
LEGISLATION AND POLICY

Investments in U.S. Diplomacy

By

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[The following is a reprint of a statement by Secretary Cohen before the Senate Task Force on the Function 150 Budget Function in Washington, DC on September 17, 1998.]

Let me start this on a personal note. Before taking this job as Under Secretary for Management at the State Department, I had had seven or eight professional jobs, including 4 years as Assistant Secretary at the Department of the Interior. All of which is to say, I thought of myself as a fairly seasoned professional. Yet—and I know this is a cliché, but some clichés are nevertheless profoundly true—nothing prepares you to be called at 4:00 in the morning to be told that two U.S. embassies in Africa have been bombed within 10 minutes of each other. And as you drive through the empty streets at that time of the morning, you are praying that by the time you get to the office the number bombed won't be three, four, or five. And then when it is still only two and you are slightly relieved, the actual horror starts to seep in, even as you are putting the other embassies on alert and coordinating rescues or medical supplies.

Secretary Albright said when she took office that diplomacy can't be conducted on the cheap, and that has been brought home to us with a vengeance. The \$2.1 billion State Department operating budget is now significantly less than 1% of the federal budget, and if you take into account inflation, it is less than it was in real dollar terms in 1986. And yet some would argue that our children's future depends to a larger extent on the success of the State Department than many other Federal activities.

In my first year at the State Department, I have been struck again and again by the scope and complexity of our operational requirements and the paucity of our resources. To carry out its global responsibilities, the Department of State maintains about 260 diplomatic and consular posts that provide the necessary infrastructure for 27 other U.S. Government agencies with more than 300 different activities in about 160 countries. These embassies and consulates provide an essential link between the United States and the governments and peoples of other countries. With a few exceptions, the United States follows the principle of universality by having a diplomatic mission in every country with which we have diplomatic relations. Even with modern communications, there is no effective substitute for having a physical presence throughout the world. Our diplomatic posts not only carry out our diplomatic relations with foreign leaders, they also assist American citizens, support U.S. business, and develop the extensive local contacts that are essential to effective diplomacy.

The Department employs a workforce of about 23,000 employees—14,000 Americans and 9,000 foreign nationals. It manages financial operations in more than 140 different foreign currencies, and it communicates with world leaders in over 60 foreign languages. Approximately 60% of our employees work overseas. In FY 1997, the Department

processed over 8 million visa applications and issued 6 million passports. In 1997, the Department sent and received 9 million pounds of classified and unclassified mail.

The break-up of the Soviet Union resulted in a drop in military spending, but we did not make the concomitant expansion in our diplomatic budget that was required to maintain the peace. Instead, cost-cutting or flat budgets have had serious consequences for our ability to carry out our mission well. For example:

In 1998, the Department had more than 300 vacancies worldwide, especially in critical areas such as information management and consular operations. These vacancies result in an overworked and insufficiently trained staff.

Between FY 1988 and today, Diplomatic Security positions have declined by about 12%, from approximately 1,390 to about 1,230 worldwide. From 1988 to 1996, the total number of Special Agent positions also dropped by 12%. In 1990, about 275 Diplomatic Security Special Agents were serving as Regional Security Officers in overseas posts, as compared to about 250 today.

Since 1986, the Department has opened over 40 new posts in response to changing foreign policy priorities. The demise of the Soviet Union alone has led to the creation of 18 new embassies and 5 other posts. These were established with limited new funding, by reallocating existing money, and with no additional positions, including overseas security positions. As one result, the Bureau of Diplomatic Security was compelled to reduce security staffing at some embassies in order to meet the staffing and security requirements of the new posts in what were assumed to be higher risk areas.

In 1997, the Department processed about three million cables, and the volume of email continues to climb exponentially. However, our telecommunications to the majority of posts is slow at best. While we have begun to turn the corner with Congress's stern prodding and financial support, we still have a long way to go. Overseas, approximately 50% of our telephone systems, 60% of our radio equipment, 65% of our classified computers, and 35% of our unclassified computers would be obsolete by 2000 without your help.

Americans would be surprised, if not appalled, at the state of disrepair of many of our buildings overseas. For example, our posts in China are overcrowded, technologically starved, and seriously in need of improvements in safety and security. At our embassy in Beijing, sewer gas leaks through the building. And yet, in the past year alone, American staffing from all U.S. Government agencies increased by 15% in China and is likely to increase even more.

