

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

TESTIMONY OF
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Mr. Chairman, Members of the Subcommittee:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

making any process of rightsizing an effective one. Other agencies must see it in their own interest to carry out their specific functions as part of an effective country team. The White House must bear ultimate responsibility for making any rightsizing process work across agency lines, if we are indeed to have an overseas presence capable of meeting the challenges of this new century.

Congress will have an important contribution to make as you consider the proposals that will come before you as we try to establish a more effective process for shaping our overseas presence. During our OPAP deliberations, we were pleased at the high level of Congressional interest in our deliberations and received excellent advice in shaping our final recommendations. One message we often heard in those discussions was the need for the Department to undertake a commitment to reform, while asking for the resources it needs to lead and manage our overseas presence. I am encouraged by what I see in the Department today and believe that there is evidence of that commitment to reform.

Thank you. I would be happy to address any questions you may have.