



# FOREIGN AFFAIRS COUNCIL

## Task Force Report

# MANAGING SECRETARY RICE'S STATE DEPARTMENT: AN INDEPENDENT ASSESSMENT

June 2007

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# Foreign Affairs Council

## Task Force Report

### Managing Secretary Rice’s State Department: An Independent Assessment

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## FOREWORD

This is the third biennial assessment by the Foreign Affairs Council (FAC) of the stewardship of the Secretary of State as a leader and manager. The FAC is a nonpartisan umbrella group of 11 organizations concerned about the processes of diplomacy and the leadership and management of the people of the Foreign Service and State Department. We do not address foreign policy issues but are dedicated to the most effective possible management of the nation's foreign policy business.

Our objective is to focus Secretaries of State on management issues by analyzing achievements as well as problems in this dimension of their responsibilities. We hope to make the Foreign Service and State Department more effective institutions by this process of highlighting challenges, suggesting solutions, and putting the human and financial resources of our member organizations at the disposal of Secretaries of State in pursuing such solutions.

This is an interim report on Secretary of State Condoleezza Rice's stewardship. The Secretary has been on the job only two years in an era of more than usual stress. Significant progress has been made on a variety of managerial fronts and these are detailed in the report below. Significant problems remain – principally a large personnel shortfall. We discuss these challenges, suggest solutions and are ready to support Secretary Rice in achieving progress.

Finally, the Council would like to register its deepest gratitude to the Una Chapman Cox and Delavan Foundations for their generous financial support; the American Foreign Service Association for its administrative assistance; and Ambassadors Ed Rowell and Lange Schermerhorn for their extensive original research and for drafting this report.

Signed,

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**June 2007**

## Executive Summary

*(NOTE: This is a management assessment. It does not address foreign policy questions.)*

### KEY FINDING

*Between 2001 and 2005, 1,069 new positions and significant program funding increases were obtained through the Diplomatic Readiness Initiative (DRI). Since then, all of these positions/people have been absorbed by assignments to Iraq, Afghanistan and other difficult posts. Today, some 200 existing jobs -- most overseas -- are unfilled and the additional 900 training slots necessary to provide essential linguistic and functional skills do not exist.*

*In the first two years of Secretary Rice's stewardship almost no net new resources have been realized. "Job One" for State Department management is to obtain the 1,100 new positions needed to move the Foreign Service from where it is to where it needs to be in the context of Secretary Rice's highest priority -- her signature "Transformational Diplomacy" initiative. Achieving this objective will require the aggressive and sustained personal involvement of both the Secretary and Deputy Secretary, both within administration councils and with Congress. They will have the Foreign Affairs Council's support.*

\* \* \* \* \*

In January 2005 the new Secretary of State, Dr. Condoleezza Rice, took over an institution undergoing a four-year process of rejuvenation, a work still in progress despite many accomplishments. These included: addition of 1,069 positions, increased and more focused training, complete rebuilding of the State Department's information technology infrastructure, program budgeting that related resources to policies, overhaul of visa operations and border control in the wake of 9/11, accelerated and cost-contained construction of new embassies to meet heightened security threats and, most importantly, the institution of a new leadership culture. The leadership culture emphasized the responsibility of senior officers to "look after the troops," provision of adequate personnel and support, and loyalty and confidence from the top down as well as from the bottom up.

Secretary Rice pledged publicly and privately that she supported and would continue to pursue her predecessor's management agenda. Then she announced her "transformational diplomacy" initiative – to use U.S. diplomatic and assistance resources to "*create a more secure, democratic and prosperous world*" – that added three management requirements: (1) repositioning personnel from the European epicenter of the Cold War to dispersed and linguistically/culturally difficult regions that are home to emerging powers and new problems; (2) shifting the professional focus from reporting to managing programs and building institutions; and (3) expanding training, especially in hard languages and "transformational tradecraft."

The impact of the wars in Iraq and Afghanistan hit the State Department fully only after Secretary Rice arrived, vacuuming up the additional personnel resources gained during the DRI era, as well as huge amounts of other resources. While appropriations for State's diplomatic and consular programs in FY 2001 were \$2.76 billion, by FY 2005 they were \$3.52 billion *plus* \$734 million for State's Iraq operations. For FY 2008 State is asking for \$3.98 billion *plus* \$1.88

billion for Iraq. None of the positions requested in FY 2006 and 2007 for training and transformational diplomacy were granted.

Today, some 750 overseas positions are “unaccompanied,” meaning that employees are separated from their families and stay only one year. More than a fifth of all current Foreign Service officers have served in Iraq. Widespread anecdotal evidence suggests worsening morale. This decline is exacerbated by the fact that, unlike colleagues at some sister agencies, all of State’s junior and mid-level officers take an immediate cut in base pay of 18.6 percent upon departing Washington for an overseas assignment!

Despite these and other challenges, a number of important management accomplishments have taken place at State during the past two years, progress that has been formally recognized within the administration and by the private sector. Management advances have been especially noteworthy in the Bureau of Consular Affairs, at the Foreign Service Institute, in exploiting the skills and knowledge of State’s retiree community, at the Bureau for Overseas Buildings Operations, in information technology, public diplomacy (State’s weakest operation in 2004) and public affairs – all described in the chapters of this report. Additionally, several new initiatives should further improve foreign affairs management. State and USAID submitted their first joint budget to Congress for FY 2008. The budget for the first time, clearly with White House consent, presents both State and USAID as national security institutions. State is leading *Project Horizon*, a 14-agency strategic planning exercise that looks ahead two decades. And Secretary Rice has formed a number of advisory councils to help define the issues and management actions still needed to cope with likely foreign affairs challenges.

*These achievements and new initiatives need to be consolidated and much more needs to be done to meet the urgent need for more people and money. This will require Secretary Rice to devote more time and energy to acquiring resources for management purposes and to apply her full influence both within the administration and with Congress to acquire the resources necessary to achieve her stated goals. In particular, if her “Transformational Diplomacy” initiative is to prosper, it must receive the programmatic resources necessary to permit American diplomats to actually carry out the transformational work now expected of them.*

Of singular importance is eliminating the shortage of personnel. Positions for training must be protected from raids to meet operational crises. Legislation must be pressed now to eliminate the 18.6 percent base pay cut inflicted on junior and mid-level officers when they leave Washington to go overseas.

The Secretary has taken the initiative to bring more oversight and cohesion to the administration of foreign assistance. However, improvements in the foreign assistance allocation process must be accompanied by a strengthening of the capacity of USAID (key in achieving transformational diplomacy) to both develop and implement foreign assistance policy. The Office of the Coordinator for Reconstruction and Stabilization must be strengthened and its resources assured. And significant further progress is still critically important in information technology, public diplomacy and financial reporting. It is our view that Secretary Rice’s management legacy will depend on her success in winning the resources necessary to truly allow diplomacy to be as effective as possible as our nation’s first line of defense. The Foreign Affairs Council stands ready to help.

## Introduction

In January 2005, the new Secretary of State, Dr. Condoleeza Rice, took over an institution that had just undergone four years of rebuilding. Despite many accomplishments, the restoration was still a work in progress. The rebuilding had focused on fixing a few critical *management problems* and establishing a new *leadership culture* that emphasized concern for the people who are the State Department. The process had been expensive. State Department appropriations for diplomatic and consular programs had grown from \$2.76 billion in FY 2001 to \$3.52 billion (not counting \$734 million for Iraq) in FY 2005. Staffing had increased by 1,069 positions above attrition. Congress and the White House had accepted the need to rebuild, but they were growing restive with the continuing pressures to increase budgets even more.

Secretary Rice arrived with four top management goals in mind: (1) complete and consolidate the good management initiatives she inherited; (2) redirect State Department and Foreign Service resources to tasks and geographic areas central to new 21<sup>st</sup> century challenges while managing those challenges through *transformational diplomacy*<sup>1</sup>; (3) recreate effective public diplomacy abroad, a particularly troubled aspect of U.S. foreign relations; and (4) establish central oversight and control over U.S. foreign assistance.

One more management issue exploded just as Secretary Rice arrived: Iraq and, to a lesser extent, Afghanistan. The first two rounds of 140 volunteers each had gone to Iraq in 2003-2004 without overloading other State Department operations. But since early 2005, funneling an endless stream of human and financial resources into Afghanistan and Iraq and has colored every aspect of management at the State Department. Currently, there are 212 State Department positions inside Iraq not counting contractors. More than a fifth of all active-duty Foreign Service officers, as well as many FS retirees and Civil Service colleagues, have served in Iraq. This demand has rendered the rebuilding effort of 2001-2005 inadequate. State's FY 2008 budget request for diplomatic and consular programs is just \$3.98 billion, plus \$1.88 billion for Iraq. In addition, turbulence and widespread hostility toward the U.S. elsewhere in the world have sharply increased the number of overseas positions (about 750) that are so hazardous that families may not accompany officers to their posts.

This is an interim, midterm assessment of management at the State Department under Secretary Rice. It notes the continuation of management improvements under way when she arrived, records new initiatives and, with reference to the Foreign Affairs Council's November 2004 report<sup>2</sup>, updates the extent to which accomplishments have been institutionalized. Appreciation of the importance of good management has spread widely throughout the State Department. There is justifiable pride that the Office of Management and Budget has moved its ratings for the State Department from "red" (poor) and "yellow" (improving) ratings to almost all "greens" (good) in the recent annual evaluation of executive branch performance under the President's Management Agenda (PMA).

