Grantee Consolidation Plan

April 12, 2012

Contents

I. Summary Conclusions

<u>A consolidation of RFA, RFE/RL, and MBN into a single grantee organization would:</u>

- Eliminate the requirement for 51 support positions.
- Save approximately $10 million in base funding per year beginning in FY 2014.
- Cost approximately $4.5 million to implement ($2.1 million offset by salary savings in 2013).
- Have no negative impact on programming.

<u>To take advantage of efficiencies as soon as possible and avoid any risk of operational disruption, the initial consolidation should:</u>

- Minimize physical relocations.
- Establish a small consolidated headquarters staff in DC in currently leased space.
- Establish an Administrative support center in Virginia in currently leased space.
- Locate support staff at all operational centers to sustain service levels.
- Be in effect on January 1, 2013.

<u>The BBG should:</u>

- Prepare and submit a congressional notification on consolidation to reprogram $2.4 million for consolidation implementation (legal due diligence, systems consolidation planning, and related planning activities) upon approval by the Administration.
- Initiate action to select a CEO for the new organization.

II. Overview

As requested by the Board, an implementation strategy to consolidate RFE/RL, RFA, and MBN into a single corporate entity has been completed. The plan:

- Details a new organizational structure and workflows for each primary support function;
- Determines human and financial resource requirements for a consolidated organization;
- Estimates the savings and costs of consolidation; and
- Provides consolidation timelines at the macro and functional levels.

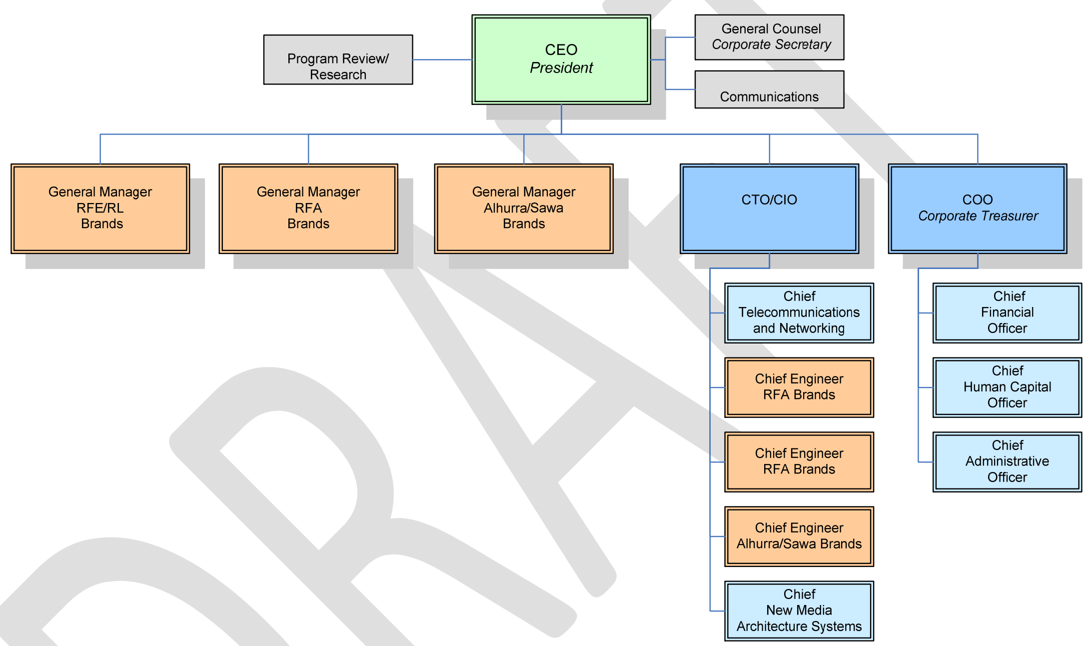
The BBG initially requested the strategy include the legal transaction plan to affect the grantee merger. In February, further guidance indicated that obligation of any funding related to executing this plan, including retaining legal counsel to affect the consolidation, should be delayed until after BBG, Administration and congressional approvals are secured.

This section provides an overview of the effects of the developed consolidation plan. It summarizes the plan and findings detailed in the functional sections as well as the appendices that follow.

Proposed Organizational Structure

Under this plan, one private, non-profit organization would be established to preserve all brands that have been created within RFE/RL, RFA, and MBN over the past five decades. The new organization would be staffed to provide the administrative and technological support needed for continued success.

Consolidated Grantee Structure



This chart outlines the consolidated reporting structure operating under a single CEO. Detailed workflows and functional analyses of the roles and responsibilities of organizational elements are provided in individual sections that follow later in the report.

Collective Grantee Resources – FY 2013 Budget Request and Consolidation

For FY 2013, the BBG has requested $236 million to support grantee operations and their approximately 2,100 full-time employees and contract staff -- $231 million in base funding and $4.9 million for enhancements. In FY 2013, collectively the three grantees are projected to spend about $41 million on administrative support and $45 million on technical support functions for base operations.

By consolidating the grantees, $10 million in base funding could be made available for higher priority programming expenditures beginning in FY 2014. About 17%, or $7 million, could be saved on grantee administrative support spending; and 7%, or $3 million, could be saved on technical support spending without effecting support levels or programming.

FY 2013 Budget Base Funding
($ in millions)

	Administrative Support		Technical Support		Programming		Total	
	$	%	$	%	$	%	$	
RFA	7.1	20%	5.6	16%	23.0	64%	35.7	
RFE/RL	21.6	24%	10.3	11%	57.7	64%	89.6	
MBN	12.4	12%	28.8	27%	64.7	61%	105.9	
TOTAL GRANTEES	41.1	18%	44.7	19%	145.4	63%	231.2	*

* Total Base - excludes $4.9 million requested for Egypt and Central Asia TV enhancements

For FY 2013, the BBG budget request includes authorization of 480 positions for administrative and technical support operations as outlined below.

Support Function Staffing
Current v. Consolidated
Authorized Position Levels

	Current Authorized Positions				Consolidated	
	RFA	RFE/RL	MBN	Total	Requirement	+/-
Office of the CEO	9	14	9	32	24	-8
Office of the COO	15	72	30	117	83	-34
Office of the CTO	41	87	202	330	321	-9
TOTAL	65	173	241	479	428	-51

By consolidating the grantees, 51 positions would no longer be required for grantee administrative and technical support operations and could be eliminated immediately.

All savings estimates are built on a new organization being in place and operational on January 1, 2013. Any delay will affect all estimates. The relative accuracy of the resource estimates hinge upon the integrity of the data inputs provided for this report by each grantee. The reductions included reflect only those easily identifiable as redundant in a consolidated organization. Longer term reductions are contingent upon future co-locations and/or further review of overall staffing ratios.

Locations and Leased Space

In the current structure, approximately 43% of the staff is located in the greater DC area, 25% in Prague, with the remaining 32% dispersed across bureaus and the markets served. RFA now maintains leased space in DC, MBN maintains leased space in Virginia and DC, and RFE/RL maintains leased space in DC and Prague.

Current Leased Space

	Staff	Square Feet	Annual Cost ($m)	Staff to SF Ratio
DC - RFA	313	63,000	3.2	1:201
DC - RFE/RL*	30	27,000	1.1	1:900
DC - MBN	20	3,400	0.2	1:170
Virginia - MBN	535	58,000	1.4	1:108
Prague - RFE/RL	520	226,000	7.4	1:435

* - to be eliminated in initial consolidation

Under the proposed consolidation, the requirement for the DC space leased by RFE/RL would be eliminated; the DC space leased by RFA would absorb the new, small headquarters staff; and the MBN space leased in Virginia would absorb a consolidated central administrative services group.

The consolidation plan includes only modest co-locations, however, a more aggressive consolidation of physical locations should be considered after the initial merger. Any significant location changes would need to be planned well in advance to mitigate any risks to programming.

Long term, significantly greater efficiencies and synergies could be achieved through additional co-location including, but not limited to, significant annual lease savings. When further co-locations are proposed, radio production systems should be examined as a target of standardization. Without physical co-location, however, the benefits of some system changes do not outweigh the inherent risks and potential programming disruption.

