The allocation of resources is a critical aspect of managing the Army’s international activities in order to enhance MFC. Good management of resources requires knowing where they are invested and what kind of return they are generating. This chapter focuses on identifying where the Army invests its funds for international activities. Chapter Four will address the question of how to maximize their yield.

Managers need to have an appreciation of the resources that might be available to them, which in this case means a knowledge of the total investment allotted to international activities by the Army as well as those funds earmarked for MFC. Such information, coupled with a sense of the marginal investment needed to increase the level of some activities, would enable managers to reallocate funds among the Army’s international activities if some programs proved more beneficial than others. In short, knowing what resources are available for MFC activities, how they are allocated among individual programs, and what the marginal cost is for each event within a program (what an additional annual exercise would cost, for example) are prerequisites for good management of the Army’s efforts to enhance MFC.
DIFFICULTY IN IDENTIFYING RESOURCES DEVOTED TO ENHANCING MFC

Identifying Army resources devoted to activities that enhance MFC is difficult, and the underlying reasons are myriad and varied. One problem is that not all of the Army's international activities directly benefit MFC. For example, the Army's efforts in implementing the INF treaty are obviously an international activity, but it would be difficult to identify the benefits to MFC that would result directly from such an activity. Another problem is that the Army's international activities incur indirect costs that are very difficult to capture. For example, the travel costs incurred by Army personnel when they attend bilateral and multilateral meetings overseas can be identified as direct costs of IA. But unless the attendees are involved in IA full time, it is likely that the time they spend attending the meeting—that is, a portion of their salaries—is an indirect cost associated with the meeting that cannot be easily captured.

But the broadest reason it is difficult to determine the level of resources devoted to Army international activities is that such activities are pervasive throughout the Army's operations. Although the integration of the Army's international activities into its everyday tasks benefits and furthers the Army's strategy of engagement, it makes it difficult to isolate those aspects of Army operations that constitute IA. As a consequence, direct funding for those activities is spread across congressional appropriations accounts and throughout the Army's internal budget management structure. This led a previous study of Army international activities to state that "Army elements are participating in some international programs that are not recognized as such, and total Army personnel and financial resources being expended for international programs are unknown."2

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1Except where noted, all discussion of funds or resources refers to amounts requested of Congress, appropriated by Congress, or included in Army budget planning documents. It does not refer to the amount of funds actually spent.

ARMY BUDGET STRUCTURE

The Army’s annual budget, which totaled $69 billion in fiscal year 1999, is divided up different ways for different purposes. The Congress appropriates funds annually for the Army in six major accounts (Military Personnel, Operations and Maintenance, Procurement, RDT&E, Family Housing, and Military Construction). Within each of these accounts, program elements (PEs) fund specific programs. The Army manages distribution of its budget internally using a totally different structure based on major functions, such as training and equipping the Army. Funds for these functions are aggregated into program element groups, which are broken into smaller management decision packages. Neither budget structure lends itself to easy identification of funding for IA.

The detail included in public documents describing the Army’s budget based on the appropriated account structure is often insufficient for determining IA funding. Most of the funds appropriated for IA are in the Operations and Maintenance (O&M) account. This account provides funds for the operating costs of activities such as major exercises, training programs, overseas schools such as the Marshall Center, and personnel exchanges and visits. Nevertheless, budget documents do not specify O&M costs to the level of detail needed to identify funding for many individual IA programs. Similar problems exist with respect to the cooperative research and development (R&D) efforts that are funded out of the RDT&E account. Many international R&D efforts are subprojects within larger R&D efforts, with separate funding not identified. Finally, there is no detail in public budget documents on the military pay account that would identify funds for soldiers, such as foreign area officers, who are involved full time in international activities. Thus, publicly available budget documents provide, at best, an incomplete picture of funds associated with IA.

The Army’s internal budget management structure is equally ill suited for identifying resources devoted to IA. The Army’s budget is managed by a small number of Program Evaluation Groups (PEGs) and is divided into a much larger number of Management Decision
Packages (MDEPs). Out of the more than 550 MDEPs, about 50 have been identified as including funds for IA.\textsuperscript{3}

International activities for the most part do not fit neatly into either of these budget systems (see Table 3.1). This may be because they were designed long before IA, as such, became an important part of the Army’s strategy. As a consequence, funds for some activities (for example, exercises with forces from other countries) might be found in more than one MDEP in the Army’s internal system and more than one PE in the President’s Budget documents. This makes it dif-

\begin{table}[h]
\centering
\caption{Comparison of Budget Structures}
\begin{tabular}{lllll}

\hline

\textbf{Internal Army Budget} & \textbf{MDEP} & \textbf{Activity} & \textbf{President’s Budget} & \\
\hline

Training & VJCS & Joint Exercises (CJCS) & 121011 & O&M \\
Training & JDHB & Developing Country Combined Exercise Program & 442010 & O&M \\
& & & 131079 & O&M \\
Training & TAMC & The Marshall Center & 131096 & O&M \\
& & & 132078 & O&M \\
& & & 442010 & O&M \\
& & & and others & O&M \\
Training & VRSI & Standardization and Interoperability & 441004 & O&M \\
& & & 442015 & O&M \\
& & & 665801 & RDT&E \\
& & & 665802 & RDT&E \\
Sustaining & VFMS & FMS, Unreimbursed Costs & 442010 & O&M \\
& & & 442015 & O&M \\
& & & and others & O&M \\

\hline
\end{tabular}

\textit{NOTE:} Budget data provided at subactivity level only, not individual PEs.