The Department has received virtually no appropriations for capital projects since FY 1995. Proceeds from worldwide property sales, which averaged \$46 million in the FY 1994 to FY 1997 period, from a low of \$13.9 million in FY 1996 to about \$112 million in FY 1997, were supposed to finance facilities construction. (The approximately \$112 million total includes \$30 million from sales in Korea which are now in dispute.) However, even if such funds were devoted exclusively to new embassies in Germany and China, for instance, they would not finance our requirements for Berlin and Beijing, let alone address the rest of our real building problems, including vulnerable locations. Especially given the most recent events, it appears likely that the Department will require the support of Congress in the near future to establish a fully funded, long-term capital program.

As to security, as you know, we have been consulting with Congress over the past few weeks on an emergency security supplemental. It does not make sense to turn our embassies into fortresses—even if we could, which is doubtful—or into places where we put security so far ahead of promoting American ideals that we cannot do our business properly. The Administration will be seeking an emergency supplemental appropriation

for the State Department and other agencies to help reestablish our diplomatic facilities in Nairobi and Dar es Salaam and better protect the thousands who work in—and visit—our facilities around the world.

Before I go into more detail on that, however, let me give you a broader indication of problems we face. Security, while vitally important and central to everything we do, is only part of our overall infrastructure deficit. Over the years, prioritizing our various infrastructure needs and meeting emergency requirements has meant that many important areas have been short-changed. For example:

Information Technology

The construction of an information infrastructure to support American diplomacy in the 21st century is one of my most critical and urgent objectives as Under Secretary of State for Management. In today's fast-moving, increasingly interdependent, and networked world, American diplomats must have modern, secure information technology to respond to world events. Providing this technology to the State Department means deploying the modern information networks needed for rapid, secure Department communications worldwide, strengthening our information systems security, and ensuring Year 2000 compliance for our critical communication and computer systems.

The significant decrease in resources allocated to the State Department since the end of the Cold War has left us vulnerable and less prepared to carry out diplomacy in the information age. Flat and declining budgets for State from 1993 through 1997 resulted in overall erosion of the Department's infrastructure, creating critical staffing and training gaps and unmet information technology needs. At the same time, during this period of stagnant resources, the demand for new information technology (IT) and skills grew exponentially. As a result, we have been unable to make the investment needed to adequately equip and staff our communications and computer centers worldwide with modern information technology.

This is the essence of our IT dilemma: inadequate information technology, which Congress began to redress with us this year; under trained information specialists; and a severe shortage of IT professionals worldwide. For example, to provide emergency replacements for telecommunications during the recent bombing of the two embassies in East Africa, we had to redirect radios that were destined for other posts. This left other embassies without emergency radios. We faced a similar challenge in replacing communications specialists wounded in Nairobi and Dar es Salaam. Reinforcing our small technical staffs at these missions depleted critical IT operations elsewhere. We have no staff reserves. Between 1993 and today, approximately 630 information technology specialists have left the Department. We cut about 150 information technology positions worldwide as a result of budget and personnel reductions over the last six years. Of the approximately 1,300 remaining Civil and Foreign Service information technology specialist positions, about 150 are vacant. The lack of personnel has forced us to staff many overseas posts with temporary duty employees—many taken from critical domestic offices.

To begin to address this challenge, we have initiated an aggressive campaign to hire more information technology specialists. We are using print and electronic media, job fairs, and visits to technical schools to enhance recruitment and hiring. We have authorized, with OPM's [Office of Personnel Management's] help, recruitment bonuses for highly qualified applicants. And, in order to enhance the skills of our information technology professionals already on board, we are expanding and improving our training programs. Over 400 of our information technology employees have received professional training on new systems this year. Last year, many of our IT classes were on obsolete proprietary systems. We have now completely eliminated courses on such systems. In FY 1998, almost 1,400 information resource management specialists were

trained at the Foreign Service Institute (FSI) as compared to about 1,100 in FY 1997. Hours of training increased from about 90,000 in FY 1997 to almost 115,000 in FY 1998. Our basic requirements for training have increased from one week per person to three.