Operational Costs by Locations

Local labor laws and job markets drive the cost of operations at each location. Salary costs are one driver. Another is benefits policies. Currently salary and benefits costs vary significantly by location. In the DC area, the cost of benefits average 31.5% of salary across the three grantees while salary levels are relatively comparable. In Prague, however, salaries are comparably lower but benefits cost approximately 49% for Czech local staff and on average 86% for U.S. and third country national staff. Total compensation (salary plus benefits) were considered when weighing location alternatives.

The following is a comparison of current average total compensation levels across the three current grantees for select positions.

[redacted]

While greater staff concentration in Prague was considered, it would initially 1) hamper transition efforts in the near term; 2) include only a small number of positions given the effort to keep local support on the ground in each primary production location; and 3) would require elimination of jobs in America with re-establishment abroad. Further functional relocation, especially of administrative functions, should be considered fully after the initial consolidation. Total compensation and availability of skills in the local work force must be examined.

Cost to Consolidate

The cost to implement the merger is estimated at $4.5 million. About $2.1 million of that cost could be offset by salary savings in FY 2013, yielding a $2.4 million, one-time funding requirement to implement the consolidation plan. There are four primary costs of consolidation: 1) legal due diligence, 2) administrative systems integrations, 3) contractor transition support and 4) severance. Funding for all but severance costs is required well in advance of the actual merger – at least six months in advance of any planned merger date. Ideally this funding would be made available in FY 2012 through a reprogramming action.

Estimated Cost of Consolidation

($ in millions)

Line Item	One-Time Cost
Legal Fees	1.0
Enterprise Systems Integration	0.9
Transition Support	0.2
Space Reconfiguration	0.3
Subtotal, One-time FY 2012 Costs	**2.4**
One-Time FY 2013 Costs (Severance)	**2.1**
Total Cost of Consolidation	**4.5**
FY 2013 Sal/Ben Savings Offset	- 2.1
Total, One-Time Costs Requiring Funding	**2.4**

Challenges and Benefits

There are no insurmountable operational road blocks to completing the merger. The current grantees' policies and processes can be standardized or harmonized, without putting the missions or programming of the RFA, RFE/RL, and MBN brands at risk.

The benefits of the merger are that it will reduce duplication of administrative functions, and create a streamlined grantee organization that will be more focused on the mission of the brands it broadcasts. It will allow for reallocation of funding being wasted on administrative redundancies required by three separate corporations. While this consolidation intends to streamline support and overhead to enhance program funding, the brands can also benefit from broader perspectives and global programming reach. In terms of platforms, MBN's television experience could benefit all of the brands as visual media becomes more important in all of the regions.

The establishment of a new organization will require intensive "change management" efforts. There will be impact in the near term on the culture and staff of the current grantees. Employees will need to receive clear and transparent information about the changes in a timely fashion to dispel uncertainty. Following selection of leadership, a communications plan needs to be rapidly developed, as it will be important to ensure as seamless a transition as possible with respect to employees and to external stakeholders. Target audiences that are loyal to the current grantees should be made aware that the brand identities will remain and potentially grow stronger.

Recommended Next Steps

The consolidation of the grantee organizations is a first step in a greater restructuring of U.S. international broadcasting, but could stand alone to realize efficiencies and improve overall coordination among and between the grantee brands. Delaying consolidation delays achieving efficiencies. As such, the BBG should:

1. Prepare and submit a congressional notification to the appropriate congressional committees to notify of a proposed reorganization and reprogram funds to make funding available to hire legal counsel to plan the transaction and begin legal due diligence; and, contract with experts to plan systems integration and other implementation planning.

2. Initiate action to select a CEO for the new organization.

Consolidation Work Streams and Approximate Timeline

With board approval by May, we believe we can complete the merger by January 2013. The key milestones are shown below. More detailed work steps and timelines are included in Appendix 3. Dates are based on obtaining Board approval to proceed at the April meeting, and subject to shift if decisions are delayed.

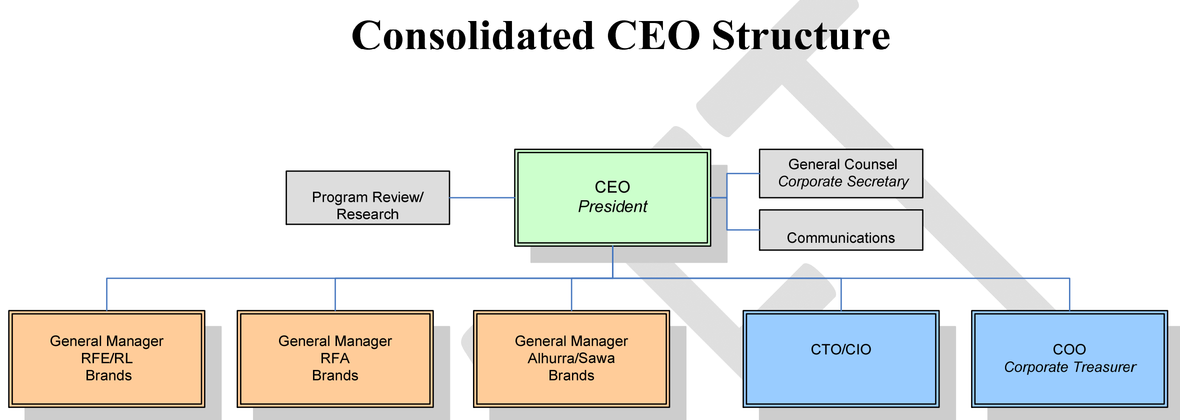
Function	2012									2013
	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan
Governance and Legal	★ Board approval to proceed	★ Select outside Counsel and begin due diligence			◆ Determine new corporate structure		◆ Determine contracts to be reassigned; begin process	◆ Complete regulatory or statutory filings	◆ Complete legal transaction	
Budget and Finance		★ BBG initiates reprogramming and Congressional notification	◆ Select Financial System vendor	◆ Determine payroll approach Select banking partners Complete new policies / procedures		◆ Establish Op plan for FY13		◆ Test payroll for consolidated entity and open new bank accounts		◆ Fin System Go-live First payroll Bank accounts funded
Content and Programming			◆ General Managers selected							
HR		★ Board selects CEO	◆ First Tier leaders selected		◆ Kick off employee selection (and recruiting if needed); fill positions; Initiate severance process for those not selected ◆ Second Tier leaders selected Full org structure announced	◆ Complete and announce compensation programs, benefits, and consolidated policies ◆ Begin set up of new HRIS		◆ Negotiation of RFA CBA	◆ Staffing of new org complete	◆ HRIS Go-live
Admin/ Facilities			◆ Begin planning DC real estate downsizing ◆ Complete inventory of assets and identify gaps	◆ Finalize common Policies/procedures (incl security)		◆ Merge property inventories			◆ Complete HQ moves	◆ Complete all moves
Technology			◆ Begin detailed review of Technology and infrastructure at each legacy organization		◆ Begin support of financial and HRIS system consolidation ◆ Begin implementing telecom and/or network streamlining	◆ Complete design of a technology and infrastructure integration roadmap				

★ Key Board Activities ◆ Major Milestones

III. Description of Functional Areas

A. Office of the CEO

Organization Chart: The following reflects a consolidated CEO structure. The new organization would be led by a single CEO who will be responsible for all brand programming activities and for providing the administrative and technological support necessary for their success. The International Broadcasting Bureau will continue to be responsible for distribution/transmission of the brands' programming.



Description of Operations:

The office of the CEO would oversee the entire consolidated grantee organization. The CEO will be supported by one Executive Assistant.

Operating Locations

In the consolidated operating model:

- The Office of the CEO would be co-located with the broadcasting hub of the RFA brands. This location is recommended due to its proximity to BBG and space availability. No additional space would need to be leased. The CEO, Office of the General Counsel, Communications Director, CTO/CIO and COO would be located at headquarters.
- Two other primary production hubs supporting RFE/RL and Alhurra and Sawa would initially remain in their current locations, Prague and Virginia, respectively. Brand General Managers would be located at their respective production hubs.
- There would be no change to secondary production hubs—in Moscow, Dubai, Cairo, Baghdad, for example – or any bureaus integral to the greater organization.

- A consolidated administrative support center would be co-located with the Virginia production hub to take advantage of a cost-effective proximity to headquarters and two of three operational centers. Again, no additional space would need to be leased.

- Appropriate resources would be deployed to each primary production hub to provide human resources, communications, financial, and administrative support on site.

