America's Overseas Presence in the 21st Century

The Report of the Overseas Presence Advisory Panel

November 1999

U.S. Department of State

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PREFACE

Since the early days of our nation's history, America's overseas representatives have been on the front line of efforts to build support for democracy, to maintain peace, and to promote prosperity around the world. Today, the men and women who serve our country in embassies and other posts abroad face a complex array of challenges to improve relationships within the civil society, as well as with the government of the host country; to build institutional foundations for the rule of law; to promote U.S. products and services around the world; to fight against terrorism, weapons proliferation, international crime, and threats from disease; to foster global alliances on environmental and trade policy; and to provide services to the millions of Americans who work and travel abroad, as well as to foreign citizens and refugees escaping from natural and human disasters. This imposing list should convince anyone of the importance of our overseas presence. It should also suggest the scope of the challenge to organize, staff, equip, and secure our overseas representatives to enable them to do their essential work.

The Panel's charge was to think creatively about the way the United States organizes its activities overseas. In that spirit, we offer these recommendations for reforms in our nation's overseas presence. Our work leading to these recommendations was made possible by the tremendous commitment of Panel members, who brought to our undertaking their diverse experience in diplomacy, business, the military, and public interest groups. Together, we have completed our review by concurring unanimously with the conclusions in this report that the overseas activities of our government are critical to the advancement of the nation's interests and that the way the U.S. Government conducts these activities needs significant improvement if the strategic goals of U.S. foreign policy are to be achieved.

As with any advisory committee, there is a risk that our report will simply be another volume on the shelf, admired perhaps by those who read it, but otherwise set aside in the press of urgent business. To counter that risk, we have consulted broadly with members of Congress, leaders in government, former officials, and public interest groups. We pursued these consultations not only to strengthen our analysis and prescriptions but also to enlist leaders in many sectors to support the follow-through necessary to make our overseas presence more effective and more efficient.

Now, the ball is passed to those with the power to implement the reforms. We urge the President, the Congress, the Secretary of State, and other heads of departments and agencies with a stake in America's overseas activities to act promptly to make the improvements endorsed by the Panel. We have the capacity to give our overseas representatives the talents, the technology, the facilities, the security, and the support to do their jobs. And we can do that with a combination of savings and investment that is well within our means, given the importance of the task. In fact, we are convinced that if the administration demonstrates it is on the path to reform, Congress will provide the needed resources.

I know I speak for all the members of the Panel in expressing our appreciation to the Secretary of State, Madeleine Albright, for giving us this opportunity and for her constant encouragement and support. We are also indebted to our executive secretary, Ambassador William Itoh, who himself exemplifies the highest standards of the career foreign service, and to the staff and consultants for their contribution. For me, working with this Panel was a Privilege, and a rare opportunity to learn about the work our nation's representatives do to promote our values and protect our national security. Throughout these months, I have been struck by the talent and commitment these men and women from more than 30 government agencies bring to their difficult assignments. As a nation, we owe them not just our gratitude but also our support to achieve the goals which attracted them to public service.

November 1999

Lewis B. Kaden
Chairman

EXECUTIVE SUMMARY

The United States overseas presence, which has provided the essential underpinnings of U.S. foreign policy for many decades, is near a state of crisis. Insecure and often decrepit facilities, obsolete information technology, outmoded administrative and human resources practices, poor allocation of resources, and competition from the private sector for talented staff threaten to cripple our nation's overseas capability, with far-reaching consequences for national security and prosperity.

These are among the major conclusions of the Overseas Presence Advisory Panel (the Panel) established by the Secretary of State, with the support of the President and the Congress, following the tragic bombings of the embassies in Nairobi and Dar Es Salaam. The Panel was formed to consider the future of our nation's overseas representation (other than personnel under area military commanders), to appraise its condition, and to develop practical recommendations on how best to organize and manage our overseas posts.

The condition of U.S. posts and missions abroad is unacceptable. Since the end of the Cold War, the world's political, economic, and technological landscape has changed dramatically, but our country's overseas presence has not adequately adjusted to this new reality. Thirty Federal agencies now operate internationally, yet they lack a common Internet/e-mail-based communications network. There is no interagency process to "right-size" posts as missions change, nor are agencies required, with a few exceptions, to pay their share of the cost of maintaining and renovating facilities. It is ironic that at the moment when our nation's message resonates through history, its voice has been rendered nearly mute by antiquated technologies. The Panel fears that our overseas presence is perilously close to the point of system failure.

Such failure would have serious consequences: less effective representation and advocacy of U.S. interests abroad; a loss of U.S. exports, investment, and jobs; inadequate political and economic information, leading to unexpected crises; less effectiveness in promoting democracy and the rule of law; and a weakening of the fight against international terrorism and drug trafficking. U.S. citizens traveling abroad would not get the assistance that they need and deserve. Our nation would be less able to forge global alliances to respond to regional conflicts or to solve global environmental and social problems. Only by maintaining a robust global presence can our government protect U.S. interests and promote its values.

A New Design for Our Overseas Presence

To address these deficiencies, the Panel has outlined components of a new design for our nation's overseas presence for the 21st century. It recommends eight major types of changes:

1. Improve security and foster greater accountability for security. (pp. 37–41)

Major capital improvements to facilities and more accountability for security, as
recommended by the Accountability Review Boards (ARBs) headed by Admiral William Crowe, will better protect our representatives abroad from terrorists and other threats. The ARBs' near-term recommendations should be implemented promptly: upgrades in windows and barriers; improved warning systems and training in emergency response; more and better-trained regional security officers; and improved cooperation with host nations.

> **Budget Implications**: The Panel recommends approximately $1.3 billion annually for the next 10 years ($1.0 billion for capital improvement, including security, and $0.3 billion for maintenance, current and deferred). The estimated cost of mandatory security training is $500,000 per year.

2. Create the right size and sites for our overseas presence. (pp. 41–44)

The Panel recommends that the President, by Executive order and with the support of Congress, establish a permanent interagency committee to determine the size and shape of overseas posts. The Executive order should mandate the committee to review and streamline every mission and to reallocate all personnel (not just Department of State personnel) as foreign policy needs and objectives change.

The decision-making process would reconcile differences to reach a consensus. The Secretary of State would be responsible for deciding and promulgating proposed staffing plans developed through the interagency process. A department or agency head who disagrees could appeal to the President. Chiefs of Mission should have input to the committee's process as it relates to decisions affecting their posts.

Right-sizing will match staff with mission priorities and can achieve significant overall budget savings by reducing the size of overstaffed posts. Additional posts may be needed to enhance our presence in some countries where the bilateral relationship has become more important.

> **Budget Implications:** While the magnitude of the savings from right-sizing the U.S. overseas presence cannot be known in advance, we believe that significant savings are achievable. (For example, a 10 percent reduction in all agencies' staffing would generate governmentwide savings of almost $380 million annually.)

3. Establish a new entity for the financing and management of our overseas presence. (pp. 44–51)

The Panel recommends the creation of a federally chartered government corporation—an Overseas Facilities Authority (OFA)—to exercise responsibility for building, renovating, maintaining, and managing the Federal Government's civilian overseas facilities, including office and residential facilities. The OFA would replace the Foreign Buildings Operations office of the Department of State (the Department). To the extent possible, the OFA would have the compensation and personnel practices typical of private-sector property management companies. By statute, the OFA's board chairman would be the designee of the Secretary of State. The relationship of the Secretary to the OFA would be analogous to that of the client to the construction manager. The Secretary would continue as now to have responsibility for decisions concerning the security, size, and location of all facilities and would be required to sign off on every OFA capital project, as well as its long-term capital plan. Congressional approval would be required for the establishment of the OFA. Congress would exercise oversight of the government's overseas capital plans, as it does now.

The OFA should be designed to receive funds from a variety of sources, including rent (plus a capital charge for new facilities) from all agencies occupying space in overseas facilities; annual appropriations; retained proceeds from asset sales; forward funding commitments from the Federal Budget; loans from the U.S. Treasury Federal Financing Bank; and retained service fee revenues from sources approved by Congress.

4. Increase investment in people; adopt the best private-sector practices in human resources management. (pp. 51–56)

The Secretary of State should develop a comprehensive human resources strategy to improve the quality of life for persons serving overseas; to enhance job satisfaction, improve recruiting, expand training and promotion opportunities; and to increase sensitivity to family issues. All overseas agencies should adopt the best private-sector practices for human resources management, including meaningful evaluation procedures, management and leadership development, and rapid promotion opportunities for the most talented personnel.

Budget Implications: The estimated cost of enhanced career training is $6 million per year.

5. Immediately upgrade information and communications technology. (pp. 56–58)

The President should direct all overseas agencies to immediately provide all overseas staff with Internet access, e-mail, a secure unclassified Internet Web site, and shared applications permitting unclassified communications among all agencies and around the globe. Furthermore, agencies should initiate planning for a common platform for secure classified information to be implemented over the next two years.

Budget Implications: The estimated cost of a common network link-

ing all agencies in all overseas missions through the Internet and providing all employees with e-mail and other off-the-shelf capabilities is $200 million. A unified classified system allowing all agencies at post to communicate with each other and with Washington will cost nearly $130 million.

6. **Reinforce and further improve consular services. (pp. 58–62)**
The Bureau of Consular Affairs should accelerate efforts at all posts to apply "best practices" for appointments, same-day processing, and waiver processing. The Department should ensure that staff resources can be shifted to match surges in demand for consular services.

Budget Implications: The Panel supports legislation proposed by the Office of Management and Budget (OMB) 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.

7. **Reform administrative services. (pp. 62–64)**
Up-to-date information and communications technology should be used to support administrative services. The Panel strongly endorses consolidating many administrative functions in regional centers, devolving others to the local level, and bringing some processing functions back to the United States.

Budget Implications: Significant savings and improvements in productivity should result from new information and communications technology, greater employment of foreign nationals, new regional service centers, and other administrative reforms. (For example, a 10 percent improvement would yield $80 to $90 million in annual savings governmentwide.)

8. **Enhance and refocus the role of the Ambassador. (pp. 64–66)**
The United States should select its Ambassadors carefully, give them sufficient authority to meet their responsibilities, and provide training commensurate with their difficult and complex jobs. The President should issue an Executive order reinforcing the responsibilities and authorities of Ambassadors and codifying the traditional President's letter to Ambassadors. All agencies at a post should be required to work with the Ambassador to formulate a comprehensive, integrated mission plan and a suggested country budget.

Budget Implications: The minimal costs associated with additional training for Ambassadors and Deputy Chiefs of Mission would be approximately $200,000.

Overall Budget Implications

The Panel believes that significant savings are achievable from right-sizing

and the reform of administrative functions; however, it is clear that additional investments are required over the near term for information technology, capital needs, and security. The overall implications are that achieving the important goal of an effective overseas presence will require a net investment in certain overseas activities of the U.S. Government.

Implementing the Report

The Panel believes that this report will help create an opportunity for the Federal Government to focus on the critical importance of its overseas missions and the national interest in making needed institutional reforms. Because our overseas presence involves many agencies, only Presidential initiative, the Secretary of State's leadership, bipartisan Congressional support, and cooperation from other agencies and departments can bring about reform. Indeed, the governmentwide reforms that we propose in technology, right-sizing, training, security, and capital needs will occur only if the President and the Congress play an ongoing role in the effort to implement them.

- The President, by Executive order, should establish an implementation mechanism and enforce a timetable to achieve the reforms that require interagency procedures or White House initiative, such as right-sizing, improved technology, and security. The President should appoint a "Coordinator for Overseas Presence Reform" to manage those aspects of reform where Presidential leadership is needed. The Secretary of State should submit a list of candidates for appointment as the Coordinator. Each agency responsible for making internal reforms should establish a plan and a timetable for implementation. The President should submit to Congress those reforms requiring its approval.

- The Secretary of State, as the President's principal foreign policy adviser, should take the lead in the implementation process, thus enhancing the Secretary's role in coordinating U.S. foreign affairs. Building on existing statutory responsibilities for the location, security, and staffing of overseas facilities, the Secretary must be in the forefront of the new design for the U.S. overseas presence envisioned in the Report. Since the Department of State is the lead agency in our nation's overseas activities, it bears a special responsibility for leadership in carrying out many of the reforms.

- The Congress should take an active role in the implementation and oversight of the new design proposed in this report, authorizing the changes needed and appropriating the funds required to implement them.

We urge the President, the Secretary of State, and Congressional leaders to form a partnership and together embrace this opportunity to modernize and reshape the our country's overseas presence.

The past decade has witnessed a transformation of the world political situation.... Challenges such as transnational law enforcement, global terrorism, democracy building, protection of the environment, refugee issues, and access to global markets and energy sources now compete with traditional security and political issues for policymakers' attention. These changes demand that we reexamine the nature and basic structure of our overseas presence.

Secretary of State Madeleine Albright on the formation of the Overseas Presence Advisory Panel

I

INTRODUCTION

In the aftermath of the tragic bombings of the American embassies in East Africa, the Secretary of State, with the support of the President and the Congress, formed the Overseas Presence Advisory Panel (the Panel) to consider the future of America's overseas presence. The Panel was asked to review the value and appropriate size of the nation's overseas presence in the coming years and evaluate how best to locate, protect, staff, equip, and manage overseas posts. Central to this study was a mandate to determine how the U.S. Government could provide greater security for its overseas personnel in the face of budgetary restraints and new foreign policy priorities that place increasing demands on our posts abroad.

In examining the current state of the government's overseas operations, the Panel drew upon the experience of its members: senior diplomats, experts on security, heads of companies and nongovernmental organizations (NGOs), former members of Congress, and representatives of executive branch agencies with overseas responsibilities.

The Panel also conducted extensive fact-finding visits, interviewing hundreds of people at all levels in American embassies and senior government officials in Washington. We reviewed the best practices in both the private sector and in other governments. Finally, the Panel consulted broadly with former government officials, foreign policy specialists, and representatives of business and NGOs with international operations.

It should be noted that the current Administration has undertaken significant efforts to improve the effectiveness and efficiency of America's overseas presence. At the Department of State (the Department), Secretary Albright has championed reinvention efforts in the face of declining resources and increasing challenges. These initiatives include the War for Talent study by McKinsey and Company, charting reforms in human resources; a comprehensive security review of our diplomatic missions abroad; the improvement of services provided by the Bureau of Consular

Affairs to Americans traveling abroad; and initial steps to overhaul the Department's global information platform. The Panel has built on these and other efforts to improve the overseas operations of all U.S. Government agencies and departments.

The United States is represented overseas in 160 countries. In addition to embassies in each of these countries, there are 74 American consulates, as well as 18 other missions and offices—for a total of 252 posts. The United States employs more than14,000 Americans in those posts and about 30,000 foreign nationals. More than 30 government agencies operate overseas. The largest mission employs more than 2,000 people, while the smallest posts have as few as 10 people.

The Panel visited 23 posts: Pretoria, South Africa; Mbabane, Swaziland; Dakar, Senegal; Quito, Ecuador; Panama City, Panama; Mexico City, Mexico; Kiev, Ukraine; Moscow, Russia; Chisinau, Moldova; Beijing, China; Bangkok, Thailand; Vientiane, Laos; New Delhi, India; Paris, France; Athens, Greece; Tallinn, Estonia; Riga, Latvia; Vilnius, Lithuania; Rabat, Morocco; Cairo, Egypt; Oslo, Norway; Brasilia, Brazil; and Lima, Peru.

What is most striking to any visitor to our posts overseas is the remarkable job being done by a cadre of dedicated, hard-working men and women—often in adverse and even dangerous circumstances. When we saw what these talented and resourceful people are accomplishing in representing America, we became all the more committed to giving them the support they need to get the job done. The Panel dedicates this report to the thousands of women and men laboring overseas to represent the interests of all Americans.

We believe that the U.S. overseas presence provides the essential underpinnings of our foreign policy. However, in the Panel's view, that presence is near a state of crisis and needs immediate reform.

