. Missions Abroad," *The Atlantic Community Quarterly*, vol. 26 (Spring 1988), p. 34.

3. Ibid., p. 37.

4. National Academy of Public Administration, Washington, D.C., interview with distinguished panel of experts including Ambassador Frank C. Carlucci, Ambassador J. Robert Schaetzel, Ambassador L. Bruce Laingen, Ambassador John W. Tuthill, and Ambassador Nicholas A. Veliotes, June 21, 1993.

5. Jointness can best be described in terms of members of the uniformed services operating in joint commands, thereby surrendering their parochial interests to ensure effective inter-service coordination. This so called "Purple Suit" mentality is critical in achieving effective joint operations, and in empowering the unified or specified commander in chief with the authority and responsibility for all of the troops in his command. There are direct parallels between the rivalries that existed between the Army, Navy, Air Force and Marine Corps and those that exist between the agencies and departments with overseas representation. Jointness in the military, however, required the outside stimulus of the Goldwater-Nichols Act, which also makes joint service a prerequisite for promotion to flag or general officer rank. Jointness was specifically discussed during an interview with former Assistant Secretary of State and U.S. Ambassador to the German Democratic Republic Rozanne L. Ridgway on June 29, 1993. Ambassador Ridgway agreed that jointness was important to the success of the country team. Taking the notion of jointness to its logical conclusion, one could envision State Department foreign service officers being rated by individuals from the Commerce Department or vice versa, AID employees vying for positions in USIA headquarters, or even a larger proportion of ambassadorial appointments from non-State career officials.

6. According to Section 207 of the Foreign Service Act of 1980 (P.L. 96-465), the Chief of Mission should have the "full responsibility for the direction, coordination, and supervision of all Government Executive Branch employees in that country (except for employees under the command of a United States area military commander)."

7. Tuthill, "U.S. Foreign Policy," p. 40.

8. Ambassador Veliotes, National Academy of Public Administration, interview.

9. Ibid.

10. For illustrative purposes, Saudi Arabia, the Philippines, Austria, Senegal and Argentina have been selected.

INTEGRATE THE FOREIGN AFFAIRS RESOURCE MANAGEMENT PROCESS

Background

The foreign affairs community is seeking to redefine its mission and priorities in light of the end of the Cold War. This process of redefinition raises several important questions. What should be the Department of State's role? How should it relate to other players in the foreign affairs community? Effective pursuit of U.S. international interests in a rapidly changing world and a climate of fiscal constraints requires that the department provide strong interagency leadership to implement an integrated foreign policy program and resource management process for all international affairs programs as well as for its own operations. New planning and management structures are needed for this integration to occur, thereby allowing the U.S. Government to address new foreign policy requirements and meet future challenges.

Interagency coordination. To maximize the use of resources allocated for international affairs, there should be a strategic management process which directly links foreign affairs priorities to the allocation of resources. The current interagency process falls short in that regard. The Secretary of State in theory is responsible for coordinating the final presentation of the International Affairs Budget (Function 150), a source of funding for more than a dozen federal agencies and departments. In fiscal year 1993, this amounted to $21.6 billion in budget authority. In practice, however, the department has no authority over other cabinet agencies. The budget coordination problem is further compounded by the fact that more and more resources traditionally classified as part of the domestic or defense budgets (non-150 accounts) are being devoted to international programs. These include the international budgets of the Drug Enforcement Agency, the Environmental Protection Agency, the Department of Defense, and the Department of Commerce, among others.[1]

What is needed now is a comprehensive, integrated strategic planning process for agencies and departments with foreign affairs activities which flows directly from the policy priorities and objectives articulated by the president. This process should result in better integration at the country level. To date, there has never been such a formalized interagency process led by the Secretary of State.

State Department coordination. Likewise, within the Department of State, integrated policy and resource management has never been fully institutionalized. The Department's current program planning system, initiated in 1990, has been developed as a management tool for clarifying the department's goals and objectives and for matching priorities and resources. But while this year's mission and bureau program plans will be an important element in formulating the fiscal year 1994 financial plan and the fiscal year 1995 budget request decisions, program planning is not yet as fully integrated with all resource management (budget, financial plans, and personnel allocations) as it should be.

David Osborne and Ted Gaebler assert that "clarity of mission may be the single most important asset for a government organization."[2] The State Department today is a conglomeration of programs, systems, and ways of doing business held together by an extremely broad overall strategy. There is an uneven consensus, both inside and outside the foreign affairs community, as to who the customer is or should be. Managing from crisis to crisis has been the standard operating procedure. A new strategic foreign policy management system that integrates the department's policy, programs, and resources and that establishes execution oversight and accountability for results is required to address the full spectrum of the department's operations. The status quo is simply untenable.

A significant cultural change will be required to transform "senior policy makers and crisis managers" into "stewards of scarce resources." When resources were more plentiful relative to demand, the department's leadership could afford to focus on urgent foreign policy developments with relatively little attention to the management of ongoing departmental operations and resource allocation by any senior policy maker other than the Under Secretary for Management.

Over the next few years, however, the fiscal environment will remain constrained at a time when new and costly demands will continue to emerge. The current policy and resource management process is just not adequate for addressing the challenges that lie ahead. Both better federal government coordination of international programs under the State Department's leadership, and a more integrated process internal to the State Department are now required.

Recommendations

1. **The interagency foreign policy resource management process for Budget Function 150 should be reformed to allow for more effective integration across agency lines, including the formulation of tradeoffs and the articulation of priorities.[3] The authority of the Secretary of State to integrate foreign policy management and international affairs spending should be clarified and strengthened through issuance of an executive order.**

    - **The Secretary, in consultation with the Office of Management and Budget (OMB) and in coordination with his counterparts in the other Function 150-funded agencies, should charter an effort to reform the foreign policy resource management process.** A similar process is already underway to reform the interagency foreign intelligence policy and resource management process, and the Secretary could look to the efforts of the Director of Central Intelligence and the Secretary of Defense as a model.
    - **The Secretary should actively exercise his authority through the dissemination of annual planning guidance to the department and other Function 150 agencies at the same time OMB issues its fiscal guidance.** The Secretary should work with the National Security Council to promote the periodic review and identification of clear overriding priorities, addressing both policy and regional/country emphasis within a world-wide context. These reviews would help form the basis for the planning guidance. The planning guidance should address funding priorities.
    - **The Function 150 agencies and departments should send their prioritized submissions to the Department of State in a common format which would demonstrate how they intend to allocate their Function 150 resources against the foreign policy objectives articulated by the president through the secretary.** This process should serve to identify funding gaps, areas of duplication, and potential opportunities for increased cooperation across agency lines. It should also address likely impacts of reduced funding.

- **To ensure policy and resource coordination at the country level and more effective execution oversight, Chiefs of Mission (COM) should be required to use their Mission Program Planning (MPP) submissions as a vehicle for achieving this integration to provide the Secretary of State and other agencies with a single "snapshot" of the total resource expenditures in a given country.** It would also serve as a means for assessing how well the sum of individual programs addresses overall U.S. foreign policy objectives.
- **The Secretary's final submission to OMB should represent an authoritative statement on the Function 150 foreign affairs budget priorities.** While most interagency disputes should be settled in the field or at the major program level in Washington, some will require the active involvement of more senior officials. OMB would then recommend overall funding levels to the President, consistent with the foreign policy priorities set forth by the Secretary.

2. **The Secretary of State, in consultation with the National Security Council, the National Economic Council, and the Office of Management and Budget should also make recommendations for integrating the international affairs components of the non-Function 150 budgets to ensure their consistency with overall foreign policy objectives.**
3. **The Department of State should shift from the current crisis-driven approach to resource management of its own programs and operations to a more strategic, mission-driven approach.** Steps taken to implement such an integrated strategic management process within the Department of State should include:
    - **A senior "corporate board," chaired by the Deputy Secretary of State, should be established**. The membership of this executive steering group should be the Under Secretaries, the Assistant Secretaries, and their equivalents. It should develop an overall strategic plan which articulates a vision of what the Department should look like as it enters the 21st century.[4]

Additionally, it should identify issues that require significant resource or policy changes for the Department. It should be charged with the development of an integrated priority list, developed through the program planning process, that would enable the secretary to make rational tradeoffs, identify lower priority expenditures for reduction or elimination, and reallocate resources as contingencies arise.

- **A subgroup of the corporate board should develop a strategic plan which focuses on departmental infrastructure requirements, including potential shortfalls or excesses.**[5] This group should be comprised at a minimum of the Under Secretary for Management; the Director, Policy Planning; the Director General of the Foreign Service; the Chief Financial Officer; the Senior Information Officer; the Assistant Secretary for Administration; the Director, Foreign Service Institute, and a representative number of other senior geographic and functional departmental leaders.[6]
- **The Bureau of Finance and Management Policy (FMP) should continue its efforts to integrate resource management by linking program planning with budget formulation and the allocation of funds.** The process should also extend beyond FMP to include strengthened processes to develop longer-term workforce management, including training. Integration of these disparate processes should result in the elimination of duplicative data and other reporting requests to missions and bureaus and the enhanced usefulness of the data that is collected.
- **The Department of State should continue its efforts to refine the Program Planning Process as the foundation for the identification of mission and bureau priorities, resource requirements, and potential tradeoffs.**

Implications

Integrating the Department of State's policy, program, and resource management processes will ensure that the department's increasingly limited budget resources are allocated in a manner consistent with the president's foreign policy objectives. Likewise, prioritizing international activities and programs across federal agencies and departments will enable policy makers at all levels--at headquarters and in the field--to make rational decisions on how to reshape shrinking international affairs spending to reflect changing U.S priorities.

Fiscal Impact

The primary fiscal impact would be the more effective use of funds expended to meet U.S. foreign policy objectives. The specific fiscal impact cannot be estimated.

Endnotes

1. For example: Department of the Interior, Office of Territorial and International Affairs ($81,203,000 in fiscal year 1993 budget authority); Department of Commerce International Trade Administration ($216,851,000 in fiscal year 1993 budget authority); Department of Labor, International Labor Affairs ($7,590,000 fiscal year 1993 budget authority); and the Drug Enforcement Agency ($60,000,000 fiscal year 1993 budget authority to fund the overseas operating expenses of 72 offices in 40 countries).

2. David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* (New York: Plume Books, 1993), p. 130.

3. See U.S. Department of State, *State 2000: A New Model for Managing Foreign Affairs*, report prepared by U.S. Department of State Management Task Force, Washington, D.C., December 1992, pp. 25-27, 145-155. *State 2000* went so far as to recommend specific organizational changes in the Department of State which consolidate policy planning and resource management expertise in a single office. To date, this recommendation has not been implemented.

4. A strategic plan differs from a long-range plan in that it describes a vision of what the organization should look like "x" years into the future and lays out way to get there. A long-range plan, on the other hand, is merely an extrapolation from where the organization is at the current time.

5. "Infrastructure" here refers to what is required to enable the department to accomplish its mission: personnel, education and training, embassies, housing and other real property, information resources and technology, etc.

6. For example, this group might undertake a zero-based review of the foreign service education and training requirements and curriculum to ensure that officers are prepared for the new management and policy challenges facing the Department. It could also be the senior executives' forum for addressing the department's information technology problems or for generating potential downsizing options.

BETTER COORDINATE STATE DEPARTMENT EFFORTS TO PROMOTE U.S. BUSINESS OVERSEAS

Background

The State Department is currently one of numerous government agencies involved in promoting U.S. exports. The Department of Commerce, the U.S. Trade Representative, the Export-Import Bank, the Department of Agriculture, the Department of Defense, along with several other agencies have all been involved in some aspect of U.S. business promotion. In recent years, Congress has authorized increased funding for this function in ten different departments, not including the State Department. These departments tend to work independently, thereby increasing the risk of duplicative government efforts in some areas and a total lack of services in other areas. This fragmented approach to promotional activities makes it very difficult for businesses to determine which government agency is best suited to meet their overseas business development needs[1] and complicates U.S. efforts to represent its economic interests abroad.

Not only is the implementation of promotion programs fragmented, but the policy-making structure is similarly uncoordinated. Currently the National Economic Council (NEC) is responsible for setting economic policy while the Trade Promotion Coordinating Committee (TPCC), representing 19 federal agencies, including the State Department, is responsible for proposing a federal trade promotion strategy by September 30, 1993.[2] (Another recommendation in the National Performance Review's Department of Commerce report discusses the TPCC in further detail.) The extent to which the NEC will be included in developing this strategy is unclear at this time. But regardless of what the strategy may be, each of the affected federal agencies will have to improve its day-to-day coordination and refine the scope of its activities in order to meet the objectives to be established by the TPCC. Furthermore, the *finite resources* available to these agencies make it imperative that they work together to avoid duplication of effort, and ensure that their respective export promotion services are value-added and targeted to meet the needs of the private sector. Given the Department of Commerce's lead role in export promotion activities, the administration should work to ensure that the Department of Commerce export promotion activities receive priority funding consideration above that of other agency export programs. This, in turn, should facilitate a more coherent government approach to business promotion activities.

Before 1980, the Department of State had primary responsibility for the implementation of non-agricultural export promotion programs and activities overseas. In 1979, Congress passed legislation requiring the president to submit a plan for the reorganization of executive branch trade functions. This congressional action resulted from general dissatisfaction with the quality of State Department's commercial function. The president responded with Reorganization Plan Number 3 to transfer the State Department's commercial positions (roughly 162 officers in 65 countries) to the Department of Commerce in 1980.[3]

The Commerce and State Departments developed a Memorandum of Understanding (MOU) to create a framework for the establishment and operation of the Foreign Commercial Service (FCS). With the transfer of commercial functions to Commerce, the State Department's role in promoting U.S. exports decreased, and funding cuts were made to this program accordingly.[4] Since then, the department's economic officers at non-FCS posts abroad have often functioned as commercial officers. Currently, the State Department's economic officers take the lead in commercial affairs in over 100 posts overseas, while the Department of Commerce FCS officers take the lead on commercial issues in roughly 130 posts in 69 countries.[5]

Since the end of the Cold War era, the emphasis of U.S. foreign policy has shifted from defense to economic interests. In an effort to better utilize the State Department's overseas network for export promotion purposes, the U.S. Congress included language in the Foreign Affairs Authorization Act of 1986 and 1987 requiring increased participation of U.S. embassies in the promotion of U.S. business interests.[6]

In fact, the State Department has always provided some useful services to U.S. businesses, services which are not duplicated by other agencies or even private sector organizations. For example, many U.S. ambassadors and State Department officers have played a pivotal role in helping U.S. businesses establish contacts with foreign governments and negotiate the removal of foreign barriers to U.S. trade. In other cases, the department's associations with foreign governments, international associations, and many large U.S. and foreign businesses overseas have helped U.S. companies out of difficult situations. It should be noted, though, that the level of commitment on the part of ambassadors and other agencies represented at the mission has varied from year to year and post to post.

In addition to contacts, the State Department is the only organization that has frequently shared political information, in verbal or written form, with businesses upon request. This information, which has been declassified from State Department political reports, is often helpful to businesses because it provides information on issues such as, political stability and inter-governmental relations within countries where U.S. businesses are seeking to operate.

In addition, the State Department provides a variety of economic reports to Congress and the public. Critics have noted, however, that the quality of the economic reports varies a great deal from post to post. Employees in the State Department themselves have indicated that the economic reporting officers often lack the appropriate understanding of business or trade concepts to provide the most relevant information for trade promotion. Additionally, many mid-size and small firms are not aware of the kinds of reporting available from the department. To improve this situation, the State Department must change the focus of its economic reporting, seek ways to improve the private sector's awareness of these services, and improve the accessibility of economic reporting to the private sector.

The State Department's export promotion activities have also been hampered by a lack of coordination and communication among key bureaus in the department. The extent of this problem has been identified by the State Department itself and proposals have been made to improve communications and coordination within departmental bureaus, among bureaus, and even at the inter-agency level. The department has also focused on areas of knowledge key to the department, such as economic-commercial skills, and is revamping it's training programs accordingly.

The department is also drawing up plans as a part of an internal reinvention effort, encouraged by the National Performance Review, to increase the involvement of *all* posts in business promotion. This is to be encouraged through the creation of a "Business Facilitation Incentive Fund Program," whereby $1 million would be set aside to encourage and accelerate business facilitation activities of all posts and geographic bureaus.

Recommendations

1. **The State Department should improve coordination at all levels with the Department of Commerce and other agencies on the Trade Promotion Coordinating Committee to share trade information and implement an export promotion strategy.** This should be accomplished through:

    a.) regular and frequent monthly meetings; and b.) installation of an *interagency electronic mail system.*

2. **The State Department should define the scope of its efforts in business facilitation to provide a value-added effort, not a duplicative one, to the promotional activities of the FCS in the Department of Commerce.** The State Department should refine its scope of efforts to maintain some current activities while enhancing others. These should include:

   a.) refocusing the nature of political-economic reporting and analysis at all posts to meet the needs of U.S. businesses. This can be accomplished through training and recruitment of political-economic officers;

   b.) seeking ways to improve the private sector's awareness of and accessibility to political and economic/commercial reporting. This could be achieved, for example, by making information available on a regular basis, and in coordination with the Department of Commerce, by promoting greater interaction between the private sector and the federal government. (This is a part of State Department's business facilitation reinvention lab, within which a business outreach program, including an inter-agency conference/seminar, is proposed.);

   c.) serving as an advocate for U.S. businesses at all posts. To improve the work of the economic/commercial officers at these posts, the department should continue its efforts to train them;

   d.) improving efforts on a mission-wide level to enhance export promotion activities. This means enhanced coordination at overseas missions between *all federal agencies* to promote exports.

3. **The State Department should involve more of its economic/commercial officers in rotational assignments to the Department of Commerce to enhance their skills as well as familiarize them with trade promotion activities of another agency. This could include rotations to the Department of Commerce's headquarters or its field offices.** This requirement would dramatically improve the knowledge and understanding of State Department officers in various aspects of export promotion. It would also have the added benefit of increasing their knowledge of business

promotion functions in other agencies.

4. **The State Department should improve coordination between various internal bureaus to facilitate the exchange of vital trade information.** This should occur at all levels (by way of regular meetings and use of electronic mail) to facilitate the exchange of vital trade information within the agency.

5. **Ambassadors in economically strategic posts overseas should be given greater incentives to improve coordination within the mission to provide for the effective promotion of U.S. business interests.** Among their duties should be the establishment of standards for measuring progress in business promotion efforts and a strategy for conducting these activities. This proposal is discussed further in the section of this report on State Department's reinvention activities in business facilitation.

Implications

The above recommendations will facilitate an increased level of cooperation between the State Department and other federal agencies engaging in trade promotion activities. This approach will also improve the accuracy, quality and timeliness of each agency's knowledge base.