<u>Functions Reporting to the CEO</u>

The Office of the CEO will include the Office of the General Counsel, Communications, and Program Review/Research functions. The General Counsel, Director of Communications, and Program Review/Research Director will report directly to the CEO. Description of consolidated Communications and General Counsel offices follows in sections F and G, respectively.

The Program Review and Research functions operating separately in each of the three grantees will be consolidated under one office under the CEO. Currently, 9 positions and $1.2 million are dedicated to program review and research across the three grantees to provide internal reviews and recommendations for programming improvements at least annually. Initially, there is no change envisioned to the level of positions or resources dedicated currently to this function under consolidation.

Brand General Managers, Programming and Content

Three Brand General Managers will report directly to the CEO. Each will be located at the primary broadcasting hub for his/her brands so that he/she can be close to the content generation and distribution that is key to the mission. These General Managers will ensure the continued impact and integrity of the programming. The plan assumes no change in the journalistic mission or programming of the current grantee organizations. Rather, it maps a plan for streamlining and consolidation of support functions only. All brands are retained and programming is not affected by the parameters of this consolidation plan.

Upon consolidation, all personnel including journalists would belong to the single, consolidated grantee organization. Though the daily roles of the content and programming staff would not change, changes or adaptations of internal company policies would affect all employees. The guiding premise of such changes is to harmonize pay structures, titles, policies and programs across the brands so that employees are treated fairly and equitably. This will take into account different geographic locations where the journalists and programming staff are located.

Office of the COO/Corporate Treasurer

The COO/Corporate Treasurer will oversee all aspects of Finance, Human Resources, and Administration. This position will report to the CEO and will be located at the DC headquarters. The Chief Financial Officer, Chief Human Capital Officer, and Chief Administrative Officer, will report to the COO and will be based nearby in Springfield, VA. The Springfield location will serve as a Finance, Human Resources and Administrative services center due to its size, space availability and lower cost. While personnel for these functions will be centered in Springfield, sufficient Human Resources, Finance, and Administrative staff also will be located at the DC, Prague, and other field locations as needed to support the employee base located there.

A description of the consolidated Budget and Finance, Human Resources, and Administration functions follow in Sections B, C, and D, respectively.

Office of the CTO/CIO

A single CTO reporting to the CEO will guide technical and production operations for all brands. Chief Engineers will be appointed to direct technical operations at the three primary production facilities in Prague, DC, and Virginia. Corporate leads will be established to manage enterprise concerns, including telecommunications, network security, and new media system architecture. Staff supporting these functions, regardless of their physical locations, will report to these new corporate leads.

A description of the consolidated CTO function follows in section E.

Some of the key distinctions between the current model of three separate Grantees and the proposed consolidated model are as follows:

Current State	Consolidated Grantee Model
• Three corporate Presidents are responsible for the brands and related production and business issues. They make decisions to protect and foster their brands and their impact. Three Presidents represent distinct and narrow interests to the Board and its staff.	• A single grantee President will direct and lead a unified organization balancing the interests of individual brands in the context of overall priorities. The Board will be informed through a single President.
• All brand managers report to a President with a single regional and/or brand focus.	• Brand managers will report to a single President with global responsibilities.
• Three separate corporate structures currently exist with varying numbers of executive level positions and spans of responsibility.	• A single structure, with Communications, General Counsel, Program Review/Research, three brand managers, a CTO and COO all reporting to the President.
• There are three Headquarters locations for grantee operations.	• There will be one Headquarters (DC) location, with two other major broadcasting centers to support operations (Prague and Virginia).

Current State	Consolidated Grantee Model
• BBG staff manages three grant agreements. Grantee issues require multiple conversations with contacts in three organizations. Organizational lines and data are different in each entity.	• A single grant agreement will enable all non-federal programming. There will be a single grantee point of contact for all IBB and BBG staff functional issues.

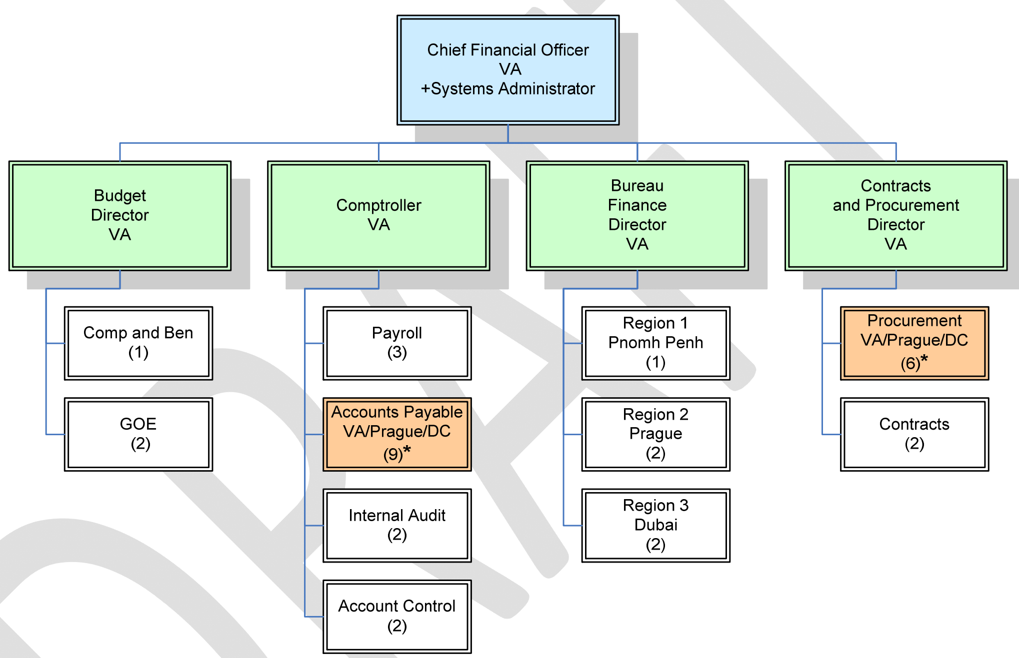
Impact on Resource Requirements:

By establishing one CEO, consolidation would reduce costs by approximately $1.2 million annually. An estimated 5 of the 7 positions that currently support CEO front office operations could be eliminated, saving about $0.9 million in salaries and benefits annually. In addition, related operating costs could be reduced by about $0.3 million, primarily for travel and other direct support costs. Resource implications of consolidation of legal, communications, COO and CTO operations are detailed in the individual functional analyses that follow.

B. Budget and Finance

Organization Chart: The following reflects a consolidated CFO structure of 38 positions that would provide financial management support required by a consolidated grantee organization.

Consolidated Budget and Finance Structure
(38 Positions)



* assumes field deployment of 8 accounting and 5 procurement staff - location distribution will be determined by final workload and workflow analyses

Description of Operations:

A single CFO structure, set of policies, procedures and workflows would provide comprehensive, integrated support to the consolidated non-federal broadcasting community. All elements of finance, procurement, budgeting, and bureau financial operations would be managed under a single CFO. To ensure timely and seamless financial administrative support, accounts payable staff and procurement specialists would provide on-site support at the major production locations in DC, Virginia, and Prague.

The CFO would be supported by four Directors and a Systems Administrator (reporting directly to the CFO). A Budget Director would lead budget formulation, execution, and reporting. A single Corporate Comptroller would manage financial operations, including financial internal auditing and controls, account reconciliation and financial reporting, cash management, and vendor and contract staff payments. A Contracts and Procurement Director would manage all contracts and purchasing. A Bureau Finance Director would provide regional operational support, oversight, and reporting of bureau financial activities that encompass approximately 15% of all grantee resources. The bureau finance operations would be a lifeline to the bureau operations around the globe. Regional Finance coordinators would be located in Phnom Penh, Prague, and Dubai. Initial consolidation assumes no immediate change in bureau resources.

