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EXAMINING THE WORK OF THE OVERSEAS PRESENCE REVIEW PANEL

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EXAMINING THE WORK OF THE OVERSEAS PRESENCE REVIEW PANEL

WEDNESDAY, NOVEMBER 10, 1999

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL OPERATIONS,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met at 2:32 p.m., in room SD–419, Dirksen Senate Office Building, Hon. Rod Grams, chairman of the subcommittee, presiding. Present: Senators Grams and Sarbanes.

Senator GRAMS. Well, good afternoon, gentlemen. They have not given me a gavel. I do not think they trust me with a heavy, blunt object. But I will just knock here and we will bring this hearing to order.

Thank you very much for being here. First, I'd like to welcome our witnesses today: Mr. Kaden, who is Chairman of the Overseas Presence Advisory Panel; Admiral Crowe who, in addition to serving on this panel, chaired the State Department Accountability Review Board following the terrorist bombings of the American embassies in East Africa; and also Ambassador Motley, a member of the panel as well.

The list of accomplishments of each of these witnesses is so long that let me state for the record that we have a very distinguished panel whose combined expertise in military, economic, and diplomatic affairs is out of the ordinary even for this committee.

The panel's mission was to find creative solutions to enhance the way the United States projects its nonmilitary presence abroad, and I believe you have done so. Your report details the failure of our current structure to effectively manage and finance our overseas presence and recommends eight categories of far-reaching changes. Now, I look forward to hearing about those today.

Much of the media attention on the report is focused on the poor condition of many of our overseas posts. The folding chair embassy in Kiev, which is so crowded that employees must fold their chairs to get to their desks, the consular shack in Moscow to shelter visa applications because they could not be accommodated in the embassy, and the trailer staff in Angola who have worked in it for 8 years I think is unacceptable, as is the outdated and incompatible information technology that our overseas personnel are forced to put up with. And as the report notes, we do not have an Internet-based network which connects all agencies and posts, and many employees find the best way to communicate with colleagues in Washington, D.C. is from their home computers.

Now, I believe that overcrowding and the lack of information technology are merely symptoms of longstanding failure to foster a culture of flexibility and innovation and develop a coherent interagency platform that would allow us to respond effectively to changing foreign policy priorities.

I am not surprised by the shortcomings described in this report. I have held hearings which have underscored these very problems and neither, I am sure, does the General Accounting Office, which has completed numerous studies on management weaknesses and program risks at the State Department. But you have done a great service in raising the public profile of these issues in recommending very constructive changes.

Now, to date, the State Department has resisted calls to fundamentally change the way it does business. Hopefully, the Secretary of State's response to your report spurs a top-to-bottom review of our overseas foreign policy apparatus.

Now, while I do have some questions concerning some of your recommendations, I appreciate that we are not suggesting we just throw more money at the problem. There is no doubt that a robust U.S. presence throughout the world will require continued and possibly increased resources. However, the panel points out clearly that these resources must be allocated in a different manner. More funding, if spent in the same way, will not be adequate. We need to reform the methods by which we operate overseas to reflect and accommodate a more complex environment.

Also, as the report notes, we now have around 30 different agencies with personnel stationed abroad whose activities are not adequately coordinated. We need our foreign relations to be conducted at the highest level of integration and coordination and the highest level of representation of the sovereign interests of this country and the American people. We must ensure that our influence is used to advance the national interest and to ensure respect for American leadership abroad. National prestige is reinforced and enhanced when we operate with a coherent, concise, and understandable foreign policy. It is undercut when we are crippled by competing fiefdoms.

I want to underscore that one of your main tasks was to determine how the U.S. Government could provide greater security for its overseas personnel in the face of budget restraints and increasing demands on our posts abroad. Now, I have looked into the mistakes that we made in the past, and I am committed to making sure that they do not happen in the future.

Now, our embassies are not vulnerable because we lack security requirements; they are vulnerable because over three-quarters of our embassies had those requirements waived. I understand that when the Inman-inspired security standards were put forward in the 1980's, a number of existing embassies did not meet the criteria. But I was surprised to find that many of the embassies, built and purchased since that time, still do not meet the Inman standards either.

My bill, which is now included in the State Department authorization bill, takes an approach which is compatible, I believe, to the findings in your report; and I would be interested in your views

about high level accountability and collocation which have met with opposition from State.

Now, let me thank you once again for the sacrifices that you have made to serve on this panel. I appreciate the time and the effort that you have devoted to serve the best interests of our country, and I look forward to working with you to push for an overhaul of our overseas presence. I hope you will keep an interest in this area for the long haul because I guarantee that we will need to combine forces to eliminate the turf wars and the bureaucratic resistance that will accompany any kind of a push or any kind of an effort at reform. So again, gentlemen, I want to thank you very much for your work.

I would like to now turn to the panel, and if you have any opening statements, the committee would like to hear them now.

Mr. Kaden.

STATEMENT OF LEWIS KADEN, CHAIRMAN, OVERSEAS PRESENCE ADVISORY PANEL, WASHINGTON, D.C.; ACCOMPANIED BY ADMIRAL WILLIAM J. CROWE, JR., USN (RET.), MEMBER, OVERSEAS PRESENCE ADVISORY PANEL; AND HON. LANGHORNE A. MOTLEY, MEMBER, OVERSEAS PRESENCE ADVISORY PANEL

Mr. KADEN. Thank you, Mr. Chairman. I have submitted a statement for the record. I will just make a few points as we begin our dialog. We greatly appreciate your convening this hearing and the opportunity to discuss our panel's report with you. Let me just emphasize a few points from the report, and they echo themes in your statement.

First, we make the observation—I think with some determination—that the activities, the functions performed by America's representatives overseas are extremely important. They face an array of challenges, an agenda that increases in scope and complexity on a regular basis. The old days of diplomats interacting with their government counterparts and taking their time to write an analysis of political or economic developments in the country in which they serve is long past. Today, as markets open, as political systems open, our representatives need to be on the ground aggressively interacting with the civil society, as well as the government in which they serve. And they face a daunting array of issues from global environmental and trade alliances, combatting drug traffic, terrorism, spreading disease, to dealing with the more traditional challenges of political and economic matters.

