



DRMI Activities

DRMI enrollment has been impacted by the COW. When the acronym first reared its ugly head we had to ask what it meant. Yes, the cost of war has impacted funding and personnel levels at most commands, which impacts education and training. DRMC 04-3 was one of the smallest classes in recent history, but eleven countries were still represented with participants from Belgium, Germany, Israel, Jordan, Malaysia, Norway, Philippines, South Africa, Sri Lanka, Turkey and the United States

DRMI is predicting full classes for DRMC 04-4 and DRMC 04-5 with most of the same countries represented, as well as Mexico and Argentina.

In mid-June, DRMI completed an intensive period of international travel--four two-week courses in four countries in nine weeks. We held our 13th course in Honduras, our 14th in Argentina, our 4th in Thailand, and our 1st in Tajikistan. Notably, the Tajik course was also attended by 5 Afghans, and the Thai course had attendees from Sri Lanka, Indonesia and Philippines. A favorite post-course comment received was: "I think the course was well organized, very dynamic, not tiresome and clearly related new concepts with previous concepts and with the practical exercises. The climate developed among everyone (students and professors) was very positive and generated a desire to work." It is good to hear we are "not tiresome!"

SIDMC 04 commenced on 21 June with 54 participants from 39 countries. Thirteen



Dr George Satterthwaite (2d from left) talks with SIDMC participants Mr Jakob (Switzerland), Col Armstrong (Cameroon) and Mr Cejka (Czech Republic)

countries have more than one participant; six participants have attended other DRMI courses, either here at NPS or overseas in a mobile course. Col Alsenafi (Kuwait) is our biggest "repeat offender." He has also attended IDMC 96-1 and DRMC 00-4. Participants from Bulgaria, Chile, Germany, Morocco, and Norway have also attended a DRMC or mobile course. This SIDMC brought the first Fijian, CDR Natuva, to attend a DRMI class here at NPS. He is only the 5th Fijian to attend a DRMI course; the other four attended a mobile course in 1997. Mauritius sent its first participant to the SIDMC, DCP Servansing is only the second Mauritius participant to attend a DRMI course. We hope to see many more participants from Fiji and Mauritius.

Report on the Course in Tajikistan

In June 2004, Donald Bonsper, Stephen Hurst, and Dr Robert McNab conducted the first Mobile International Defense Management Course (MIDMC) in Dushanbe, Tajikistan. 24 participants, 19 from Tajikistan, and 5 from Afghanistan, worked over the course of eight days on issues of defense management, the efficient and effective use of defense resources, and the development of cross-border relationships between the national security Ministries of Tajikistan and Afghanistan. Participants not only worked on problems and case studies related to the management of defense resources but were also actively engaged in discussions on a wide range of topics to include border security and anti-terrorism activities.



Participants from Tajikistan included representatives from the Ministry of Defense,

National Guard, Ministry of Security, Presidential Administration, and the Center for Strategic Studies. Participants from Afghanistan included representatives from the General Staff of the Armed Forces and the Ministry of Defense. The course, conducted in support of the Global War on Terror (GWOT), supported the efforts of the United States Embassy in Dushanbe to build relationships within Tajikistan between the various Ministries responsible for national security and the Ministry of Defense of Afghanistan. This course represented three "firsts" for the Defense Resources Management Institute, to include the conduct of a MIDMC in Tajikistan, and the addition of participants from Afghanistan to the DRMI role of participants.

Upcoming Courses

DRMI will conduct its annual summer mobile education course in Malaysia at the Malaysian Armed Forces Staff College. We will also conduct the second regional course in Belize with participation by Caribbean countries. Our last course in Belize was immediately after Hurricane Mitch, so we look forward to seeing the changes since that time. We'll again visit Argentina in September, which will be our 15th course there since 1991, the most of any country. Our second course to Lithuania will be held in October, the first having occurred in 1993. In November we will hold our third course in Bosnia and Herzegovina.

Faculty and Staff News

LTC Luis A. Morales rejoins the DRMI faculty



Luis Morales, LTC, U.S. Army, rejoined the DRMI faculty on 1 June 2004. Luis holds a BS in Resource Management from Troy State University, Alabama (1983) and a MPA in Comptrollership from the University of Missouri, Kansas City (1992). This is

his third assignment to the Monterey Peninsula. His first was from 1979-1982 as a Rifle Platoon Leader and Company Executive Officer with the 1/32nd Infantry Regiment, 7th Infantry Division, Ft Ord. Following a series of Infantry and Resource Management assignments in the U.S. and overseas, he again returned to the