Overseas Bureaus CFO Bureau Finance Oversight/Support				
Bureaus	**Admin FTE**	**Total FTE**	**FY 2013 Funding**	**CFO FTE**
Region 1	**6**	**50**	**1,450**	**1**
Bangkok	*1.5*	*9*	*299*	
Hong Kong	*1*	*7*	*578*	
Phnom Penh	*1*	*25*	*140*	
Dharmasala	*1*	*2*	*18*	
Seoul	*1.5*	*7*	*415*	
Region 2	**22**	**340**	**14,000**	**2**
Kabul	*2*	*7*	*1,557*	
Yeravan	*1*	*14*	*809*	
Baku	*1*	*20*	*844*	
Sarajevo	*2*	*21*	*610*	
Pristina	*1*	*6*	*499*	
Belgrade	*1*	*19*	*204*	
Minsk	*1*	*9*	*762*	
Tblisi	*1*	*70*	*696*	
Almaty	*2*	*23*	*618*	
Bishkek	*1*	*26*	*629*	
Chisinau	*1*	*58*	*374*	
Islamabad	*1*	*8*	*399*	
Dushanbe	*2*	*15*	*458*	
Kiev	*3*	*20*	*1,095*	
Moscow	*2*	*16*	*3,946*	
Various	*0*	*8*	*500*	
Region 3	**10**	**298**	**23,293**	**2**
Cairo	*1*	*52*	*3,822*	
Jerusalem	*1*	*16*	*2,345*	
Dubai	*3*	*63*	*6,250*	
Baghdad	*3*	*97*	*4,480*	
Beirut	*2*	*35*	*5,275*	
Various	*0*	*35*	*1,121*	
Total	**38**	**688**	**38,743**	**5**

The consolidated CFO function would; increase efficiency, provide transparency internally and externally, eliminate existing organizational redundancies, and reduce executive overlap without diminishing services, internal controls, service levels or productivity.

Key distinctions between current and consolidated models include:

Current State	Future State

Current State	Future State
• Each grantee has developed and maintains Individual financial systems with different coding, architectures, applications, and reporting capability with different policies and practices by each grantee. - RFE/RL uses PeopleSoft - MBN uses Deltek CostPoint - RFA is transitioning to Deltek CostPoint.	• A single financial management system would maintain and report financial data uniformly across all corporate and brand financial activity. Two of the three entities would merge their data into, and begin operating under, one of the existing financial management systems. Legacy systems would remain intact for a close-out period only.
• Each grantee is supported by its own payroll operations and staff. - RFA runs all payrolls in-house - RFE/RL runs all payrolls except Moscow Bureau's in-house - MBN contracts for domestic and Iraq payroll services	• A single payroll office would provide in-house payroll services for all employees, excluding those in Moscow and Iraq (which will continue to be provided for through a service contract).
• RFA, RFE/RL, and MBN all carry corporate insurance for similar policies yet with varying deductibles, premiums rate, coverage, and limits of liability. Each entity works with a different corporate insurance broker.	• A single broker would provide common coverage, deductibles, and limits of liability across all brands for one premium.
• Contracting practices and contract templates vary between grantee organizations. Similar high value service contracts are in place for multiple, common vendors.	• A single set of contracting practices, and templates would be established. High value service contracts would be consolidated.
• RFE/RL, RFA, and MBN all work with different banks and banking practices. Each grantee maintains multiple accounts across the globe with a variety of signatories under different policies/practices.	• A single banking support system and policies would be established to support global operations.
• Each entity manages financial resources under its own accounting, budgeting, contracting policies and practices, and procedures. This results in unique data sets that are difficult to compare across	• A single set of policies and procedures would be established to guide resource management and administration.

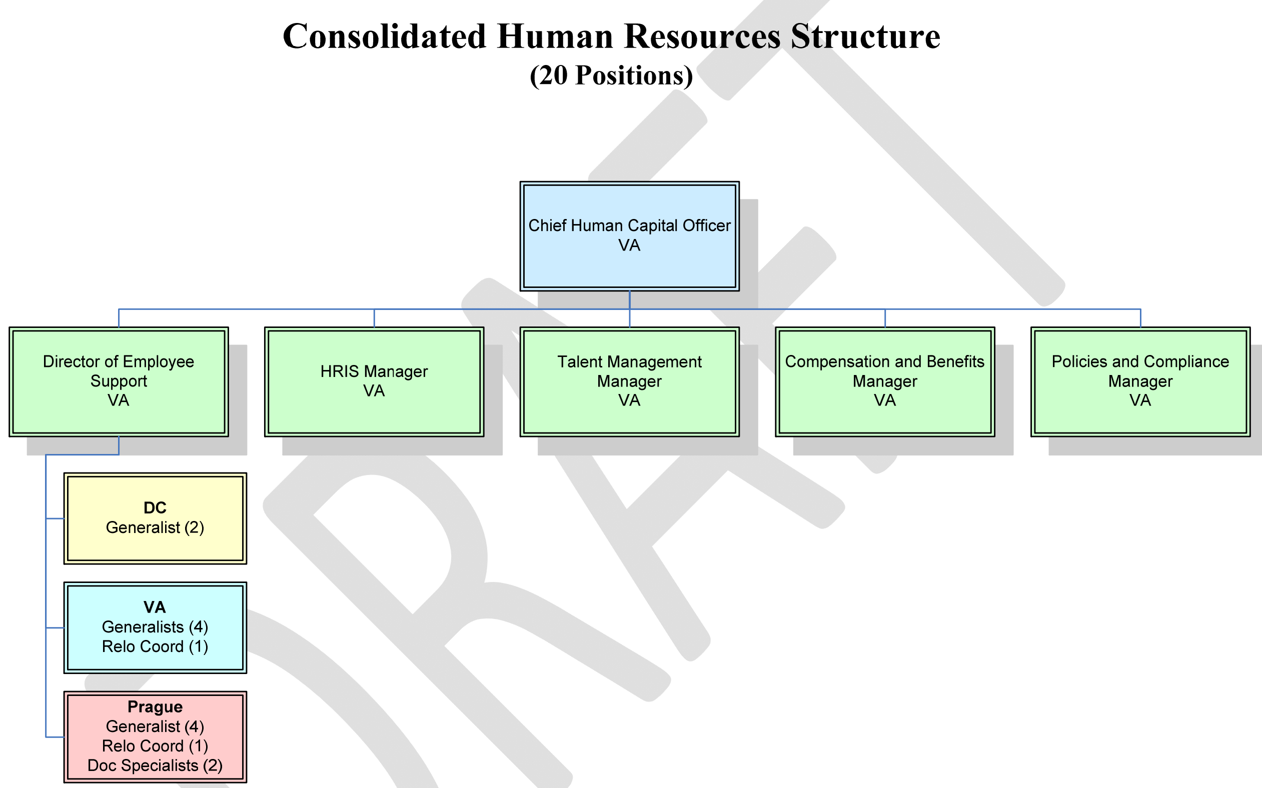
Current State	Future State
the three entities.	
• Three individual audits are conducted annually by an outside firm. Individual grantee financial statements are prepared under the direction of separate CFOs.	• A single consolidated audit with a single set of financial statements would be completed annually.
• RFA, RFE/RL and MBN all formulate and execute their budgets using different coding, function classification, and to different levels of detail. This clouds comparability and transparency.	• Common budgeting practices would be established for all brands and business units to ensure uniform, transparent and comprehensive reporting. Comparable data will optimize focus of reviews and decision-making.

Impact on Resource Requirements:

Consolidation would reduce the cost of grantee financial resources management by approximately $2.3 million annually. An estimated 8 of the 47 positions that currently support financial operations could be eliminated, saving about $1.3 million in salaries and benefits annually. In addition, related operating costs could be reduced by about $1 million, primarily for costs associated with accounting services, corporate insurance premiums, financial management system maintenance, and banking operations.

C. Human Resources

Organization Chart: The following reflects a consolidated Human Resources (HR) structure of 20 positions that would provide appropriate support to a consolidated, but not co-located, single grantee organization.



Description of Operations:

Currently three Human Resources teams operate independently, serving their own respective workforces. Each grantee's Human Resources team exercises the strategic role of program and plan design while also performing the customer-facing service delivery functions needed by entity personnel at all levels. A consolidated Human Resources function will centralize strategic and development expertise under a single Chief Human Capital Officer, while continuing to provide program support on-the-ground where primary employee populations are located -- in DC, VA and Prague.

Consolidating the expertise and the planning for Compensation & Benefits, Talent Management (recruiting, retention, and performance management), Policies & Compliance, and Human Resource Information System (HRIS) will enable the Human Resources professionals in the field (DC, VA and Prague) to focus on employee relations and related local issues such as staffing, labor relations liaison, and administration.