\( ^{a}\text{Individual MDEPs generally do not include all funds of specified PEs.} \)

\textsuperscript{3}The Army maintains the PROBE budget database, which is updated periodically throughout the year, to support the Army’s budgeting process and to reconcile its appropriated budget—which is broken into six accounts, each with numerous program elements or PEs—with its own internal budget management system of PEGs and MDEPs.
ficult to manage resources for such activities within the Army and justify the need for them before Congress.

A final obstacle to identifying resources allotted to IA is that some are not included in the Army’s budget at all. Some security assistance programs, such as foreign military sales (FMS), are paid for by fees collected on the sale of U.S. manufactured equipment to foreign governments. Other funds are appropriated to the Defense Department or the State Department and then transferred to the Army. Although such activities do not require resources from the Army’s budget, they do often demand the time of Army military personnel and civilians. Since there is a ceiling on the number of these personnel that the Army may retain, even activities that demand little or no funds from the Army’s budget place demands on limited Army resources.

PREVIOUS ATTEMPTS TO IDENTIFY RESOURCES DEVOTED TO IA

Three studies in the past 10 years have addressed the issue of management and funding of international activities within the services. The Center for Naval Analyses (CNA) looked at the Navy’s international activities in a study published in 1998. Although CNA did not try to quantify the level of resources devoted to Navy IA, it did try to identify the sources of those resources. The study concluded that funding for the Navy’s international activities came from many different sources, a finding that was common to all three studies. The study of Army international activities by the Logistics Management Institute (LMI) identified three main sources of funding for Army international activities, but it was not able to provide a detailed funding profile for individual activities or an estimate of total funding. The most extensive attempt to identify the Army’s international activities and the resources devoted to them was conducted by Calibre Systems in the mid-1990s. This study also concluded that it

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4The International Military Education and Training program is an example of a program funded this way.

is not possible to identify all the resources devoted to Army international activities using standard Army databases.

LMI Study

The LMI study acknowledged the importance of identifying resources devoted to IA and attempted to quantify the largest sources for them. LMI divided Army international activities into three groups based, to some extent, on the source of funds for those activities. The three categories, which DUSA-IA has retained to describe the Army’s international activities, were security assistance, political-military, and materiel-technology. The first group, security assistance (SA), is, by some measures, the largest in financial terms. It includes foreign military sales, international military education and training (IMET), the transfer of excess defense articles, and several other activities. In a given year, the Army might oversee billions of dollars worth of transactions in the SA programs. LMI identified almost 2,000 man-years of military and civilian personnel effort devoted to planning, managing, and executing SA activities. Most of these personnel costs, however, are paid through direct charges levied on foreign customers and are not funded by or included in the Army’s budget.

The Army’s political-military (PM) activities include a wide array of “diverse, unstructured, and independent” programs, according to LMI. This category encompasses major exercises, bilateral and multilateral meetings, and international visits by foreign delegations, attendance at foreign schools, personnel exchanges, and reserve component activities. LMI concluded that the Army’s identifiable expenditures for these manpower-intensive activities, which they estimated at $300 million per year, captured only a small portion of the entire cost.

LMI described the last category, materiel-technology (M-T), as being the smallest in scope and resources. LMI concluded, however, that the programs in this category, including cooperative logistics support, foreign military purchases, and cooperative research and development programs, held the potential for cost savings and en-

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Kaplan et al., p. 2.
hanced interoperability for the Army with the small number of highly
developed countries involved. LMI did not estimate the amount of
resources invested in this category, stating only that it varied widely
from year to year and that it was small compared to the amount
devoted to security assistance and political-military activities.

Calibre Study

Calibre Systems was enlisted by the Army in the mid-1990s to iden-
tify the dollar resources associated with its international activities
programs. Of the 141 international activities identified in the 1991
Army International Activities Plan (AIAP), however, Calibre Systems
could identify the level of annual funding for only 16 (see Table 3.2).

Total annual funding for all 16 activities reached almost $1 billion,
while annual funding for individual international activities ranged
from less than $1 million to over $560 million. The activities com-
manding the most resources were those that Calibre Systems asso-
ciated with humanitarian and civic assistance, international agree-
ments, and combined exercises (see Table 3.2).