Unfortunately, as our report also concludes, this is an area in which the Government stands in need of great improvement. This system is perilously close to breakdown, to failure. And it is not a product of inattention in the last few years. These are problems that have grown up over several decades through several administrations. Just as our panel was entirely bipartisan and included not only Admiral Crowe and Ambassador Motley, but leaders from the business community, the labor community, people who had served in Government over many administrations, so too these problems of neglect and inattention to the quality of management practices, of organization, of resources, of systems are the product of many years of allowing this system to deteriorate.

But the net result is, as your statement indicated, facilities that are inadequate and dilapidated, technology that is outmoded, skill set and training and human resource practices that do not meet the standards of first-class organizations in both the public and the private sector, security measures that leave our representatives more vulnerable than they need to be to the threats that are in fact part of their life, part of the responsibilities they have undertaken.

In response to that assessment of the condition of our overseas presence and the importance of those activities, our panel has put forward, as you indicate, an array of reforms and improvements we recommend. We do not think these are pie in the sky or difficult to achieve. Most of them are the nuts and bolts of how to administer these activities better, how to organize our resources in the most efficient manner, how to improve the skill set and quality, how to make use of the talent and resources of people who seek public service in representing the United States overseas.

I might add that this is not the State Department alone. The State Department has the lead responsibility in this area, and they have some serious shortcomings to address. But it is really, as the report says, a responsibility of the U.S. Government as a whole. These problems grew up as a result of decisions and inattention to organizational and management practices throughout the Government and they need to be addressed in the same way. Representatives come from 30 agencies, and it will require an effort from all those agencies to address it.

That is why, after going through these reforms—and we can talk more about them in our colloquy—we suggest that the most important recommendation we make is on implementation. Moving forward on the improvements needed in our system of organizing resources and activities overseas requires, in our view, a partnership between the Congress and the administration. It requires leadership from the President, because many of these activities do cross agency lines. Only the President has the capacity to get all the agencies of the Government onto the same technology platform. He will need the help of Congress in doing that, but only the strength from the center, only the President's leadership, can address a circumstance that, as we say, is a disgrace and an embarrassment.

The fact that if you work for the FBI, you cannot communicate to the office next door with a person representing the State Department or the intelligence community or the Defense Department, much less back to your agencies at home and across those lines to those whom you serve back at home and around the world is a shortcoming that no quality organization in the world accepts, no private sector business operating in many countries.

I am part of a law firm of only a few hundred lawyers and we take for granted that we have the degree of communication capacity with our offices in Asia and Europe, as well as in the United States and with our 50 most important clients. Now, that is a product of technological developments in the last few years, but it is incumbent on the Government, as it is on other organizations, to keep pace with that measure of change.

Finally, we think that this partnership can come about on a bipartisan basis. These are issues of good government that transcend the kind of policy differences that we all occupy ourselves with in

other times. And we are hopeful that during the rest of 1999 and the year 2000, if the President and the Secretary of State join with Members of Congress, including this committee, we can create some momentum behind these improvements.

They will not all happen overnight. Some of them do require resources, but as you indicate in your statement, this is not a report for which the basic theme is give us more money, give us more resources. What this says is the Government is not doing a good job of managing their resources made available to it. If they would do a better job through this partnership with the Congress, we believe more support will be forthcoming in those areas where investment is necessary for technology, for capital improvements, for security, for training.

We also suggest that significant savings can be achieved to offset those investments in the area of downsizing, of reducing the size of some posts where there are simply too many people. If we give our people the right talents, the right tools, the right facilities, the right degree of security, we can do this job more effectively and more efficiently with fewer people in many of the posts around the world. There may be some posts where more resources are needed, but we think we can do the job more effectively with a significantly leaner and more agile and better equipped force.

Those are the principal themes of our report, and once again, we welcome the opportunity to discuss the recommendations with you.

Senator GRAMS. Thank you very much, Mr. Kaden. As I noted, your written statement will also be entered into the record in its entirety.

[The prepared statement of Mr. Kaden follows:]

PREPARED STATEMENT OF LEWIS KADEN

Good afternoon, Mr. Chairman and Members of the Committee. I am pleased to appear before you to discuss the report of the Overseas Presence Advisory Panel, released last Friday, November 5.

Secretary of State Albright's charge to the Panel when we were established last February was to prepare a report and recommend criteria for the "location, size, and composition of overseas posts." We were also to consider "multi-year funding programs for the Department" of State. The principal factors we were to take into consideration were (a) foreign policy responsibilities, (b) security, and (c) budget.

Our Panel had 25 members, including serving and former ambassadors; senior representatives from AID, CIA, and Justice; former members of Congress; and representatives from business, non-governmental organizations, labor, and academia.

We visited 23 posts overseas, a mix of small, medium, and large. We talked to hundreds of people at post and here in Washington. To learn from previous efforts and to avoid reinventing the wheel, we hired consultants to review the existing literature, such as previous studies, articles, speeches, and books. We also looked at the best practices of multinational corporations and the human resource practices of other governments operating overseas.

The Panel had 10 main findings:

1. *Universality:* To advance U.S. national interests overseas, there is no substitute for face-to-face, day-to-day contact. Our on-the-ground presence is more critical than ever before.

2. *Security:* Thousands of our employees abroad continue to face an unacceptable level of risk from terrorism and other threats.

3. *Rationale for America's Overseas Presence:* An extensive overseas presence is vital to our efforts to ensure the security and prosperity of the American people. Our posts are both the vehicles to provide the "traditional" functions of diplomatic work (such as managing bilateral relations and building alliances) and the instruments for advancing less traditional foreign policy priorities (such as building democratic institutions and protecting the environment).

4. *Interagency coordination:* While some 30 executive branch agencies operate out of our diplomatic missions, there is no rational interagency system for determining the size, shape, and goals of our overseas presence. The ability of Ambassadors to run their missions is undermined by their lack of control over the resources and personnel ostensibly working under them.

5. *Presidential and Congressional leadership:* The involvement of both the President and the Congress is essential in designing and funding our overseas presence.

6. *Resources:* "Rightsizing" the U.S. Government's overseas presence would likely result in some missions becoming smaller and the resources of all agencies operating overseas being distributed differently than they now are. Resulting budget savings to the entire U.S. Government would help support the necessary additional investments in technology, security, and training the Panel calls for.