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<sup>1</sup> Secretary Rice used the term "*Transformational Diplomacy*" to focus minds on outcomes rather than on inputs or activities as people strive to fulfill State's mission, namely: "*Create a more secure, democratic and prosperous world for the benefit of the American people and the international community.*" See section VII.

<sup>2</sup> "*Secretary Colin Powell's State Department: An Independent Assessment*", available at [www.diplomatsonline.org](http://www.diplomatsonline.org). Also available at the same site is the Foreign Affairs Council's first, March 2003, Task Force Report, "*Secretary Powell's State Department: An Independent Assessment*".

## I. Leadership Culture

**Background.** From 2001 to 2005, State's leadership led a major effort to change the culture of the Foreign Service and State Department to: emphasize teamwork between the Foreign Service and Civil Service; make leadership and management of human and financial resources as important as traditional reporting and representation; link resources to policy; promote loyalty and confidence from the top down as well as from the bottom up; increase and focus training; provide adequate personnel and support; and establish a system of institutional values focused on the responsibility of senior officers to look after their subordinates.

Upon assuming the leadership of the State Department and Foreign Service Secretary Rice made it clear in public announcements and private meetings that she agreed with and would pursue these same imperatives. Further, the Secretary added another major cultural change by introducing "transformational diplomacy" (TD – Section VII) as a new approach to new challenges. Those challenges and the requirements they impose are enduring. The leadership requirements are: (1) to reposition diplomatic personnel from the European epicenter of the Cold War to the dispersed and linguistically/culturally difficult regions where emerging powers and completely new problems are found; (2) to shift the professional focus from reporting to managing programs and building institutions to deal with the new realities; and (3) to expand training, particularly in hard languages and "transformational tradecraft," to prepare the Foreign Service to achieve the objectives of transformational diplomacy.

All of the above is to be achieved in the shadow of the 800-pound gorilla on the scene: Iraq. The Diplomatic Readiness Initiative of 2001-2005 brought personnel levels almost to the point where the Foreign Service could fill all existing positions and still leave about 10 percent of the corps available for training. Then the gorilla arrived. From 2005 until today, Iraq, Afghanistan and other difficult posts have vacuumed up the additional personnel resources gained by DRI, as well as huge amounts of other resources. Compounding the problem, in fiscal years '06 and '07 State was able to obtain virtually no increase in personnel or other resources.

The bottom line is that the State Department has begun a major "transformational diplomacy" initiative without sufficient trained professionals to execute and implement it. As discussed below, the Foreign Service has a deficit of about 1,100 positions above attrition.

Finally, under existing conditions morale is increasingly precarious even though current attrition rates are close to normal except for senior officers. Personnel shortages cause lengthy staffing gaps, particularly overseas, and, eventually, burnout for those at posts. This was the lesson of the 1990s cutbacks. Danger and turmoil have increased as well at many posts. The number of positions at overseas posts where families may not go is up, adding more stress. The world of transformational diplomacy is not easy. Yet, incredibly, and in contrast to colleagues at some sister agencies, under current law the base pay of mid-level and junior officers is cut 18.6 percent when they go overseas to face this world. (This powerfully affects attitudes regarding State's leadership.)



## Accomplishments

- State is enforcing the rule that Foreign Service personnel must take special training in leadership and management at several stages of a career in order to qualify for major promotions.
- Foreign Service Institute (FSI) leadership and management training programs have been strengthened considerably. They now come in more modules and some are available via “distance learning” so that the training is more accessible.
- Everyone being considered for promotion into senior ranks and all career candidates for assignment as deputy chief of mission (DCM), chief of mission or deputy assistant secretary (DAS) must have a “360” review in their folder. (A “360” is an evaluation of an individual’s skills, traits and performance by a group of that person’s superiors, peers and juniors.) Mid-career people enthusiastically support this requirement. Still, there is a perception that other factors, such as personal ties to senior officials, sometimes override the results of a less-than-sterling “360”. Rated officers often do not receive any feedback on their rating.
- DCMs, on the whole, take their responsibility for “caring for the troops” very seriously. That concern is a little more uneven at the chief-of-mission level.
- Foreign Service attrition rates are relatively low, running a little more than 1.5 percent among junior generalists and a little under 5 percent at mid-career. Only senior officer attrition reaches double digits (currently it is about 13 percent), and that is affected by age and time-in-class limits. More than 90 percent of seniors will be eligible to retire within five years.
- Civil Service attrition also is low (8.1 percent in FY 2005 compared to almost 13 percent government wide). State’s Civil Service cohort has been aging (47 on average as of FY 2006 compared with 41 in the 1990s), so attrition at more senior levels is expected to rise.
- Diversity receives strong support at all levels, and the share of successful minority candidates taking the Foreign Service examination has risen from 13 percent to 19 percent. The share actually being hired is smaller for a variety of reasons; e.g., low placement on rank order registers, processing delays and intense competition from other employers.

## Yet to be Done

1. Job One is to obtain the 1,100 positions needed to get State from where it is to where it needs to be in the context of transformational diplomacy. This will require aggressive and sustained leadership by the Secretary and Deputy Secretary, both within administration councils and with Congress.
2. The full impact of the ballooning number of one-year assignments to “unaccompanied” positions is only beginning to hit. More than 1,000 have returned from such duty, and the supply of willing volunteers no longer suffices despite financial incentives. To manage the morale problems that are appearing, top State Department leaders need to take extraordinary measures to

demonstrate their concern for the troops and to reassure employees that their sacrifices are worth the pain.

3. To provide maximum benefit, the tenor of “360” evaluations needs to be given to the rated persons, including those who are candidates to be DCMs, deputy assistant secretaries and the like. And the process needs to be seen to affect decisions on career candidates for DCM and chief of mission.

4. More GS-13 and GS-14 Civil Service employees need to participate in leadership and management training in order to deal with anticipated increases in Civil Service attrition at the GS-15 and Senior Executive Service levels.

5. The Secretary persuaded the White House and OMB to accept “overseas comparability pay” to eliminate the ludicrous 18.6% base-pay cut currently born by the troops on the front lines. Now she and her staff must engage in a full-court press to win over the Congress.

**Institutionalization.** The new leadership culture has taken root strongly. It is well regarded by junior officers, endorsed by people at mid-career, and more and more widely practiced by senior officers. The new sense of Foreign Service–Civil Service collegiality remains improved as well, enhanced by the many of civil servants who have volunteered for hard-to-fill positions overseas. Leadership culture will always require nurturing plus leadership and management training.

## II. People and Positions – Diplomatic Readiness

**Background.** Staff shortages. By the end of 2004, the State Department had made significant progress towards recovering from the huge staff shortages created by the manpower cuts of the 1990s. It had almost achieved the full staffing objectives of Secretary Powell’s Diplomatic Readiness Initiative (DRI). Of the 1,158 positions requested during the DRI period (2002-2004), Congress authorized and funded 1,069. Unfortunately, the Powell initiative was insufficient to cover training and deployment needs arising from new demands: Iraq (currently 212 positions), Afghanistan and the Secretary’s transformational diplomacy initiative, which responds to the rising importance and the different needs and challenges of areas outside the European center of Cold War conflict.

In August 2005 the Government Accountability Office reported that Department of State “staffing and foreign language shortfalls persist despite initiatives to address gaps.”<sup>3</sup> The problem has gotten worse since then. Of the 221 positions over attrition requested in FY 2006 for training and transformational diplomacy, none was authorized and funded. In FY 2007, 100 over attrition were requested and none received. The FY 2008 budget requests 254 new positions to support transformational diplomacy and critical training.

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<sup>3</sup> GAO-06-894, August 2006, Report to the Chairman, Committee on Foreign Relations, U.S. Senate, “DEPARTMENT OF STATE, Staffing and Foreign Language Shortfalls Persist Despite Initiatives to Address Gaps.”

For training, State needs roughly 900 more positions beyond the 500 currently in the training complement. Many of the training positions built into the original DRI blueprints have gone to meet other urgent needs, including Iraq. At the same time, training needs are up because of large numbers of new hires, demand for critical-language skills, new promotion requirements (leadership and management), transformational diplomacy tradecraft, and language and area retraining for persons shifted from Europe and the U.S. to new geographic areas.

Extreme danger or hardship postings are more common, especially in the new areas of importance. More than 80 posts currently require payment of danger or hardship premiums equal to 25 percent or more of base pay. (The total premium for Iraq is 70 percent.) Half of all Foreign Service positions are at posts that pay premiums of at least 15 percent. Approximately 750 positions are “unaccompanied” or “limited accompanied.” Tours at these posts are generally 12 months to reduce family separations, but such frequent moves and separations stress the entire personnel system. Time lost in moves is also time lost for training and for productive output.

Premium pay and frequent moves add significantly to expenses. And other motivators for accepting the hardest assignments – e.g., a guarantee to persons serving in Iraq Provincial Reconstruction Teams (PRTs) that the onward assignment will be one of a person’s top five choices – create frictions within the service and can become difficult to honor as the numbers of positions at PRTs in Iraq grow. Further, the policy of filling all open positions at unaccompanied posts before acting on assignments elsewhere has caused anxiety about schooling and spousal employment for many of those not yet assigned.

