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Defense Resources Management Institute, Naval Postgraduate School, Monterey, California

Issue 4

www.nps.navy.mil/drmi/

April 1, 2003

DRMI Activities

Upcoming course dates are listed at the top of this newsletter. The administrative office says the July DRMC is full, but the May and August courses still have a few seats open. Please contact them immediately if you wish to attend.

The current International Defense Resources Management Course began 3 February and will continue through 16 April. There are 51 participants from 41 countries, and we welcome the first participant from Mauritius. We also have a representative from the Iraqi National Congress (the lead opposition party to the current Iraqi regime). The participants recently enjoyed a tour of the Monterey Peninsula and Point Lobos, as well as the aquarium. The week of March 11th the class traveled to Washington, DC, to tour the capital and various government and private organizations as part of the informational program. Increased security slowed some of the visits, but the group was nevertheless able to visit the Capitol and the Pentagon.

DRMI hit the mobile course road early in 2003 with a regional course in Guinea in January. The two-week course was held in Conakry and taught in French. A total of 41 participants from seven African countries created a wonderful atmosphere for learning and the exchange of ideas. Eva Regnier and Francois Melese taught their lectures and led their discussions in French. The other faculty relied on excellent simultaneous interpreters.

The offering in Guinea was followed with the first of four scheduled courses in Latin America. The first took place in El Salvador in February. It included 35 military and civilian officials from a variety of organizations within the government. It was the fourth time DRMI has conducted a mobile seminar in El Salvador. Larry Vaughan and Diana Angelis did all of their teaching in Spanish.

DRMI will visit Colombia in March, Honduras in May, and Peru in June. Thrown in for good measure is a two-week course to the National Security Agency in April. After the Senior International Defense Management Course in

July, DRMI will return to the road with courses in Malaysia, South Africa, Kenya, Canada, Argentina and Uruguay. Join DRMI and see the world.

DRMI will be sending representatives to the annual planning conferences (TPMRs) for the Unified Commands. These are the conferences that do most of the programming for our international participants. Al Polley attended PACOM in Thailand in March; Scott Mahone and Mary Andrews will attend CENTCOM in Tampa, FL, in April; Don Bonsper will travel to EUCOM in Germany in April; and Larry Vaughan will wrap up this year's set of conferences at SOUTHCOM in Miami, FL, in May.

Developments in Resources Management

The Naval Postgraduate School recently began offering a Master's Degree in Homeland Security. Sixteen federal, state, and local participants will return to campus 24 Mar-4 April to finalize their winter quarter's work and to begin the next three courses in their six-quarter program. Spring quarter courses include Asymmetric Conflict and Homeland Security, Critical Infrastructure: Vulnerability Analysis & Protection, and Policy Analysis & Research Methods. Participants will continue their course work via distance learning after they return home. All will return to NPS again in June for the summer session. NPS is considering offering this program to international participants in the future.

New Facilities for DRMI?

Those of you who have stayed in the living quarters in the West Wing of Herrmann Hall at NPS in the last few years know that they are in need of a major remodel. The chair of DRMI's Policy Guidance Council, Under Secretary of Defense (Comptroller) Dr. Dov Zakheim, has put \$36 million in the FY2004 budget request submitted to Congress in February to replace both wings of Herrmann Hall with modern living quarters. The new facilities will be designed to match the main building of Herrmann Hall and

will include more rooms, allowing DRMI and other NPS activities to offer more courses.

One feature of the new wings is that they will contain only housing. This means that we will lose our offices and teaching space. To remedy this, Dr. Zakheim is considering providing funds for a new building to house the School of International Graduate Studies (SIGS), of which DRMI is a part. If approved, these funds will be included in the FY 2005 budget.