Fiscal Impact

Significant efficiencies could be achieved and can reasonably be expected to produce some savings. However, there will be costs associated with training of State Department personnel and acquisition of new equipment. Neither the savings nor the costs can be specifically estimated.

Endnotes

---

1. U.S. General Accounting Office, "Export Promotion - Governmentwide Strategy Needed for Federal Programs," Testimony by Allan I. Mendelowitz, March 15, 1993, pp. 3-4.

2. Ibid,. pp. 4 - 5.

3. U.S. Department of State, Office of the Inspector General, "A Review of the Export Promotion Efforts of the Department of State," (Washington, D.C.1989), p. 5.

4. Ibid., pp. 5 & 18.

5. U.S. Department of State, Documentation from the State Department's Statistics Office.

6. U.S. Congress, House Committee on Foreign Affairs and Senate Committee on Foreign Relations, "Foreign Affairs Authorization Act, Fiscal Years 1986 and 1987," *Legislation on Foreign Relations Through 1991*, Vol. II, (Washington, D.C.: U.S. Government Printing Office, January 1992), p. 194.

CREATE A HIGH LEVEL POSITION TO LEAD CURRENT MIGRATION EFFORTS AND COORDINATE FUTURE INFORMATION MANAGEMENT SYSTEMS POLICY

Background

The State Department, an organization dependent upon the rapid flow of accurate information, relies on data systems that are currently in a state of crisis. In many ways the State Department resembles a highly complex private sector company with a multinational presence and considerable resources overseas. Like the department, many such companies were faced with a slow death from a fragmented approach to information management. These businesses would not be in existence today if they had not recognized the problem, and re-engineered their business processes by consolidating and centralizing their information and technology resources. Information management infrastructure requirements were an integral part of strategic planning efforts.[1]

The department has determined that a total of 63 posts around the world are operating on obsolete hardware.[2] The maintenance costs for this old, closed system hardware are increasing, and the department is also faced with the urgent need to procure additional mainframes to meet minimum back up requirements. The Office of Management and Budget (OMB) has identified the information management system as a high-risk area, stating that "worldwide systems could suffer from significant downtime and even failure."[3] Many bureaus within the department operate on hardware and software that is incompatible with other bureaus, and often does not meet day to day needs. The department is currently planning for the migration from the current closed system to an open system. The first step in this migration has been to set standards for its administrative, financial management and consular affairs functions. However, the department's fragmented budgeting and decisionmaking processes are hampering progress toward a new system.[4] OMB has expressed concern over the department's piecemeal approach to the information systems problem, and has questioned the department's ability to effectively implement the migration plans.[5]

Complicating Factors

The modernization process at State Department is complicated by three major factors. First is the department's decentralized approach to the information management process. While there is an Information Management office, it appears to lack the authority and stature to set department-wide policy and standards. Typically, information management officers in various organizations lack the corporate standing to be effective partners with other high-level executives in setting information management policies and managing resources. The State Department is no exception. Without enhanced authority and status, the State Department's Designated Senior Official (DSO) for information management will continue to be unable to solve this chronic problem.

Furthermore, critics note that the department lacks a well-trained "core" of computer system professionals to determine and set department-wide information management policy. This situation has led to the emergence of separate support teams within the headquarter's organizational structure and at overseas posts. As the department's aging base of computer equipment has required more maintenance, technical support responsibilities have been assumed by individual bureaus. The Information Management Office has been further isolated from effective day-to-day management and from policy development, planning and budgeting.[6]

The second major problem faced by the State Department is the unique computer systems purchased in the late 1970s through the mid-1980s. The department invested approximately $500 million in proprietary hardware and software.[7] During an extended process, the department slowly acquired various generations of minicomputers, workstations and personal computers which are now deployed worldwide. Each systems development focused on specific operational requirements and has resulted in "stovepipe" systems which neither meet overall department needs nor allow communication across organizations.[8] Sharing information within the department is difficult and virtually impossible with external systems. Re-entry of data into multiple systems within the department is a common practice.

Program and hardware restrictions also hamper the efficient use and presentation of information. This is particularly true for financial management systems which have been targeted for replacement by the department. The State Department has identified numerous systemic problems which expose the department to the risk of fraud, waste and abuse.[9]

This difficult situation was compounded when the system supplier filed for protection under Chapter 11 of the bankruptcy laws in August of 1992.[10] The department had planned to migrate to newer systems from the original supplier over a five to ten year period,[11] but the firm's financial condition forced an accelerated schedule of three years. However, OMB has expressed significant concerns over the adequacy and scope of the plans, and the ability of the department to implement them effectively.[12]

Finally, the information management processes are affected by the State Department's current reorganization initiative. Before new systems can be installed, the department must first identify its information management requirements and priorities. Independent of how the department finally reorganizes, the critical "data groups, " i.e. the categories of data to be collected and stored, must be identified. Only then can the department determine the architecture of its system.

Each of the above factors must be considered if the department is to remove barriers to effective, efficient and customer-oriented information management systems. While it is important that the department move rapidly to open systems hardware to prevent systems failure and to achieve lower maintenance costs (which State estimates will run $33.4 million from 1993 to 1996[13]), it is also very critical that this be balanced against the department-wide need for a long-term, systematic approach to information management.

The president's fiscal 1994 budget request to Congress included a program increase of $14 million for the computer migration effort ($10 million) and financial systems redesign ($4 million). The department is currently refining a cost estimate and implementation plan which could show a need for an additional $155 million for this effort above State Department funding included in the president's economic plan. In order for the department to modernize its mainframes, its domestic and overseas computer networks, and train its workforce on the newer systems, actual total investment could approach $500 million. There will be some reorganization and extensive retraining necessary, the effects of which could be traumatic.

As an example of a successful migration, some private sector companies have implemented new information management systems through a two-phased process. In the first phase, management establishes control over the information management infrastructure by determining how information is collected and managed. The strategic planning process is a critical part of this first phase. When analyzing infrastructure requirements, the future demands for information services must be identified and studied. Then, implementation procedures and processes may be clearly defined based on these requirements and measurable objectives. Another important step is the immediate realignment of resources to construct a centrally managed information management infrastructure. In the second phase, the information management development focuses on improving the overall effectiveness and the efficiency of the infrastructure. A central office sets information management policy for the entire organization while the daily operations of each division are conducted by local operators.

Recommendations

1. **The Secretary of State should create a position reporting directly to the Deputy Secretary of State to lead migration planning and execution, *and* to develop, coordinate and integrate department-wide information management policy.** This individual, who is the department's DSO for information management, and a small support staff should constitute what might be called an Information Management Policy Office (IMPO) which would facilitate the integration of policy and standards across geographical and functional bureaus. The IMPO would have responsibility for establishing standards, performance measures, and procurement practices that support department-wide information management objectives. Other specific duties of the IMPO would include the development and implementation of strategic information management processes and the approval of budgets. This office would also be responsible for promoting interagency coordination on information management issues. *Responsibilities for day-to-day operations would remain with the information technology officers in the bureaus.* Information management policy would be the IMPO's *sole responsibility*, and this office would serve as the information management "customer service center" for the entire

department.

2. **In developing a department-wide strategic plan for migration to open systems, the IMPO should bring in expertise from the private sector or other government agencies.** These experts would be charged with assisting the department to identify the information and programs to be converted before migrating to new systems. The strategic plan should describe organizational impacts, schedules for training of all affected personnel, investment costs and savings, and create a process for the continued modernization of information systems into the future.

Implications

By implementing the above approach, the department will address the turf wars that have prevented significant progress in the past. The migration effort itself will involve considerable cost, cause significant workforce trauma, and entail substantial risks. Without a single, high-level authority empowered to coordinate migration policy, and to oversee and control the process, chances for success are limited. Furthermore, the effective future management of information resources is threatened.

Fiscal Impact

The costs of creating a IMPO are minimal and can be managed from current resources. The increased long-term efficiencies to be realized from minimized redundancy in the system, improved coordination, and easier exchange of information will produce significant long-term savings and allow the department to fully support the department's mission. Specific fiscal impact cannot be estimated.

Endnotes

---

1. Examples of private sector companies with complex information organizations, significant overseas presence and *successfully consolidated IT operations* include: Boeing, General Dynamics, Harris Corporation and Citicorp.

2. U.S. Department of State, Information Management Office, Status Report - Spring 1993.

3. Ibid.

4. See Tab A, State Department's Current Migration Efforts. The complex coordination process that has developed is illustrative of the problems encountered when competing interests of the many bureaus cannot be resolved by the current information management organization.

5. Budget of the United States Government - Fiscal Year 1994, "Progress Report: High Risk Areas for Management Improvement," p. 120.

6. U.S. Department of State FY 1994 Budget Submission (in response to OMB Circular No. A-11).

7. U.S. Department of State, "Major Program to 'Migrate' to More Modern Computers Is Launched," Interview with Warren Littrel, Deputy Assistant Secretary for Information Management, *State,* March, 1993.

8. U.S. Department of State, Open Systems Migration Implementation Plan, January 8, 1993.

9. U.S. Department of State, Information Strategy Plan for the Bureau of Finance and Management Policy, May 14, 1993.

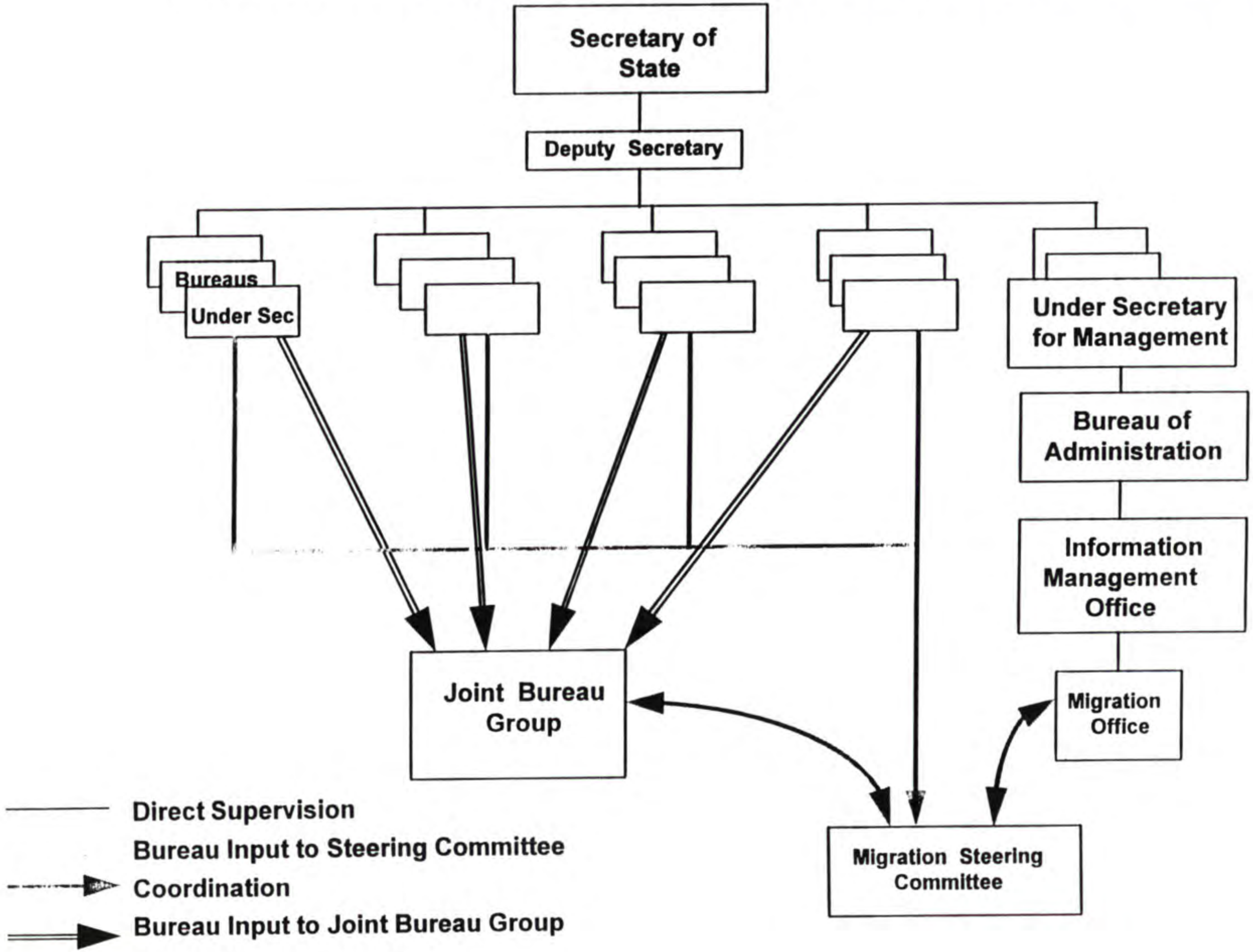
10. The corporation, Wang Laboratories, was planning to file an amended disclosure statement in early July 1993 and at this writing, was looking forward to emerging from Chapter 11 protection in Fall 1993. Telephone interview with Edmund Pignone, Public Relations, June 29, 1993.

11. U.S. Department of State, "Information Management Strategic Plan, FY 1992-1996," December 1991.

12. U.S. Department of State, Information Strategy Plan for the Bureau of Finance and Management Policy, May 14, 1993.

13. U.S. Department of State, Open Systems Migration Implementation Plan, January 8, 1993.

The State Department's Current Migration Effort



37

II. B. Doing More with Less

REDUCE MISSION OPERATING COSTS BY ELIMINATING DUPLICATIVE SERVICES, REFORMING SECURITY PROCEDURES, AND EXAMINING USIA LIBRARIES

Background

United States diplomatic posts abroad have grown significantly since the late 1970s. Just from 1981 to 1986, according to the Department of State, the size of American overseas missions grew by 20 percent, with most of the increase coming from agencies other than the State Department.[1] In the last few years, there has been considerable discussion of ways to stem that growth and achieve greater efficiency in overseas operations--including the implementation of altogether new forms of overseas representation. Where geographically and politically appropriate, new kinds of representation could include regional embassies (the "Mothership Concept") and multiple accreditation.

The first step toward any of these consolidation measures is to bring closer together some basic logistical functions of overseas posts--namely, the provision of administrative support services. Most of these services are used by Americans and foreign nationals working at the posts, but missions also provide some limited services for host countries and travelers. Many of the administrative support services used by mission employees should be reexamined for consolidation or possible elimination. This consolidation would enable the posts to move toward a new, leaner model of representation. In addition, missions should reexamine the need for certain services they provide to host country nationals, notably library and research services.

The provision of administrative support services will require considerable restructuring to eliminate duplication. Administrative support services include storage, transportation, housing, and the fulfillment of a host of similar needs for those working at the posts. Currently, some services are provided by the different U.S. government agencies with employees at overseas posts, although most agencies acquire services from the Department of State (DOS) and agree to reimburse DOS. This reimbursement is administered by DOS's Foreign Affairs Administrative Support (FAAS) system. In other words, the costs of administrative support services for many U.S. government employees abroad are distributed to the appropriate agencies by FAAS. But criticism of the FAAS system and of DOS's provision of services has come from many in the American government overseas community. Despite recent efforts to improve FAAS and other cost-recovery methods, some agencies have almost entirely withdrawn from the system and have expanded their own service operations.

Many agencies with a significant presence at a diplomatic post often employ administrative personnel charged with meeting the administrative service needs of agency employees at the mission; at other posts, several different agency employees fill this role. At a few posts, these agency officers are organized into a Joint Administrative Support office that administers the support system under interagency-agreed procedures.

But the joint system has broken down at many missions because joint decision making either does not happen or proves inadequate. To be sure, most agencies (especially those with small overseas representation) acquire services from the State Department, but some agencies say that DOS cannot meet all their needs--or that it meets them inefficiently. According to critics, for instance, the State Department often takes the best cars in a motor pool for itself and leaves the rest for other agencies. And some agencies--notably AID--now simply acquire separate services as a matter of de facto policy, without giving DOS a chance. Often, then, agencies find themselves in an acrimonious relationship with one another at the missions; increasingly, they withdraw from the central system and argue that more consolidation is impossible.

What results is duplication of services. According to a 1988 General Accounting Office (GAO) report, for example, four of the seven agencies visited by GAO representatives at the Bangkok post duplicated FAAS services. In fact, all seven of the agencies ran their own motor pools.[2] Officials at the Cairo embassy told the Department of State Office of Inspector General recently that they operated "inadequate" warehousing facilities. But instead of solving the problem embassy-wide, *both* the State Department and AID were said to be working to obtain new facilities separately--instead of leasing one new warehouse together.[3] Examples of similar duplication can be found at many diplomatic posts worldwide. While service duplication may not be the global rule, it does occur with increasing frequency. Indeed, the worldwide variations in the different agencies' myriad service requirements, policies, and regulations mean consolidation of support services would be difficult, but not impossible.

Consolidating the provision of services would achieve economies of scale and eliminate duplication. Clearly agencies want to retain their autonomy, and the various congressional oversight subcommittees want to maintain control or influence over each of their particular agencies' funding and policies. But it simply does not make good economic sense to continue duplicating support services at overseas posts. Duplication means more personnel charged with meeting support needs of employees and dependents. It means more actual goods (automobiles, warehouses, computers, and the like) purchased for each agency. It means more time involved in maintaining separate levels of support and procedures that detracts from service time to customers. And it means complaints about different agencies' employees receiving services others do not get.

In the past, the idea of consolidating support services has been mired in interagency disagreements over who should be the executive agency in charge of overseas administrative support. These disagreements are further inflamed by the day-to-day bickering over alleged inequity of treatment by DOS and over variance among agency requirements. Nonetheless, such a cumbersome and costly support system makes no sense to the average taxpayer: All agency employees are part of the *same* "Country Team"--why should we expend so many resources to treat them like members of different fiefdoms? In the end, the question of which agency should be in charge is not important; in fact, given the wide variations from post to post, the question should be left to the posts themselves, who can decide which agency will administer services most efficiently. In the long run, eliminating redundancy and standardizing different agency requirements will reduce paperwork and staffing and save money. Customers should find that their services are more uniform (and equitable for different agency employees); and with proper administration, there should be no reduction in service quality.

