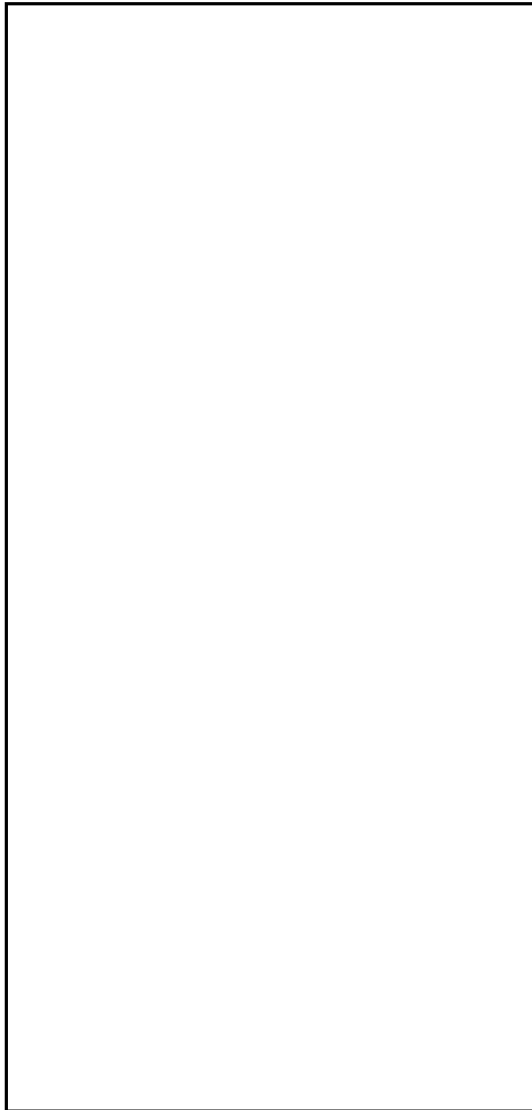


PAO Routing Slip

SUBJECT: Meeting on 22 January to Discuss RMS  
Self-Study for Congress

LOG NO: 14449 DATE OF ITEM: 1-15-81 DATE RECEIVED: 1-16-81

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Initials

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D/PAO Comments:

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John ...

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DCI/RM-81-0004  
15 January 1981

MEMORANDUM FOR: RMS Office Directors and Staff Chiefs

FROM:

[Redacted]

Associate Deputy to the DCI for Resource Management

SUBJECT: Meeting on 22 January to Discuss RMS Self-Study for Congress

1. Attached is a four-part draft for each of you to consider carefully and be prepared to discuss at a brown bag lunch meeting scheduled from noon to 2:30 p.m. on Thursday, 22 January.

2. What you have here is a very rough paper that contains far more information than we intend to actually provide to Congress. Much of Part I, for example, is important for your background, but is unlikely to be included in whatever we provide to the HPSCI.

3. Part II has more of the flavor of what the HPSCI should receive, although it is not yet clear whether we will have to provide anything in writing, or if instead we can offer a briefing of the results of our audit.

4. Part III contains a discussion of weaknesses (somewhat disjointed, largely because this section and some of the others are a cut and paste job of several authors). The HPSCI has asked us to evaluate our own weaknesses, thus it is essential that we pay close attention to what is contained in this section and to what may now be missing.

5. Part IV is a somewhat upbeat overview of the NFIP. It may or may not have a place in what we provide to the HPSCI.

6. The attached draft is meant to be only a point of departure. As you read through these sections, you will note that there are portions missing. We may want to address, for example, the use of external contractors, to look at the subject of management more rigorously, and to talk about the role of the offices that were not specifically addressed in the current draft of Part II. Think of it as an opportunity to make the statement of your office's activities, that you would like to see included. Feel free to add to this list as well. I hope on Thursday we can give John our full and frank opinion of our strengths and weaknesses. This is clearly the central part of the process of the internal audit.

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AND METHODS INVOLVED

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7. Following the meeting on Thursday, we would like to come away with an understanding of what each of you believes ought to be included in whatever we provide to Congress, a clear picture of what each of you feels are the strengths and weaknesses of RMS and some sense of your recommendations for the future. A brief outline of your recommendations for the future would be helpful for use at the meeting on Thursday. We intend to stress to them that our self-study, or audit, was a process of which they are seeing only the results.