State faces several other personnel issues as well:

- The need for a more agile recruitment and hiring system to compete successfully with the private sector for the most qualified applicants;
- Junior and mid-level officers’ loss of 18.6 percent of base pay as soon as they depart for an overseas assignment (discussed in Section I, above);
- A shortage of about 250 mid-level Foreign Service officers, a problem that should correct itself as new hires are promoted (more than half of the Foreign Service has come on board since 1999);
- Lack of progress in building a “reconstruction and stabilization” cadre or reserve corps for quick deployment to areas of disaster or failed government; and
- A shortage of experts on Civil Service management.

Bureaus are trying to minimize shortages, meet new requirements and cope with ever-longer staffing gaps through a mix of devices: more hiring of family members at posts (the requirements for doing so were recently simplified); and increasing use of Civil Service personnel on overseas tours, retirees (“WAEs – When Actually Employed”), contractors, and some interns. Availability of WAE funding varies widely among bureaus, and statutory limits on WAE earnings limits access to this valuable pool of talent.

Meanwhile, State says it will implement in August 2007 its new “structured total candidate system” to smooth out and speed up Foreign Service officer recruitment, examination, and employment. The exam is to be offered several times a year at locations around the world. The

new system should strengthen the hiring of critical skills (e.g., Arabic) and top-quality candidates before the private sector grabs them. Unfortunately, its roll-out may be delayed.

Various studies that should impact workforce planning are underway within the federal government and at think-tanks (e.g., Project Horizon, Diplomat of the Future, Embassy of the Future). These initiatives are ongoing with varying timetables.

### **Accomplishments**

- In 2005, State won two of only four awards (out of 47 nominations) for the highly competitive Presidential Award for Management Excellence for its overall human capital program and for the Employee Profile Plus (EP+) inventory of all the skills of the entire workforce plus retirees and family members. First used in December 2005, State has since turned repeatedly to EP+ to deal with natural and man-made crises.
- State was the second-highest ranked Cabinet department in the 2007 list of Best [Federal] Places to Work, placing sixth (up from 10th in 2006) of 30 agencies rated by the Federal Human Capital Survey.
- In 2006, State won another Presidential Award for Management Excellence, one of only six out of 63 nominations, for its development of RNET (Retiree Net). RNET, based on the concept of a university alumni network, provides retirees services. It also inventories retiree skills and interest in possible part-time work, creating a de facto “reserve corps.” For example, it recently solicited volunteers to adjudicate the surge in passport applications arising from implementation of the Western Hemisphere Travel Initiative.
- Mandatory benchmarks (including training) for promotion to the senior ranks have been instituted. A self-help planning book is available on-line.
- As of mid-2006 over 37 percent of adult family members at overseas posts were employed. Those working inside U.S. missions were accruing federal retirement and other benefits.
- By the end of March 2007, summer assignments to Iraq were 96-percent filled and to Afghanistan 99-percent. Nearly all open positions at other unaccompanied posts were booked without resorting to directed assignments. *But directed assignments may be unavoidable in the 2008 cycle.*
- State’s National Foreign Affairs Training Center (NFATC – home of the Foreign Service Institute or FSI) now offers almost 100 in-house, custom-developed, distance-learning products, up 25 percent from FY 2005, and more than 3,000 courses in its FAS Trac program, all available worldwide 24/7. Over the past four years distance-learning enrollments have quadrupled to more than 11,000.
- FSI’s leadership in distance learning has been acknowledged by its designation as one of five authorized federal-wide e-training service providers and as one of three providers for Information Systems Computer training for the federal government.

- FSI began in FY 2006 interagency training seminars covering “tradecraft” topics in “transformational diplomacy” such as Democracy Building, Disease Control, Counter-terrorism, Fighting Corruption, Promoting Human Rights, and Rule of Law.
- Despite tight funding, FSI has also broken a number of its offerings into relatively short “modules” so they are more accessible to busy officers. FSI has been working with posts to increase the number of “transition immersions” to enhance the language proficiency of entry-level officers.

### **Yet To be Done**

1. Win the 1,100 additional positions needed to maintain necessary training and to support “transformational diplomacy.”
2. Fix the locality pay inequity problem.
3. Take advantage of the merger of the Office of the Coordinator for Reconstruction and Stabilization (CRS) into the office of the Director of U.S. Foreign Assistance (F) to obtain essential program and staff funding so that it can perform the functions for which it was established in July 2004.
4. Expedite implementation of the new system for Foreign Service officer recruitment and hiring. The old system has already been discontinued and the list of qualified recruits is thinning, a major problem for an institution with significant staff shortages. Once implemented, the new system will require regular evaluation to see if it is meeting its objectives.
5. At the completion of the current assignment cycle, examine the menu of incentives for service at danger and hardship posts with regard to impact on morale, perceived equity, effectiveness in attracting volunteers, sustainability, and with attention to the cost/benefit analysis of 12-month tours punctuated by frequent leave.
6. Ensure that the Family Liaison Office and bureau post management offices are organized to provide greater outreach and assistance for the left-behind families of those assigned to the growing number of unaccompanied posts.
7. Incorporate into workforce planning the findings of the various studies on diplomacy and challenges of the future.

**Institutionalization.** The November 2004 FAC comment that “Congress is reluctant to go beyond the increases already approved during the past three fiscal years” was unfortunately prophetic. *Strong and sustained personal advocacy at the White House and with Congress by every Secretary of State is essential to assure the regular and predictable budget and personnel sources necessary to complete and sustain diplomatic readiness.* Further success in streamlining

operations, reducing redundancy, “right sizing,” and demonstrating to Congress how existing resources are being utilized will help make the case.

### **III. Information Technology (IT)**

**Background.** State’s strategic IT goal for FY 2006-2010 is an “enterprise-wide knowledge management system.” The system must provide: anywhere, anytime access to an intranet and the Internet; intelligent search and profiling for all databases; integrated messaging; tools that facilitate collaboration, cooperation and sharing; one-stop access to information sources; user-friendly applications; and full-featured forms. As of January 2005 State had modernized its hardware and was on a four-year replacement cycle, an industry standard. An E-Government Program Board ensured that business and user needs were driving hardware and software enhancements. Full-featured administrative forms were beginning to appear. Everyone had access to the Internet, State’s intranet and, for all cleared Americans, classified e-mail. All of the more than 200 IT systems at State had been certified as secure. State was expecting a 2005 beta test of SMART (State Messaging and Archive Retrieval Tool), a 21<sup>st</sup>-century replacement for cables, e-mails and memos. Except for SMART, all of these gains remain in effect, although the hardware replacement cycle is at risk.

SMART rightly remains a top IT priority. E-mails have largely displaced the antiquated telegram system, with consequent loss of organizational distribution and message retrieval. Employees are drowning in a flood of unprioritized e-mail traffic they struggle to read. But SMART proved to be a very demanding project, given the multiple legacy systems it replaces and the fact that there is nothing quite like it in the private sector, and it is now more than two years late due to the failure of the original contractor to meet test standards. After an independent outside technical review, a skittish OMB finally gave State permission (November 2006) to run the project itself. The project has been broken into five applications and is proceeding apace with an initial \$27.5 million budget. The applications (and target dates) are: (a) worldwide Instant Messaging (IM) (deployment completed April 2007); (b) two collaboration tools, Share Point and Groove (piloting to begin in June 2007); (c) expanded archival search (piloting to begin in September 2007); and (d) a common platform to integrate e-mails and cables (piloting to begin in September 2007, with worldwide deployment scheduled to begin in September 2008).

Other IT challenges include: the need to consolidate the more than 200 IT systems scattered among State’s bureaus; bureaus’ reliance on their own servers, most of them in the main State Department building; funding shortfalls that have forced deferment of scheduled equipment replacement (a pattern that created State’s IT disaster of the 1990s); and high and growing rates of attrition among Foreign Service IT specialists, combined with stiff competition for new talent.

#### **Accomplishments**

- High praise for State’s hard-nosed, test-based enforcement of the SMART contract terms with the now-departed outside general contractor.

- Real progress on SMART since taking it in-house, including worldwide deployment of Instant Messaging on both the classified and unclassified networks (ClassNet and OpenNet).
- Enhanced user skills (i.e., better exploitation of State's IT capabilities) through a combination of Foreign Service Institute (FSI) training and reliance on familiar, off-the-shelf applications such as Outlook, Explorer and PowerPoint.
- Substantial progress in moving from risk-avoidance to a risk-management culture so that IT services support, rather than inhibit, essential exchanges of information and collaboration – e.g., use of Blackberries among scattered staff and decision makers in fast-breaking situations.