One service currently provided by the posts that deserves specific consideration is security. Two areas of security are ripe for reform: the Marine Security Guard (MSG) Program and current local guard contracting requirements. At present, according to the

State Department's Diplomatic Security (DS) bureau, 136 American posts (about 51 percent of the total) have Marine detachments of at least six and as many as 30 MSGs. Under the terms of the joint State Department-U.S. Marine Corps (USMC) Memorandum of Agreement on this issue, these Marines provide information security for all levels of classified material and equipment, and also provide certain physical security services for the posts.[4] Currently about 1,225 Marines serve in these MSG detachments worldwide at a cost of about $27 million to the State Department.[5]

State Department policy requires 24-hour cleared American presence at posts where Top Secret (TS) material is stored. But some posts house only small numbers of TS documents which can be easily transferred to other missions. And the physical security provided by the Marine Guards can sometimes be provided at lower cost through local contracts. Where appropriate, deactivating MSG detachments would save money and free up Marine Guards for posts where they are needed. In a 1992 study, DS identified 11 posts whose MSG detachments may be deactivated over the next several years. One post on this list (Casablanca) has already deactivated its detachment. Another post on the list (Alexandria) is scheduled for closure in September 1993.[6] DS faces stiff resistance from some ambassadors and agency officials who want to keep their posts' MSG detachments. Therefore, deactivating the remaining nine detachments on the list--and setting up regular review procedures to determine the need for such detachments at all posts--will require a clear mandate from the Secretary of State. And it will require recognition that deactivating these detachments will necessitate some spending on security enhancements or local guards to make up for the MSGs.

The second security issue is related to Congress's local guard contracting requirements. According to Section 136 (c) of the Foreign Relations Authorization Act, fiscal years 1990 and 1991[7], the Secretary of State must "give preference" to American contractors in fulfilling security guard needs overseas. This preference manifests itself as an advantage in the contract award process; in other words, American firms can get security guard contracts more easily than their local counterparts. This preference increases security costs because American firms operate with higher overhead in-country than local firms do. Unfortunately, proposed language in the State Department's 1994-95 authorization would institute an even greater preference for American contractors by altering the point system on which contract proposals are awarded. Allowing posts to contract local security directly would clearly save money.

In addition to providing services to mission personnel, U.S. overseas posts provide some services to host countries. Library and research services are one example. Taxpayers finance the operating costs for in-country libraries and reference centers, which are managed by the United States Information Service (USIS), part of the U.S. Information Agency (USIA). The agency makes two arguments in support of these libraries: First, USIA argues that these libraries support U.S. foreign policy interests by providing host country government officials, scholars, and opinion makers with information about the U.S. Second, the agency contends that these countries would otherwise not have access to such information about the U.S.

In developing nations, in the newly independent states, and in certain other areas, these two arguments make sense. Access to information about the U.S. may be limited, and the need to promote American interests is clear. But in highly developed, "friendly" nations, such as the members of the Organization for Economic Cooperation and Development (OECD), the grounds for the arguments are not so clear. USIA admits that in OECD nations, most of the libraries are actually "closed" reference-only facilities open only to country elites. Few people are actually allowed to walk into these libraries; most business is conducted by phone or mail. According to a member of Congress, for example, in fiscal 1991, libraries in Canada drew only 568 walk-in visitors.[8] It does not make sense to keep such little used libraries open in nations with whom the U.S. has good relations at a cost of over $9 million annually--especially when the information goes to European and Japanese elites who can afford to acquire the information at their own cost. Finally, phone or mail business does not have to be conducted with a library *in-country*; information provided over phone lines or through mail routes can just as easily be provided from the U.S.--at much less cost to the American taxpayer. USIA itself has recognized the need to prioritize in tight fiscal times; the fiscal 1994 budget slices $2 million from library operations in OECD nations.

Still, there is a way overseas posts can still provide information about the U.S. to wealthy allies in the OECD and save more. In an age when information flows easily across many borders, the argument that such materials must be stored within a post-operated institution is weak. The collections housed in these libraries--mostly reference books, works of American scholarship, and current periodicals--can be transferred to host country libraries and other institutions (including the many major research universities found in these countries). In Japan, for example, members of the Diet have used the American libraries for research; but the needed materials could easily be transferred to local institutions at Japanese expense. The same goes for the few libraries in OECD countries which are open to the general public; general collections can be transferred to appropriate host country institutions at savings to the U.S. Finally, with information increasingly available over electronic highways, even information not transferred to host country institutions can be acquired directly from the U.S.

The point here is not that there is no purpose for the USIA in the developed world. But in a time when the American people and both political parties agree on the need to cut the budget deficit, we must prioritize our concerns. In this context, keeping open libraries and reference centers in wealthy, advanced, industrialized nations with whom the U.S. has good relations does not make sense. These facilities do not mean the difference between a favorable trade pact and an unfavorable one; they do not mean the difference between the French or the Germans "liking" Americans and disliking them; they do not mean the difference on a vote Americans care about in the British Parliament. Where they do make a difference is on the margins: favorable articles in foreign newspapers by reporters who use USIS libraries for research, thank yous from foreign governments whose officials phone USIS reference centers, and the like. The cumulative value of these marginal benefits may be worth the $9 million yearly we spend on OECD libraries. But by transferring library collections from USIS libraries to local institutions, the reporters, the government officials, and the public can all still find what they are looking for, and the U.S. can save millions.

Recommendations

1. All administrative support services be consolidated under a centralized service-provision office serving all agencies at each diplomatic post.

Congress and the president must work together to establish one standard set of agency requirements and regulations governing all personnel receiving support services overseas. The end result should be standardized requirements for all functions (personnel, budget and fiscal matters, procurement, communications, data processing, and the like); this will make service consolidation possible. In order to enforce the single service-provider system, Congress and the president should establish one budget process to provide for the support of all personnel abroad. Since individual agencies and congressional subcommittees will still want to monitor support costs by agency, a reporting function similar to the present FAAS accounting system should be maintained, including an annual report to the Congress and to all the participating agencies which breaks down the costs by agency.

2. The Secretary of State should request that the department's Under Secretary for Management (M) review the remaining nine posts identified for MSG deactivation by the 1992 DS study, that he deactivate the MSGs where appropriate, and that periodic (bi-annual) reviews be established to identify further posts for deactivation. Wherever Marine Guards are not truly needed, they should be returned to the Marine Corps or reassigned to posts that require their services. The imprimatur of the secretary is necessary to overcome resistance from ambassadors who do not want to give up their MSGs.

3. The Foreign Relations Authorization Act should be amended to end the mandate that diplomatic posts give preference to American contractors in fulfilling security needs. Posts should not be given a mandate to "buy American" when this would increase costs.

4. The USIA should close its library and reference centers in the OECD countries. In countries (such as those in the OECD) that have the capacity to store the USIS library collections in their own facilities, the U.S. should not fund separate reference centers for this purpose.

5. The State Department should continue to explore alternative models of representation abroad, including regional embassies, multiple accreditation, and the Special Embassy Program (SEP) as a means of further reducing the cost of operations abroad. Consolidating support services and streamlining overseas operations generally are the first steps in helping to make these ideas feasible. Once the agencies have brought together their administrative support, shifting to regional embassies or undertaking SEPs may become easier.

Implications

Consolidating support services at missions abroad would require some effort in the beginning, but would pay off in the long run. Standardizing procedural requirements across the different agencies functioning abroad would allow this consolidation--in data processing, in communication, in budget and fiscal services, in leasing office and housing space, and in other support services.

One can expect resistance to such consolidation on the part of the agencies; they will argue:

(1) The centralized DOS system created interagency rivalries over which single agency would get first pick of certain services, often resulting in inequitable distribution of services. Such inequities would develop again with another centralized system.

(2) Without improved reporting from the missions, meaningful comparisons cannot be made to determine which agency's service system is most efficient; therefore we have no service-provision system that can serve as a template for a single, centralized system.

(3) Different agencies have different requirements. Some agencies headquarter certain functions in Washington, so using the local services is not feasible. Some agencies have unique budgeting and planning requirements or unique accounting and recording requirements that require knowledge of obscure accounts and activities. This makes the use of centralized budget and fiscal services impractical.[9]

(4) Even with top-down support from Washington, a change in the current, decentralized system would require a massive bureaucratic effort to identify acceptable exceptions. Increasingly, agencies (and even different branches within agencies) have acquired services on their own, going so far in some countries to make their own arrangements with foreign governments. A new centralized system would require that these arrangements be renegotiated. Moreover, some agencies will claim that unusual requirements mandate separate service provision; for example, one agency official told the

GAO that his agency runs a print shop because DOS's data processing services did not easily allow the agency to meet weekly production deadlines. Another agency official said DOS data processing was not compatible with his agency's data processing systems.[10]

(5) Centralizing all administrative support services will not work where agencies have offices apart from the embassy compound. Data processing, reception, vehicles--a variety of services must be provided by the agency or the designated single service provider on-site.

Because of this type of resistance from the posts, traditional interagency disagreements, and the different standards of the congressional subcommittees overseeing the agencies, consolidation must be directed from the top, with officials in Washington and at the missions ensuring a fair distribution of services. Indeed, any extensive level of consolidation will necessitate a strong congressional mandate which requires agencies to decide on a single procedure and a single service provider at each post. The level of services, the kind of services, reasonable prices, and a management system must be decided on for each post.

The institution of one centralized service-provision system should not be postponed because embassy officials cannot agree on which agency's service system is most efficient: Any centralized system is more efficient than many different and duplicative systems, and there should be ways to adapt to meet each agency's needs. The third problem--that of different agency requirements--can be overcome by adopting one standard set of requirements for all overseas employees, instead of having different requirements for employees of different agencies. Finally, identifying exceptions to the new centralized system will not be impossible. Prior arrangements with foreign governments, the security requirements of the intelligence community, unusual work needs for other agencies--a single service-provision system should take these considerations into account and make sensible exceptions.

The last objection--that centralization would not work for some offices because they exist apart from the embassy compound--is an important one. Some consolidation simply may not work. But combining service provision where possible is better than allowing all duplication to continue. Off-site offices should receive proper exceptions. But within the overall system, there's still room for much more cooperation.

Reassigning Marine Guards from posts where they are not needed would require minimal effort and would shift the guards into areas (such as the former Soviet Union, the Balkans, and others) where they may be required. Deactivating Marine Guards would, however, require that posts upgrade their physical security (including alarms, vaults, etc.) to compensate for the lost protection of the guards; the posts would then be classified as "lock-and-leave" posts. Full savings would not be realized for several years.

Ending the requirement that posts give preference to American security firms when contracting security projects would allow posts to acquire security directly at a lower cost.

Finally, closing libraries and reference centers in OECD countries would save money without making U.S. government and cultural materials totally inaccessible. Those materials would be transferred to local libraries, and the users of the USIA libraries could be directed to the proper host country institutions.

Eventually, taking these steps could move the American foreign policy community closer to being able to implement new models for American foreign policy operations overseas. Closing some posts and consolidating others should be considered, although obviously resources alone should not determine where posts are located. At a basic level, we should ask ourselves what functions the United States needs its missions abroad to perform--and how can we achieve them most efficiently. Standardizing the agencies' requirements for their overseas employees, consolidating support services, and eliminating unnecessary services are all steps that will result in more effective overseas operations and will make new models possible in the future.

Fiscal Impact

Recommendation 1: Because of the very duplication and decentralization this paper addresses, good estimates of the total cost of administrative support for U.S. government employees overseas are simply nonexistent. The costs distributed under the FAAS system total approximately $498 million; but this does not include the costs of services provided separately by agencies other than DOS.[11] Because this information is not available, it is difficult to estimate the costs of a consolidated system of administrative support service provision. Still, it is clear that the benefits will be numerous: Redundancy would be eliminated; paperwork would be greatly reduced; staffing would be simplified; and the *uniform* application of agency requirements and services would greatly improve morale, thereby increasing productivity.

One DOS official familiar with this issue estimates that broad consolidation of support services will mean a 10 to 20 percent reduction in the salaries and expenses budgets (mainly personnel) of all overseas agencies (not just the State Department), which translates into \$63 to \$125 million in savings for the entire U.S. government over an uncertain time frame.[12] Of course, this does not include savings from reduced expenditures on goods or from reduced paperwork. And, on the other side of the ledger, it does not include the short-term costs of consolidation, which will include, among other things, severance pay for workers. In other words, while it makes intuitive sense that consolidating administrative support services will save a great deal, more precise fiscal estimates are not available.

Recommendation 2: The following are savings estimates for the nine remaining posts which have been identified by DS for possible deactivation. The 1994 and 1995 savings are less because of costs incurred for one-time physical and technical security upgrades at each of the designated posts, as well as increases to the local guard force. It is possible that additional savings would result from the disposal of any of the five Marine Security Guard residences owned by the U.S. government.

In Millions of Dollars

	1994	1995	1996	1997	1998	Total
Budget Authority	0.6	0.9	1.2*	1.2	1.2	5.1
Outlays	0.6	0.9	1.2*	1.2	1.2	5.1
Change FTEs	0	0	0	0	0	0

*Note: Assuming that each Marine Guard costs the State Department about \$22,000 each year, the total savings for deactivating them at the nine posts would be \$1,188,000 yearly. However, since some of these Marines would be reassigned to fill shortages elsewhere, some part of the figure represents cost avoidance; the true savings would be somewhat less.

Recommendation 3: The State Department's Bureau of Diplomatic Security is conducting a review now to estimate the savings that would accrue from doing away with the congressional preference for American firms. No figures are available until the end of July, when this review will be completed.

In Millions of Dollars

	1994	1995	1996	1997	1998	Total
Budget Authority	xx	xx	xx	xx	xx	xxx
Outlays	xx	xx	xx	xx	xx	xxx
Change FTEs	xx	xx	xx	xx	xx	xxx

Recommendation 4: Severance pay for library employees and other closure costs--I don't know how to estimate. Savings from closing libraries and research centers in OECD countries: $9.099 million from 1994 budget authorization.

In Millions of Dollars

	1994	1995	1996	1997	1998	Total
Budget Authority	6	9.1*	9.1	9.1	9.1	42.4
Outlays	6	9.1*	9.1	9.1	9.1	42.4
Change FTEs	-20	-20	0	0	0	-40

*Note: The current fiscal 1994 budget request for USIA libraries in OECD countries is $9.099 million.

Fiscal impact summary: Above it was estimated that Recommendation 1 would save the U.S. government as a whole between $63 and $125 million just in salaries and expenses budgets, mainly from personnel reductions. A conservative estimate of savings, then, would be $63 million. Assuming that these savings could be achieved within five years, the total fiscal impact of this paper would be approximately $63.0 million + $5.1 million + $42.4 million = **$110.5 million**. (N.B.: This figure does not include the undetermined savings from Recommendation 3, which are to be provided by the end of July by the State Department.) Since State Department employees represent about one-third of the total presence at overseas posts, DOS's share of the estimated $63 million would be approximately $21 million. Hence the total fiscal impact on the State Department would be

NOTE: OMB review of this fiscal estimate is not yet complete.

$21.0 million + $5.1 million = $26.1 million. (Again, this does not include savings from Recommendation 3.) And the total fiscal impact on USIA would be the $42.4 million from Recommendation 4.

Endnotes

1. John W. Tuthill, "U.S. Foreign Policy, the State Department, and U.S. Missions Abroad," *The Atlantic Community Quarterly*, vol. 26 (Spring 1988), p. 34.

2. U.S. Comptroller General, *Overseas Support: Current U.S. Administrative Support System Is Too Complicated*, Report to the Chairman, Legislation and National Security Subcommittee, Committee on Government Operations, GAO/NSIAD-88-84 (Washington, D.C.: General Accounting Office, March 1988), p. 31.

3. U.S. Department of State, Office of Inspector General, *Joint State/U.S. Agency for International Development OIG Review of Administrative Operations in Cairo*, Report of Audit 3-FM-002 (Washington, D.C., January 1993), p. 2.

4. "Marine Security Guard Program: Memorandum of Agreement Between the U.S. Department of State and the United States Marine Corps for the Operational and Administrative Supervision of the Marine Security Guard Program in Support of the U.S. Department of State's Overseas Security Program,"signed by Ambassador S.J. Krys, assistant secretary for diplomatic security, and H.C. Stackpole III, lieutenant general, USMC and deputy chief of staff for plans, policies, and operations; November 25, 1991, pp. 8-10.

5. According to Special Agent George W. Goodrich, Chief of the MSG Branch at the Bureau of Diplomatic Security, each Marine Guard costs the Department of State an average of $22,000 per year in travel costs, clothing allowances, and post expenditures which include lease costs, BAS, COLA, and other expenses. (Under the terms of the joint State Department-U.S. Marine Corps [USMC] Memorandum of Agreement on this issue, USMC finances the other costs, including salaries and training.) The $27 million figure comes from multiplying the total number of MSGs (1,225) by $22,000.

6. The nine remaining posts are Bangui, Bujumbura, Luxembourg, Nouakchott, Ouagadougou, Port Louis, Reykjavik, Vatican, and Wellington.

7. Public Law 101-246

8. U.S. Congress, House of Representatives, Representative Pete Stark speaking for an amendment to USIA Salaries and Expenses authorization, 102nd Cong., 2nd sess., July 30, 1992, *Congressional Record*, p. H7034.

9. On this point, see U.S. Comptroller General, p. 32.

10. Ibid.

11. Telephone interview with Joseph G. Banyas, Office of Reimbursements, Office of Budget and Planning, Bureau of Finance and Management Policy, U.S. Department of State, Washington, D.C., July 9, 1993.

Telephone interview with Executive Assistant Alphonse F. La Porta, Office of the President's Special Representative for the Multilateral Assistance Initiative for the Philippines, office of East Asian and Pacific Affairs, U.S. Department of State, Washington, D.C., July 8, 1993.

12. Telephone interview with Alphonse F. La Porta, July 8, 1993. The estimate here is also included in the State Department's internal set of issue papers produced in conjunction with the National Performance Review.

CONSOLIDATE AND RELOCATE THE STATE DEPARTMENT'S REGIONAL ADMINISTRATIVE MANAGEMENT CENTERS IN A SINGLE U. S. CENTER

Background:

The State Department's accounting and financial management is a function identified by the Office of Management and Budget (OMB) as a high risk area. Included in this area is the operation of Regional Administrative Management Centers (RAMCs). The Department of State currently operates three RAMCs--Bangkok, Mexico City and Paris. Using the Overseas Financial Management System (OFMS) and the RAMC Paris Accounting System, RAMCs serve as regional accounting and disbursing centers. They maintain numerous accounts and issue checks, such as local payrolls, for posts within their region. These centers account for, control and report on the use of appropriated funds, and provide summary financial information for department-wide use.[1]

However, the department has not produced the standardized overseas accounting system intended. The overseas systems are not standardized among the three RAMCs and do not operate on-line with the State Department's Central Financial Management System (CFMS) in the United States. The General Accounting Office (GAO) has found that, after 10 years of development, OFMS is obsolete. The OFMS has been described as "labor-intensive, difficult to use, and time-consuming."[2]

The department has worked to address system problems and the specific shortcomings in the RAMCs. Progress includes reducing the overseas system variations in use at RAMCs from four (one standard version and three local versions) to two. Long-term plans call for a worldwide standardized accounting system-- the Integrated Financial Management System (IFMS), by 1999. The Department of State has also conducted a Worldwide Financial Processing Study addressing all aspects of financial management This study has not been released.