7. *People and human resources policies:* We found talented and dedicated staff struggling to meet the demands of an expanded foreign policy agenda, with competition from the private sector and hardship associated with overseas service threatening to deplete the U.S. Government's talent pool. Personnel policies must give more weight to family considerations and adopt best practices for recruiting, training, evaluating, promoting, and retaining talented people.

8. *Information technology and knowledge management:* Our missions abroad are ill-equipped with antiquated, inefficient, and incompatible information technology systems.

9. *Capital needs and facilities management:* Our employees abroad in many places work in appalling conditions. In our travels, we found worn, overcrowded, and inefficient facilities. Many missions need significant capital improvements to ensure security, improve working conditions, and equip personnel with efficient and secure information and telecommunications technologies.

10. *Dangers of inaction:* All of the findings I have listed together threaten to cripple America's overseas presence, with serious consequences to our Nation.

To remedy the situation, the Panel developed recommendations in eight general areas. The most important ones are:

First, the Panel endorsed the security recommendations of the Accountability Review Boards that looked at the 1998 Africa embassy bombings, including support for the funding implications of required security upgrades. Our own recommendations focused on actions that would create a pro-security mindset among overseas personnel and establish clear-cut identification of responsibility and accountability.

Second, the President should establish by Executive Order a permanent Interagency Overseas Presence Committee, to be chaired by the Secretary of State with membership drawn from those agencies with presence overseas. The Committee would:

- Review the existing location, size, and composition of all posts and make changes accordingly. Significant savings to the entire U.S. Government should be achieved though this right-sizing process.
- Use a uniform decision-making matrix to ensure consistency with goals and objectives.
- Be innovative in the use of one-person posts and other structures that stretch taxpayer resources and enhance security.

The Committee would also have a technology subcommittee whose immediate task would be to produce within 12 to 18 months an integrated, secure, unclassified Intranet and Internet facility at all posts for all personnel and with proper links back to the relevant Washington agencies. Within 18 to 36 months, the subcommittee would do the same for the classified environment.

Third, the President and the Congress should establish an Overseas Facilities Authority (OFA) to replace the existing Foreign Buildings Office in the Department of State. The Secretary of State would chair the OFA and the Board of Directors would include representatives of agencies with presence overseas. The OFA would:

- Finance, design, build, lease, and maintain official and residential facilities overseas pursuant to guidance from the Interagency Overseas Presence Committee.
- Have the authority to charge and collect rent from all agencies, and borrow long-term capital from the Federal Financing Bank.

- Operate like a "performance-based organization" to ensure attracting the best people and allowing for the most innovative practices in that industry.

The Panel also made a number of recommendations for specific improvements in the areas of human resources and training, consular services, administrative practices, and an enhanced role for ambassadors.

The Panel's work is done. Each member, however, feels very strongly that our report must not become just one more study that gets filed away on the shelf. We urge the President, you in the Congress, the Secretary of State, and other heads of departments and agencies with a stake in our overseas activities to act promptly to make the changes we have put forward. What we have proposed is eminently doable—it simply requires the will to carry the recommendations out.

Thank you very much. I would be pleased to respond to any questions you might have.

Senator GRAMS. I might as well start out with the first question to you, Mr. Kaden. The Congress has stressed repeatedly that the State Department fundamentally needs to change as an institution to meet the requirements of conducting our foreign policy. The Overseas Presence Advisory Panel has made some recommendations that are consistent with those made by the Congress, such as the use of best practices, increased reliance on technology, as you have mentioned, greater interagency cooperation and also in cost sharing.

Now, given the lack of responsiveness to the Congress on these issues, do you have any reason to believe or what would lead you to believe that the State Department will take the recommendations in this report and make those required changes?

Mr. KADEN. Well, I am comparatively new to this area, so it permits me a degree of optimism that some of my colleagues might not share. But I have discussed just that issue at length with the Secretary of State, with other leaders in the administration, and I am hopeful that in response to this report you will see some energy and momentum generated from the administration on some of these reforms. I know that Secretary Albright has set up some working groups since Friday in response to the report, and I know too that the senior staff in the White House is busy evaluating it and considering what their next steps are. So, I am hopeful that we will see the kind of momentum that I think is necessary.

I am hopeful too that they will involve the congressional leadership in that process. This ought to be a shared enterprise. All of us have a stake in doing the job better, and even though very few of our recommendations require legislative action, I think the task of reform is one that should be undertaken on a partnership basis.

Senator GRAMS. Admiral Crowe, would you add anything to that?

Admiral CROWE. Well, I am hopeful likewise. I associate myself very closely with the report and certainly with the remarks of Mr. Kaden.

I was particularly pleased that the report supported the review board's findings on security. I must say, in all fairness, that the history of security reports and investigations is not encouraging as to whether we are going to get the kind of attention we need and whether people will truly respond.

I would hope that the Congress takes this so seriously that they not only respond in terms of limiting money and so forth. It has always intrigued me that every year in the last few years our foreign policy funds are going down, but the Congress gives no direction as to what part of the ambitious foreign policy we have they

would like to scale back or what they would like to do. I think when Mr. Kaden talks about a partnership, that it would be very helpful if they got into those kinds of things. If they are going to govern the budget and be very tight fiscally, then they are going to have to get into the substance of foreign policy as well as just the fiscal outline of it.

In security this year, we have been pleased with some of the things that took place. I think the final conference is about $568 million for security, which is certainly a great deal more than the administration originally funded or requested. On the other hand, only $314 million of that is for structures and building structures. That is less than 50 percent of what the State Department feels they can handle, and it is about one-third of what we recommended.

Of course, in our situation on security, I think the real proof of the pudding is going to be in the next 8 or 9 years, whether the level of interest will remain high and whether they are really concerned. The past has shown that things peak, people are very sensitized, but in a matter of 12 months or 18 months, they are back to business as usual.

Senator GRAMS. Do you think things have dimmed since the bombings in our African embassies?

Admiral CROWE. I am sorry?

Senator GRAMS. Do you think that type of urgency has dimmed since the bombings in Africa?

Admiral CROWE. I do not think there is any question about it. I am not so sure it has fallen that far.

Senator GRAMS. But the urgency is not being felt as it was a year ago.

Admiral CROWE. We were full of very fine rhetoric for about 3 months there, particularly when we were seeing television coverage of the devastation, but the interest level has fallen down. I am very worried about it.