The apparent contradictions in the findings by LMI and Calibre Sys-
tems highlight issues in the definition of Army international activities
and their associated investment. LMI stated that security assistance
programs involved the most resources of the three categories of the
Army’s international activities. This may be true, since between
2,000 and 3,000 Army military and civilian personnel are involved full
time in security assistance activities carrying out transactions that
total billions of dollars. But the level of resources that the Army must
provide to such activities is really quite small, because fees paid by
foreign governments on military sales cover almost all of the Army’s
costs. Another issue pertains to what type of activities the analyst
should include in IA. Some Army activities may include international
partners—or at a minimum have an international flavor—but can
also be considered part of the Army’s overall mission. For example,
Calibre Systems construed civic and humanitarian operations to
include both RESTORE HOPE in Somalia and similar operations in
Rwanda. Although such activities further the national security strat-
egy of engagement, they cannot be planned for in advance because
Table 3.2
Funds in the Army’s 1995 Budget for International Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Funds ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security assistance&lt;sup&gt;a&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Foreign military sales</td>
<td>37</td>
</tr>
<tr>
<td>Military assistance program</td>
<td>1</td>
</tr>
<tr>
<td>Total security assistance</td>
<td>38</td>
</tr>
<tr>
<td>Political-military</td>
<td></td>
</tr>
<tr>
<td>Foreign students at USMA</td>
<td>&lt; 0.5</td>
</tr>
<tr>
<td>School of the Americas</td>
<td>2</td>
</tr>
<tr>
<td>Combined exercises</td>
<td>101</td>
</tr>
<tr>
<td>Overseas development training</td>
<td>28</td>
</tr>
<tr>
<td>Humanitarian and civic assistance</td>
<td>562&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>International agreements</td>
<td>124</td>
</tr>
<tr>
<td>Status of forces negotiations</td>
<td>14</td>
</tr>
<tr>
<td>Foreign area officers</td>
<td>22</td>
</tr>
<tr>
<td>Total political-military</td>
<td>854&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td>Materiel-technology</td>
<td></td>
</tr>
<tr>
<td>Foreign weapons evaluation</td>
<td>9</td>
</tr>
<tr>
<td>NATO cooperative R&amp;D</td>
<td>2</td>
</tr>
<tr>
<td>Support of U.S.-FRG logistics</td>
<td>3</td>
</tr>
<tr>
<td>War reserve stocks for allies</td>
<td>4</td>
</tr>
<tr>
<td>Standardization and interoperability</td>
<td>11</td>
</tr>
<tr>
<td>Host nation support</td>
<td>73</td>
</tr>
<tr>
<td>Total materiel-technology</td>
<td>102</td>
</tr>
<tr>
<td>Overall total</td>
<td>994</td>
</tr>
</tbody>
</table>

<sup>a</sup>Includes only funds for unreimbursed costs.

<sup>b</sup>Includes funds for operations in Haiti ($188 million), Somalia ($344 million) and Rwanda ($28 million) for FY1994.

<sup>c</sup>Total without contingency costs for Haiti, Somalia, and Rwanda equals $294 million.

they are contingency operations and are outside of the Army’s budget planning and management process.

The discrepancies between LMI’s and Calibre Systems’ findings point out the problems associated with identifying funds allotted to Army IA. Because the two studies used different definitions of types
of resources and activities to include under the umbrella of international activities, they seem to have arrived at very different conclusions. However, LMI's and Calibre Systems' findings with respect to resource levels for various categories are in much greater agreement once adjustments for these discrepancies are taken into account (see Table 3.3).

Calibre Systems and LMI also agreed on other points. Like the LMI study, the Calibre study noted that resources for Army international activities come from multiple appropriations accounts (operations and maintenance, procurement, RDT&E, or the military construction accounts, although the preponderance is in the O&M account) and several program elements. Furthermore, within the Army's budget management system, Calibre Systems found that funding for IA is seen in many different MDEPs. These, in turn, are spread across multiple PEGs but make up only a small portion of the resources

<table>
<thead>
<tr>
<th>Activity Category</th>
<th>LMI</th>
<th>Calibre Systems, Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security assistance</td>
<td>Largest</td>
<td>$150 million</td>
</tr>
<tr>
<td>Political-military</td>
<td>&gt; $300 million</td>
<td>$294 million</td>
</tr>
<tr>
<td>Materiel-technology</td>
<td>Smallest</td>
<td>$102 million</td>
</tr>
<tr>
<td>Overall total</td>
<td>None given</td>
<td>$546 million</td>
</tr>
</tbody>
</table>

*a*Includes funds and resources not in the Army’s budget.

*b*Does not include funds for military personnel.

*c*Excludes funds for operations in Haiti, Somalia, and Rwanda.