Our FY 1999 goal is to train 400 of our IT specialists in the Department's modern systems program, known as "A Logical Modernization Approach" (ALMA). This would bring the total trained in ALMA to approximately 850, which is still less than half of our IT specialists. In FY 1998 we will provide, on average, approximately 6 days of training to each IT professional. In FY 1999, we would like to push average IT training to 3 weeks per year. Computer training at FSI increased over 30% in FY 1997 compared to FY 1996, and we expect a similar increase in FY 1998.

Approximately 50% of our embassy telephone systems are obsolete. In nearly 60% of our embassies, our radio equipment is obsolete, and radio equipment is critical in emergencies, as was tragically demonstrated in the recent bombings in East Africa. Resources are needed now and in future years to provide proper life-cycle management for our IT assets worldwide. We can not benefit from periodic transfusions alone. American missions need sustained investment.

Domestically, we have focused on upgrading our messaging, mainframe computer, and network systems. Overseas, we are replacing our telephone and radio systems, and, through the ALMA program, we are modernizing our infrastructure and are aggressively reducing our dependence on obsolete computer technology. With the doubling of our information technology investments in FY 1998, we have been able to install Year-2000 fully-compliant, modernized computer systems at over half of the 230 overseas posts scheduled to receive the ALMA infrastructure—on schedule and within 2% of a \$120 million budget. ALMA also provides the underlying infrastructure for other Year 2000 and modernization projects. In addition, we are working on meeting the Department's needs for classified and unclassified e-mail capabilities and Internet access.

Since full Internet access became available at the Main State building on April 1, 1998 through the Rich Internet Access (RIA) network, over 500 users have gained access. Over the next three months, we will expand RIA to offices in three State annexes, working closely to ensure full compliance with security requirements.

The Department has made significant improvements in our efforts to address the Year 2000 (Y2K) problem, especially in the last 3 months. Through Y2K Committees at overseas posts, we have raised awareness of the problem abroad, and we have initiated actions to address each of the recommendations made by the GAO in their audit report on the Department's Year 2000 problem. Our pilot projects for Year 2000 renovation are complete through the validation phase, and most mission-critical applications are scheduled for implementation by the March 31, 1999 OMB milestone. We hope to be completed on schedule, although we, like every other government agency and private corporation, will not know how successful we are until we test the revised systems. We are also developing serious contingency plans. Although we have some automated tools to help us, the process of fixing systems still requires a substantial amount of labor by qualified technical staff.

In addition, the Secretary has asked me to lead the Department's efforts in the international sector for the Year 2000. State is a member of the President's Council on Y2K Conversion, an international working group, and we are using existing organizations to do outreach. For example, we are working with the G-8 to coordinate efforts on country sector status and contingency plans.

We take the challenging problem of information security very seriously. The Chief Information Officer, in coordination with the Bureau of Diplomatic Security, continues to lead the Department in establishing a technology security architecture that reflects our

global processing environment. We are implementing Incident Handling Capability for overall network intrusion detection, monitoring, investigation, and response to security incidents. We have procured state-of-the-art hardware and software and have established an office to respond to incidents. With this capability, the Department will be able to take a proactive position to prevent possible security intrusions.

To address our priorities, our FY 1999 budget request includes an increase of approximately \$32 million—from \$86 million to \$118 million—in information technology investments. This will provide funding for Year 2000 compliance, modernized infrastructure, and communications systems, and necessary project management and training.

Personnel

We are desperately short of people. Everywhere I have traveled in this job, I have met truly dedicated, talented personnel who are overworked and in some cases, lacking the necessary training to do their jobs effectively and efficiently. Downsizing, expansion of diplomatic posts, and burgeoning work, especially in the consular areas, exacerbated this critical problem.

The breakup of the Soviet Union and Yugoslavia led to the creation of 23 new posts, for which the Department received no additional positions and only limited funding. 155 American positions were shifted to staff these new posts, and their staffing has now grown to 286 State personnel. We have also increased our presence in the Far East with expansion in China and the establishment of U.S. relations with Cambodia and Vietnam. With the opening of these posts, we now need more language-qualified officers, creating an additional burden on our system. Officers who will serve at hard language posts generally need to be assigned to 1 to 2 years of training in order to reach an acceptable proficiency level. During this training period, they are not available for other assignments, thus placing more strain on staffing requirements.