II

FINDINGS

In its fact finding and discussions, the Panel appraised the condition of the nation's overseas presence (other than personnel under the authority of area military commanders). The globalization of trade and finance, the revolution in communications and information technology, the emergence of worldwide environmental and health problems, and complex humanitarian emergencies have transformed the social and economic context in which American diplomacy is conducted. The rise of international terrorism and criminal activity, the spread of democracy, the end of the Cold War, and the intensity of regional conflicts have similarly remade the political and security landscape. Yet, our overseas presence has not adjusted to these new economic, social, political, and security realities. The overseas institutions that have performed so admirably throughout the 20th century are neither designed nor equipped for the 21st.

The Panel noted the gap between our nation's goals and the resources it provides its overseas operations. The world's most powerful nation does not provide adequate security to its overseas personnel. Despite its leadership in developing and deploying technology, U.S. overseas facilities lack a common Internet and e-mail communication network. The overseas facilities of the wealthiest nation in history are often overcrowded, deteriorating, even shabby. Private-sector practices that have led to the world's most productive economy have yet to be adapted to our public services abroad. And though the nation's overseas agenda involves more than 30 Federal departments or agencies, there is no interagency mechanism to coordinate their activities or manage their size and shape.

Many Panel members were shocked by these incongruities; all find them unacceptable. We believe that the U.S. overseas presence provides the essential underpinnings of our foreign policy. However, in the Panel's view, that presence is near a state of crisis and needs immediate reform.

The Panel's Findings

1. **Universality and the National Interest in an Overseas Presence.** Dramatic changes in the world's economic, political, technological, and social landscape have made an on-the-ground overseas presence in virtually every country more valuable than ever before. The end of the Cold War and the spread of democracy have opened direct access to the peoples and institutions of many nations, bringing new complexity to our diplomatic efforts and creating unprecedented opportunities to help build democratic institutions and the rule of law. With more U.S. citizens traveling and conducting business in the global economy, the nation has a larger stake in events abroad.

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

2. **Security.** Thousands of Americans representing our nation abroad still face an unacceptable level of risk from terrorist attacks and other threats. There is a pressing need to accelerate the process of addressing these security risks to give U.S. representatives overseas the safest environment consistent with the nation's resources and the demands of their missions.

3. **Rationale for America's Overseas Presence.** In this interconnected, yet dangerous, world, an extensive overseas presence is vital to the government's effort to ensure the security and prosperity of the American people. Our overseas missions remain the principal vehicle for the traditional functions of an overseas service: managing relations with other governments; building strategic alliances; promoting a better appreciation of America's interests and goals; giving Washington decision makers an understanding of the cultures, events, and developments in foreign nations; and providing consular services to Americans working and traveling abroad.

   U.S. missions have also become one of the primary instruments for advancing less traditional foreign policy priorities such as building democratic institutions, expanding the rule of law, promoting trade and investment, protecting the environment, and advancing workers' rights. They have also become the first line of defense in the battle against a number of nontraditional security threats ranging from international terrorism to global health risks to the illicit drugs and weapons trade.

4. **Interagency Coordination.** Thirty executive branch agencies now have important statutory responsibilities that require an overseas presence. While the Secretary of State is, and must remain, the govern-

American Embassy, Dar es Salaam

ment's principal officer for foreign affairs, the rational determination of the size, shape, and goals of our overseas presence requires an effective interagency process involving all agencies with international duties.

Overseas, all agencies at each mission serve under the direction of the Ambassador. However, the broad statutory authority of the Ambassador is in many cases undermined by his or her lack of control over resources and personnel. Further complicating the Ambassador's job is the need to work with dozens of agencies, each with its own objectives and chain of command. To address this, the government needs to modernize its conception of an ambassador's duties: selecting its Ambassadors carefully, ensuring that they have sufficient authority to meet their responsibilities, and providing training commensurate with their difficult and complex jobs.

5. **Presidential and Congressional Leadership.** Both the importance and interagency nature of overseas activities demand Presidential leadership to set the goals of U.S. posts and missions and to ensure that all

agencies cooperate in achieving them. The President should direct the Secretary of State to develop, in concert with all appropriate agencies, a statement on national strategic goals for foreign policy.

Congressional involvement and support is also essential in the design and funding of our overseas presence. The Panel cannot stress too strongly the need for all practicable consultation and coordination with Congress.

6. **Resources.** The Panel concluded that the government needs to make major changes in how it spends the nation's resources overseas and in Washington, D.C. A new interagency process to rationally determine the size and shape of international operations can achieve significant budget savings. Posts determined to be overstaffed should be downsized, in the process creating a leaner and more effective overseas presence. The savings would result from reductions in the staffing at all the agencies operating overseas, not solely at the Department of State. At the same time, new resources will be needed for security, technology and training and to upgrade facilities. In some countries where the bilateral relationship has become more important, additional posts may be needed to enhance the American presence or to meet new challenges. The proper size and functions of all posts should be determined by the right-sizing process applied to all agencies, not just the Department.

   The American people and Congress are more likely to support additional needed investments in technology, security, and training if the government demonstrates its intention to carry out its functions more effectively by making the necessary commitment to cost savings and reforms to improve efficiency.

7. **People and Human Resources Policies.** The Panel found talented and dedicated staff struggling to meet the demands of an expanded foreign policy agenda and to provide services to ever-growing numbers of Americans traveling abroad. Private-sector competition and the hardship associated with working overseas threaten to deplete the government's talent pool. It is therefore more important than ever that the government provide its people with the tools, skills, managerial and administrative structures, and freedom of action necessary to do an increasing number of complex tasks.

   Over time, the government has adopted human resources practices and burdensome administrative policies that hinder and discourage its employees, impede productivity gains, and threaten to cause increased staff attrition. A recent Office of Personnel Management survey found similar problems in all agencies. Personnel policies must give more weight to family considerations and employment opportunities for spouses and adopt best practices for recruiting, training, evaluating, promoting, and retaining talented people. The Department also needs to reshape the basic policy and program functions of officers in the

various elements of the Foreign Service to improve job satisfaction, upgrade skills, and develop the capacity for management and leadership.

The Panel identified best practices in the private sector that, if adopted by the government, would improve the effectiveness of consular and administrative functions, bring greater flexibility to the use of resources and people, and thereby increase productivity. Creating regional administrative service centers for use by all agencies and bringing certain processing functions back to the United States will also achieve significant savings government wide and contribute to shrinking overstaffed posts, reduce security risks, and provide better support for policy and program functions.

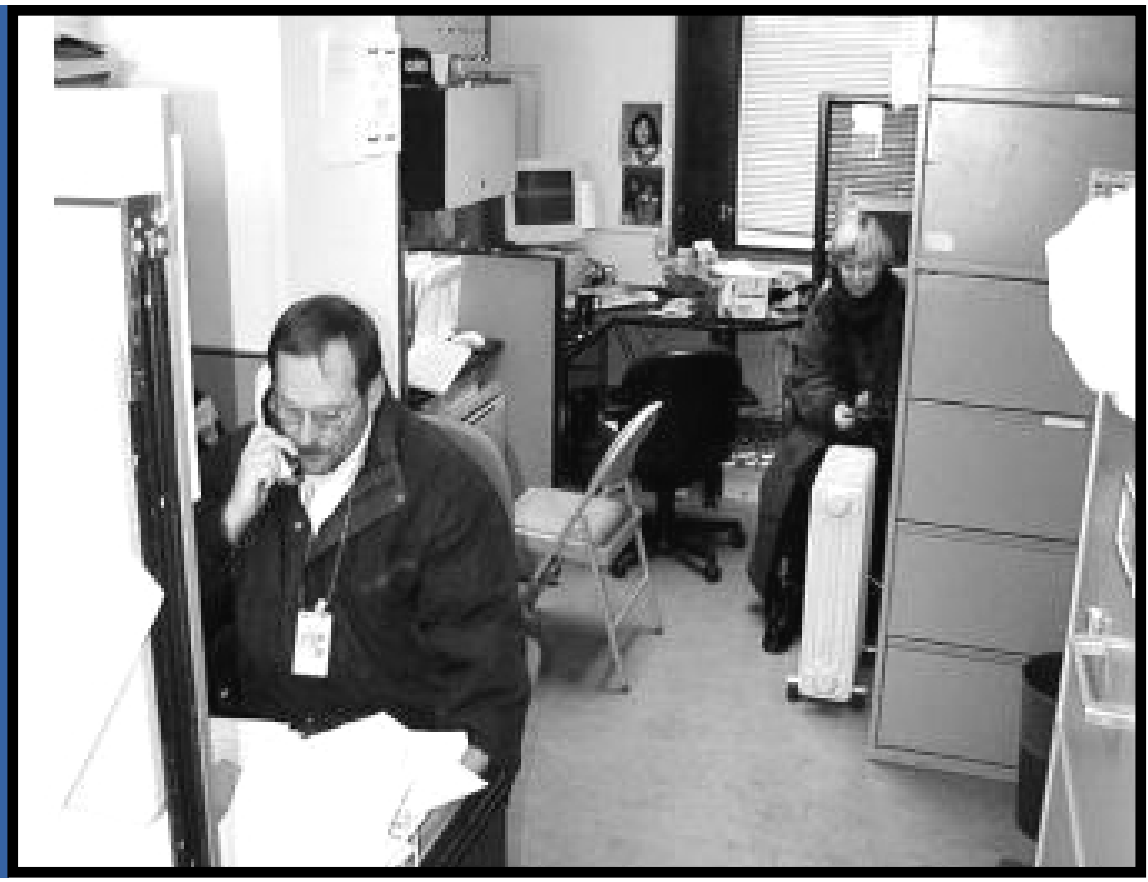
8. **Information Technology and Knowledge Management.** We were dismayed to find that our embassies and missions are equipped with antiquated, grossly inefficient, and incompatible information technology systems. Unlike employees in many companies and NGOs, only a handful of U.S. overseas employees have desktop Internet access. Nor is there an Internet/e-mail-based information network linking all agencies and posts. Many employees find that using their home computers and Internet accounts is the fastest way to communicate with colleagues abroad or in Washington!

   The Department of State and the other agencies sharing the overseas platform have taken steps to bring their systems up to private-sector standards, generally on an agency-by-agency basis. However, much more needs to be done. The Panel believes that investing in compatible electronic communications and information technology will enhance efforts to reorganize the management of embassies, reduce costs, and improve the productivity and effectiveness of overseas staff. Since gathering and disseminating information have historically been among the core functions of overseas representatives, the United States can better ensure the future success of its overseas presence by fostering an organizational culture that values knowledge—its development, sharing, and storage.

9. **Capital Needs and Facilities Management.** We encountered shockingly shabby and antiquated building conditions at some of the missions we visited. Throughout the world we found worn, overcrowded, and inefficient facilities. Many facilities need significant capital improvements to ensure security, improve working conditions, and equip personnel and posts with efficient and secure information and telecommunications technologies.

   Every embassy the Panel visited told the same story: a bureaucratic and inequitable system for financing and managing buildings. The government currently manages its properties without a workable plan or funding adequate to provide for the upkeep and the long-term capital needs of its overseas facilities. The country needs new mechanisms to finance, build, maintain, and manage the buildings and housing

American Embassy, Kiev Meeting OSHA/FBO/GSA Standards?



used by its overseas representatives. Adequate funding and an equitable sharing of costs among the agencies using overseas posts must also be ensured.

10. **The Dangers of Inaction.** Insecure and decrepit facilities, obsolete information technology, outdated human resources practices, and outmoded management and fiscal tools threaten to cripple America's overseas presence. We recognize that except for the security threats, none of these individual problems is a pressing emergency. Still, as with any complex system, if many of the parts of America's overseas presence are not working properly, the system may fail. The Panel fears that our overseas presence is perilously close to the point of system failure.

    Such failure would have serious consequences: less effective representation and advocacy of U.S. interests abroad; a loss of U.S. exports, investment, and jobs; inadequate political and economic information leading to unexpected crises; less effectiveness in promoting democracy and the rule of law; and a weakening of the fight against international terrorism and drug trafficking. Americans traveling abroad would not get the assistance they need, and border control would suffer as the visa process in our consulates fails to keep up with demand.

Finally, the nation would be less able to forge alliances to solve environmental and social problems.

To avoid this, the United States needs to undertake a comprehensive reform of the way it attracts, trains, and protects its overseas personnel and the way it locates, staffs, equips, and manages its overseas posts. In short, the nation needs to bring to its overseas presence the innovation, openness, and dynamism that is at the core of the American spirit.

Prospects for Reform

At the center of the new design must be our greatest asset—the thousands of dedicated, talented Americans representing their country abroad. The best way to promote U.S. values and protect U.S. interests is to ensure that our people abroad have the right skills, the right equipment, the right facilities, the right training, the right opportunities, the right attention to family and quality of life, and the right administrative support.

We urge the Department of State and the other overseas agencies to seize this opportunity for renewal and reform. The Panel also recommends that all the agencies, and in particular the Department, strengthen their collaboration with the constituencies involved in foreign affairs, including business; labor; environmentalists; law enforcement groups; relief and development groups; and democracy, human rights, and rule-of-law advocates. We support the Secretary of State's initiatives to engage the American public in foreign affairs at home and urge her to seek the support of major constituencies for the implementation of the report.

Building support for the report's recommendations represents a challenge to our nation's political and economic leadership to, in effect, rebuild public support for our overseas presence. The Panel is confident that the recommended changes are practical and achievable. With a new vision and adequate resources, U.S. overseas personnel can more effectively represent and defend American interests abroad. With a practical program of reform in place, the American people and Congress will provide the support our overseas operations need.

Because our overseas presence involves many agencies, only Presidential leadership and bipartisan Congressional support can bring about the changes needed. Indeed, the government wide reforms that we propose in technology, right-sizing, training, security, and capital needs will only occur if the President establishes a mechanism and enforces a timetable for their implementation and only if Congress plays an ongoing role in the effort and sees fit to authorize the changes needed and to appropriate the funds required to implement them.

Our first priority is to provide a clear rationale for our overseas presence, including the interests and values we hope to further through our foreign policy. We believe that once we correctly understand our mission, we will forge the tools and methods to carry it out.

The costs and risks of a robust overseas presence should not be seen as burdens on the American tax-paying public, but rather as an integral component of the government's effort to ensure their security and prosperity. Just as the U.S. military and defense posture depends upon forward-deployed aircraft carriers and overseas bases, so its foreign policy and diplomacy depend upon forward-deployed professional officers and staff.

III

THE RATIONALE FOR AMERICA'S OVERSEAS PRESENCE

In its relations with the world, America has always stood for freedom, democracy, and the principled pursuit of global commerce. Our foreign policy has sought to tear down barriers and to form ever wider links among the world's people based on the rule of law and the advancement of human rights. While these overriding goals are a constant, specific objectives and strategies change with the geopolitical realities of an era.

Beyond the Cold War Rationale

The structure of America's overseas presence today is an outgrowth of World War II and the demands of the Cold War. America's foreign policy focused largely on maintaining military preparedness and on influencing the alignment of nations. Geopolitical and security considerations took priority over economic interests and other foreign policy concerns. Information gathering and reporting were necessarily among the central activities at our embassies.

A vital concern of this period was denying adversaries access to military technology and sensitive information and countering political movements hostile to American interests. The need for secrecy and tight control led to a highly centralized and hierarchical approach to managing both people and information. Inevitably, these activities shaped the U.S. overseas presence in almost every way. In retrospect, we can see a consistent logic, shape, and style to the organization and functions of American foreign operations—what could be called the Cold War design. This design evolved to advance our primary strategy: containment.

The design for our overseas presence during the Cold War period was enormously successful. However, what was suited to our strategy then is not necessarily well suited to our strategies today and in the future.

With a developing global economy, the end of the Cold War, the spread of democracy, and the expanding use of new information technology, U.S. foreign operations face a very different environment. People, ideas, and goods now move more freely than ever across national boundaries. More citizens in more countries participate more fully in the political, social, and economic life of the world. These are developments America has long sought. Indeed, something approaching a global society, one built largely on values we espouse, has begun to emerge over the past decade, offering the promise of an ever larger democratic community.