Senator GRAMS. Well, we have two hopefuls. Mr. Motley, would you want to agree or——

Ambassador MOTLEY. Yes. I think your question, the way you postured it, is a legitimate question based certainly upon previous happenings.

I tell you what I think we are talking about is two things.

One is obviously a change, and more fundamental change than jumps out at you unless you really work at this stuff.

And the second thing is it is more than just the State Department. We are talking about really a fundamental change in how we operate overseas. If you would allow me, let me just take you quickly through why the findings created a void and our recommendations follow a pattern.

What we have today is an interagency process that deals with policy, and it works reasonably well. It is called the National Security Council. All the agencies get in there and they hammer it out and get it done in different ways. That is here in Washington.

Overseas the structure is you have an ambassador and country teams, and they work fairly well, absent the problems, the challenges of facilities and communications, but still they work fairly well.

Now, what we are really talking about to focus on is not a policy. We are talking about everything else. We are talking about the structure that supports and provides for that. We are talking about the back room. There is no interagency structure in Washington to handle it. There are a couple of very good reasons. It is not sexy. It is not a crisis. It is does not have to be handled right away. But overseas you have it in the country teams. They have to get together to make it work.

The void is between the platforms overseas and the interagency process in Washington. If you look at our recommendations, they follow a pattern to fill that void. One of the first things we said is that there is a national foreign affairs strategic plan. It is made in a State Department document. It has been somewhat consulted, but not vetted throughout the other 30 agencies, nor is it approved by the President. So, that is the first thing. You need to have a policy framework. What are our objectives and our priorities overseas? Once you establish that, then the rest of our recommendations flow very well. If you do that, then where should you be, in what number, and how?

And that is the reason for preparing the Locations Interagency Committee that will decide. This is something new. The State Department, to a large degree, has all decided this. But these people have a right to be at the table, these other 30 agencies.

Then how do you build them, how do you maintain them, and the rest of it is the major, I think, centerpiece of our recommendations, the Overseas Facilities Authority, and with it, the Technology Subcommittee Interagency. Because what happens today, each one of the departments goes to their respective congressional appropriators, and they get different types of money to do some of the same things. AID has certain people that support them, the CIA, others, Department of Defense. So, you have at once the Department of Defense establishing a very good, nonclassified e-mail system, the CIA is doing the same sort of thing, and the State Department. What is lacking is one system—it is not rocket science—that they can all get together with to save the stewardship of the taxpayers' resources and make it work.

So, that is the void I think that we are trying to fill. It is a huge change. There are problems. There are some people who say you take away from the Secretary of State's prerogatives. I do not think we have done that, but that is an issue that needs to be looked at.

So, just amplifying on that, I think you are right. But I think it is change and it touches more than just the State Department.

Senator GRAMS. So, is that a hopeful?

Ambassador MOTLEY. Yes. Hope springs eternal. We have all seen the system. One of my partners was 20 years in the Foreign Service, and he says that every year they say things are worse than the last year and he says, they are right every year. So, I think, yes, it is a question—we have to do something, otherwise our presence overseas becomes a secondary asset.

Senator GRAMS. Mr. Kaden, the Overseas Presence Advisory Panel recommends that the Secretary of State designate the Deputy Secretary as the individual responsible for taking charge of security of U.S. posts overseas, while the Accountability Review Board recommended that the Secretary of State should be the pri-

mary leader responsible for the security of our U.S. embassies. Now, understanding that the Deputy Secretary would be responsible for the day-to-day implementation of security concerns, do you think that this recommendation contradicts the intent of the ARB's conclusion that the Secretary must become more engaged in the issue of embassy security?

Mr. KADEN. No. I think we were careful in this report to indicate our full support for all parts of the ARB recommendation, but particularly for its views on accountability. It is the Secretary's responsibility. He or she must take that responsibility and be accountable for it.

Our suggestion with respect to the deputy, as your question indicated, was that there needs to be someone with the day-to-day responsibility for implementation, and because of the importance of that function and the extent to which it cuts across program and policy and administrative lines in the overseas activities of the government, we thought the appropriate person was the Deputy Secretary. Obviously, there is a role to play for other officials at other levels, the Under Secretary for Management, the Assistant Secretary for Diplomatic Security, and many from other agencies as well. But we thought clear lines of managerial responsibility were a good idea and entirely consistent with the ARB report.

Senator GRAMS. Mr. Motley.

Ambassador MOTLEY. It was a subject we discussed, and we had two members from the ARB. Dr. Davis also was on our committee. So, that kind of interchange was good.

In my view what we are really looking at is we are not trying to take away from the law where the fundamental responsibility lies with the Secretary. What we are trying to do is establish a CEO/COO type of thing and put in one place above the other under secretaries who may have policy issues, who may have security interests, who may have others, one person as the COO where the buck stops. That was the intent.

Admiral CROWE. Mr. Chairman, could I add to that? I think what the Accountability Review Board was really getting at when they fingered the Secretary is we felt one of the great problems—and it is a problem of long standing and is probably at the root of our security problem—is that security is not taken seriously by the professionals throughout the world. They feel that it is somebody else's business. If you are going to change that culture, if you are going to have everybody assume some responsibility for security, that has got to stem from the top. That has got to come right from the Secretary herself, that security is a high priority, that I worry about it, that I will look into it, I will be visiting, I will be doing this, and I am sincerely committed to security. It was not our suggestion that she personally would administer. She just is overburdened in that regard. She has to have a point of contact. We suggested a single point of contact to handle security, but we were not suggesting that she run it all herself. That would be a very unrealistic suggestion.

But it is important that she talk about security a lot, not just once a month or something, that she talk about it a lot and that she make sure that her feelings are conveyed throughout the structure.

Senator GRAMS. Admiral, I would like to followup. After the August terrorist bombings, in violation of State Department guidelines, AID headquarters decided not to move its missions in Kenya and Tanzania into the more secure embassy compounds that are going to be built. AID only reversed itself after hearing from the Congress and U.S. officials in Kenya and Tanzania.

Now, when you were last before this committee, you mentioned that you would support requiring a waiver of this magnitude to be made by the Secretary of State. Do you still believe that this would be the case?

Admiral CROWE. I am not quite sure what you are getting at. That the waiver must be——

Senator GRAMS. Right. AID only reversed itself after——

Admiral CROWE. I understand that.