Key distinctions between current and consolidated models include:

Current State	Future State
• Three, distinct Human Resources Information System (HRIS) systems are maintained by each entity with varying level of functionality and data retention.	• A single HRIS system serving all employees would be maintained. An assessment of the HRIS options will be performed early in the consolidation process.
• Compensation structures vary in the entities: there are differing numbers of pay bands, steps, pay ranges, titles, timing of pay increases, performance award systems, etc. (see sample job comparisons below)	• A unified compensation structure with common pay scales by location, titling structure, award system, and accord on practices such as OT, comp time, pay differentials, etc. will be established.
• Benefits packages for each grantee differ widely in substance as well as employer/employee contributions e.g., health care, defined contributions, vacation eligibility, VEBA retirement care, extras such as transportation subsidies, health club memberships, etc. (see sample benefit comparison below)	• Comparable benefits plan for all employees of the consolidated organization, while remaining compliant with local laws and practices in both the US and abroad. Under consolidation larger employee population can be leveraged to reduce costs.
• Each grantee has developed its own policies and procedures.	• There will be a single set of harmonized policies and procedures, and a centralized repository for their review, development, and change.
• Varied performance management systems and training programs.	• The consolidated function will establish a common performance management system and talent development program, implemented by HR Employee Support personnel.
• There are currently unions in DC and Prague operating under Collective Bargaining Agreements (CBA) with all terms negotiated for generally a three	• Under consolidation, unions will continue to be managed under CBAs.

Current State	Future State
year contract. RFA's current CBA expires January 31, 2013.	

Employee Benefits

The benefits packages and their related costs to each of the three grantees vary, for example:

<u>Sample Benefits Comparison</u>

Benefit	**RFA**	**MBN**	**RFE/RL**
Benefit Rate %*	31%	32%	DC staff 32% Prague locals 49% Expats/TCNs 86%
Health premium split **Company Paid:**	75%	80%	DC staff 96% Expats/TCNs 91%
Employee Paid:	25%	20%	DC staff 4% Expats/TCNs 9%
VEBA health plan for retirees	Yes	No	Yes
Maximum Company contribution to 401/403 retirement fund:	9.25%	15%	9.5%
Paid Holidays	11	10	12
Paid Vacation	0-5yrs.: 15 days 6-10: 20 days 11 +: 25 days	0-2: 20 days 3-5: 25 days 6 +: 30 days	0-3: 20 days 4 +: 25 days
Monthly Transit subsidy	$135 cap	Shuttle from Springfield metro	$125
Parking	No	Yes	Yes
Gym membership	No	No	Yes

Benefit	RFA	MBN	RFE/RL
STD/LTD/Life Ins	Yes	Yes	Yes

* Benefit Rate is the percentage added to salaries and wages to capture cost of employee benefits provided. Prague Expat/Third Country National rate reflects additional benefits such as school tuition, exchange rate adjustment, housing allowance, travel allowance for home country visits, etc. There are approximately 300 Expats and Third Country Nationals today at RFE/RL.

Below is a comparison of total compensation for a few sample positions in each grantee:

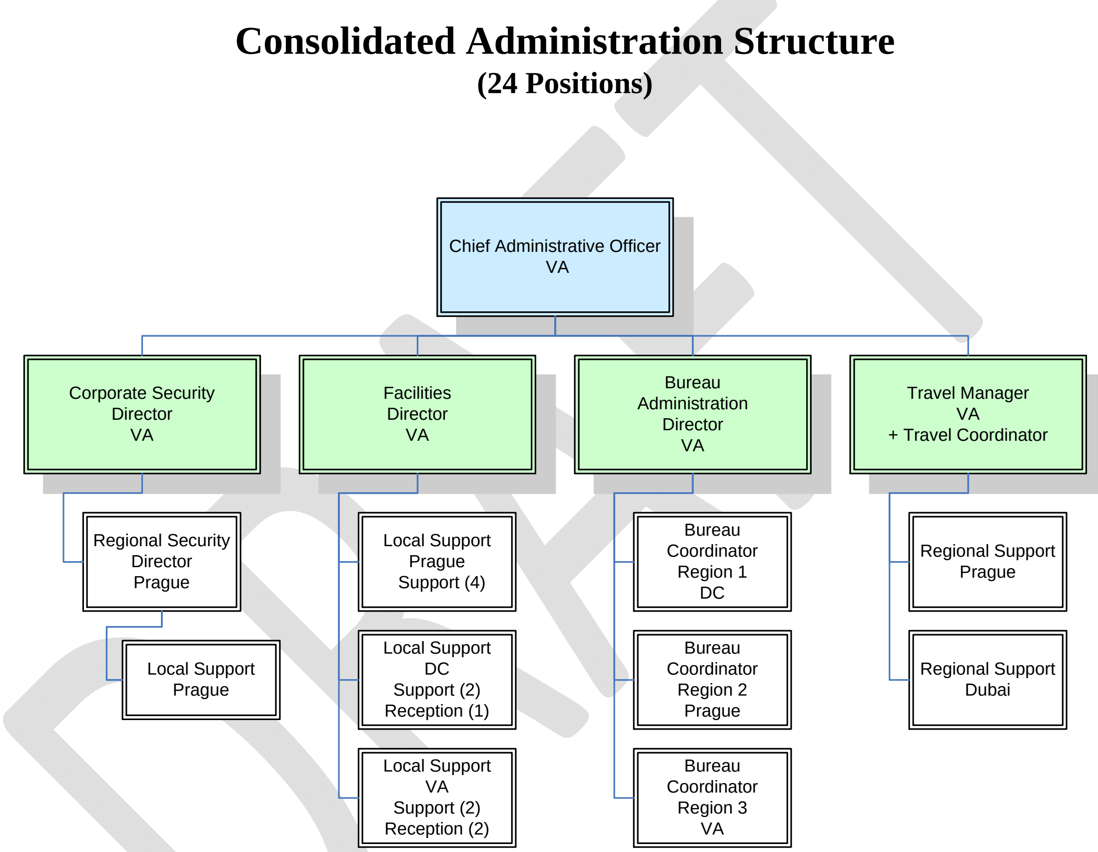
[redacted]

Impact on Resource Requirements:

Consolidation would reduce the cost of human resources management by approximately $0.2 million annually. An estimated 9 of the 29 positions that currently support human resources management could be eliminated, saving about $0.2 in salaries and benefits annually. Related GOE savings have not been projected.

D. Administration

Organization Chart: The following reflects a consolidated Administration structure of 24 positions that would provide support required by a consolidated grantee organization.



Description of Operations:

A Chief Administrative Officer reporting to the COO would lead administrative operations for the consolidated grantee, including management of Corporate Security, Bureau Administration, Facilities Management, and Travel.

Broadly speaking, Corporate Security will include staff safety, physical security for all locations, and crisis management; Facilities will manage building services and maintenance, mail/shipping, reception, supplies, transportation, catering (where necessary), and property management; Bureau Administration will provide oversight and support of administrative needs in bureaus across the globe; Travel will establish and implement global policy oversight and local implementation of travel logistics.

The Chief Administrative Office and key officers will be centralized in an administrative support facility co-located with production in Virginia. To ensure required administrative support to programming, administrative personnel will be located at all three production centers in DC, Virginia, and Prague. The consolidated organization centralizes major strategic and contractual functions to achieve efficiencies.

Global synergies or savings would likely be achieved through a harmonization of policies, procedures, best practices, space utilization standards, master contracts, etc. In particular, efficiencies are anticipated in areas like travel and shipping. Central contracting would remain flexible and adaptable to meet local needs without delay or unnecessary bureaucracy.