7. LMI believed that security assistance activities commanded the greatest resources, while Calibre Systems' estimates allotted them the fewest resources of all three categories. LMI estimated that political-military activities received about $300 million annually, as opposed to Calibre Systems’ estimate of over $800 million for 1995.
8. Calibre estimated that a total of $150 million was devoted to security assistance programs in 1995 when some reimbursed costs were included. (This figure still excludes the reimbursed cost of active-duty military personnel.) Second, using Calibre's estimates but excluding funds for contingency operations in Haiti, Rwanda, and Somalia, results in a funding level for political-military activities of just under $300 million, which is close to LMI’s estimate. And Calibre’s estimate of resources devoted to materiel-technology activities—about $100 million—is indeed the lowest for the three categories.
managed by the respective PEGs. This situation and the fact that MDEPs associated with IA—such as the rationalization, standardization, and interoperability MDEP—are typically less than $50 million, mean that IA has a very low profile in the Army’s budget.

RAND Efforts

We, too, attempted to identify the resources that the Army invests in its international activities and specifically those designed to enhance MFC. We did this in two steps. First, we tried to provide a context for efforts devoted to enhancing MFC within the Army’s overall international activities by determining current levels of Army funding for IA. Then we attempted to identify those IA efforts that would most directly enhance MFC and the funding levels associated with them.

To accomplish the first step, we updated Calibre Systems’ findings by determining the total resources that the Army has devoted to IA in its more recent budgets. But we made several adjustments to Calibre’s methods as we updated their numbers. Because our research aimed to find ways to help the Army better manage its international activities that enhance MFC, we focused on funds that the Army can manage through its budget planning process. Since the Army does not pay for the costs associated with FMS or other security assistance programs out of its budgeted funds, we considered resources devoted to those programs outside of the Army’s control and did not try to quantify them. Similarly, since the Army does not include funds for unanticipated contingency operations in its budget and cannot control the occurrence of such operations, we did not include resources for them as part of the overall level of resources available for Army international activities. Finally, although Calibre did not include funds devoted to the support of NATO operations in its estimate of resources devoted to IA, we felt that such activities and other similar activities could reasonably be included under the umbrella of Army international activities.

Using the criteria outlined above, we determined that funding levels for Army international activities in FY1999 were slightly less than $500 million (see Table 3.4). This would correspond to an adjusted
Table 3.4

Funds for International Activities in the Army's Budget

<table>
<thead>
<tr>
<th>Activity</th>
<th>Funds ($)</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1995$</td>
<td></td>
</tr>
<tr>
<td>Political-military</td>
<td></td>
<td></td>
</tr>
<tr>
<td>School of the Americas</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Chairman, JCS exercises</td>
<td>101</td>
<td>43</td>
</tr>
<tr>
<td>Overseas development training</td>
<td>28</td>
<td>N/A</td>
</tr>
<tr>
<td>Humanitarian and civic assistance b</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>International agreements</td>
<td>124</td>
<td>157</td>
</tr>
<tr>
<td>Status of forces negotiations</td>
<td>14</td>
<td>N/A</td>
</tr>
<tr>
<td>Foreign area officers c</td>
<td>22</td>
<td>30</td>
</tr>
<tr>
<td>NATO operations</td>
<td>242</td>
<td>183</td>
</tr>
<tr>
<td>Miscellaneous support to other nations</td>
<td>12</td>
<td>39</td>
</tr>
<tr>
<td>Overall total</td>
<td>650</td>
<td>484</td>
</tr>
</tbody>
</table>

Materiel-technology

<table>
<thead>
<tr>
<th>Activity</th>
<th>Funds ($)</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign weapons evaluation</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>NATO cooperative R&amp;D</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Support of U.S.-FRG logistics</td>
<td>3</td>
<td>N/A</td>
</tr>
<tr>
<td>War reserve stocks for allies</td>
<td>4</td>
<td>N/A</td>
</tr>
<tr>
<td>Standardization and interoperability</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>Host nation support</td>
<td>73</td>
<td>N/A</td>
</tr>
<tr>
<td>Overall total</td>
<td>650</td>
<td>484</td>
</tr>
</tbody>
</table>

---

aBased on adjusted Calibre Systems findings.
bExcludes funds for contingency operations in Haiti, Rwanda, and Somalia. Dollar amounts rounded.
cIncludes funds for the Marshall Center.
N/A: Could not be determined from budget data available to RAND.

Calibre estimate of funding for 1995 equal to $650 million. Although this lower funding level might represent a real decrease in resources devoted to IA, a more likely explanation is a change in Army

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9Calibre Systems’ estimated level of almost $1 billion devoted to Army international activities in 1995 included almost $40 million for security assistance programs and $560 million for contingency operations. In addition, the total excluded $254 million for support of NATO operations and similar support to other nations. After deducting funds for security assistance and contingency operations and adding funds for NATO operations support and similar activities, the adjusted Calibre Systems total for 1995 would be $650 million.
accounting and reporting practices. In any case, out of a total Army budget for 1999 of $69 billion, we were able to identify approximately $0.5 billion earmarked for Army international activities.