Additionally, as part of an overall support strategy, the State Department has been studying what functions must be performed overseas. Given new technologies, many functions that have traditionally been performed overseas can be done just as effectively and efficiently in the United States. The department's own *State 2000* report refers to an "acid test" of whether support can "equally effectively and more cheaply be provided from the United States..."[3] Along these lines, the State Department has preliminary plans to relocate the Mexico City RAMC to the continental United States in the 1995-97 time frame. Relocation costs are estimated at about $4 million with a five-year payback period.

RAMCs locations will be of less importance when the IFMS and supporting communication systems are fully deployed. All the software used will be compatible and information can be transferred electronically. As communication and transportation methods continue to improve, the quality of RAMC service will be less dependent on their location. A single center should not have unmanageable impact on customer service and one center in the United States may be feasible in the very near future. However, consolidation of the three RAMCs at a single location is not specifically planned by the Department of State at this time.

A consolidation project should be initiated immediately, beginning with the relocation of the Mexico City RAMC. The department should develop thorough plans and selection criteria for a future, single administrative management center in the United States and relocate to that site. Site selection for a future single center and relocation of the Mexico City operation should be accelerated along with the move of appropriate Paris and Bangkok functions which can be consolidated immediately. The complete Bangkok and Paris operations should follow in phased moves and the overseas operations shut down.

RAMC consolidation appears a logical step given the movement toward a single integrated financial system and the acid test cited above. Understanding that it is dependent upon an effective "hardware, software, and communications structure,"[4] planning for the merger of the three RAMCs into a single center and closing the overseas facilities should be made a priority.

Movement of the Mexico City RAMC to a site in the United States would save money. The Department of State estimates that overseas support costs for each U.S. employee range from $50,000 to $150,000 per year. As of July 1993, Mexico City RAMC had eight U.S. employees assigned. The relocation of the Mexico City RAMC to the United States would produce savings each year on avoided overseas support costs. More would be saved when all the overseas RAMCs are closed. Currently, Bangkok has six U.S.

personnel assigned and Paris has seven. Savings will be gained in other areas as well because consolidation should also mean economies of scale in operations and a smaller overall workforce.

When evaluating the consolidation all RAMCs, one factor that must be kept in mind is the cost of a foreign national workforce at an overseas location. In some situations an overseas workforce is cheaper. Bangkok, with 62 Foreign Service Nationals (FSNs), is an example of an inexpensive but very effective foreign workforce. Paris, with 115 FSNs, is much more expensive. Judging the fiscal results of replacing foreign nationals with U.S. employees is very difficult based upon the various scales paid in the three RAMC locations, currency exchange rates, benefits, and other factors. There may be some increased costs associated with losing a relatively cheap foreign national workforce. However, these increased costs are offset to some degree by the return of jobs to the U.S. economy, a smaller overall workforce and the increased tax base created by a U.S. national payroll replacing a foreign national payroll.

In summary, the primary fiscal arguments supporting the consolidation of all three RAMCs in the United States are economies of scale in operations, avoidance of overseas support costs for U.S. personnel and a net savings on payroll when all benefits to the U. S. economy are factored into the cost-benefits analysis.

Recommendation

Consolidate the three existing overseas Regional Administrative Management Centers into a single center in the United States by FY 1997. This should be accomplished by first identifying a suitable location in the United States for a consolidated center and moving the Mexico City center to that site in fiscal 95. Appropriate operations from Bangkok and Paris RAMCs, such as American payroll, should be moved at the same time. The Paris and Bangkok centers should be moved by end of fiscal 96.

Implications

The cost of relocating the Mexico City RAMC should be recouped in five years.. Additional savings, based on economies of scale, should be realized as other RAMC's functions are transferred. More savings will be achieved as the remaining two RAMCs are consolidated and the overseas centers closed. There will be a net reduction of full time equivalent positions (FTE) once all the RAMCs are relocated; however, there will be a need for parallel operations, e.g., operations at both a new U.S. center and at RAMC Mexico City during actual movement.

Fiscal Impact

A total reduction of 28 full time equivalent (FTE) positions can be achieved by 1998 if the RAMCs are relocated as recommended. Total costs of relocating the three RAMCs are estimated at approximately $25 million. Annual savings would begin in 1997. Based on on this and future annual savings, payback is seven years after the project begins and five years after the last RAMC is moved. Savings would continue to grow after that time.

In Millions of Dollars

	1994	1995	1996	1997	1998	Total
Budget Authority	(3.2)	(9.5)	(11.9)	4.3	4.8	(15.6)
Outlays	(3.2)	(9.5)	(11.9)	4.3	4.8	(15.6)
Change in FTE	0	0	0	0	(28)	(28)[5]

Endnotes

1. U.S. Comptroller General, *Serious Deficiencies in State's Financial Systems Require Sustained Attention*, Report to the Congress, AFMD-93-9 (Washington, D.C.: General Accounting Office, November 1992), p. 17

2. Ibid., p. 18.

3. U.S. Department of State, *State 2000: A New Model for Managing Foreign Affairs* , report prepared by U.S. Department of State Management Task Force, Washington, D.C., December 1992, p. 291.

4. Comptroller General, AFMD-93-9, p. 20.

5. As noted, FTE requirements will vary based upon demands for parallel operations. State has estimated a net reduction of 28 FTE's by fiscal year 1998.

NOTE: OMB review of this fiscal estimate is not yet complete.

CONSOLIDATE U.S. NON-MILITARY INTERNATIONAL BROADCASTING AND ADDRESS RELATED STRATEGIC AND RESOURCE IMBALANCES

Background

Government-funded international broadcasting has been the subject of recent intense public debate. While many believe that international broadcasting is one of the strongest and most important instruments of American foreign policy, others criticize it as a Cold War relic that should be dramatically downscaled or even eliminated.[1]

U.S. non-military overseas broadcasting is currently provided by several entities. Among the most prominent are the television and radio services of the United States Information Agency's (USIA) Bureau of Broadcasting, which accounts for about a third of USIA's entire $1.2 billion budget. The Bureau's key components include: the Worldnet Television and Film Service, the Voice of America's worldwide radio programming, and the television and radio broadcasting services to Cuba (Radio/TV Marti). The Administration's request for USIA's fiscal year 1994 budget also included funds for the creation of a new Asian Democracy Radio service, designed to provide surrogate broadcasting to China and other closed countries in Asia.

USIA has not been the only player in this broadcasting arena. There are also two major surrogate radio broadcasting entities--Radio Free Europe (RFE) and Radio Liberty (RL)--which have been overseen by the Congressionally mandated independent Board of International Broadcasting. Headquartered in Munich, Germany, RFE and RL operate with a budget of approximately $220 million a year. Post-Cold War foreign policy alone dictates the need for a fundamental reassessment of the requirement to maintain separate services. Resource constraints also contribute to the need for a reassessment. Recognizing this, President Clinton has already approved a consolidation and reorganization of U.S. international broadcasting in order to strengthen its capabilities to foster and support freedom and democracy around the world. Significant savings are to be realized from the consolidation of these broadcast services within the United States Information Agency. The savings would be generated primarily from streamlining the amount of international broadcasting programming, the elimination of duplicative administrative functions and their associated costs, and the more optimal use of global technical assets, including facilities, transmitters and frequencies.

Within the framework of this consolidation, it is important that USIA continue to assess the allocation of its broadcasting resources, in light of the revolutionary changes in the international security arena and the effect that television has had on international affairs world wide. The following trends can be attributed to the current communications environment:

- The traditional medium of international broadcasting, direct broadcasting by shortwave, will continue to be an important medium in certain media-deprived areas of the world. However, in other areas, it is already declining in importance as television, FM, and medium-wave (AM) have become more prevalent technologies.
- In particular, television has become widely recognized as the principal source of news, information, and entertainment throughout most of the world. It is no longer available only to foreign elites. Even Burmese guerrillas are watching MTV from their secluded jungle outposts.[2] In fact, "the same motives that inspired national governments to create shortwave radio stations now inspire them to send television broadcasts via international satellites."[3]
- As foreign audiences become more diverse, U.S. broadcasting policy and programming will be increasingly dependent on thorough media and audience research.

In spite of these dramatic changes in the international communications environment, USIA continues to spend 18 dollars on radio for every dollar allocated to television.[4]

Recommendations

1. **The Director of USIA, in conjunction with the Chairman of the Board of International Broadcasting (BIB), should aggressively implement the President's plan for the consolidation of U.S. international broadcasting under USIA.**
   Under the plan, the BIB will be abolished and replaced by an independent bipartisan Broadcasting Board of Governors (BBG) within USIA, responsible for "assessing the

quality, effectiveness, and professional integrity of U.S. surrogate broadcasting."[5]

2. **USIA should continuously assess requirements for surrogate broadcasting and identify other consolidation or elimination opportunities, including the potential addition or deletion of language services. Working with the Congress, the USIA Director should "establish language priorities based on U.S. interests, available resources, media research, and alternative technologies."[6]** Past efforts to reduce the Voice of America's language services in order to maintain quality within resource constraints have been minimally successful.

3. **The Director of USIA's new International Broadcasting Bureau should:**
   - **ensure that USIA's broadcasting priorities are formally developed in conjunction with the agency's regional program priorities, thereby maximizing the contribution of broadcasting services to U.S. foreign policy objectives;**
   - **continue to assess, on a regional basis, the media mix that will be most effective in reaching its audience, with a particular emphasis on increasing television usage;**
   - **increase the bureau's media and audience research activities.** Programming and signal delivery decisions should be thoroughly grounded in this type of research.

4. **The International Broadcasting Bureau should continue--and accelerate--its efforts to reprogram resources to those technologies and methods of broadcasting which deliver maximum impact.** The Bureau Director should work with the BBG to develop a strategic plan for the use of U.S. non-military international broadcasting resources. The plan should articulate a mission and vision for the Bureau, and lay out a roadmap for entering the 21st century. It should take into account current and anticipated technological trends and advances, including the increasingly global proliferation of direct satellite capabilities and the potential obsolescence of short-wave radio in all but the remotest world-wide locations. The plan must necessarily address the allocation of resources between radio and television and should emphasize those areas in which USIA has a qualitative edge

over commercially available programming. The integration of the agency's radio and television services, including language staffs, editorial staffs, technicians, and world-wide correspondents should also be addressed as part of the strategic plan.

Implications

While diplomacy was once defined as official state-to-state relations, it has become increasingly important to influence and communicate directly with foreign peoples. Clearly international broadcasting, and particularly television, will continue to be one of the most effective means of accomplishing and communicating U.S. foreign policy goals and objectives.

Fiscal Impact

Consolidation would bring about significant savings from the current baseline budget. In addition, significant personnel savings will accrue. However, this savings will occur largely in Radio Free Europe/Radio Liberty; since RFE/RL are funded by contract, these employees are not scored as FTE.

Net Savings/Changes to Baseline
In Millions of Dollars

	1994	1995	1996	1997	1998	Total
Budget Authority	(15.0)	(30.4)	130.8	133.7	136.7	355.8
Outlays	33.2	(24.0)	142.8	116.5	130.6	399.1
Change in FTEs	0.0	0.0	0.0	0.0	0.0	0.0

Endnotes:

1. Strong support for broadcasting as an instrument of U.S. foreign policy can be found in United States Advisory Commission on Public Diplomacy, *Diplomacy in the Information Age*, 1993 Report, Washington, D.C., February 1993. At the opposite end of the spectrum, the Congressional Budget Office's most recent report went so far as to recommend total elimination of all overseas broadcasting, including closing the Voice of America, Radio Free Europe, Radio Liberty, and all broadcast services to Cuba. Congressional Budget Office, *Reducing the Deficit*, "Chapter 2: Defense and International Discretionary Spending," February 1993, pp. 132-133.

2. Marcus W. Brauchli, "Star Struck: A Satellite TV System is Quickly Moving Asia into the Global Village," *The Wall Street Journal*, (May 10, 1993), p. A1.

3. Institute for the Study of Diplomacy, *USIA: New Directions for a New Era*, School of Foreign Service, Georgetown University, Washington, D.C., March 1993, p. 27.

4. United States Advisory Commission on Public Diplomacy, *Diplomacy in the Information Age*, p. 42.

5. Memorandum from the Director, Office of Management and Budget and the Assistant to the President for National Security Affairs to the Secretary of State, the Director, United States Information Agency, and the Chairman, Board of International Broadcasting, June 15 (?), 1993.

6. *Diplomacy in the Information Age*, p. 42.

II. C. Introducing Market Dynamics

IMPROVE THE COLLECTION OF RECEIVABLES

Background

The Department of State has experienced significant problems in departmental accounting and financial management. This remains an Office of Management and Budget (OMB) high risk area, and the target date for correction reported by the Department of State is 1999.

One deficiency in the current financial systems that can be addressed immediately is to improve the recovery of receivables owed to the United States Government by State Department employees and other parties. The department itself acknowledged that it has "a great deal of work ahead before fully implementing the requirements of the Standard General Ledger."[1] The General Accounting Office (GAO) reports this failure to implement a general ledger capability has left the department with no control or accounting of accounts receivable.[2] An outside auditor states, "the possibility exists that revenue/receivables which should be recorded are never reported ..."[3] Collection is difficult and spotty without proper accounting procedures and records. The recovery rates based on known data could be improved.

The standard for recovery should be 100 percent of the receivables due. To fulfill its obligation to taxpayers to use federal funds effectively and efficiently, every organization must seek to maximize its recovery of receivables. This is a matter of survival for most commercial enterprises and is certainly the proper approach for government. In addition, internal control standards, set by the Federal Managers' Financial Integrity Act of 1982 and the Comptroller General, require "that all transactions and other significant events ... be clearly and promptly documented and the documentation be readily available for examination."[4] If the internal control standards for documentation were met, the Department of State could identify its receivables. With this information and aggressive collection, recoveries could be made even with the existing deficiencies in the financial management and accounting systems. Based on the latest fiscal year data available, State Department collections barely keep pace with new receivables. In fiscal year 1992, collections totaled about $17 million while new receivables were $16 million. Outstanding receivables were $20 million.

Recovery of overseas medical expenses is a good example of the department's needs in this area. Most Department of State employees serving overseas have private or federally sponsored medical insurance. These employees "are responsible for filing claims with their insurer to recover allowable medical expenses the government has paid and for remitting the insurance payments to the government."[5] The GAO estimates approximately $1.7 million was potentially recoverable in fiscal 1991 under this program.[6] It appears very little, if any, was recovered. The estimate of the recoverable amount is based upon overseas medical expenses reported by Department of State's Office of Medical Services in fiscal 1991.

Examples of other receivables include: repatriation loans, emergency medical loans, medical air evacuation, nonstate travel, unearned pay, travel advances and passport fees. As noted above, the Department of State's accounting system simply does not provide the detail necessary to calculate accurately the total amount due; however, it is clear that a significant number of debts with a substantial dollar value go uncollected.

Recommendations

1. **The Department of State should ensure that overseas medical expenses are accurately identified and reported by each embassy.** Minimum information should include: 1) date and amount of medical expenses authorized and paid, by name of employee; 2) employee insurer and date claim for reimbursement was filed; 3) amount and date of recoverable expenses paid to employee and amount and date remitted to government; and 4) delinquencies or problems in filing claims or remitting recovered expenses.

2. **The Department of State should ensure that other debts to the government are accurately identified and reported.** This should include establishing procedures to record and track all obligations, such as pre-paid leases, other pre-paid expenses, personal use of government vehicles and unofficial telephone calls which are due from both businesses and individuals.

3. **The Department of State should actively collect accounts receivable.** For employees, the Department of State should increase its use of payroll deduction where appropriate. While IRS offset and collection agencies are currently employed, follow-up should be improved. The Department of State should set the goal of increasing its rate of recovery by 3 percent per year for the next five years.

Implications

The limitations of the current financial systems notwithstanding, the recommended actions should increase the number and amount of accounts receivable collected. By accurately documenting, recording, and reporting debts, the Department of State would not only be able to track more accurately its accounts receivable, but also have the proof necessary to effect collection. Granting that more must be done to rapidly record and report all receivables, the known receivables provide an opportunity for improvement. Recent receivables normally represent the best chance for recovery. At the end of fiscal 1992, the Department of State reported $6 million in receivables less than 90 days old with all receivables amounting to approximately $20 million. There are ample known receivables for the department to target.

Aggressive collection of debts would also serve notice to the department that a higher standard for accounting and collection practices has been established--one that requires greater diligence on the part of staff. Increased accountability should encourage both financial officers and individuals to closely examine transactions that result in receivables such as travel advances, personal use of government services and equipment and pre-paid expenses. These transactions should be limited in number and amounts to the minimum practicable. Discretion in requesting and granting such requests should be exercised.

Fiscal Impact

It is estimated that the recommended actions regarding overseas medical expenses could recover well over $million dollars annually alone. The potential collections from other areas would be dependent upon the recovery rate achieved, new receivables incurred and other factors, but are calculated below based on conservative estimates and a modest annual improvement rate of 3 percent. Collection of any portion of these receivables represents funds that would otherwise be lost to the government.

If only selected, recorded receivables are used and the increased collection rate goal of 3 percent per year was met, the five-year impact would be as follows:

	In Millions of Dollars					
	1994	1995	1996	1997	1998	Total
Budget Authority	$1.3	$1.7	$1.8	$1.7	$1.6	$8.1
Outlays	$1.3	$1.7	$1.8	$1.7	$1.6	$8.1
Change in FTEs	0.0	0.0	0.0	0.0	0.0	0.0

Endnotes

---

1. 1. U.S. Department of State, "The Federal Managers' Financial Integrity Act 1992 Report to the President and the Congress," report prepared by Lawrence S. Eagleburger, Washington, D.C., December 23, 1992, p. B-8.

2. U.S. Comptroller General, *Serious Deficiencies in State's Financial Systems Require Sustained Attention*, Report to the Congress, AFMD-93-9 (Washington, D.C.: General Accounting Office, November 1992), p. 25.

3. U.S. Department of State, "Report on Review of the Receivables Function Within the U.S. Department of State," report No. 1-FM-034 prepared by Arthur Andersen & Co., S.C., Washington, D.C., August 1991, p. I-1.

4. U.S. Comptroller General, *Need to Ensure Recovery of Overseas Medical Expenses*, Report to the Congress, NSIAD-92-277 (Washington, D.C.: General Accounting Office, August 1992), p. 3.

5. Ibid., p. 2.

6. Ibid., p. 4.

CHANGE UNITED NATIONS BUDGETING, REPORTING AND ASSESSMENT PROCEDURES

Background

The end of the Cold War has produced a changed international system. The United Nations (UN) plays a central part in this system. For example, regional security issues have replaced the former Soviet threat, and multilateral diplomacy takes on new importance. Given domestic constraints, the U.S. must find ways to encourage other nations to share the financial burden of financing the UN. Transnational issues, such as the environment and illegal narcotics, require global solutions, and the UN plays a prominent role in encouraging a global approach.