Senator GRAMS.—the Congress and everything else. When you testified before this committee last, you mentioned that you would support requiring a waiver of this magnitude to be made by the Secretary of State.

Admiral CROWE. Absolutely. I would still support that.

I would say, in all fairness to the AID organization in Nairobi, that the temporary embassy moved into their building immediately, and I am sure they were pretty sick of that after a while, in all fairness.

But, no, I think that kind of decision should be made by the Secretary. On the other hand, as Ambassador Motley has said, the Secretary should make those decisions in Washington in a coordinated fashion. That is what gets the Ambassador in trouble all the time.

Ambassadors, if they are sensitive and if they have any leadership experience, do not have trouble running the country team, but what they do have trouble with is they cannot control the composition of the country team, how many are there, what agencies are sending who, and those decisions are imposed upon them and they are made back here without vetting throughout the structure. It would help the Ambassador a great deal if Washington could tell him you will have so many of this, so many of that, and so many of that. And nobody can play with that without the higher officials here in Washington agreeing to it.

But those kind of waivers should definitely come from the Secretary.

Senator GRAMS. From the Secretary.

Admiral CROWE. Absolutely, because that is a philosophical thing. We have got to decide right now, as we begin to rebuild, if we get the money to rebuild, but if we are going to rebuild and go to the campus format, to have an individual agency change that or not cooperate with it, that is unacceptable. That must go to the high level.

Ambassador MOTLEY. Mr. Chairman, if I might.

Senator GRAMS. Mr. Motley.

Ambassador MOTLEY. If you have an interagency committee to do the overseas facilities, as we are suggesting, and you take away a lot of these arguments about I do not want to be in this building because I cannot do this and the rest of it, I totally agree with you, collocating is, purely from a leadership and management point of

view, out of sight, out of mind. If you are 45 minutes away, you are not going to be going backward and forwards in the offices. It can be done, and I think that by creating this structure, we can get to that point that you are talking about, the collocation.

In other words, if OFA was there, you probably would never have had this problem that has just come up. It would have been settled at that level prior to that.

Senator GRAMS. Mr. Kaden?

Mr. KADEN. Well, I would emphasize the point that Ambassador Motley made. I think in terms of philosophy, the view of the panel was that collocation is a good principle, that it is part of creating a country team to have people working together, working closely together, have as much interaction among them as possible. And the campus concept where it is practical is probably the right approach.

The interagency facility we suggest to take over the responsibility of buildings, construction, and maintenance would, as Ambassador Motley said, solve some of these problems. One of its principal contributions is intended to be provide more input, more participation for the agencies other than the State Department who are major users of the platform. It goes along with that that we suggest that it would rationalize the decisionmaking on staffing if each of those agencies also paid their fair share of the cost of space so that if you, for example, were running the FBI making a decision about how much resources you need in a particular country, you can take into account the cost of providing work space and facilities for those staff as well as the other costs associated with sending them. So, the creation of this interagency Overseas Facility Authority that we recommend solves several of those problems at once.

Admiral CROWE. Well, Mr. Chairman, I might just comment, in London we did not have a large foreign assistance program, as some of these other embassies do, but we had 26 agencies and they were all in the same building in the embassy. And that greatly facilitated our communication and work and it enhanced the position of the Ambassador as a country team leader, and it worked very well.

Mr. KADEN. I think one of the views the panel felt strongly about was the importance of upgrading skills, having the right talent mix in a particular post, given the array of challenging issues that that post faces. That ties into the strategic plan or the mission priority plan. That is more important than what agency they come from.

In other words, the old debates about whether it is good or bad to have a separate commercial service, separate agricultural service, we think to a great extent those functions are working well. We saw a lot of examples of effective functions being performed by the Agricultural Service.

The important thing ought to be that each Ambassador can identify the functions that need to be addressed and the best talent available to him to address it.

One simple example: One of the lessons we heard over and over again, coming out of the financial crisis the last few years, was that the Government would have been well served if it had devoted some additional resources to providing assistance to countries entering market economy in building their own institutional infra-

structure, having the accounting standards, and securities regulatory facilities, and bank oversight. That kind of investment would have paid off, and it is a relatively modest investment. But whether those personnel came from Treasury or Commerce or the Foreign Service or the Justice Department would in our view be less important. They may come from all of those agencies if you take them on a global basis. In any particular country, they may come from any of them depending on where the skills are available to do the task.

Senator GRAMS. We have been joined by Senator Sarbanes. Senator, would you have a comment to make or a line of questions?

Senator SARBANES. Thank you very much, Mr. Chairman.

First of all, I want to thank the panel for submitting this report in such a prompt manner on such a tight time table. I think it is enormously helpful.

Mr. Chairman, we appreciate your calling this hearing almost instantly upon the receipt of the report.

There are a couple of points I want to get at. First, I want to get at what I regard as this perennial chestnut that says, well, we do not need to put any more money in to solve the problem, we just need to do all these other things. There are lots of things that could be done, and there is always the cry for more money. While I accept the proposition that there are lots of things that could be done, if I were to tell you flat out that there was not going to be any additional money, no more resources, what would that do to the possibility of achieving your various recommendations?

Mr. KADEN. Thank you, Senator. We have identified a number of areas where additional investment and resources are needed. The technological improvements that we suggest are going to cost some money. Improvements in capital facilities and security does have a cost. We have specified all of that. Additional training. I think we have indicated when you add it up, that comes in our view to $500 million to $600 million above the current administration request based on the June supplemental.

We have said at the same time, though——

Senator SARBANES. Now, what about the $1.3 billion a year on security? Is that in or out of that figure?

Mr. KADEN. That is in in the sense that our recommendation of $1.3 billion for capital improvements and security compares to about $900 million in the administration's June request. In other words, in response to Admiral Crowe's report and some legitimate pressure from Members of Congress to increase resources for security, the administration made a supplemental request that comes out on a normalized basis, after they ramp up over a few years, to $900 million. We changed that $900 million in our recommendation to $1 billion and we add $300 million for maintenance, both current and deferred. When I say $500 million to $600 million additional, that includes the additional money for security, the additional funds for technology and training.