To further exacerbate our staffing situation, we project that there will be a significant increase in Civil Service retirements. By the year 2010, over 1,200 out of 5,000 Civil Service employees at State will be eligible to retire. These departures will dramatically undermine the Civil Service continuity in senior-level management and policy positions.

At the same time our worldwide presence was expanding, the State Department downsized. From 1992-1997, the Department reduced American employment by 11%—from about 12,000 to about 10,800. This has had a significant impact on our ability to carry out our mission. Unlike some cabinet level agencies, the Department has no large grant programs—60% of our operating budget goes to salaries and related personnel costs. People are our chief asset.

In FY 1998 we have been able to stabilize our employment at FY 1997 levels. We have initiated more aggressive hiring programs and were able to meet many of our current needs. However, this does not make up for the reductions of previous years nor cover new priority requests such as expansion of our counter-terrorism office or consular expansion in China and Vietnam.

To respond to the criticism that the Department does not have an analytical methodology to determine staffing requirements or innovative approaches to shortages, we are creating such tools. We have just completed the second iteration of the Overseas Staffing Model. We continue to look for ways to reengineer operations to reduce manpower requirements, streamline or eliminate lower priority functions, and use less costly alternative employment programs.

During FY 1997 we expanded our hiring efforts. We have an aggressive Presidential Management Intern program. These individuals will be our Civil Service managers in the

21st century. An innovative co-op program will bring 50 technical students to work for us part-time, with career opportunities after graduation. The Foreign Affairs Fellows program, which helps outstanding undergraduates complete their education and begin careers in the Foreign Service, is being expanded to include graduate students. We are exploring the use of internships to staff entry-level consular positions that require knowledge of difficult languages, like Chinese. And, as I said, we will implement a highly aggressive recruitment drive for our most serious shortage categories—information technology specialists and secretaries.

We are also engaging an outside consultant to identify ways we can be more competitive in attracting and retaining people. Our goal is to develop an overall “workforce” plan to ensure we have the right skills and talent, in adequate numbers, to carry out our mission 10 years hence. Our intent is to focus on both the Civil Service, where we have issues similar to other Government departments, and the Foreign Service, where we have unique issues to address.

The bottom line is that we need your support for additional people in both the Civil Service and Foreign Service.

Training

Our goal is to maintain a highly skilled, diverse workforce which can take the Department into the next century. A focus on long-term career development and training in specific skills is critical for achieving this goal. However, in a recent survey, almost 40% of the approximately 1500 language-designated positions were filled with officers who did not have requisite language skills. Staffing gaps at posts have increased pressure for the Director General to grant language waivers, and in FY 1997, the Department granted over 80 waivers. During FY 1998, the Department granted about 125 waivers to those who did not meet the language requirements of their assigned positions. In addition, we provided almost no administrative, political, economic, consular, or computer training for the approximately 9,000 foreign national employees who play a critical role in supporting our missions overseas.

The recent bombings in Nairobi and Dar es Salaam underscore the importance of expanding crisis management training to overseas posts. Past budget cuts have reduced to a handful the number of overseas posts that received any crisis management training in the last 5 years. In FY 1996, for instance, there were no crisis management exercises (CMEs) held overseas; in FY 1997 we conducted 9 CMEs; and in FY 1998, to date, 325 students have participated in 13 CMEs overseas. In FY 1999 we would, among other things, increase the number of annual overseas exercises to 20-25 per year—probably not enough.

Foreign national employee training is another area where we can and must do more. Recent offerings of training for foreign national employees who support economic and political sections received an enormous response. For example, more than 100 foreign national employees were nominated for 24 political training slots. In FY 1998, we provided training for hundreds of foreign national employees in critical skill areas and began development of CD-ROM and video training for them.

Increased hiring is the key to ensuring that officers are free to take long-term, critical training. Congressional support for sustaining hiring at least at the 1998 attrition levels will permit us to make major strides in meeting critical training needs.

Overseas Properties

Through the Office of Foreign Buildings Operations, the Department manages almost all of the non-military property owned or leased by the U.S. Government overseas, a total of approximately 12,000 properties. The estimated value of the

Government-owned properties is about \$10 billion. Last year, we sold about \$112 million of real property overseas. Thus far this fiscal year, sales have totaled nearly \$91 million.