8. Let me stress once more that this paper is the product of several authors, hastily cut and pasted. It is not meant as a finished product, nor are we meeting to edit it. We decided it was better to use the time chewing over the subjects among ourselves than investing it in providing a cleaner draft.



Distribution:

- 1 - Each Office Dir & Staff Ch
- 1 - D/DCI/RM
- 1 - AD/DCI/RM
- 1 - EO/RMS
- 1 - RM Registry

AD/DCI

(15 January 1981)

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THE RESOURCE MANAGEMENT STAFF:

Part I

AN APPRAISAL IN PERSPECTIVE

Introduction:

The ultimate criterion for judging the performance of the Resource Management Staff (and all the other elements of the National Foreign Intelligence Program) is the quality of the intelligence product which the Director of Central Intelligence provides to the President and the National Security Council. The production of a National Intelligence Estimate is the formal culmination of all the disparate activities (collection, processing, dissemination, analysis, and production) which are dispersed throughout a large and diverse Intelligence Community. It is a major management task to ensure that the most pressing national security issues are addressed by the DCI when he acts as the principal foreign intelligence adviser to the President.

The most important National Intelligence Estimate each year is the assessment of the Soviet strategic capability to wage war against the United States and its allies. This estimate demands the best in analytical judgment which the Community can provide. The estimate may depend in critical areas on sophisticated collection techniques (non-technical as well as technical). The activities which permit the DCI to make the crucial judgments must be adequately financed. The estimate may be flawed by biased analysis or by misguided collection; it could even be distorted by misplaced or unavailable budgetary support.

Since 1946, the DCI's basic responsibility to the President has been the provision of national intelligence. It has taken more than 30 years to confer on him the authorities he requires to carry out his responsibilities. Unless he controls the national collection and resource management functions, his authority is not strong enough to carry out his primary responsibility. It

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does not follow that adequate financing and collection will guarantee informed analysis. It is, however, a matter of concern <sup>when</sup> ~~where~~ the discrete elements of the Community appear to be operating independently of each other. This is why the operations of the Resource Management Staff are <sup>perhaps</sup> best understood in a perspective of complementing the roles of the National Foreign Assessment Center and the Collection Tasking Staff.

### Origins of Authority

The National Security Act of 1947 established the authority of the DCI for the production of national intelligence, espionage, and covert action. The Central Intelligence Agency was designed as the executive agency to discharge the DCI's national responsibilities. The members of the Intelligence Community were to be "coordinated" by the DCI, to advise the DCI, and to concentrate on departmental rather than national concerns. CIA was the first among equals in the Community.

From about 1947 until 1960, there was a national consensus that a clear and present danger threatened our national security. ~~The~~ Intelligence Community worked in harmony against an agreed objective, and a set of directives stemming from the National Security Council and the DCI laid down a rational division of labor. So long as the consensus obtained, the Congress was content to leave the conduct of intelligence activities in the hands of the Executive Branch.

During 1961, the national consensus about the role of the United States in foreign affairs began to come apart. Coincidentally, a current started flowing which centered on the issue of separating the DCI from the CIA in order to place him in charge of the Intelligence Community, which would include CIA. As a practical matter, the DCI found that he did not control the requisite support activities (collection, in particular) which he needed to control to address the national concerns. In January 19<sup>6</sup>2, President Kennedy directed the

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DCI to act as head of the Community and to delegate the day-to-day direction of CIA. The DCI was thus assigned an additional responsibility, but no new authorities to carry it out.

It was evident that authority over the budgets of the Community would give the DCI genuine control; it was also clear that the heads of the departments and agencies were not about to grant the DCI such authority. The budget issue was first faced up to in 1971 in a directive from President Nixon, but it was not until 1976 that the DCI's role was acknowledged to be more than advisory. Since the collection systems, for example, resided in other departments and were budgeted for therein, the DCI's role was limited.

The first "consolidated" National Foreign Intelligence Budget was produced by a Committee on Foreign Intelligence (CFI), consisting of the DCI, a member of the NSC Staff, and a senior Department of Defense official. An Intelligence Community Staff was established to support the CFI and the DCI in his role as manager of the Intelligence Community.

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Intelligence Community Management

Under Executive Order 11905, a Deputy to the DCI for the Intelligence Community was established, and the Intelligence Community Staff (ICS) was formed with a broad charter to oversee the activities of the Intelligence Community on behalf of the DCI and also, with particular reference to the budget, on behalf of the CFI.