Key distinctions between current and consolidated models include:

Current State	Future State
• Structure and Oversight: RFE/RL, RFA, and MBN each operates their own Administration divisions and configures them differently with different functions reporting to the head of Administration. For example: RFA includes HR and Legal under their VP of Administration; CFOs for RFA and MBN report to their VP for Administration; RFA and RFE/RL maintain oversight of Facilities under their Technology divisions; RFA manages bureau administration solely through Finance.	• Structure and Oversight: A single Chief Administrative Officer will manage Security, Facilities, Bureau Administration, and Travel.
• There are three distinct sets of administrative policies and procedures.	• Policies and procedures will be unified to best support staff and ensure compliance with local and oversight requirements. The central office will be responsible for direction setting, major oversight of relevant contracts, etc. A global Travel Office will assure worldwide compliance with travel policies and procedures.
• Security: Each grantee has its own security policies and standards. RFE/RL and MBN have security staff and third party security contract support. Each grantee maintains its own processes and policies.	• Security: In a single organization, the Corporate Security Officer will be responsible for the following global security functions: - Corporate security policies and procedures (promulgation, updates,

Current State	Future State
	dissemination) - Crisis management - Background interviews - Investigations, following initial paperwork submitted locally - Interface with IBB and DOS - Staff safety assessments - Security training - Security contracts • The Regional and Local Security Offices will report to Corporate security and will handle the following local activities using the policies, procedures, and guidance set by headquarters: - Access control (badging and physical controls - Local on-site assessment of physical and staff security - Local crisis management - Local training implementation - Implementation of policies - Local security contract management
• Bureaus: RFE/RL, RFA, and MBN all support field bureaus to varying degrees and effect. Each organization structures its bureau support function differently.	• Bureaus: Establishment of a single unit to provide administrative support to bureaus will optimize coordination required to support bureau needs, including facilities, technology, equipment, troubleshooting, space or infrastructure, resolution of daily issues, documentation and routine paperwork, compliance, etc.
• Facilities: Each organization has its own facilities staff today. RFE/RL, RFA, and MBN define the scope of Facilities differently, and Facilities Management is logically quite local. • Each organization develops and maintains its own facilities processes and policies. • While most contracts and support of primary facilities and local offices must be implemented locally, there is currently no coordinated sharing or	• Facilities: In a consolidated organization there would be one Facilities group. Some functions would be centrally coordinated at HQ, while others will be performed locally. • An example of facilities functions to be coordinated at headquarters, yielding greater synergies and savings include: -Lease management -Major contracts (for travel, shipping, copiers, printers, building maintenance, etc.) - Harmonization of policies and

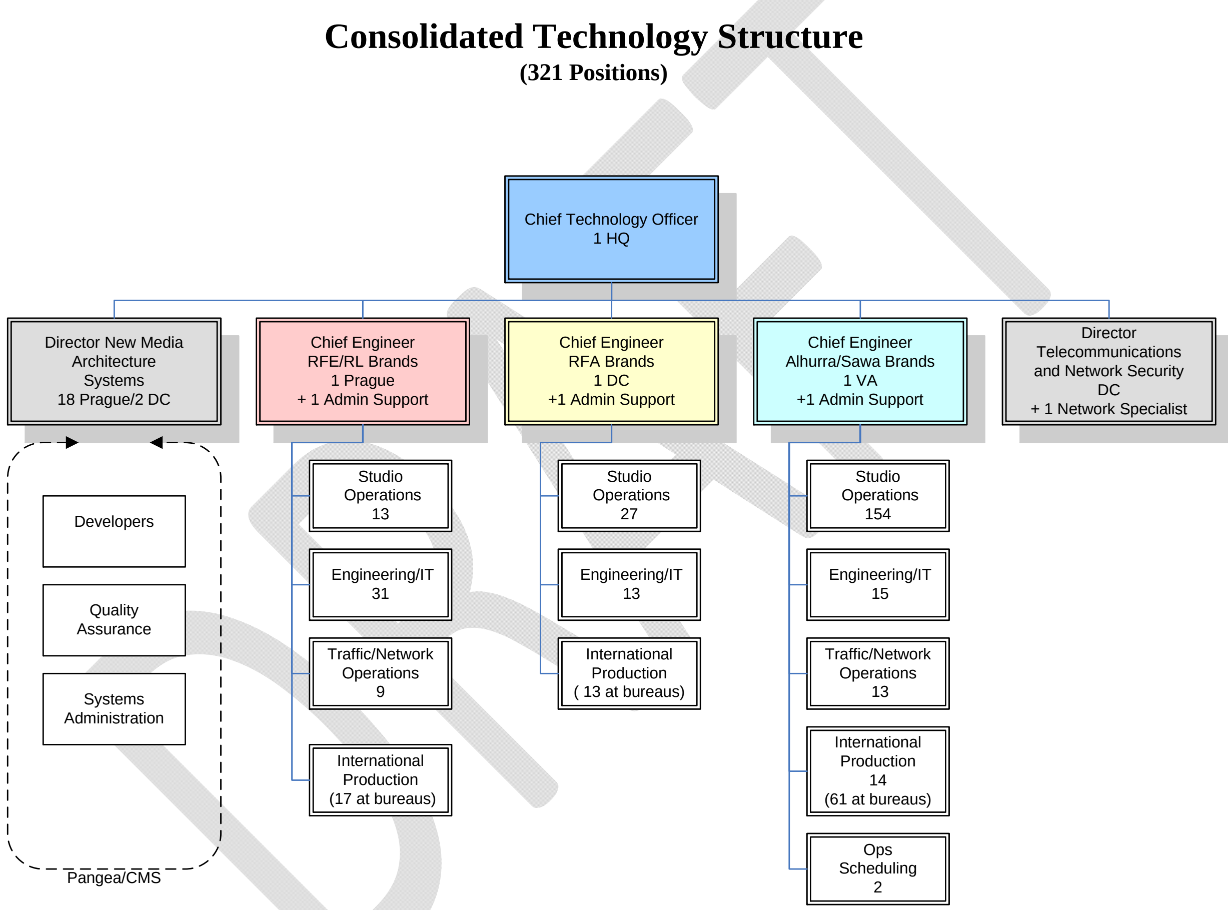
Current State	Future State
pooling of resources, for example, to achieve economies of scale in global contracts.	procedures (travel, transportation, use of equipment, supplies, etc.) -Property management oversight • Locally, Facilities Management would be tailored to the needs of the site to include: -Maintenance and support -Management of on-site service contractors - Shipping and receiving -Utilities services implementation - Catering where relevant -Transportation (motor pool and/or local vehicle transport) -Reception -Shipping and mail room; supplies -Property management implementation (e.g., physical inventory tracking)

Impact on Resource Requirements:

Consolidation would reduce the cost of grantee Administration management by approximately $2.5 million annually. An estimated 17 of the 41 positions that currently support Administrative operations could be eliminated, saving about $1.4 in salaries and benefits annually. In addition, related operating costs could be reduced by $1.1 million, primarily for costs associated with the elimination of space in DC.

E. Technology

Organization Chart: The following reflects a consolidated Technical Operations structure of 321 positions that would provide support to a consolidated, but not yet co-located, single grantee organization.



Description of Operations:

The consolidated technology infrastructure will support all brand production and technical requirements and develop strategies to capitalize on best practices of three, separate operations. A single CTO will guide enterprise concerns, including telecommunications, network security, and new media system architecture. Staff supporting these functions, regardless of their physical locations, will report to these new corporate leads. Chief Engineers reporting to the CTO will be appointed to direct technical operations at the three primary production facilities in Prague, DC, and Virginia.

Changes to infrastructure and organizational elements supporting each of the grantee brands are, in part, limited by the number and breadth of the three primary facilities. Repositioning and co-locating assets and staff would have significant impact on technical operational planning. Despite the limitation there are many areas where immediate integration is beneficial.