Our second step was to determine how much of this approximately half-billion dollars was dedicated to improving the Army’s ability to operate in multinational coalitions. Doing so depends, to some extent, on a subjective identification of those international activities that directly enhance MFC. Although all or almost all Army international activities might provide some indirect means for enhancing MFC, many fewer activities have a direct impact. Table 3.5 lists those forums that DUSA–IA has identified explicitly as a means to enhance MFC.

Even though it is difficult to isolate resources for even this small subset of IA, we determined that funding for MFC-related activities totaled slightly over $300 million for FY1999 (see Table 3.6). This figure, which represents about 60 percent of all Army international activities funds for 1999, is somewhat misleading, however. For ex-

<table>
<thead>
<tr>
<th>Table 3.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Forums for Enhancing MFC, Identified by DUSA-IA/MFC</td>
</tr>
<tr>
<td>Exchange programs</td>
</tr>
<tr>
<td>NATO working groups</td>
</tr>
<tr>
<td>NATO standardization groups</td>
</tr>
<tr>
<td>ABCA standardization groups</td>
</tr>
<tr>
<td>Senior national representative visits</td>
</tr>
<tr>
<td>Bilateral staff talks</td>
</tr>
<tr>
<td>International cooperative opportunities</td>
</tr>
<tr>
<td>Combined exercises</td>
</tr>
<tr>
<td>International schools</td>
</tr>
<tr>
<td>International conferences</td>
</tr>
</tbody>
</table>

10We were unable to find any funds dedicated in 1999 to the host nation support activities ($73 million) or reserve overseas training ($28 million) identified by Calibre Systems for 1995. There was also a decrease in funding for joint and combined exercises of almost $60 million, which was due primarily to the absence of $49 million in funds for exercises programmed by Southern Command in Central America. The most likely explanation is that these funds are imbedded within other programs and cannot be isolated from data available to us.
ample, approximately $220 million of these funds were earmarked for the U.S. contribution to NATO’s operating budget. These funds help pay for the Partnership for Peace program, but they also are used to help defray the operational costs for a wide array of NATO activities and programs such as the NATO AWACS, various multinational headquarters within NATO, and NATO communications.\(^{11}\) It is impossible to determine from standard budget data how much of the funds allotted to NATO operations actually go to those programs that DUSA-IA has determined enhance MFC. Similar situations exist with respect to the funds for the other activities listed in Table 3.6.\(^{12}\) On the other hand, funding for standardization programs and the Marshall Center are rather well documented, but together they represent a total of less than $40 million.

There were some MFC-related activities, such as visits by senior national representatives and international conferences, for which we could not identify any funding set aside within the Army’s budget. We can only assume that the resources needed for these activities are so small that they are subsumed in the funding lines for larger programs.

Finally, there are undoubtedly funds devoted to some activities that contribute to enhanced capabilities in MFC that are not included in DUSA-IA’s list of relevant forums (see Table 3.5). The foreign area officer (FAO) program is an example of such an activity. Foreign area officers act as liaisons, attachés, and security officers in foreign countries and with foreign militaries. The Army currently has about 800 FAOs and budgets several million annually for training them.

By our estimation, funding for MFC totaled about $310 million in FY1999, which represents about 60 percent of the total for Army

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\(^{11}\)These funds are not used to pay for the personnel costs of active-duty military personnel assigned to NATO organizations.

\(^{12}\)For instance, funds for the Chairman of the Joint Chiefs of Staff exercise program—some $43 million in FY1999—are primarily used to support exercises overseas (90 percent, according to Army budget documents for FY2000). But RAND could not determine which of those exercises, and hence how much of the related funds, include forces from countries other than the United States.
Table 3.6
Funding of MFC Activities in Two Budget Structures

<table>
<thead>
<tr>
<th>Activity</th>
<th>President's Budget</th>
<th>Army Internal Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Funding Line</td>
<td>Type of funds</td>
</tr>
<tr>
<td><strong>Exchange Programs ($220 million)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange programs</td>
<td>Misc. support to other nations, other support</td>
<td>06M</td>
</tr>
<tr>
<td></td>
<td>Support of NATO operations</td>
<td>06M</td>
</tr>
<tr>
<td><strong>Standardization and Interoperability ($10 million)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NATO working groups &amp; ABCA</td>
<td>Misc. support to other nations, tech transfer Programwide activities</td>
<td>06M</td>
</tr>
<tr>
<td>NATO standardization</td>
<td>Support of NATO operations, standardization program</td>
<td>06M</td>
</tr>
<tr>
<td>Int’l cooperative R&amp;D</td>
<td>Int’l cooperative R&amp;D</td>
<td>RDT&amp;E</td>
</tr>
<tr>
<td><strong>Combined Exercises ($50 million)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined exercises</td>
<td>Operating forces readiness, joint &amp; combined exercises</td>
<td>06M</td>
</tr>
<tr>
<td>Assistance to developing countries for exercises</td>
<td>Misc. support to other nations, humanitarian and civic assistance &amp; DCCEP</td>
<td>06M</td>
</tr>
<tr>
<td><strong>The Marshall Center ($30 million)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marshall Center</td>
<td>Misc. support to other nations, Marshall Center</td>
<td>06M</td>
</tr>
<tr>
<td></td>
<td>Operating forces, BASOPS</td>
<td>06M</td>
</tr>
<tr>
<td></td>
<td>Operating forces, RPMA</td>
<td>06M</td>
</tr>
<tr>
<td></td>
<td>Unified Commands</td>
<td>06M</td>
</tr>
<tr>
<td><strong>Total funding ($310 million)</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTE: All dollar amounts are rounded to the nearest $10 million.
In theory, then, if the Army decided to place a higher priority on MFC-related activities within the total funds allotted to Army international activities, there would be sufficient leeway to allow for shifting of resources.