International relations are also more complicated than ever. Conflicts over religion and ethnicity have the potential to draw our country into humanitarian crises and regional conflicts. When terrorists operate with impunity, the risk of harm to U.S. citizens, property, and interests increases. Ineffective institutions for the rule of law and financial regulation not only impede other countries' political and economic development they can also lead to increased risk to the global economy and our own prosperity. And if other countries are not able to control the production and trafficking of narcotics, more drugs are likely to end up in our neighborhoods. Thus instead of one overriding foreign policy objective, today we have an array of seemingly competing foreign policy priorities.

For many decades, too, our diplomacy was mostly concerned with state-to-state and government-to-government relations. Today's more dynamic global environment means that diplomacy must pay attention to a broad range of constituencies within nations, from minor political parties to powerful corporations to the press to public interest groups. Indeed, many of our most important foreign policy objectives cannot be advanced without building coalitions among these new players. For while our embassies are still the front line for the management of our relations with other governments, they have also become a critically important vehicle for advancing new priorities. Thus we are asking even more of our overseas representatives.

New Importance of Traditional Functions

Many traditional functions such as consular services, information gathering and analysis, policy advocacy, and alliance building have grown in importance. In fact, many Americans do not appreciate just how important these functions are in today's interconnected world.

Consular services. The demand for consular services is increasing in nearly every country in the world as businesses, NGOs, tourists, religious groups, and students call upon our embassies with greater frequency, seeking information and requiring assistance. Consular personnel help Americans abroad with health, legal, and financial problems. The annual number of foreign visitors to the United States has increased dramatically, and our embassies now deal with ever larger numbers of foreign nationals, issuing visas, screening immigrants, and providing information on the United States.

American Embassy, Mexico City
Visa line

Reporting and analysis. Our embassies are the eyes and ears for American policymakers in Washington, observing, reporting, and interpreting local views and developments. Despite the technological breakthroughs in satellite surveillance, embassies continue to provide much of the intelligence that decision makers need to craft policy and strategy. Without the nuanced and up-to-date information and analysis embassies provide, policymakers in Washington would enter many crises and negotiating situations blind and deaf to the subtle political realities on the ground that can often make the difference between success and failure.

Diplomacy: negotiation and advocacy. Beyond being the primary source of intelligence and analysis from the field, embassies are the principal vehicles for presenting and transmitting American views and policy positions to other governments. Embassies are also vehicles for persuading and lobbying other governments, including their parliaments and constituencies, to take positions or to adopt legislative measures favorable to American interests. Advocacy is required to build regional and global alliances such as the ones we forged in preparation for the Gulf War and in response to the crisis in Kosovo. Such coalitions among nations are a critical component in our country's initiatives and in the negotiation of important global agreements.

An embassy's advocacy work, however, is no longer limited to a country's government. The United States must reach out to influential businesses, opinion leaders, and public interest groups to build support for American positions. Indeed, as many countries have become more democratic, public diplomacy has become increasingly important. Public diplomacy is not practiced only by specialists in public information, but by all personnel, civilian and military. These "diplomats" must now communicate with all the constituencies in the host country and have the capacity to make our views known throughout the host nation's society.

Development assistance. Through our missions abroad, the United States helps support economic and social development in many developing nations. Using U.S. missions as its base, United States Agency for International Development (USAID) manages rural and urban projects that assist countries in meeting their development objectives that serve U.S. national interests. Overseas missions also serve as a platform for other U.S. agencies to build upon USAID's efforts in support of banking reform, reforestation, energy conservation, and administration of justice. Similarly for U.S. health organizations, the overseas platform is essential to their public health programs and research projects. None of these functions could be performed as effectively without an extensive, permanent U.S. presence overseas.

An Expanding Agenda

Effective diplomacy, in particular effective public diplomacy, requires a great amount of time, considerable tact, and cultural understanding, which only comes from being present in a country. The entire process involves a range of interactive activities that cannot be sufficiently duplicated by electronic means.

The traditional functions that we normally associate with our overseas diplomatic presence are only a small part of a much larger role that our overseas posts now play in the implementation of American foreign policy. For example, to extend democratic institutions and the rule of law, we provide training, deliver technical assistance, and use other methods of institution building. To protect the environment, we provide technical assistance, exchange research results, and provide funding for alternative technologies. We undertake studies, disseminate scientific information, and provide education to prevent global and local health problems. We engage in law enforcement activities to prevent drugs and counterfeit goods from entering our country.

To conduct these activities, overseas missions provide a base for the programs of some 30 government agencies. Department of State personnel constitute only 38 percent of U.S. Government staff overseas, with the remaining 62 percent coming from other agencies. The Ambassador has become a coordinator and manager of the relations among agencies, and the embassy has become a nerve center for all U.S. Government operations, especially in times of emergency.

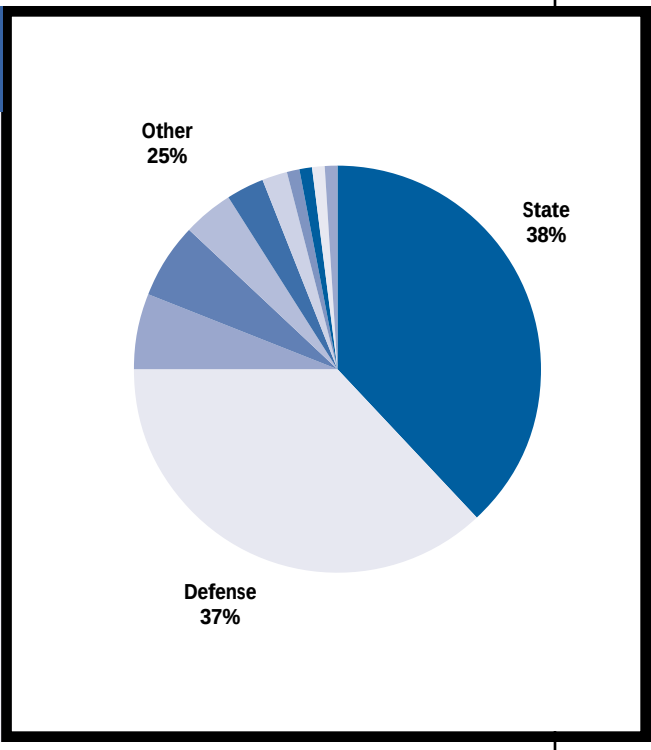
U.S. GOVERNMENT OVERSEAS PRESENCE

State	7,216	38%
Defense	6,907	37% *
USAID	1,197	6%
Justice	1,053	6%
USIA	728	4%
Transportation	470	3%
Treasury	453	2%
Peace Corps	257	1% **
Agriculture	255	1%
Commerce	246	1%
Other	144	1%

*(Excluding those under area military command)

**(Excluding volunteers)

Source: Department of State for FY 1998.



Consider a few examples of the missions that we now assign to our overseas representatives:

Enhancement of national security from nontraditional threats. Our embassies are the front line of defense in the battle against a number of international threats from international terrorism to the illicit drug trade. Global criminal organizations, money launderers, and drug traffickers threaten many countries in this hemisphere and elsewhere. Our embassies help these countries organize their law enforcement, customs, and alternative crop programs to combat these problems. Counterterrorism experts at our embassies work with local intelligence and law enforcement officials to keep track of terrorist groups and individuals. By monitoring these groups closely and by shutting off their access to money and lethal technology, we can greatly reduce the risks of international terrorism and the disruption that it can cause. Without people on the ground, our efforts to monitor, contain, and eliminate these groups would be severely limited.

These efforts would not be possible without people working side by side with the local authorities. The more effective that embassies become in these initiatives, the less U.S. that citizens are threatened by international terrorism, illegal drugs, and criminal organizations and the less likely it is

that we will need to resort to the use of military force to protect our national security interests.

Promotion of democracy and the rule of law. Dozens of countries throughout the world are trying to make the transition to democracy. If they succeed, the United States will have more reliable partners with whom to pursue our international objectives. American commerce will flourish in countries where property rights are respected, corruption is combated, contracts are upheld, and laws fairly enforced. U.S. embassies provide advice and guidance on the development of judicial, political, financial, and law enforcement institutions. We cannot do this from afar, no matter how good our advice may be. America's embassy staff must be on the ground to listen, respond, cajole, and help.

Our foreign policy recognizes that world order depends not only on state-to-state relations but also on the quality of governance in each of the world's countries. The United States plays a vital role in helping to build democratic institutions and solidify the rule of law in foreign nations. This from-the-ground-up approach to building order and stability emphasizes working with other governments and NGOs concerned with civil issues to build and strengthen democratic institutions.

Commercial advocacy. In this age of the global market, our prosperity increasingly depends upon international trade. In the age of commerce without borders, commercial advocacy is one of the most valuable functions of our overseas missions. Our embassies help advance American commercial and trade interests abroad by identifying export markets and investment opportunities, by helping U.S. firms to make contacts and set up shop in foreign countries, and by fighting for access to markets. U.S. embassies help "level the playing field" for American businesses by combining commercial assistance with policy advocacy to persuade foreign governments of the need to open their markets and modify regulations that inhibit investment. These efforts are particularly important to small and medium-size firms, which may be hindered when operating in overseas markets by lack of experience or resources. This kind of advocacy for American business cannot be done from Washington or a regional center. Government personnel must be present to lobby effectively for our commercial interests.

Response to humanitarian crises. Americans try to reduce human suffering by responding willingly and whole-heartedly to complex humanitarian emergencies, and they expect their government to do the same. The United States has mounted large-scale relief missions to address many humanitarian crises ranging from the drought and civil war in Sudan to the hurricane disaster in Central America in 1998 and the earthquake in Turkey in 1999. Providing effective aid requires tremendous logistical support; accurate, up-to-the-minute local information; and effective diplomacy. Working with host governments, U.S. agencies, and NGOs, U.S. embassies play an essential role in responding to crises and emergencies. Once a crisis has ended, the U.S. Government often follows up by

committing development assistance to the rebuilding of devastated areas, coordinated by USAID.

The Risks of Withdrawal

While it might be tempting to think that technology permits us to gather information, persuade, and advise from a distance, the activities in which our overseas representatives engage are simply too complex to be performed from afar or to be delegated to others. For example, in performing their functions of reporting and analysis, our diplomatic personnel do not just gather isolated pieces of information. They examine it in context and analyze its policy significance, which requires listening, observing, and exchanging viewpoints with many different sources in a country.

High technology cannot replace face-to-face diplomacy because most foreign governments are not yet willing to substitute electronic transmissions for person-to-person contacts. In those instances when we have tried to replace direct contact with electronic communications, confusion and resentment on the part of foreign governments have frequently been the result. So if we do not have a presence in a given country, we will not have an effective impact on its leaders and will not be able to pave the way for personal diplomacy by the President, the Secretary of State, or other cabinet members.

Nor is the increasing global reach of American media, business, and NGOs a substitute for an adequate U.S. diplomatic presence overseas. Private entities pursue their own objectives in their own ways, whereas U.S. diplomats serve the nation's priorities. NGOs can be influential players in other societies and can help advance and shape American interests and foreign policy goals, but it is important to maintain active and open give and take between them and U.S. Government representatives.

The costs and risks of a robust overseas presence should not be seen as burdens on the American tax-paying public, but rather as an integral component of the government's effort to ensure their security and prosperity. Just as the U.S. military and defense posture depends upon forward-deployed aircraft carriers and overseas bases, so its foreign policy and diplomacy depend upon forward-deployed professional officers and staff. Closing U.S. embassies and consulates could have serious consequences for the effectiveness of our foreign policy and for the security and prosperity of the American people.

Because America's work overseas is the product of both geostrategy and domestic interests, its overseas goals are increasingly intertwined.

The United States needs to revise and reform the methods by which it operates overseas to reflect and accommodate a more complex environment. In short, we need a new design that will address the demands of the 21st century as effectively as the old model addressed those of the past 50 years.

IV

REDESIGNING AMERICA'S OVERSEAS PRESENCE

To say that we continue to need a large and active overseas presence in the coming years is not, however, to suggest that our resources should continue to be distributed as they have been during much of the past four decades. The many changes in the world require changes in the objectives and methods of U.S. activities abroad. America's foreign operations have had to shift from a single overriding goal to several goals, from one audience to many, from a focus on governments to a focus on all institutions. Combined with the revolution in communications and information technologies, much of the design of our overseas presence, and the systems and structures that went with it, have been rendered obsolete. The United States needs to revise and reform the methods by which it operates overseas to reflect and accommodate a more complex environment. In short, we need a new design that will address the demands of the 21st century as effectively as the old model addressed those of the past 50 years.

Because America's work overseas is the product of both geostrategy and domestic interests, its overseas goals are increasingly intertwined. For example, progress toward democratic governance and the rule of law tends to foster open markets, and open democratic societies tend to contribute more to regional security than do authoritarian ones. Because the goals are intertwined, the agencies that now pursue them separately must learn to work together.

While the Department of State still occupies, and must continue to occupy, the center of our overseas operations, it now shares the stage with the Departments of Agriculture, Defense, Justice, Commerce, Treasury, and Labor and agencies such as USAID, the Environmental Protection Agency, the Centers for Disease Control and Prevention, and many others. Unilateral decisions and "turf consciousness" must give way to the more complicated, but ultimately more effective, process of cooperation and consultation. This means that Ambassadors need to play an expanded role: that of leader and manager of a diverse group of employees who work together in a host country.

U.S. representatives also need to have a more intimate working relationship with the societies of host nations than was necessary or possible during the Cold War. Such an effort will require great sensitivity and a new and deeper trust between our people and the people of foreign nations. As foreign societies become more open and more complex, cultivating such trust will require effective communications with a broader range of constituencies.

If such a working relationship with other societies is important, then it will be necessary to give greater emphasis to public diplomacy, building understanding with the many sources of power in today's more complex societies. Our purpose is less to combat another side's propaganda than to educate and persuade critical publics, particularly about the importance of such values as the rule of law, ethnic and religious tolerance, and environmental protection. The problem, with rare exceptions, is no longer a government's monopoly control over information, but rather the confusing interplay of private media, including the new medium of the Internet. As was highlighted in recent studies by the Henry L. Stimson Center and the Center for Strategic and International Studies, public diplomacy is needed to help clarify the American position and viewpoint, to explain why the United States favors a particular course of action, and why that course of action would benefit both U.S. interests and that of another nation.

The new design that is implicit in our recommendations recognizes that the U.S. Government no longer has a monopoly on the gathering of information. The higher priority that economic and environmental concerns enjoy in our foreign policy agenda alters our information-gathering needs and techniques. American embassies need to focus more on analysis than on collection and more on clarifying and adding value to information that is already in the public domain. This implies less routine reporting and, instead, more interaction between embassy personnel and those in Washington who want and need analysis of particular developments or trends in the field.

Implementing the New Design

The many operational changes in U.S. overseas activities require a different allocation of time and resources: fewer resources devoted to routine reporting and more toward direct public diplomacy; less time behind the desk in the embassy or consulate, more time out meeting and working with diverse constituencies in the host country; fewer lengthy cables, more direct interaction with policy workers in Washington; and more attention to managing and coordinating programs.

Many of the elements of this new design must come together at the embassy. The Ambassador will continue to act as chief executive of the mission, but with an expanded agenda: developing a country-specific mis-

sion statement, creating teams to fulfill that mission, and, within limits set by the budget process, shifting resources to ensure that agency activities are consistent with each other and with the mission's overall goals and priorities. The embassy of the future will provide the environment, the administrative support, and the equipment that our people require to respond quickly and appropriately to developments abroad and to maintain extensive and intimate working relationships with the people of host nations.

We will need to downsize some embassies that were once flagship posts during the Cold War and upgrade others in pivotal emerging societies. Downsizing would shrink staffing of all the agencies operating overseas, not solely at the Department of State. At the same time, new resources will be needed for security, technology, and training and to upgrade facilities. In addition, we need to think differently about how to recruit, train, and promote Foreign Service Officers to ensure that we attract and keep employees with the skill sets required to achieve our new goals.