Key distinctions between current and consolidated models include:

Current State	Future State
• RFE/RL, RFA, and MBN technical operations workflows, efficiency standards, policies and planning horizons are currently distinct and separate. This results in separate and unequal staffing ratios, equipment quality, support levels, efficiency, and workloads.	• Through the establishment of a single CTO with strategic decision making authority, efficiencies and synergies will be pursued. Any redundancies and overlap will be identified and corrected to ensure optimal deployment of limited resources.
• RFA, RFE/RL, and MBN employ telecommunications strategies with limited similarities. Best practices have not been shared or employed across organizations.	• Unified leadership will apply best practices across the consolidated organization and exploit opportunities with shared services. Least cost routing within the shared assets of a single corporation will be an immediate opportunity for achieving efficiencies.
• RFE/RL, MBN, and RFE/RL use different production systems for radio production. MBN has television production automation systems while the others have not yet established separate or robust television support infrastructures. The FY 2013 budget includes plans for television production build-out in the Prague facility.	• The consolidated entity would initially not take any steps to homogenize radio productions systems or unify on a single radio system. Without co-location, the benefits do not outweigh the inherent risks and disruption. When co-location is possible, system streamlining should be pursued. There is an immediate opportunity to benefit from television expertise currently only supporting Alhurra.
• Data storage challenges are being managed and planned for separately with varying timeframes and associated costs and savings projections.	• A common storage strategy will yield efficiency and savings. Coordinated, integrated outyear planning for virtual storage solutions will ensure optimal efficiency is pursued during implementation and beyond.
• Each entity has its own array of ISPs. IPs are owned by two of the entities. There	• There is potential for bandwidth aggregation that would result in back-up

Current State	Future State
has been no sharing of these resources.	capability/redundancy as well as potential cost savings by eliminated underutilized ISPs.
• Only RFE/RL has a robust back-up recovery system.	• Network connectivity between field and production headquarters is being arranged by each grantee through BBG's MPLS system. With a unified network, the CTO can develop plans to establish backups in the multiple primary locations thereby strengthening emergency planning and eliminating the need for costly external solutions.
• Enterprise systems including the Financial Management System (FMS) and the Human Resources Information System (HRIS) are managed and maintained by the CTO's office in RFE/RL and RFA. While MBN's CTO maintains the FMS and HRIS, a Systems Administrator for the enterprise systems manages these systems and reports directly to the CFO.	• Enterprise systems will be maintained by the CTO. The Systems Administrator reporting directly to the CFO will manage the FMS and the HRIS. The Systems Administrator will work closely and cooperatively with the CTO team.
• Network Security is managed by each grantee CTO. Network Security is a principal concern of RFA, given the threats levied in the past.	• A single corporate Director for Network Security and Telecommunications would be established to direct security policy and implementation given its critical importance to the mission.
• RFE/RL and MBN will consolidate into Pangaea. RFA plans to continue to maintain a separate CMS.	• A New Media Architecture Director reporting directly to the CTO will ensure all elements work together effectively and determine the best solutions for the unified company.

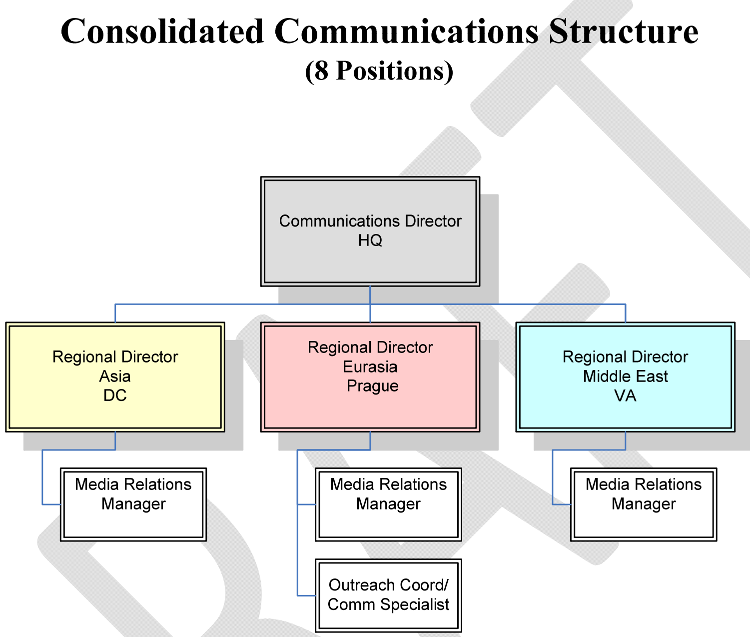
Impact on Resource Requirements:

Consolidation would reduce the cost of grantee technical operations by approximately $3.0 million annually. An estimated 9 of the 330 positions that currently support technical operations could be eliminated immediately, saving about $1.1 million in salaries and benefits annually. In addition, related operating costs could be reduced by about $1.9 million, primarily through implementation of best practices in telecommunications and revising disaster recovery plans within the consolidated network.

These savings scratch the surface of the potential resource implications of integrated technical operations. A thorough, detailed review of staffing ratios, position responsibilities, and optimal location of each position and function should be undertaken as soon as possible to assess the full extent of savings potential.   Minimal changes were made to operating cost assumptions given a lack of a full, comparable data. General operating expenses allocated to common vendors and other such sharing opportunities should yield additional savings upon fuller examination. There is no change to number of full time staff supporting bureau technical operations anticipated, which currently totals 91 local employees and full-time contractors.

F. Communications

Organization Chart: The following reflects a consolidated Communications structure of 8 positions that would provide strong support to a consolidated grantee organization.



Description of Operations:

The grantee communications organization has been meeting regularly within the past year to develop and align a common approach to communications and to coordinate within the greater BBG communications function. A consolidation would extend and expand upon this coordination. A single Communications Director reporting to the CEO would set and oversee corporate communications and government relations strategy and advise on issues relevant to the corporate mission.

Regional Directors located at the primary production hubs will focus on strategies for their assigned brand and local areas, work with local personnel on media and outreach issues, coordinate regional social media activities, serve as regional spokespersons and respond to requests from outside organizations. Media Relations personnel reporting to, and co-located with, the Regional Directors will facilitate and manage day-to-day media requests, proactively engage with local and regional media (print, websites, blogs, etc.), prepare press releases, update relevant websites, and provide general local communications support.

Key distinctions between current and consolidated models include:

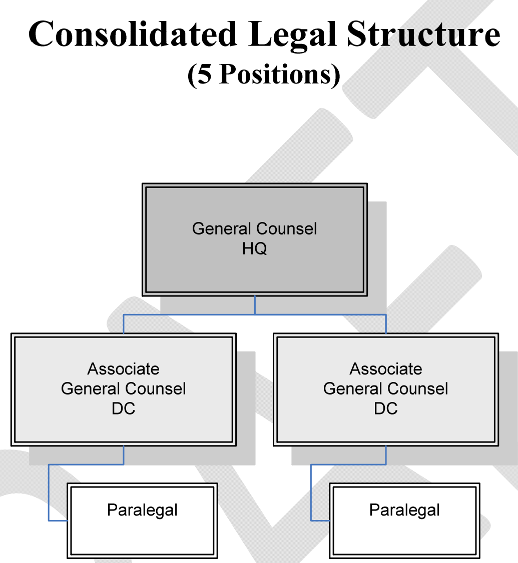
Current State	Future State
• Each organization currently has its own Communications Director, staff and processes. Communications is structured differently in each organization.	• There will be a single, integrated Communications team. Specific strategies and activities for each brand will be managed through Regional Directors.
• The scope of activities and size of staff managed by each communications office varies between grantees. Activities managed currently by at least one communications office include: - Media and public relations - Outreach and events - Journalist advocacy and crisis response - Government Relations - Marketing, including all affiliate relations, promotional materials, advertising) - Support of public appearances - Guidance on strategy and corporate social media efforts - Logistics coordination for VIP visits - Feedback to corporation from external media sources - NGO liaison - Review/approve outside communication activities of journalists - Media/outreach training - Award application and support	• The consolidated function will primarily focus on external communications issues and related coordination with the BBG. • Marketing and affiliate relations will be under the purview of the Brand Managers.
• Currently, each organization maintains its own set of communications databases.	• A single set of databases across all brands will be maintained.

Impact on Resource Requirements:

Consolidation would reduce the cost of communications by approximately $0.3 million annually. An estimated 3 of the 11 positions that currently support communications efforts could be eliminated, saving about $0.3 in salaries and benefits annually.   Related GOE savings have not been projected.

G. Legal

Organization Chart: The following reflects a consolidated legal structure of 5 positions that would support a consolidated grantee organization.



Description of Operations:

One General Counsel will lead a legal team reporting to the CEO at corporate headquarters in DC. In addition to the GC, two Associate GCs supported by two paralegals, will comprise the legal staff. Given that this office is small in number, the model is meant to be highly collaborative and informal.

The Associate General Counsels are closest to the client and will be assigned as primary point of contact for one or two brand lines, depending upon expertise.   When specialized or additional expertise is needed, an Associate GC will refer issues to other members of team, including the GC, the other Associate GC and, if necessary, outside counsel.