### **Yet to be Done**

1. Full deployment of the SMART applications on schedule.
2. Incorporation of AID into the State system.
3. Consolidation of State Department bureaus' disparate servers, especially those in Washington, into enterprise servers at remote locations, would save money, free premium space, and enhance security and survivability. There are challenges. Past experience, especially in times of budget cuts, has taught the bureaus to rely on themselves for critical support. Overseas, consolidation would involve negotiations with other agencies. Some bureaus operate unique "corporate" applications (e.g., Freedom of Information Act (FOIA) and consular (CA) software) for which Department-wide consolidation would offer little added value. CA already maintains key servers at remote locations.
4. IRM (Bureau of Information Resources Management) has just started to take over from the operating bureaus support for all of State's 35,000 desk top computers. All computers would have a standard configuration and there would be one worldwide help desk 24/7. Private sector experience suggests potential savings of 14%-30% of current IT support costs. Bureaus are skittish because past funding shortfalls have impeded central system ability to immediately and reliably service every computer with a problem.
5. The nascent Post Administrative Support System (PASS) has some way to go. Its aim is to find "best of breed" applications developed at posts overseas, make sure the applications pass security tests, and disseminate and support them worldwide. One bureau (European Affairs) is pushing all of its posts to use the PASS suite which has applications for personnel, vehicle maintenance and inventory. *A major goal should be to standardize worldwide on a single overseas operating platform.*
6. More "process mapping" of overseas posts would contribute significantly to successful standardization of applications and ultimately to IT consolidation. Substantial process mapping has already occurred at a number of posts, especially in Europe, which managed to qualify for certification under ISO 9000 (International Standards Organization rules for certifying internal quality control) and its successors. The Office of Global Support Services

and Innovation (A/GSSI) could lead the mapping effort. The move of GSSI so that it reports directly to the Undersecretary for Management (M) will enhance the effort.

7. A post “contacts and relationships” application should be added to the PASS suite to track representational and other business relationships, training and visitor grants to host country nationals, and the like.
8. To enhance recruitment and retention of IT specialists, the State Department, especially the Foreign Service, needs to stop thinking of them as “super communications and records people.”
9. More needs to be done to enable interagency archival search and sharing. “Groove” will provide a platform for interagency collaboration on papers, but agencies have to be willing to use it. (Share Point and Groove should enhance collaboration overseas among posts and agencies.)

**Institutionalization.** Appreciation and demand for pervasive, top quality IT support are now thoroughly ingrained in State Department culture.

#### **IV. Consular Affairs (CA)**

**Background.** Consular operations consist of (1) protecting and assisting Americans overseas, (2) issuing all United States passports and (3) issuing the visas required of foreigners who wish to come to the United States. The Bureau of Consular Affairs thus plays a critical role in domestic law enforcement, keeping passports out of the hands of would-be fugitives from justice. Visa operations aim to enable the U.S. to have “secure borders *and* open doors.”

As of January 2005 CA had tightened visa and passport procedures, beefed up anti-fraud devices in passports and visas, and enhanced collaboration and enabled real-time data checks with the FBI, the Department of Homeland Security (DHS), the U.S. Marshals Office and other law enforcement agencies. CA also was recruiting more staff and strengthening training to handle huge increases in workload (a personal interview for every visa).

Since then, operating under an empowering leadership culture (laid out in 10 “Leadership Tenets” handed to all bureau employees), CA has shown what a well-managed, well-funded organization can accomplish in the face of serious challenges and major surges in workload. Foreign students are returning to the U.S. and visa demand is up, despite high fees (other countries are imposing reciprocal fees on Americans traveling abroad).

Demand for U.S. passports is booming, due both to their universal acceptance as proof of citizenship and identity and to new requirements that all adult Americans use them even when traveling to Mexico and Canada. CA issued 12 million passports in FY 2006 and expects to issue 17 to 18 million in FY 2007. However, despite valiant efforts to ramp up extra capacity for FY 2007, the surge in demand has generated backlogs and some unaccustomed public criticism.



As of January 2007 over 70 million U.S. passports were in use and the number could reach 100 million by January 2009.

CA prides itself on operating like a well-oiled business whose top priority is its customers – especially Americans. It collects \$2 billion in fees annually. It uses a portion of that to finance its close to 9,000-strong work force and to build and maintain its unique database systems, which DHS now uses at U.S. ports of entry. Partly to hold down costs, and partly to ensure survivability following any disaster, CA has dispersed its computer resources and processing work to remote centers in the U.S. In FY 2006 CA's fees contributed \$153 million to the State Department's IT Central Fund.

### **Accomplishments**

- Consular officers conducted 7.6 million visa interviews in FY 2006. Visa processing has become markedly smoother and faster over the past 18 months (benefiting students and business travelers especially), and administrative backlogs for visa interviews have been drastically reduced, though they are still too high in Brazil and at some posts in Mexico.
- CA has a strong collegial relationship with Diplomatic Security (DS) and their joint investigative teams are quick and effective in running down allegations of fraud.
- The Visa Office now has an electronic business center to make business travel to the U.S. easier.
- CA fees fund practically all overseas Foreign Service officer positions located in consular sections plus many other consular positions, 155 Diplomatic Security positions to support visa and passport fraud investigations, and a variety of positions in other bureaus.
- CA introduced the U.S. e-passport, which contains a secure data chip, in mid-2006. CA is also leveraging new technologies in the visa process, including facial recognition checks which were introduced in FY 2006.
- CA has increased outreach to chiefs of mission and their deputies to encourage appropriate oversight and involvement in consular issues. CA's leadership tenets have been widely adopted and the results show in improved handling of young officers and their work. CA sees itself as responsible for the basic training and acculturation of new generations of Foreign Service personnel.
- In the immediate aftermath of Hurricane Katrina in 2005, CA took care of its 160 employees and their families in the New Orleans passport office, rescued and transferred to Charleston 1000 boxes of passport applications and identity documents, and issued the 100,000 pending passports involved within fourteen days after Katrina. Similarly, after the Christmas 2005 tsunami in Indonesia, CA provided citizen services to more than 15,000 affected Americans.

## Yet to be Done

1. Facial recognition technology is to be extended to the passport application process within the next two years.
2. The rebalancing of passport capacity with passport demand needs to be completed soonest.
3. The CA relationship with DHS is still a work in progress with respect to more efficient data sharing (from DHS databases).
4. The sharp increases in workload and the morale and retention imperatives that drive efforts to help employee family members (EFMs) find jobs overseas suggest that CA should once again reexamine the possibility of hiring EFMs to perform a wider variety of consular functions. Some legislation may be necessary.

**Institutionalization.** CA has a sterling business model and the right “tone at the top.” As long as its reliable, fee-based funding remains intact, its good practices should prosper. CA is contributing both to good management and the best in leadership culture at the State Department.

## V. Facilities – Overseas Buildings (OBO)

**Background.** In 2001 Secretary of State Colin Powell completely revamped State’s then-notorious embassy construction program and delegated the job to a former Army Corps of Engineers general officer. The newly organized Bureau of Overseas Buildings Operations (OBO) enjoyed significant success in its first four years, inculcating a new management culture that produced strong results. It continues to perform very well. OBO expects to “sunset” the New Embassy Compound Program (NEC) in 10 years when all 200 projected new compounds should be completed. The current annual appropriation is \$1.5 billion, and the median project cost is \$85 million.

The NEC model co-locates all U.S. government agencies including, at 42 missions, USAID. Each NEC 10-acre mini-campus accommodates office buildings (with a useful life of 40 years) with separate access and amenities for the public, employee parking, recreation facilities and Marine Security Guard quarters. Residential facilities for the ambassador and staff are separate from the NECs for morale and security reasons<sup>4</sup>.

OBO’s challenge is to provide at an acceptable cost overseas facilities that meet anticipated U.S. government needs, are suitable to the environment, satisfy security requirements and facilitate effective engagement with the host country. In general, OBO has met these often-contradictory objectives. For the first time in memory, there is a long-term overseas facilities program of adequate magnitude, professionally managed and reliably funded. It is a huge success.

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<sup>4</sup> The new 104-acre compound in Baghdad is a one-time, one-of-a-kind project that is outside of the regular program discussed here. Baghdad includes at least 600 residential quarters, has 27 buildings and is budgeted at \$592 million.

Excellent as the OBO program is, however, some concerns have arisen. In a number of cases NEC technology is so far beyond host-country capabilities that the compound remains dependent on U.S. maintenance. There also are cases where the NEC's location is so inaccessible that it has limited host-country engagement and thus mission effectiveness. This has resulted in representational residences being increasingly used to conduct business. These issues are likely to increase over the NEC project's lifetime. Yet it appears that once OBO determines a specific NEC project is ready for construction, even though the cost estimates and other considerations may be two or three years old, OBO resists any change, citing congressional and other agency complications.

The Government Accountability Office (GAO) has criticized the management of the Operations and Maintenance budgets for these new facilities. Traditionally, the regional bureaus have covered O&M costs from their annual operating budgets. In many cases, the NECs are proving to be more expensive to operate and maintain than anticipated, further squeezing already-stressed bureau budgets. To prevent damaging shortfalls in maintenance, it has been suggested that OBO manage the O&M funds for the NECs.

### **Accomplishments**

- Strong support for OBO from Congress and OMB continues as a result of positive, timely, and cost-effective project completion, stringent accountability and strong commitment to management transparency.
- Since 2001 OBO has completed 42 major capital construction projects, 29 since the last report in 2004. Thirty-nine are under construction.
- The furniture replacement cycle in residences has been reduced from 12 years to a more realistic seven.
- All agencies using U.S. government buildings overseas now pay a pro rata share of OBO capital costs – \$60,000 per position based on the agencies' "current authorized overseas staffing plus 10 percent." Some smaller agencies are struggling to meet this requirement, however.
- OBO has established a formal program to institutionalize its successful management model. The program includes: diversifying OBO's workforce and blending it to include more technical staff; instituting annual mandatory professional training; substituting horizontal, "flat" (group) management for individual projects; and issuing very clear taskings while demanding rigorous and transparent accountability.