The ICS had a broad charter which included:

- advice to the DCI on all Intelligence Community matters;
- final recommendations on NFIP budget issues;
- evaluation of NFIP programs and products;
- implementation of directives throughout the Community;
- vice chairmanship of the National Foreign Intelligence Board and supervision of the Executive Secretariat;
- overview of all DCI Committees and supervision of specific committees, to include COMIREX, Human Resources, Information Handling, Security and SIGINT;
- set requirements and priorities for national production and collection on behalf of CFI;
- development of planning guidance and the DCI's annual report;
- evaluate services of common concern;
- provide guidance to the DCI on national-tactical issues; and
- relate to Congress and OMB on resource issues.

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Coordination ~~Approved For Release 2006/02/07 by CIA-RDP83M00171R002100220002-9~~ over the years, but generally accepted by the Community. Budget control cuts across a new set of boundaries. Not only are departmental authorities seen as threatened, the basic direction of the Community is thought to have been changed.

### The Community Perspective

Those elements of the government which have intelligence entities are as diverse as the <sup>interests</sup> departments they serve. Only one (CIA) is not associated with a specific policy interest. To focus these elements on overriding national security issues was the basic motive underlying the National Security Act of 1947; the process is still being tested.

Each of the Community's elements (which range <sup>in number size</sup> from seven to tens of thousands) <sup>of people</sup> come fully equipped with its own set of requirements, collection needs, analytical chores, production functions, and budget procedures. The primary task is to serve the department's head. It is an incidental task to work on national intelligence activities, except in so far as the national and departmental needs happen to coincide.

To create a single budget out of the welter of individual needs is a monumental task. To give it a focus which reflects the DCI's needs rather than a simple conglomerate of individual needs requires an annual exercise of great complexity. To project the budget into a dimly-perceived future is at best an exercise in divination.

Some of the Community still perceives the DCI's new authority as an intrusion into established keeps, but the benefits of having a national budget are not completely lost on those who see the intelligence accounts protected against the forays of outside interests.

The DCI's task is further complicated by a persistent tendency to regard him merely as head of CIA. However, the principal perception, which is present throughout production, collection, and resource management, which creates the most tension for the DCI is a fundamental split over the nature of the threat



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facing our country. It is an honest difference which is reflected in national intelligence estimates. It is tolerable, but it has the major impact on all phases of the national intelligence activities.

#### A Basic Dichotomy

There is little agreement on the nature of the threat to our national security beyond the fact that there is a threat. The priority objective of the Intelligence Community to provide warning against military attack has remained unchanged since 1946. However, when the additional requirements for identifying the non-military threats - be they political, material, or yet to be identified - are imposed on a constrained Intelligence Community, the requirements tend to become infinite while the means of satisfying them appear to shrink.

Even if the threat were only military, the requirements for intelligence are levied in such detail that an inadequate response is guaranteed. If the task of peace-time intelligence is primarily to prepare for war, then the national intelligence program should be constructed <sup>primarily</sup> to serve the needs of military commanders

This basic split is apparent in current estimates of the global strategic balance. There is a broad measure of agreement about the physical nature of Soviet military power, but the implications of how, where, and when this power might be applied are not well understood. We are as ignorant of basic Soviet intentions as we once were about their bombers, missiles, factories, and oil production.

Not only do we levy insatiable requirements on the strategic military issues, but we compound our difficulties by extending our stated needs for information into detailed requirements for military minutiae. Recognizing

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that it is impossible to satisfy the military requirements, we impose a set of political, economic, and other intelligence requirements which threaten to swamp the mechanism.

Requirements flow from the high level policymakers and also well up from the needs of the diverse Intelligence Community. Management of the Community demands a focus on what is most important. This ~~have~~<sup>has</sup> usually turned out to be the crisis of the moment, and this inevitably disrupts the steady vision of those who are trying to see the smaller pieces in a larger focus.

There is an element of strength in the diversity of the Community which contributes much to the analytical, collection, and budgeting activities. The capability of each Community element to focus on particular problems - tanks, nuclear proliferation, oil production, international finances, for examples - guarantees that the national view is not made up of abstractions and theories. There is also a vital need to support the kinds of technical expertise which exist far below the national level and which enrich our estimates of great issues.