There would be difficulty in actually doing this, however. The first reason, hinted at above, is that it is difficult to tie specific activities to exclusive funding streams or line items. Second, funding for many activities is included within larger programs and cannot be isolated easily. In short, funding streams as currently described in budget databases cannot be tied directly to programs, and vice versa. Second, many activities are not under direct control of the Army. For example, the schedule for exercises is established by the various CINCs, and the agenda for NATO operations is not set by the Army.

Given these constraints, the Army's internal budget management structure gives DUSA-IA only limited ability to act as a proponent for resourcing MFC-related activities. Calibre Systems identified 48 MDEPs that included funds related to Army international activities. Using a much narrower definition of activities that directly enhance MFC, we winnowed the number of MDEPs that include funds for MFC-related activities down to seven. Of these, DUSA-IA/MFC oversees only four (see Table 3.7), the largest of which is for NATO operations, which may include a preponderance of funds that are not allotted to activities that enhance MFC. On the other hand, it could be argued that joint and combined exercises are one of the biggest enhancers of MFC and thus are directly related to DUSA-IA's mission. DUSA-IA is not the proponent, however, for the MDEP containing funds for such activities.

Another aspect of the MDEPs currently under DUSA-IA/MFC oversight is that they are almost exclusively focused on NATO, Europe (the Marshall Center), or other established and developed allies. The TFAO and JVCS MDEPs have a much broader purview, encompassing over 100 countries in the former case and all major commands and theaters in the latter. However, other offices in the Army are proponents of these MDEPs. As a result, the current budgeting and

\[\text{If funds for support of NATO operations are excluded because they are used to support many activities that may not be related directly to enhancing MFC, then the total is reduced to about $100 million.}\]
programming structure focuses most of DUSA-IA’s attention on areas where the United States already has a close working relationship with its allies.

Another problem with the current budget structure is that data available to support it are not all that useful for establishing priorities among MFC activities. This is because there is little information on the geographic distribution of funds or the marginal cost per individual episode of an activity. That is, spending on MFC is not broken out by country, nor is the cost per individual conference or exercise specified.

Some examples may serve to illustrate these points. The first is CJCS exercises. The annual number of such exercises involving the Army has grown from 50 to 80 since 1990, with 90 percent occurring overseas. The range of countries involved has also increased to include central and east European countries and Middle Eastern countries such as Kuwait. First, DUSA-IA/MFC is not the proponent of these activities or their funding. Second, although it is possible to break out the distribution of funds by command, it is not possible, using the Army’s budget database, to do so by country. Finally, budget data do not include the number of exercises in a given year or the countries involved. Thus, the cost of individual exercises or of country participation in an exercise cannot be determined. Without this

<table>
<thead>
<tr>
<th>Activity</th>
<th>MDEP</th>
<th>Funds in 1999 ($ millions)</th>
<th>DUSA-IA/MFC Oversight</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Marshall Center</td>
<td>TAMC</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Combined exercises</td>
<td>VJCS</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Developing country combined exercise program</td>
<td>JDHB</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Foreign area officers</td>
<td>TFAO</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>NATO operations</td>
<td>XISH</td>
<td>180</td>
<td>180</td>
</tr>
<tr>
<td>Miscellaneous support to other nations</td>
<td>XISQ</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Standardization and interoperability</td>
<td>VRSI</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Overall total</td>
<td></td>
<td>310</td>
<td>260</td>
</tr>
</tbody>
</table>

*Less than $5 million.
information, the cost of adding a country to an exercise is hard to establish, as is the cost of running an additional exercise.

Another example is the International Military Education and Training (IMET) program, the funding of which is determined with little if any input from DUSA-IA. The IMET program provides education and training for foreign military and related civilian defense personnel both in U.S.-based Army schools and by mobile training teams in overseas facilities. The request for the annual allocation of spaces at Army schools or mobile training teams comes from the CINCs through the security assistance officers (SAO). TRADOC and DCSLOG coordinate assignments of spaces at the Army schools within CONUS, and the SAOs arrange in-country training. Thus, the SAOs and TRADOC (through its security assistance activities) play major roles in managing the process, while Army component commands and DUSA-IA do not. Required annual funding levels are formulated by the CINCs, and funds for the IMET program are appropriated separately by Congress. Thus, DUSA-IA has little or no role in either the planning or resource allocation of this important international program.