Just as relations in the world are changing, the U.S.'s relationship to the UN bears a significant review. Increasing costs and, more importantly, what is accomplished with U.S. contributions are of special interest to the American people and the Congress. Confidence that the UN is an efficient and effective organization must be fostered. At the same time domestic constraints imply that the U.S. must find ways to encourage other nations to more equitably share the UN's financial burden.

The cost to the U.S. Government of supporting the UN falls into two categories. The U.S. is separately assessed a portion of both the UN regular budget and the UN peacekeeping budget. These assessments have grown over the years, with the most significant increases in the peacekeeping budget. In fiscal 1992, a $259 million appropriation was enacted for the UN regular budget. Three years later, the fiscal 1994 request was $291 million, a 12 percent increase. The basic peacekeeping appropriation for fiscal 1992 was $457 million while the fiscal 1994 request was $598 million. (The $598 million fiscal 94 request does not include $22 million in arrearages for a total request of $620 million.) The 30 percent increase over three years makes the peacekeeping budget and assessment a matter of some concern.

The U. S. should seek to ensure that an effective oversight mechanism is established in the UN that would provide accountability and the means to guarantee UN programs are accomplishing their approved intent and properly utilizing resources. Part of this accountability should be requiring UN managers to frequently report on their financial performance. At the same time, all UN employees must be given a sense that they are doing a meaningful and relevant job-- One worthy of doing well.

The immediate creation of a UN Office of Inspector General (OIG) would be an effective means of addressing the oversight and accountability question. It seems imperative that an IG office be established to ensure that an independent evaluation of operational and management practices is conducted on a regular basis. Under current practices, UN managers do not provide the free access to records and accounts necessary to perform a satisfactory audit and inspection function. The existing Joint Inspection Unit, with 11 staff members, is inadequately staffed and does not have the access necessary to perform a genuine OIG role.

In addition to ensuring that member states are getting value for their UN payments, the UN's methodology for determining the scale of assessments should be reexamined. Under current procedures, the U.S. pays the ceiling rate of 25 percent of the UN regular budget and more than 30 percent of peacekeeping costs. "Capacity to pay" is the fundamental criterion in setting the scale of assessments for the UN regular budget.[1] While different, the peacekeeping scale is based on the regular scale. However, the mechanics of assessment do not appear to be equitable in all cases. A 1992 General Accounting Office report notes that 15 countries have per-capita gross national products that mean they could assume a greater share of the UN budget. Additionally, 20 countries are "upper middle" and "high" income economies that should bear more of the burden of peacekeeping.[2]

Making such changes will require the support of other UN members. The U.S. must build a consensus for proposed changes. As a first step in generating member support, it should be determined how other countries, particularly Security Council members, monitor their UN payments and what is their level of customer satisfaction with current UN management practices.

Two related items, which are entirely under U.S. control, should also be addressed. First, the Bonkers report, which requires the president to submit semiannual reports on voluntary contributions to international organizations (IOs) to Congress should be eliminated. Second, the tax treatment of salaries of U.S. personnel working for the UN and other IOs should be changed.

The Bonkers report is a complex report requirement involving the transfer of data from various agencies to OMB, to the State Department and finally to Congress. There is no evidence the report is used for any purpose. It appears to be an unnecessary report.

The tax issue arises from the fact that U.S. nationals working for the UN and at least 26 other IOs must pay U.S. income tax on their IO earnings even though these organizations establish pay levels on the basis that pay will not be taxed. For example, the Convention on Privileges and Immunities of the United Nations states that salaries and emoluments are tax exempt, but the U.S. has specifically reserved the right to tax its nationals.[3] In order not to penalize U.S. personnel working for IOs, a mechanism has been established whereby the U.S. taxes IO pay, the IO refunds to U.S. employees the taxes paid and the U.S. reimburses the IO for such amounts by bilateral tax reimbursement agreements and tax equalization funds.

The failure to make IO pay tax exempt necessitates this complex process and produces no net gain for the U.S. Any tax collected from U.S. nationals is offset by tax reimbursement and equalization payments to the IOs. In fact, the U.S. has been trying since early 1993 to correct an over-assessment for taxes as evidenced by the $32.2 million surplus in the UN tax equalization fund alone.[4] Additionally, there are administrative costs involved in monitoring and reviewing the reimbursement claims and in reimbursing the IOs. There is also the opportunity for fraud and abuse through devices such as amended tax returns. Excess payments to IOs, administrative costs and losses through fraud and abuse are incurred solely for the appearance of taxing U.S. citizens working for IOs.

Recommendations

1. **The U.S. should seek UN and member support for: a) an office of a UN Inspector General or similar oversight mechanism** that would include increased reporting on financial performance and **b) a reexamination of UN assessments procedures and practices.**
2. **Amend the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2226)** to drop the requirement for reporting on voluntary contributions to

international organizations by deleting Sections 306(b)(1), (2) and (3).

3. **Eliminate the administrative collection and subsequent reimbursement of taxes** by changing Section 893(a) of the Tax Code to include U.S. citizens under the rule for exclusion of wages, fees or salary of employees of international organizations.

Implications

Emphasis on UN budgeting practices, financial reporting and accountability will help to ensure that burgeoning UN expenditures are contained. No specific savings can be associated with these basic management procedures, but they are critical to controlling UN costs. Overlapping and duplicative functions and programs within the UN can be eliminated and greater financial stability achieved. An active OIG can make immediate and lasting contributions to the UN in the form of improved management practices.

Elimination of the Bonkers report is mandated by common sense. Unnecessary reporting is by definition non-value added and should be stopped.

Taxing IO income and then reimbursing the taxpayer is also unnecessary reporting at its worse. It involves not only reporting in the sense of filing returns and claims but necessitates the physical transfer of funds without adding value. The potential for fraud and abuse in claiming reimbursements will be eliminated when the taxing of IO income, and its concomitant reimbursement process, is eliminated. There will be a minuscule decrease in the total U.S. tax base because non-IO income of U.S. personnel working for IOs will become first income and be taxed at a lower rate.

Fiscal Impact

A reexamination of assessment practices should result in reduced costs to the U.S. The goal of seeking changes in current procedures is to lower U.S. assessments by more equitably sharing the financial burden of the UN among member countries.

Elimination of the Bonkers report would save the significant indirect costs currently expended to produce a report of questionable value. There are no indications that this is a value-added report.

The Department of State indicates direct savings each year on tax reimbursements. These savings will come from the avoidance of overpayment to tax equalization funds and to tax reimbursement agreement accounts. The accumulated overpayments in the UN tax equalization fund were $32.2 million as of 1993. In May 1993, the Secretary of State informed the UN that "the United States will credit 32.2 million dollars toward its calendar year 1993 assessment."[5] This represents a savings of that amount in fiscal 94 outlays.[6] The overpayments vary from year to year and cannot be accurately forecast. However a conservative estimate of annual savings of $0.75 million appears justified.[7]

In addition to these direct savings, there will be indirect savings associated with not claiming and processing reimbursement and transferring funds to IOs. The State Department estimates over 400 annual work hours with an approximate value of $17,000 are lost monitoring tax reimbursements.

Minimum savings are:

	In Millions of Dollars					
	1994	1995	1996	1997	1998	Total
Budget Authority	32.2[6]	.75	.75	.75	.75	35.2
Outlays	32.2[6]	.75	.75	.75	.75	35.2
Changes in FTE	0	0	0	0	0	0

Endnotes

1. U.S. Comptroller General, *U.S. Participation in Peacekeeping Operations*, Report to Congress, NSIAD-92-247 (Washington, D.C.: General Accounting Office, September 1992), p. 49.

2. Ibid., p. 22.

3. United Nations, General Assembly of the United Nations, "Convention on the Privileges and Immunities of the United Nations," (13 February 1946), p. 26.

4. Telegram from Warren Christopher, U.S. Secretary of State, to U.S. Mission to the United Nations, May 20, 1993.

5. Ibid.

6. The UN must agree to this crediting of the $32.2 millon toward the assessment in order for this to be a real savings. Otherwise the UN will consider the U. S. to be that amount in arrears. Although the U. S. may reduce its outlay, the technical obligation to make the payment would remain.

7. Overpayments in 1992 were $8.1 million. However, in some years there have been underpayments. The net increase in the fund balance from 1983 through 1992 was $8.3 million. This produces a ten year average of $830,000.

Section III

Agency Reinvention Activities

AGENCY REINVENTION ACTIVITIES

Getting Started and Motivating Participation

Even before the formal National Performance Review (NPR) initiative began, Secretary Warren Christopher and Deputy Secretary Clifton Wharton announced sweeping changes in the Department of State's policy implementation process, drawing on recommendations contained in the *State 2000* report, completed in January 1993. In February, they announced a reorganization to reduce management layering, devolve greater responsibility to line units and officers, and eliminate many ad hoc offices that had been created over the years. The changes also gave new organizational structure to global issue priorities such as the environment, peacekeeping and support for democracy.

Following the President's March announcement and the April 1 letter from the vice president, Secretary Christopher, on April 5, established a State Department Team for Reinventing Government. Top State leadership wanted this to be a grass-roots effort to the greatest extent possible. Accordingly, while establishing a small coordinating office, it chose volunteers to head Cluster Groups in each of six areas: consular affairs, business facilitation, diplomatic security, people and empowerment, financial management and organization management. Their job was to come up with ideas and realistic recommendations to improve service to the public, save money, and allow State employees to do their jobs better.

Each Cluster Group leader in turn, recruited other volunteers to participate in the effort. In all, some 100 State Department employees, from all ranks and both Civil Service and Foreign Service, played an active role in developing proposals. Many times that number contributed ideas in writing or participated in group meetings. Some of the Cluster Groups (e.g., Business Facilitation) also conducted extensive interviews in other agencies and the private sector.

The Coordinating Office sent a questionnaire to the Department's 275 overseas posts and offices throughout the United States and domestic bureaus to solicit individual or unit suggestions for how the Department could do its work better. To date more than 400 replies have been received.

On May 26, the vice president held a Town Meeting at the State Department for employees of State, the Agency for International Development (AID), the Arms Control and Disarmament Agency (ACDA) and the United States Information Agency (USIA). Nine hundred employees attended the meeting which was also broadcast live to offices throughout the building and to 160 overseas posts and relayed by satellite to 73 more.

These initiatives quickly demonstrated that State Department personnel not only had a great many ideas for improving performance and efficiency, but there was also a tremendous reservoir of popular support for the basic ideas of "government reinvention." Employees were eager to participate, often on their own time after completing their normal workdays.

The State Department team worked closely with their NPR task force counterparts but, because over 200 proposals were made, began planning early for a separate State Department Reinventing Government Report. That report, complementing this report to the president, addresses over 80 specific issues and recommendations on internal State Department activities in greater detail that could be encompassed in the vice president's report.

State Department Reinvention Laboratories

The Consular Affairs Laboratory was one of the first to be announced by any agency. State Department officials had been considering ways to "reinvent" the Department's Consular operations before the president's announcement. The vice president's letter of April 1 provided a broader platform for that effort.

At the core of the Consular lab is the establishment of five "mini-labs" at overseas posts, and the use of surveys to conduct both external (customer) and internal (organizational) assessments. Other reinvention initiatives in the consular area include:

- Establishing a Children's Issues Division to better respond to the growing number of adoption and child custody cases.
- Making the repatriation loan program less costly.
- Reorganizing the federal benefits work to make the delivery process more efficient and to reduce double payments to dual nationals.

- Eliminating a burdensome report mandated by Congress but which appears to have outlived its usefulness.
- Achieving greater efficiencies of scale in passport issuance.

The second State Department laboratory is directed at supporting U.S. business abroad -- "Business Facilitation." Rather than centrally selecting certain posts to participate as laboratories, they will be chosen on a competitive basis. Posts and bureaus have been asked to submit proposals. The best will be chosen to receive funding for projects from a Business Facilitation Incentive Fund to develop their proposals. As part of this effort, the State Department will seek authority to collect and retain fees for its commercial services.

Other elements of the Business Facilitation proposal include significantly expanding training of State Department personnel in commercial work and increasing the Department's to the American business community here at home--for example, by having the Secretary periodically address major U.S. business conferences or conventions.

The third State Department laboratory is Diplomatic Security. The security function, here and abroad, for U.S. government personnel as well as for foreign officials in the United States, has gone through 20 years of rapid, not always coordinated expansion. One of the most significant improvements would be a move to a multi-level security environment in which Secret (not Top Secret) is the normal security level for classified information. This, in turn, would smooth the way for much speedier and less expensive background investigations. Other savings and efficiencies could be realized if the various foreign affairs and national security agencies standardized clearance procedures. Still other proposals relate to eliminating duplication or inefficiencies in providing security services here and abroad.

Other Cluster Groups

The People and Empowerment Cluster Group was the most "popular" among the cluster groups. It held three group process meetings with employees representing regional and functional bureaus, the Bureau of Personnel and the Foreign Service Institute; no ideas were excluded. In an important respect this Cluster Group best captured the desire of employees to have a greater say in how they perform their jobs and how the system treats them. State, like other foreign affairs agencies, has special problems because of the mix of two personnel systems: Civil Service and Foreign Service.

Employees would like to see more mobility between the two services, a revamping of the Department's award program, more and better training, and solutions to the problems of promotion bottlenecks or too many employees in some specialties and not enough in others. Many employees noted the need for the Department to adapt its practices to a changed workforce, whose members cannot work the traditional 8-to-5 day. Another focus was the changing nature of the secretarial profession, and what changes are needed to provide rewarding, successful secretarial careers. The report also includes recommendations on how to make better use of spouses at overseas posts while saving the Department money in the process. Still others emphasize the need for better customer service.

The Financial Management Cluster Group came up with a wide range of more than 20 well-documented proposals based on numerous town meetings with key policy makers and financial managers in the department. Altogether more than 150 Department employees participated, more than 120 cables from overseas posts provided suggestions, and officials from two foreign government embassies shared information and ideas. The proposals have the potential to save significant amounts of money, reduce red tape and streamline operations. For example, if the full-time equivalent (FTE) ceiling were lifted, the department could realize as much as $20 million in annual savings by replacing contract hires with direct hires. Allowing the department to move to lease-purchase arrangements for foreign properties would save comparable or greater sums over time. The report proposes a "travel mini-laboratory" to test simplified vouchering procedures. Other recommendations address how to reduce procurement red tape, improve the method for determining Foreign Service National employee wage rates, and reduce the net cost to the department of medical programs.

Central to overall budget problems is how well the department can match resources to priorities. The report includes a paper and recommendations on this subject, which complement the paper in this report.

Among other topics and recommendations, the Organization Management Cluster Group looked at how to improve efficiency by consolidating administrative support functions in Washington, proposed strengthening the authority of ambassadors to control overseas staffing (see the related paper in this report), recommended expanded use of regional support centers, and urged expeditious action to improve the integrity of department's personnel database.

Looking Ahead

Secretary Christopher will send the State Department Report to the vice president in September 1993. He intends to use the report as the basis for an ongoing process of institutional reform and renewal. Many of the recommendations are already being implemented. Other require action by the Congress or by other offices of the Executive Branch, while some require further study.

Creativity cannot be compelled. But the State Department intends to do as much as possible to encourage it, by listening to employees and to the public and by putting good ideas into practice.

The process of change at the State Department does not end with the transmittal of this report.

Section IV

Fiscal Impact Summary

DEPARTMENT OF STATE/USIA
FISCAL IMPLICATIONS SUMMARY

CHANGE IN BUDGET AUTHORITY
Numbers in Millions

Ch. Ref.	Recommendation	Fiscal Year 1994	1995	1996	1997	1998	5-YRS	Change in FTEs
SA 1	Establish a Chief of Mission Authority Pilot Test	$18.3	$18.3	$18.3	$0.0	$0.0	$54.8	0.0
SA 2	Integrate the Foreign Affairs Management Process	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	0.0
SA 3	Better Coordinate Efforts to Promote U.S. Business Overseas	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	0.0
SA 4	Create a Position to Lead Migration Efforts & IM Policy	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	0.0
SA 5	Eliminate Duplication in Support Services (DOS Only)	$4.8	$5.1	$5.4	$5.4	$5.4	$26.1	(30.0)
	USIA & other USG	$14.4	$17.5	$17.5	$17.5	$17.5	$84.4	(10.0)
SA 6	Consolidate and Relocate RAMCs	($3.2)	($9.5)	($11.9)	$4.3	$4.7	($15.6)	(28.0)
SA 7	Consolidate International Broadcasting (USIA)	($15.0)	($30.4)	$130.8	$133.7	$136.7	$355.8	0.0
SA 8	Improve Collection of Receivables	$1.3	$1.7	$1.8	$1.7	$1.6	$8.1	0.0
SA 9	Change UN Budgeting and Reporting Procedures	$32.2	$0.8	$0.8	$0.8	$0.8	$35.2	0.0
	Total, Department of State/USIA (& Other Agencies)	$52.8	$3.4	$162.6	$163.4	$166.7	$548.8	

CHANGE IN OUTLAYS
Numbers in Millions

Ch. Ref.	Recommendation	Fiscal Year 1994	1995	1996	1997	1998	5-YRS	Change in FTEs
SA 1	Establish a Chief of Mission Authority Pilot Test	$18.3	$18.3	$18.3	$0.0	$0.0	$54.8	0.0
SA 2	Integrate the Foreign Affairs Management Process	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	0.0
SA 3	Better Coordinate Efforts to Promote U.S. Business Overseas	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	0.0
SA 4	Create a Position to Lead Migration Efforts & IM Policy	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	0.0
SA 5	Eliminate Duplication in Support Services (DOS Only)	$4.8	$5.1	$5.4	$5.4	$5.4	$26.1	(30.0)
	USIA & other USG	$14.4	$17.5	$17.5	$17.5	$17.5	$84.4	(10.0)
SA 6	Consolidate and Relocate RAMCs	($3.2)	($9.5)	($11.9)	$4.3	$4.7	($15.6)	(28.0)
SA 7	Consolidate International Broadcasting (USIA)	$33.2	($24.0)	$142.8	$116.5	$130.6	$399.1	0.0
SA 8	Improve Collection of Receivables	$1.3	$1.7	$1.8	$1.7	$1.6	$8.1	0.0
SA 9	Change UN Budgeting and Reporting Procedures	$32.2	$0.8	$0.8	$0.8	$0.8	$35.2	0.0
	Total, Department of State/USIA (& Other Agencies)	$101.0	$9.8	$174.6	$146.2	$160.6	$592.1	

Clinton Presidential Records
Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: **FEMA**

FEDERAL EMERGENCY MANAGEMENT AGENCY

AGENCY TEAM REPORT

NATIONAL PERFORMANCE REVIEW

INTERNAL WORKING DOCUMENT--NOT FOR DISTRIBUTION

August 6, 1993

TABLE OF CONTENTS

PAGE

I. Introduction

FEDERAL EMERGENCY MANAGEMENT AGENCY

Introduction

The Federal Emergency Management Agency (FEMA) was created by an executive order (reorganization plan) in 1979 to provide a coordinated federal response to disasters, both natural and man-made. In its early years the focus of agency planning was on nuclear war. Since 1989, however, the peaceful relations with the former Soviet Union coupled with the ferocity of recent natural disasters, such as the Loma Prieta Earthquake and Hurricanes Hugo, Andrew, and Iniki have prompted Congress, the public, and FEMA to reexamine the federal government's role in emergency management and how that role should be organized.