But we also say that the right-sizing process that we recommend, the interagency process to take a look at each post and come up with a staffing pattern that matches mission priorities, could produce significant savings. We drew that encouragement in part from the comments of Ambassadors from some of the large posts,

including Admiral Crowe, based on his service in London, Ambassador Rohatyn in Paris, Ambassador Holbrooke in Bonn. Some of these posts, particularly the large western European, posts have grown too large. They could do a better job if they were leaner, faster moving, better equipped; and there are some real savings there. Those resources can be allocated to these areas of need.

Admiral CROWE. Well, Mr. Chairman, can I address that question directly, though? From a security perspective, if there is not going to be more money available in the out-years or appropriated this year, you are not going to have safe embassies anytime. You are going to continue to send people overseas in harm's way, just as soldiers, just as sailors, just as marines, without giving them a safe, reliable, and reasonable environment. I look at it not as a foreign policy issue. I look at it as a national security issue. If you are going to send people overseas, then you should protect them. Otherwise, do not send them.

But I hear nothing about, when the budget is cut, well, do not send this or do not send that. But that is what you are saying when you cut that budget, and if you do not give more funds in security, that means we are not really interested in saving lives.

Senator SARBANES. Chairman Kaden, let me ask you this question. You say in your executive summary, the panel supports legislation proposed by the Office of Management and Budget to allow the Department to keep an additional $500 million of the consular fees it collects overseas in order to address critical shortfalls in infrastructure, personnel systems, capital needs, technology training, and other needs. Now, presumably on the basis of the analysis you just gave me, that $500 million is not encompassed within the figure you gave me. Is that correct?

Mr. KADEN. No. I think much of it is. Part of the thrust of that recommendation is to provide a predictable flow of funds. In other words, if Congress supported the Government keeping those fees and applying them to the capital needs and other requirements of the services the Government is providing, it would support one of the goals of the report, to ensure through all these measures more predictability in the flow of capital funds so that one could engage in the planning process to address security issues over a longer period of time without having the degree of uncertainty that now sometimes applies.

Some of those additional fees are for new requirements that we identified, but not all. And, to a considerable extent, the $500 million is incorporated in the numbers we have been talking about, the additional resources required, the $1.3 billion. Those are overlapping recommendations, not incremental.

Senator SARBANES. Well, I want to make sure I understand this, because I am having trouble with my math. You said $500 million to $600 million more was what you needed in terms of extra money to do your recommendations. Is that correct?

Mr. KADEN. Yes.

Senator SARBANES. You then said that included within that was the additional security money which was $400 million of it because you go from $900 million to $1.3 billion. Correct?

Mr. KADEN. That is right.

Senator SARBANES. Now, that leaves another $100 million to $200 million over and above that.

Mr. KADEN. And much of that would go——

Senator SARBANES. But you have another recommendation that talks about leaving $500 million for personnel systems, technology training, and other similar things. Now, I cannot make that math work.

Mr. KADEN. That's why I said those are——

Senator SARBANES. I may be too much a prisoner of the old math.

Mr. KADEN. —not entirely additive. On the capital requirement side where we see the administration asking for $900 million in its June supplemental, we would change that to $1 billion. That is plus $100 million. In addition, we would support $300 million a year on a recurring basis for maintenance so that one could catch up with deferred maintenance and continue maintaining these 12,000 facilities year by year. That is $400 million. Most of the additional incremental funds that are required are needed for investment and technology. We identify over a period of years an investment in technology of approximately $300 million, but it is going to take a number of years to do that. So, those are the principal areas of additional need. The training and other needs identified are in much smaller amounts.

Senator SARBANES. Where does the $130 million for communications and technology come from?

Mr. KADEN. That is part of the technology improvements that I mentioned. $130 million is the first phase which we estimate could be done over approximately 18 months to 2 years for a global network, Internet-based for unclassified communications. We suggest that be followed by a study of how to provide the same global network in the classified environment. That will take longer. But if you are adding up incremental requirements, that is all part of the $500 million to $600 million I identified above the administration's current position.

Senator SARBANES. All right. Well, I hope it is all there. I think it is important for you to state what it is that is needed and not to try to down-shade it. Otherwise, we do not really have an appropriate standard to work against.

Mr. KADEN. I think the report is clear——

Senator SARBANES. Something Admiral Crowe did do with his report is he was very clear about how much money was needed and how imperative it was and laid it out there. In fact, because of that, it became something of a benchmark, which I think to the extent we are even beginning to come anywhere near it, it was greatly helped by being given such a clear and indefinite standard to shoot for and also, of course, such a compelling rationale which we just heard enunciated a few minutes ago at the witness table.

Mr. KADEN. Well, I think on the security needs, we are four square with Admiral Crowe. I think the specifics of additional budgetary requirements are all in here. But perhaps what we will do is put them together in a one-page chart and get them to you.

Senator SARBANES. All right.

I have one other question, if I may, Mr. Chairman. I gather you support the notion of universal presence for our embassies.

Mr. KADEN. Yes.

Senator SARBANES. It would be helpful if you would just lay out your rationale for that. I tend to agree with that, but I would be interested in hearing your rationale.

Mr. KADEN. This was a subject we discussed at the panel sessions at great length and discussed in the course of our visits to 23 countries. I think our conclusion goes along the following lines. We support the value to the national interest of on-the-ground presence essentially everywhere. There may be a handful of exceptions, but essentially we support universal presence through an ambassador because in our view there is no substitute for the kind of relationship building and interaction with the host country that comes through that presence.

Now, it does not always have to be substantial in number, and it does not have to include necessarily each of the policy areas and certainly not all of the administrative support functions. We do support regional service centers for administrative support. We support bringing back——

Senator SARBANES. Like in the Caribbean, for example, I would assume.

Mr. KADEN. Yes, exactly. We support bringing back to the U.S. some of the paper processing and back room functions.

But we do conclude that there is no substitute for being on the ground, interacting government to government, and our representatives with the elements of the civil society in the country they serve. Part of the reason for that is not only the array of issues on the agenda, but also the unpredictability of where the next challenge arises, where the next threat emerges, where the next opportunity for a constructive relationship that is part of an important global alliance on an issue may emerge. All of those factors support the notion of having an American presence interacting with the government and the society essentially everywhere.

Of course, you hear arguments that the Internet and media has changed that, that the direct contact between the President and the members of the cabinet and foreign leaders has changed that. I think our conclusion, after a good deal of discussion, was that in fact those developments enhanced the need for on-the-ground presence. It is the Ambassador's relationship building, it is the embassy's ties with the different constituencies in the society in which they serve that provide the foundation for effective interaction at higher levels and that provide the foundation for effective problem solving when a challenge or an opportunity does emerge.