The problem for the national intelligence process is that it can never develop the total capability needed to analyze and collect against total requirements. The problem for resource management is to adjudicate the reasonable demands for military, political, economic, and other intelligence in a way which will best serve the DCI and the President.

#### The Current National Intelligence Structure

Executive Order 12036 reaffirms the primacy of the National Security Council to direct the activities of the DCI and the Intelligence Community. This is not<sup>t</sup> new. The Executive Order reaffirms the DCI's responsibility for the production of national intelligence. This is not new.

The Executive Order does provide for three new elements in the national intelligence structure. These have brought about <sup>?</sup> sea changes in the manage-

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ment of the Intelligence Community and have led to challenges to the DCI's authority in all phases of the Community's activities.

The following are new:

1. The delegation to the NSC Policy Review Committee on Intelligence ((PRCI)) of the authority to establish national intelligence requirements and priorities. The DCI, as Chairman of the PRC(I), has further delegated the staff work to his Deputy for National Foreign Assessment.

2. The establishment of a collection tasking function to ensure unified guidance across the three collection disciplines. The DCI has delegated authority for this function to his Deputy for Collection Tasking.

3. The location of responsibility and authority with the DCI for the National Foreign Intelligence Program and budget. The DCI has delegated authority in this area to his Deputy for Resource Management.

Some elements of the Community perceive this new management structure as an intrusive superstructure. For example, the new national requirements and priorities have been issued with a notation that these are not the only requirements which must be satisfied. Thus, the plethora of requirements is further proliferated, and those which are responsive to departmental needs are likely to receive priority attention. For example, the distinction between guiding and tasking collection systems has been hard to grasp, not to mention the role of collection tasking in human resources intelligence and non-national systems. For example, the creation of another layer of budget review is perceived as a device to frustrate the needs of Community components and to benefit some ill-defined national need. The national need is best understood when an activity is funded as a program manager has proposed.

Executive Order 12036 was promulgated in January 1978 with new emphasis on Community management. The new DCI, Admiral Turner, decided that he needed a new structure to carry out his responsibilities. The basic outlines of the new organization were presented to and approved by the Congress.

The ICS as such was disestablished, and <sup>the</sup> term remain<sup>s</sup> current, presumably as an administrative convenience, only in certain Congressional documents.

The principal functions of the ICS have been dispersed, but not abolished. Policy, planning, and evaluation remain inherent in the Intelligence Community structure, but they are no longer assigned as discrete functions belonging to any one Community management element to the exclusion of the other elements. These functions are as interdependent as the three elements of Community management (NFAC, CTS, RMS).

Intelligence Community policy is set by the DCI in his annual report, in program guidance, in his goals and objectives, and is an important element in the volumes of justification material provided to the Congress. Policy permeates the national intelligence process and serves the DCI better as an ingredient rather than a separate, formal exercise.

The ICS developed a total planning structure for the Community which was not used because it, too, tried to stand separate from the intelligence process and lacked a substantive base. Planning projections are extremely hazardous when they attempt to forecast the US role in a rapidly changing environment. The DCI is better served when planning occurs in a specific context. For example, what can we predict about the overseas environment which will dictate the type of collection structure we will be able to maintain over the medium-term future?

Evaluation, which was once seen as a discrete function with a central direction, has also been dispersed. Measures of performance - the product

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and the activities which resulted in the product - vary. An evaluation of our knowledge and lack of knowledge is an intrinsic part of the production process. It is an integral part of National Intelligence Estimates. An outstanding formal exercise in evaluation is the Senior Review Panel's examination of the issue of [REDACTED]

Evaluation of our collection systems, especially the technical ones, is a day-to-day exercise. The current systems are measured by those who use the results, and future systems are weighted technically, financially, and substantively. In view of the great costs of these technical systems as compared to all other elements of the intelligence process, a continuing evaluation by the users, by CTS and RMS, is a major part of managing the Intelligence Community. This preoccupation with high-cost technology and the concomitant functions of processing and dissemination is appropriately a major concern of the Congress.

Evaluation is built into the NFIP process as an integral function. Evaluation, like analysis, is competitive, and it ensures against unnecessary duplication as well as against gaps in intelligence coverage.

Partly in response to a genuine concern about growing costs, but more importantly because of the potential benefits which may accrue to the Intelligence Community, automatic data processing has long been accorded a special status in the Intelligence Community. The management of this effort is a specific ICS function which has been lodged with RMS. The Staff is charged with seeing to it that ADP is a resource which serves the Community as a whole.