Currently, when disaster overwhelms state and local communities, FEMA coordinates the response of twenty-six federal agencies and the Red Cross. Each agency has designated lead and/or support roles for each of 12 support functions contained in the Federal Response Plan. Among the response functions FEMA coordinates are transportation (Department of Transportation), mass care (American Red Cross) and health and medical services (U.S. Public Health Service).[1] FEMA maintains a nationwide emergency communications network (the National Communications System) to support the work of all levels of government during a disaster.

Although the public is most aware of FEMA's emergency response to natural disasters, FEMA also administers a number of other programs 1) to assure national preparedness, including continuity of the federal government in case of foreign attack, 2) to minimize hazards such as earthquakes, hurricanes, floods, chemical spills, and nuclear accidents and 3) to help all levels of government prepare for when disaster strikes. For example, the National Flood Insurance program improves flood plain management to reduce flood losses. At the same time it insures against losses for damages that still occur. FEMA also provides extensive training to state and local officials through the Emergency Management Institute and the National Fire Academy. FEMA also administers a crime insurance program.

The Agency's budget for fiscal 1993 is $827 million. Additional funds for nationally declared disasters are covered by supplemental appropriations. For example, in fiscal year 1992, a supplemental $4 billion was added in response to Hurricanes Andrew and Iniki.

FEMA currently has 2,719 full time staff organized in six major divisions: Management and Administration, U.S. Fire Administration, State and Local Programs, National Preparedness, Federal Insurance Administration and, External Affairs.[2] FEMA operates its programs through headquarters, ten regional offices and additional special facilities.

Since its creation, FEMA has faced heavy criticism for its response to catastrophic disasters. Although the federal responsibility for disaster assistance supplements the primary responsibility of state and local governments, recent events including Hurricanes Hugo, Andrew, and Iniki and the Loma Prieta earthquake seemed to overwhelm not only state and local capabilities but also FEMA. FEMA was criticized for a heavily politicized leadership that could not coordinate the agency's organizational units or the rest of the Federal government into an effective response. FEMA's response to Hurricane Andrew, in which the military was used extensively for humanitarian aid, intensified scrutiny of FEMA and increased calls for reform. Recent reviews by the National Academy of Public Administration, the General Accounting Office, and FEMA's own Inspector General contain recommendations affecting practically every aspect of FEMA's operations.[3]

FEMA has agreed with many of the recommendations of these and earlier reviews and the new Director, James Lee Witt, is working to implement them for a "renewal of the agency." In addition, legislation has been introduced that would reorganize FEMA to improve federal preparation and response to major disasters. Other proposals have suggested transferring FEMA's functions to the Department of Defense or to another civilian agency.

A number of sources have recommended that the Department of Defense should either assume FEMA's responsibility for coordinating disaster response or be more directly responsible for humanitarian relief.[4] While quick and effective, the assistance provided by the military after Hurricane Andrew was very expensive. Moreover, civilian control is preferable to military involvement in domestic affairs, and the armed services prefer to concentrate on military preparedness. Although some have feared that America would have to turn to the military because a civilian coordinating agency can not manage catastrophic disasters, we believe that FEMA can meet this mission. A new Federal Response Plan was put in place after Hurricane Hugo and further improved when it was found wanting during the response to Hurricane Andrew. FEMA has been praised for its response to the Missouri and Mississippi River floods. Although the regular military, the National Guard, and the reserves should continue to have the responsibilities enumerated under the Federal Response Plan, FEMA should be strengthened rather than the military role augmented at this time.

The recommendations of the National Performance Review (NPR) build on past analyses and proposed solutions. In some cases NPR's recommendations reinforce rather than initiate action since FEMA has either endorsed or begun implementing the recommendation.

NPR recommendations support one overarching objective: to serve its customers most effectively, FEMA should establish a compelling cohesive mission and organize around it. FEMA's basic role should be as the Federal Government's coordination point for assisting state and local governments overwhelmed by disaster and as a catalyst for state and local government efforts to mitigate, prepare for, and respond to disaster, regardless of cause.

From Red Tape to Results

Recently FEMA has begun to adopt an all hazards approach to disaster mitigation, preparedness, response, and recovery. This arises from the fact that there are more similarities than differences in responding to various disasters, including earthquakes, tornados, fires, landslides, floods, hurricanes, chemical spills, nuclear accidents, and terrorist attacks. By recognizing these similarities and identifying the changes, both programmatic and organizational, needed to manage hazards comprehensively, FEMA can more effectively mobilize its resources to ensure an effective federal response. For too long the national security mission of FEMA has dominated its activities and inhibited the agency from responding effectively to disaster.

FEMA has been successful in dealing with the floods in the Midwest, partially because it anticipated the disaster as well as the needed response. Legislation governing FEMA (primarily the Stafford Act and the Federal Civil Defense Act of 1950, as amended) should be amended as necessary to ensure that FEMA has authority for all hazards preparation and for early disaster activities. Both 1) a fast response "SWAT" team that monitors catastrophes, assesses damage, and advises governors and the President and 2) pre-positioning people and supplies can prevent the delays that occurred after Hurricane Andrew.

Additionally, to serve state and local governments effectively FEMA must reexamine its field structure to determine whether the current reliance on 10 regional offices provides the most operationally sound and cost-effective customer service to states. "Centers of Excellence" among the field offices would encourage employees to take ownership and excel in the skills required across the range of FEMA activities.

Now is the Time

The federal government must work with states to mitigate the cost of disaster. The federal government, in cooperation with state and local government, should develop thresholds, or a "hierarchy of disasters", to reserve federal funding for disasters that are really beyond state recovery abilities. This standardization would take the politics out of disaster declaration and safeguard federal resources. FEMA should link reimbursement for the cost of disasters to state mitigation and preparedness efforts and increase participation in the flood insurance program. To encourage better disaster preparation and mitigation, and to reduce costs FEMA should establish a state disaster insurance and loan system.

Creating a Quality Management Culture

FEMA should implement several organizational and managerial changes to create a cohesive results-oriented workforce. The agency should develop the technical and teamwork skills of its political and career executive team to prevent the internal turf battles that have weakened the agency in the past.

Agency Reinvention Activities

For the first time in its history FEMA is headed by an emergency management professional. As the former director of emergency management for Arkansas, James Lee Witt came to his position well aware of past FEMA problems and with many ideas for improvement. From his earliest confirmation statements he committed himself to the "renewal of FEMA." He has emphasized the effectiveness of a comprehensive risk-based all hazard nationwide emergency management system that includes preparedness, mitigation, response and recovery. He has met with and written employees and all the major external customers of FEMA (state emergency managers and others) to describe and discuss his vision for FEMA. He appointed an executive level team to provide leadership to the renewal efforts and the agency is currently developing legislation, organizational plans, and reinvention laboratories to invigorate FEMA in support of its refocused mission.

Fiscal Impact Summary

Federal costs for disasters can be lowered by 1) reducing hazards, 2) improving state capacity to respond to disaster, 3) increasing the use of insurance for known risks, and 4) ensuring that the Federal government does not bear costs that states and localities are able to bear.

Endnotes

---

1. The Federal Response Plan provides for FEMA's coordination of federal emergency support functions with a primary agency for each as follows: providing civilian and military transportation support (Department of Transportation); providing telecommunications support (National Communications System); restoring essential public services and facilities (U.S. Army Corps of Engineers, Department of Defense); detecting and suppressing wildland, rural and urban fires (U.S. Forest Service, Department of Agriculture); information and planning (Federal Emergency Management Agency); managing and coordinating food, shelter and first aid for victims (American Red Cross); providing equipment and supplies to Federal entities (General Services Administration); health and

medical services (U.S. Public Health Service, Department of Health and Human Services); urban search and rescue (Department of Defense); responding to hazardous materials (Environmental Protection Agency); providing food (Food and Nutrition Service, U.S. Department of Agriculture.); and restoring power systems and fuel supplies (Department of Energy).

2. Full time equivalents.

3. National Academy of Public Administration, *Coping with Catastrophe: Building an Emergency Management System to Meet People's Needs in Natural and Manmade Disasters*, report prepared by Philip A. Oden, Panel Chair (Washington, D.C., February 1993); United States General Accounting Office, *Disaster Assistance: Timeliness and Other Issues Involving the Major Disaster Declaration Process* (Washington, D.C., May 1989); United States General Accounting Office, *Disaster Assistance: Federal, State, and Local Responses to Natural Disasters Need Improvement* (Washington, D.C., March 1991); U. S. General Accounting Office, *Disaster Management: Improving the National's Response to Catastrophic Disasters* (Washington, D.C., July 1993); Office of Inspector General, Federal Emergency Management Agency, *FEMA's Disaster Management Program: A Performance Audit after Hurricane Andrew* (Washington, D.C., January 1993).

4. The GAO has endorsed a stronger role for the Department of Defense in humanitarian relief (*Disaster Management*, July 1993); Congressman Fortney Stark has called for transferring FEMA's coordination functions to the Department of Defense.

II. Issue Papers and Recommendations

From Red Tape to Results

ESTABLISH DISASTER PREPAREDNESS, MITIGATION, RESPONSE, AND RECOVERY AS FEMA'S CORE MISSIONS: INVESTIGATE TRANSFERRING OTHER NATIONAL PREPAREDNESS FUNCTIONS, SUCH AS CONTINUANCE OF GOVERNMENT TO OTHER ORGANIZATIONS

Background

FEMA's primary functions fall into two general categories: national preparedness, which involves ensuring "continuance of government" in the event of some large scale emergency, such as nuclear attack; and natural disaster preparation, mitigation, and response and recovery. A review of these functions and the ability of FEMA to carry them out has resulted in the following findings:

Since FEMA's inception, national preparedness has consumed approximately one third of the agency's focus and resources. During the early and mid 1980's, the Agency focused on enabling the U.S. Government to function after a massive nuclear attack. "Management by exception," or preparing for that aspect of its mission which is least likely to be required, detracted from the Agency's ability to effectively perform its major responsibility, which is managing federal preparation and response to natural disasters.[1] With the end of the Cold War, the U.S. defense strategy is beginning to shift from preparing for a massive nuclear attack to a small attack by a rogue nation. Yet, from an emergency response point of view, the consequences of a small scale nuclear attack are very similar to natural disaster. This fact offers certain synergies, since responding to disasters requires many of the same elements as responding to nuclear attacks, such as evacuation plans, securing safety and medical attention, and attending to basic human needs like food and shelter.

Despite the similarity of the response procedures, the division between preparedness for nuclear attack, a classified function, and natural disaster response and recovery, an unclassified function, has contributed to the agency's difficulties in properly preparing for, mitigating and responding to disasters. There is a fundamental dichotomy in FEMA's national security mission and its disaster response mission, which is exacerbated by the fact that the organizations within the agency do not communicate well with one another. Although FEMA has reduced the number of positions requiring national security clearances, a "wall of secrecy" still exists around the National Preparedness Directorate.

The serious communication problems which exist between organizations in FEMA are intensified by classification restrictions of the National Preparedness programs. (An internal FEMA board has recommended reducing the number of positions with national security clearances from nearly 1900 to approximately 300. The current FEMA Director has indicated that under his plan to consolidate agency activities, fewer than 20 employees will continue with classified responsibilities.)[2] For example, during Hurricane Andrew, employees of the State and Local Directorate, frustrated at working practically around the clock, charged the National Preparedness employees with doing very little to help. The latter said they were never asked.[3] Walls between the directorates at FEMA are so high that employees have been told not to talk to people outside their directorate on projects.

Unfortunately, without the proper clearances and a "need to know," very little knowledge is available about the highly classified functions of continuance of government. Due to this, examination of classified functions could not be done by the National Performance Review. But, it is vital that such an examination be made. Most of the resources of the National Preparedness Directorate seem to be spent on ensuring the continuation of civilian government over the military in the event of a nuclear war. The directorate also supports on-going studies through "war gaming," computer modeling, and other methods. Presently, only those who are involved in the National Security world understand the full breadth and depth of FEMA's classified functions.

These divisions within the agency, as well as the changing international climate brought on by the end of the Cold War, necessitate a reexamination of how national security concerns fit into FEMA's mission. Indeed, consensus exists in Congress, the General Accounting Office (GAO), The National Academy of Public Administration (NAPA), and with the new Director that resources and emphasis should shift from national security and nuclear preparedness to "all hazards" (including natural and man-made disasters).

However, this may not go far enough. An independent assessment needs to be made of the classified activities of FEMA, taking into account the changing world order and national security needs. A more appropriate location for the highly classified functions of FEMA might be in the White House. Originally, continuance of government functions were in the Executive Office of the President (EOP), the Office of Emergency Planning, and its director was a member of the National Security Council.[4] Alternatively, the GAO and NAPA have recently recommended transferring national preparedness responsibilities to the Department of Defense.[5] However, the separation between civilian and military government has been a strong part of American heritage. Placing continuance of government in the Defense Department would not be consistent with that history. These recommendations need to be considered in an independent assessment, conducted by staff fully authorized to gain access to the full spectrum of related classified information.

Those functions of the National Preparedness Directorate which are unrelated to continuance of government, and which are not highly classified, should also be the subject of this independent assessment. The analysis for this report has revealed two potential areas where National Preparedness Directorate functions may be better served in different organizations.

First, the National Preparedness Directorate's Office of Mobilization Preparedness ensures that in a national security crisis the private sector is able to meet the needs of the Department of Defense. Their duties are often described as "keeping track of the industrial food chain," making sure that if something from the private sector is needed the U.S. would still have the ability to obtain it during a national crisis. These functions could be an excellent complement to activities performed by the Department of Commerce, which has been a primary player in industrial mobilization, through the execution of import-export regulations, and industrial assessments. The Department of Commerce also is responsible for keeping track of strategic resources.

Second, FEMA has excellent modeling and econometric analysis capabilities. It uses sophisticated models to look at where the potential shortfalls might be in a particular industry. The premise behind the modeling is to find areas in industry where dependency on import markets could create a security risk. However, the Bureau of Economic Analysis in the Department of Commerce also conducts economic and industrial analyses and forecasts trends. Without the pending national security threat of the Cold War, some of FEMA's capabilities may no longer fit or be necessary in an emergency management agency. Transferring these capabilities to the Department of Commerce might prove more efficient. However, care should be taken that the skills and techniques developed by FEMA are not lost in the process.

Recommendations

1. **FEMA should declassify and change its emphasis to preparing for and responding to the consequences of all hazard disasters.**

Though the declassification process has already begun, a "wall of secrecy" is still very evident in the National Preparedness Directorate. To use its resources most effectively, the agency should declassify and redirect its efforts to preparing for and responding to all hazards. Redirecting people and resources from what has been the agency's emphasis in the 1980's will require strong Administration support.

2. **The Administration should appoint an independent assessment team, comprised of individuals familiar with the Nation's national security needs and who are fully authorized to gain access to the full spectrum of related classified activities, to study FEMA's "continuance of government" as well as other functions of the National Preparedness Directorate.**

The team should submit its report to the Administration four months after the date of appointment. They should examine transferring "continuance of government" functions to the White House (possibly the National Security Council), and examine whether some other functions of the National Preparedness Directorate could be done more appropriately by other organizations. The team should also look for duplication of activities being done by other agencies which provide little additional value to justify resources and could be eliminated.

In a changing world, where the biggest threat is no longer a nuclear weapons assault by the Soviet Union, the government needs to examine how it plans for continuance of government and civil mobilization. The extensive planning for civil mobilization and global war exercises done in the 1980s needs to be reexamined in light of the changing world order and a new set of national priorities. These functions may no longer fit in an agency whose major day-to-day concerns deal with natural and man-made disasters. For too long the national security aspect of FEMA's mission has been the direction in which the agency has been led.

The dual nature of FEMA's mission, the confusion it causes about the agency's identity, and the division of resources and barrier to communications within the agency are most important factors contributing to FEMA's shortcomings. Due to the national security clearances required, examination of classified functions could not be done by the National Performance Review. It is vital that such an examination be made.

Fiscal Impacts

Declassifying and organizing around the mission would have minimal fiscal impacts, but would allow FEMA to respond to disasters more effectively.

Endnotes

---

1. FEMA, Washington, D.C., interviews with Senior Managers in State and Local Programs and Support Directorate, May-July 1993.

2. National Academy of Public Administration, "Coping with Catastrophe," report prepared by Philip A. Oden, Panel Chair, Washington, D.C., February 1993, pp. 53-54.

3. FEMA, Washington, D.C., interviews with Senior Managers in State and Local Programs and Support Directorate, May-July 1993.

4. Office of Emergency Planning, Four Years of Progress in Civil Emergency Preparedness ... A Report to the President, (Government Printing Office, Washington, D.C.)

1964

5. National Academy of Public Administration, "Coping with Catastrophe," report prepared by Philip A. Oden, Panel Chair, Washington, D.C., February 1993, pp.23-25.

5. General Accounting Office, "Disaster Assistance DoD's Support for Hurricanes Andrew and Iniki and Typhoon Omar," report prepared by GAO, Washington, D.C., June 1993, pp.2-9.

FEMA SHOULD BE ANTICIPATORY AND CUSTOMER-DRIVEN TO FACILITATE MORE EFFECTIVE RESPONSE TO CATASTROPHIC DISASTERS

Background

When a catastrophe like last year's Hurricane Andrew hits, the ability to respond swiftly and efficiently can dramatically affect the quality of aid provided to the disaster victims, as well as the overall cost of the relief effort. The Federal Emergency Management Agency (FEMA) was heavily criticized after Hurricane Andrew for waiting too long to act and for not properly assessing the damage. Due to existing statutes and FEMA's internal processes, the agency has been unable to respond adequately to catastrophic disasters. According to statute, FEMA cannot respond before the governor of a state requests help. FEMA procedures add to the delays by requiring other agencies to wait for specific instructions from the FEMA Federal Coordinating Officer before commencing their activities. According to National Academy of Public Administrators (NAPA), Inspector General (IG), and General Accounting Office (GAO) studies, during Hurricane Andrew the immediate needs of the disaster victims, as well as the general public's need for a competent presence in the midst of such destruction, went largely unmet.[1]

FEMA's "Federal Response Plan" (a blueprint for responding to all disasters and emergencies signed by 26 federal agencies and the American Red Cross) restricts mobilization and pre-positioning of resources. This reflects FEMA's belief that its first authorized function is damage assessment. Therefore, FEMA did little during the several days of warning before Hurricane Andrew to position federal staff, equipment, and supplies for immediate movement to the disaster area.[2] Although a FEMA staff member was present at the Dade County Emergency Operations Center, this individual did not have the capability or resources to successfully carry out initial response operations or to establish the federal presence required in such a large disaster.