Monterey Peninsula from 1995-1999 as a military faculty member with DRMI. From 1999 to 2003 he was assigned to U.S. Central Command (CENTCOM) as the Legislative Liaison Officer for the CENTCOM Commander. During this period he led the CENTCOM staff in the planning, preparation and execution of 18 Congressional Hearings for Gen Anthony Zinni (1999-2001) and GEN Tommy Franks (2001-2003), many focusing on the war in Afghanistan and Iraq. In the process of retirement after 25 years of active duty service, he was contacted in early 2003 by the Army Comptroller assignment office and was asked to remain on active duty due to the shortage of Army Comptrollers. Luis agreed to continue on active duty only if assigned to DRMI. He was told that it would be no problem but that he had to wait one year for an Army billet to open, so he accepted a one year unaccompanied tour to Honduras as the Director Resource Management, for Joint Task Force-Bravo, Soto Cano Airbase Honduras, with a guaranteed follow-on assignment to DRMI.

LTC Scott Mahone Retires from Government Service

The Legion of Merit Award was established by Congress in 1942, and is awarded to any member (usually key individuals) of the Armed



Forces of the United States or of a friendly foreign nation who has distinguished himself by exceptionally meritorious conduct in the performance of outstanding services. For service not related to war the term "key individuals" applies to a narrower range than in wartime.

CITATION TO ACCOMPANY THE AWARD OF THE LEGION OF MERIT TO LIEUTENANT COLONEL SCOTT MAHONE

Lieutenant Colonel Scott Mahone, United States Army, is recognized for exceptionally meritorious service from 1 October 1994 to 30 September 2004. While serving in a multitude of high profile, high impact positions, Colonel Mahone displayed the vision, creativity, diplomacy and professional skills that have helped transform today's Army and the Department of Defense into robust organizations better able to deal

more effectively with the defense challenges of the 21st century. During tours at Headquarters, Central Command, the American Embassy in Muscat, Oman and the Defense Resources Management Institute, Colonel Mahone's vast strategic and operational experience provided innovative solutions to a myriad of difficult and complex challenges faced by those organizations. His pursuit of excellence, willingness to make any sacrifice, devotion to duty, and concern for his comrades in arms distinguish him as one of America's finest. Through his distinctive accomplishments, Colonel Mahone reflects great credit upon himself, the United States Army and the Department of Defense.

Natalie Webb works for Navy's Executive Learning Officer

Dr Natalie Webb has begun working half-time for the Navy's Executive Learning Officer, Philip Quast, VADM, USN (ret.). As the Faculty Point of Contact, she reports to the Provost for all faculty involvement in courses, follow-on education, and information requests made by flag officers and senior civilian executives. She has attended three Executive Business Courses (EBC) and will participate in sessions in the July EBC held at NPS. She also organizes follow-on educational opportunities for flags and senior executives as they identify areas of interest to them in their current and future positions. For more information on the ELO, see the "About ELO" page at <http://elo.nps.navy.mil>.

Participant News

SIDMC Graduate Now Sweden's Chief of Defense



On the 1st of January 2004, General Håkan Syrén, a 1998 graduate of the SIDMC, was appointed as Sweden's Chief of the Defense Force.

Syrén has operational experience from the amphibious force (like the US Marine Corps) and has been

commander of the 1st amphibious regiment at Vaxholm near Stockholm. Since the early 1990s, Gen Syrén has served as a flag officer in the Swedish Defense Force Headquarters.

Before being appointed CDF, Syrén served as director of military intelligence and security for four years.

The Swedish Defense Force is challenged with the task of continuing the transformation into a smaller but more lethal force with more focus on international operations. During his first six months, Gen Syrén focused on the speed of transformation. His overall goal is to improve the Swedish Defense Force's ability to transform in response to future demands in the ever-changing security environment.

Air Chief Marshal Chevalier Appointed Head JCS, Argentina

While in Argentina, DRMI faculty read a current news article about the Argentine Air Force during the Malvinas conflict. Eagle-eye Al Polley found that the current Head of the Joint Chiefs of Staff, identified as Air Chief Marshall Jorge Alberto Chevalier in the article, attended DRMI's three-day course in September 2000 as a Brigadier.

Class Photos Available

Misplaced your class photo? Not to worry. Group photos of almost all resident and MIDMC courses are available on the DRMI web site. Just go to <http://www.nps.navy.mil/drmi> and click on the Photo Gallery link. Right clicking on the link to your class photo will give you the option to save a copy to your computer.

DRMI Course Catalog and Brochure

The 2005 course catalog and the Defense Resources Management Course brochure will soon be available. If you would like copies, please contact the Admin Office at 831-656-2104 (DSN 756) or send e-mail to DrmAdmin@nps.navy.mil

Curriculum Developments, Teaching News, and Faculty/Staff Service

Participation in the Navy's Executive Business Course

Dr Jim Blandin, Dr Jim Morris and Dr Natalie Webb recently attended the Navy's Executive

Business Course as observers. The course is taught to flag and senior civilian executives mostly from within the Navy, but with participation also from senior enlisted personnel, the Air Force, and the Marine Corps. For more on these programs, see <http://elo.nps.navy.mil>.