### **Yet to be Done**

1. The State Department needs to work with OMB to establish a feasible method to fund O&M at levels commensurate with the demands of and significant investment in these state-of-the-art facilities.

2. Although OBO is beyond the mid-point in its 10-year NEC project, it should supplement its internal “after action” process soonest by adding a dialogue with all affected missions and bureaus regarding "lessons learned" and "best practices." It should then accordingly adjust to the extent possible those projects not yet concluded so as to give them the most appropriate technology and most workable balance between security and US-engagement objectives. Recognizing the critical importance of sustaining OBO's NEC project momentum (and funding), the U.S. objectives in overseas presence – to achieve policies, not just placing people – must be better accommodated.

**Institutionalization.** The new system for managing construction of overseas U.S. government real property is enthusiastically supported by all interested parties. People working in the buildings are satisfied. Success in consolidating the new management culture in OBO is attributable to very strong leadership that has remained in place for an extended period, understands the need to institutionalize processes, and is committed to ensuring that it happens. To that end OBO has updated the Foreign Affairs Manual to reflect current operating strategies, maintained confidence with its other agency clients through quarterly meetings, and published an annual “stewardship” report to Congress on how money is spent.

## **VI. Diplomatic Security (DS)**

**Background.** Responsibilities of the Bureau of Diplomatic Security (DS) are expanding as the emphasis on security continues to embrace all aspects of State operations and assets: physical, personal, technical security, and travel document fraud investigations. The emphasis is shifting increasingly to technical security and combating visa fraud as advances in technology and communications heighten vulnerabilities.

To cover a world deemed getting more dangerous daily, the bureau’s budget and staffing increased during the 1990s, unlike the rest of State. Since 9/11 more than 730 positions have been added, including 203 security agents and security readiness staffing. Half of the DS budget goes to operations in Iraq.

DS is attracting high-quality recruits who exhibit notable professionalism and are integral parts of country teams. In the past, Foreign Service employees have often resented more stringent security requirements as Draconian, unnecessary, or petty. As the threats have become clearer and, significantly, as DS’s ability to communicate them has improved, there is greater acceptance of DS strictures on the part of employees. Cooperation with host countries continues to be good. Twenty-six DS criminal investigators are posted overseas now and DS hopes to have 200 abroad ultimately. At home DS works closely and well with other bureaus at State – e.g., Information Resources, Overseas Buildings, Consular Affairs – both on security issues and law enforcement. DS agents participate in consular Management Assistance Teams and additional resources have been assigned to visa fraud prevention.

Serious due-process problems plague a number of officers whose security clearances have been suspended. It usually takes several years for DS to decide whether to revoke the clearance or

not. During these years the officers languish in make-work positions. For reasons related to both managerial efficiency and humane treatment of employees, this security clearance revocation process needs a much higher priority and a much shorter duration.

### **Accomplishments**

- Great strides have been made in speeding up the pre-employment security clearance process to meet State's personnel needs. In the fall of 2006 DS received the federal government's Guardian Award for improving and expediting its clearance processes.
- In 2006 DS received an award from the National Security Agency for the excellence of its cyber security software package. Rules have changed to make better use of modern communications and information technologies.
- Acting at the request of U.S. federal marshals, DS has apprehended more than 400 fugitives overseas and brought them back to the U.S..
- Overseas Security Advisory Committee (OSAC) membership has grown to encompass more than 3,000 corporate, educational, and nongovernmental organizations. More than 800 people attended OSAC's 21<sup>st</sup>-anniversary meeting in 2006.
- DS has produced excellent guidelines for prudent low-cost security at American Presence Posts (APPs, one-person offices outside of capital cities), a program that supports Secretary Rice's emphasis on transformational diplomacy.
- DS has created a special training program for personnel assigned to Iraq and Pakistan.
- Eligible Family Members are being trained to perform some security functions.

### **Yet to be Done**

1. Develop methodology to demonstrate to the Congress that all resources granted have been used effectively and efficiently.
2. Speed up processing of cases involving suspension of security clearances.
3. In the same spirit that produced practical security guidelines for setting up APPs, it would be good if more could be done to give greater weight to making embassies – especially commercial sections, cultural centers and the like – more accessible to host country nationals.

**Institutionalization.** DS is successfully embracing the shift from “risk avoidance” to “risk management” as a guiding philosophy for practical and reasonable ways to protect government employees overseas while enabling them to do their jobs. It is a disciplined, professional organization with a strong work ethic on both the law enforcement side and the security side.

## VII. Program Budgeting, Resources, “Rightsizing” and Transformational Diplomacy

**Background.** Transformational diplomacy (TD), Secretary Rice’s signature management initiative announced in January 2006, has both management and foreign policy content. On the policy side it presses the State Department to fulfill its mission, namely: “*Create a more secure, democratic and prosperous world for the benefit of the American people and the international community.*” It thus focuses attention on results, the intended outputs of foreign affairs activities, rather than the activities themselves as the purposes of State’s resource management.

In management terms, TD requires that State “have the right people with the right tools and skills in the right place at the right time.” So far, attention has centered on shifting positions and people to areas of rising importance (e.g., China, India, Brazil), training to enhance effectiveness in the new assignments, distributing people more widely (e.g., one-officer American Presence Posts) and using information technology more effectively both to save money and to reach more people. The new training, opening of new posts and creative use of the Internet involve additional costs that cannot be covered solely by tweaking management efficiencies and reducing the scale of operations in areas that were important during the Cold War. In addition, funds will be needed for programs in areas such as the rule of law, disease control, democracy-building and education as well as small funds that can be spent at the discretion of officers on the ground in situations where immediate actions can make a big difference. Unfortunately, for FY 2008 the U.S. Agency for International Development (USAID) is asking for 15 percent *less* in operating funds than it had in FY2007. In addition, there are not yet provisions in place to integrate the use of assistance resources with the work of the newly repositioned officers.

Rightsizing means ensuring that the U.S. presence at each post overseas consists of the appropriate mix of resources as well as the minimum staffing necessary to attain our national objectives and policy priorities. The process takes into account security, the political context and other aspects of the overseas operating environment. Each post must have a rightsize review at least once every five years or whenever the post contemplates major construction. Congress mandated State’s Office of Rightsizing in 2003, but the office did not become operational until August 2005. Initially it focused on the NSDD-38 system (which requires ambassadors to approve any increases in embassy staffs) and on centralizing administrative support functions in safe and efficient locations, known as regionalization.. Regionalization had worked reasonably well for the Western Hemisphere via a State Department support center near Miami. Similar centers in Frankfurt (covering Europe and Africa) and Bangkok were established. In practice regionalization works best for human resource support, but disappoints on locally delivered services (e.g., building maintenance, utilities and certifying vouchers). Regionalization also tripped over the widely differing styles and needs of different regional bureaus. Africa, Asia and the Americas each present unique operating environments.

As for the NSDD-38 system, it has never been effective in limiting the size or the mix of the U.S. overseas presence. A White House office, probably the Office of Management and Budget (OMB), would have to be willing to take on the inter-agency conflict that strict enforcement would provoke. The most effective device for holding down the size of our overseas presence is

the new, solidly enforced requirement that for every position it maintains overseas, a sponsoring agency must contribute \$60,000 to the capital fund of State's Overseas Buildings Office.

Program budgeting links resource inputs explicitly to diplomatic programs and outcomes. It has been a management Holy Grail at State for almost a half century, and it has been difficult to grasp. The Mission and Bureau Program Planning (MPP/BPP) process in place at the end of 2004 was good, but it had become too cumbersome (some plans ran several hundred pages). Missions, especially small ones, resented the cost in time and the apparent lack of relationship between the MPP and delivery of resources. The system's greatest weight came from the unprecedented personal involvement of the Deputy Secretary of State in reviewing the plans and in holding State to the budget priorities established at the reviews. With changes in personalities and vacancies in the Deputy Secretary's office, the Secretary of State herself chaired reviews of the program plans of the six regional bureaus plus the Bureau of International Organizations. For FY 2008 the plans (now called Mission and Bureau Strategic Plans – MSPs and BSPs) have been greatly simplified and shortened. They facilitate dialogue between Washington and the field to set policies and discuss resources, but they do not command resources.