The FMS program provides a final example of a program that has important implications for the performance of MFC but in whose management DUSA-IA has very little say. It is easy to see how sales of U.S. military equipment to likely coalition partners have the potential to improve the ability of the partners to fight together on the battlefields. But both the planning for the FMS program and the funds to administer those sales come from outside of the Army. A particular sale is initiated when a foreign country defines a materiel requirement and sends the U.S. Army Security Assistance Command a letter of request. Although Army personnel, both civilian and military, will implement the request, funds to cover the administrative costs come from the 3 percent surcharge assessed on each sale. Thus, although implementation of the FMS program imposes a cost on the Army, those costs cannot be measured in terms of budgetary resources and so cannot be easily compared with the costs of other activities.

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14 Funds for IMET and several other security assistance programs are included with the annual appropriation for foreign operations. Total funding appropriated for IMET in FY1999 was $50 million to serve more than 8,500 students from over 120 countries.
CONCERNS ABOUT ARMY RESOURCES FOR IA

Our review of available data and previous studies of Army international activities have identified several concerns about the Army’s management of resources for IA. The first problem is that it is very difficult to determine the level of funding for IA, both in the aggregate and for individual programs. At least two other studies have highlighted this problem. The LMI report noted that the total personnel and resources involved in Army international activities were unknown. Likewise, the Calibre Systems effort concluded that the value of Army international activities could not be determined as a whole, nor could the individual programs be assessed for their value to the Army’s plan for international activities.

Another problem is that the current management structure makes it difficult for DUSA-IA/MFC to be an effective proponent of some programs that enhance MFC because they are outside of DUSA-IA’s purview. These programs include combined exercises and security assistance activities such as IMET. The former activities are planned by the CINCs but funded in the Army’s budget. The latter are also planned, at least in part, by the CINCs, but they are funded outside of the Army’s budget. These diverse planning and budgeting schemes make it difficult for DUSA-IA to coordinate and integrate all of the Army’s international activities.

Finally, although budget data can provide some idea of the regional distribution of spending on Army international activities, they provide only a rough picture at best. Lack of information on funding or activities by individual country makes it difficult for the Army to know whether activities with some countries are under- or over-emphasized.

IMPROVING ARMY MANAGEMENT OF IA RESOURCES

One of the things required for effective management of the Army’s resources for IA is better communications between DUSA-IA and the offices that carry out the activities. Our main concerns about the current management of IA resources are that it is difficult to identify resources devoted to IA and that DUSA-IA/MFC does not have the ability to monitor or influence the allotment of funds for all relevant Army international activities programs. Thus, DUSA-IA needs better
tools if it is going to be an effective proponent for activities that enhance MFC.

First, the Army needs to create a vehicle outside of the budget structure for collecting data on resources devoted to Army international activities. Funds for those activities are currently provided both off budget and on budget. Within the budget, they are scattered among many programs and MDEPs. Even if a way could be found to concentrate the funding streams in one place within the Army’s budget, it would still not capture the significant resources provided for Army international activities from outside the Army, such as those for FMS. Thus, a separate mechanism is needed that will provide a complete funding picture for DUSA-IA, including the distribution of resources by activity, region, and country.

It is possible that the planned Theater Engagement Plan Management Information System (TEPMIS), or one similar to it, can provide such a mechanism. This on-line database, based on the European Command’s Theater Security Planning System, is designed to provide a planning tool for the CINCs as they prepare their theater engagement plans. TEPMIS will ultimately include a record of engagement activities, to include exercises, training, and security programs and other contacts, for all of the regional commands. As currently conceived, TEPMIS will include a two-year historical record as well as plans and requirements for the subsequent six years. Although the ultimate format for TEPMIS has not yet been established, some plans call for it to include funding requirements for the activities specified in the database. If such plans and requirements are indeed included, it will give planners the ability to search the database by activity, country, or region.

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15Every year, each of the CINCs draws up a theater engagement plan (TEP) strategic concept that outlines how he plans to carry out the strategy of engagement in his area of responsibility. The CINC lays out in detail the specific activities that he proposes to use to further his strategy in the activity annex to the TEP. TEPMIS is designed to support the creation and transmission of these activity annexes within each command and to the relevant planning and supervisory personnel.

16Some analysts have raised the concern that it might not be in the Army’s interests to share preliminary budget data with the other services and OSD early in the budgeting cycle. One possible alternative or interim solution would be for the activity annexes that include budgetary data to be transmitted directly to DUSA-IA and other relevant
The TEPMIS system, or one similar to it, should provide consolidated data on Army international activities of interest to the CINCs. This would cover most of the activities that contribute significantly to enhanced MFC capabilities, such as exercises, officer exchanges, and the IMET program. Resources devoted to activities that may not be included in TEPMIS, such as those for cooperative R&D, are easily identified within the Army’s budget. Combining such data with that from TEPMIS should provide a relatively complete picture of the distribution of resources for Army international activities, and go a long way toward correcting one of the current problems.