We also need to rethink security issues, better reconciling the need for accessibility with the need for protection from nontraditional threats and transnational terrorists. Embassies should not look and feel like bunkers. They are, after all, platforms, not prisons. Just when our diplomacy needs to project confidently the values of democracy and open markets, our embassies should not be forced into a more defensive position.

We must strike a better balance between secrecy and openness. Effective diplomacy requires collaborative relationships not only among the many agencies that make up our overseas diplomatic presence but also with the host government and with critical publics in the host country. There will always be a place for secrets and secret negotiations, but keeping information from the public is increasingly counterproductive and makes for inefficient diplomacy.

The new role of information will entail a transition from what has been called the "cable culture" of the past to a more open digital culture. Much of the information and analysis now communicated from American embassies to Washington is likely to be sensitive and unclassified, rather than highly classified. It is more likely to be shared with many audiences and communities of interest, rather than seen by a few eyes only. Accordingly, we need to design a communications system that reflects these realities.

We cannot expect overseas personnel to work efficiently if they do not have the tools they need. Up-to-date information and communications technology is one of those tools. Under the new design, overseas institutions will become knowledge-centered organizations, focused on improving the quality and accessibility of information and understanding.

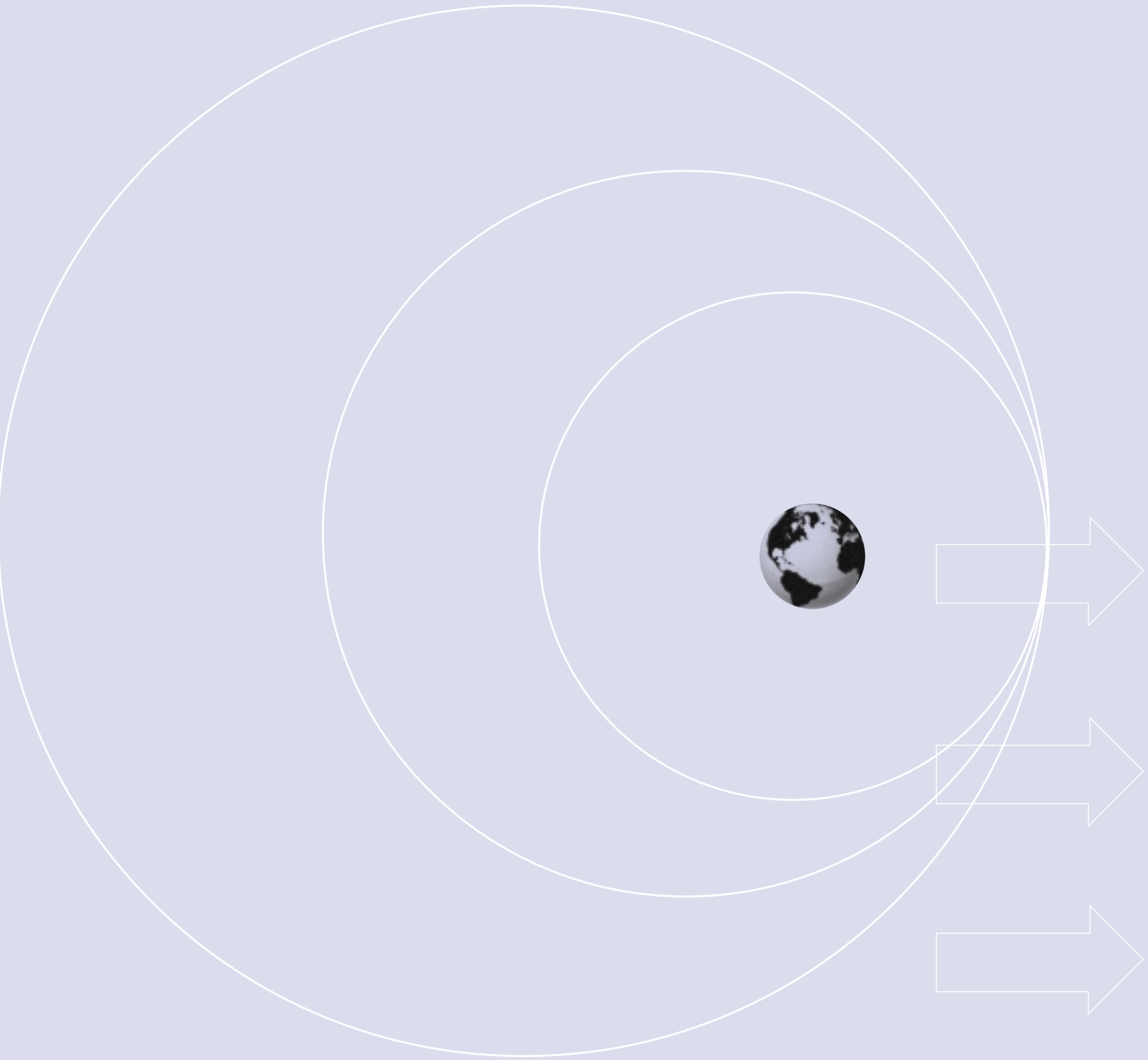
From Hierarchy to Network

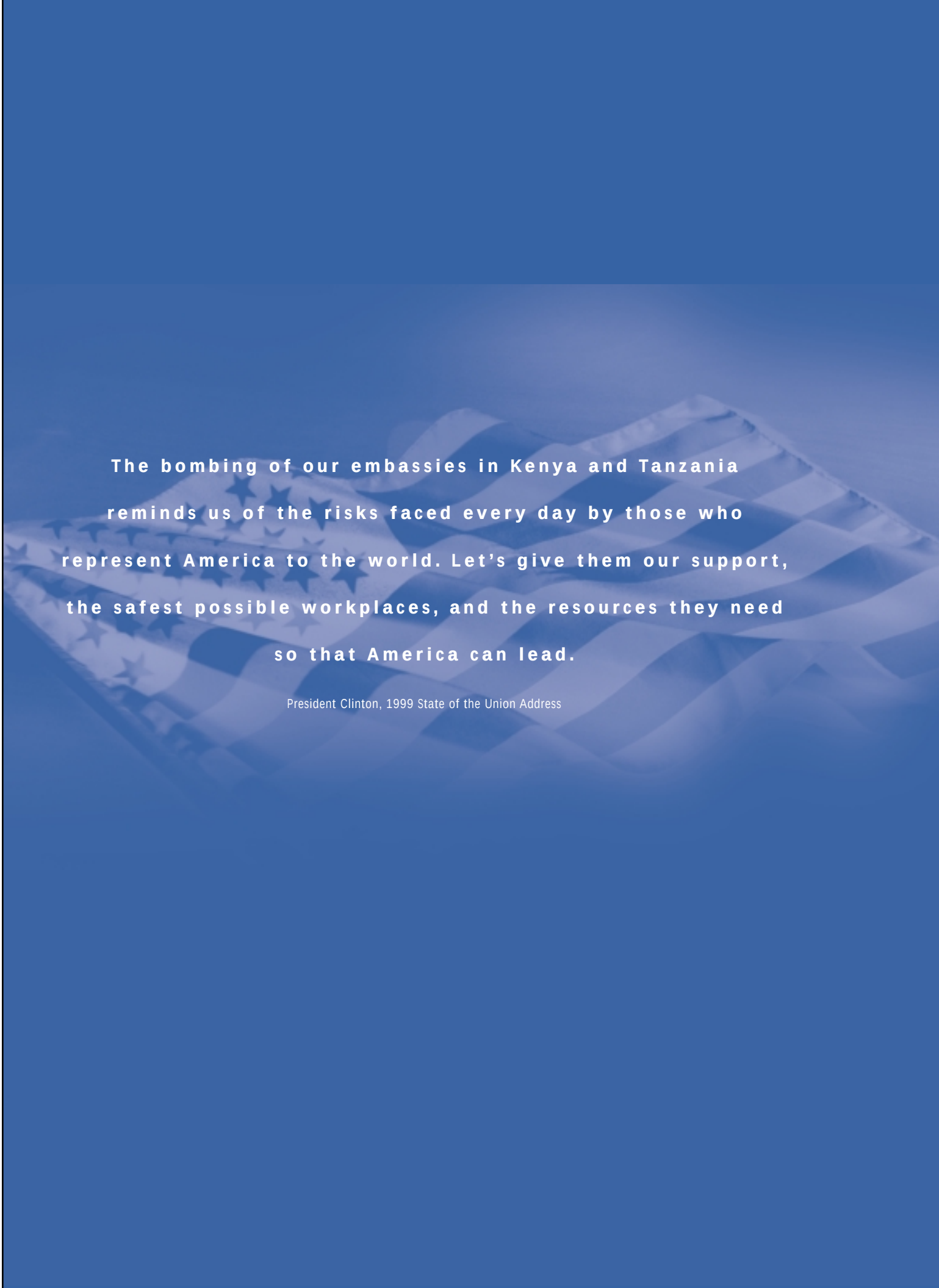
Perhaps most important, management must move from a command-and-control hierarchy with its bureaucratic divisions and rigid rules to a flexible network able to shift resources and people quickly. Decentralization of programs, regional administrative functions, accelerated decision making, more effective networking, and a management style that allows the government to be a real-time actor in rapidly unfolding international events are all aspects of a new design that reflects modern realities.

Positioning of personnel must be more flexible to allow rapid movement of people around the world as needed to deal with emerging crises and surges in demand for services. Just as command economics has failed, so will command diplomacy in today's more dynamic, knowledge-based world. In this regard, we need to learn from the experience of the best organizations in the private sector, which also had hierarchical management during the industrial age, but have successfully adapted to today's faster-paced, knowledge-based world.

Many multinational corporations have moved from a traditional, centralized, hub-and-spokes paradigm toward a network approach in which overseas subsidiaries are as likely to collaborate with local organizations and with each other as they are with their traditional headquarters. America's overseas presence must do the same. In a network model, effective management is no longer simply a question of complying with headquarters' rules; increasingly, the test is whether overseas operations are relevant and responsive to local conditions.

Decentralization puts a premium on clarity of purpose and on a shared strategy, which means that our embassies need to be more deeply involved at the outset in policy planning, as well as policy implementation. With the network design, centralized guidance is not so much sacrificed as exercised in another way. Control is achieved not by command, but by defining clear strategic objectives and performance measures while leaving local actors some leeway in realizing the shared vision.





The bombing of our embassies in Kenya and Tanzania reminds us of the risks faced every day by those who represent America to the world. Let's give them our support, the safest possible workplaces, and the resources they need so that America can lead.

President Clinton, 1999 State of the Union Address

V

ELEMENTS OF A NEW DESIGN

The panel has outlined some major components of a new design for America's overseas presence in the 21st century. The design includes both a redefined mission and a practical program of extensive and fundamental changes to create a presence that is more collaborative, lean, and agile. The essence of these reforms is to match means to ends, methods to goals, and the nation's people to its purposes.

The elements of this new design for America's overseas presence are highlighted in our recommendations and apply to all agencies participating in our overseas presence. The recommendations include (1) providing the security our representatives deserve, (2) creating the right size and shape for our overseas presence, (3) ensuring that U.S. facilities are quickly and efficiently renovated to improve security and are properly maintained and managed on an ongoing basis, (4) adopting modern human resources practices, (5) investing in up-to-date information technology, (6) improving and reinforcing consular services, (7) enacting cost- and time-saving administrative reforms, and (8) reinforcing the authority of Ambassadors.

The Security America's Representatives Deserve

America's representatives overseas face an array of serious threats to their safety. Terrorism is the most conspicuous and perhaps the most frightening, as the images of the embassy bombings in Kenya and Tanzania attest. But terrorism is not the only danger. In many nations, street crime and deficient medical and evacuation capabilities aggravate the danger posed by terrorism or natural disasters. U.S. personnel may be targets of foreign intelligence, as at the U.S. embassy building in Beijing, which once housed the Chinese security service and therefore cannot be fully secured, rendering much of the embassy useless for sensitive conversations.

Since 1988, a total of 145 U.S. posts have had to be evacuated. Only eight of these evacuations were for natural disasters; most of the remain-

der were for security-related reasons. Most people would be surprised to learn that 92 Americans assigned to embassies have been killed in the past 30 years. In fact, since the end of the Vietnam War, more Ambassadors have lost their lives to hostile actions than generals and admirals from the same cause.

It would be unrealistic for us to hope to eliminate such dangers entirely. Some level of risk is a reality of overseas life that our representatives are prepared to accept. Embassies must be substantially open to the public, and much of the work Americans do abroad cannot be done effectively unless the government sends people into the streets and hinterlands of host nations. Nevertheless, the government must not take the fact that some risk is inevitable as a license to neglect safety.

The reports of the Accountability Review Boards (ARBs) convened in the aftermath of the embassy bombings in Africa enumerated a long list of security deficiencies in physical facilities, training, emergency response capability, and accountability. Some of these deficiencies cannot be remedied without years of effort, but many can be substantially corrected quickly. The Department of State, the Administration, and Congress have already taken some action in this area.

When we as a nation send representatives abroad, we owe them an obligation as to their safety: first, assurance that their presence is needed in that location and that the risks that they inevitably run are substantially outweighed by the attainable national interest that their mission serves; second, that the risks of the mission are limited as much as possible; and third, that there is a culture at the post that values and reinforces constant vigilance and continuous efforts to improve security.

In this light, the Panel recommends, first, to determine how security concerns should influence the future size and shape of America's overseas presence and, second, to identify ways in which the government can best reduce the risks inherent in overseas operations.

The Panel has concluded that the United States can continue its commitment to a robust overseas presence without breaching the obligation that we owe to our representatives abroad. The benefits of overseas presence are vital and greatly outweigh its risks—especially in light of the ARB reports that identified a number of specific, immediate, and effective steps that can be taken to reduce the dangers that our representatives face. The Panel strongly urges a firm, long-term commitment to the improvements recommended by the ARB. Many will require the commitment of substantial resources over several years.

For security-related improvements (such as those in facilities, training, and preparedness) to be put into place, and for such improvements to be effective, all personnel overseas must maintain a steady focus on security. It is essential that security become a priority for every agency with overseas staff, not just for the Department of State. Accordingly, the Panel's

recommendations provide measures that will ensure a sustained focus on security at all levels. The Panel offers three broad principles:

- The leaders who shape and manage our overseas presence must define and highlight clear security goals and provide key personnel with both the authority and the resources to meet them.

- The government should provide all participants in our overseas presence with the means necessary for them to sustain awareness and to improve understanding of security concerns.

- The government should establish clear accountability at all levels for the fulfillment of security-related goals.

◆ **Recommendations:**

1.1 Continue to implement the Accountability Review Boards' proposals. The Panel urges continued efforts to implement those ARB recommendations that can be accomplished in the near term: upgrading windows, barriers, and warning systems and improving emergency training and crisis management and emergency response systems; providing more and better-trained regional security officers; and improving and expanding cooperation with host nations. In addition, the Panel supports a long-term commitment to large-scale facilities upgrades.

1.2 Reinforce accountability and lines of responsibility. The Panel recommends that the President and Secretary of State define and highlight clear security goals, balance security risks against the potential gains from an American presence, and provide key personnel with both the authority and the resources to meet them.

The Secretary should designate the Deputy Secretary as the individual responsible for carrying out the legislatively mandated responsibility to provide security for all American officials abroad. The Deputy Secretary should oversee the implementation of ARB and Panel recommendations and take charge of security at U.S. posts overseas. The Secretary should continue to promote the vision and goals for security overseas and (1) ensure that security is a priority for everyone from Congressional subcommittee members to the President, (2) mandate that security awareness and training become components of the Employee Evaluation Report (EER), and (3) identify individuals who are accountable for security at all levels within the organization.