Finally, the overview of the DCI Committees has been dispersed among the appropriate Deputy <sup>ies</sup> to the DCI, in accordance with their responsibilities for production, collection, security, and other areas of common concern.

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The perception of a unified ICS rather than a tripod of senior deputies and interrelated functions has died hard. An illumination of the performance of RMS, not in isolation but as a part of the intelligence process, should shed some light on the roles of planning and evaluation as well as other aspects of the Intelligence Community management structure. Whatever the merits of an ICS-type central direction might have been, the accomplishments of the present structure are evident and can be weighed against the demands set forth in the Executive Order.

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Part II

In 1978, Executive Order 12036 reconfirmed the DCI's responsibility for

national intelligence production, and it placed him in charge of tasking national collection systems. It <sup>also</sup> invested him with "full and exclusive" authority to develop, approve, and present a National Foreign Intelligence Program and budget to the President. The budgets produced since that time reflect for the first time since 1946 an effort to provide direct financial support to the DCI as an advisor to the President and as executive manager of the Intelligence Community.

This exercise has also proved to be a severe test of the DCI's authorities and a clear measure of the Resource Management Staff's performance.

~~are in order.~~ <sup>Good</sup> ~~the~~ budget <sup>are not</sup> ~~is~~ developed in isolation. By its very nature program and budget development is a process of <sup>analysis</sup> information exchange. In the course of such exchange, differences of opinion--some large, some small--inevitably emerge. The <sup>phrase</sup> ~~term~~ "full and exclusive" provides the route by which such differences are resolved in formulating a recommendation to the President <sup>for presentation to</sup> and then the Congress. <sup>The</sup> ~~its~~ primary intent <sup>of this phrase</sup> was to ensure that the ways in which programs are funded converge. In this sense, full and exclusive is a very important, but in no way an absolute, authority.

The forced convergence just described carries with it one other implication.

A DCI can exercise his authority and approve programs with a lot of supporting information <sup>and analysis</sup> or none at all. This <sup>dependence on</sup> ~~taste for~~ information dictates the size and scope of the staff support he needs. Were resources unlimited and were there no clamor or competition for them, very little staff support <sup>would be required</sup> ~~is needed~~. Resources however are <sup>always</sup> quite limited. And the competition for them is intense. The DCI--any DCI--must be sure that the <sup>amount of</sup> money he requests is <sup>justified and that it</sup> being spent wisely. To do this he must weigh and consider the arguments of those who are in competition for the available resources, all of whom in the words