So, will there be new facilities for DRMI? The answer, as any Drmecian knows, is: It depends! On what does it depend? Three factors: First, the funds for the living quarters must survive congressional scrutiny. Second, opposition by some local historical preservation groups to tearing down the old wings must be overcome. These groups want the wings to be rehabilitated rather than replaced. Unfortunately, rehabilitation will cost 25% more than replacement. Third, money for the new SIGS building must be approved.

Faculty and Staff News



Lisa Cappellari left DRMI on March 7th to take a job with Paratransit, Inc., a private nonprofit corporation that provides transportation service to individuals and agencies that serve people with disabilities and the elderly in the Sacramento

County area. She will be a data analyst, preparing forecasts and reports for the department heads. Lisa was an excellent instructor and favored travel companion at DRMI for almost four years. She will be joining her husband in Davis, California.



Russ Dorrell, Lecturer from the Defense Resources Management Institute, will be detaching in May to become the Commanding Officer of the Naval and Marine Corps Reserve Center in Greensboro, North Carolina. An integral part of the team of lecturers here at

DRMI, he created and implemented an improved computer lab process as well as an on-line continuous learning environment for students

and faculty. His departure comes after nearly three years, during which time he completed seven mobile courses, for two of which he was the on-site coordinator.



Mary Andrews was recognized as one of the Outstanding International Military Student Officers of the Navy for calendar year 2002. She received her award at the annual IMSO conference in Jacksonville, Florida in January. Some

quotes from her nominating paperwork follow:

"Ms. Andrews has served as the DRMI IMSO for more than 20 years. She has been an outstanding IMSO during that time and is known all over the world for her caring and professional way of doing business. It is difficult to describe adequately the contributions Mary makes to the overall effectiveness of the Institute. She is literally indispensable. She has a tremendous work ethic; no clock is involved when there is something to be done. She often stays after working hours to make sure an IMS gets his or her problem solved... Probably the greatest asset that Mary has is her sincere caring for all IMS participants attending DRMI courses. She shows no favoritism to any country, race, religion etc. She treats all with dignity and respect. She loves the United States and serves as a wonderful ambassador as she deals with such a diverse student body. At the three DRMI picnics she is particularly fun to watch as she teaches our visitors how to play the never-before-seen game of horseshoes."

In summary, Mary is most deserving of this award. She does something every quarter to earn such an award. She does so much and has done so for so long that most of us just take her for granted. Now is the time to recognize her for the truly superior efforts she has made year after year. It is my pleasure to nominate her, with my strongest endorsement, for the IMSO of the Year Award. Congratulations, Mary!

Curriculum Developments

The Mobile International Defense Management Course (MIDMC) is a two-week course taught in countries around the world. It covers management, economic analysis, quantitative

analysis, decision making, and budgeting concepts related to defense resources. Recently the curriculum committee added two new lectures to this course, Transparency and Accountability and Program Analysis.

Transparency and Accountability describes the principles of good governance. It explains how transparency in decision making is crucial to the efficient use of resources and how budgetary control can prevent fraud, waste, and abuse. These topics are of particular interest to developing countries seeking to establish financial relations with lending institutions and international investors.

Program Analysis reviews the concepts of cost-effectiveness analysis developed at the program element level and extends them to the intra-program and inter-program level. It describes differences in perspective and the derivation of measures of effectiveness at each level. The lecture sets up the final case study in the course, the MOD Recommendations.

Both lectures were presented for the first time in February in El Salvador and were well received by course participants.

Faculty Research and Conference Presentations



Professor Frederiksen attended the 2002 National Defense University Symposium entitled "Toward a Durable Regional Strategy" from March 25 to March 27. The event took place in Honolulu and was co-hosted by the Asia Pacific Center for

Security Studies. Dr. Frederiksen is a 2001 graduate of the Asia Pacific Center.