Because the Ambassador is the ultimate decision maker at his or her post, the Ambassador should withhold country clearance for an employee of any government agency who has not completed security awareness training before departure for a post. All U.S. Government agencies should mandate that security awareness and training be a component of the EER.

American Embassy, Kiev

American Embassy, Moscow

1.3 Increase training. The Panel recommends that the Department and other agencies mandate that all employees undergo security training and area studies before going overseas. Furthermore, agencies should provide all participants in our overseas operations with the means necessary to sustain awareness and to improve understanding of security concerns in the course of their assignments.

1.4 Create a prosecurity culture. The Panel recommends that the Department and other overseas agencies take steps to foster a clear sense of accountability at all levels for the fulfillment of security-related goals. The Panel suggests the following accountability mechanisms: develop a system to document compliance with, and participation in, security plans and practices; emphasize the importance of maintaining a security mind-set at the post; require a specific amount of continuing education in security training at overseas posts and develop an accountability mechanism to ensure compliance; and require that the Ambassador sign off on the post's security plan and that regional security officers implement that plan.

1.5 Use right-sizing to reduce the number of Americans at risk. The Panel recommends that those who participate in the right-sizing process consider security issues and identify opportunities to reduce the number of Americans at high levels of risk.

88% of all embassies do not meet security standards

American Embassy, Beijing

Budget Implications:
Addressing the deferred maintenance of missions abroad will cost an estimated $600 million. To meet the ARBs' security recommendations will require a minimum of $10 billion of investment over 10 years. The Panel recommends approximately $1.3 billion annually for the next 10 years ($1.0 billion for capital improvements for security and $0.3 billion for maintenance, current and deferred). Requiring all employees serving in diplomatic missions to participate in security training will cost an estimated $500,000 annually.

Create the Right Size and Location for America's Overseas Presence

The location and size of many of our missions has changed significantly in the past 10 years, with most of the civilian employees stationed abroad not employed by the Department of State. During the 1990s, the United States opened and closed twice as many posts as in each of the prior two decades. Though, in some cases, the closings were for budgetary reasons, in many cases, the changes in the size and location of our posts reflected changes in foreign policy priorities and national security objectives. Given the rapid pace of change in the world, the Panel expects that the United States will continue to need to adjust the size and location of its overseas missions.

In considering the question of the appropriate size of the American presence in a particular country, the Panel focused on innovative methods to increase the impact of our presence without increasing our numbers. For example, the Panel was impressed by efforts to create small posts and to use communications technology more effectively. The Panel found that for want of a coherent decision-making process, some posts have become overstaffed while other posts have become understaffed; some posts remain open that should have been closed and vice versa. The Panel concludes that the government needs to right-size our overseas presence and that we need an ongoing right-sizing process performed on an interagency basis that includes Congressional input.

For example, plans are already underway for a new embassy in Nairobi, the Nairobi 2010 project. While the Department of State clearly sees the embassy in Nairobi as a regional center for operations in East Africa, in the absence of an interagency mechanism for determining the size and composition of posts, the Department can only make generalized predictions about other agency plans and requirements in planning the construction of new chancery facilities.

◆ **Recommendations:**

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

The process should evaluate the size and location of half our posts in the next two years and the balance in the subsequent three years. We believe that this process will yield significant cutbacks in some countries and regions and an increased presence in other areas. The Panel supports efforts to right-size our overseas presence not only because right-sizing will achieve savings but also because leaner, more agile, more flexible posts will more effectively serve America's interests abroad.

2.2 Form a new Interagency Overseas Presence Committee. The Panel recommends that the President establish by Executive order a permanent interagency committee, chaired by the Secretary of State (or the Secretary's designee), with representation from every agency with overseas responsibilities, as well as the Office of Management and Budget and National Security Council (see appendix B). The primary purpose of the committee would be to carry out the right-sizing process in recommendation 2.1 and to serve as a permanent mechanism to adjust continuously the size and shape of our overseas pres-

ence. The interagency process should be guided by the President's articulation of the nation's strategic goals and national interests.

The Secretary of State would be responsible for initiating and leading the development of the committee's recommendations. A small secretariat located in and staffed by, the Department would serve the committee. The committee should be authorized to enlist outside advisors, including former senior government officials. The committee should consider all relevant foreign policy needs, attendant logistical and infrastructure requirements, and the use of regional hubs where security and efficiency dictate. The committee should also consider a full range of factors affecting the value of presence, the differences in missions among agencies, and the costs and risks of maintaining a post in a particular country. Its agenda would not include routine matters that agencies should decide internally.

The decision-making process would reconcile differences to reach a consensus. The Secretary of State would be responsible for deciding and promulgating proposed staffing plans developed through the interagency process. A department or agency head who disagrees could appeal to the President. The interagency process should produce a refined understanding of our mission in particular countries, the estimated budget needed to achieve that mission, and clear performance measurement standards. A Chief of Mission should have input to the committee's process as it relates to decisions affecting his or her post. An Ambassador should be encouraged to initiate the process for his or her post and prepare a staffing plan that reflects that post's mission statement and right-sizing objectives.

The committee should examine innovative models for embassies and consulates, such as one-person presence posts, small embassies, and regional support hubs that perform essential functions where they need to be performed. Considerations for establishing such posts would need to take into account the security needs and diplomatic status of the staff.

The Panel recommends that the Committee take its guidance from the International Affairs Strategic Plan (IASP), which should be developed through a more formal interagency process led by the Secretary of State, then reviewed and promulgated by the President.

2.3 Adopt explicit criteria to guide size and location decisions. The Panel recommends that the proposed interagency committee impose a uniform, disciplined decision-making process on the task of identifying needs for presence worldwide. Using an agreed-upon set of factors and criteria, the interagency committee should subject every post to such a test, starting with the larger posts. Such criteria will also help identify opportunities to consolidate some embassy functions at regional centers. The plans that result from the committee's work

should be integrated directly with the budget submissions of all agencies involved.

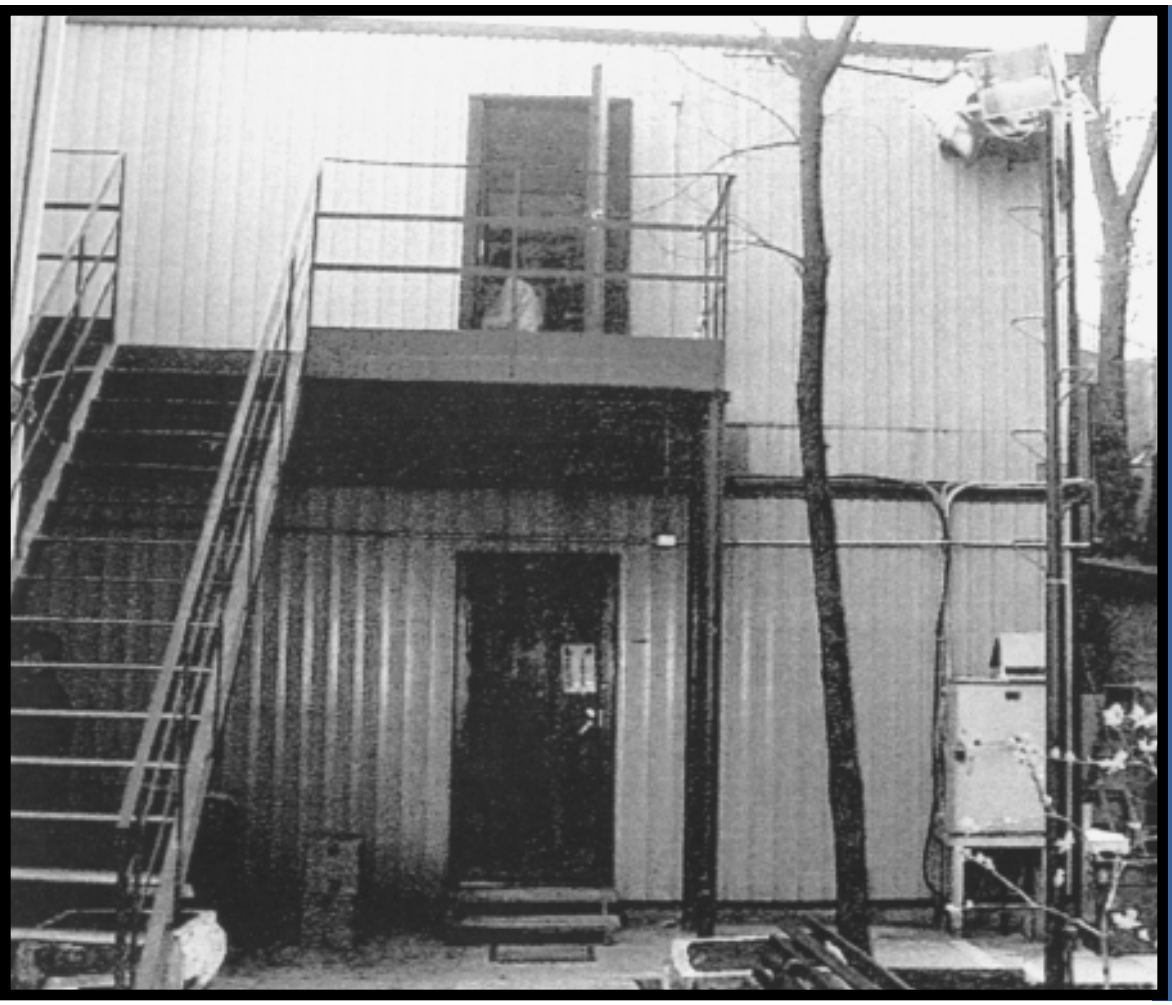
2.4 Support the concept of small posts. The Panel supports efforts to establish small American presence posts to provide important consular and commercial services in key regions. For example, Ambassador Felix Rohatyn successfully established an American presence post, basically a one-American-officer post, in Lyon because it would provide commercial diplomacy in an important business center in France. The Panel supports and endorses the concept of additional small posts for commercial and other reasons and urges an effort to identify immediately those nations where creating them would strengthen the U.S. presence.

2.5 Encourage Ambassadors to initiate right-sizing. Decisions about the location of overseas posts must be made in Washington in consultation with the Congress. However, cost cutting and staffing changes are often best accomplished at the post level. Since the committee cannot examine the 250 diplomatic posts overseas simultaneously, the Panel recommends that at the initiative of the interagency committee or upon the request of an Ambassador, an embassy be designated a prototype "performance-based organization." This designation would carry with it new flexibility to enable the Ambassador to make reforms. The process would include a plan for reform, setting forth the commitment to a multiyear program of cost cutting and the shifting of resources. Ambassadorial right-sizing decisions that are not accepted by relevant agencies or departments could be reviewed by the interagency committee.

Budget Implications:
While the magnitude of the savings from right-sizing the U.S. overseas presence cannot be known in advance of the interagency process, we believe that significant savings are feasible. For example, each 10 percent reduction in all agencies' staffing would generate government wide savings of almost $380 million annually. The government may need to commit resources to enhance the U.S. presence where the bilateral relationship has become more important or for the additional staff needed to address new global challenges. Institutional changes in how the government conducts its activities overseas will result in significant benefits, justifying the commitment of the additional resources that we recommend. If the Administration embraces the process of reform, we believe that Congress will support reform and provide the resources required for security, technology, capital improvements, and training.

A New Way to Finance and Manage Our Overseas Presence

The January 1999 report of the Accountability Review Boards (ARBs) recommended major capital improvements in our overseas posts to meet



Permanent office space at Embassy Kiev

our security needs. Following up on these recommendations, the Panel inspected a number of our facilities overseas, examining their size, condition, efficiency of operations, and record in meeting capital needs.

Securing, maintaining, and managing the facilities that support our presence abroad is the responsibility of the Foreign Buildings Operations (FBO), a bureau of the Department of State. FBO administers approximately 12,000 properties overseas in more than 250 locations. Close to 83 percent of FBO-administered properties are residential facilities; 76 percent of FBO-administered properties are leased.

Current Conditions and Practices

During its visits across 5 continents to 23 missions, embassies, consulates, offices, and residential facilities, the Panel saw numerous facilities that lacked adequate security and were poorly maintained, overcrowded, and inefficient. Approximately 25 percent of all posts suffer from serious overcrowding. Employees in Kiev term their post "the folding-chair embassy" because staff must fold chairs in order to get into their work spaces. Some of the buildings needed security improvements and a number were in extreme states of disrepair. In Moscow, the consular section built a shed

EXAMPLES OF STALLED U.S GOVERNMENT CONSTRUCTION PROJECTS

POST	YEAR PROJECT BEGAN	REASONS FOR DELAYS
Beijing, China	1991	- Chinese government officials - U.S. Government funding shortfall
Berlin, Germany	1992	- Security concerns - Funding shortfall
Istanbul, Turkey	1986	- Site identification - Staffing and mission review required by Department of State - Funding shortfall
Luanda, Angola	1991	- Inadequate funding for construction - Lack of available sites with clear title
Moscow, Russia	1979	- Construction halted in 1985 due to security concerns - Years of hearings and analysis - Current construction to be completed in Spring 2000
Sofia, Bulgaria	1987	- Inadequate funding for construction - Change in Bulgarian government interrupted site approval
Tunis, Tunisia	1986	- Delays in acquiring suitable site - Staffing projections took additional time

Source: Department of State

on the sidewalk next to the embassy in order to give visa applicants, who could not be accommodated within the embassy, shelter from winter snows. Approximately 12 posts use trailers or freight containers as office space. In Angola, personnel have worked and lived in prefabricated trailers for eight years. The staff in Beijing and in other major embassies face conditions that are poorly suited to the important assignments they undertake. The poor working conditions reduce productivity, impair efforts to retain staff, and often leave visitors with an unflattering impression of the United States.

There are many reasons for the often shameful condition of many American posts abroad. Lack of funding obviously plays a role. The Department of State has had to deal with inadequate funding levels for its capital needs, with predictable results. For many years, the Administration

has not requested sufficient funds to improve security. In June 1999, the Administration requested $300 million in fiscal year (FY) 2000, increasing to $900 million after five years, to fund the improvements called for by the ARBs. The ARB report estimated that $14 billion would be needed over 10 years for security upgrades.

In the Panel's opinion, simply increasing the overseas building budget would be insufficient without addressing the fundamental flaws in how the Federal Government manages and finances its overseas properties. The Department has not put in place a disciplined decision-making process to provide FBO with a firm set of priorities for its capital programs. Instead, FBO has been faced with shifting priorities and protracted negotiations within the Department and with embassies overseas. This contributes to project delays, cost overruns, and inordinately long project-completion timelines.

Another problem that the Panel examined is the lack of cost sharing among agencies using overseas facilities. Thirty agencies occupy space in the embassies and chanceries owned by the United States; however, these tenants pay only a portion of the costs of the space they use. (In contrast, domestically, Federal agencies are required to pay rent to the General Services Administration [GSA]). Moreover, with limited exceptions, there is no sharing of costs for maintenance and capital improvements. Equally important, because the agencies sharing the overseas platform do not have a financial or a budget stake in the platform, they have no claim to a voice in decision making by the Department of State on security measures, maintenance, and related matters. Nor do they have an incentive to support the Department's budget requests or to directly lobby Congress for proper funding of overseas buildings.

Appropriations to the Department do not compensate for the lack of cost sharing. Consequently, the government chronically underfunds maintenance and capital improvement needs. FBO's operating expenses for both nonresidential and residential facilities range from $335 million in FY 2000 to $409 million in FY 2010. In addition, FBO identified some 3,600 necessary repair projects, with an estimated cost of $615 million. Thirty-nine percent of these costs are maintenance and repair priorities requiring immediate attention, but none have yet received funding. The Administration requested only $169 million for FY 2000 for maintenance and repairs. Also, the capital needed for improvements for nonresidential and residential facilities, which include costs of repairs and upgrading security identified in the ARB report, ranges from $1.8 billion in FY 2000 to $1.3 billion in FY 2010. Therefore, the total facility funding needed, including operating expenses and capital improvements, ranges from about $2.1 billion in FY 2000 to $1.7 billion in FY 2010.