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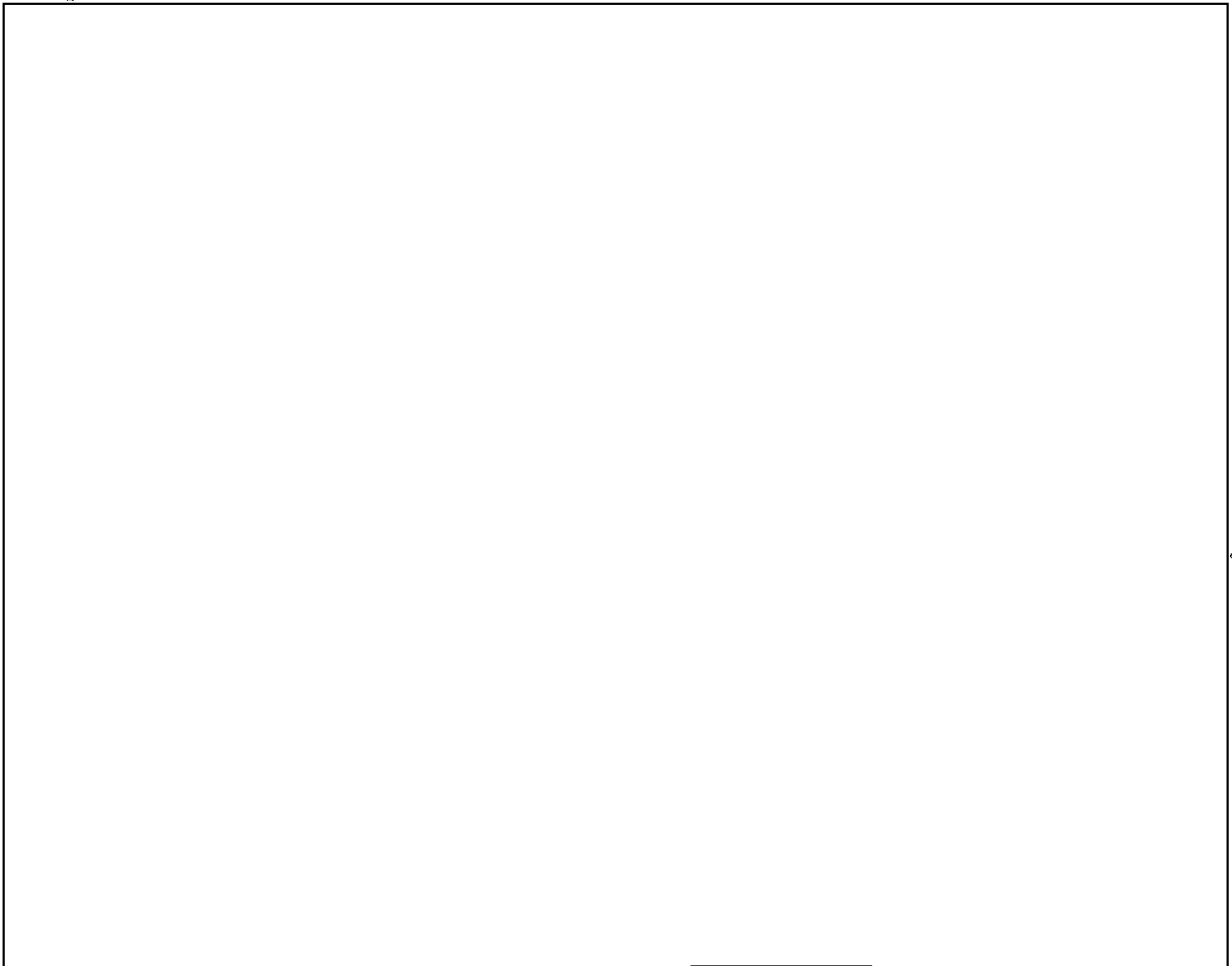
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of classic game theorists are involved in an n-person zero sum game with coalitions allowed--a very complicated situation. The Resource Management Staff not only provides support to the DCI, but in many instances tells him when he needs it. It ensures that the information *and analysis* exists on which <sup>for</sup> sound resource decisions ~~can be made~~ <sup>are available</sup>. To do this, the staff manages a process--described by the functions set out in E.O. 12036--consisting of guidance, review, budget development, execution monitoring and evaluation. Each of these functions <sup>is</sup> ~~are~~ addressed separately below.

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*...provide guidance...*



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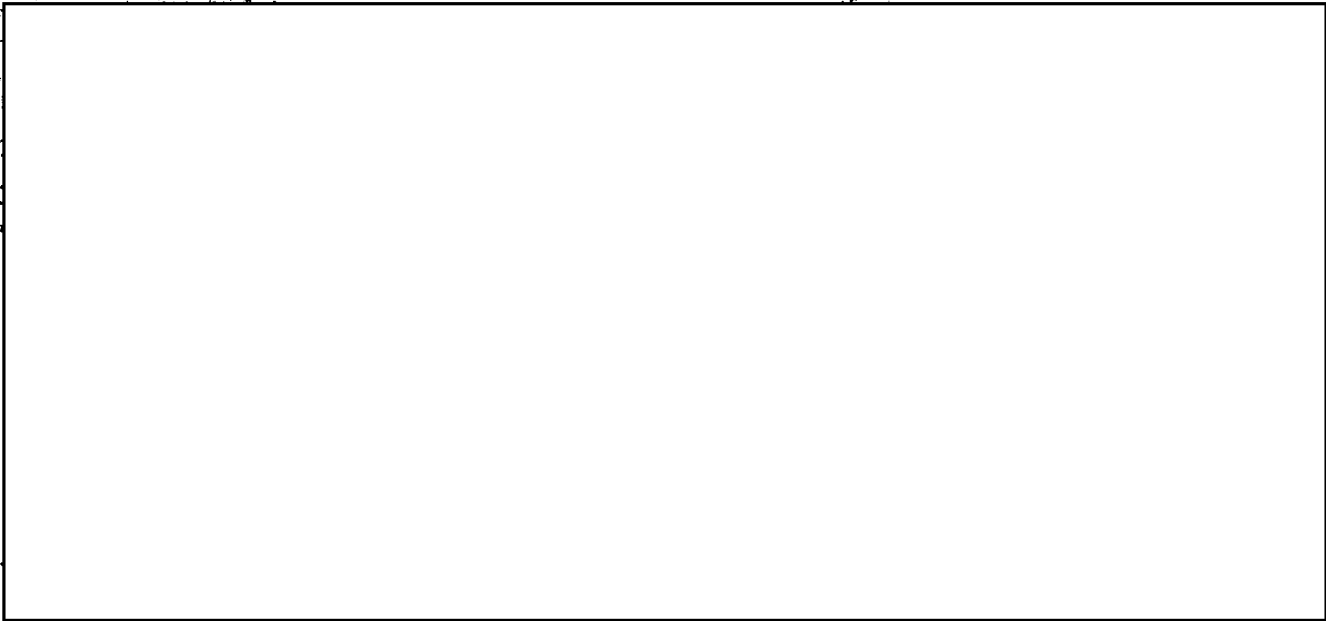
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*...review and evaluate program and budget submissions...*