In a new organization, potential efficiencies would be realized in the joint use of outside counsel and the associated opportunity to negotiate more favorable rates. Efficiencies would also be gained in the reduction of legal review workload --review of a single set of policies, contracts, etc.

Key distinctions between current and consolidated models include:

Current State	Future State
• Each organization currently has separate GCs and legal support teams.	• There will be an integrated legal group, enabling efficiency and balancing of workload across resources.
• Within each organization, in-house legal counsel focuses efforts across a wide array of issues, including: - Human Resource issues (e.g. separation/termination, discipline, grievance, EEO); company ethics (conflict of interest, etc.) - major contract review - subsidiary issues - outside counsel services on litigation and local advice - negotiations on contracts and labor issues - corporate policies - audits - management policies - liaison with the Board in governance matters - media law, such as intellectual property/fair use, libel, pre-publication review, web and social media standards and practices - Unions	• The integrated legal team will continue to cover the current spectrum of issues. The future state would enable streamlining. For example, only one member of the legal team would need to pursue cross-cutting issues such as: - Retention of outside counsel for a common need across all brands - Liaison with Board - Training of staff on legal issues affecting all brands and staff therein
• Each organization has separate outside legal counsel service arrangements and separate subscriptions to legal publications/databases.	• One office will manage a single set of subscriptions, outside contracts, and outside counsel relationships to support all brands.

Impact on Resource Requirements:

Consolidation would reduce the cost of legal operations by approximately $0.2 million annually reflecting a new staffing model)no change in position total). Related GOE savings have not been projected.

IV. Appendix 1: Consolidation Planning Team Objectives, Scope and Approach

Objectives and Scope: The BBG's strategic plan, *Impact through Innovation and Integration,* calls for restructuring of international broadcasting elements to "eliminate back-office redundancy and inefficiency trapping resources needed on the front lines of our media endeavors." As part of a greater restructuring strategy, the BBG is further considering the merger of RFE/RL, RFA, and MBN into a single corporate entity with unified support systems. As such, the BBG directed the preparation of an implementation strategy for a grantee consolidation.

This plan:

- Examines how a consolidated grantee organization should be structured;
- Outlines major work streams and approximate timelines for consolidation;
- Determines human and financial resource requirements for a consolidated organization;
- Identifies costs to consolidate

The BBG has clearly stated that while cost savings are important, there are broader efficiencies and benefits to consolidation that drive the need for change. As such, efficiency and effectiveness of the consolidated support functions, not costs, were the primary focus of the plan development.

Note that this plan maps a consolidation of support functions only. All brands are retained and day to day programming operations are not affected by the parameters of this consolidation plan. Upon consolidation, all personnel would belong to a single, consolidated organization, with the only effect on programming staff being any changes made to the organization as a whole -- such as title parity, job description comparability, corporate policies, etc.

Planning Approach: Upon request by the Project Lead, Brian Conniff, key representatives from RFE/RL (Elizabeth Portale), RFA (Norman Thompson), and MBN (Kelley Sullivan) were assigned by their respective Presidents to help lead the planning effort. Six functional working groups -- comprised of subject matter experts from each grantee -- were formed to examine all primary support function to be consolidated, including:

- Budget and Finance
- Human Resources
- Administration
- Technology
- Communications
- Legal

Each working group, led by assigned key representatives, worked in parallel over the course of about four weeks to discuss and make recommendations to advise on the 1) structure, 2) budget, 3) staffing levels and 4) impact of consolidation on the support function. Serious, cooperative discussions and examination of issues were had by each working group to the benefit of the overall planning effort.

Working with the inputs of each functional group, the principal grantee representatives together designed a plan for each area. The Project lead determined the contents of the final report submitted for the IBB Director's consideration and ultimate submission to the Board. The analysis and report preparation were aided by Deloitte Consulting.

No funding, per the direction of the BBG, has yet been spent to initiate any contracting efforts required to move forward on consolidation, including due diligence and legal action. The balance between aggressively moving forward and appropriate stewardship of grant funds required a delay in contracting for outside services.

V. Appendix 2: Grantee Support Resources included in the President's FY 2013 Budget Request

Support Function Resources
Current v. Consolidated
Funding Requirements
$ in 000s

	FY 2013 Budget Base												Outyear					
	RFA			RFE/RL			MBN			Total Three Grantees			Consolidated Requirement			Consolidated v Current		
Support Function	Sal/Ben	GOE	Total	Sal/Ben	GOE	Total	Sal/Ben	GOE	Total	Sal/Ben	GOE	Total	Sal/Ben	GOE	Total	Sal/Ben	GOE	Total
Office of the CEO	354	55	409	592	282	874	330	26	356	1,276	363	1,639	334	50	384	-942	-313	-1,255
Communications	244	28	272	554	76	630	341	17	358	1,139	121	1,260	841	121	962	-298	0	-298
General Counsel	158	61	219	372	252	624	294	419	713	824	732	1,556	642	732	1,374	-182	0	-182
Program Review/Research	401	67	468	308	96	404	311	9	320	1,020	172	1,192	1,020	172	1,192	0	0	0
Office of the COO*	0	0	0	260	12	272	218	5	223	478	17	495	216	10	226	-262	-7	-269
Chief Financial Officer	1,165	305	1,470	1,712	1,207	2,919	1,536	741	2,277	4,413	2,253	6,666	3,362	1,238	4,600	-1,051	-1,015	-2,066
Chief Human Capital Officer	397	102	499	1,098	268	1,366	582	1,121	1,703	2,077	1,491	3,568	1,885	1,491	3,376	-192	0	-192
Chief Administrative Officer	196	3,575	3,771	2,480	12,000	14,480	664	5,809	6,473	3,340	21,384	24,724	1,907	20,242	22,149	-1,433	-1,142	-2,575
SUBTOTAL	**2,915**	**4,193**	**7,108**	**7,376**	**14,193**	**21,569**	**4,276**	**8,147**	**12,423**	**14,567**	**26,533**	**41,100**	**10,207**	**24,056**	**34,263**	**-4,360**	**-2,477**	**-6,837**
Office of the CTO																		
IT/Eng/Production	4,396	1,160	5,556	5,092	5,218	10,310	18,157	10,635	28,792	27,645	17,013	44,658	26,548	15,063	41,611	-1,097	-1,950	-3,047
TOTAL, Support	**7,311**	**5,353**	**12,664**	**12,468**	**19,411**	**31,879**	**22,433**	**18,782**	**41,215**	**42,212**	**43,546**	**85,758**	**36,755**	**39,119**	**75,874**	**-5,457**	**-4,427**	**-9,884**
All Other Sal/Ben and GOE	17,851	5,192	23,043	38,434	19,279	57,713	43,518	21,137	64,655	99,803	45,608	145,411						
TOTAL BASE BUDGET	**25,162**	**10,545**	**35,707**	**50,902**	**38,690**	**89,592**	**65,951**	**39,919**	**105,870**	**142,015**	**89,154**	**231,169**						
FY 2013 Requested Enhancements				862	2,063	2,925	1,300	700	2,000	2,162	2,763	4,925						
TOTAL FY 2013 REQUEST	**25,162**	**10,545**	**35,707**	**51,764**	**40,753**	**92,517**	**67,251**	**40,619**	**107,870**	**144,177**	**91,917**	**236,094**						

* FY 2013 reflects VPs for Administration

VI. Appendix 3: Language Services by Grantee

RFA Languages	RFE Languages			MBN Languages
1. Burmese	1. Albanian	11. Crimean Tatar	21. Romanian (to Moldova)	1. Arabic
2. Cantonese	2. Arabic	12. Croatian	22. Russian	
3. Khmer	3. Armenian	13. Dari	23. Serbian	
4. Korean	4. Avar	14. Georgian	24. Tajik	
5. Lao	5. Azerbaijani	15. Kazakh	25. Tatar	
6. Mandarin	6. Bashkir	16. Kyrgyz	26. Turkmen	
7. Tibetan	7. Belarusian	17. Macedonian	27. Ukrainian	
8. Uyghur	8. Bosnian	18. Montenegrin	28. Uzbek	
9. Vietnamese	9. Chechen	19. Pashto		
	10. Circassian	20. Persian		

VII. Appendix 4: Sample Draft Implementation Timeline

Detailed transition roadmaps were drafted for several of the functional areas. Upon approval, the timelines and work activities would be refined.