After Hurricane Andrew, FEMA waited for local and state officials to assess damage and identify needs for federal response assistance. As FEMA learned in 1989 after Hurricane Hugo, federal efforts are necessary in extraordinary disasters to assist in the information gathering and needs assessment process. The Governor needs to know what services are available to make the proper decisions to deal with the disaster as expeditiously as possible.[3]

Adding to FEMA's difficulty in effective response, the agency is not organized or structured efficiently or effectively to address the bulk of its work. The regional structure is based on population rather than risk; some regions have had very few disasters in the last few years. FEMA has ten similarly structured regional offices that mirror each other, regardless of the threat that can be anticipated for the area. When disaster does occur in a region, FEMA flies experts from other regions to help out.[4]

Reducing FEMA regional offices are a topic of discussion in Congress. Senator Mikulski recently introduced legislation to reduce the FEMA regional offices from 10 to 6, based on NAPA and GAO recommendations to reduce the regional offices. FEMA disagrees and believes that reducing the number of regions might hurt the vital links between state and local governments and FEMA. However, FEMA is willing to look at the overall field structure to determine the most effective and efficient way to respond to disasters.

The ideal federal role is providing emergency federal assistance to state and local governments and disaster victims. It should be anticipatory, ready to monitor, assess, advise, and provide aid in dealing with natural disasters at the earliest possible appropriate moment. Relationships with state governors, particularly in states where a high proportion of disasters occur, would be established by FEMA in a flexible, responsive manner not tied to regional office structure.

Recommendations

1. **FEMA should establish mobile fast response "SWAT" teams to monitor catastrophes, assess damage, and advise Governors and the President.**

The team's mission would be : (1) just before, when there is warning, or immediately following a catastrophic event, the team would estimate the nature and extent of the potential damage and relief needs, and advise the Governor and the President on the appropriate action needed; (2) when not actively engaged, the teams would plan for and predict the effects of a variety of catastrophic disasters. [5] This is provided for in "The Federal Disaster Preparedness and Response Act of 1993," but does not require legislation since providing advice or counsel before being invited by the state to act is not prevented by existing legislation.

The "SWAT" team should be comprised of FEMA personnel and personnel from other agencies that provide the necessary expertise for that disaster, as well as state and local experts that are familiar with the pre-disaster condition. For example, if Department of Defense (DoD), the Department of Health and Human Services (HHS), and the Department Housing and Urban Development (HUD) help is going to be needed for damage assessment and disaster relief, then those agencies should have representatives on the team. Only Agencies whose specific expertise is needed should be part of the "SWAT" team. Ad hoc members can be added to the team after initial deployment of the "SWAT" team, e.g. if NASA satellites are needed to assess damage, then someone from NASA should be linked into the "SWAT" team. FEMA would make up the core of the team and be responsible for deciding when it should activated. FEMA knows the expertise that is needed in most disasters from previous experience.

FEMA has already issued a report on ground assessment team development and aerial reconnaissance options. Such teams should increase FEMA's ability to speed the initial estimates into the hands of the Governors and the President, so that a fair disaster declaration can be made.

2. FEMA should mobilize and pre-position people and supplies.

Modern technology allows us to predict some potential catastrophes. It is impossible to rapidly provide federal response assistance in a large disaster unless some movement of assets and supplies begins during the critical warning period. Mobilization and pre-positioning of people and supplies would allow FEMA to anticipate a catastrophe and react quickly. Confusion exists over the legality of pre-positioning supplies, therefore legislation should be enacted which would clearly allow FEMA to pre-position supplies in the case of a potential catastrophic event.

The largest logistical problem would be positioning supplies and staff close to the disaster, but out of harm's way. Due to this risk and the potential cost of pre-positioning supplies needlessly, pre-positioning should take place when the catastrophe can be predicted within a specified reliability. Such predictions present well-known challenges. In 1992, Guam appeared to be in a direct path of a second typhoon, after the devastating Typhoon Omar. This typhoon, Brian, had winds of 160 mph before predicted before the typhoon hit land. Based on the likely damage to Guam, FEMA forwarded material and people to Hawaii, but when Typhoon Brian did hit land the winds had subsided to 35 mph. As a government, we will have to accept that even though we base our decisions on the best available data, there will still be miscalculations. For the ideal situation, errors will be on the side of too much rather than too little mitigation.

3. FEMA should reexamine its field structure based on the agency's mission.

The agency should consider a structure consistent with: (1) the agency's goals and mission; (2) office location appropriate to the workload; (3) cost effectiveness; (4) and the cost of relocating offices. The examination should evaluate the need for all FEMA field structures, i.e., satellite offices, antenna fields and storage facilities, in addition to regional offices.

FEMA's field structure is based on the ten federal regions, which were determined by population and are not consistent with the observed distribution risk of disasters. To most effectively serve disaster victims and work closely with the state and local governments FEMA must determine the optimal regional structure which coincides with its mission. FEMA should look at where disasters occur and with what frequency to decide the best location for its field offices. FEMA must also determine the most cost effective regional structure, taking into account the present structure.

4. FEMA should establish Centers of Excellence in its regional offices. The

regional office best suited to deal with a particular type of disaster should be the lead center for that type of disaster.

The military commands focus on a concept similar to the Centers of Excellence, e.g., the Pacific Command does not prepare for the same threats as the Atlantic Command. Logistics and special operations forces provide their expertise as needed out in the field. The military specializes for the threats it is most likely to face in given regions. FEMA could apply this concept to their regions. For example, the regional office in the California region might be the expert in earthquakes, and the Florida region might be the expert in hurricanes. Having the experts in a particular field work together and coordinate with each other and outside experts could create a synergistic effect. The earthquake experts at FEMA could coordinate with seismologists along the West Coast, creating a very strong knowledge base. Experts can be flown to a disaster area when a disaster strikes a region that does not contain an appropriate Center of Excellence. This will not result in additional expense since it is already a necessary practice. Having all the regional offices mirror each other is redundant and a waste of resources. Centers of Excellence would encourage employees to take ownership and excel in a specific area, while making more economic use of resources. The agency would still be all hazard, and regional offices would still do the mitigation and preparation that is required regardless of the threat.

Fiscal Impact

Fiscal impact cannot be determined at this time although long term savings should be realized from more effective disaster mitigation through SWAT teams and prepositioning of supplies and resources. Operating costs should be reduced by more efficient use of field resources through regional restructuring and centers of excellence.

Endnotes

1. Office of Inspector General, "FEMA's Disaster Management Program: A Performance Audit After Hurricane Andrew," report prepared by Office of Inspector General, Washington, D.C., January 1993, pp.100-106.

2. Ibid, pp.38-42

3. Ibid, pp.40-42

4. FEMA and GAO, Washington, D.C., interviews with Senior Management at FEMA and GAO, April-July 1993.

5. General Accounting Office, "Disaster Assistance, Timeliness and Other Issues Involving the Major Disaster Declaration Process," report prepared by GAO, Washington, D.C., May 1989, pp.1-5.

Now is the Time

CREATE RESULTS-ORIENTED INCENTIVES FOR STATE AND LOCAL GOVERNMENTS TO REDUCE COSTS OF DISASTER

Background

America's response to disasters relies significantly on federal government assistance to state and local governments. The federal government pays heavily for disasters regardless of whether state and local government have tried to mitigate the disaster. Thus the availability of federal funds may actually contribute to disaster losses by reducing incentives to avoid costs through mitigation.

The costs of disaster include the cost of the immediate response to protect public safety and property and the cost during recovery for repairs and interruption of economic life. Factors increasing the federal costs of disasters include (1) a broad definition of what constitutes a disaster, (2) political incentives to reimburse for all emergencies, (3) availability of federal deficit financing, (4) the rising costs of disasters caused by lack of mitigation, and (5) insufficient emphasis on preparation for likely disasters.

Currently, the Stafford Act which governs federal disaster assistance, defines only two categories of presidentially-declared disasters: emergencies and major disasters. When the costs of a disaster exceed the resources of state and local government, the governor may request that the President declare a "major disaster." The governor's request includes a statement of the impact on the affected area, the resources on hand, and the unmet needs which require federal help. Once the President determines the event "causes damage of sufficient severity and magnitude to warrant major disaster assistance," the federal government pays 75 percent of the costs of immediate emergency services, public facilities repair, and assistance to individual families. When the state is overwhelmed, the federal government can pay up to 100 percent.

Under these provisions there are few incentives to exclude events from the disaster definition. State and local elected officials have incentives to obtain maximum federal disaster assistance; requests have increased approximately 50 percent over the last ten years. Minor emergencies, such as $800,000 worth of flood damage in Vermont, have been awarded full reparation. The federal government paid New York $16 million and Pennsylvania $25 million for snow removal during the recent March 1993 snow storms even though snow is a way of life in northern states.

To prevent the federal government from becoming the states' first line resource in every emergency, objective criteria should replace political factors in determining disaster declarations and the appropriate response.

Another factor increasing federal costs is that levels of funding are not constrained by immediate budget considerations; federal funds for disasters are provided by supplemental appropriations and are not subject to discretionary spending limits. Although California has passed special taxes to defray the costs of disaster assistance, the federal government has not done so and disaster relief has contributed to the deficit. Three billion dollars in supplementary appropriations were made for Hurricanes Andrew and Iniki;[1] disaster assistance for the floods in the Midwest will be at least $ 4.5 billion.[2]

It is more practical and effective to reduce the need for disaster assistance than to limit help for suffering families and communities after the disaster strikes. Prevention, preparedness, and insurance can reduce both the costs of disasters and the suffering.

The recent devastating floods in the Midwest show why people must recognize and plan for risk. Less than 15 percent of the people affected by the floods in the Midwest have flood insurance, even though they live on a recognized high risk flood plain. Only twenty percent of the nation's homeowners at risk of a flood are insured. Residents in a typical flood plain have a 26 percent chance of flood over the thirty year life-time of a mortgage. This risk of flood is much higher than the risk of fire, yet 96 percent of homeowners in flood areas have fire insurance. Although the federal government does not reimburse housing repairs for families who are flooded without insurance, victims do receive some funds for personal effects that would otherwise be covered by flood insurance. Increased use of insurance can reduce federal outlays *and* prevent large losses to affected families.

Even though flood insurance is already mandatory in communities participating in the National Flood Insurance Program, enforcement by federal mortgage lenders has been lax. Moreover, not all communities participate; 2,378 communities at risk of flooding do not participate in the program (while 18,250 communities do). If more communities along the Mississippi River had participated in the flood insurance program, the need for federal aid would have been reduced.

Rising disaster costs complicate the challenge of structuring solutions such as insurance. The National Research Council (NRC) has estimated average annual disaster costs as now approaching $20 billion a year.[3] Losses from individual disasters, some since the 1991 NRC estimate have been quite high: $30 to $45 billion in 1989 for Hurricane Hugo and the Loma Prieta Earthquake;[4] $30 billion for Hurricane Andrew;[5] and $12 billion by August 2, 1993 for the Midwest floods.[6]

Reducing these costs would be beneficial regardless of who pays the bills. Information is increasingly available on cost-effective methods of preventing or mitigating the effects of natural hazards. Disasters are costing the federal government much more than they should.[7] For example, it has been estimated that better construction could reduce the cost of nine threats (earthquakes, expansive soil, riverine flood, hurricane wind/storm surge, tornado, local flood, local wind, and tsunami) by 25 percent.[8] As much as 25 percent of the $20 billion insurance bill for Hurricane Andrew losses may have been due to lack of compliance with building codes.[9]

Unfortunately, research also shows a variety of factors that prevent cost-effective mitigation.[10] People like to live near the ocean in spite of their risk of hurricanes, tidal waves, and mudslides. People tend to discount the risks of floods and earthquakes in choosing development sites. In a situation of uncertainty, short term benefits of economic development often overpower concern for long term costs and risks when local zoning and building codes are set. Communities fear losing business to other communities if they implement strong disaster mitigation programs on their own. Even at the federal level, mitigation gets mixed attention. A study of disaster-prone barrier islands found that at least half of the seventeen or more federal agencies having jurisdiction were encouraging development.[11] Mitigation has been called the most neglected aspect of emergency management.[12]

Mitigation may, however, get more attention in the future than in the past. The high costs and suffering from recent disasters combined with the accompanying media attention to the risks faced by those not yet harmed have heightened public awareness of disasters and increased the demand for protection from their effects. There are new demands for using available information about the technology, economic, and social effects of mitigation to craft acceptable policy incentives to increase mitigation. Proposals start with existing programs.

FEMA is the federal government's coordinating point for mitigation policy. Current legislation requires recipients of disaster assistance to identify hazards in the disaster area and take actions to mitigate such hazards; often the requirement is not enforced beyond the planning stage. FEMA provides matching grants for cost-effective hazard mitigation projects, but these are not sufficient to leverage significant broadscale mitigation.

One federal program cited for successfully creating mitigation incentives is the National Flood Insurance Program. The Flood Insurance Administration has mapped zones of risk in more than 20,000 U.S. communities and requires communities, as a condition of participation in the flood insurance program, to meet building codes and ordinances to mitigate flood damage. If a community exceeds the federal standard, it receives a rate break in their insurance premium. The National Flood Insurance Program claims $569 million a year in flood damage prevention attributable to community compliance with its regulations.

FEMA is also the coordinating agency for the national Earthquake Hazards Reduction Program (NEHRP). Besides coordinating NEHRP, FEMA develops earthquake hazard reduction methods that can be applied to other natural hazards, and supports public education about hazards and mitigation measures such as building codes and practices.

Preparedness reduces the cost of disasters that cannot be prevented. For example, an ability to quickly protect threatened facilities can save replacement costs as well as reduce interruptions of normal economic activities. State and local preparedness and response are preferable to a federal response for several reasons. Generally only local resources can be in place immediately to minimize the effects. A long-distance federal response can be both slow and expensive.[13] Unfortunately, as with mitigation, local governments often do not give the priority to disaster prevention that the risk warrants. In times of tight budgets, state and local governments find it difficult to prepare for emergencies at the expense of other programs.[14] In this environment, the federal government, which is forced into the breach when disaster occurs, should create incentives for preparedness.

FEMA awards matching grants to State governments to help state and local governments prepare for disaster. The money is spread thinly throughout the states and is used for many things, including preparation for nuclear attack. Even though a 1981 Amendment of the Civil Defense Act of 1950 allows states to use civil defense funds to prepare for natural disasters, some States have narrowly interpreted the provision which says funds may be used to the extent that such use is consistent with, contributes to, and does not detract from attack-related civil preparedness. States claim FEMA has not encouraged them to change. FEMA should concentrate on preparing for all hazards and make clear that states have flexibility to tailor their approaches to local problems.

The approximately $100 million provided annually under FEMA's legislation for civil defense authorities could be used to prepare for disasters likely to affect a region. For example, the coastal states, particularly in the southeast and Gulf areas are prone to hurricanes, and California and the Pacific Northwest are subject to earthquakes. States like Colorado, Wyoming, and Kansas are more exposed to localized incidents such as flooding, tornadoes, or landslides. It is appropriate that the emergency management plans of each reflect these differing risks.

Besides allowing flexibility, federal preparedness assistance can also be improved by linking grant amounts to a state's success in disaster preparation. Since the grant money is not now tied to outcomes, it is not used as efficiently as possible.

Ideally the federal government should provide knowledge and tools for hazards mitigation and disaster prevention and should offer states incentives to mitigate disasters and to prepare for those that cannot be prevented.[15] Federal funding for mitigation and preparation and federal funding when disaster assistance is required should be both be tied to the effectiveness of State and local mitigation and preparedness programs. FEMA should focus on outcomes and keep states informed about their progress. An effective system would define and appropriately respond to differentiated levels of disaster. Insurance or loans should be used whenever possible. Grants would only be given in cases of catastrophes where the state is overwhelmed and unable to repay the disaster assistance.

Recommendations

1. FEMA should establish a hierarchy of disasters.

Under the existing system of federal assistance, steps should be taken to reserve that assistance for situations of clear need. FEMA should develop objective indicators to distinguish levels of disaster and state capabilities for meeting the costs of the disasters. Strict definitions of each level of disaster must be established, agreed to, and understood in advance by FEMA, other Agencies, the White House, and state and local governments. FEMA and states should work together to establish the definitions, using the highest level , "catastrophe," as the basis for a scale. FEMA needs to work with Congress to decide whether to amend the law to authorize the use of indicators. In the past Congress has objected to attempts to introduce this type of change by regulation alone.

The hierarchy of disasters with strict definitions and objective criteria for thresholds of disaster would depoliticize the process of declaring disasters. Not treating every disaster the same will allow the federal government to most effectively use its scarce resources. Disaster assistance, as well as the level of response, will be based on a graduated response.[16]

The Administration and FEMA should continue activities that have been begun to develop objective criteria for thresholds of disasters.

2. FEMA should link reimbursements for the cost of disasters to state mitigation and preparedness efforts. Grants for mitigation and preparedness should fund preparedness for the most likely disasters.

The match rate for federal disaster assistance should be tied to preparedness measured by preestablished performance standards, not the mandatory minimum of 75 percent currently provided by the Stafford Act. This requires amending the Stafford Act, to eliminate the minimum 75:25 reimbursement ratio. FEMA should use a sliding scale for matching disaster costs that favors states and localities who have mitigated and prepared for disaster. In its mitigation and preparedness programs, FEMA should implement a competitive, prioritized process for grant award that facilitates and rewards states for preparing for disasters.

3. FEMA should enforce mandatory participation in flood insurance for people who live in a high risk areas.

FEMA should seek legislation to (1) clarify that lenders and federal agencies may not waive the mandatory purchase requirement for flood insurance for any purpose, or provide any amount of financial assistance without enforcing the mandatory purchase requirement, (2) require certification by lenders of the mandatory purchase requirement on each mortgage sold on the secondary market to portfolio purchasers, such as Fannie Mae and Freddie Mac, (3) require lenders to escrow flood insurance payments if other taxes, insurance, etc. are escrowed, and authorize lenders to pay insurance premiums and fees owed from this account, (4) require appropriate federal banking agencies to review lending portfolios of respective insured depository institutions as part of scheduled on-site examinations to ensure compliance with flood insurance purchase requirements and to report annually such findings to Congress, and (5) impose penalties on lenders for failure to require flood insurance.