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Throughout this process the staff imposes

on itself two disciplinary tenets:

- debate is open and clearly documented
- no change to a program manager's recommendation can be made arbitrarily.

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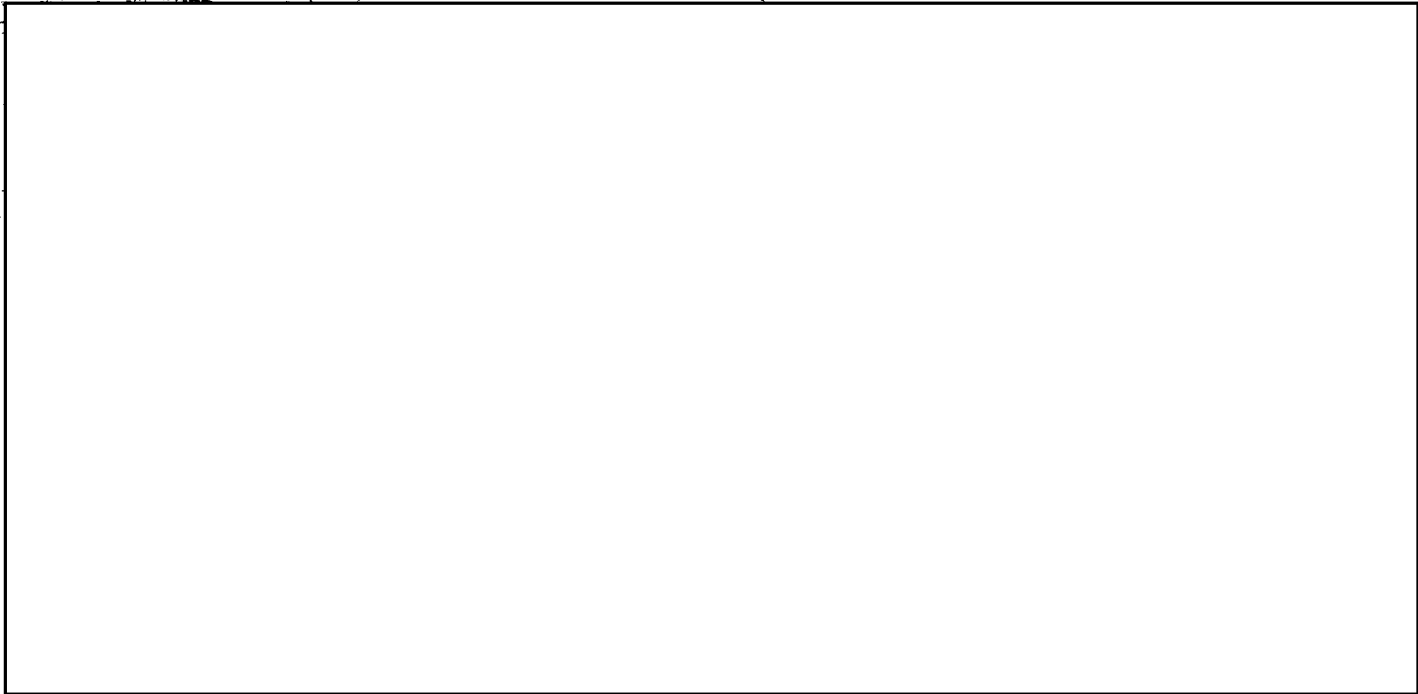
Throughout both the program and budget review process provision is made for appeal.