The Panel supports current security requirements and regulations mandating the use of U.S. contractors and materials even though they increase the costs and time for construction. But the problem with the way the government finances its overseas buildings is exacerbated by other struc-

tural barriers. For example, OMB guidelines prevent FBO from using the financial tools used by private-sector property management companies, such as lease-purchase agreements and securitization. Federal guidelines restrict FBO from using certain types of employee incentives used by private companies to create greater employee accountability for customer satisfaction and on-budget performance.

It appears that FBO-managed projects take longer and cost more than comparable private-sector projects. The "target building construction timeline," which includes planning, financing, and construction, is approximately five years, and these targets are not always met. In addition, staffing levels are high for the number of properties and projects. And the costs for projects often seem excessive, even taking into account security and regulatory requirements.

Perhaps the central problem lies in the fact that the Department of State is a foreign policy agency, not a foreign building construction and management agency. Acting as landlord and manager for hundreds of buildings and thousands of units of housing around the world is neither a core competence nor a strategic priority for the Department. It took on the responsibility only because, years ago, its personnel occupied by far the largest share of the space. But today, only 38 percent of overseas personnel work for the Department. It is time to reevaluate this institutional arrangement. The government needs a new way to manage and finance its facilities, consistent with the Secretary of State's statutory responsibilities, the Department's unique institutional interests, and the policy- and standard-setting authority of the Department.

Best Practices in the Private Sector and Government

The Panel studied the property management strategies used by other governments, international organizations, and private corporations. The Panel found that foreign government agencies whose operations are similar to those of FBO have successfully employed cost sharing, lease-purchase agreements, and public-private partnerships. In addition, a study conducted by the General Accounting Office (GAO) found that federally chartered government corporations are an efficient and cost-effective way of meeting certain types of asset-rich public purposes when there exists a need to reproduce the skills and organizational competence of the private sector for specific tasks. The GAO study described how government corporations copy many of the financial and management techniques used by the private sector while still hewing to essential public purposes. And experience at the state level suggests that public benefit corporations can be an efficient and effective way of building and managing essential public facilities. The successful authorities have in common the following characteristics: clearly defined responsibilities, professional management, an independent governance structure representing all parties with a stake in their mission, and flexible financial and management powers.

Recommendation:

3.1 Create a new government corporation for overseas buildings. The Panel recommends the creation of a federally chartered government corporation, an Overseas Facilities Authority (OFA). The OFA would exercise responsibility for building, renovating, maintaining, and managing the Federal Government's civilian overseas office and residential facilities. The Panel believes that in order to undertake the sort of fundamental change in the funding and management of the U.S. Government's overseas assets, FBO should be replaced by an OFA with more authority, more flexibility, and increased participation by other U.S. Government agencies with a significant overseas presence. This reform will provide the needed institutional capacity to carry out capital improvements called for by the ARBs, in addition to those identified by this Panel.

The Overseas Facilities Authority would have the power to charge rent, just as GSA does, to agency tenants of government-owned buildings in foreign countries. Rent revenue should cover current operating and maintenance costs. Using this rent stream as security, the OFA would be able to raise long-term capital by issuing debt to the Federal Financing Bank of the U.S. Treasury. A dedicated and reliable source of financing would enable the OFA to plan and implement long-term capital improvements, including the accumulated deferred maintenance.

Charging rent would also change the relationship among agencies, placing them on an equal footing. Knowing that any shortfall in Congressional funding could result in a shared burden would give all agencies an incentive to work together to make the case for needed funds. Paying rent will give agencies the right to demand more of their landlord, to participate more effectively in the planning process, and to establish proper lines of accountability.

A government-chartered corporation of the kind we recommend would have more ability to use the management techniques commonly used in the private sector. The OFA would be able to use financial incentives and performance-based compensation standards. Higher salaries and incentive compensation would allow the OFA to attract highly qualified real estate professionals, who in turn would raise the skill and management levels in the agency. Financial incentives could be used to motivate employees and contractors to meet construction project deadlines. The OFA's ability to use performance-based management practices would enhance productivity and efficiency in managing the property portfolio.

Properly organized, the OFA could respond flexibly and quickly to mission-specific workplace and residential capital needs. Its financial structure would allow it to invest in capital improvements; reallocate costs among all agencies utilizing government-owned and -managed overseas facilities; and engage in best-practice asset, property, and construction management.

The proposed OFA would have the following features:

Governance. A Board of Governors comprising representatives from both the public and private sectors would be appointed by the President to oversee the daily operations of the OFA. All major overseas agencies should have representatives on the board. By statute, the OFA's Board Chairman would be the designee of the Secretary of State. The Secretary would retain existing statutory authority for the security, size, and location of overseas posts.

Relationship to the Department of State. The Secretary of State and the Department would play a unique leadership role in the OFA. The establishment of the OFA would not disturb the statutory authority of the Secretary over the location, priorities, and operations of embassies. Rather, the relationship of the Secretary to the OFA would be analogous to that of a client to a construction manager. The Secretary or her designee, as Chairman of the OFA's Board, would be required to sign off on every OFA capital project, as well as its long-term capital plan. The Department would promulgate standards for security and space allocation used by the OFA. Finally, the OFA would be located within the Department. Mission. The OFA's mission would be to ensure that U.S. posts overseas have, and are able to maintain, safe and efficient office and residential facilities, including the necessary technology infrastructure.

Management. The OFA will have a Chief Executive Officer (CEO) to manage its operations. The CEO will report to a Board of Directors and will supervise a relatively small team of managers and professional staff. To the extent possible, the OFA should be exempt from certain Federal rules and be able to follow the compensation and personnel practices typical of private-sector property management companies.

Resource allocation: nonresidential separated from residential. The OFA would have responsibility for all facilities overseas, including chanceries and office and residential space. Reflecting the need for providing adequate housing of our representatives abroad and their families, residential properties would continue to be an important responsibility for the OFA. Within the boundaries of any relevant law, the OFA could explore incentives for greater private-sector involvement in building and managing residential assets, consistent with appropriate security requirements. We believe that by separating the asset-management function from its property- and construction-management functions wherever possible, the OFA may be more efficient and can concentrate the staff effort on the non residential portion of our overseas facilities, including chanceries, Ambassadors' residences, and support facilities for all government agencies. (The Ambassadors' residences are so heavily used for official functions that they are categorized as nonresidential facilities.)

Congressional oversight. Congressional approval would be required for the establishment of the OFA. In addition, Congress would have ongoing oversight, as is now required of the government's overseas capital plans.

Financial Structure:
The OFA will receive funds from a variety of sources, including rent (plus a capital charge for new facilities) paid by all agencies occupying space in overseas facilities, annual appropriations, retained proceeds from asset sales, forward funding commitments, loans from the Federal Financing Bank of the U.S. Treasury, and retained revenues from sources approved by Congress and the OMB (such as consular service fees). The uses of revenue would include capital construction, annual maintenance and certain technology improvements, a reserve for depreciation, and the operating expenses of the OFA.

The OFA should have the ability, much as other Federal Government corporations and public authorities, to use the full range of financial tools, such as the authority, subject to appropriate fiscal controls and review by OMB and Congress, to incur debt by either borrowing from the Federal Financing Bank or issuing debt securities against its revenue streams. Given its large portfolio of real property, the OFA would have the ability to incur debt secured by real estate and rent streams. The ability of the OFA to borrow from the Federal Financing Bank would be particularly valuable for implementing multiyear capital improvements. The OFA should be given an exemption from the OMB's budget-scoring guidelines, so that OFA could engage in cost-effective financing alternatives such as lease purchases and sale/leaseback.

Increase Investment in People and Reform Human Resources Practices

The core of our overseas presence is a talented, highly trained, dedicated, and motivated staff. The human resources equation has two sides: the quantity and quality of personnel and the quality of management and supervision. We turn first to personnel—ensuring that our overseas presence attracts and retains high-quality staff.

Of the l08 studies, documents, and articles that the Panel compiled as part of its research, more than 70 recommended changes in how the Department handles human resources. Many of the points made in these studies are also applicable to the other agencies with overseas responsibilities.

One study that the Panel found particularly instructive was The War for Talent, a recent report prepared for the Department by McKinsey and Company. The War for Talent found that the Department has traditionally attracted some of the nation's most talented people, drawn by the opportunity to serve their country, the excitement and challenge of overseas assignments, the opportunity to work with highly talented people, geographic mobility, and the prestige of the Foreign Service. However, because of the increasingly competitive job market and expanded private-sector opportunities for geographic mobility, potential Foreign Service Officers are being drawn into other professions; so the Department,

knowingly or not, has entered into a contest with the private sector for these talented people.

To assess how employees viewed their situation and to gauge the relative attractiveness of a career in the Department of State, McKinsey extensively surveyed the opinions of employees on a range of issues, including opportunities for advancement, the evaluation process, working conditions, management's commitment to staff development, and its attitude towards employees' family and lifestyle concerns.

The study compared the views of the employees and managers in the Department to those in top-performing companies. In comparison, the Department's employees expressed more dissatisfaction with evaluation processes; career advancement opportunities; sensitivity to lifestyle issues (including the dual-career family); the degree of freedom, autonomy, and responsibility offered by their positions; and the quality of management. McKinsey's study confirmed other research findings suggesting that today's younger workers expect to advance based more on performance than longevity. The study also found that private-sector managers were almost twice as likely as public-sector managers to give high performers the best development opportunities and fast-track growth. More than 70 percent of the private-sector managers viewed motivating and attending to people as a prime priority, while less than 30 percent of the State Department managers interviewed considered it a top priority. One of the Panel members, John F. Welch, estimated that he spends as much as one-third of his time as GE's chief executive on talent issues. The importance of winning the war for talent was not thought to be a priority for most Department managers.

To win the war for talent, the McKinsey study suggested that the Department strengthen its "talent mind set"—its commitment to recruiting, training, promoting, and retaining the most qualified and best-performing employees. It urged the Department to adjust its human resources policies to the changing expectations of the next generation—specifically their antipathy to traditional hierarchy; their commitment to balancing work and family considerations, especially the need for meaningful employment for spouses; and their need for a strong link between current performance and promotions. The Department should take more proactive action on both high performers and low performers, giving high performers faster, more significant opportunities for advancement and contribution and either improving or releasing under performers as appropriate. The Panel's consultant, KPMG, produced similar findings in its extensive interviews at selected embassies.

In the Panel's 23 visits to posts, personnel matters were at the top of the list of issues discussed. Several issues elicited the most comments. First, there was universal agreement that more training was needed in languages, leadership and management, and new issues. It is estimated that up to one-half of Department personnel who took assignments abroad last year did so without the appropriate training. In addition, the training

available was truncated or ignored. Second, there was a strong sense that the government could do more to accommodate family needs, including spousal employment. Third, employees viewed many of the administrative rules and regulations, from travel to expenses to housing to education, as time-consuming and demeaning. Fourth, the evaluation system needs to be improved to provide realistic and meaningful performance appraisals for use in making decisions on promotions and assignments.

The Panel found that agencies with overseas staff faced problems similar to those faced by the Department of State. In some cases, hiring by agencies has fallen below the level necessary to replace staff lost to attrition. All face competition for talent, and there is a clear need for more aggressive efforts to reach high-potential candidates and to give them more training followed by faster promotion.

There is also a need to broaden the definition of many positions. For example, officials in the law enforcement agencies expressed the view that integrating case investigation work with policy work and technical assistance to host countries would increase the effectiveness of their overseas activity. The agencies expressed the need to give more training and to upgrade their recruitment efforts.

Regarding management and supervision, one way to promote excellence is to make sure that the nature of each position fits today's demands, to match assignment with talent and background. The KPMG study confirmed that there is an emerging need to restructure many positions. Today, old practices and job descriptions are often ill suited to the new types of duties assigned to overseas representatives. Traditionally, many of the professionals in overseas posts have focused on reporting and analysis for policymakers back in Washington, who use this information to develop policy and guide tactics. As goals and tactics change, the reporting and policy functions should also change. While nuanced and up-to-date analysis will continue to play a central role in overseas efforts, less time should be spent writing reports and more time spent on public diplomacy.

In pursuit of a less-hierarchical structure, there must be more autonomy in the implementation of missions and more active mission involvement in the policymaking process in Washington, D.C. None of these functions is new: talented staff have been doing this for years. What is different is the emphasis that the new model places on these communications, interaction, and coordination functions.

Retaining and using the accumulated knowledge and experience of employees are essential to building institutional capacity and success; however the means through which Federal agencies currently communicate, retrieve, and share their knowledge are deficient and seriously inhibit the effectiveness of policy implementation. The Panel urges the Department and all other overseas agencies to create an overt process to develop and manage knowledge. Management of knowledge must be a central focus

of information technology upgrades in order to create a system that not only distributes information but also captures and securely stores it for future retrieval by any authorized person, regardless of location.

The Department should broaden the role of Foreign Service Officers by changing training, assignments, and evaluation standards. These changes should encourage the development of a more interdisciplinary and multi-faceted function, which in turn should increase both the relevance and job satisfaction of Foreign Service Officers.

◆ **Recommendations:**

4.1 Develop a comprehensive human resources strategy. The Panel recommends that the Secretary of State initiate the development of a comprehensive human resources strategy. The Secretary should direct the Department to produce this plan in the form of a proposal to the President that he, in turn, can review and submit with his recommendations to the Congress. The Panel opposes the delegation of this overall responsibility to levels below the Secretary because only the Secretary can enforce deadlines, make decisions that transcend bureaucratic differences, and propel the process toward resolution.

4.2 Improve the quality of life for overseas employees. The Panel recommends that the Department and other agencies take a number of steps to improve quality of worklife. These include providing a greater number and range of employment opportunities for spouses, reviewing and revising antinepotism regulations and laws that may limit spousal employment opportunities, taking a proactive family-sensitive stance in the management of assignments overseas, reducing the burdensome aspects of the procedures for travel and relocation, and developing a plan to address serious medical and educational concerns on a regional basis.

4.3 Expand training. The Panel recommends making functional, language, leadership, and management training mandatory milestones for all agencies. The Department's Foreign Service Institute is a logical center for much of this training. The absence of such training should preclude the assumption of certain supervisory positions, language-designated positions, or promotions. The Department and other agencies should implement recommendations made in The War For Talent study to enhance training and development opportunities for leadership and management, ensuring that those placed in significant management or leadership roles have had both the appropriate mix of management and leadership experiences and the training to perform effectively. As the private sector and the military have shown, leadership and management skills can be taught. For maximum learning to take place, leadership and management should be taught at frequent intervals in formal training environments.

The government needs a single repository that can draw from academia, the private sector, and other departments the best proven meth-

ods for inculcating this set of skills and can shepherd an officer's formal training in leadership and management throughout his or her career. The Foreign Service Institute's new School of Leadership and Management should develop a training module centered on the particular challenges encountered in a country team or overseas environment. The Institute should explore the use of distance learning to cut the cost of training and to expand its availability. The workforce structure and resources available for staff should take into account the 10 to 15 percent of employees who will be in training or travel status at any given time.

4.4 Reshape the reporting and policy functions. The Panel recommends redefining certain aspects of the professional and technical dimensions of the Foreign Service employees' job, including placing a new emphasis on knowledge management and real-time involvement in the policymaking process in Washington. Efforts should be made to reduce the amount of time spent in creating reports to send back to Washington and encourage more active engagement with the government and civil society of the host country.

4.5 Improve recruiting and promotion processes. The Panel recommends the following five specific steps related to recruitment and promotion to help the Department and other agencies win the war for talent:

- Place a priority on recruiting for expertise in a range of areas, as well as on the communications, analytical, and interpersonal skills required to meet the demands of the new model of diplomacy.
- Reevaluate the role of testing to find alternative ways to measure qualifications.
- Change the evaluation and promotion process so that it more closely resembles the type of comprehensive evaluation process, often referred to as a 360-degree evaluation, used by well-managed large companies.
- Create a fast-tracking system for promotions and assignments for the most talented junior staff, based on high levels of early performance.
- Consider a greater use of repeat tours, and provide incentives for using prior language training.