There have been some significant changes in the budgeting and resource environment:

- A new position, Director for U.S. Foreign Assistance (F), was established with rank equal to that of the Deputy Secretary of State. The incumbent at the time of this survey was also the Administrator of USAID. The highly laudable purpose of the position is to have one central point of control and oversight for all U.S. foreign assistance. That includes military training and other security assistance that formerly came under the purview of other bureaus at State, as well as civilian assistance such as that coming from USAID, the Millennium Challenge Account, the President's Emergency Program for AIDS Relief (PEPFAR), etc. But some issues need clarification. For example, what is the future role of USAID itself, especially in terms of new challenges and the requirements of transformational diplomacy? How do regional bureaus relate to F in order to plan or manage the right kinds of assistance for their areas of responsibility? How do officers engaged in transformational diplomacy have input? How does the Bureau of Politico-Military Affairs relate to security assistance of types it used to coordinate with the Department of Defense? How do we deal with the bifurcation of U.S. support for United Nations peacekeeping? (State's Chief Financial Officer budgets and controls assessed contributions, but F alone is responsible for voluntary contributions.)
- The House of Representatives has reorganized its appropriations subcommittees so that State and Foreign Operations (USAID) have their own subcommittee and no longer compete with domestic agencies for funds at that level. (The Senate has a similar structure.) This should be a helpful development.
- Numerous advisors, committees and studies are examining foreign affairs management-related issues, both in-house at State and in prestigious think-tanks. They offer a great opportunity for improvements. Collectively they also offer a significant coordination challenge.

- Resources (appropriations) are tight and getting tougher to come by. New requirements cannot be funded just by cutting out old activities or even by taking full advantage of new technologies – e.g., for automation, consultation (video-conferencing), information archival and retrieval, or administrative support. This places a heavy burden on the Secretary and her deputy because, given the nature of the Congress, at critical moments only these two can make the difference in convincing Congress of the need for added financial support.

## Accomplishments

- To speed savings, enhance resource effectiveness and better structure State for 21<sup>st</sup>-century challenges, Secretary Rice has appointed a Senior Advisor for Management Reform, Stanford University's Vice Provost for Finance. The Secretary also established a Management Reform Committee comprised of principal deputy assistant secretaries from regional and other bureaus. The Senior Advisor will work directly with the Deputy Secretary, the Undersecretary for Management and the Undersecretary for Political Affairs.
- State initiated and is leading *Project Horizon* to: (1) develop strategic interagency capabilities necessary to meet the challenges and opportunities of the next 20 years; (2) provide to the 14 participating agencies and the National Security Council a scenario-based toolset that works in internal agency planning and across agencies; and (3) provide a starting point for the Interagency Strategic Planning Group which meets quarterly.
- The State-USAID Joint Management Council is finally on track. Within a year 40 (out of 80) posts with a USAID presence are expected to have combined Embassy-USAID administrative support operating on an agreed platform that covers general services, human resources, information technology and cashiering.
- In 2006 the Office of Rightsizing issued a first-ever guide for U.S. agencies to use in navigating the NSDD-38 system.
- The Undersecretary for Management has instituted a system of "Centers of Excellence" through which bureaus that have shown themselves especially adept at certain administrative support functions provide that same support to certain other bureaus. The most common support is in Civil Service management because the central system does not provide it. So far the bureaus seem comfortable with this initiative, which provides good service while containing costs.
- The MSP/BSP process is now much more user-friendly and strategic in focus.
- F has instituted Country Operational Plans as a tool to evaluate metrics for the 155 countries receiving U.S. assistance.

## Yet to be Done

1. Using the financial management system to provoke and support strategic policy analysis (is our money where our mouth is?), and strengthening the system to enable analysis to support



management and decision-making. This will require more detail in financial coding. This strengthening would be especially well received by the Congress as well as by OMB.

2. Extend the State-AID joint management system to all posts where USAID is present and develop a standardized overseas administrative operating platform that can apply to all posts.
3. Investigate the cost-saving possibilities of global (“strategic”) procurement for various services and supplies such as telecommunications, cell phones, various consumables, even local guard services.
4. Through *Project Horizon* and the Interagency Strategic Planning Group link the National Security Strategy and other national strategies to agency-level strategic plans, budget submissions, and Performance and Accountability Reports – potentially in the form of a U.S. Government Quadrennial Strategic Review.
5. Establish a system to relate U.S. development assistance to “transformational diplomacy” and to provide resources that officers working in the field can draw upon.

**Institutionalization.** Commitment to good management is palpable at all levels. The commitment is forward looking and future oriented. State’s managers are justifiably proud of the high marks they have received from the Office of Management and Budget under the President’s Management Agenda. OMB has given its top mark (“green”) in all management areas except financial reporting and analysis which received a pass (“yellow”). The Office of Rightsizing is well established and integrated closely with OBO’s New Embassy Compound schedule. It reports solid results that are comprehensively documented in lengthy quarterly reports. The F function is a work in progress. It will need determined effort and careful nurturing to find common ground among competing interests and to demonstrate its efficacy to OMB and the Congress over the next two budget cycles. The Centers of Excellence are a pragmatic and flexible solution to real problems and they seem to be accepted.

## VIII. Congressional Relations (H)

**Background.** Starting in 2001, the State Department’s relations with Congress improved dramatically as a result of several initiatives taken by Secretary Powell. By 2004 the Department had obtained most of the resources necessary to implement its Diplomatic Readiness Initiative and to upgrade its information technology and physical plant after years of neglect.

Three new factors have impacted the State-congressional relationship since late 2004: (i) the Iraq-driven surge in resource requirements; (ii) the 2006 election which affected Congressional-executive branch relationships generally; and (iii) the establishment of a new House Appropriations Subcommittee for State, Foreign Operations and Related Programs. That change enables more focused congressional oversight.

Another issue that affects State’s Congressional relationship is a Congressional staff tendency to attribute to State problems that are in the Department of Homeland Security.

Secretary Rice and her colleagues testify regularly on the Hill. She encourages State Department staff to interact directly with Hill staff. This is especially useful to staffs of the House Foreign Affairs and Senate Foreign Relations Committees. (Appropriations Committee staff prefer to use “H”, the Bureau of Congressional Relations, as a single point of contact.) H also works closely with the Bureau of Consular Affairs which helps to staff State’s office on the Hill, relates well to Hill staff and handles large volumes of congressional correspondence. Under Secretary for Management Henrietta Fore organized a State Department fair on the Hill after last November’s elections, and she personally reaches out to members of Congress regularly. The outstanding management of the Overseas Buildings Office (OBO) has been positive for the Department, as well. Although State’s natural constituency on the Hill remains small, its visibility continues to increase.

### **Accomplishments**

- CA’s strong performance during the 2006 Lebanon evacuation helped to overcome indifference toward State on the Hill.
- There is no longer a congressionally mandated “cap” on funds and positions for H.
- H’s highly praised 2004 in-house seminars on the appropriations process have now been distributed worldwide on DVDs.
- H has espoused a “marketing” culture to “sell” State’s desk-level expertise to Congress. Similarly, the Bureau of Public Affairs has become pro-active in distributing information relevant to State’s requests to Congress, and there is substantial outreach to businesses and nongovernmental organizations whose interests are affected by State and USAID actions.

### **Yet to be Done**

1. Accuracy of data to support authorization and appropriations requests needs to be improved, especially regarding foreign assistance. (The level of accuracy for State accounts is acceptable.)
2. H could codify its best practices and distribute them to its new members.
3. Establish a State office on the Senate side of the Capitol.

**Institutionalization.** More than for most bureaus, H’s greatest triumphs often are driven by personal relationships between State’s top officers (Secretary, Deputy Secretary, Undersecretaries). These are hard to institutionalize, though one way or another they exist in every administration. H has consistently understood that its vocation includes pressing for and facilitating such relationships. All understand that strong advocacy at the highest level is essential if the Department is to gain the resources it needs to sustain full diplomatic readiness and perform its mission. The continued emphasis on training (the DVDs) and on direct staff-to-staff communication between State and the Hill represent significant institutionalization.

## IX. Public Diplomacy (PD)

**Background.** Public diplomacy<sup>5</sup> (PD) was arguably the Department of State's weakest program in January 2005. Key objectives are to engage, inform and influence foreign audiences. But the poor esteem of foreign publics for the United States and what we stand for was, and is, notorious. There are myriad reasons for this situation, including some that public diplomacy alone cannot overcome, but the PD function could and should have been stronger in any case. There had been a different Under Secretary for Public Diplomacy and Public Affairs each year from 2001 to 2003, and from mid-2004 until mid-2005 there was an interim Acting Under Secretary.

We were starting to put more resources into broadcasting and exchanges after the nadir of 2001-2003, but results were thin. Absent were the detailed annual country communication plans that had been standard until the abolition of the U.S. Information Agency in 1999. Those plans used to cover core messages and themes, target audiences, key opinion leaders, audience attitudes and the local media environment. In addition, aggressive, heavy-handed visa processing and treatment at U.S. ports of entry (both now greatly improved) had diverted a flood of foreign students, especially Muslims, from the U.S. to other countries.

The new Senate-confirmed Under Secretary for Public Diplomacy and Public Affairs, Karen Hughes, took up her duties in September 2005. Since then PD resources have increased, goals are clear, priorities and tactics established, and personnel resources are being actively managed. Staff and skills shortages are still crippling, however. The GAO reported<sup>6</sup> in April 2007 that 22 percent of PD positions worldwide are vacant, up from 15 percent in May 2006. The same report says 30 percent of language-designated PD positions are filled by officers without the required levels of proficiency. Security concerns have forced many embassies to close or curtail use of publicly accessible facilities

A basic problem for evaluating the management of public diplomacy is that many programs have a long time-horizon before they can deliver significant results. Interim measures of effectiveness are available and are being used, though they are inconclusive. For example, numbers of youth exchange visitors from Muslim parts of the world are up (470 in FY 2004, 640 in FY 2005, 725 in FY 2006). Eighty percent of exchange participants say they espouse democratic values a year after their visit, and 38 percent say they understand the United States and its values better. But we won't know for some years how they will behave when/if their moment comes to act on an issue important to the United States. Despite this problem, there is major emphasis on exchanges as a critical foundation for effective public diplomacy. There also is renewed appreciation for the value of cultural programs, albeit without much money for them.