Joint Analysis of Alternatives Courses

DRMI faculty recently met with representatives from the Office of Aerospace Studies (OAS) located in Kirtland AFB, NM to discuss Analysis of Alternatives (AoA) education. OAS offers two courses for AoA teams. The Executive course is a two hour web-based course developed with the Defense Acquisition University. DRMI is helping develop a follow-on Orientation course that will bring a team together for one week at Kirtland AFB.

The Orientation course will teach basic decision analysis concepts required to develop an AoA plan. The goal is for the participants to develop a draft study plan as part of the course and to prepare them to brief the Air Force Requirements Oversight Council (AFROC). Dr. Kent Wall is working with OAS to develop the curriculum and materials for the course and DRMI faculty will eventually assist in teaching the course.

Homeland Security Planning and Budgeting

Professors CJ LaCivita, Kent Wall, and Robert McNab are currently working on developing a new course on strategic planning and budgeting for homeland security. The work, funded by a research grant from the Department of Homeland Security, was proposed last year and runs through April 2005. At the completion of the research and development program, two courses will be presented to DHS: the first will be a resident course to be held at NPS as part of the NPS-based Homeland Security curriculum, the second a non-resident course to be conducted at NPS and online. During the course of work, the professors also plan to research and write about the current state of strategic planning and budgeting in the Department of Homeland Security and to publish recommendations on how to reform the current approaches.

Other News

Ms. Kathleen Bailey of the Monterey Institute of International Studies (MIIS) joins the DRMI staff as a research intern for Summer 2004. Ms. Bailey is currently pursuing her Masters degree at MIIS and will also be conducting an internship for the United Nations Environmental Program in Mexico City in 2005. Ms. Bailey will be assisting Professor McNab in his ongoing research on strategic planning and budgeting for homeland security, the economics of insurgency, and fiscal decentralization and military conflict.

Dr James Blandin has been asked by the Director of NASA (Sean O' Keefe) to do an evaluation of the Professional Development Programs at the Agency.

Faculty Research and Conference Presentations

Publications

R. Looney and P.C. Frederiksen, "An assessment of relative globalization in Asia during the 1980s and 1990s." *Journal of Asian Economics*. 15 (2), April 2004, pp. 267-285.

McNab, R. (2004). "Base Realignment and Closure: Guiding Principles for Peru". In Press. *Defense and Security Analysis* 20 (3).

Richter, A. (2004). "Duct tape for decision makers: The use of OR models in pharmacoeconomics". In M.L. Brandeau, B. Pierskalla, & F. Sainfort (Eds.), *Handbook of Operations Research/Management Science Applications in Health Care*, Kluwer Academic Publishers.

Papers and Referee Reports

Francois Melese and Diana Angelis submitted a paper to *Defense and Security Analysis* entitled "Deterring Terrorists from Using WMD: A Brinkmanship Strategy for the United Nations."

Azre, J., J. Martinez-Vazquez, and R. McNab (2004) submitted, "Does Decentralization Influence the Composition of Public Expenditures" to *American Economic Review*.

Bob McNab refereed "Fiscal Decentralization and Deficits: International Evidence" for World Development.

Conference Participation

Dr CJ LaCivita and Dr Francois Melese participated in the RAND Defense Economics sessions of the Western Economics Association Meetings in Vancouver, Canada (28 June - 4 July). Another economist, our Under Secretary of Defense for Personnel & Readiness Dr. David Chu, chaired a session called Military Families and Quality of Life. CJ discussed a paper entitled "Recent Changes in the DoD Resource Allocation Process" in another session on Acquisition. Francois chaired a session called Capital Investments, discussed a paper ("Rational Political Extremism") in another session, and was co-presenter on an applied game theory paper with Dr. Chip Franck (from the NPS Graduate School of Business and Public Policy) in a session called Economic Analysis and National Security. The paper is entitled "Examining the structure of the WMD decision by Terrorist Organizations."

Dr Anke Richter, and Dr B. Loomis presented, "Economic Impact of an Intervention in Out-of-Treatment Substance Abusers" at the joint Canadian Operations Research Society and Institute For Operations Research and the Management Sciences (CORS/INFORMS) meeting, Banff, Canada, May 16-20, 2004.

Dr Natalie Webb was invited to participate in a workshop in June at the Indiana University Center on Philanthropy. The purpose of this workshop was to encourage use of the data by facilitating the work of those who have recently begun using the data. Professor Webb is researching charitable giving by siblings and family members, and the economic theory of individual giving.