4.6 Encourage knowledge management in overseas posts. The Panel suggests that the Department and other agencies view the management of its professionals' knowledge as one of its key functions and develop systems that allow professionals both to contribute more easily to the Department's overall knowledge management function and to draw upon the resources and knowledge of other professionals. Fortunately, today's information technology allows easy storage and retrieval of this knowledge.

4.7 Tailor the workforce structure to new needs. The Panel recommends that more attention be paid to matching the skills and numbers of employees required for a given mission. The Department might rede-

fine "cones" to include a secondary specialty, thereby creating flexibility to meet more easily the Department's needs while at the same time giving all who seek it an opportunity for advancement beyond one specialized area. The government should experiment with new incentives to fill highly specialized needs. For example, agencies might use special five-year employment contracts to attract specialists to overseas assignments.

Budget Implications:
Enhancing the Department's career-training program demands both funding and additional personnel resources. The Panel estimates that the cost of the training recommendations will be $6 million annually, including the salaries of the people hired to fill in for staff in training.

Immediately Upgrade Our Information Technology

A new model of America's overseas presence absolutely requires up-to-date information and communications technology. Officials overseas must have easy access to all agencies sharing our overseas platform and the fastest possible access to all information that might help them do their jobs. They must also have the capacity to communicate quickly and precisely with a larger number of people and a broader range of constituencies than ever before. The current information technology infrastructure does not provide the means either to acquire information from a full range of sources or to disseminate it to a full range of audiences.

We were dismayed to find that our embassies are equipped with antiquated, grossly inefficient, and incompatible information technology systems incapable of even the simplest electronic communications across department lines that are now commonplace in private-sector organizations. Most employees overseas cannot e-mail colleagues in other agencies even in the same building, let alone share data with colleagues in different groups or countries. The systems are disparate and not interconnected, in part because all of them have their own levels of encryption and security.

Inefficient information systems leave the Department "out of the loop," as other agencies, organizations, and even foreign governments bypass its cumbersome communications connections. For example, the government of Germany found it easier to communicate with Washington agencies directly over the Internet, bypassing the embassy, where Internet communications are not available. It is ironic that at the moment when our country's message resonates through history, its voice has been rendered nearly mute by antiquated technologies.

The Department of State and other agencies sharing the overseas platform have taken steps to bring their systems up to private-sector standards, but much more needs to be done on an interagency basis. Technology requires constant reinvestment, and such expenditures should be part of the ongoing budget process. The Panel believes that basic off-the-shelf

communications, collaboration, and networking software, combined with common public- and private-sector best practices, should be the standard in all our embassies.

Technical deficiencies by themselves could be remedied easily with existing capabilities and at a cost that would be modest compared with the benefits. According to the study by the Stimson Center, recommended information technology improvements were estimated in the fall of 1998 to cost approximately $400 million.

However, for a new initiative to succeed, it must include an effort to address cultural obstacles to the flow of information; it must also employ a truly collaborative approach that embraces the entire foreign affairs community. Several agencies with global operations are seeking funding for separate communications systems. The Panel believes that any new unclassified global system should be a single connected system designed to operate on an interagency basis.

Information security will rightly always be a concern within some sectors of the Foreign Service community. The major share of information that passes through our overseas posts, however, is sensitive, but unclassified (rather than classified), and it is more likely to be needed by people both within and outside our agencies. Providing such needed information is often more important than policing access to it. We need to create a new atmosphere and a new set of priorities: we must optimize our overall management of information—with security as one of several major considerations, not an all-conquering imperative. Information should be seen as a tool to be used, not a weapon to be feared.

To overcome the cultural barriers that keep agencies from working together will require Presidential leadership. Only active involvement by the President and persistent follow-up by his designated representative will force the agencies to work together.

Recommendations:

5.1 Presidential leadership to connect all agencies through the Internet. No single agency has the scope of operations and perspective to develop a government wide solution, utilizing simple e-mail, collaborative applications, and administrative support. The Panel recommends that the President take the lead in directing all agencies with overseas operations to cooperate in giving all staff Internet access, a secure unclassified Internet Web site, and shared applications available to any foreign affairs community member through the Internet. This could begin quickly and be completed within 12 to 18 months of any projected starting date, using commercial best practices. The cost is projected to be relatively modest, between $20 million and $30 million; in addition, since most of the information handled in an embassy is neither proprietary nor classified, access issues could be solved with current off-the-shelf security software, and employees can handle this in a Web environment using the best practices of industry.

Embassy-related Web sites hosted at a central location under the secure control of U.S. Government staff could provide a range of tools: browser access to standard and customized database applications, file sharing, e-mail services, scheduling, discussion groups, and chat rooms. The government should also place administrative systems on the Web site so that employees can do routine administrative chores on-line, from obtaining a travel voucher to submitting a work order.

5.2 Establish a technology subcommittee to the Interagency Committee on Size and Shape of the Overseas Presence. The Panel recommends that the President establish a technology subcommittee to the interagency committee, comprising the chief information officers of all agencies with overseas responsibilities. The President should empower the subcommittee to define operational requirements, select specific enabling strategies, identify needed funding, and overcome the natural tendency of agencies to want their own systems.

5.3 Plan for the application of common technology to the classified information environment. In 18 to 36 months, the government should replicate the unclassified system in recommendations 5.1 and 5.2 in the classified environment. The Panel recommends that the government develop specific strategies to implement the mid- and long-term recommendations detailed in appendix C.

5.4 Plan for access by the public. The government should establish mechanisms to provide public access to the services of the foreign affairs community. The Panel recommends the establishment and maintenance of a public access capability and companion policy to support the functions of public diplomacy.

Budget Implications:
The estimated cost of a network linking all overseas missions through the Internet and providing all employees with e-mail and other off-the-shelf capabilities is $200 million. A unified classified system allowing all agencies at post to communicate with each other and with Washington will cost approximately $130 million.

Reinforce and Further Improve Consular Services

The protection of its citizens while they work and travel abroad is one of the most significant responsibilities of any nation; therefore consular work is one of the most important functions performed overseas by the United States Government. American consular personnel perform an extraordinary number of services for U.S. citizens traveling or residing abroad and for citizens of foreign countries who wish to travel to the United States.

CONSULAR SERVICES

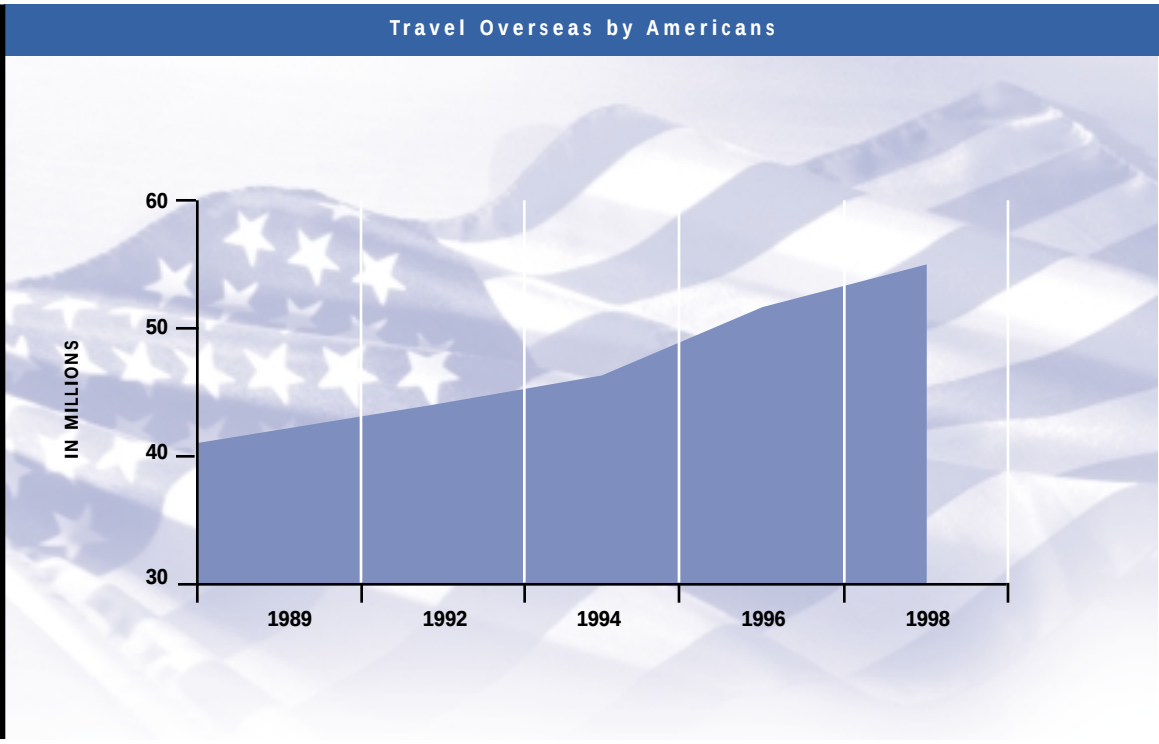
American Citizen Services	Serving the 3.1 million U.S. citizens residing or touring abroad on any given day
Passports	6.5 million processed in FY 98 6.9 million expected in FY 99 250,000 issued abroad
Crisis Assistance	Evacuations from 18 countries in 1998
Welfare Requests	About 15,000 inquiries each year to Washington 200,000 inquiries made directly to posts
Prison Visits	Over 5,000 visits annually
Visas to U.S.	8 million visa applications expected in FY 99
Death Cases	Assist 7,000 U.S. families in cases of overseas deaths per year

Source: Department of State, Bureau of Consular Affairs

The development of a global economy has put enormous pressure on U.S. consulates. The increased flow of goods, capital, and people across national boundaries has strained the capacity of our embassies and consulates as more Americans travel abroad and more foreign nationals seek to enter the United States. Regional conflicts that have displaced large numbers of persons have also increased the demand for visas, and thereby the workload of U.S. consulates. Consular officers perform a critical role in administering U.S. immigration laws by adjudicating applications for nonimmigrant and immigrant visas to enter the United States.

The government has made changes to ease the burden on U.S. consulates. For instance, the Visa Waiver Pilot Program (VWPP) enables citizens of certain countries to travel to the United States without a visa for short visits. Another example of new initiatives is the Department's authority to retain machine-readable Visa fees in order to make further improvements that will strengthen U.S. border security.

Despite these changes, the government faces serious staffing and physical plant problems because of increased demand for consular services. The Panel visited the consular facilities at each embassy that we toured and found that many facilities are old, obsolete, and poorly maintained.



Staffing shortages are undermining the ability to provide first-rate consular services. Morale has suffered; understaffing forces many to work extensive overtime hours. Junior Officers are often required to do back-to-back consular tours on the visa line.

However, the Bureau is unable to hire additional people to address workload problems because of funding limitations and strict employment ceilings, even though consular services generate nearly a $1 billion per year. (The Department currently retains just less than 40 percent of these fees.) Because the Department's geographic bureaus control consular positions and are rarely willing to surrender consular staff to meet the needs of other regions, it is virtually impossible to shift staff from post to post to meet fluctuations in demand for consular services.

Consular Affairs has made innovations in its operations to improve the quality of service and to compensate for lack of staff. Some consulates have instituted alternative staffing programs involving employees from outside the regular Foreign Service, such as spouses and Fascell fellows. Some consulates have introduced a system of scheduled appointments, rather than the first-come-first-served method. Another innovation is the use of off-site fee collection to make the process more convenient for customers. Still other posts have turned to the private-sector travel industry

for help with such routine functions as data entry for visa applications. However, these steps will not, by themselves, solve the problem. In the face of rising demand for consular services, the Panel believes immediate reforms are needed to prevent the imminent deterioration of this important function.

◆ **Recommendations:**

6.1 Expand programs designed to make staffing more flexible to meet surges in demand. The Panel recommends that the Bureau of Consular Affairs be provided with the authority and resources to shift staff to more effectively match demand, enabling a more equitable and uniform level of service.

6.2 Allow the Bureau of Consular Affairs to reinvest its revenue. The Panel supports legislation to allow the Department to retain all fee-generated consular revenue, permanently and without any cap, and work with OMB and Congress to ensure that the overall obligation authority of the Department is uncoupled from this retention authority. Retention of consular fees would provide the Bureau with increased control over the resources it needs to respond effectively to workload demands. The additional revenue would enable the Bureau to pay for its alternative staffing programs; contribute to capital improvements in the missions; and permit reimbursement to other elements of the Department for the costs of indirect support. This approach would match resources with workload and allow customer service improvements to be paid by the customer.

6.3 Improve customer satisfaction. To create a systematic approach to monitoring customer satisfaction, the Panel recommends that the Bureau conduct a worldwide customer satisfaction survey modeled after Vice President Gore's ongoing domestic initiative. This survey would monitor the satisfaction of both American citizens receiving services and foreign nationals applying for visas. The survey should be conducted periodically to monitor levels of customer satisfaction.

6.4 Expand the best-practices program. The panel commends the Bureau for its initiative in launching a best-practices program to improve consular operations and customer service and recommends that this effort be expanded to affect more consulates. The Panel supports efforts to provide on-site management assistance to consular sections by reestablishing Consular Assistance Teams (CATs). These teams would act as "internal consultants" and assist consular sections in implementing new processes and initiatives.

Budget Implications:

The Panel is convinced that resources available to the Department for consular activities fall seriously short of what is needed. We recommend that Consular Affairs be allowed to keep an additional $500 million of the fees it collects in order to address critical shortfalls in infrastructure, personnel systems, capital needs, training, costs, travel, and establishment of Consular

Assistance Teams. This funding flow would be directly tied to the increasing levels of consular activities, one that adjusts as workload fluctuates.

Reform Administration

Administrative services have long been the stepchild of America's overseas presence, ignored and looked down upon by the broader Foreign Service community, policymakers, and strategists. Administrative reforms have not grabbed the attention of top management. Yet neither the staff with whom we spoke nor the senior managers in Washington were content with the current system, and every employee feels the lack of quality and logic in administration.

The Department of State is responsible for the basic administration of missions overseas with some duplication by other agencies. Currently, the cost of this administrative support is, on average, approximately 50 percent of the Department's budget for each of its embassies. While agencies with overseas representatives have diligently tried to cut administrative costs, serious problems remain. For example, it is difficult to recruit candidates with the right skill sets and experience for administration, in part because agencies have been reluctant to view administration jobs as requiring unique talents. The Panel strongly believes that the government must take steps to see that administration is better recognized as a profession, developing a new cadre of administrative personnel, human resources managers, and financial management officers.

A number of reform strategies used in the private sector have the potential to improve dramatically the administration of our overseas presence. First, digital information technology should be used where possible. Many large corporations have substituted digital formats for paper forms so that employees fill out their expense or travel papers electronically, eliminating steps in the process. Companies have also relocated back-office functions to achieve economies of scale and lower costs. In some cases, they have created regional centers that can support a number of local offices. At the same time, some functions are moved back to the home office, while others are essentially eliminated by devolving them to the local office.

The experience of the private sector shows that with imagination and persistence, coupled with off-the-shelf technology solutions, administrative systems can be reconfigured to slash costs and improve service. But to realize these gains, senior managers have to demand radical changes and focus their organizations on both significant savings and improvements that make the system easier to use. We should expect no less of the agencies involved in our overseas operations.

◆ **Recommendations:**

7.1 Aggressively use technology. The Panel urges that up-to-date information and communications systems be implemented to provide

greater support for administrative services. All agencies should begin automating administrative functions, including routine maintenance of facilities, inventory procedures, voucher certification, contracting, and voucher processing. Agencies overseas should collaborate to identify best practices and then generalize their use.

As the administrator for other agencies, the Department of State should create an administrative intranet, unclassified but encrypted, to allow administrative traffic to flow freely on a real-time basis between regional support centers and their supported missions. The Department should also create a video-conferencing capability to link the service posts and regional support centers.