To address the second concern, that of finding more effective ways for DUSA-IA to influence the allocation of resources among the Army’s international activities, there are several alternative structures available to the Army for managing the execution of its AIA programs. One option would be to have DUSA-IA play the role of advocate for MFC-related activities both within and outside the Army, but leave management of those programs decentralized. A second approach would give DUSA-IA the additional responsibility of establishing and disseminating policy guidance on how the various program managers should establish priorities for the use of their funding for international activities. In turn, the implementing offices would send information back to DUSA-IA on program implementation and budget needs. A third approach would be to put DUSA-IA in charge of both policy formulation and program implementation for all Army international activities.

The current structure is theoretically closest to the second approach outlined above. But reality does not follow the theory, and the current structure is in practice much closer to the first structure than the second. DUSA-IA is responsible for the preparation of the Army International Activities Plan (AIAP), which is supposed to provide guidance for establishing priorities among the Army’s international activities. In its report, LMI also envisioned that various offices responsible for carrying out AIA could integrate the AIAP into their planning and budgeting. However, DUSA-IA, which is supposed to produce the AIAP annually, as of 2000 has not yet published a final (nondraft) plan. Its early draft plan was more along the lines of a
“catch-all” document that includes little guidance to prioritize Army efforts in any systematic way. It is our understanding that the later draft plan had more elements in the guidance realm. In any event, DUSA-IA has not been providing clear and definitive guidance to the field. Second, as was discussed earlier, DUSA-IA has not been receiving the broad feedback from the field that it needs to set informed policy. Nor does DUSA-IA have any role at all in planning some activities such as those associated with FAOs or CJCS exercises. As a consequence, DUSA-IA’s role has become limited to that of an advocate for AIA with much less of a role in determining policy guidance or establishing priorities.

The final alternative management structure we considered would give DUSA-IA a greatly increased role in the management structure of all AIA. Although this might seem to be the most efficient structure and would provide a single focal point within the Army for all international activities, it would also have several drawbacks. The first is that it would be very disruptive of current programs that have evolved within the current structure, some over several decades. During that time many working relationships and practices have been established that it might prove disadvantageous to disrupt. Second, centralizing management in DUSA-IA would remove responsibility from the field, and this, given the far-reaching and highly diversified portfolio of Army international activities, would undoubtedly lead in some cases to poor decisions being handed down from the top. In part for these reasons, LMI recommended against such a centralized structure in its 1996 report, and we would make the same recommendation now.

Rather, we recommend a strengthening of the two-way relationship between DUSA-IA and the field offices that is necessary to implement the second option. Although we are not arguing that DUSA-IA should control funding for all IA, we are arguing that it should have visibility of and influence over the allocation of funding for IA, particularly activities that directly enhance MFC.

One mechanism would be to expand the number of MDEPs for which DUSA-IA has some primary advocacy. DUSA-IA/MFC now has oversight of the allocation of resources for only four MDEPs. However, it can be argued that DUSA-IA should have input into the
planning and resource allocation of several other MDEPs—including those relevant to the FAO program and those related to exercises.

DUSA-IA could also use the AIAP as a vehicle for codifying its policy and disseminating it to the field. Those offices could then, in turn, use the AIAP and DUSA-IA’s guidance to set budget priorities for their own activities. LMI recommended such a process in which DUSA-IA would first disseminate integrated planning guidance to the various parts of the Army. In response, the various implementing commands would prepare and submit plans to DUSA-IA for integration into the AIAP. This, in turn, would be used as a blueprint for budgeting Army international activities. That is, the functional proponents would integrate Army international activities into their planning and budgeting documents. DUSA-IA would then be responsible for monitoring the activities and assessing program effectiveness throughout the process for input to the next version of the AIAP. In this way, DUSA-IA would provide guidance on both the activities to be undertaken and allocation of resources.

For this approach to work, two changes would have to occur. First, DUSA-IA must issue clear and specific policy guidance on a timely and frequent basis. Second, the implementing offices and commands would have to provide, on a correspondingly frequent basis, information to DUSA-IA on program resource requirements and program effectiveness. The process will not work without both inputs, as is demonstrated by the current state of affairs.

It is evident that guiding, monitoring, and integrating all Army international activities is a big task, and perhaps DUSA-IA is already on its way to implementing this recommendation. Currently, however, DUSA-IA has neither the means to assess priorities nor a process in place to monitor and influence the planning and budgeting for the wide range of activities that enhance MFC. Thus, DUSA-IA first needs to take steps to collect all the pertinent resource data on an annual basis. Having done so, the next step will be to set up a process to monitor the implementation of its guidance in the budgeting and planning documents of the various commands charged with executing the Army’s international activities. Once DUSA-IA has completed these two tasks it will be in a better position to evaluate the costs and benefits of the various activities that enhance the Army’s performance in MFC.