Program managers have sometimes criticized this process as burdensome and time-consuming. Consider, however, the benefits that have also accrued.



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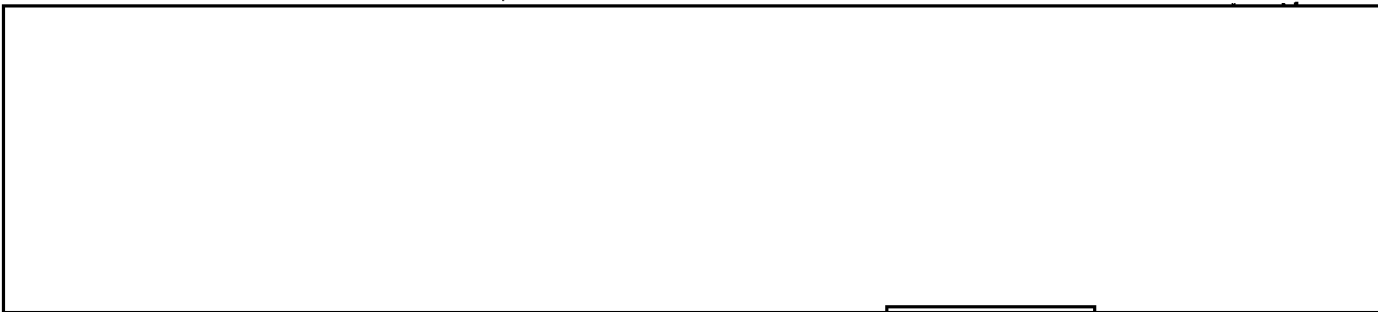
*...develop and present the consolidated NFIP budget to the President...*

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For the last three years the President has complimented the DCI on the quality of his budget document. It has been characterized by OMB to the President as "one of the two best in the Government." The document represents the culmination of the review and evaluation process described above, together with the deliberations of the National Foreign Intelligence Board and the NSC's Policy Review Committee for Intelligence.

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It is in the preceding two functional areas that the staff's performance has been emphasized and is the most impressive. Since he must make the decisions and then defend them to the President, it is perhaps the DCI's view of the staff's performance that matters most. And he has consistently commented favorably on the work the staff has done.

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*Para III  
Weakness*

There are some flaws. As the pace of activity quickens in both spring and fall, lateral communication tends to breakdown. The role of OMB is always ambiguous, often elusive. There is a constant worry about whether they should be included in all deliberations in the interest of efficiency or held at arms length as an ever present antagonist. Program managers blow hot and cold. RMS program monitors are greeted with open arms on some issues and accorded cool receptions on others depending on how much money is at stake and in what direction they are seen to be leaning. Studies commissioned to support the process 12-18 months earlier sometimes turn out to have been misfocused, or the issue takes an unanticipated turn, or a new proposal is tabled. Inputs counted on as fuel for debate show up late, are incomplete or may not turn up at all. None of these "flaws" are susceptible to easy correction. Their impact is best moderated by a constant investment in keeping people informed. Such an investment is rarely seen as producing real returns and is often viewed as turning objective analysts into program advocates as they become more and more specialized.

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Part IV - NFIP

The final say about the product of the national intelligence community and the activities which are designed to produce the best results rests with the President and his National Security Council. The NFIP is designed to be a direct response to the NSC's statement of needs for information which can best be satisfied by intelligence activities. The NFIP overrides departmental interests. The NFIP is reviewed by the NSC's PRC (Intelligence). The NFIP has been acknowledged by the President and the Office of Management and Budget as a responsive, well-constructed program and budget.

The NFIP provides direct support to the DCI, who in his capacity as principal foreign intelligence advisor to the President, acts specifically as the producer and presenter of national estimates; Chairman of the PRC (Intelligence) which sets requirements and priorities; and as the manager of the NFIP and the national aspects of all its elements.

The NFIP, by its nature, considers and presents to the DCI for resolution programmatic issues by function rather than by organizational residence. Production cuts across component jurisdiction<sup>s</sup>, and the DCI's guidance to the NFIP<sup>has</sup> provided an opportunity for the protection and enhancement of initiatives to improve national production across the board.

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