Consulting

Dr Francois Melese, Don Bonsper and Al Polley did some minor consulting for a recent DRMI graduate in the German MoD on "Interagency Interaction"—involving the challenge of collaboration, cooperation and coordination between organizations.

Public Expenditure Management Systems: An Overview

Robert McNab, PhD

Two common public expenditure management systems in use today are the World Bank's Medium Term Expenditure Framework (MTEF) and the Planning-Programming-Budgeting-Execution System (PPBES) that originated in the United States Department of Defense (DOD). Each system recognizes that, while public budgets and funds are developed and appropriated on an annual basis, events outside the annual budget cycle, to include the long-term requirements of policies and programs must be taken into account. Each system attempts to allocate scarce resources among competing programs under conditions of risk. While the scale of the two systems may be different (defense for PPBES, government wide for MTEF), the two systems share similar goals and necessary conditions for success.

Sound public expenditure management systems have three main goals: fiscal discipline, allocative efficiency, and cost-effectiveness. Fiscal discipline means the control of government expenditure, to include defense enterprises and extra-budgetary defense funds. An absence of expenditure constraints is likely to produce unreasonable requests for resources; creating an unnecessary expenditure of effort to bring service requests in line with departmental or ministerial guidance. Fiscal discipline requires not only budget envelopes on the growth (or reduction) in expenditure but must also capture multi-year commitments, to include procurement contracts and retirement benefits.

Allocative efficiency is achieved through the matching of competing policymaker preferences (more special operations personnel, fighter aircraft, ships) with scarce public resources and within aggregate fiscal discipline. Opportunity costs are important in informing the policymaker, whether at the DOD or Executive-Congressional level, of the tradeoffs among competing programs. Here, using impersonal rules for evaluating the relative importance of choices is likely to improve the quality of analysis, though we must recognize that, in the end, allocating resources is a political bargaining process.

Cost-effectiveness is achieved when public expenditure objectives are achieved at minimum

costs. Cost-effectiveness is best applied when benefits are difficult to measure and value or multiple objectives exist. Policymaker preferences are incorporated into the analysis of public expenditure. Measures of risk may also be included in the analysis to facilitate the costs, benefits, and uncertainty associated with competing programs. Cost-effectiveness requires sufficient autonomy for program managers to manage subject to clearly defined performance measures.

While fiscal discipline, allocative efficiency, and cost-effectiveness may be the goals of public expenditure management systems, achieving these goals may not be possible without a comprehensive, transparent, and accountable budget system. A comprehensive public expenditure management system allocates public resources (revenues) across competing programs (whether at the national or departmental level) until the marginal social benefit is equal to the marginal cost of each program. Public sector efficiency and social benefit is maximized when this occurs. Placing certain programs 'outside' the budget process breaks this process and results in inefficient outcomes.

Transparency can be thought of as low (or no) cost access to public expenditure information. Public institutions should adhere to internationally accepted principles of financial management and disclosure of financial and performance information. Reports should be independently audited for integrity and accuracy. Performance measures should evolve over time as the mission of the organization changes in response to policy inputs.

Finally, public expenditure systems must have a system to enforce accountability. Public officials must be held liable for their conduct and performance; else, the system is merely an exercise in futility. Accountability measures must address three simple questions: accountability by whom, accountability for what, and accountability to whom. Performance measures should be objective, impersonal, and audited by external sources. Accountability must not only include responsibility but also consequences for failure to meet stated objectives or malfeasance.

Additional Readings:

Allen, R. and Tommasi, D. (eds) (2001). *Managing Public Expenditure: A Reference Book for Transition Countries*, Paris, OECD.

Schiavo-Campo, S. and Tommasi, D. (1999). *Managing Government Expenditure*, Asian Development Bank, April 1999.

World Bank. *Public Expenditure Management Handout*. Washington DC: World Bank.

Future Resident Courses

Defense Resources Management Course (four-week DRMC):

DRMC 04-5	16 Aug - 10 Sep 2004
DRMC 05-1	10 Jan - 4 Feb 2005
DRMC 05-2	25 Apr - 18 May 2005

Please contact Sue Dooley at (831) 656-2104 or DrmiAdmin@nps.navy.mil for quota and enrollment information.

International Defense Management Course (eleven-week IDMC):

IDMC 04-2	20 Sep - 3 Dec 2004
IDMC 05-1	7 Feb - 20 Apr 2005

36th annual Senior International Defense Management Course (four-week SIDMC)

SIDMC 2005	27 Jun - 22 Jul 2005
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For additional information on any of our resident courses please contact Sue Dooley at (831) 656-2104 or e-mail DrmiAdmin@nps.navy.mil



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