With the proceeds from property sales overseas, we are planning to purchase—in lieu of leasing—and to design and construct office and residential facilities in Shanghai, Abuja, Sofia, Ho Chi Minh City, Kampala, Luanda, Vladivostok, Bangkok, Damascus, and Jakarta to address some of the Department's most critical needs. In FY 1997 and thus far in FY 1998, real property purchases total \$62.5 million. In addition, conditional contracts have been signed for over \$57 million, including \$29 million for the purchase of housing units in Beijing. However, our needs in this area still greatly exceed our expected resources.

In the building area, we have instituted a new priority-setting process to allocate our resources for projects according to our most important needs. This process involves the Under Secretary for Political Affairs, the regional bureaus, the Bureau of Diplomatic Security, and the Bureau of Administration's Office of Foreign Buildings Operations, and takes into consideration several factors, including security. While we will take every step we can to make our existing facilities as safe and secure as possible, there is no question that new construction will be required in the future to best protect our employees and facilities.

In response to GAO recommendations, we are taking a critical look at our overseas properties and how we dispose of them. The Real Property Advisory Board, a seven-member panel that includes senior Department executives and real estate executives from the CIA, Postal Service, and GSA, is fully operational. The board reviews the facts surrounding property disposal disputes—whether a property should be sold—and makes its recommendations to the Department's Assistant Secretary for Administration for his decision. We have segregated the accounting for sales as GAO requested. In addition, we have signed an MOU with the Office of the Inspector General to have them independently identify possible surplus property overseas on a scheduled basis for each post.

The Harvard Business School recently completed a study of our real estate disposal practices, bench-marking our operation against the best practices of U.S. multinational private industry, and their findings were very favorable. The report found that the Department's portfolio of property is unique, larger, and more diverse than those in the private sector, and that our real estate program compares favorably to the private sector on dimensions that include staff qualifications, thoroughness, and knowledge of local markets. They found that our customized, flexible approach to executing international transactions was consistent with private sector best practices. In order to improve further our real estate program, we are implementing some of the report's recommendations, such as sending information to posts worldwide about the disposal process and further developing our partnership with the Office of the Inspector General.

Reorganization

As part of the reorganization effort we developed last year with Congress, we continue to work closely with USIA and ACDA to plan for their full integration with the Department. We look forward to getting the legislative authority we need to implement this. The reinvention plan of April 1997, devised by the Vice President and approved by the President, strikes a sound balance. It will enhance policy effectiveness and better utilize the special missions and skills of USIA and ACDA and their very talented people. We are also cooperating with USAID on some steps in the administrative area.

Integration also has a human side. Many dedicated USIA and ACDA personnel, whatever their views about integration, are anxious about their futures. They want the

integration issue to be resolved so they can devote full attention to helping America succeed abroad.

Much progress on ACDA integration is underway. ACDA Director John Holum is already double-hatted as an Acting Under Secretary of State. We have plans for creating three bureaus to replace the currently separate ACDA and Political-Military operations: arms control, non-proliferation, and international security. Planning is also well advanced on co-locating ACDA and PM staff.

Integration for USIA is a big task, involving several thousand American and foreign staff, but it also is beginning to move ahead. In a pilot project, USIA's Europe Office is co-locating with our European Bureau. We're considering merging security offices, and USIA junior officers are now receiving orientation training alongside State junior officers. We want to co-locate more public diplomacy units with policy-makers on key issues, and plans are being developed to merge management systems.

Much preparatory work on integration was done last year by an interagency task force, enabling some progress to be made. But we need legislation to bring the maximum benefits of integration.

ICASS

We are now nearing the end of the first full year of the International Cooperative Administrative Support Services (ICASS) system at about 160 posts. ICASS is a revolutionary change in the way we manage the delivery of shared administrative support services and distribute the associated costs (approximately \$600 million) to U.S. Government agencies located at our diplomatic missions abroad.

Full implementation of ICASS went into effect on October 1, 1997. The ICASS budget data from FY 1997 formed the basis for a budget amendment that successfully transferred approximately \$110 million from the Department's budget base to the other participating agencies to cover their increased share under ICASS.