Senator SARBANES. Now, the paper, in reporting on your report, has said—let me just read this. Although the report calls for spending $500 million to $600 million per year beyond the administration's budget request, which is of course the issue we were exploring here earlier, its authors claim the extra costs could be offset by such measures as reducing the size of diplomatic missions in countries that no longer require large American presence. Now, I skimmed your report very quickly. I did not come away with that conclusion. Is that part of your——

Mr. KADEN. I think it is there, very much so. One of the central recommendations we make is that the President establish by executive order this interagency committee on right-sizing and that he include on it the representatives of the departments and agencies

with a major presence and platforms around the world in embassies around the world, and that over a course of 3 years, this interagency process attack the issue of staffing patterns and the match-up of staffing patterns with mission priorities post by post.

Senator SARBANES. So, I could then, in your view, reasonably take the view that I do not need to give you any more money because if we would just do this right-sizing, we will pick up from that exercise the money that is needed to do these other things. Is that correct?

Mr. KADEN. We think there are substantial savings to be realized, but we cannot quantify those until you go through the process. We believe there are significant savings to be achieved through the right-sizing. We say, by way of example, that if you were able to reduce by 10 percent the total number of personnel, all agencies around the world, U.S. nationals and foreign nationals, that amounts to $380 million. But you have to go through the exercise in 160 embassies, matching priorities with staffing patterns for all agencies, in order to know the answer to that. The investment in technology and security and the other areas we believe has to be made notwithstanding that. Whether at the end of the day they balance perfectly or they come close depends on the effectiveness of that interagency process.

Senator SARBANES. Well, it seems to me you are leaving it open to the interpretation that I just advanced. I myself am not comfortable with that because I think we have been short-changing the investment and we need to make it. But if you come along and tell me, look, you could make all these other changes in the workings of the system and the savings you would accrue by making all these other changes would pay for the additional things that we think ought to be done, it seems to me that is an invitation to go down the path of linking directly together those changes with those investments. So, in effect, we say, well, we don't really need to provide any more money. All we need to do is see that they do this, as you call it, right-sizing, and the process of doing the right-sizing will provide the money to do these other measures.

Mr. KADEN. I think the way we have been describing it is what it invites is a partnership between the leadership of Congress and the administration in improving the way we organize and deploy these resources. If you do that, we will improve the management and effectiveness of these activities. We will save some resources by the right-sizing and allocation of those resources, and we will make the needed investments. Now, whether at the end of the day—it is highly likely, as this report says, that the needed investments will more than offset the savings. But the savings are significant and the savings will come if we attack the process of reform with vigor and a seriousness.

Admiral CROWE. I really think, Senator, we are going to have to spend some money in the short term in order to recognize or realize savings in the long term. They are not going to happen the same time. I know in the military business, you know, when you close a base to save money, closing a base costs more than keeping the base for a while.

Mr. KADEN. But the thing that was striking to us was how many Ambassadors came to us and said there are 2,000 or 2,200 people

in London. I am not sure we need that number to do the job effectively in the year 1999. Or there are 1,500 people in Paris and that may have made sense 30 or 40 years ago, but maybe not today. And on the other hand, the resources we allocate to some countries in Asia or some places in Latin America may be short of the kind of talents and mix of skills that we need in those posts.

Senator SARBANES. Yes. I think you are giving us a little—Mr. Chairman, if I may say so—not this Mr. Chairman, but that Mr. Chairman—bit of an Alice in Wonderland scenario. You need security clearly, which is big dollars. You need technology. You need personnel training. True, some of the embassies are over-staffed, but almost in the same breath, what I hear you saying is, well, other embassies are understaffed. Presumably that will be in some rough balance. So, it still seems to me you come out needing an infusion of resources into the system if it is going to have any chance of working. Unless you put some resources in, you do not create the kind of lubrication with which you can make some of these changes and introduce some of this flexibility in order to move things around.

Mr. KADEN. Well, you are absolutely right. As Admiral Crowe said, you need to make investment up front as part of the process of reform. But I think our panel believed that this effort to create the right size and shape of missions was equally important. And if there are too many people and a poor allocation of those resources, then that is part of the process of reform too. That is also part of setting the foundation for supporting the investment.

There are skeptics about these activities. We have to acknowledge that. So, as a Government, we need to be able to stand up and say we are doing these activities in the most effective, most efficient manner possible. Then the case for making the investment in technology and facilities and better buildings will be much easier to make, much more effective.

Senator SARBANES. Well, we have said that to the U.N. We said, you got to do these reforms or we will not give you the money. They did some of the reforms, not all of them, but they made some of the changes. They still do not have the money, and their system is completely, sort of almost breaking down now as a consequence.

Thank you, Mr. Chairman.

Senator GRAMS. Thank you very much, Senator Sarbanes.

Gentlemen, I apologize. I have got about 4 minutes before I have to leave. So, I wanted to ask one question to wrap some of this up.

One of the things the panel's report calls for is the creation of an Overseas Facilities Authority which would operate more like a private sector real estate entity. Now, you mentioned that the OFA would be able to issue a debt or take loans from the Federal Financing Bank of the U.S. Treasury. So, I guess the question I would ask you gentlemen is what level of debt do you think is prudent for the institution to incur, and what level would be cause for alarm? Now, you say there is some level they could, but there must be a level that you would be afraid if they got in too deep. Mr. Kaden?

Mr. KADEN. Yes. I think that is related to the rent charging or transfer pricing mechanism that we recommend as part of that. In other words, this government chartered corporation responsible for

the buildings and grounds function, as I describe it, would have representation from all the agencies who use the platform. It would have the capacity to charge them rent for the facilities. That rent flow would be a definable capital base, if supported by Congress, because it is still subject to the normal congressional appropriation process. But that would establish the predictable flow of funds that creates the foundation for use of flexible financing tools, including access to the Federal Financing Bank.

We did not take the position that this was a proposal to circumvent in any manner the normal appropriations process. In other words, Congress should have exactly the same oversight it has today over the capital needs process and the appropriation process, but more flexible financing tools, including access to the Federal Financing Bank, including in some respects use of lease-purchase financing, would be part of an approach of providing a more predictable flow of funds to address this billion or $1.3 billion a year of capital improvements for security that we recommend and that Admiral Crowe's ARB recommended.