The Under Secretary for Public Diplomacy and Public Affairs has two general goals regarding foreign publics: (1) better understanding and appreciation of the U.S.; and (2) greater receptivity

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<sup>5</sup> Note that this evaluation does *not* cover U.S. Government broadcasting activities because these are under the direction of the Broadcasting Board of Governors (BBG), not the Department of State. However, the Secretary of State chairs the Board. The BBG's budget request for FY 2007 was \$672 million.

<sup>6</sup> GAO-07-795T, "U.S. PUBLIC DIPLOMACY, Strategic Planning Efforts Have Improved but Agencies Face Significant Implementation Challenges", testimony before the Sub-Committee on International Organizations, Human Rights and Oversight, House Committee on Foreign Affairs, April 26, 2007

for U.S. policies, with special emphasis on the Muslim world. Within these aims there are three messages: (i) offer the world a vision of hope and opportunity rooted in U.S. values; (ii) isolate and marginalize violent extremists; and (iii) recognize the “common interests and common values between Americans and people of different countries and cultures and faiths across the world.”

Those responsible for U.S. public diplomacy are standing tall in a deep hole.

### **Accomplishments**

- Links between public diplomacy and foreign policy formulation and implementation have been tightened. The Under Secretary sits in the Secretary’s policy-decision meetings. The Under Secretary also meets with the operating bureaus’ PD Deputy Assistant Secretaries (DASs) weekly and her chief of staff does the same with the bureaus’ PD office directors.
- There is tighter oversight of the most critical public diplomacy resource at State: the professionals who specialize in the function. The Under Secretary has strengthened their sense of community and given them a home base for consultation. Her Director of Policy Planning and Resources (R/PPR) participates in the assignment of PD specialists worldwide, including to plum jobs such as DAS, DCM and office director.
- State has enhanced the U.S. PD presence in foreign countries. There are now more than 400 “American Corners” located in foreign institutions around the world. Forty more are due this year. (An American Corner is an Internet-connected “reading room” where people – ideally students and pundits – can get information and publications on the U.S.)
- A state-of-the-art “American Center” has been established in New Delhi (cost: about \$85 million), and the Under Secretary’s office is exploring ways to set up more such centers (not necessarily equally expensive for the U.S. government).
- The regional media hub in Brussels has been highly successful and State is trying to replicate that success in Dubai.
- There is broad recognition within the U.S. government of the importance of exchanges to our national interests, and the processing of exchange visitors and students at consulates and at U.S. ports of entry is much better than it was a few years ago. However, there is anecdotal evidence that some U.S. law enforcement agents harass foreign Muslims studying in the U.S..
- The new early morning “rapid response” briefs to the field on breaking news are highly praised by officers around the world.
- The late 2006 guidelines on “safe territory” on policy questions have had their intended effect of prompting ambassadors (and chargés d’affaires, public affairs officers, etc.) to speak out publicly and immediately on breaking issues without waiting for Washington guidance.

The Under Secretary's public defense of an officer who misspoke on Al-Jazeera last year reinforced the willingness of officers to speak publicly.

- The message is out that public diplomacy is everyone's responsibility overseas, and the Foreign Service Institute has significantly boosted PD training both in Washington and (via distance learning) overseas for a wide range of officers and locally-employed staffs.

### **Yet to be Done**

1. Systematic evaluation of PD program effectiveness, including evaluation over extended time periods, needs further and sustained effort. For example, we may need to survey former exchange participants every three to five years to measure long-term perception changes. At a different level, overseas posts may want to search for reactions (presumably anecdotal) to public statements by different mission officers to see which ones are most effective.
2. Emphasis on the Muslim world is necessary but insufficient. Even when budgets are very tight it will be necessary to make sure we are reaching publics of countries whose active collaboration we hope to sustain, e.g., Europe, the Western Hemisphere and some Asian nations.
3. There are still significant personnel problems. The role of the Under Secretary's office in the assignments process is much smoother than it was a year ago, but it needs systematization. There remains a shortage of officers at mid-career levels, a legacy of staff cuts during the 1990s. The advancement of senior public diplomatists into broader responsibilities as ambassadors and DCMs limits their PD mentoring time.
4. Cultural affairs officers also are in short supply. Given their academic and cultural allegiances and relationships, they may need a special recruitment and retention system – perhaps one similar to the one State uses for physicians.
5. In addition to the Foreign Service Institute's welcome offering of new PD training modules, systematized on-the-job PD training for junior or even mid-career officers in other cones, as well as the PD cone, would increase the skill pool and underscore the point that everyone posted overseas has PD responsibilities. There is, in fact, powerful complementarity between the work of political officers and PD officers. One model would be an abbreviated rotation into PD work akin to the assignment of all junior Foreign Service officers to consular work.
6. Winning back the confidence and trust of foreign publics is a long-haul project. Much will depend on sustaining for many years a reliable and substantial budget (See next recommendation). It also requires the kind of annual country plans that used to exist.
7. Public-private collaboration can enhance program sustainability. For example, there are signs that the private sector might act as partners for certain activities, e.g., cultural presentations. And, for very modest outlays it should be possible to recreate the clearing house for keeping overseas posts informed well in advance of proposed travel by US

exhibitions or performing artists. Even when US government funds are unavailable, posts could then find other ways to bring such events to otherwise underserved places.

**Institutionalization.** The need for the public diplomacy function and its corresponding specialization (“cone”) in the Foreign Service is broadly embraced. A good start has been made on the institutional arrangements and procedures in the Department of State, but they are still in their shakedown.

## **X. Public Affairs (PA)**

**Background.** The Bureau of Public Affairs’ function is to inform the U.S. public about their president’s foreign policies and, more generally, to spread greater knowledge about the world among Americans. PA also explains to Americans what the State Department and its posts abroad do for them.

PA is acutely aware that when it speaks, foreign audiences listen even more closely than do Americans. PA produces the “rapid response” sheet that goes daily to all Foreign Service posts and to key decision makers throughout the U.S. government. A separate Bureau of International Information Programs (IIP) prepares releases primarily intended to inform foreign publics because the 1948 Smith-Mundt Act prohibits domestic distribution of such U.S. government-produced information. Since IIP products may not be distributed domestically, the required separation produces some duplication. PA, IIP and the Bureau of Educational and Cultural Affairs (ECA) all come under the purview of the Under Secretary for Public Diplomacy and Public Affairs (see IX, Public Diplomacy). However, as State’s press spokesperson, the Assistant Secretary for Public Affairs works directly with the Secretary of State.

In addition to press affairs, PA conducts numerous other activities to inform the American public. These include: broadcast services (supplying material to broadcasters); electronic information (e.g., State’s Web site and video/audio podcasts); public liaison (outreach to civic groups, nongovernmental organizations and the hometowns of people posted overseas); intergovernmental affairs (outreach to state and local government officials); the U.S. Diplomacy Center, a proposed top-quality facility to present the story of U.S. diplomacy; and the Office of the Historian (answers public inquiries, publishes records of negotiations and foreign relations).

Numerous management surveys have asked whether the Assistant Secretary/Department Spokesman really has sufficient time to manage all the non-press areas of the job. The answer is “no.” But it also is not a problem because the Deputy Assistant Secretaries and the office directors are strong and they have good staffs.

There has been a concerted effort to step up exploitation of new technologies, increase the range of information services to the American public, and generally to continue adapting to 21st-century communications norms. Outreach to pan-Arab media also has increased.

## Accomplishments

- State’s Web site went from six million hits in FY 2004 to 11 million in FY 2005 and 13.2 million in FY 2006. Video and audio podcasts generate 16,000 downloads per month.
- PA media officers gave more than 2,000 interviews in FY 2006.
- PA’s Web site has been redesigned to make it easier for users to find critical data.
- New products are proving popular. *Frontier Net* links together private citizens interested in foreign relations, while *Ask the Ambassador* enables Americans to question chiefs of mission overseas via video conference. *Coffee at State* and *Video Newsletter* also draw strong audiences. It is too early to judge the appeal of *Mid-East Digest*, launched in January 2007.
- Educational outreach put a supplement to a weekly magazine in the hands of 1.25 million students in 58,000 classrooms in each of the past two fiscal years, distributed 13,000 copies of a History of Diplomacy curriculum and video (FY 2005), and created and distributed to universities, libraries and community organizations more than 10,000 copies of a CD-ROM curriculum called *Diplomacy in Action*.
- The number of “hometown diplomat” presentations, in which officers returning from overseas give talks in their hometowns, is slowly growing (223 in 2005 versus 188 in 2004). These help, but it is hard to get lasting effects when a town hears only one such talk every other year.
- PA reached 35,640 students and others during FY 2006 via in-house briefings and video-conferences, and it participated in 47 conferences of NGOs.
- PA facilitated overseas Foreign Service assistance to 950 state and local officials, and fielded 400 requests for information from them in FY 2006. The comparable numbers for FY 2005 were 150 officials and 370 requests.