Bob McNab is working on a number of research projects:

1. McNab, R. (2002). Base Realignment and Closure: Guiding Principles for Peru. Under Review. Armed Forces and Society.

This paper examines the prospects for base realignment and closure in Peru and develops

an initial strategy for the realignment and closure process. While previous research has focused primarily on the realignment and closure process in developed countries, this work instead focuses on the need for the realignment and closure process to complement the government's objectives of democratic governance and economic growth. Given concerns about the reemergence of internal threats, most notably the Shining Path, and significant constraints on public finances, realignment and closure may have to proceed at a significant pace in the near term. McNab argues that transparency, accountability, and improved civil-military relations should not be sacrificed for the sake of expediency.

2. Martinez-Vazquez, J. and R. McNab. (2002). Decentralization and Governance. In Smoke, P. and E. Gomez (Eds.), 2003, The Political Economy of Decentralization. Under Review. Washington, DC: The Urban Institute.

This paper empirically re-examines whether there is a causal relationship between fiscal decentralization and democratic governance and whether this relationship is uni-directional or bi-directional. We explore these relationships using a newly developed international panel data set of decentralization and governance indicators. The empirical analysis focuses on the time-wise nature of the casual relationship between fiscal decentralization and democratic governance. The authors find that the previous research in the area of fiscal decentralization has ignored the time-wise nature of the casual relationship between decentralization and governance.

3. Martinez-Vazquez, J. and R. McNab. (2003). Fiscal Decentralization, Macroeconomic Stability, and Economic Growth. Under Review. Journal of Public Economics.

This paper examines how fiscal decentralization may influence economic growth. Previous research on this question has primarily focused on the direct relationship between decentralization and growth. This paper also incorporates the potential indirect influence of decentralization on growth through its impact on macroeconomic stability. The authors build an augmented neoclassical model of economic growth that allows for both the direct and indirect effects of fiscal decentralization on economic growth. Using panel data, they find that

decentralization appears to reduce the rate of inflation in the sample countries, does not appear to directly influence economic growth, and has an indirect, positive effect on growth through its positive influence on macroeconomic stability. An important contribution of the paper is to identify the role of the indirect effects of fiscal decentralization on economic growth.

4. Henderson, D., R. McNab, and T. Rozsas. Did Inequality Increase in Transition? Working Paper. Expected completion: Spring 2003.

This paper examines whether income inequality increased substantially during the transition period for the countries of Eastern Europe and the Former Soviet Union. Many researchers have argued that income inequality increased substantially at the same time democratic governance was emerging in the transitional countries, contrary to the previous arguments on the relationship between democratic governance and income inequality. The authors note that inequality was prevalent in the previous socialist systems and that inequality had risen prior to transition, suggesting that the increase in inequality has been overstated by the previous research on this subject. We argue that poor data, spurious correlations, and a willingness to accept ideological arguments are behind the purported increase in income inequality in the transition.

5. Martinez-Vazquez, J.; R. McNab; and S. Everhart. Corruption, Investment, and Economic Development. Expected completion: Spring 2003

This paper examines the linkages between public corruption, investment, and economic development in developing and developed countries. Using a newly developed panel data set of public and private investment, the authors explore the nefarious influence of corruption on the accumulation of public, private, and human capital. They find strong evidence to suggest that the marginal benefits of reducing corruption in developing countries far outweigh the benefits of investment in physical or human capital. Our findings lend credence to arguments that anti-corruption efforts improve the business climate and spur economic development in developed and developing countries.

6. McNab, R. and Everhart, S. Aid, Corruption, Military Expenditure, and Growth. Expected Completion: Summer 2003.

This examines the linkages between international aid, corruption, and military expenditure and their aggregate influence on economic growth in a panel of developing and transitional countries. Using newly developed data sets on public investment, decentralization, and military expenditures, the authors examine whether international aid improves governance or induces corruption in developing and transitional countries. They also explore whether there is an indirect linkage between the receipt of international aid, corruption, and the level of military expenditures. They then explore the aggregate influence of these effects on the pace of economic development in our sample countries.