Senator GRAMS. Mr. Motley, the panel makes recommendations to reinforce the Ambassador's authority and gives the Ambassador more freedom to innovate. What barriers did you personally experience as an ambassador to creating a most productive environment possible and how will these recommendations help alleviate some of the problems that you probably faced?

Ambassador MOTLEY. My experience goes not only serving as Ambassador, but I have co-chaired the Ambassadorial seminar for the last 15 years. So, 600 of the people that are nominated and confirmed here end up in the seminar that I run at the State Department. It is just a hobby and an avocation.

But what I have found is the biggest frustration with Ambassadors is how to manage Washington, not how to manage their——

Senator GRAMS. That is a task.

Ambassador MOTLEY. Yes, and they have varying degrees of success on that factor.

The law is very clear. It requires the Ambassador to direct, coordinate, and supervise all executive branch employees and all of their activities. It is a fairly clear piece of law. The President's letter that reinforces that goes in and tries to clarify things that have happened in other administrations. In fact, following an instance in the Reagan administration where an ambassador was misinformed by a national security officer, the following letter issued by the President said you will take instructions from the Secretary of State or me personally and no other way, that you could not speak on behalf of him.

So, those two are the kind of things. It is more dealing with Washington than it is on the ground. On the ground, the country team thirsts for leadership, looks for it. If it is provided, it works well. It is really getting through this thicket we are trying to get past now by creating this other interagency mechanism.

Senator GRAMS. Between the Ambassador and Washington, did you see any lack of coordination between various agencies overseas to be a problem as well?

Ambassador MOTLEY. Sure. It happens. It happens in the best of families. Each agency has, going over there, their own idea of what

they want to do or not do. So, it falls to the Ambassador to make sure that it all fits within the overall plan, what are the objectives of the United States. We tell Ambassadors there are four basic things that they should look for, and if it does not fit one of those four, that nobody should be doing it. So, it really is individual perspectives here that are not coordinated that then get out in the field and then they have to be kind of brought together.

Admiral CROWE. Can I add a little to that?

Senator GRAMS. Yes.

Admiral CROWE. For example, we have been under fiscal pressure for now quite some years, and while I was 3 and a half years in Great Britain, we reduced the size of the embassy about 15 percent. While we were reducing it 15 percent, the other 25 agencies that were in the embassy either increased or did not reduce any. They were not under similar instructions, and they chose to take their reductions in moneys here in Washington and keep their overseas presence large while the State Department was steadily cutting back. And the Ambassador had no control over that at all.

Also, I had a real run-in with a Washington Department, which I will not mention, but they had a foreign policy issue that involved several countries, and I got a call saying, we are sending over a big delegation to check with Great Britain once more to be sure they are aboard. I said, they are aboard. We see them every day. There is no problem. These other countries you are dealing with may need your presence, but I can guarantee you there is not a problem in Great Britain. They will vote with you and they will support you. He insisted on coming anyway. I did not have any control over that. I thought it was totally unnecessary. It was a hell of a waste of money.

Senator GRAMS. Mr. Kaden, did you have——

Mr. KADEN. Well, I think we saw many examples of the kind that Ambassador Motley and Admiral Crowe have mentioned. The point that it brought home to me is it is a complex job being an ambassador in a large post where 20 or 30 agencies are represented. It requires unusual skills of leadership and management. We saw some very good examples of strong Ambassadors creating effective country teams. We saw some examples on the other side of that fence too.

I think the lesson the panel drew from that was that the Ambassador's authority, as leader of that team, has to be clear and transparent. We suggest that the President's letter be clarified and incorporated in an executive order. So, it is more transparent.

And second, it goes without saying that the Nation's interest is well served when the President selects and the Congress confirms quality Ambassadors because this is a job that is not a place for anything but high quality managers and leaders.

Senator GRAMS. Just one final question. Admiral Crowe, the panel urged the State Department to continue to implement the recommendations made by your Accountability Review Board. Now, your ARB report called—and I quote—flying glass the most dangerous element in the Nairobi and Dar es Salaam bombings and said that mylar coated windows did not provide sufficient protection. So, I guess the question is, has the State Department moved toward installing the laminated glass that you called for?

Admiral CROWE. They are certainly looking into it and they are moving pretty fast. Of course, you are in an area here where it is sort of like the Internet. It moves ahead of you. You keep trying to catch up with it. Well, the experimentation on glass has the same problem. They are still using mylar because it does have some minor protections, but they are trying to move to another degree that will also prove to be very expensive, incidentally. But, yes, they are going, I think, in the right direction.

Incidentally, our report also mentioned a great deal of procedures that had nothing to do with money, and I think the State Department has moved on all of those. I am very encouraged in that regard.

Senator GRAMS. So, I think you would be optimistic then that some of the other recommendations of the ARB are being implemented as well, or do you have any concerns?

Admiral CROWE. No. I think some of them are, yes. I think a great many are.

Senator GRAMS. At a pace that you would be happy or satisfied with?

Admiral CROWE. Well, I will never be happy with the pace, but certainly it is as I can reasonably expect. And it is a big problem. You start talking about 240 installations, even if you are just concentrating on something like glass, getting that organized and the priorities and who moves first and so forth.

Also, incidentally, it is not just a matter of laminated glass. I hate to get technical but the frame itself has to be anchored to the core part of the building, and then that laminated glass put in that. That is a big job.

Senator GRAMS. Any other final comments?

Mr. KADEN. I think this is an area where the Secretary and Under Secretary Cohen and Assistant Secretary Carpenter have really put their shoulder behind the ARB report and they have been making some progress.

Senator GRAMS. Well again, gentlemen, I want to thank you very much for your work and your diligence and your time and coming before this committee.

I will just ask Senator Sarbanes if he has any additional questions.

Senator SARBANES. No, thank you.

Senator GRAMS. All right. Well, again, just thank you very much.

One thing I would like to do is leave the committee hearing record open for at least 3 more business days in case any other members would like to submit questions that they have or concerns to you gentlemen. Again, I want to thank you very much for your work.

Mr. KADEN. Thank you.

Senator GRAMS. The committee is completed. [Whereupon, at 3:36 p.m., the subcommittee was adjourned.]

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