## Yet to be Done

1. The volume of information delivered to Americans is impressive and it is clear from the steady increase in home page hits and downloads of video/audio podcasts that the public is increasingly interested. It would be reassuring if there were some way to measure the extent to which the public absorbs and retains the information being put out.
2. Increased funding would permit more original content for PA’s Internet and broadcast Services (thereby growing audiences), and even greater outreach to Arab broadcasters.
3. The proposed U.S. Diplomacy Center is an essential part of the long-term effort to help the American public understand the full range of tools – diplomatic, intelligence and military – needed for the successful conduct of foreign relations. Unfortunately, the Center has not

advanced for the past two years. More senior State Department support is needed if the Center's sponsors are to raise sufficient private funds to complete the project.

**Institutionalization.** Technology has changed PA's activities radically over the past six years. It has taken substantial investment, and more will be needed as new devices and delivery modes appear. The new technologies are the key portals for reaching younger Americans or, for that matter, younger persons anywhere in the world. It is too early to know whether future budgets will provide the necessary resources. Similarly, although the personnel turmoil that roiled PA in the early 2000s is settled, the large number of positions subject to change with changes in administration leaves the bureau vulnerable to disruption that can affect performance.

## **XI. State and the Private Sector**

**Background.** The outreach programs that State has managed and refined over the years have earned the support and respect of the private sector. As global competition intensifies, private sector interest in international issues and the State Department's role is expanding. Much collaboration takes place through private support for exchange visitors and other programs involving public affairs and public diplomacy. The Bureau of Intelligence and Research and the Bureau of Oceans and International Environmental and Scientific Affairs are both maintaining and expanding their contacts with the academic and scientific communities.

The Bureau of Economic, Energy and Business Affairs (EEB) reaches out extensively to the business community through a variety of mechanisms, including the Advisory Committee for International Economic Policy. State commercial support at the 60 percent of posts without a Foreign Commercial Service (FCS) presence is well-regarded. Dwindling resources and capital construction fees (\$60,000 per position) for space in New Embassy Compounds have forced FCS to cut positions, placing additional demands on State's commercial function. State has compensated in part by leveraging resources such as the Business Facilitation Incentive Fund, and it has achieved notable commercial successes. Posts newly relinquished by Commerce tend to have a higher business priority than posts where State already staffs the commercial function.

The proliferation of Free Trade Agreements (FTAs) and strategic initiatives (e.g., U.S.-India civil nuclear cooperation and the Prosperity Partnership of North America) provides a platform for concerted efforts to build business ties between the U.S. and the other parties to the agreements. Aid initiatives such as the Millennium Challenge Account for 23 developing countries and the President's Emergency Program for AIDS Relief (PEPFAR) also improve the environment for U.S. business. Businessmen have noted the shift of personnel resources to Iraq and Afghanistan. They hope transformational diplomacy will eventually create more business opportunities and bring a more level competitive playing field. They also look with anticipation to the advent of more American Presence Posts (APPs).

In recognition of the growing complexity of operating overseas, businessmen are seeking help from all elements of embassies on the full range of trade-policy issues: market structures, intellectual property protection, contract enforcement and many others. They understand the



value of a comprehensive approach to economic and trade issues by “sustained multi-stakeholder action” coordinated through the entire embassy platform.

The increased pace of globalization, the changing nature of supply-chain management, and aggressive support from state actors for national champions and/or quasi private sector competitors all mean that State will have to continue to devote significant resources to training in the promotion of U.S. economic, energy and business interests. Training modules will need regular updating to reflect new global business trends and barriers. The business community already provides speakers, publications and technical advice for Foreign Service Institute (FSI) commercial training, much of it through the Business Council for International Understanding. The business community looks to the Secretary of State to make the case to Congress for the necessary government training resources.

In general, U.S. business finds American ambassadors to be well-briefed on economic and commercial topics and receptive to requests for assistance. Because chiefs of mission set the tone at their embassies for responsiveness to business concerns, they need to be aware of what the business community expects of them.

Lastly, Fulbright program alumni, many of whom have achieved prominence in their own countries, offer a unique resource for advancing economic and commercial relationships between their home countries and the United States. They can play an important role in shaping new initiatives, as well as providing a framework for support.

### **Accomplishments**

- Past efforts to energize and intensify engagement with the private sector have largely been sustained. Examples include collaboration on public diplomacy and exchanges; management speakers in Washington; the Industry Advisory Panel that supports the Overseas Buildings Office; and the Overseas Security Advisory Council, which now has some 3,000 organizations participating.
- When Secretary of Commerce Carlos M. Gutierrez took office, he and Secretary Rice issued a joint message reaffirming their joint commitment to supporting and facilitating business in its pursuit of investment and export goals.
- The Private Sector Advisory Council, a joint initiative of the Departments of State and Homeland Security, held its first meeting in December 2006. It is designed to provide a voice for private-sector stakeholders and to act as an ombudsman for the business community in support of “Secure Borders-Open Doors.”
- The President’s Emergency Plan for AIDS Relief has successfully piloted the creation of Public-Private Partnerships (PPPs) with firms from the health care and logistics sectors.

**Yet to be Done**

1. Ensure that resource decisions, including coordination of commercial staffing changes overseas, reflect the joint commitment of Secretaries Rice and Gutierrez.
2. Establish the resources and mind-set necessary to ensure that U.S. businesses can routinely consult with the entire embassy team as part of a comprehensive approach to trade and business issues.
3. Make sure that officers assigned to APPs have some FSI commercial training. Eventually, at all posts without an FCS presence, all State officers who may have to deal with the business community should have taken an FSI commercial tradecraft course.
4. Expand the economic-commercial module of the ambassadorial and DCM training seminars and otherwise encourage chiefs of mission and their deputies to make full use of the outreach and training programs offered by BCIU and other organizations. These offerings include business briefings, regular teleconferencing, customized consultations for host-country officials, regional meetings and (especially important) BCIU's "*Ambassador's Checklist for Promoting U.S. Business.*"
5. Institute a system of embassy-local business community joint strategies for advancing U.S. economic and commercial objectives.

**Institutionalization.** Public-private partnerships are thriving. The habits of cooperation between State and the private sector are well-ingrained and their benefits understood. Having adequate resources to meet the private sector's rising expectations will sustain the cooperation. State needs to recognize the business community's concerns about adequate resources for the economic-commercial function.

## **Appendix: About the Foreign Affairs Council**

The Foreign Affairs Council is a nonpartisan umbrella group of 11 organizations concerned about U.S. diplomatic readiness. Its mailing address is 2101 E Street NW, Washington DC 20037. FAC member organizations and their representatives are:

- Ambassador Thomas D. Boyatt, FAC Founder and President.
- American Academy of Diplomacy: a private, nonprofit, nonpartisan, elected society of men and women who have held positions of major responsibility in the formulation and implementation of American diplomacy ([www.academyofdiplomacy.org](http://www.academyofdiplomacy.org)).
- American Foreign Service Association: the professional association and union of the career Foreign Service. Founded in 1924, AFSA has 13,000 members ([www.afsa.org](http://www.afsa.org)).
- Associates of the American Foreign Service Worldwide: a nonprofit organization that has been an independent advocate for Foreign Service spouses, employees and retirees since 1960 ([www.aafsw.org](http://www.aafsw.org)).
- Association of Black American Ambassadors: an organization of current and former African-American ambassadors, career and non-career, working to enhance public understanding of foreign affairs, to strengthen the Foreign Service through improved diversity, and to document African-American achievements in diplomacy.
- Association for Diplomatic Studies and Training: a private, nonprofit organization founded in 1986 to advance understanding of American diplomacy and to support training of foreign affairs personnel at the Foreign Service Institute ([www.adst.org](http://www.adst.org)).
- Business Council for International Understanding: founded in 1959 to support U.S. business interests internationally by convening member company executives with senior diplomatic and Cabinet-level officials and foreign heads of state ([www.bciu.org](http://www.bciu.org)).
- Council of American Ambassadors: composed of former and incumbent non-career ambassadors, the Council aims to support the role of the ambassador and the embassy country team in carrying out U.S. foreign policy ([www.americanambassadors.org](http://www.americanambassadors.org)).
- Una Chapman Cox Foundation: dedicated to a strong, professional Foreign Service, its activities seek to enhance State's recruitment, professionalism, retention and constituency ([www.uccoxfoundation.org](http://www.uccoxfoundation.org)).
- Nelson B. Delavan Foundation: a family foundation that supports initiatives to improve the Foreign Service of the United States and the effectiveness of American diplomacy.
- Diplomatic and Consular Officers, Retired: sponsors educational, cultural and advocacy programs for retired, former, and active duty Foreign Service officers, their spouses, and others who have served in positions related to the conduct of foreign affairs ([www.dacorbacon.org](http://www.dacorbacon.org)).
- Public Members Association of the Foreign Service, USA: a nonpartisan, nonprofit organization composed of members who have served as public members on Foreign Service promotion boards or inspection teams, or on delegations or commissions.



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FAC ♦ 2101 E Street NW ♦ Washington, DC 20037