4. FEMA should establish a system of state disaster insurance.

Currently federal disaster relief is paid from general tax revenues (or debt that will be financed by general revenues). The cost to individual taxpayers is unrelated to their risk of disaster; those who live in areas prone to earthquakes, floods and hurricane pay no more than those who live in safer areas. In addition, since the federal government typically pays a substantial portion of the relief effort, state and local governments have no special incentive to reduce the cost of disaster relief through preparation and mitigation. The federal government should not, and increasingly cannot, pick up the cost of disaster relief. Those states that face the highest risk of disasters should also bear the highest cost. A system of state disaster insurance is needed to pay for disaster relief while balancing cost and risk.

States would make an annual payment into a "catastrophe fund." The annual payment would be based on: (1) a state's potential for disaster including potential ruined property or economic loss, loss of life, and type of disaster (easily obtainable from past records), (2) the per capita income of the state; and (3) the population of the state. Funding the annual premium should be left to the state's discretion. The federal government would act as an insurance company for the states, investing the states premiums. Each state would have a deductible, similar to auto insurance, and states would pay the entire amount of any disaster below the deductible. For larger disasters states would pay up to their deductible, then the insurance money would pay the rest. The deductible would reduce the amount of money needed for the insurance fund.

The insurance system would only cover the cost of emergency response and recovery not covered by other insurance such as flood insurance or crop insurance.

Since all states will be paying into the insurance fund, they might apply pressure not to declare minor emergencies as major disasters, to adhere to the insurance program definition and encourage other states to prepare for disaster. This will save federal aid dollars, as well as encourage states to prepare for disasters; each state would be responsible for minor natural disasters and share the responsibility with the insurance fund for others disasters. States will become willing participants in defining objective criteria used in the declaration process as reduced numbers of declaration/claims result in lower premiums. The immediate, overwhelming impact of disasters on state and local budgets would be spread over several years through payment of annual premiums. States participation should be mandatory to assure adequate funds and to dilute risk assumption.

5. In conjunction with an insurance system, FEMA should be authorized to establish a disaster loan program.

This is similar to the disaster insurance option, except that states would receive a loan after a disaster hits rather than the grant that is now given. Since it is a loan, a state could have the amount needed immediately. This will save substantial dollars in federal aid, as well as encourage states to properly prepare for disasters. The state will know that ultimately it is responsible for minor natural disasters and share the responsibility for other disasters that hit its region. Under this recommendation a state would only pay for the disaster that directly affects it. The immediate, overwhelming impact on state and local budgets would be spread over several years.

As with other existing loan programs, the federal government should avoid political pressure to forgive loans.

Implications

Improved mitigation, preparedness, response and recovery will reduce the suffering and economic loss of disasters. These recommendations would reduce both the total cost of disasters and the share of costs born by the federal government.

Fiscal Impact

Estimates are under development with the agency and OMB, savings could be exceed $600 million a year.

Endnotes

---

1. U.S. General Accounting Office, Washington, D.C., interviews with Senior Managers at GAO, April-July 1993.

2. *Washington Post*, Tuesday, August 3, 1993, p. 1.

3. National Research Council, *A Safer Future*, p. 1.

4. The National Research Council, *A Safer Future*, p. 1.

5. U..S. General Accounting Office, *Disaster Management: Improving the Nation's Response to Catastrophic Disasters* (Washington, D.C., July 1993), p. 4.

6. *New York Times*, "Flood Damage Vast from any Viewpoint," Sunday, August 1, p. 1.

7. National Research Council, *A Safer Future: Reducing the Impacts of Natural Disasters* (Washington D.C.: The National Academy Press, 1991); Committee on Earth and Environmental Sciences, Federal Coordinating Council for Sciences, *Reducing the Impacts of Natural Hazards: A Strategy for the Nation* (Washington, D.C., May 1992).

8. Larry T. Lee, John D. Chrostowski, and Ronald T. Eguchi, *Natural Hazards: Riverine, Storm Surge, Tsunami Flood Loss Models* (J. H. Wiggins Company, 1978); William J. Petak, Arthur A. Atkisson, and Paul H. Gleye *Natural Hazards: A Public Policy Assessment* (J.H. Wiggins Company, December 1978).

9. Howard, Kunreuther, 18th Annual Hazards Research and Applications Workshop.

10. Structural mitigation includes elevating buildings above the flood plains or reinforcing them against earthquakes. Nonstructural mitigation includes zoning that locates communities away from flood planes, vulnerable shores, and earthquake faults.

11. Leonard I. Ruchelman, "Natural Disaster Mitigation and Development," p. 62, citing U.S. Department of the Interior, *Report of the Barrier Island Work Group* (Washington, D.C., 1978).

12. Beverly A. Cigler, "Current Issues in Mitigation," in Louise K. Comfort, ed., *Managing Disaster: Strategies and Policy Perspectives* (Durham, North Carolina: Duke University Press, 1988), p. 39.

13. National Academy of Public Administration, "Coping with Catastrophe," report prepared by Philip A. Oden, Panel Chair, Washington, D.C., February 1993, pp. 102-105.

14. Mikulski Bill, May 25, 1993 Senate

15. Committee on Earth and Environmental Sciences, *Reducing the Impacts of Natural Hazards*, p. 17.

16. OMB, Washington, D.C., interviews with Senior Managers at OMB.

Creating a Quality Management Culture

DEVELOP EXECUTIVES TO IMPLEMENT FEMA'S NEW ALL HAZARDS MISSION

Background

FEMA's success at implementing a new vision will require the cooperation of well-prepared leaders. However, FEMA has been cited for lack of leadership related to the number and nature of its political appointments and the absence of an integrated, prepared career leadership team.[1] FEMA needs to continue steps underway to remove the problems identified in the recent study of FEMA by the National Academy of Public Administration and confirmed in staff interviews.

FEMA has nine positions that are appointed by the President, subject to Senate confirmation (PAS). There are 14 other senior political jobs. The Director of FEMA faces a great challenge to mold a coordinated, loyal executive team from political appointees whom he does not hire and cannot fire because they get their jobs through an independent appointment process involving five separate Senate committees. For years FEMA has suffered as political appointees defended their own directorates (e.g., the Federal Insurance Administration, the United States Fire Academy, State and Local Programs and Support Directorate, and the National Preparedness Directorate) from the Director's efforts to shape FEMA as a whole.[2]

Recruiting talent as well as political loyalty can be a problem in political appointments, and in the past FEMA has been described as a political dumping ground. Pending legislation would change most of FEMA's political positions to career positions as part of proposed reorganization of FEMA. Earlier, the Volcker Commission noted that a large number of political appointees can actually weaken political control because of problems selecting and retaining political sub-cabinet officers.[3]

The Volcker Commission also recommended that criteria be developed for the qualifications of political nominees and suggested that these criteria include managerial experience and substantive experience as well as loyalty and philosophical compatibility with the President.[4]

In its review of FEMA, the National Academy of Public Administration noted deficiencies in the development of both career and political executives. Career paths at FEMA have been within individual subunits which has contributed to parochialism within work groups and a lack of overall agency cohesion. Staff interviews support the need for executive development planning combined with the resources needed for technical and cross-program training.

The Executive Resources Board of FEMA is developing a vision of what FEMA's leaders should be like and how FEMA can ensure their development in face of the press of daily work.[5] Recently the acting Director, a career civil servant who has worked in several FEMA directorates, sent four headquarters Senior Executives to temporary assignments as regional directors during the Transition. Participants have praised this as a first step that should be followed by similar exchanges throughout the ranks and between FEMA directorates. Such cross-training develops the broad experience and working relationships needed to successfully manage FEMA programs in its complex intergovernmental environment.

Political appointees would also benefit from preparation for their FEMA tasks.[6] Both orientation programs and performance agreements can help enlist political appointees in the mission of the agency.

Beyond the preparation of its political and career staff, FEMA will be well-served by attention to the working relationship between career and political staffs. In discussing leadership, the Volcker Commission said the career/political relationship is more important to the efficiency and effectiveness of the Federal government than who fills either role.[7] Exposure of each to the other that allows working out their complementary roles will be important as the new administration puts its political team in place. Politicals must articulate their vision to careerists and enlist the career SES in the execution of their plans. Careerists must show their willingness to help the political leadership succeed. The FEMA Director can lead by ensuring rewards depend on politicals and careerists working together *within* and *across* directorates. It will be impossible for careerists to form a cohesive team if their respective political bosses do not reward them for teamwork.

Recommendations

1. **Congress should enact legislation to reduce the number of FEMA executives subject to Senate confirmation to two positions, those of the Director and Deputy Director.**

Legislation is needed to make seven fewer positions subject to Senate confirmation. The current appointment process emphasizes the separate parts of FEMA (United States Fire Administration, the Flood Insurance Administration, the State and Local Programs and Support Directorate, and the National Preparedness Directorate) to the detriment of FEMA's overall mission. Too many recent appointees have had independent power bases that allowed them to pursue their own goals with Congress independent of the Director's goals. Placing the appointment process within the control of the President and Director working together is a necessary precondition for building the effective all-hazards emergency management organization FEMA seeks to become.

2. **The Director should select and develop capable and cohesive political leadership for FEMA.**

The new FEMA Director, James L. Witt, has stated his intention to examine FEMA's mission and organization.[8] Including a review of political tasks to identify and implement technical and managerial selection criteria for political appointments will strengthen FEMA's political team. FEMA is currently developing an orientation program for incoming regional administrators and should develop a similar program for other political appointees. These and other steps, such as performance plans that hold executives responsible for implementing the mission articulated by the Director, can strengthen the cohesiveness of FEMA's leadership.

3. **The Director of FEMA should institute a staff career development program.**

FEMA should implement a philosophy and program of career development that gives staff the technical skills and wide range of experiences needed to ensure FEMA's success in its complex intergovernmental environment. FEMA should articulate expectations that staff at all levels will be moved among headquarters and field and across functions during their career. FEMA should update its existing training needs assessment and incorporate Agency needs into the individual development plans of staff. FEMA should exploit the provisions of the Intergovernmental Personnel Act that provides job rotations in State and local government and universities within a federal career. Exchanges with state and local emergency managers and across FEMA directorates will build skills and the working relationships needed for the cooperation needed to implement FEMA's comprehensive emergency management mission.

Implications

Investments in FEMA leadership show great promise for improving the effectiveness of FEMA and meeting the goals for which FEMA was originally created in 1979.

Fiscal Impact

The purpose of these recommendations is to make FEMA better able to meet its mission. Professionalism in the executive ranks would increase effectiveness of agency operations and potentially improve disaster response, saving money.

Endnotes

---

1. National Academy of Public Administration, "Coping with Catastrophe," report prepared by Philip A. Oden, Panel Chair (Washington, D.C., February 1993), pp. 48-50.

2. The Volcker Commission recommended delegation of recruitment of non-career SES and Schedule C appointments to department heads. See "Politics and Performance,: Strengthening the Executive Leadership System," in *Leadership for America: Rebuilding the Public Service, Task Force Reports to the National Commission on the Public Service* (Washington, D.C., 1989), p. 184.

3. "Politics and Performance," pp. 168-174. See also National Academy of Administration, *The Fraying of the Presidential Appointments System* (Washington,D.C., 1985).

4. "Politics and Performance," p. 180.

5. FEMA has conducted training needs assessments in the past and has used a skill matrix in planning developmental assignments for its emergency management career intern program. Resources are available for staff development planning, for example, see Gilbert B. Siegel, "Human Resource Development for Emergency Management," *Public Administration Review*, Volume 45, special issue (January 1985), pp. 107-117.

6. James P Pfiffner, "Strangers in a Strange Land: Orienting New Presidential Appointees," in G. Calvin Mackenzie, ed. *The In-and-Outers* (Baltimore: The Johns Hopkins University Press, 1987), pp. 141-155; "Politics and Performance," p. 186.

7. "Politics and Performance," p. 167.

8. Oral Statement of James Lee Witt, Director, Federal Emergency Management Agency before the Subcommittee on Nuclear Deterrence, Arms Control, & Defense Intelligence, Committee on Armed Services, United States Senate, May 25, 1993.

III. Agency Reinvention Activities

FEMA will be providing us with their reinvention activities

IV. Fiscal Impact Summary

FEDERAL EMERGENCY MANAGEMENT AGENCY
FISCAL IMPLICATIONS SUMMARY

CHANGE IN BUDGET AUTHORITY
Numbers in Millions

Ref.		Recommendation	Fiscal Year 1994	1995	1996	1997	1998	1999	5-YRS	Change in FTEs
FE	1	Declassify FEMA, emphasize and organize around all hazards	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0
FE	2	More effective response to catastrophe	$0.00	$0.00	$0.00	$0.00	$0.00	$600.00	$0.00	0
FE	3	Increase mitigation and reduce the cost of disasters*	$600.00	$600.00	$600.00	$600.00	$600.00	$600.00	$3,600.00	0
FE	4	Develop skilled management team	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0
		Total, Federal Emergency Management Agency	$600.00	$600.00	$600.00	$600.00	$600.00	$600.00	$3,600.00	0

*Based on a ten year average of appropriations from FY 82-92

CHANGE IN OUTLAYS
Numbers in Millions

Ref.		Recommendation	Fiscal Year 1994	1995	1996	1997	1998	1999	5-YRS	Change in FTEs
FE	1	Declassify FEMA, emphasize and organize around all hazards	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0
FE	2	More effective response to catastrophe	$0.00	$0.00	$0.00	$0.00	$0.00	$600.00	$0.00	0
FE	3	Increase mitigation and reduce the cost of disasters*	$240.00	$480.00	$600.00	$600.00	$600.00	$600.00	$3,120.00	0
FE	4	Develop skilled management team	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0
		Total, Federal Emergency Management Agency	$240.00	$480.00	$600.00	$600.00	$600.00	$600.00	$3,120.00	0

Assuming the following spendout rates:
Yr 1=.4 Yr 2=.4 Yr 3=.2

DRAFT--INTERNAL WORKING DOCUMENT

NATIONAL PERFORMANCE REVIEW
AGENCY TEAMS
ISSUE DECISION PACKAGE

Team: FEMA

Date: 8/3/93

Issue No.	Issue Title	5-Year Impact (Million $)	NPR Team Position	Agency Position	Action from Tollgate 4 Meeting
FEMA 1	Establish Disaster Preparedness, Response and Recovery as FEMA's Core Missions: Investigate Transferring Other Functions, Such as Continuance of Government to Other Organization		1. Declassify FEMA and change its emphasis to preparing for and responding to the consequences of all hazard disasters. A "wall of secrecy" still exists in the National Preparedness Directorate.	1. FEMA is working toward declassifying and changing the agency's emphasis to all hazards.	
			2. The Administration should appoint an independent assessment team to study transferring FEMA's "continuance of government" functions as well as other functions of the National Preparedness Directorate.	2. FEMA disagrees. They believe that "continuance of government" activities should be in a civilian agency (specifically FEMA) and that National Preparedness could be folded into an "all hazards" agency.	
FEMA 2	FEMA Should Be Anticipatory and Customer-Driven to Facilitate More Effective Response to Catastrophic Disasters		1. FEMA should establish mobile fast response "SWAT" teams to monitor catastrophes, assess damage, and advise Governors and the President.	1. FEMA agrees. FEMA has already begun implementing, but seeks clarified legislative authority.	
			2. FEMA should mobilize and pre-position people and supplies to be able to respond faster and more effectively to disasters.	2. FEMA agrees, seeks clarifying legislation.	

NATIONAL PERFORMANCE REVIEW
AGENCY TEAMS
ISSUE DECISION PACKAGE

Team: FEMA

Date: 8/3/93

Issue No.	Issue Title	5-Year Impact (Million $)	NPR Team Position	Agency Position	Action from Tollgate 4 Meeting
FEMA 2	Cont.		3. FEMA should reexamine its field structure based on the agency's mission. The agency should consider a structure consistent with: (1) the agency's goals and mission; (2) locations to the workload; (3) cost effectiveness; (4) and the present status.	3. FEMA is reluctant to reduce the number of regional offices. FEMA believes that to serve state and local governments best they need a strong field structure, but the agency agrees to reexamine total field structure including satellite offices.	
			4. FEMA should establish Centers of Excellence in its regional offices. The regional office best suited to deal with a particular type of disaster should be the lead center for the disaster, e.g. the California Office might be the lead on earthquakes.	4. FEMA generally agrees, some have raised concerns that "Centers of Excellence" will increase stove piping.	
FEMA 3	Create Results-Oriented Incentives to Encourage State and Local Governments to Reduce Costs of Disaster		1. FEMA should establish a hierarchy of disasters to distinguish levels of disaster and respond appropriately.	1. FEMA agrees. The agency is working with OMB to establish objective mesures. FEMA is concerned about losing flexibility. This issue must be coordinated with the Congress.	
			2. FEMA should link rembursements for the cost of disasters to state mitigation and preparation efforts. Requires amending the Stafford Act.	2. FEMA agrees.	
			3. FEMA should increase implementation of mandatory flood insurance in high risk areas.	3. FEMA agrees.	

DRAFT--INTERNAL WORKING DOCUMENT

NATIONAL PERFORMANCE REVIEW
AGENCY TEAMS
ISSUE DECISION PACKAGE

Team: FEMA

Date: 8/3/93

Issue No.	Issue Title	5-Year Impact (Million $)	NPR Team Position	Agency Position	Action from Tollgate 4 Meeting
EMA 3	Cont.	$3 billion (based on $600m. annual average.)	4. FEMA should establish a system of Disaster Insurance. States would pay annual premiums to the federal government from which disaster assistance is paid. States would have a deductible based on risk, potential loss, populaton and per-capita income.	4. FEMA is looking at alternative proposals, including one based on state assistance threshholds and protection of individuals through all hazards insurance. The agency is not conviced that an insurance or loan system will work.	
			5. FEMA should establish a disaster loan system in conjunction with the disaster insurance program.	5. FEMA does not believe in the political feasibility.	
EMA 4	Deveolp Executives to Implement FEMA's New All Hazard Mission.		1. Congress should reduce the number of FEMA executives subject to Senate confirmation to two positions, those of the Director and Deputy Director.	1. FEMA is looking into this issue, but does not agree with the pending Mikulski legislation,which reduces the number of PAS to 2 but reduces all political SES as well.	
			2. The Director should select and develop capable and cohesive political leadership for FEMA.	2. FEMA agrees.	
			3. The Director of FEMA should institute a professional career development program in FEMA. This could be done through efforts such as rotations within the agency and exchange programs with state and local emergency management officials.	3. FEMA agrees.	