Francois Melese has been invited to give a talk to NATO/EAPC (Euro-Atlantic Partnership Council) members in Budapest, Hungary the second week in April. Organized by the Chair of the Economic Committee of NATO, the sessions are entitled, "The Better Management of Defence Resources in the New Security Environment." The Deputy Director of the French MoD and Professor Melese are among the keynote speakers. The Deputy Ministers of Finance and other officials involved with the defense budgets of member countries (NATO and Partnership for Peace) will be in attendance.

City supports NPS renovation

By Dan Laidman, The Monterey Herald
dlaidman@montereyherald.com

The fate of the last vestiges of the old Del Monte Hotel now rests in Rep. Sam Farr's ability to squeeze \$12 million out of Congress. If that does not happen, the Navy now has the go-ahead to demolish the century-old buildings. The Monterey City Council voted unanimously Tuesday night to support the Naval Postgraduate School's renovation project, which includes the controversial provision to demolish and reconstruct parts of the old hotel.

The specter of losing the naval school when the Pentagon takes up a round of base closures in 2005 haunted Tuesday's meeting and ultimately influenced the council's decision. "The military presence in our city has been here since the

very beginning," Mayor Dan Albert said. "I don't think we should have something which can be used against us." The city does not have final jurisdiction over buildings on military land; however, the federal environmental review process dictates that the Navy must consult with local agencies when dealing with historic resources.

The council rejected the unanimous recommendation of the city's Historic Preservation Commission, which had urged the Navy not to destroy the buildings. The structures in question are two wings of the old Del Monte Hotel, a historic enterprise that helped launch Monterey as a tourist destination. The wings were built in 1888 and remodeled in 1924 after a fire destroyed the hotel's central building.

The wings are now part of Herrmann Hall, the center of the Naval Postgraduate School campus. President Bush's 2004 defense budget proposal includes \$35.5 million for the school's renovation project that would bring Herrmann Hall up to modern standards by demolishing and rebuilding the wings. Leaving the structures standing but remodeling them would cost an additional \$12 million, which naval school officials doubted they could obtain. Officials at the school said their rebuilding would take into account the Del Monte Hotel's historic character.

A group of local historic preservation groups has tried to save the original buildings by nominating the hotel for inclusion on the National Trust for Historic Preservation's list of the 11 Most Endangered Historic Places in America. One of the preservationists, Neal Hotelling, said he was disappointed the City Council did not hold a joint study session with the Historic Preservation Commission to discuss the matter. In the end, the council coupled its support of the Navy's project with a motion asking Farr to seek out the money necessary for a renovation. While the votes disappointed some preservationists, the council members said they had to balance the historic integrity of the buildings with the Navy's reality. Council member Theresa Canepa said that she factored homeland security and the military's increased duties into her decision. "They have a need that's more important than one building," she said.

FY03 DRMI Course Catalog and Brochure

DRMI's FY03 course catalog and the Defense Resources Management Course brochure were updated this fall and are available. If you would like copies, please contact the Admin Office (Mary Andrews) at 1 831-656-2104 (DSN 756) or send e-mail to Mary at mandrews@nps.navy.mil.

Future Courses

The four week Defense Resources Management Course will be conducted:

DRMC 03-2	21 April – 15 May
DRMC 03-3	19 May – 13 June
DRMC 03-4	21 July – 14 August
DRMC 03-5	18 August – 12 September

Please contact Mary Andrews at (831) 656-2104 or mandrews@nps.navy.mil for quota and enrollment information.

Mobile International Defense Management Courses (MIDMCs) scheduled for the remainder of 2002 are:

Honduras	5 – 16 May
Peru	2 – 13 June
Malaysia	21 July – 1 August
South Africa	4 – 15 August
Kenya	18 – 29 August
Canada	9 – 19 September
Argentina	15 – 26 September
Argentina	20 – 30 October
Uruguay	3 – 14 November

For additional information contact Don Bonsper at (831) 656-2224 or e-mail dbonsper@nps.navy.mil



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