ICASS is still a work in progress as it evolves toward a system that "allocates to each department and agency the full cost of its presence outside the United States." The continuing participation and cooperation of all agencies will be essential. ICASS can serve as a model for other interagency efforts to make our government run more efficiently and effectively.

Security

I want to focus now on security issues—a critically important area, and one that has been very much on everyone's mind since the ghastly bombings in East Africa last month. We are submitting a supplemental budget request to address security problems, and I will go into some details of that request in a few moments.

What Have We Done Since the Bombings?

First, I know that all of you are particularly interested in knowing what steps we have taken since the bombings in East Africa in order to address problems there and potential problems elsewhere. Let me detail, to the extent that I can in a public forum, what we have done and are doing. Since the terrorists who are interested in replicating the carnage of East Africa elsewhere in the world are also listening to what I have to say, I know you will understand my inability to mention certain specifics.

1. We have deployed interagency Embassy Security Assessment Teams (ESATs) to evaluate the physical security of our potentially vulnerable embassies and consulates.
2. Additional Diplomatic Security (DS) agents, security engineers, and Seabees have been sent to Nairobi and Dar es Salaam to support those posts as they recover and

rebuild. Additional agents have also been dispatched to other posts around the world where we believe they are needed.

3. The Bureau of Diplomatic Security has established an Emergency Coordination Group as a focal point for all security action issues, and Regional Security Officers (RSOs) around the globe are reporting daily on their posts' security situation as well as on needed security enhancements.
4. Posts have responded to a Department cable with requests for short, medium, and long-term security improvements, all of which are being evaluated. We are working with host governments to immediately implement short-term "quick fixes."

We have come to recognize that we must modify our perimeter defense strategy with regard to overseas posts. We are establishing and will implement a security strategy that—within the limits of fiscal realities and physical constraints—will be employed globally to harden the perimeters of our diplomatic and consular establishments.

There is also an important human factor in assuring proper security at our overseas posts, and I do not think it is possible to over-emphasize this element. We can have the best physical security systems in place at any given post, but they may be rendered ineffective without the presence and guidance at post of qualified security professionals. If local guards fail to follow proper procedures in screening vehicles about to enter an embassy compound, the results can be catastrophic, no matter how strong the perimeter security structure is. In Dar es Salaam, for example, established post security procedures required embassy guards to perform a security inspection of all vehicles entering the embassy compound. The newly arrived Regional Security Officer (RSO) re-enforced this policy just before the incident when he saw it being improperly performed. We believe that this action resulted in the terrorists detonating the bomb outside the main gate of the Embassy, rather than inside, thus saving many lives.

Supplemental Budget Request

Let me turn now to our supplemental budget request, and cite the major areas for which the State Department is seeking resources to improve our security posture. Our resource needs fall into five basic categories:

1. Costs being incurred now as a result of the East Africa bombings;
2. Restoring the two embassies in East Africa to full operation;
3. Expanding the number of security professionals and upgrading our physical security worldwide;
4. Providing assistance to Kenya and Tanzania for the disaster; and
5. Anti-terrorism assistance.

As discussed earlier, I am limited as to the details that can be shared in a public venue. In addition, the package has not yet been finalized. We will be happy to share the details with you once the request is submitted.

Following the East Africa bombings, and after she escorted home the remains of our fallen American colleagues, Secretary Albright said that "America will continue to be present around the world, wherever we have interests to defend, friends to support, and work to do." She also promised that "America will not be intimidated" and "that we will do all we can to protect our diplomatic and military people around the world."

The supplemental budget request for security will go a long way toward fulfilling that promise, and I hope that I may count on you and the Task Force to support this

request and future investment in diplomacy. For, in a larger sense, diplomacy is America's first line of defense. While military prowess is necessary to secure our national security, the conduct of U.S. diplomatic and consular relations with the rest of the world is what makes our nation a force for peace and stability in a still highly unstable and dangerous world. Modest—but prudent—investments in diplomacy and sustainable development are leveraged many times over as we work to prevent conflict, to open markets, promote democracy, enhance communications, and protect the environment. These efforts, funded by the Function 150 account, go a long way toward decreasing the possibilities of more costly conflicts later, as well as to ensure the prosperity and well-being of the American people.