7.2 Regionalize some functions, back-source others to America, and devolve others to the local level. The Panel recommends that the Under Secretary for Management direct appropriate bureaus and offices within the Department to develop a plan to move as many routine administrative services as possible either to regional centers or back to the United States. Regional services will require agencies to agree on standard procedures, forms, and accounting practices. The creation of such regional offices would allow the Department to position personnel with significant management experience close to the serviced posts and extract real economies of scale. Under this plan, all agencies represented abroad would participate in common regional support centers that would provide the human resources management, financial management, contracting, and facilities management planning needed to manage our overseas presence. To support regionalization, the Panel proposes the creation of new human resources and financial management positions that would be performed on a regional basis and provide an independent quality control capability. Some functions can better be performed at a post and should be devolved to the local level and placed outside the administrative system. Other functions are best handled back in the United States.

7.3 Upgrade administrative positions. The panel believes that administrative personnel remaining at post, human resources personnel, budget analysts, administrative generalists, and general service officers, should have the capability of managing the day-to-day activities of an administrative section on their own. With the creation of a more professional cadre of administrative personnel, the Department of State will be able to address its overall mission much more effectively and with the creativity required to match declining resources to changing policy priorities.

7.4 Assign foreign nationals a bigger role. The Panel urges that the Department make greater use of foreign nationals in those countries where personnel with the right skills exist, extending their roles to include management responsibilities throughout the administrative area. This step should produce savings while permitting embassies to tap into a previously underused reservoir of talent.

Budget Implications:
Significant savings and improvements in productivity may result from new information and communications technology, greater use of foreign nationals, new regional service centers, and other administrative reforms. For example, each 10 percent improvement could yield $80 to $90 million in annual savings.

Enhance and Refocus the Role of the Ambassador

Under the direction of the President, the chief of mission to a foreign country shall have 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 military commander). From the Foreign Service Act

Every President since John F. Kennedy, who created the "country team" concept, has issued a letter to each Ambassador reemphasizing the legal responsibilities and authority of Ambassadors and adding directives based on that President's personal goals for the mission. In recent years, with the rapid expansion in the number of U.S. Government agencies sending personnel overseas, the role of the Ambassador has not been clearly understood.

Today, the majority of those staff subject to an Ambassador's statutory authority are sent abroad by non-Department of State agencies, with missions defined by those agencies. These other agencies often view the Ambassador as the Department's representative, rather than the President's. The Ambassador is left with the responsibility, but not the authority, to coordinate the activities and address the often competing needs of the mission.

Moreover, conflicting directions and lack of intergovernmental coordination in Washington hinder cooperation at overseas missions—even when addressing a common problem. For example, instead of the various law enforcement agencies in a particular country focusing on a complex problem such as money laundering from their own individual angles, it would be more effective to work together. In other cases, there are conflicting priorities. For example, USAID and other development agencies are mandated to focus on social and economic issues affecting impoverished people and to help build democratic institutions in the poor countries. These goals should be compatible, but without coordination in Washington, the Ambassador has no guidance on how to meld these separate objectives. Several Ambassadors told the Panel that they frequently receive multiple instructions for initiatives, all with high priority, but without any rank order established for them.

National Security Decision Directive 38 (NSDD 38) technically grants Ambassadors important influence over the size and composition of full-time, permanent staffs operating under their authority (not including per-

sonnel under the authority of area military commanders). The Ambassador may withhold from an agency permission to send personnel abroad, however, in the absence of a coordinated, interagency plan for U.S. operations in his or her country, an Ambassador makes the decision on each new position in isolation and has no real policy basis on which to deny an agency request. The result is an almost automatic approval of staffing increases.

The Mission Performance Plan (MPP), intended to articulate the overall goals of the mission, is often prepared without substantial participation by the agencies at post and without either serious guidance or feedback from Washington. Under the current system, the MPP is a flawed tool.

Ambassadors need real authority if they are to perform effectively the numerous challenging roles their jobs involve. Today's Ambassadors must be imaginative, entrepreneurial leaders: they must think beyond the concerns of the moment to define valuable and achievable goals for their missions; they must also devise, advocate, and apply new methods for achieving those goals. They are coordinators and consensus builders, they manage multiple relationships with host countries, and they enlist the support and combine the efforts of people from agencies with different agendas and chains of command. Finally, each Ambassador is also—in a way that may be unique in either the public or private-sector—the leader of an overseas community, a mayor and manager responsible for the health, safety, living and working accommodations, and even the schooling and recreation for the children, of all personnel in the mission.

The Panel was struck by the high level of leadership and management skills required for properly carrying out Ambassadorial duties. Certainly language skills and area knowledge are highly desirable. The responsibilities, however, go beyond that to the ability to bring together many people from different agencies—each with an individual agenda—and meld them into a cohesive operation. Given the demands placed on Ambassadors, it is essential that the government carefully select highly qualified individuals with the necessary management skills and then confirm, train, and assign them quickly. It is also important to avoid leaving Ambassadorial posts vacant because our missions need full-time leadership to carry out their comprehensive agenda.

The Panel strongly recommends that the Ambassador's authority over his or her mission should be reasserted and reinforced in a manner that takes account of the complex, interagency nature of that mission. Mechanisms must be provided in Washington for interagency coordination, and agencies must work with Ambassadors to formulate comprehensive, integrated mission plans. Within the framework of such plans, Ambassadors should be granted more influence over staffing levels.

◆ **Recommendations:**

8.1 Reinforce the Ambassador's authority. The Panel recommends that the President issue an Executive order reinforcing the responsibilities

and authority of Ambassadors, codifying the traditional Ambassador's letter, and restructuring NSDD 38 (see appendix B). The order should include clear instructions for quickly resolving interagency staffing disputes. Such instructions should take account of the Ambassador's responsibilities under law for safety and security.

8.2 Require mission statements and country budgets for each embassy. The Panel notes that the MPP is to be the product of all agencies at post and that it should represent an integration and combination of all programs, not simply a restatement of other agencies' submissions. The core of the MPP should be a short mission statement developed in a collaborative process involving all agencies at a post. It should emphasize a short list of initiatives, projects, and goals for the coming two or three years and an assessment of performance on previous goals. The Ambassador should also be required to develop a suggested country budget consistent with the country mission statement.

8.3 Enhance the role of the Deputy Chief of Mission (DCM). The Panel suggests that the Secretary of State that ensure Deputy Chiefs of Mission are selected and trained to carry out essential day-to-day coordination of programs across agency lines. DCMs should play an important role in the development and implementation of mission statements.

8.4 Give Ambassadors more freedom to innovate. Ambassadors need more autonomy if they are to facilitate innovation and reform at embassies. Therefore, the Panel urges the Department to simplify the approval process for Ambassadorial initiatives and intervene as needed to secure necessary approvals from the Administration and Congress.

8.5 Build cross-agency teams and encourage interdisciplinary work. The Panel recommends that all Ambassadors enhance coordination of policy implementation by adopting the "cluster" model now used by several Ambassadors. With this model, clusters staffed by an appropriate mix of personnel from all the relevant agencies approach issues as a team. The clusters should be centered on strategic goals and national interests as spelled out in the MPP. The issue clusters model should eliminate unnecessary information collection and encourage reporting by post, rather than by agency.

Budget Implications:
Enhancing the role of the Ambassador will require additional training for Ambassadors and Deputy Chiefs of Mission at a minimum cost of approximately $200,000.

Implementing the Recommendations

Building support for the report's recommendations represents a challenge to our nation's political and economic leadership to, in effect, rebuild

public support for America's overseas presence. The Panel is confident that the recommended changes are practical and achievable. With a new vision and adequate resources, U.S. overseas personnel can more effectively represent and defend American interests abroad. With a practical program of reform in place, the American people and Congress will provide the support that our overseas operations need.

Presidential initiative, leadership from the Secretary of State, cooperation from other agencies and departments, and Congressional support will be required to implement the recommendations of the Panel. We urge the President, the Secretary of State, and Congressional leaders to embrace the opportunity presented by this report to reshape the United States' overseas presence.

Recommendation:

9.1 Role of the Secretary of State. The Secretary of State has unique responsibility for overseas activity as the President's principal foreign policy advisor. Many of the recommendations require implementation by the Department. The Secretary of State should take the lead in the implementation process.

9.2 Implementation Mechanism. The President, by Executive order, should establish an implementation mechanism and enforce a timetable to achieve the reforms outlined in this report that require interagency procedures or White House initiative, such as right-sizing, improved technology, and security. The President should appoint a "Coordinator for Overseas Presence Reform" to manage those aspects of reform where Presidential leadership is needed and to help ensure that reforms are made within the time frame established by the President. The Secretary of State shall provide a list of candidates to the President for the position of Coordinator. The Coordinator should report progress and results to the President. Each agency responsible for making internal reforms should establish a plan and timetable for implementation.

9.3 Reforms Requiring Legislative Changes. The President should submit to Congress those reforms requiring legislative action. Those reforms that require legislative changes should be referred to the White House for inclusion in a comprehensive legislative proposal for consideration by Congress.

9.4 Role of the Congress. Congressional support will be critical to the successful implementation of the changes we recommend. We urge a partnership between Congressional leaders and the Administration in reshaping the United States' overseas presence.

VI

CONCLUSION

The unfolding new era in world affairs offers enormous promise for our nation, ever larger markets for our goods and services, the growing worldwide acceptance of democracy and the rule of law, and relief from the worries and costs of a nuclear confrontation. Indeed, this era has brought us closer to the ideal world we have long worked toward. It is a testament to what America has always stood for in our international relations—freedom, democracy, market-based economies, and an interconnected and increasingly networked world. But this new era has also brought with it new problems and threats, from ethnic and religious conflicts to the rise of international terrorism, global crime syndicates, and global environmental and health hazards.

Whether the promise of this era is realized and its new threats contained depends in large part on the effectiveness of American foreign policy: its ability to project confidently our values, to engage other countries in dialogue and cooperation with America, and to build new democratic alliances among countries, as well as democratic institutions within countries. That, in turn, as the Panel has concluded, depends upon an effective and robust global overseas presence.

But that presence suffers from a number of serious shortcomings. The Panel has concluded that in order to meet America's international objectives in the coming years, the government will need to change the way it builds, finances, maintains, and locates overseas facilities; the way it recruits, trains, and supports its employees abroad; and the way it uses technology. Indeed, only extensive and fundamental reform of America's overseas presence will bring it back in line with the nation's foreign policy goals and priorities and today's world realities.

In the end, America has a choice. If we decide not to follow a new design for our nation's overseas presence, America's global leadership will surely erode. The benefits from the government's foreign operations will dwindle,and so will support from Congress and the public.

The reforms outlined in this report are admittedly ambitious. They require unprecedented interagency cooperation, which in turn means Presidential leadership and strong Congressional support. Yet these reforms are commensurate with the problems they address. The Panel has confidence that if America's elected representatives and public servants pursue these reforms aggressively and tenaciously, they will transform our overseas presence and help America realize the promise of the world that is before it.

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John F. Welch	Chairman and CEO, General Electric Company

ACKNOWLEDGEMENTS

The Secretary of State's charge to the Overseas Presence Advisory Panel was a daunting one: to evaluate the entire overseas presence of the United States Government. Chairman Lewis B. Kaden and the 25 members of the Panel determined that it would be essential to conduct extensive surveys of the U.S. diplomatic presence overseas in order to assess the status quo. The Panel wishes to express its appreciation for the assistance, candor, and support it received from the many posts that Panel members visited. Without this cooperation, it would have been impossible for the Panel to properly evaluate the current situation, to assess the challenges we face, and to arrive at the conclusions of this study.

The Panel was convened six times by Mr. Kaden to frame issues to be addressed, to obtain briefings on key elements of this report, and to consider our findings and recommendations. All of the Panel members gave freely of their time and energy. Their varied experience and valuable insights are reflected throughout this report.

The Panel benefited profoundly from the views of key officials in the Department of State, the Secretary of State, the Deputy Secretary, and the Under Secretaries. Their input was most welcome, both in assessing the current state of our overseas representation and in suggesting possible solutions. The interest and guidance of White House Chief of Staff John Podesta and his Deputy, Steve Ricchetti, were critical. We also thank Sandy Berger, Assistant to the President for National Security Affairs, for his thoughts. Jack Lew and Sylvia Matthews of OMB gave valuable suggestions, as did Morley Winograd of the Vice President's office. Other senior Administration officials who were generous with their time included Secretary of the Treasury Lawrence Summers, Attorney General Janet Reno, CIA Director George Tenet, FBI Director Louis Freeh, and Director of National Drug Control Policy Barry McCaffrey.

The Chairman or members of the Panel met with a number of former key officials, including Secretaries of State Henry Kissinger, George Shultz, Lawrence Eagleburger, and Warren Christopher; Deputy Secretary of State John Whitehead; Presidential National Security Advisors Anthony Lake, Brent Scowcroft, Colin Powell, and Frank Carlucci; Secretary of the Treasury Robert Rubin; Administrator of the Agency for International Development Brian Atwood; and Director of the Peace Corps Mark Gearan.

On the Congressional side, the strong support and interest of the following members of the Senate and the House of Representatives provided considerable focus to our effort:

Senate

Ted Stevens, *Chairman, Appropriations Committee*
Jesse Helms, *Chairman, Foreign Relations Committee*
Richard G. Lugar, *Chairman, Agriculture, Nutrition, Forestry Committee; Member, Foreign Relations Committee and Intelligence (Select) Committee*
Judd Gregg, *Chairman, Commerce, Justice, State, and the Judiciary Subcommittee, Appropriations Committee*
Rod Grams, *Chairman, International Operations Subcommittee, Foreign Relations Committee*
Christopher J. Dodd, *Ranking Minority Member, Western Hemisphere, Peace Corps, Narcotics and Terrorism Subcommittee, Foreign Relations Committee*

House of Representatives

Benjamin A. Gilman, *Chairman, International Relations Committee*
Doug Bereuter, *Chairman, Asia and Pacific Subcommittee, International Relations Committee*
Harold Rogers, *Chairman, Commerce, Justice, State, the Judiciary, and Related Agencies Subcommittee, Appropriations Committee*
Christopher H. Smith, *Chairman, International Operations and Human Rights Subcommittee, International Relations Committee*
Sam Gejdenson, *Ranking Minority Member, International Relations Committee*
Jose E. Serrano, *Ranking Minority Member, Commerce, Justice, State, the Judiciary, and Related Agencies Subcommittee, Appropriations Committee*
Cynthia McKinney, *Ranking Minority Member, International Operations and Human Rights Subcommittee, International Relations Committee*

The Panel firmly believes that positive Congressional support will be absolutely necessary to accomplish the major recommendations in this report.

The Panel also wishes to thank the following organizations for their interest, engagement, and willingness to discuss issues with the Panel: Daniel Geisler and Marshall Adair of the American Foreign Service Association, Ernest Bower and members of the U.S. ASEAN Business Council, Ambassador Michael Armacost and members of The Brookings Institution, Henry Michel and Peter Tichansky and members of the Business Council for International Understanding, Richard Fairbanks and members of the Center for Strategic and International Studies, Richard Leone and members of the Century Foundation, Greg Lebedev and Ambassador Craig Johnstone of the U.S. Chamber of Commerce, Les Gelb and Ambassador Winston Lord and members of the Council on Foreign Relations, members of The Heritage Foundation, and Barry Blechman and members of the Henry L. Stimson Center. Through these

meetings, the Panel was able to refine its views and focus its recommendations.

In conclusion, this report would not have been possible without the patience and tireless support of the Panel's Executive Secretariat staff, including Chief of Staff Donald Hays, William Duffy, Marilyn Shapiro, and a number of other professionals. Their knowledge of the U.S. Government, our embassies overseas, and the Department of State was essential to the workings of this Panel. The Panel also wishes to note the assistance that it received from Lee Smith, John Schall, James Geoffrey, PricewaterhouseCoopers, IBM, KPMG, and McKinsey & Company.

November 1999

Ambassador William H. Itoh
Executive Secretary